

RICE CONTRACT FARMING IN CAMBODIA

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Outline of Presentation

- Background Information
- Contract farming in Cambodia
- Angkor Kasekam ROUNG REOUNG (AKR) Model
- Conclusions

1. Background Information

<i>Indicator</i>	<i>Unit</i>	<i>Value</i>
Agricultural labor as a share of total labor	Percentage	85
Rice as a share of total cultivated area	Percentage	84
Rice exports	\$ million	55
Total rice production/capital	Kg/capital/year	217
Rice as share of total farmers' income	Percentage	50.4
Rice as a share of income of the rural poor	Percentage	40.4

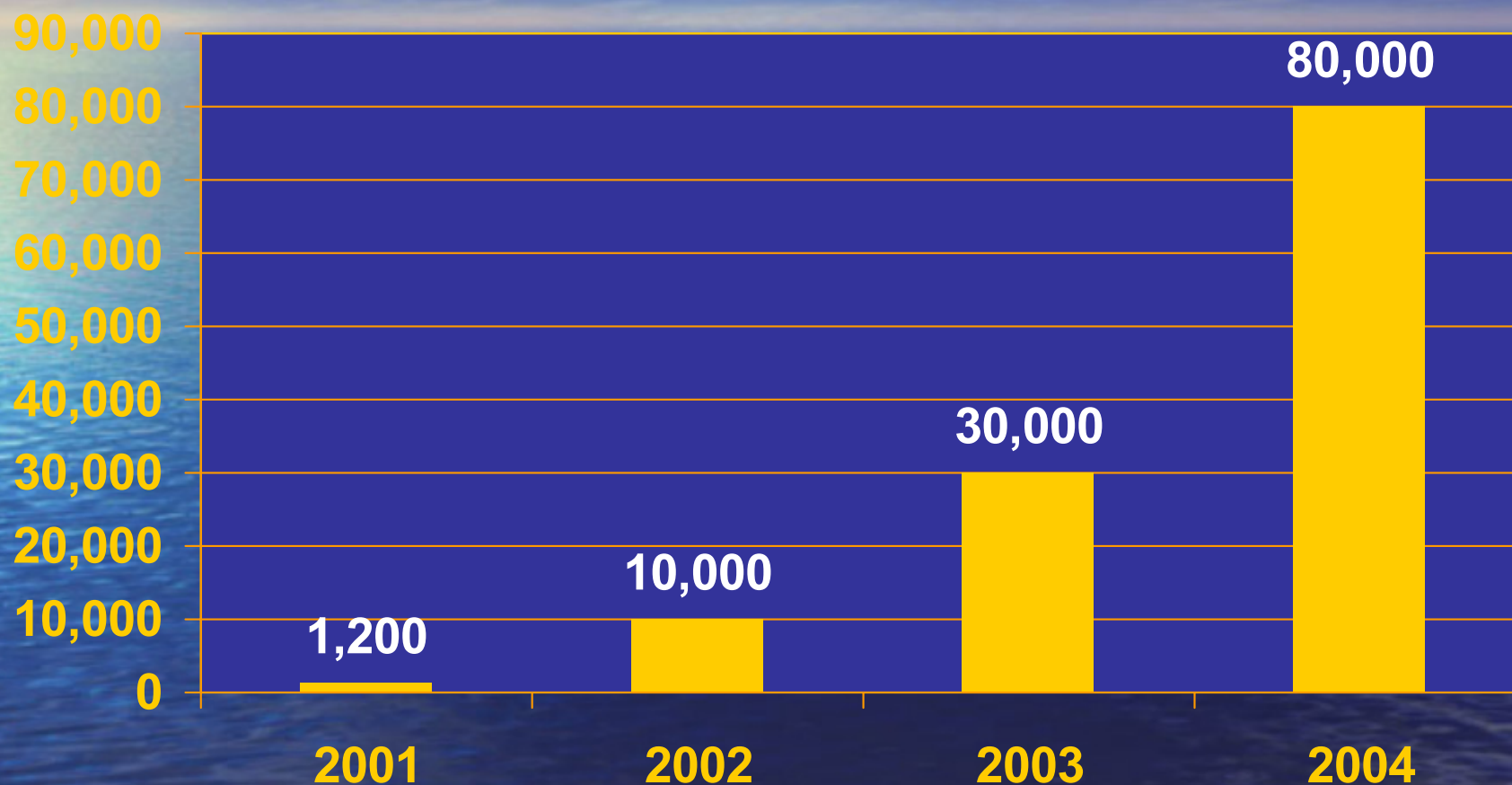
2. Contract farming in Cambodia

- Contract farming provides incentives to farmers to participate in the market:
 - Price information; new technologies; lower cost of entering market; and access to credit
- Traditional practice of informal contract farming in Cambodia
 - No legal protection; small-scale and domestic markets only
- The presence of formal contract farming
 - Oranges, Vegetables, Rubbers, Fishery, Tobacco, Rice
- The successful practices of contract farming in Cambodia (BAT Co. Ltd., Srer Khmer, AKR)

Why Rice Contract Farming?

