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Required Report - public distribution

Date: 4/16/2018

GAIN Report Number: KH8003

Cambodia

Grain and Feed Annual

2018

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Report Highlights:

In marketing year (MY) 2017/18, Post estimates that Cambodia's rice harvested area and production will increase by approximately 4 percent over the previous year, given favorable weather conditions, sufficient water supply, and rising prices for paddy and exports. In MY 2018/19, Post forecasts that growth will continue at 2 percent, as exports will likely expand.

Local corn prices have improved in the past six months following the Cambodian government's support of corn silos, which have increased storage capability and raised farm gate prices.

Executive Summary:

In MY 2016/17, the official rice export volume increased by 17 percent over the previous year, driven by increased purchases from China, as well as newly implemented incentive policies by the Government of Cambodia. In the past three years, export demand from the expanding Chinese and emerging markets have counterbalanced plunging demand from traditional markets.

Post revised the milling rate to 61 percent, down from 64 percent, after a review of the milling industry. Post made a historical revision dating back to 2007 in order to establish a more realistic supply and demand baseline (see Annex).

In MY 2017/18, Post estimates that corn harvested area and production will jump 5 percent to 149,000 hectares and 700,000 metric tons (MT), respectively. In MY2018/19, Post forecasts growth at 2 percent, which is lower than that of the previous two years because farmers might switch to cassava in some regions, as cassava demand and prices are increasing.

RICE

Statistical Tables

Cambodia's Production, Supply, and Demand for Rice

Rice, Milled Market Begin Year Cambodia	2016/2017		2017/2018		2018/2019	
	Jan 2017		Jan 2018		Jan 2019	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	3085	3095	3115	3210	0	3290
Beginning Stocks	287	261	357	202	0	203
Milled Production	4950	5256	5000	5460	0	5623
Rough Production	7734	8616	7813	8950	0	9219
Milling Rate (.9999)	6400	6100	6400	6100	0	6100
MY Imports	20	9	20	9	0	9
TY Imports	20	9	20	9	0	9
TY Imp. from U.S.	3	3	0	3	0	3
Total Supply	5257	5526	5377	5671	0	5835
MY Exports	1150	1250	1250	1300	0	1400
TY Exports	1150	1250	1250	1300	0	1400
Consumption and Residual	3750	4074	3750	4168	0	4218
Ending Stocks	357	202	377	203	0	217
Total Distribution	5257	5526	5377	5671	0	5835
Yield (Rough)	2.507	2.784	2.5082	2.788	0	2.802

(1000 HA), (1000 MT), (MT/HA)

Production

Table 1: Rice Area, Production, and Yield by Crop

MY	2016/2017 (Post)			2017/2018 (Post Est.)			2018/2019 (Post Forecast)		
	Harvested area (th. ha)	Yield (t/ha)	Production (TMT)	Harvested area (th. ha)	Yield (t/ha)	Production (TMT)	Harvested area (th. ha)	Yield (t/ha)	Production (TMT)
Wet season	2,580	2.570	6,630	2,660	2.568	6,830	2,720	2.586	7,035
Dry season	515	3.857	1,986	550	3.855	2,120	570	3.831	2,184
Total	3,095	2.784	8,616	3,210	2.788	8,950	3,290	2.802	9,219

Notes:

- For the wet season, which is the primary crop, sowing starts in June, and the crop is harvested from October to the end of January. For the secondary crop during the dry season, sowing starts in November, and the crop is harvested from February to April.
- MY 2017/18 includes two crops: 2017 wet season and 2017-2018 dry season.

In MY 2017/18, favorable weather conditions, sufficient water supply, and improved irrigation infrastructure led to the expansion of rice cultivation in Cambodia. Post estimates that rice harvested area and production volume will increase 4 percent over the previous year to 3,210,000 hectares (ha) and 8.95 million MT (MMT). In MY 2018/19, Post forecasts that farmers will continue to expand production area at the rate of 2 percent, reaching 3,290,000 ha/9.22 MMT, due to the recent increase in both paddy and export prices, and demand from importing markets.

The dry season crop is currently being harvested and will be completed in April. As of mid-March, 69 percent (381,000 ha out of a total of 550,000 ha) was harvested, which is a normal pace.

