



Kingdom of the Netherlands

AGRICULTURE IN CAMBODIA

Agriculture remains one of the four pillars of Cambodia's economy, alongside tourism, construction & real estate and garment. However, Cambodia is still at the early stage of its agricultural transition, as evidenced by its limited levels of investment and land productivity in comparison to regional neighbors. In this regard, the Dutch expertise could prove particularly valuable as the Netherlands are famously renowned for their comparative advantages in fields such as horticulture, crop seeds and irrigation, among others.

Agriculture in Cambodia

Located in South-East Asia, Cambodia is one of the fastest developing countries in Asia, with an average GDP growth rate around 7% over the past decade. As a result, it is now considered by the World Bank as a lower-middle income country, alongside Laos and Indonesia for example.

In addition, the country's population is increasing rapidly (1.6% annually), meaning that its domestic market is continuously expanding. Likewise, the share of urban residents is also increasing although the vast majority of Cambodians still live in the countryside, where agriculture still employed 42% of the Kingdom's total workforce in 2017, despite representing a mere 26.7% of its GDP.

Cambodia's geographical characteristics partly explain the predominant role of agriculture. Indeed, the core of the country's territory, where most of the population is concentrated, is characterized by lowland and hills where freshwater (e.g. rivers, lakes, underground sources) is abundant. Cambodia's climate is also favourable - the country benefits from the monsoon season (from May to October), which is associated with heavy rainfalls, and the temperatures remain

high year-round. These natural endowments are extremely favorable for the cultivation of paddy rice (which represented 68% of all cultivated areas in 2013) but also many other crops, including maize, cassava, mangoes and rubber.

Cambodia is part of the ASEAN Free Trade Area (AFTA) and also benefits from the Everything But Arms (EBA) initiative from the European Union and the Generalized System of Preference (GSP) from the US. These agreements make the western market accessible for Cambodian export commodities.

However, a number of challenges stand in the way of Cambodia achieving its agricultural production potential. The country still lags behind regional counterparts in terms of land productivity as investment, training and quality standards remain comparatively low. As a result, growth in agriculture slowed to around one percent annually in the last five years. Nevertheless, trends like crop diversification, mechanisation, irrigation of land, use of selected inputs, commercialisation and development of processing industries are on the rise in Cambodia and could offer fruitful investment opportunities for investors willing to bring in capital, skills and best practices to the kingdom.

Rice

Rice is by far Cambodia's main crop, with a total production of 9.95 million tons in 2016. Cambodia exported 635,679 tons of rice in 2017. Exported varieties are typically of high quality, as evidenced by the "World's Best Rice" award received by one variety of Cambodian fragrant rice in 2012, 2013 and 2014. Growth of rice exports has been prioritized by the government, as evidenced by multiple agreements with peer countries, which allowed Cambodia to diversify its trade partners to 63 destinations in 2017.

Cambodia's production is divided between rainfed paddy rice, growing during the wet season and representing 80% of total output, and dry-season crops which require irrigation technics but offer much higher yield.

Rice-milling facilities offer interesting potential for development as the kingdom lacks the capacity to process its domestic produce. Hence, most of the country's production is currently exported to neighboring countries, prior to being re-exported.



Horticulture

Apart from rice, Cambodia produces a wide range of crops, which are typical of a tropical country. Rubber, cassava and exotic fruits are currently amongst the most popular export commodities. Given its natural endowments, Cambodia has high potential to produce high-quality products. In addition, the kingdom has been relatively preserved from excessive use of chemicals so far. With a growing effort to enforce strict norms and standards, Cambodia should be able to gain an increasing share of the international markets for major crops.

The crop yield of subsidiary and industrial crops is increasing much faster than that of rice. Subsidiary crops enjoyed a 400% boom in production between 2006 and 2015. In addition to providing an alternative source of income, growing subsidiary and industrial crops offers higher returns to producers. To support this transformation, several programs assist farmers by providing them with market information, training, and technology as well as financing options.

Collaborating with such projects could provide a market entry mechanism for prospective Dutch businesses aiming to supply Cambodian farmers with agricultural inputs.

Such products are typically exempted from import tariffs and investments in this field are eligible for various incentives. Hence, given the expertise of Dutch companies, irrigation solutions, agricultural machinery, seed distribution and fertilizers could be considered as relevant opportunities.

