



សមាគម រាជ័យកម្មជំនួញស៊ីស័រពៅលួន

SAMPOVLUN CASSAVA ASSOCIATION

TrapaingProlit Village, Santipheap Commune, Sampovlun District, Battambang Province, Cambodia

Tel:+(855)17 415 205, +(855)87 446 464, +(66)85 210 4313 Email:yothinpich@gmail.com

Aid Memoire

Discussion Meeting:

“Facilitation with Cross-Border Check Points for Smooth Export of Cassava Commodities with Neighboring Countries”

Between

Battambang Provincial Hall and Sampovlun Cassava Association

At Provincial Department of Commerce, Pailin Province

On 28 September 2015

Through the Cambodia Export Diversification and Expansion Project II

The Ministry of Commerce and UNDP-Cambodia

With the funding support from

Enhanced Integrated Financing

1. Overview of government export policies

Cambodia embarked on its transition from a command- to a market-oriented economy in the midst of its transition from an LDC to that of an emerging economy. It has already taken extensive unilateral liberalization measures regarding trade and investment in the past few years as it has integrated into the regional and global economy with its membership in the Association of Southeast Asian Nations (ASEAN) and its accession to the World Trade Organization (WTO). Cambodia is without doubt accelerating the pace of its integration with the regional and world economies as the Royal Government of Cambodia, in the new legislative mandate, has continued to promote export of agricultural commodities to international market by adopting diversification and market expansion strategies to improve competitiveness. As articulated in the National Strategic Development Plan 2013-2018, export promotion will improve the income of players in the value chains, create greater employment to sectors involved in these chains, maximize profits through values addition in agricultural and high-end products processing. With the various reforms implemented by the Royal Government of Cambodia and the support of development partners in the area of trade and the various policies introduced related to trade promotion, the country's volume of export for 2014 amounted to a record high of \$18.1 billion, with a yearly growth rate of 15.07% recorded from 2009 to 2014. The commitment and efforts on export promotion of the Government and development partners will surely contribute to sustain economic growth and poverty reduction in the country, specifically in the rural communities.

Under the framework of the Trade SWAp and the Government's policy reforms on trade have transformed Cambodia's virtually closed economy into one of the most open in the region. More liberal trade and investment policies in the context of deeper integration into regional and global economics were introduced in the various programs and projects being implemented to support the trade reform agenda and export promotion, which are all progressing remarkably very well.

In the Cambodia Trade Integration Strategy 2014-2018 (CTIS) launched by **Samdech Akka Moha Sena Padey Techo Hun Sen, Prime Minister of the Royal Government of Cambodia**, on 18 February 2015 at the Peace Palace, there are nine potential products identified potential for export to international markets. From the list, cassava has been named as the second most important crop in Cambodia, after rice and before maize. According to the Ministry of Agriculture, Forestry and Fisheries (MAFF), the land areas planted with cassava has increased five times from 108,122 hectares to 501,806 hectares and at the same pace for its production from 2,215,425 MT to 11,168,756 MT from 2007 to 2014.

2) Situation of Cassava in Cambodia

Cassava is mainly grown by poor farmers in the 14 provinces of the country, many of whom women, often on marginal land. Many rural households make incomes through cassava production, processing fresh roots into dry chips, getting jobs from starch processing factories, and involving in trading activities with neighboring countries. Based on the local views cassava planting, processing and trading has improved the livelihoods of people living along the borders as well as in the other areas of the country.

Currently, processed cassava has an important potential for future export, however this opportunity has not been undertaken. According to FAO, cassava could become the raw material base for an array of processed products that will effectively increase demand for cassava. Converting more of that relatively low-cost raw material into high-value starches could strengthen rural economies and boost cassava farmers' incomes further. The International Centre for Tropical Agriculture estimates that the Cambodia Cassava industry is worth US\$300 million annually¹.

In Cambodia, starch is often used for desserts or a substitute for rice flour, but it also has the potential to be used as substitutes for other non-cassava flours, such as wheat flour and maize flour. Approximately 20-30% of cassava starch produced in Cambodia is used for domestic consumption, in particular for animal feed. Due to the lack of capacity to further process these semi-finished products, the remaining starch is exported mainly to Thailand and Vietnam.¹ On the other hand, some large amount have been exported in the form of dry chips and fresh root to those countries, while export to China was very minimal.

Because of the limited capacity of direct export to China or other markets, Cambodia's cassava sector is sensitive to price distortion or sometimes vulnerable to fluctuation in the demand at the international markets. Cassava in Cambodia is being regarded as a source of marginal supply when the production of neighboring countries could not produce enough to meet their internal and external demands. Moreover, the sector is not well organized and integrated as an entity to address common issues together.

