

Business Opportunities in Cambodia: Organic Market



Sourcing, Selling, or Investing?

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giz Deutsche Gesellschaft
für Internationale
Zusammenarbeit (GIZ) GmbH

in cooperation with

The GIZ Business Scouts Programme

Orientation, information, networking, project development



Cambodia at a glance

The Agriculture Sector

- High share of agriculture in GDP: 22.4% in 2020, with crop production in the lead (13%)
- 32.3% of the total labor force engaged in the agriculture sector (3 million people)
- Majority of agriculture exports in raw form; heavily dependent on crops
- Main agricultural export products: rice and rubber, increasingly cassava
- **4.5 million ha cultivated land:**
 - Paddy rice (70%)
 - Subsidiary and industrial crops such as sugar cane & grain crops (20%)
 - Rubber plantations (~7%)
 - Permanent crops, e.g. banana, cashew, coconut, coffee, durian, oil palm, pepper, mangoes, orange, other fruits (~3%)



Cambodia at a glance

Organic Agriculture

- Tradition of extensive form of agriculture (low inputs on larger areas)
- Early growth reliant on foreign donor support: capacity building (farmers, gov't, ...)
- Still relatively small scale, but organic area rapidly increasing in past 10 years
- 0.5% of Cambodian farmland certified organic (Thailand: 0.9%, Germany: 9%)
- 92% being cereals, i.e. mainly rice
- Other crops:

Certification projects since 2005	EU Organic	USDA NOP
Rice	14	10
Pepper	18	15
Cashew	6	5
Herbs (e.g. ginger, lemongrass)	9	9
Fruit	5	5
Others (Vegetables/cassava/others)	10	10

Certification Bodies (organic)
EcoCert (French)
Control Union (Dutch)
Ceres (German)
Kiwa (Dutch)

Overview

Main Areas:

- Sourcing
- Selling
- Investing

Benefits:

- EU Everything But Arms' (EBA) agreement due to LDC status: no duties/quotas
- Cambodian government promotes modernization & mechanization
- Tax holidays through Qualified Investment Projects (QIPs)

Sourcing from Cambodia

Cambodian agricultural exports to the EU (t) – conventional & organic

TONs RICE exported (HS 1006)	2016	2017	2018	2019	2020
to Germany	81,533	57,278	35,752	14,109	11,701
to EU27	308,782	258,174	233,215	195,251	196,978

TONs PEPPER exported (HS 0904)					
to Germany	45	355	230	1,071	1,135
to EU27	66	382	394	1,155	1,224

TONs HERBS exported (HS 09)					
to Germany	45	355	230	1,071	1,136
to EU27	67	405	432	1,210	1,277

Spotlight: Cashews and Kampot Pepper

Cashews

- Cambodia among top ten producers worldwide, optimal growing conditions
- Harvest times different to other producing countries
- 85% exported raw to Vietnam, some also to China, Thailand & Japan (2021)
- Exports of cashews to Germany and the EU very low in volume

Kampot pepper

- Premium quality product exclusive to six districts of Cambodian provinces Kampot and Kep
- Protected geographical indication status by WTO since 2010, by EU since 2016
- Main export markets Vietnam, Germany, EU, India and China

Sourcing from Cambodia

Agricultural commodities & local produce

- Local crops among the best in the world, award-winning rice
- Geographic Indicator (GI) status:
 - Kampot pepper, Kampot durian, Koh Trong pomelo and Kampong Speu sugar
- Organic niche crops on the rise: pepper, cashews, moringa, palm sugar, mango, banana
- Suppliers Database: <https://sd2.cdc.gov.kh/>

