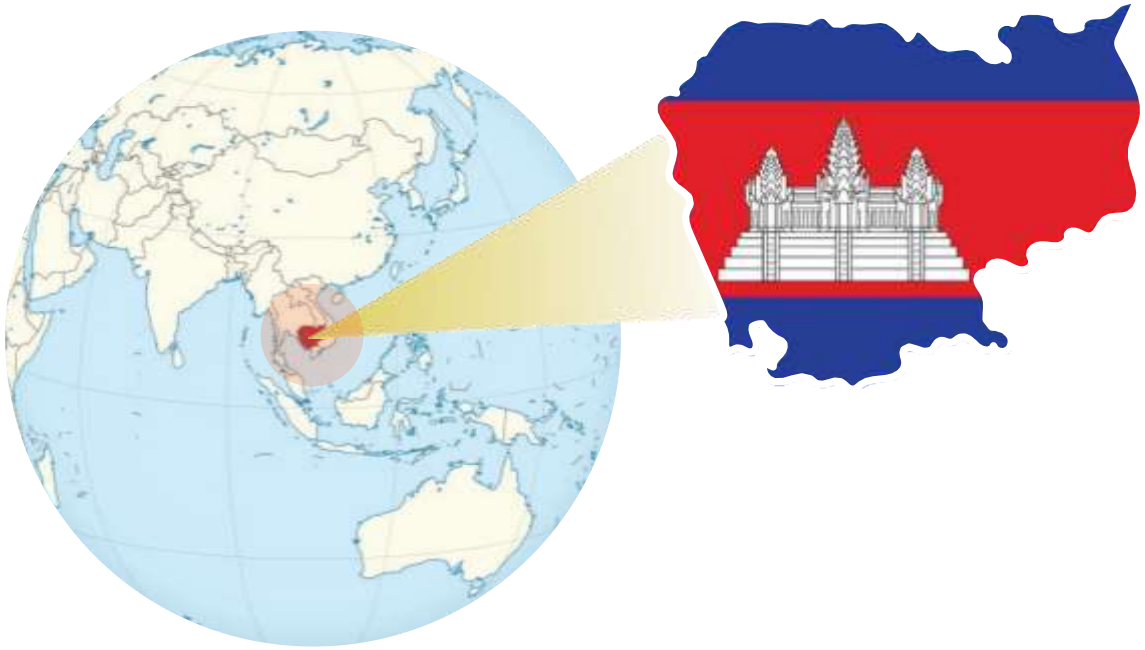

# CAMBODIA'S AGRICULTURE INVESTMENT FRAMEWORK

## Hand-in-Hand Investment Forum

## 17-20 October 2023, Rome, Italy



1. Why invest in Cambodia?
2. Why invest in agriculture?
3. Business enabling environment.
4. Key value chains for investment.

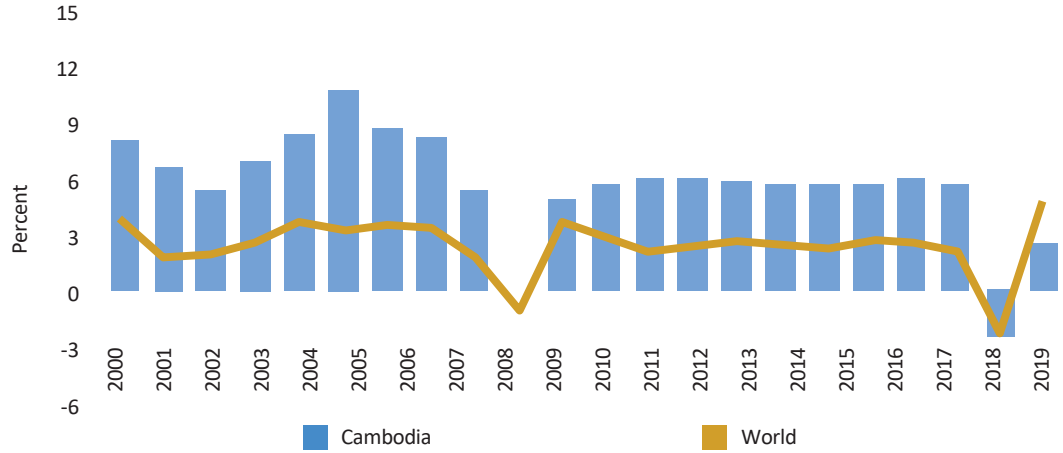
## KEY INFORMATION:

