



February 15th,
2006

Cambodia's Agriculture Development

Visal LIM

Economic Institute of Cambodia



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Content

1. Overview of the Cambodian Economy
2. Overview of the Cambodian Agriculture
3. Domestic Demand
4. External Demand
5. Export Constraints on Agriculture
6. Concluding Remarks and Policy Recommendations



Overview of the Cambodian Economy

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- GDP Growth: 7.1% per annum
 - Agriculture: 3.4% per annum
 - Manufacturing: 15.4% per annum
 - Service: 6.1% per annum
- FDI: 250 million US\$ per annum (2000 ~ 04)
- Poverty Rate: 47% (1993) → 35% (2004)

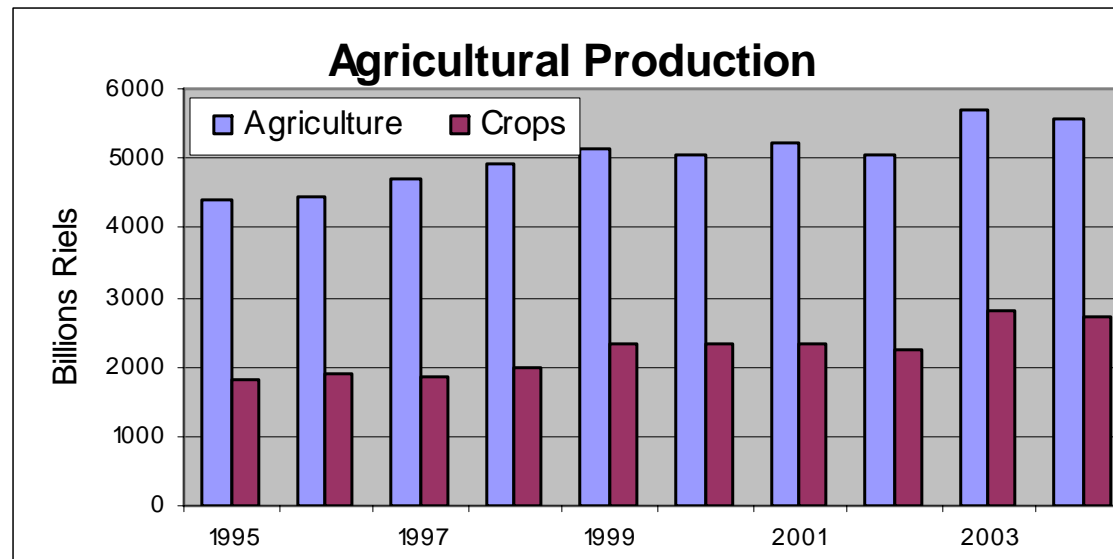
“Agriculture Development for sustainable growth and Poverty Reduction”



Overview of Cambodian Agriculture

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■ Production



Source: National Institute of Statistics

“Increasing production”