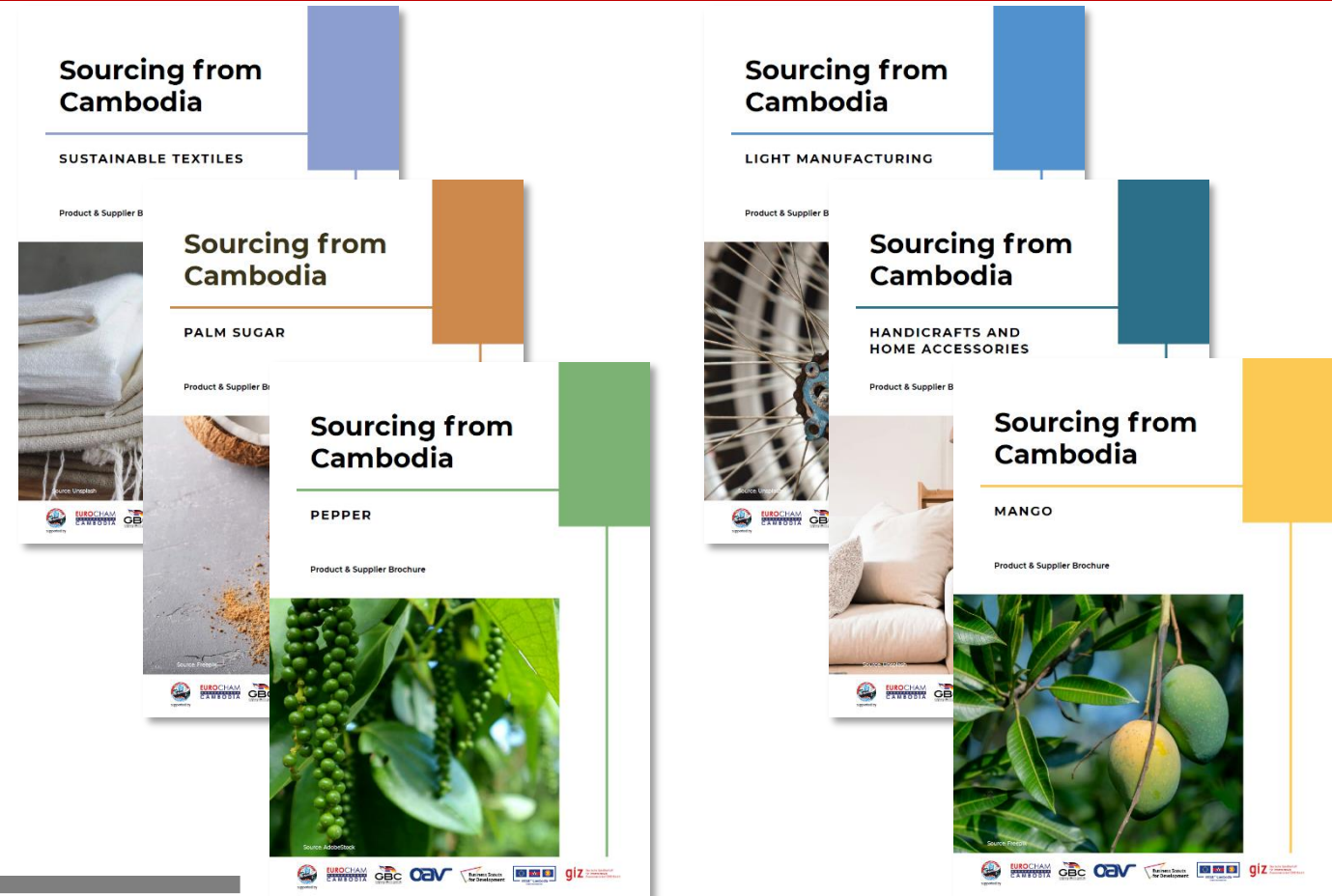


Recommended Publications

Sourcing from Cambodia

Product & Supplier Brochures

- Pepper
- Palm Sugar
- Mango
- Sustainable Textiles
- Light Manufacturing
- Handicrafts and Home Accessories



Available at:

<http://adw-cambodia.org/resources/market-information/>

in cooperation with

Sales Opportunities I

for machinery, inputs & more

- Cambodia heavily relies on imports of machinery, seeds, pesticides and fertilizers
- Gradual mechanization in recent years – as promoted by gov't – replacing labor with e.g. power tillers, two-wheel tractors, water pumps...
- Demand for machinery & equipment increasing every year, use of seeders, reapers, sprayers or harvesters still limited
- Drip irrigation on the rise, potentials in sprinkle irrigation and solar-powered pumps