| | | | | | |
|---|---|---|---|---|---|
| **16.7** *Total population (million)* | **9.0** *Labour force (million)* | **28.5** *GDP, 2023 (billion USD)* | **1,785** *GDP per capita, 2023 (USD)* | **17.8** *Foreign reserves (billion USD)* | **22.2%** *Share of agriculture to GDP* |

# 1. Why invest in Cambodia?

- Macro-economic and political stability.
- GDP growth: 7 percent on average over the last 30 years.
- World Bank lower middle-income status in 2015.
- UN LDC graduation in 2027.
- Halved multidimensional poverty over the last 10 years from 36.7% in 2014 to 16.6% in 2022 (UNDP and Oxford University).

**GDP has grown rapidly at 7% on average per annum over the last three decades.**




Source: World Bank, 2022

Inflation rate:
< 4%

Tourist arrivals:
6 million

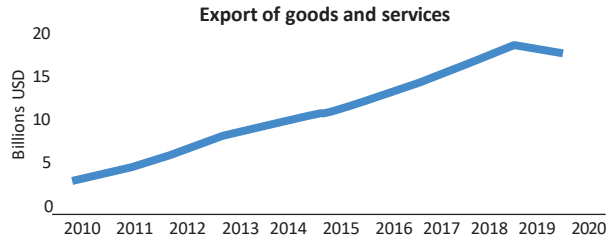
Stable exchange rate:
USD 1 = 4,100 Riel

4G coverage:
80% of the population

Competitive wage:
USD 200 per month

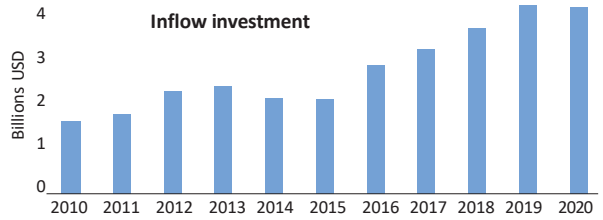
Labour force: > 60% population < 35 years

**Increased exports of multiple products**




Source: World Bank, 2022

**Increased foreign direct investment**




Source: World Bank, 2022

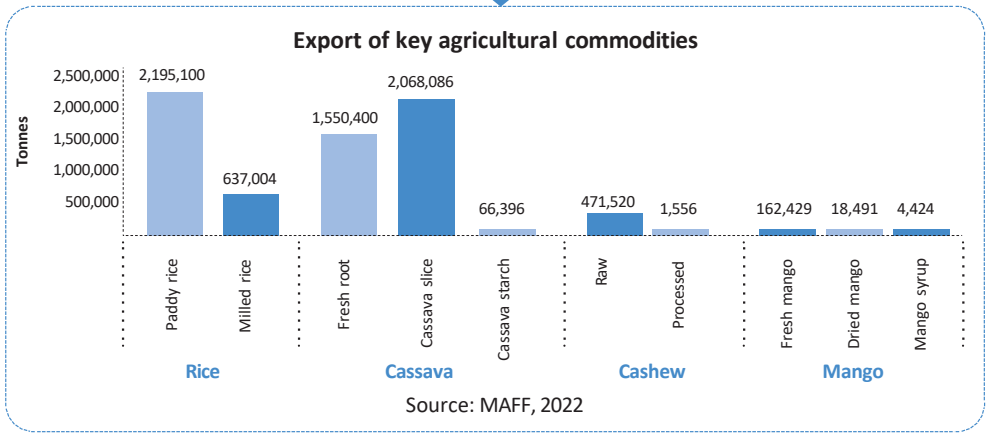
# 2. Why invest in agriculture?