For this year, cassava may confront its big challenge and might put rural livelihoods at risk:

- Firstly, during the World Tapioca Conference held in Pattaya, Thailand from June 22-to 26 June 2015, the Chinese buyers, the biggest importer of cassava in the world, informed of the poor quality of cassava products and the high cost of cassava raw material for ethanol production. There is a tendency that because of the sharp decrease in the price of crude oil during the last two years, the price of ethanol should follow. However, this is not the case, as the cost of ethanol is still higher, making the operation not profitable.

¹ <http://tpd.gov.kh/vciu/index.php/cassava-domestic-supply-capacity/cassava-processing-capacity/item/processing-capacity>

² Tin Maung Aye et al (2014), Need Assessment Survey Report: Current Situation of Cultivation and Processing of Cambodia Cassava and Identify Gap to Chinese Market, CCP II-UNDP Cambodia

- Secondly, there is a concern on the release of corn stock amounting to about 25 million ton from the Chinese Government's warehouses, which will indirectly affect the demand of imported cassava from the Southeast Asian countries.
- More seriously, most of cassava plantations in Battambang province, like most other provinces in the country, have encountered drought leading to low rate of plant survival and additional cost of production.
- Meanwhile, there are some studies that have confirmed that the yield of cassava in most provinces (like Battambang and Kompongcham) has decreased from year to year².

To sum up, cassava may face the following dilemma: 1) lower price and less demand from importers, and 2) rising cost of production resulting to lesser return on investment or losses on the part of the farmers.

3. Conclusions and Policy Recommendations

The various aspects described above are influenced by foreign and domestic markets, that are natural in nature, and the cassava sector will have not much control. As such, the Government and the sub-national governments are encouraged to take a look at other factors where they can assist in addressing the various issues by implementing pro-active actions from now on.

With the deep concern on the negative effects to the livelihoods of cassava farmers and traders, Sampovlun Cassava Association which was created as a single collective entity for cassava in the district would like to suggest to the Sub-National Administration to make export of cassava across borders more trader-friendly and competitive, and to assist them in minimizing the costs being charged by all authorities at the border check points, particularly Phnom Dei Check point. The reduction in the costs being charged by all authorities, through the assistance from the Sub-National Administration, will not only make the cassava grown and processed in the areas competitive but also contribute to the well functioning of the association, through the trade and export facilitation services it can offer.

It is the view of the association that the Sub-National Administration can help in terms of the following:

- 1) Minimize the costs of exporting cassava across borders
- 2) Recognize the association to be an entity which can provide export clearance and trade facilitation services related to cassava products to its members and other companies locating in the district or wishing to export via the check points in its areas
- 3) Support the association to play marketing roles, to do business matching, and to manage contracts among its members to supply buyers which the association enters an agreement with
- 4) Support the association to be a Quality Control Point which can check, verify and certify products of its members awarding supply contracts from the association and other companies exporting via the check points in its areas as voluntarily requested to ensure the quality compliance as required by buyers and build a good image of the Cambodia cassava sector
- 5) Allow the association to charge service fees from clearance services, contract arrangement and management, and product quality control to be used for operational purposes of the association and in responding to the needs of farmers/members.
- 6) Provide enabling environment and support from local authorities to assist the association in carrying out its development activities such as the establishment of a seed bank, formation of savings group, ensuring quality management, and in conducting literacy training programs, among others.

Overview

Sampovlun Cassava Association is a local association which was created by the Ministry of Commerce in cooperation with UNDP-Cambodia through Cambodian Export Diversification and Expansion Project II (CEDEP II). The election was held in 2015 with the participation of farmers, local traders, provincial deputy governor, and local authorities. Through the election, one president and two vice-presidents were elected and staffs to perform supporting works were appointed afterwards such as secretary, cashier and technical staff. Recently, the association has received the Certificate of Recognition and a stamp from MoC for the official use and functioning. So far up to now, the association has involved in various activities organized by MoC and the project.

The association has a vision to improve the livelihoods of people in the district through cassava production, processing and export. Based on this vision, the association has committed to develop a capable and resourceful organization which can mobilize supports and work with all international and local stakeholders to make cassava as an economic crop, process it into products with more values for better income of farmers, and make the association well-known through the export of quality products.

During this period, the Association intends to be a single entity of all cassava players within the area which can solve issues harmoniously together and find out ways to improve the situation for win-win for all.

For further details, please contact:

Mr. Ny Kan

President
Sampovlun Cassava Association
017 415205
nivathanak64@gmail.com, yothinpich@gmail.com