- It is clear that rice is important and so does contract farming model to M4P
- Rice promotions initiated in Cambodia:
 - CEDAC (NGOs supported by donors) introduced organic method of rice production and only a few people were willing to try at the beginning (weak market linkage)
 - AADA (local farmer association) introduced Chinese seed which increased productivity 5 times, but failed due to no market linkage
 - Angkor Kasekam Roongroeung (AKR), rice contract farming started with more than 1,000 households at the beginning.

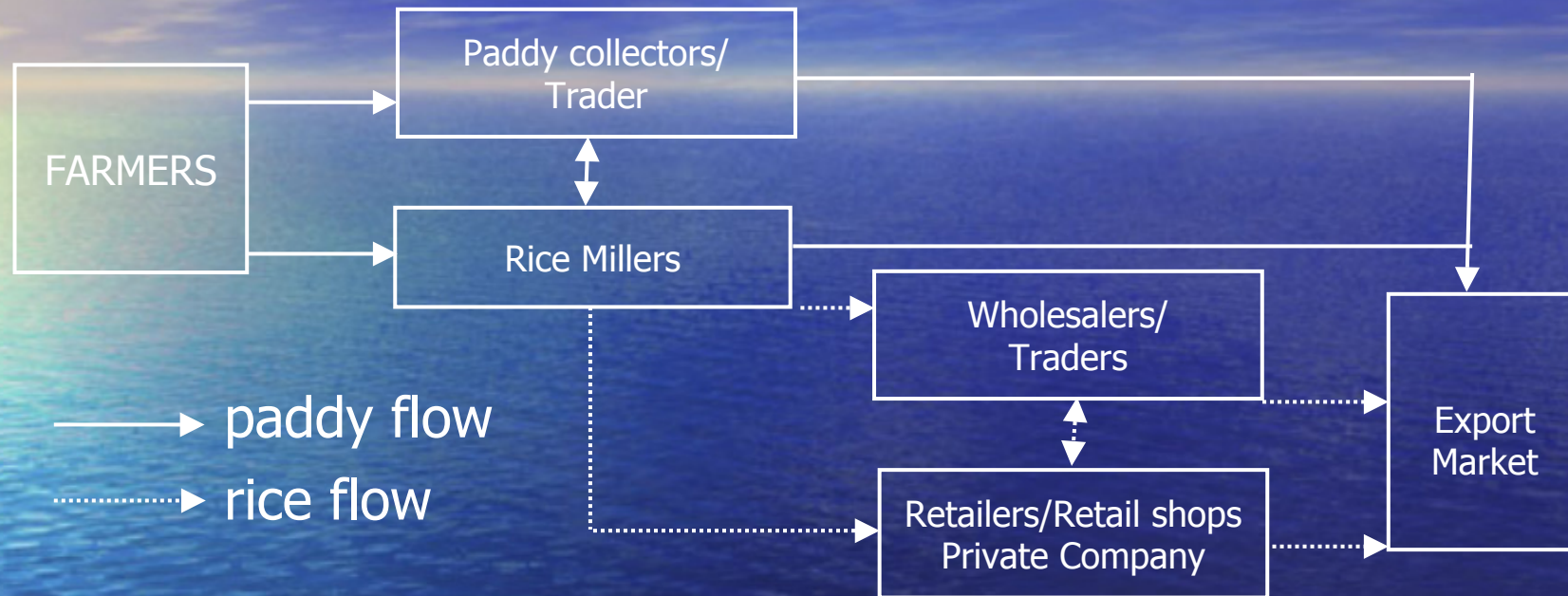
Rice Contract Farming Angkor Kasekam Rungreung(AKR)



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3. Angkor Kasekam ROUNGROEUNG (AKR) Model