Trade

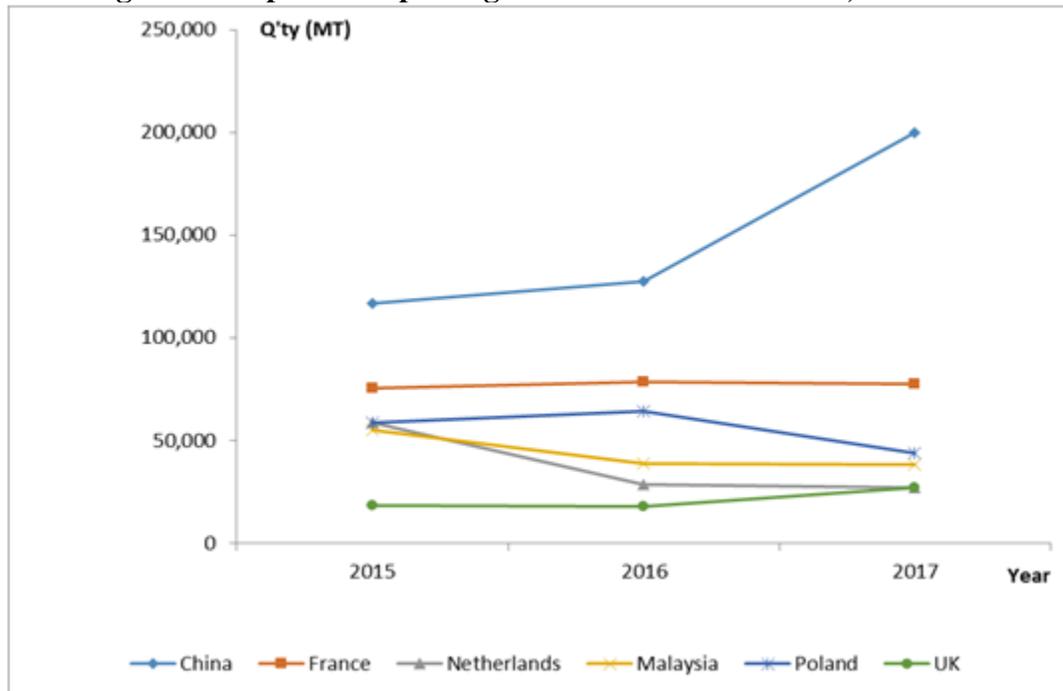
In the past three years, many traditional export markets such as France, Poland, Malaysia, the United Kingdom, and the Netherlands have reached saturation or have declined. In MY 2016/17, benefiting from the preferential tax exemption under the Everything But Arms (EBA) scheme, Cambodia exported 276,805 MT of rice to the EU, accounting for 43.54 percent of total Cambodian exports.

However, a recent complaint by Italy to the European Commission in late 2017 looks to reduce exports to this important market. Italy has claimed that rice imported from Cambodia and Myanmar has caused injury to domestic industry and has called for safeguard measures. Local media has reported that the EU initiated an investigation in accordance with the Generalized Scheme of Preferences (GSP) on March 16, 2018.

MY 2016/17 and MY 2017/18 saw surging production, and emerging markets have captured the surplus. In May 2017, China agreed to the raise purchase quota of Cambodian rice from 200,000 to 300,000 MT, starting 2018. From 2014 to 2017, China, led by China National Cereals, Oils, and

Foodstuffs Corporation (COFCO), imported almost 400,000 MT in total of fragrant rice (Phka Malis and Sen Kra Ob varieties), white rice, and broken rice. According to COFCO, the percentage of fragrant rice exported to China from Cambodia increased from 47 to 76 percent in the past four years. Currently, Cambodian rice accounts for only 2 to 4 percent of total imports into China, signaling that there is still growth potential for high quality Cambodian fragrant rice exports.

