Cambodia Agriculture Development Report

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Content

1. Agriculture in the Cambodian Economy
2. Supply Capacity
3. Demand Constraints
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1. Agriculture in the Cambodian Economy

- Slow growth rate (3% per annum) → Declining Share in the Economy
- Agriculture development for sustainable growth and effective poverty reduction (World Bank 2006)
1. Agriculture in the Cambodian Economy

Figure 1: Annual GDP Growth by Main Sectors (1994-2004)

Source: EIC, compiled from National Account of NIS No.9 (2005)
1. Agriculture in the Cambodian Economy

Figure 2: GDP Share of Main Sectors

Source: EIC, compiled from National Account of NIS No.9 (2005)
2. Supply Capacity: Key Issues

- **Irrigation Network**: small irrigated area (7% of arable land)
- **Land**: many landless (20%) and idle land
- **Cropping know-how**: poor extension service (500 extension officers nationwide)
- **Agriculture Inputs**: counterfeits (70%, WB 2003), high input costs
- **Tools and Machinery**: Obsolete tools (5,000 tractors nationwide)
- **Microfinance**: Small coverage, high interest rate
2. Supply Capacity

Figure 3: Percentage of Farmers Facing Problems in Production

Source: EIC survey with farmers
2. Supply Capacity

Figure 4: Price of Selected Agricultural Inputs and Outputs

Source: MoC, NIS for diesel, AIC for fertilizer
2. Supply Capacity

Figure 5: Reasons for Not Taking Formal Credit

- No provider: 8%
- Cannot repay / high interest: 23%
- No collateral: 23%
- No Need: 38%

Source: EIC Survey with farmers
2. Supply Capacity

Increasing but still low yield
Figure 6: Paddy Yield of Selected Countries (ton/ha)

Source: FAOSTAT
3. Demand Constraints

- Large imports
- Lack of investment in agro-industry
- Poor Export Performance
3. Demand Constraints

3.1 Domestic Demand

Figure 7: Share of Imported Agricultural Products used in Hotels

Source: EIC survey with hotels in Phnom Penh and Siem Reap
3. Demand Constraints

Figure 8: Number of NTMs Identified in ASEAN Countries

Source: ASEAN Secretariat
3. Demand Constraints

Table 1: Reasons that Hotels Choose Imported Products

<table>
<thead>
<tr>
<th></th>
<th>Rice</th>
<th>Vegetables</th>
<th>Fruits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price</td>
<td>33%</td>
<td>13%</td>
<td>13%</td>
</tr>
<tr>
<td>Taste</td>
<td>0%</td>
<td>27%</td>
<td>40%</td>
</tr>
<tr>
<td>Health</td>
<td>33%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Appearance</td>
<td>67%</td>
<td>73%</td>
<td>53%</td>
</tr>
<tr>
<td>Seasonality / Supply Shortage</td>
<td>33%</td>
<td>87%</td>
<td>87%</td>
</tr>
<tr>
<td>Cannot Grow</td>
<td>33%</td>
<td>53%</td>
<td>80%</td>
</tr>
<tr>
<td>Guest Demand</td>
<td>67%</td>
<td>20%</td>
<td>33%</td>
</tr>
<tr>
<td>Other</td>
<td>0%</td>
<td>33%</td>
<td>0%</td>
</tr>
</tbody>
</table>

Source: *EIC survey with household consumers in Phsar Deum Kor market*
3. Demand Constraints

Figure 9: Investment by Sector during 2000-2004

Source: EIC, compiled from Cambodia Investment Board, CDC

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3. Demand Constraints

3.2 External Demand

- Market access under MFN tariff rate
  - 148 WTO member countries

- Market access under preferential treatment
  - ASEAN: exports under CEPT rate
  - China: duty free export of 297 agricultural products under Early Harvest Agreement
  - EU: duty free exports under EBA Initiative
3. Demand Constraints

Poor Export Performance

Figure 10: Cambodia’s Share in the World Exports of Selected Agricultural Products

Source: EIC, compiled from FAOSTAT

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3. Demand Constraints

Competitive production costs

Figure 11: Production Costs of Paddy of Top Exporters and Cambodia

Source: EIC, compiled from FAOSTAT
3. Demand Constraints

Poor export performance because of
- Strong seasonality and volatile yield
- Inefficient export procedure
- Poor trade-related institution (ex. Sanitary inspection office)
Concluding Remarks

Steps to be undertaken

- Domestic support to farmers to increase productivity and achieve supply consistency
- Trade facilitation to promote exports
- Proper border inspection to protect local farmers and consumers’ health
- Enhance investment climate to attract investment in agro-industry and create demand for agricultural products
- Enhance investment climate to attract investment in contract farming and plantation as a by-pass to promote agricultural exports
Thank you
For
Your Attention!