Transforming Cambodia’s Rice Industry

IN PARTNERSHIP WITH
The description of rice as “WHITE GOLD” in Cambodia speaks to its economic and cultural importance. Rice production, processing, and marketing are estimated to employ three million people, or more than 20 percent of the population. Further development of the sector can have direct and positive impact on job creation and income growth in many regions of the country. But the sector faces challenges, including lack of access to improved fragrant rice seeds, shortage of working capital, aggressive competition on international markets, and it does not yet meet international rice standard requirements.

IFC is helping to address these challenges through its Agro SME program, co-funded by the EU and implemented by IFC, to achieve transformational changes in the rice sector. IFC seeks to add value to every step of the supply chain – “from farm to fork” – with interventions on key levels such as farming, milling and exporting.

Improving Paddy Quality

Cambodian farmers have generally used low quality seeds that have been recycled over many production seasons. As a result, the quality of paddy rice has been low due to inconsistency of paddy rice fragrance, shape, and size.

IFC works with and through local millers to help farmers access higher-value seed varietals, such as Phka Rumduol - a premium Jasmine rice with a comparatively higher price and yield. IFC introduces good quality seed and provides training on planting techniques to farmers to ensure they will produce good quality paddy and higher yields. IFC also supports a weekly radio program, and Verboice, an interactive voice response system that educates farmers on key farming techniques and the benefits of improved, high value fragrant rice seeds.

By 2014, IFC had helped more than 33,000 farmers in eight provinces increase their knowledge and change their attitudes on different farming techniques. It had also helped approximately 14,300 farmers plant improved fragrant rice seeds. As a result, participating farmers have increased their average rice yields by 20%, and revenues by an additional US$2.8 million.

Mon Saro, a 37-year-old rice farmer in Cambodia’s Siem Reap province, is overjoyed at a 40 percent increase in her harvest yield after she started planting a new jasmine rice variety, Phka Rumduol, that IFC helped her gain access to through working with local millers.

“The price of this rice is a third higher than those of other varieties,” says Saro, who planted the new rice on 2.6 hectares of land last year and expects to make an extra $1,100 a year, a 36 percent increase compared with what she usually gets. “I will use the extra money to buy household items and raise some pigs, and I will save some for my children’s education.”
In addition, through IFC’s assistance to 15 mills and local seed firms on seed multiplication for fragrant rice varieties, mill and local seed firm partners should increase their average revenues by more than US$60,000 a year, (after the third year of the multiplication cycle) on account of higher quality paddy bought from farmers and a higher recovery rate in the milling process.

**Improving Food Safety and Milling Efficiency**

A large part of the paddy produced in Cambodia is informally exported to Thailand and Vietnam, where it is milled and either locally distributed or further exported to other countries as milled rice. The process represents a tremendous loss of opportunity for Cambodian rice millers and traders to add value and create employment. In addition, limited access to services and information is creating a lack of awareness and understanding of food safety systems such as Good Manufacturing Practices (GMP), Hazard Analysis and Critical Control Points (HACCP) and ISO 22000 which are critical for local food processors to penetrate international markets – particularly the EU and US markets, where food safety is strictly enforced.

IFC also offers a comprehensive range of professional services that facilitate the introduction of food safety systems to rice millers and re-processors looking to improve their food safety system. With IFC support, twelve rice mills are currently participating in the project. Results testify to project effectiveness, with ten mills have been HACCP certified by the international certification bodies, and a further 2 mills in line to receive certification by mid 2015. IFC is also currently providing training to hundreds of rice millers and re-processors to improve milling operational efficiency and milling quality.

“*We are really seeing a positive change in Cambodian paddy purity and quality. Until recently, it was a problem of availability. Now, I am able to purchase more, and the price of this rice after milling is US$ 40 per ton higher than the basic rice.*”

- Sour Kheang, Director of QC Rice.

“We are proud to be the first GMP and HACCP certified rice mill in Cambodia. These certifications can be used as marketing tools to separate BRICO from the rest of Cambodia’s miller and exporters.”

- Kunthy Kann, CEO of BRICO.
Boosting Cambodian rice Exports

IFC works with the majority of Cambodia’s rice exporters to increase exports through development of new strategies targeting niche markets willing to purchase fragrant rice at premium prices. Initial results are clearly encouraging, with national rice exports doubling in 2013 over 2012. At the same time, greater export success has come through the program’s collaboration with both the private and public sectors to establish the first Cambodian Rice Standards since the 1950s. The Standards, promulgated by Royal Decree in 2014, have resulted in quality assurances that have led to international recognition and confidence from global buyers. Consequently, DNA fingerprints have been established for Cambodian fragrant rice varieties.

At the same time, IFC continues to promote Cambodian rice at international rice trade fairs such as the The Rice Trader (TRT)/World Rice Conference, Thaifex and SIAL, as well as rice market missions in USA and Europe. IFC enables Cambodian rice exporters to attend these trade fairs, and Cambodia has won the best rice award the past three years at TRT. Further promotional support has included the registration of Cambodian rice price quotations at the Live Rice Index (LRI), a global price index where prices are publicly available and updated every week, and support for the Cambodian Rice Federation to develop a national branding campaign.

The net result of these efforts to date is more than US$74 million of rice exports to 77 countries, with 284 SME rice export contracts signed for fragrant rice at a value of more than US$ 53 million.

OVERALL GOAL OF THE PROJECT

To improve the competitiveness of the Cambodian rice export sector. This will contribute to an increase of 300,000 metric tons of annual national rice exports with a value of USD180 million and increasing/improving sustainable farming opportunities for 30,000 farmers.

APPROACHES

The overall project goal will be realized through a holistic approach targeting interventions of key processes along the value chain covering farming, milling and exporting practices.

Improving Paddy Quality

Increase 8,000 farmers’ access to improved inbred planting seed for high value rice varieties.

Improving Milling Efficiency

Increase the efficiency and output quality of 100 rice mills/re-processors by implementing better processes, management and/or food safety systems.

Marketing Cambodian Rice

Develop and implement a strategy to increase Cambodian rice exports.

US$180 million in rice export value facilitated.