**1** The Royal Government of Cambodia in the 7th mandate has a strong commitment to agriculture development.

**Agriculture value chain development is one of the six priorities for the Prime Minister and the Royal Government of Cambodia.**

- Improving agriculture value chains.
- Greening value chains (sustainable, climate-resilient and low emission pathway)
- Establishing agro-industrial parks.
- Developing supporting infrastructure.
- Reducing electricity costs.
- Promoting the use of renewable energy.
- Enhancing public and private partnership.

**2** More than 80 percent of agriculture produce has been exported as raw commodities. There are opportunities for significant value creation.

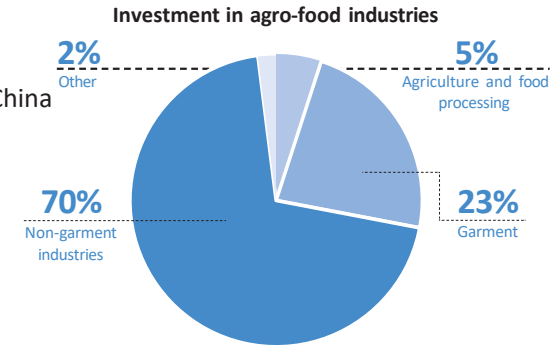



Source: MAFF, 2022

**3** Investment in agrifood processing is low. With investment, Cambodia can be a food processing and exporting country to global markets.

**Top 10 FDI in Cambodia:**

1. China
2. Vietnam
3. Thailand
4. Korea
5. Malaysia
6. Hong Kong, China
7. USA
8. Netherlands
9. Japan
10. Philippines




Source: Council for the Development of Cambodia, 2022

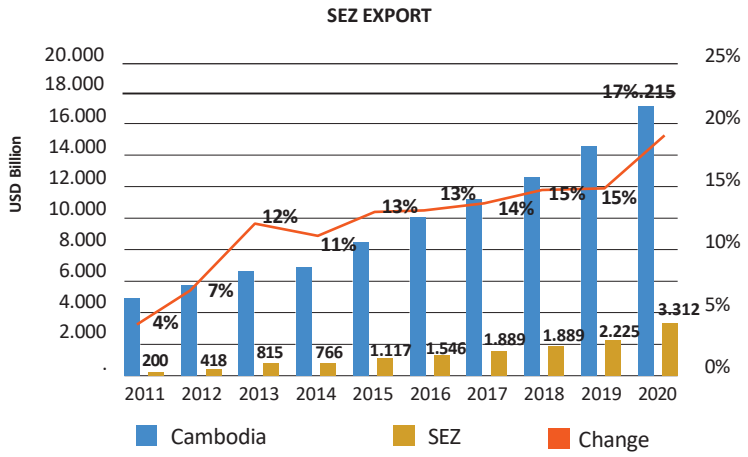
# 3. Business enabling environment

## 1. Market access

Located in the heart of South East Asia and with preferential free trade agreements, Cambodia has worldwide access to global markets.


## 2. Special economic zones (SEZ)

A new regime for SEZs connecting the Cambodian agrifood system to markets through land, sea and air.




China will offer a **97.5 percent** reduction and elimination of tariffs.

South Korea will offer a **95 percent** reduction and elimination of tariffs.

## 3. Fast, prompt and reliable service

Qualified investment projects will be reviewed and approved in 23 working days.

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COUNCIL FOR THE DEVELOPMENT OF CAMBODIA

AfID Agri-food Investment Desk
Think Agri-food, Invest in Cambodia

ប្រព័ន្ធបញ្ជារតែមួយជាតិ
NATIONAL SINGLE WINDOW

## 4. Cambodia is among the region's most favorable economies for foreign investment

with incentives specifically tailored to support agrifood business.