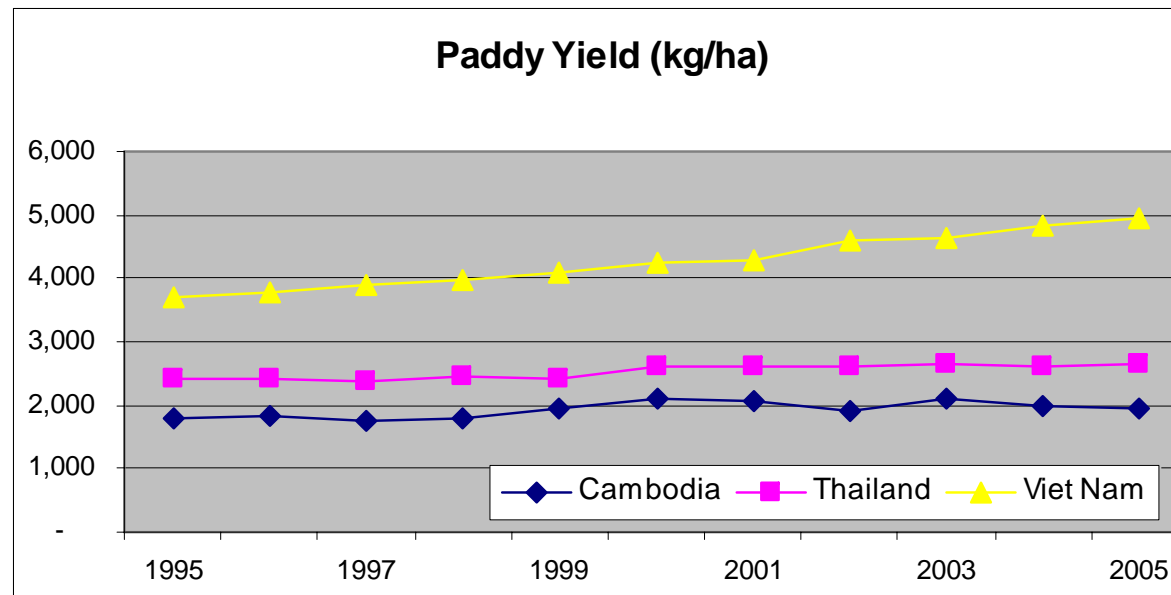


Overview of the Cambodian Agriculture

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■ Productivity

Paddy yield increased 0.87% per annum during 1995-2005 period



Source: FAOSTAT

“Low but increasing productivity”



Overview of the Cambodian Agriculture

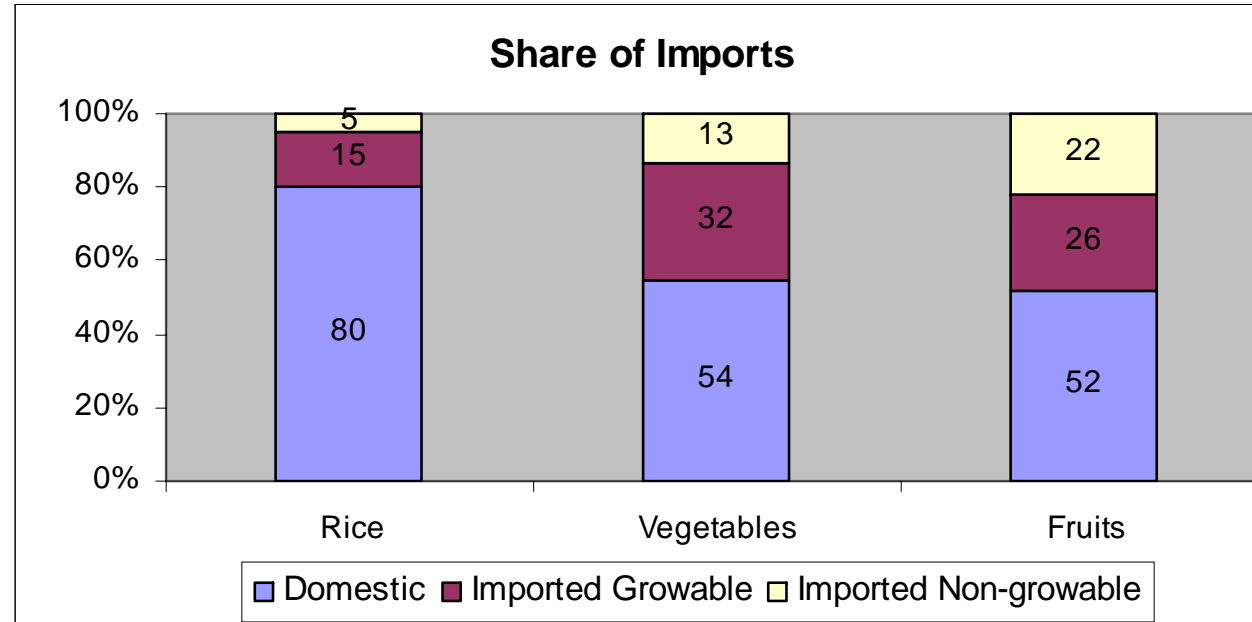
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- Importance in Cambodian Economy:
 - GDP Share: 31%
 - Employment: 71%
 - Exports: 3%
- Shares of World Trade in Agricultural Products:
 - Cambodia 0.0091%
 - Thailand 1.97%
 - Vietnam 0.55%

“Lackluster Export Performance”

Domestic Demand

- Cambodia is a net importer of fruits and vegetables



Source: EIC survey with hotels in Phnom Penh and Siem Reap



Domestic Demand

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■ Why hotels chose imported products?

