Agriculture in Cambodia

(investincambodia.com)

Agriculture

The Council for the Development of Cambodia (CDC) recently approved agricultural investment projects worth more than $230 million, involving rubber, palm oil and sugar production and processing.

China's Yellow Field International Ltd and Great Field International are planning to invest $74.6 million and $66.4 million respectively to grow sugar cane and other crops; Vietnam plans two rubber plantations and processing factories; a Malaysian company is investing in a palm oil plantation, while United States-based Horizon Agriculture Development and Singapore and Malaysia's Mondul Agri Resources plan to invest $28.8 million and $30 million respectively to grow rubber trees.

For investors looking to grow and process crops, Cambodia is an ideal location as it has plenty of land available for agricultural concessions. From 1993 to 2009 a total of 126 companies were granted land concessions for growing crops, according to a report from the Ministry of Agriculture, Forestry and Fisheries. Concessions for the period totalled 1,335,724 hectares in 16 Cambodian provinces.

Cambodia is rich in farmland and hopes to attract more investment to the sector. The country wants to develop its rice exports and therefore welcomes investors, especially those willing to work with small farmers. In return for investments such as credit and technical assistance, farmers would be contracted to sell their crops to the investor.

Rice
Currently the world's 15th biggest rice producer, Cambodia is targeting annual rice exports of 1 million tonnes within five years. The country plans to raise rice production to 9 million tonnes of paddy by 2015, up from the current 7 million tonnes.

To achieve this target, Cambodia needs more foreign investment in order to construct rice mills. At present, most of the Kingdom's rice is sent to Vietnam to be milled and re-exported.

The Royal Government has introduced a number of measures aimed at boosting the country's rice-export capacity. It is urging local banks to provide money for rice-related business and has pledged to guarantee 50 percent of commercial bank lending to producers. Capital at the Rural Development Bank has been doubled to $36 million, and licence requirements for exporters are being scrapped.

Other government plans include strategies to build irrigation systems, provide technical services, land reform, financing, marketing, developing farming communities and improving institutions.

According to the Ministry of Commerce, 4,369 tonnes of milled rice was exported from January to June 2009. But in the first half of 2010, the ministry says 107,291 tonnes of milled rice was exported – an increase of 2,356 percent. This represents a value of $13.438 million, up from $2.193 million in 2009.

Prior to the Pol Pot era, Cambodia produced 500,000 imperial tons of rice in excess of domestic demand. Total paddy production was 2.38 million tons, which represented 1.1 percent of world paddy production. But as a result of the civil war, Cambodia was left unable to produce enough rice to even feed its own people. Not until 1995 did the country achieve self-sufficiency once again.

Cotton
From its $2 million cotton plant in Battambang province, Seladamex Co. Ltd exported its first 100 tonnes of unprocessed cotton and 360 tonnes of cotton seed in May 2010.

The company shipped 50 tonnes of unprocessed cotton to Vietnam, 40 tonnes to China and 10 tonnes to Japan, while all of the seed went to Vietnam. The raw cotton sold for $2,200

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per tonne, and the seed $250.
Seladamex expects to export another 200 tonnes of raw cotton and 400 tonnes of seed to these countries throughout 2010. The cotton plant is capable of processing 15 tonnes a day with an overall plant capacity of around 5,475 tonnes per year.

The company is encouraging local farmers to grow cotton by providing a guaranteed purchase price and free cotton seeds to the farmers.

Cotton-growing had almost ground to a halt in Cambodia, killed off by low prices, difficulty in finding buyers, insects, and Pol Pot. Prior to 1975 the industry thrived with thousands of hectares harvested each year.

Pepper
In 2009 half of the year's total Kampot pepper output of 14 tonnes remained unsold by year end. But since gaining Geographical Indicator (GI) status early in 2010, stocks sold out within months of being officially registered.

According to World Trade Organisation guidelines, GI strictly regulates every aspect of a product's properties to assure both its high quality and regional distinctiveness.

Prior to receiving GI status, Kampot pepper sold for around $3 per kilo, but this has now risen to $5.75 per kilo.

Around 17 tonnes of pepper was produced in the 2010 season on 9.75 hectares of farmland in Kampot province. Only 10 tonnes met the GI quality standard, of which around 6 tonnes were exported abroad.
In the 1930s almost all of the pepper consumed in France came from Indochina. Kampot pepper in particular was of exceptional quality and rapidly became 'the spice of choice for French restaurants'.

Sugar
In June 2010 Cambodia sent 10,000 tonnes of raw sugar to the United Kingdom — the Kingdom's first shipment of sugar to an overseas market in over 40 years.

It was exported by Koh Kong Sugar Industry whose plant opened for operation in January 2010. The company says it expects to harvest between 200,000 and 250,000 tonnes of sugarcane in 2010 and plans to increase its export volume to between 20,000 tonnes and 25,000 tonnes of raw sugar to Europe's markets in 2011.

The plant has the capacity to crush 700,000 tonnes of cane per year, with an expected raw sugar output of about 70,000 tonnes of sugar per year.

Koh Kong Sugar Industry is a $60 million joint venture between three partners – Thai investor Khon Kaen Sugar Industry Public Ltd holds 50 percent, Taiwanese investor Vewong Corporation holds 30 percent, and Cambodian investor Ly Yong Phat holds 20 percent.

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