### Key incentives for investors:

- Income tax exemption for up to 9 years.
- Export tax exemption.
- Full import duty tax exemption on construction material, equipment, etc.
- Value-added tax exemption for local inputs.
- 150 percent tax reduction for research and development, employee welfare, etc.

## 5. Supporting private sector development

ធនាគារ ARDB

SME BANK

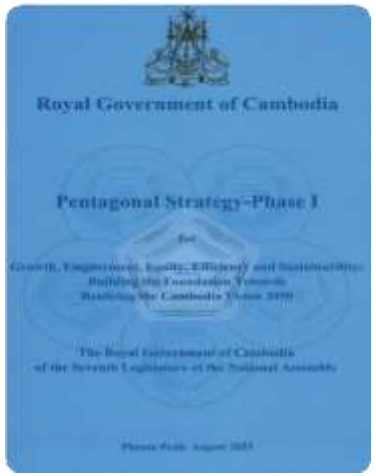
## 6. Logistics interim master plan

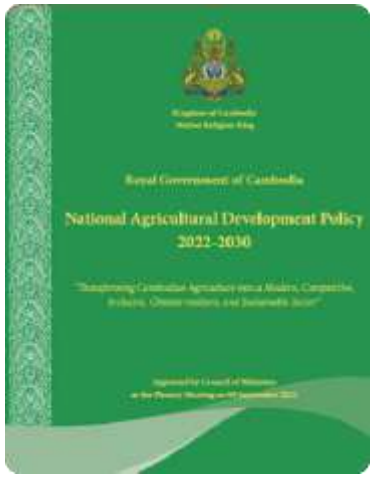
**332 projects** **USD 48 billion**

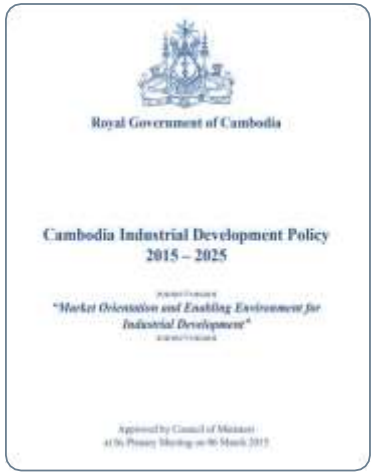
Expressway from Phnom Penh to Preah Sihanouk province.

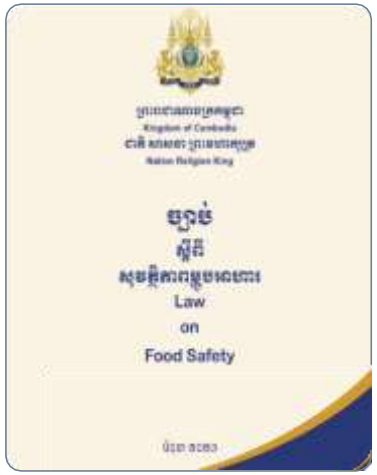
A newly opened international airport in Siem Reap province.