Figure 1: Top Rice Importing Markets from Cambodia, 2015-2017



Source: CRF, SOWS-REF

Table 2: Top Rice Importing Markets from Cambodia in 2017, by month

Month	China	France	Netherlands	Malaysia	Poland	UK
Jan	18,383	8,230	2,219	529	4,760	2,432
Feb	28,004	7,088	2,960	529	4,376	3,954
Mar	21,095	5,688	2,471	2,162	3,778	4,285
Apr	13,950	6,842	2,056	2,092	3,789	4,588
May	7,337	5,611	3,217	1,553	6,333	5,363
Jun	5,951	3,862	1,971	1,265	2,603	647
Jul	3,032	5,046	2,617	1,613	2,747	917
Aug	11,069	7,066	2,518	5,552	4,496	1,012
Sep	15,939	4,477	1,234	4,232	2,590	583
Oct	18,008	9,390	2,140	7,980	3,880	1,403
Nov	22,208	7,441	1,599	7,702	2,117	705
Dec	34,881	6,622	2,173	3,151	2,554	886
Total (MT)	199,857	77,363	27,175	38,360	44,023	26,775
Change (%)	57%	-1%	-5%	-1%	-31%	52%

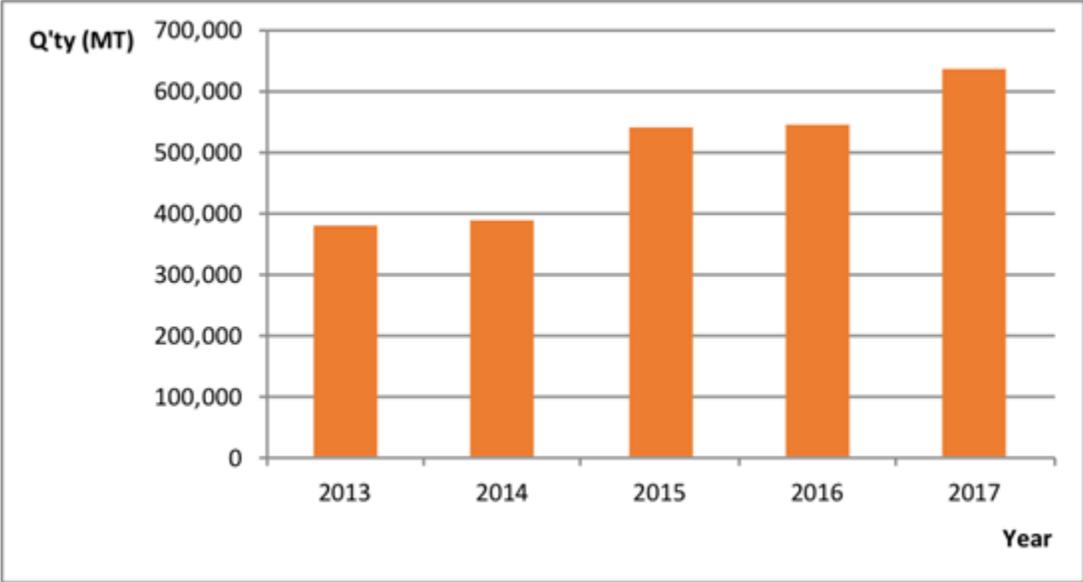
Source: CRF, SOWS-REF

Cambodia also signed a new agreement with Bangladesh, which was expected to boost Cambodia’s rice exports in 2017 and 2018. In August 2017, Bangladesh signed a Memorandum of Understanding (MOU) with Cambodia to buy 1 MMT of milled white and parboiled rice in five consecutive years, beginning in 2017. Cambodia expected to export 200,000 MT of white rice and 50,000 MT of parboiled rice in 2017; however, by the end of 2017, Cambodia only exported 31,470 MT. There are media reports that the two countries were unable to finalize the trade terms and that Bangladesh was going to cancel the deal, citing delivery delays last year.

Last October, local media reported that a local company had signed an MOU with a United Arab Emirates (UAE) company to supply 50,000 MT of milled rice. This is significant because Cambodia has traditionally only exported a small amount of milled rice to the UAE, which prefers basmati rice.

As a result, the volume of official rice exports in MY 2016/17 increased by 17 percent to 635,679 MT. In MY 2017/18, Post estimates that it will increase 8 percent to 686,000 MT and Post estimates another 8 percent increase in MY 2018/19, with exports reaching 741,000 MT. In MY 2016/2017, Post estimates cross-border exports to Thailand and Vietnam at approximately 600,000 MT, given the increasing production volume.