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Sales Opportunities II

for machinery, inputs & more

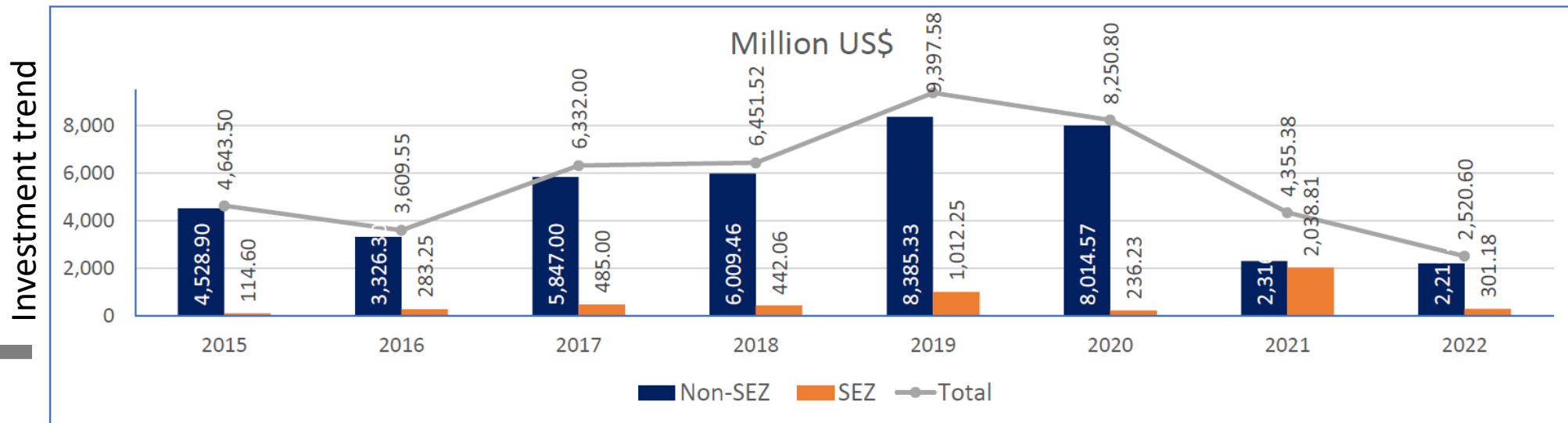
- Most machinery traditionally imported via importers from Thailand
- Economic Land Concession (ELC) holders largest potential clients for agricultural machinery sellers
- Potentials in support services for agro-processing, e.g. cold chain logistics, sanitary and phytosanitary (SPS) auditing, certification
- ICT to link stakeholders (farmers, agribusiness operators, consumers, gov't agencies)



Potentials for Investment I

Local agro-processing

- 10% of Cambodia's total agricultural outputs are processed (Thailand: 80%)
- Net importer of processed food, no local processors/competitors for some commodities
- Large-scale investments in agriculture and agro-industry less than 10% of all investments
- Processing potentials: dairy products, cashew nuts (e.g. shelling), sugar, fruits, fish products, meat and cassava (e.g. for animal feed), tobacco, rubber, wood, seed production
- Potential for organic (niche) production due to historically low chemical use



Business Environment – Investment Incentives for QIPs

Qualified Investment Projects (QIP):

- Income (Profit) Tax Exemption for 3 to 9 years / 40% Special depreciation allowance
- Tax exemption: Customs Duty, Special Tax and Value-Added tax for construction material, construction equipment, production equipment, production inputs
- Export Tax exemption
- Exemption from having to hire at least ten local employees for every hired foreigner
- Simplified application since New Law on Investment (promulgated on 15 October 2021)

Recommended Publications

Sector Briefs: Potentials for Investment



**Business Scouts
for Development**

**SECTOR BRIEF CAMBODIA:
Organic Market**

Summary

Cambodia's organic agriculture sector, whilst having experienced rapid development over the last decade, is still at a relatively small scale compared to its overall market potential. Over the past 10 years the production area under certified organic agriculture has increased by 218.6%. Cereals, i.e. mainly rice production, covers almost all of that area (92%), with other crops consisting of pepper, cashews, fruits, herbs and other vegetables.

The competitive advantages of the Cambodian organic sector include its low land costs, low labour costs and limited use of agrochemicals, the latter meaning that three-year resting periods when switching from conventional to organic farming (as are often required by organic standards) are not always necessary. Furthermore, Cambodian crops are also renowned for their high quality.

The establishment and early growth of the organic sector has been reliant on foreign donor support to strengthen the capacity of farmers, related government authorities and other stakeholders. The most widely used organic certification schemes in Cambodia are the United States Department of Agriculture National Organic Program (USDA NOP) and European Union (EU) Organic, reflecting the main markets to which organic products are exported – the USA and the EU.