Lastly, Cambodia also lacks a developed food processing industry - only 10% of Cambodia's agricultural goods are processed. Likewise, much of Cambodia's agricultural exports are raw products (cashew nuts, mangoes, rubber, and cassava), headed to Thailand and Vietnam, where they are processed. This results in a significant loss of potential value add for Cambodia. Local industries for products like cassava starch, rubber products or processed fruits are still nascent but remain open to venture investors, and remain a mostly untapped market.



Livestock and fisheries

Rising living standards, coupled with greater diversification of household food consumption has led to an increased demand for livestock and meat (280,000 tons in 2016). This is well above the level of domestic supply, resulting in \$100 million worth of imports for the year 2016. Dutch companies could contribute to overcome the shortcomings of the Cambodian meat industry by working in supply chain integration as well as improving quality standards thanks to their experience in animal care and nutrition.

The fisheries sector covers freshwater fishing, maritime fishing and aquaculture, all of which are present in Cambodia. Aquaculture in particular follows a promising trend (+139% growth compared to 2010). Following this development, it could be possible for companies to target Cambodian aquafarms as a potential market for fish seeds and feed.



Opportunities & Challenges

Dutch companies should consider the following:

Opportunities	Challenges
<ul style="list-style-type: none"> Exporting inputs Chemical fertilizers, plant nutrients and pesticides from the Netherlands for agricultural production (rice, cereal, cassava & tuber crop) in Cambodia. 	<ul style="list-style-type: none"> Competition from neighbouring countries
<ul style="list-style-type: none"> Horticultural Production Hydroponic vegetables production in plastic greenhouse for high-ended local consumers and tourists 	<ul style="list-style-type: none"> Price volatility Lack of finance and knowledge are primary obstacles. Fruits & vegetables are imported from neighboring countries at a lower cost.
<ul style="list-style-type: none"> Rice milling 	<ul style="list-style-type: none"> Rice is a major crop but the country lacks the infrastructure required for higher productivity. Lack of further processing technology for the production of higher value added products.
<ul style="list-style-type: none"> Agro-Processing Value added products in agro-industry and food industry 	<ul style="list-style-type: none"> R&D and capacity building on knowledge & technology for processing & product development is needed. Food industry technology continues to develop but needs to be diversified into processed products.
<ul style="list-style-type: none"> Commercializing technology for farm management Machinery, irrigation technology (support from relevant programs is possible). 	<ul style="list-style-type: none"> The adverse effect of climate change on agricultural production could force the country to use more innovative technology for farm management (hardware & software). Access to finance & knowledge is a constraint.
<ul style="list-style-type: none"> Animal & Aquaculture feed Thai companies are big players in this region. Collaboration with regional feed producers as suppliers of ingredients, software & hardware could be an option. 	<ul style="list-style-type: none"> Competition from regional players
<ul style="list-style-type: none"> Imported food products to serve the growing hospitality industry The number of domestic high-ended consumers and foreign tourists is increasing. Due to low food safety standards, imported food products could serve these targeted groups. 	<ul style="list-style-type: none"> Many Thai importers of food products from the Netherlands also re-export to Cambodia.

Trade fairs

Agri Livestock Cambodia 2018, November 01-03, 2018, Phnom Penh

<http://agrilivestock.net/AGRI%20CAMBODIA/>

Cambodia International Agriculture Techniques & Water Treatment Exhibition, August 22-25, 2019, Phnom Penh

<https://10times.com/cambo-agrotech-expo>

Agri Cambodia 2019, Phnom Penh

<http://agriculture-exhibition.com/cambodia-1.html>

Eurofair Cambodia, Phnom Penh

<https://www.facebook.com/eurofaircambodia/>

Relevant contacts

Ministry of Agriculture Forestry and Fisheries

<http://www.maff.gov.kh/>

Ministry of Rural Development

<http://mrd.gov.kh/>

Cambodian Investment Board

www.cambodiainvestment.gov.kh

Delegation of the European Union to Cambodia

eeas.europa.eu/delegations/cambodia_en

European Chamber of Commerce in Cambodia

www.eurocham-cambodia.org

SNV Cambodia

<http://www.snv.org/country/cambodia>

Netherlands Enterprise Agency

www.rvo.nl

Dutch Development Bank

www.fmo.nl

Asian Development Bank

www.adb.org/countries/cambodia/main

World Bank

www.worldbank.org/en/country/cambodia

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