Figure 2: Official Rice Exports by Volume, 2013-2017



Source: SOWS-REF

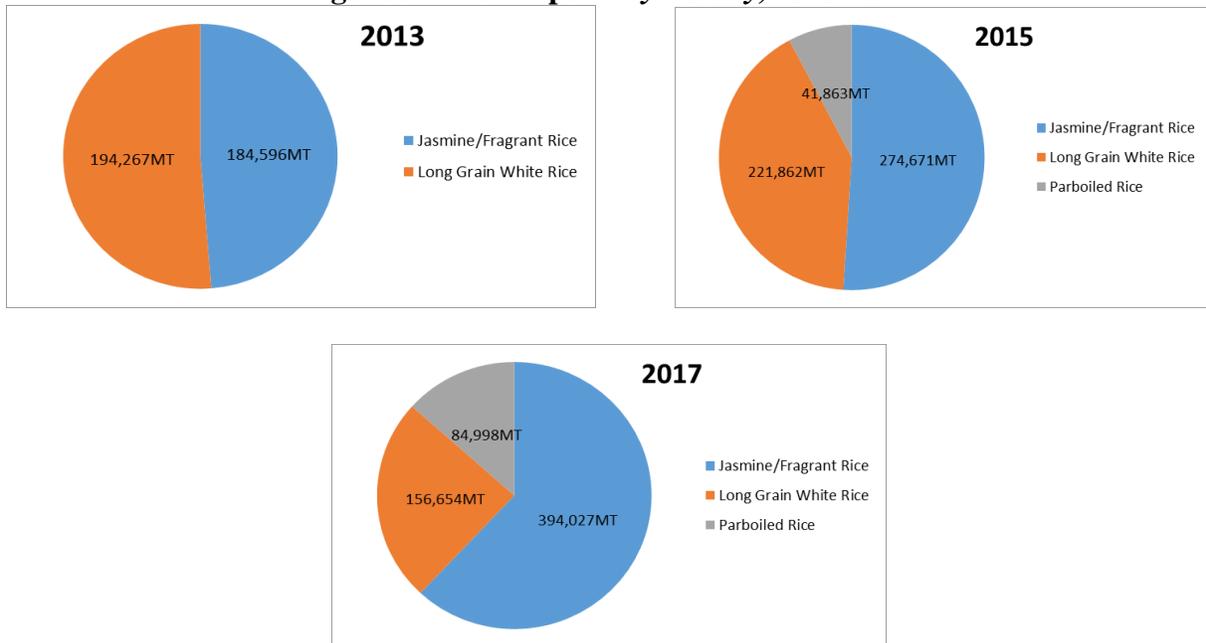
Table 3: Official Rice Exports by Month, 2013-2017

Month	2013	2014	2015	2016	2017
Jan	25,726	21,536	35,921	44,033	48,820
Feb	24,089	27,037	37,676	51,912	60,731
Mar	45,413	35,757	75,867	66,275	57,127
Apr	23,276	35,961	51,719	39,550	45,716
May	28,350	27,971	41,842	32,558	45,243
Jun	29,105	29,666	40,800	33,862	30,925
Jul	31,411	26,060	28,492	24,087	27,354
Aug	29,358	29,871	29,819	27,799	56,274
Sep	29,395	35,511	26,969	41,429	49,776
Oct	28,031	35,418	39,064	60,016	70,149
Nov	37,855	31,137	48,748	58,168	70,122
Dec	46,847	51,136	81,479	62,455	73,442
Total (MT)	378,856	387,061	538,396	542,144	635,679
Change (%)	84%	2%	39%	1%	17%

Source: SOWS-REF

The proportion of jasmine and fragrant rice exports, especially premium jasmine rice, has been increasing steadily, from 49 percent in 2013 to 62 percent in 2017. At the same time, white rice exports quickly decreased from 51 percent in 2013 to 25 percent in 2017 (see Figure 3).