## 7. Cambodia has sound legal frameworks



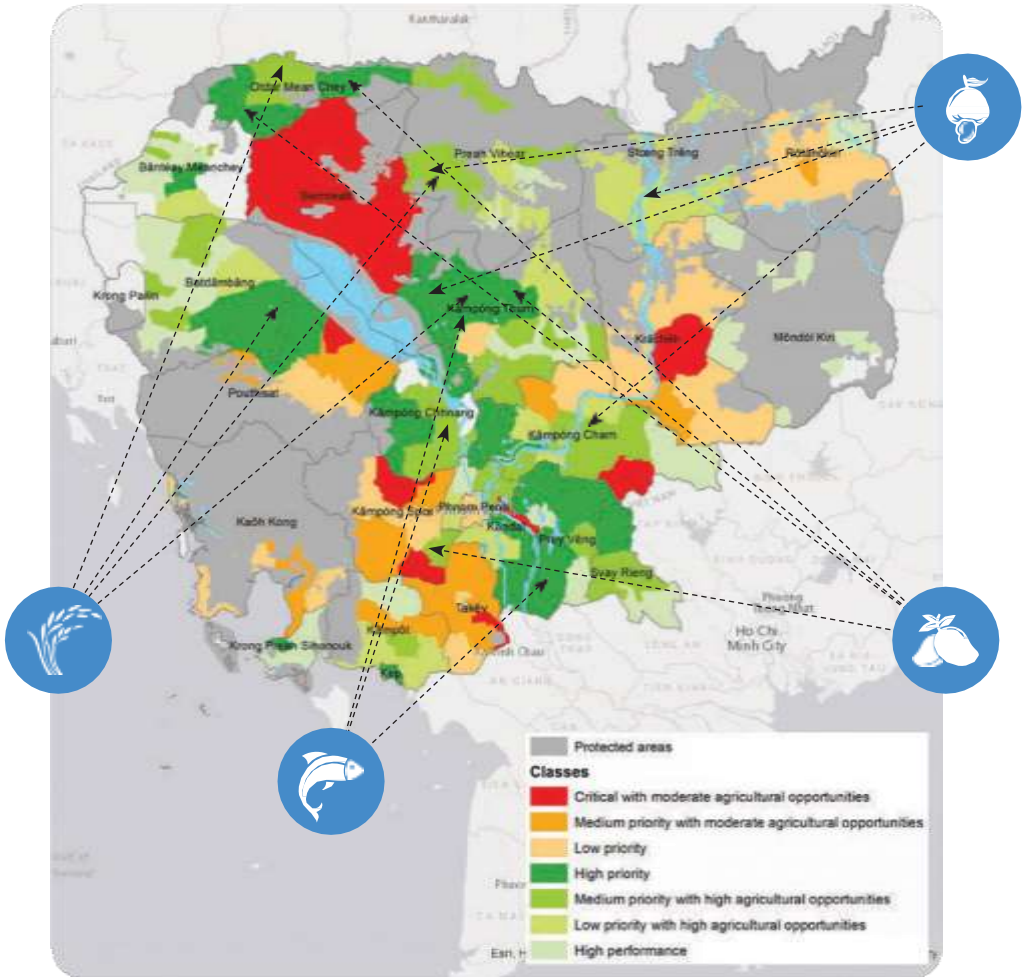




- Pentagon Strategy 2023-2028
- Cambodia Digital Economy and Society Framework 2021-2035
- Cambodia Trade Integration Strategy 2019-2023
- Cambodia Industrial Development Policy 2015-2030
- Law on Special Economic Zones
- Law on Land 2001
- Law on Investment
- Law on Intellectual Property
- Law on Consumer Protection
- Law on Competition
- Law on Geographic Indication
- Law on Agriculture Cooperatives
- Law on Food Safety
- Law on Plant Protection and Phytosanitary Measures
- Law on Animal Health and Production
- Law on Fisheries
- Law on Forestry
- Law on Environmental Protection and Natural Resource Management

# 4. Key value chains for investment




Cambodia has premium fragrant varieties, like Phka Rumduol, achieving the World's Best Rice Award five times.

Cambodia has more than 6.3 million tonnes of paddy rice surplus (fragrant and white rice) for export.

Cambodia is the third largest cashew producer in the world.

National variety (M23) provides high yield, a large seed, desirable taste, a golden colour and good nutritional values.

Cambodia is the sixth largest mango producer in the world.

National variety (Keo Romeat) provides high yield, good taste and opportunities for fresh and processed market development.

Cambodians are the largest consumers of freshwater fish per capita in the world.

Increasing domestic aquaculture will reduce dependence on and exploitation of natural resources and open opportunities.