Production-Export Chain of Rice in Cambodia



Production-Export Chain of AKR

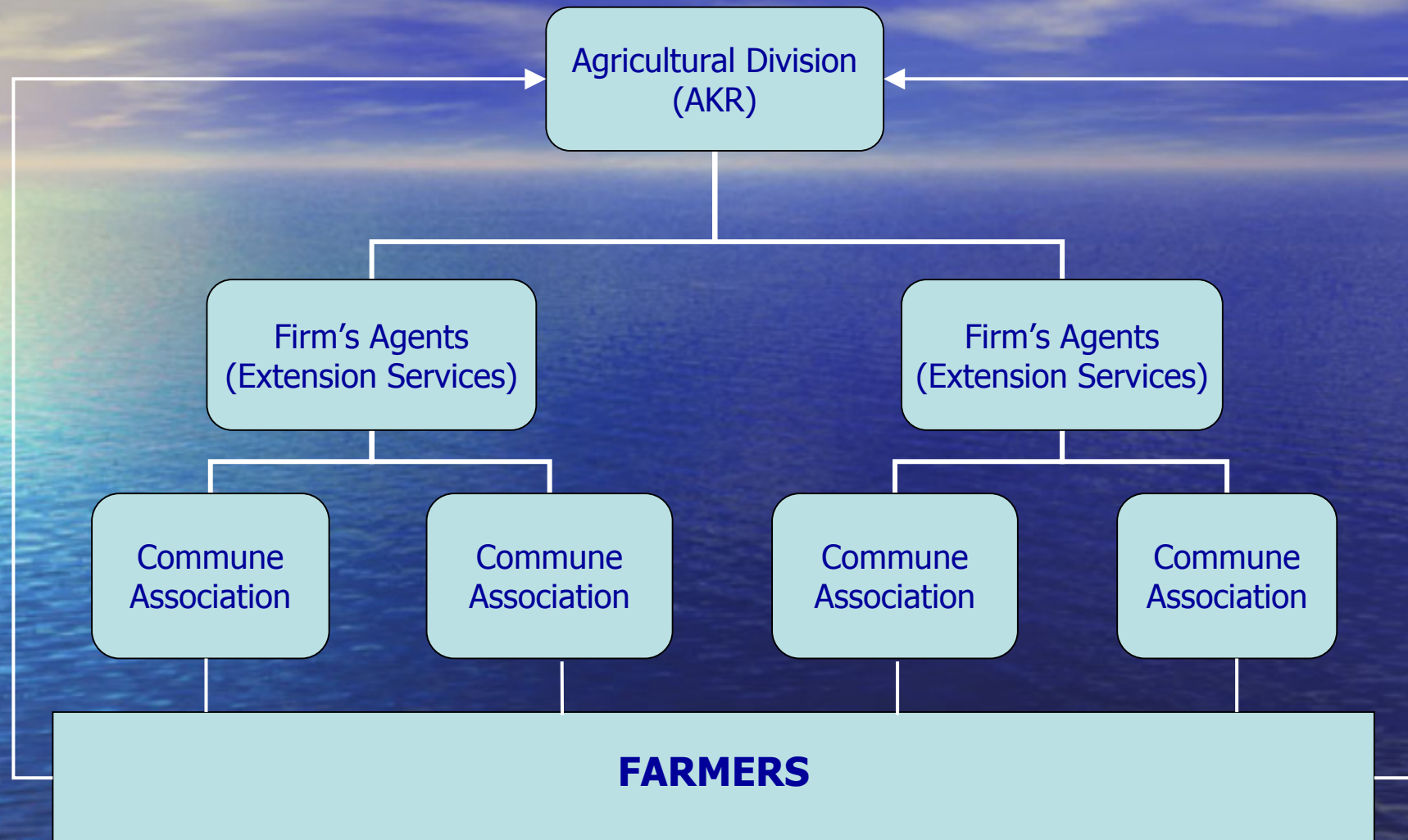


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❖ Contractual Arrangement

- Provide seeds in credit with triple return and promise to buy all output at a minimum price
- Use semi-formal contractual arrangement
- Farmer must be a member of Association and each commune has one association
- The structure consists of head, deputy and village head and usually are selected by the company (usually commune council)
- Trained on basic technical aspect of growing *Neang Malis* rice to support farmer
- Report every stage of production and any related issues to the company
- Leader receive payment based on amount of rice sold to company

Figure : Role of Association of AKR



Benefits of AKR Model

- Re-allocation their resources (e.g. land) from production for consumption to participate in market
- Increase specialization and adoption new production method
- Access to stable market and secure earning
- Farmers received higher price than market
- They feel that they are better off

Constraints of AKR Model

- The poorer who have small farm size have been excluded
- The increases in production may erode the price of output
- Farmers do not have bargaining power if the price of rice increases more than minimum set
 - During the 4 years of operation, the price offered by the company is relatively higher than in the market
- Price is set according to grade which farmers have no knowledge of

4. Conclusion and Recommendation

- AKR operates very well in Cambodia but the model can be improved (competition, bargaining power)
- AKR appears to increase rice production, efficiency and household income (implication of poverty reduction)
- AKR should be studied as a model for agricultural development in Cambodia
- Empirical research will be conducted to verify benefits, constraints and to identify supporting policies.



THANK YOU

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