Figure 3: Rice Exports by Variety, 2013-2017

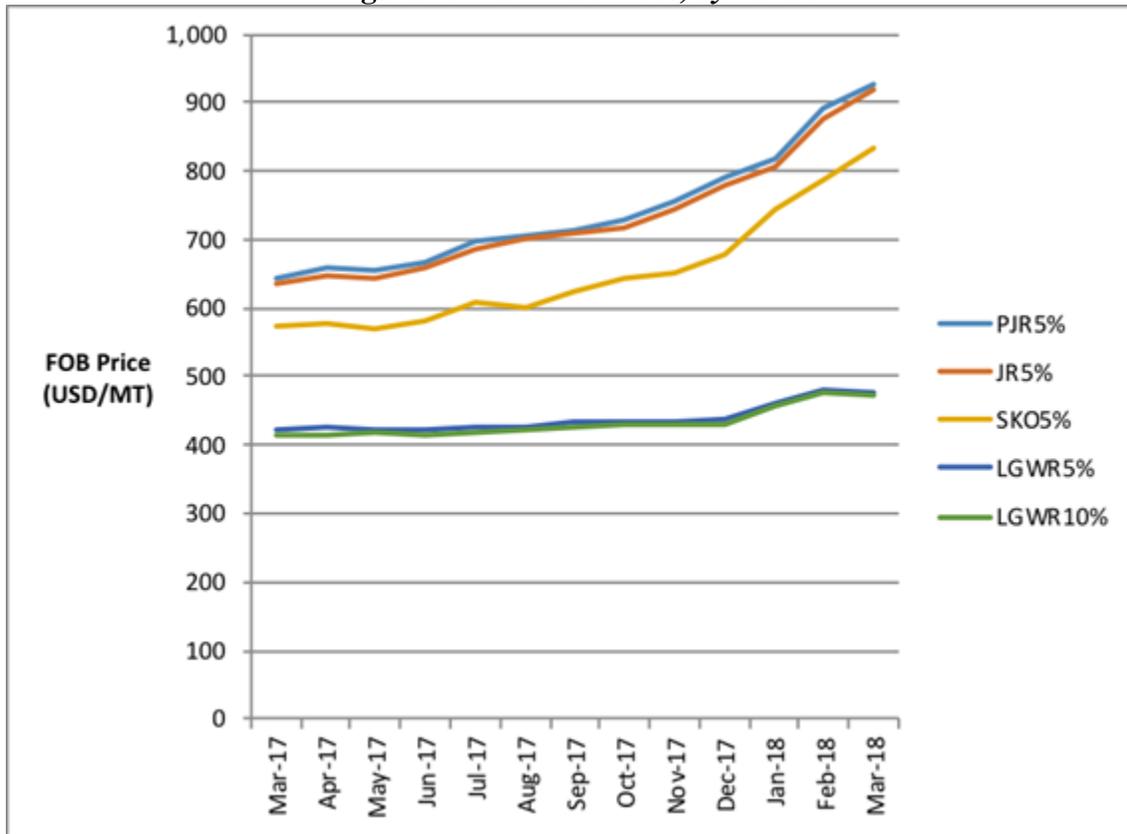


Source: CRF, SOWS-REF

Price

The FOB price has been elevated since last March, even during the harvest time, due to increasing demand from importing markets and low stocks. Industry reports that the paddy price is also profitable, encouraging farmers to expand production.

Figure 4: FOB Rice Price, by month



Source: CRF, trade sources

Notes:

PJR5%: Premium Jasmine Rice 5% (Purity 90%)

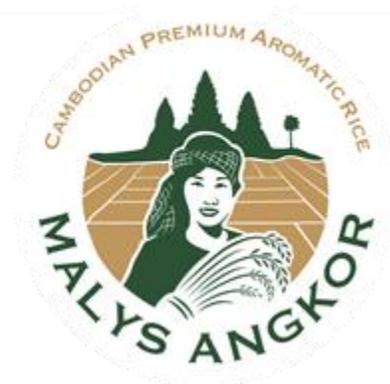
JR5%: Jasmine Rice 5% (Purity 85%)

SKO5%: Sen Kra Ob 5% (Purity 85%)