	Rice	Vegetables	Fruits
Price	33%	13%	13%
Taste	0%	27%	40%
Health	33%	0%	0%
Appearance	67%	73%	53%
Seasonality / Supply Shortage	33%	87%	87%
Cannot Grow	33%	53%	80%
Guest Demand	67%	20%	33%
Other	0%	33%	0%

Source: EIC survey with hotels in Phnom Penh and Siem Reap

“Seasonality and appearance are the main reason behind imports”



External Demand

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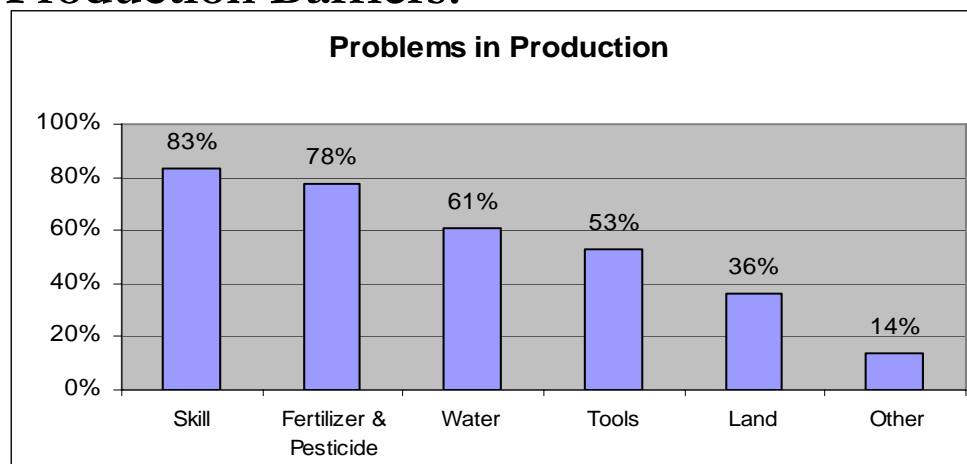
- Market Access under MFN Tariff Rate
 - 148 WTO member countries
- Market Access Under preferential treatment
 - ASEAN: exports under **CEPT** rate
 - China: **duty free** export of 297 agricultural products under Early Harvest Agreement
 - EU: duty free exports under EBA Initiative

“World market is already open to Cambodian agricultural products”

Export Constraints on Agriculture

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■ Production Barriers:



Source: Survey conducted by EIC, the Senate, the NA in Memot and Chamkar Leu district



- o Low productivity
- o Volatile yield
- o Strong seasonality

In addition, landlessness has also hindered production in some areas

“Constraint on production factors → Inability to provide consistent supply”



Export Constraints on Agriculture

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■ Trade Barriers

- Presence of many Non-Tariff-Barriers (NTB) such as TBT and SPS
- Lack of institutional support to overcome NTB
- Opaque export procedure and high informal payment

→ Cambodian exporters are not able to serve foreign markets, particularly those of developed countries where requirements are stringent.

Informal exports to neighboring countries.

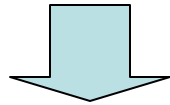
“Lack of institutional support and inefficient export procedures → inability to export”



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Export Constraints on Agriculture

- Lack of investment in other types of agrarian structures (plantation and contract farming)



Missing chain in backward and forward market linkage



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Concluding Remarks and Policy Recommendations

- Problems lie not in the demand side, but rather in the supply side.
- Subsistence farming + lack of investment in other types of agrarian structures → Inability to provide **consistent** supply of **standardized** high **quality** products.
- Inefficient export procedures and lack of trade-related institutional support → Barriers to trade



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Concluding Remarks and Policy Recommendations

- The government should take action to solve problems in all aspects
 - Supply side: More funds for irrigation network building and agriculture extension + Control of distribution network of fertilizer and pesticide + Promote microfinance
 - Market mechanism: Enhance investment climate so that more investors will invest in contract farming etc.
 - Further reform in trade facilitation



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Thank you For Your Attention!