# Why Investing in Rice Value Chain?

**World's Best Rice Award**

Premium fragrant variety: Phka Rumduol

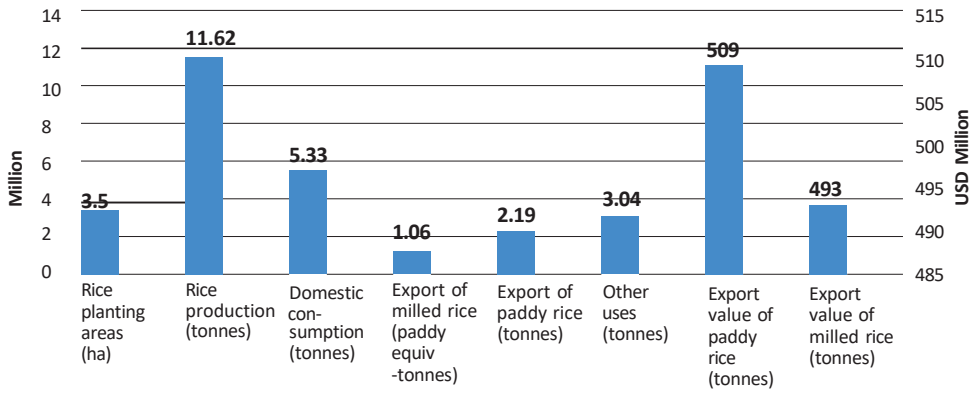
2012, 2013, 2014, 2018, 2022

## Key facts:

- China signed an MoU with Cambodia for the import of 200,000 tonnes milled rice per annum. Cambodia aims to increase to 400,000 tonnes for MoU 2024 and onwards.
- Indonesia signed an MoU with Cambodia for the import of 1,000,000 tonnes milled rice from 2024 to 2028.

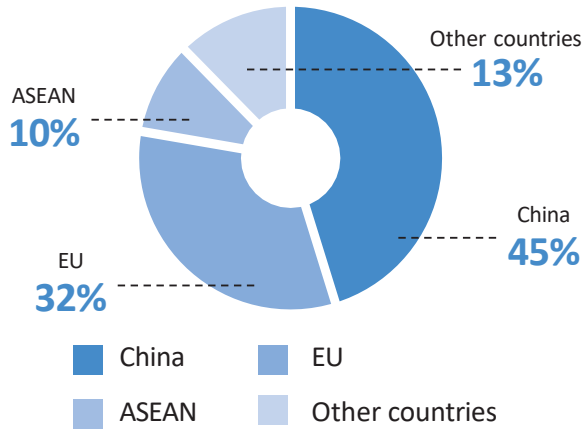
## Target exports: milled rice

**Rice production, consumption and export in Cambodia (2022)**




Source: MAFF, 2022

**Export destinations of Cambodia's milled rice**




Source: MAFF, 2022

# Investing in Rice Value Chain

## Why rice?

- Production surplus of 6.3 million tonnes paddy rice per year.
- Government strategy is to increase the export of milled rice by 25% by 2025 from 700,000 to 1 million tonnes.
- Government strategy is to promote the production of unique varieties based on geographic indication and standards-based production methods (organic, low carbon emission, wildlife friendly, deforestation-free).