LGWR5%: Long Grain White Rice 5%

LGWR10%: Long Gran White Rice 10%

Figure 5: Certification Seal



Policy

In January 2018, Cambodia unveiled its “Malys Angkor” rice brand, which is a certification mark for high quality fragrant rice varieties, including Phka Rumdual, Phka Romeat, Phka Romdeng, and Somaly. These varieties are premium aromatic photosensitive, grown in the wet season. Certified rice must meet required specifications, dictating a minimum purity of 92 percent, a yellow kernel maximum of 0.1 percent, and a chalky kernel maximum of 3 percent. Cambodia expects the brand to promote and

boost exports of quality fragrant rice in international markets, since it already has a strong reputation in this sector. The Ministry of Commerce inspects the production chain to assure the origin and quality before granting certification. At the same time, the Cambodian government announced that, effective in 2018, it is reducing the fragrant rice export fee from US\$1 to US\$0.5 per ton.

Over the past year, Cambodian rice exporters have demanded government support to help increase exports. In order to strengthen the country's export capabilities and capture new markets, the Cambodian government allocated US\$30 million for a loan program for rice millers to build silos and warehouses in the dominant rice production provinces of Battambang, Kampong Thom, Prey Veng, and Takeo at 5 percent per annum interest rate. Last April the first US\$15 million grant was awarded to Thaneakea Srov (Kampuchea) to build the first large-scale drying and warehouse facility in Battambang. Several other companies have received smaller grants. The government requested that all grantees complete construction and open the new facilities by early 2018 in order to enhance the storage capacity for the upcoming harvest, which is expected to be a bumper crop. Local media has quoted a senior official at the Rural Development Bank stating that the new drying and storage facilities will protect the Cambodian rice industry, especially farmers, from a repeat of the price crisis that occurred in 2016 when demand crashed and farmers had to sell paddy at below cost. With the new facilities, millers and traders will be able to keep stocks year-round, limiting price fluctuations.

Last year, the government approved a second tranche of US\$23 million, in addition to the existing US\$27 million, for emergency loans to the rice sector and lowered interest rates from 8 to 5 percent. The funds are intended to help millers buy paddy during the harvest period, thereby stabilizing rice prices, since millers have insufficient operating capital and inadequate storage facilities. These challenges are magnified as millers expand operations.

Supply and Demand Revision

This year, Post reviewed the Cambodian rice milling sector and suggests a reduction of the milling rate to 61 percent, from 64 percent, based on the following:

- Paddy delivered to millers is of inconsistent quality, high moisture, and contains impurities.
- Although large-scale millers have modern and efficient technology, the majority of small-scale millers are still using obsolete technology that causes high levels of broken rice, processing losses, and a low milling rate.
- According to the Ministry of Agriculture, Forestry, and Fisheries' (MAFF) annual report for 2016/2017, there are 367 large-scale rice millers out of a total of 53,000 rice millers in Cambodia, thereby accounting for only 0.75 percent of rice mills.
- While large scale millers report the milling rate of 64-65 percent, this does not represent the entire milling industry.

Please see the Annex for the historical revision of the harvested area, yield, and production volume.

CORN

Statistical Tables

Cambodia's Production, Supply and Demand for Corn

Corn Market Begin Year Cambodia	2016/2017		2017/2018		2018/2019	
	Jul 2016		Jul 2017		Jul 2018	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	187	141	190	149	0	152
Beginning Stocks	162	162	161	122	0	131
Production	748	663	760	700	0	714
MY Imports	1	40	0	50	0	50
TY Imports	1	40	0	50	0	50
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	911	865	921	872	0	895
MY Exports	200	300	200	351	0	370
TY Exports	200	300	200	351	0	370
Feed and Residual	100	240	100	240	0	245
FSI Consumption	450	150	450	150	0	150
Total Consumption	550	390	550	390	0	395
Ending Stocks	161	122	171	131	0	130
Total Distribution	911	812	921	872	0	895
Yield	4	4.7021	4	4.698	0	4.6974

(1000 HA), (1000 MT), (MT/HA)

Production

Table 4: Corn Area, Production, and Yield by Crop

Year	MY 2016/17 MAFF		MY 2017/18 Post est.		MY 2018/19 Post forecast	
	Harvest area (Ha)	Production (MT)	Harvest area (Ha)	Production (MT)	Harvest area (Ha)	Production (MT)
Dry season	28,771	120,798	26,271	111,134	26,796	113,357
Wet Season	112,669	542,288	122,809	588,925	125,265	600,703
Total	141,440	663,086	149,080	700,059	152,062	714,060

Note: The wet season is the main corn crop season. Sowing starts in July to August, and harvest is in October to November.