The main business opportunities in Cambodia's organic agriculture sector include the supply of machinery, equipment and technology; improved (organic) agricultural inputs (e.g., seeds, fertilisers, pest control products); expertise related to organic standards and certification; and the supply of organic products, particularly rice (organic and fair trade).

The organic agricultural sector in Cambodia

The origins of Cambodia's organic market

After the thirty years of civil war, Cambodia mainly relied on subsistence farming, with rice being the major crop for self-consumption. In recent years the 'value chain' has become more important, with the international development sector seeking to add value to products throughout the supply chain. Since then, organic certification and products have become more prominent, due to the market premium that certified organic products can command.

The onset of Cambodia's organic market started in the year 2000 with the implementation of the System for Rice Intensification (SRI) which was eventually included in the National Strategic Development Plans (NSDP) 2006–2010 and 2009–2013. Supported by Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH, the system promoted several good agricultural practices, including for example the use of more ecologically benign alternatives for pesticides, using less water when levelling fields and seedling, and other more environmentally sensitive cultivation practices. It did, however, also steer practices towards farming with limited external inputs.

Competition in the region

Cambodian agriculture faces stiff competition from neighboring countries such as Thailand and Vietnam which also produce large quantities of agricultural products, particularly rice (organic and fair trade).



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Partnership Ready Cambodia: Agriculture and Food Processing

Current situation

Cambodia has enjoyed over two decades of economic and urban development, with an average annual gross domestic product (GDP) growth rate of 7.59% between 1994 and 2017. Cambodia's agricultural sector, with a 23% share in GDP in 2017, has been a key driver of this growth, contributing significantly to poverty reduction and making huge leaps in the production of most crops. 77% of the Cambodian population still live in rural areas, with the majority relying on agriculture as their primary source of food and income. The percentage of the total workforce engaged in agriculture was 26.7% in 2017, down from 73% in 2008.

Cambodian pepper (worth USD 997,000), bananas (worth USD 348,000), fresh berries (worth USD 23,000), rice noodles (worth USD 135,000), wood products (worth USD 30,000) and paper packaging materials (worth USD 19,000). Exports to Germany for all these products have increased significantly since 2017.

Cambodia's push to diversify its agricultural production has led to a boost in the output of subsidiary and industrial crops which now represent the largest share of crop exports. Most of this rise is due to the increased production of cassava, which has overtaken rice to become Cambodia's most produced and exported crop. Crop production is reliant on seasonal rains. Dry season farming is more challenging as it requires well-functioning irrigation as well as larger investments in technology.

→ CROP PRODUCTION

Crop production in Cambodia makes up 60% of agriculture's contribution to GDP. The country's crops are recognised as some of the best in the world, as evidenced by its award-winning rice and geographic indicator (GI) status for varieties of pepper, durian, pomelo and sugar. So far, however, Cambodia's crops have not met their full production and export potential. Cambodia has approximately 4.3 million hectares of cultivated land. Major crops include paddy rice, maize, cassava, sugar cane, vegetables, peanut, soybean, sugar cane, jute, tobacco and rubber as well as a multitude of perennial crops. There are several other crops that deserve a mention, although not widely cultivated in Cambodia, their unique therapeutic/health properties and relative scarcity make them a valuable, sought-after commodity for the European market. These include but are not limited to: acalyptus, frangipani, sandalwood and the mineral-rich moringa tree. There seems to be potential for increased Moringa exports, with leading companies Boca Villa and KingsCam enjoying healthy business growth.

Export growth has matched the increase in production. The Ministry of Agriculture, Forestry and Fisheries (MAFF) reports that Cambodia's agricultural exports reached USD 4.45 billion in 2017, a 21% increase on 2016. The most significant export growth was seen in rice, which saw a 21% increase in value and a 10% increase in volume. In recent years, Germany is a major importer of Cambodian agricultural products, especially Cambodian rice, which saw a 21% increase in value and a 10% increase in volume in 2017.