## Investment areas

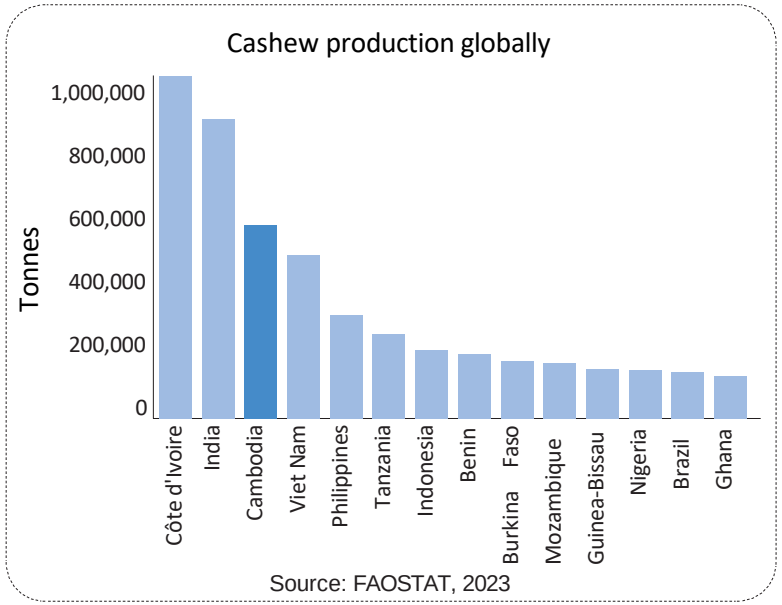
- Improved climate-smart and sustainable rice production.
- Increased rice storage capacity for preserving paddy rice quality.
- Increased rice milling capacity by using state-of-the-art technologies and circular economies (rice husk gasifier, rice bran oil, rice husk brick, fertilizer, etc.).
- Increase exports to diversified markets by promoting Cambodian rice brands and standards, i.e. organic, Ibis Rice, low GI rice, Sustainable Rice Platform.

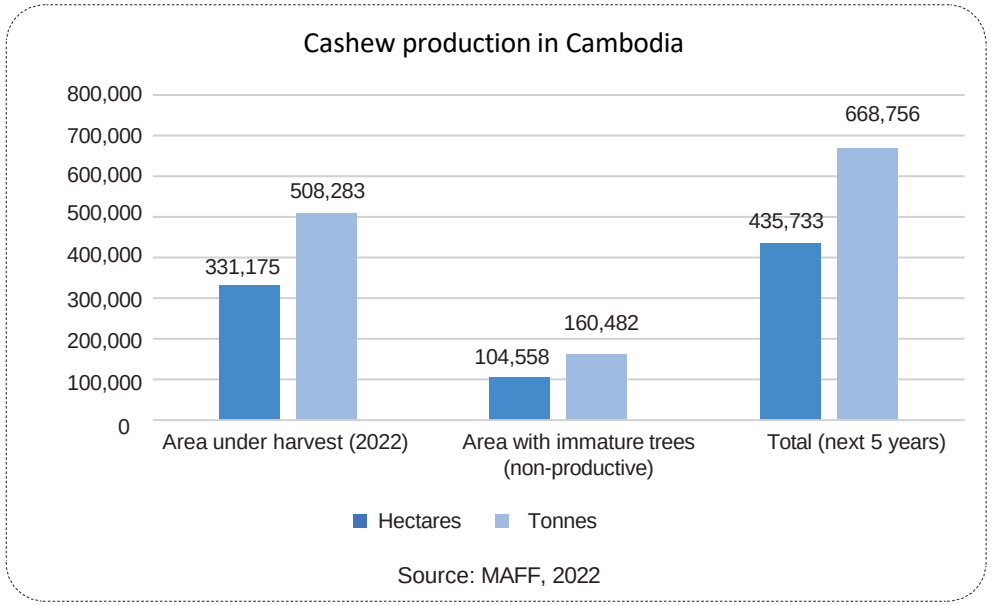
# Why Invest in Cashew Value Chain?


## Key facts:

- Cambodia is the 3rd largest cashew producer in the world.
- Presently, 10% of cashew is processed in Cambodia and the remainder is exported unprocessed to neighboring countries.
- The Royal Government of Cambodia is committed to deforestation-free cashew production.

## Target exports: processed cashew



# Investing in Cashew Value Chain

## Why cashew?

- Two to five times the average of global yield per hectare (1.2-3.0 tonnes/ha in Cambodia versus global average 0.6 tonne/ha).
- National seed variety (M23) is high yielding with a large seed preferred by markets, a desirable taste, a golden colour, and good nutritional values.
- Government strategy is to promote production based on geographic indication and standards-based production methods (organic and deforestation-free).