The dry season crop starts in February to March, and the crop is harvested from June to July.

Source: MAFF; Post's calculations

The 2017/18 wet season had high production area and volume due to favorable weather conditions and sufficient water supplies. However, according to MAFF, the MY 2017/18 dry season saw harvested area and production drop. The dry season accounts for less than 20 percent of the total production.

Therefore, Post estimates the harvested area and production volume in MY2017/18 increasing 5 percent to 149,000 ha and 700,000 MT. Post forecasts a moderate growth rate of 2 percent in MY 2018/19 for both area and production, rising to 152,000 ha and 714,000 MT.

Consumption

Industry reports that the Cambodian swine sector, like other countries in the region, had a price crisis last year. Prices fell below cost and pushed small-scale swine farmers to either scale down or stop production. Local media also reported that swine was smuggled from Vietnam into Cambodia at cheaper prices, due to the concurrent crisis in Vietnam precipitated by China shutting down the border trade. According to industry sources, although pig prices improved in early 2018, they only reached the breakeven point. Therefore, Post estimates that demand for poultry and swine feed was stagnant in 2017, remaining at 950,000-975,000 MT, but forecasts a slight uptick in 2018.

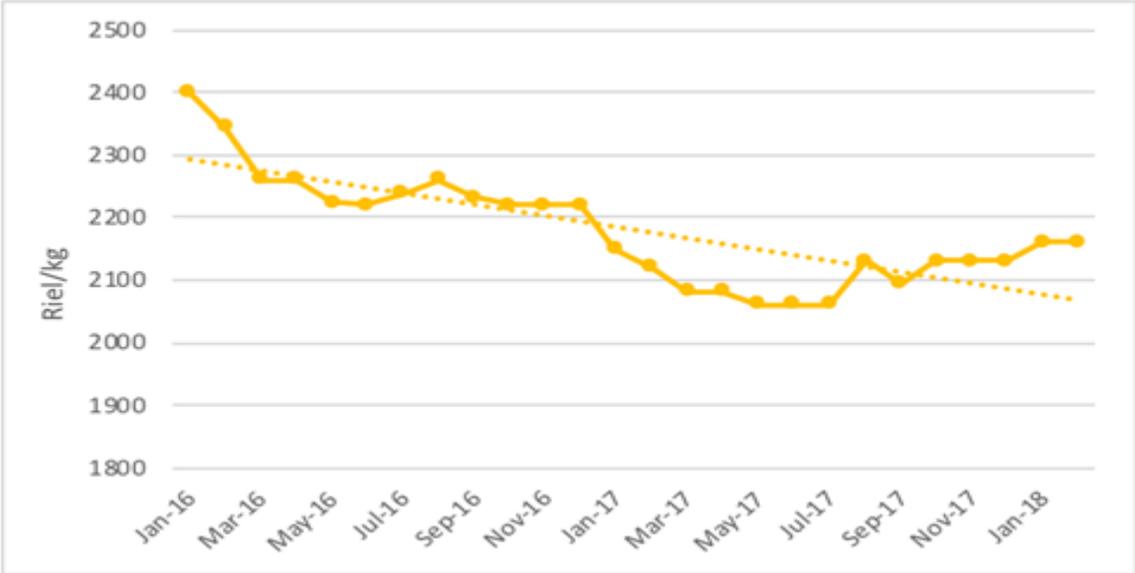
In the first few months of 2018, the price of cassava increased sharply due to low supply, as farmers switched to corn after low cassava prices in the MY 2016/17 dry season. Low prices were compounded by the impacts of a leaf mosaic outbreak, which reduce yields. Some feed mills noted that they were not able to source sufficient cassava.