Agriculture and food-processing



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Partnership Ready Cambodia: Water supply and wastewater treatment

Current situation

Cambodia's water supply and wastewater treatment sector is in a state of rapid development. The country's water supply infrastructure is being upgraded, and new wastewater treatment plants are being built. This is a result of the government's commitment to improve the quality of its water supply and to protect the environment. The sector is attracting significant investment from both the public and private sectors. The government is also working to improve the efficiency of its water supply and wastewater treatment services. This is being done through a number of measures, including the introduction of new technologies and the strengthening of regulatory frameworks. The sector is expected to continue to grow in the coming years, as the government continues to invest in infrastructure development and as the private sector continues to expand its operations.



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Partnership Ready Cambodia: Sustainable mobility

Current situation

Cambodia's sustainable mobility sector is in a state of rapid development. The country's transport infrastructure is being upgraded, and new sustainable transport modes are being introduced. This is a result of the government's commitment to improve the quality of its transport services and to protect the environment. The sector is attracting significant investment from both the public and private sectors. The government is also working to improve the efficiency of its transport services. This is being done through a number of measures, including the introduction of new technologies and the strengthening of regulatory frameworks. The sector is expected to continue to grow in the coming years, as the government continues to invest in infrastructure development and as the private sector continues to expand its operations.

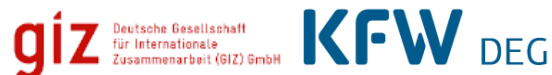
- Water supply and wastewater treatment
- Solar energy
- Waste management
- Health care
- Sustainable mobility
- Construction

- Relatively high electricity & transport cost, increasing Cambodia's production costs (by 15-20%)
- Lack of skilled labor, infrastructure and market information
- Standard and certification systems still in early stages, lack of quality infrastructure
- Access to finance: major bottleneck for farmers and agribusinesses
- Productivity per ha lower than in other ASEAN countries
- Lack of cold chain systems / storage / high post-harvest losses
- Little value added through refining and processing
- Counterfeit agricultural inputs, unregistered input dealers
- EU tariff and non-tariff trade barriers

Support Programmes

by German development cooperation

Support to pilot projects



develoPPP

Corporate finance



Co-financing of feasibility studies

Corporate finance – loans, equity finance, mezzanine finance

Business Support Services (BSS)

Know-how from Germany



Senior Expert Service

Integrated Experts

Alumniportal Deutschland

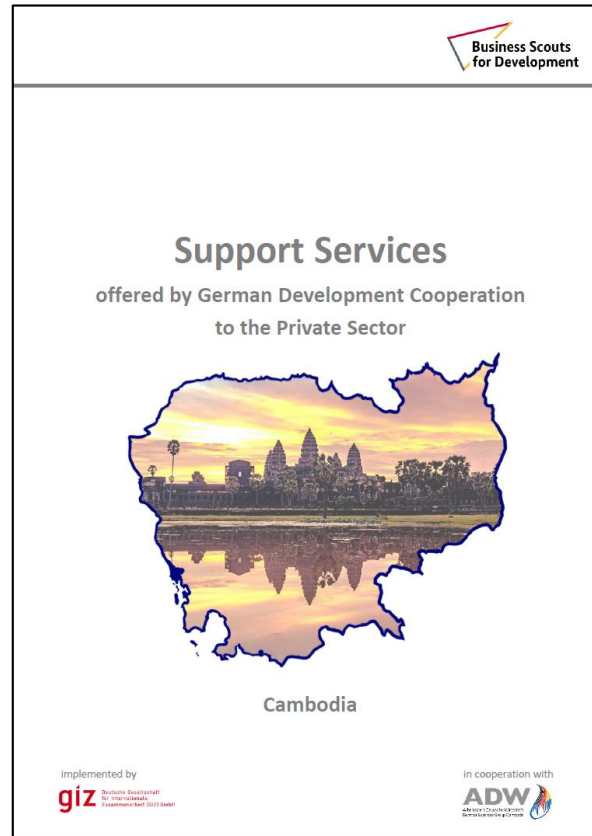
Chamber and Vocational Training Partnerships

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Recommended Publications

Support programmes



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Useful local contacts and institutions

Useful Local Contacts

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Conclusive Remarks

Do not underestimate the market, stay updated on Cambodia!

- Liberal economic framework
- Geographic location (access to the entire ASEAN region)
- Untapped markets, enormous pent-up demand
- Growing middle class

Development cooperation can be a helpful partner for your business abroad!

- Promotion and support for project development
- Financing
- Information and networks

Contact



Thank you!

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