In addition, new investments in tapioca starch processing will likely increase demand for cassava. In March 2018, local media reported that a Hong Kong based company began construction on the first cassava processing factory in Kratie province, and the second in Cambodia. Post forecasts that cassava prices will continue to rise, causing feed mills to use corn and other alternative energy ingredients, such as rice bran and wheat bran, in feed in the coming year. Post also forecasts that farmers will likely switch back to cassava in some regions, beginning in the MY 2018/19 wet season.

Trade

Last summer, local corn prices bottomed out, causing farmers in Battambang province, the corn basket of Cambodia, to protest and appeal for government support. To stabilize prices, the Cambodian government decided to make parts of the emergency rice loan program also available to corn silo operators. This allowed local corn farm gate prices to increase from US\$0.09/kg to US\$0.11/kg last October and remain stable in the subsequent months (See Figure 6).

Figure 6: Price of Maize at the Phnom Penh Market



Source: Ministry of Commerce

Although farmers report very slim margins, local corn commands higher prices at feed mills compared to imported corn. Currently, prices are US\$270/MT, an increase from approximately US\$250/MT earlier this year. In addition, because local corn is always short during the off-season, some feed mills must always partially rely on imported corn. The majority of Cambodian corn exports go cross-border to Thailand and Vietnam.

For protein, feed mills in Cambodia have increased their use of DDGS in feed formulations over the past five years. As a result, Cambodia imported a record US\$10.9 million of DDGS in CY2017, a 75.8 percent increase over 2016 and a 195 percent increase over 2012.

ANNEX

Table 1: Historical Revision of Rice Harvested Area, Yield, and Production Volume

Year	2007/2008	2008/2009	2009/2010	2010/2011	2011/2012	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017	2017/2018 (Estimate)	2018/2019 (Forecast)
Harvested area (th. ha)	2,567	2,614	2,675	2,778	2,767	2,980	2,969	3,028	3,025	3,095	3,210	3,290
Yield (t/ha)	2.270	2.378	2.456	2.572	2.747	2.700	2.739	2.666	2.672	2.784	2.788	2.802
Production (TMT), paddy	5,827	6,215	6,570	7,145	7,602	8,045	8,131	8,073	8,083	8,616	8,950	9,219
Production (TMT), milled	3,554	3,791	4,008	4,358	4,637	4,907	4,960	4,925	4,931	5,256	5,460	5,623

Table 2: Revision of harvested area, yield and production volume by season

Year	2007/2008			2008/2009			2009/2010			2010/2011			2011/2012			2012/2013		
	Har. area (th. ha)	Yield (t/ha)	Pro. vol. (TMT)															
Wet season	2,223	2.095	4,657	2,253	2.205	4,968	2,291	2.274	5,210	2,373	2.396	5,685	2,295	2.535	5,817	2,485	2.493	6,195
Dry season	344	3.402	1,170	361	3.455	1,247	384	3.541	1,360	405	3.604	1,460	472	3.780	1,784	495	3.736	1,849
Total	2,567	2.270	5,827	2,614	2.378	6,215	2,675	2.456	6,570	2,778	2.572	7,145	2,767	2.747	7,602	2,980	2.700	8,045

Year	2013/2014			2014/2015			2015/2016			2016/2017			2017/2018 (Estimate)			2018/2019 (Forecast)		
	Har. area (th. ha)	Yield (t/ha)	Pro. vol. (TMT)															
Wet season	2,486	2.539	6,313	2,543	2.439	6,201	2,541	2.450	6,225	2,580	2.570	6,630	2,660	2.568	6,830	2,720	2.586	7,035
Dry season	483	3.765	1,819	485	3.857	1,872	484	3.839	1,858	515	3.857	1,986	550	3.855	2,120	570	3.831	2,184
Total	2,969	2.739	8,131	3,028	2.666	8,073	3,025	2.672	8,083	3,095	2.784	8,616	3,210	2.788	8,950	3,290	2.802	9,219

Table 3: Rice Season Calendar

Month	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Wet Season	▶					▶		▶		▶		
Dry Season	▶		▶								▶	
Planting	▶											
Growing	▶											
Harvesting	▶											

Note: The start of the season may vary slightly, subject to weather conditions and water supply.