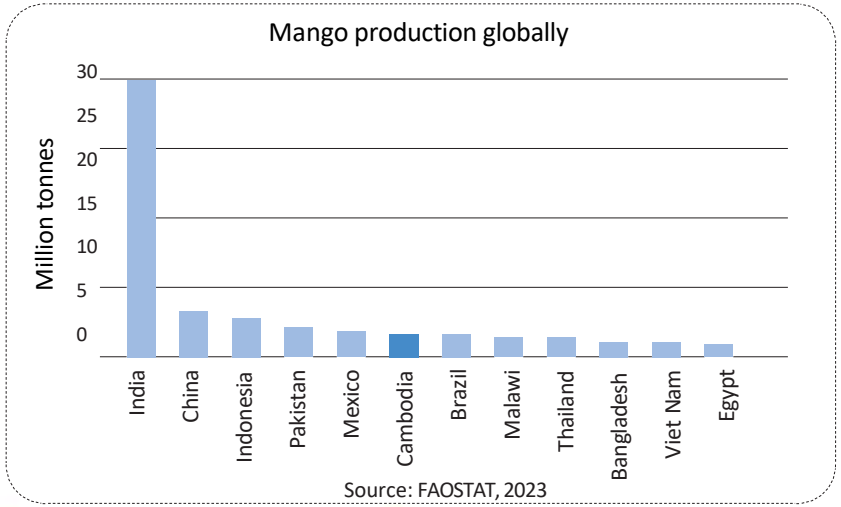
## Investment areas

- Improved climate adapted, standards-based and deforestation-free cashew production.
- Increased number of collection centres for drying, sorting and storing high quality cashew.
- Increased cashew processing capability by utilizing state-of-the-art factories and integrating green circular economies such as cashew shell oil and fertilizer production.
- Improved trade facilitation by setting up trade gateways and market access.

# Why Invest in Mango Value Chain?

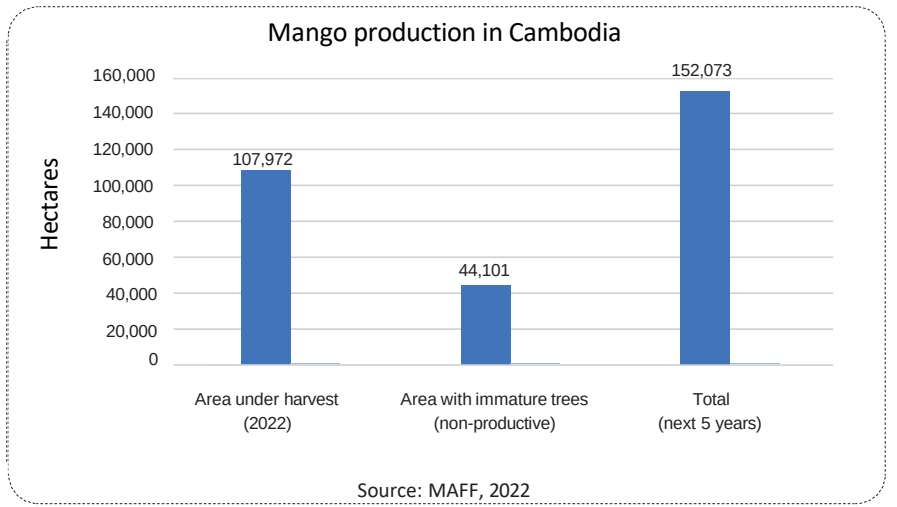
## National variety known: Keo Romeat

- Good for fresh eating
- Good source of sweetener
- Good for drying
- Good for juicing and pulping
- Harvest 2 to 3 times per year




## Key facts:

- Cambodia is the 6th largest mango producer in the world.
- Presently, 9% is consumed fresh while 4% is processed in Cambodia and exported. The remaining 87% is exported for fresh consumption and for processing in other countries.
- Sanitary and phytosanitary (SPS) protocols on mango exports with China and South Korea are in place.
- Opportunities for Geographic Indications, deforestation-free, GAP and organic production.




## Target exports:
fresh and processed mangoes

# Investing in Mango Value Chain

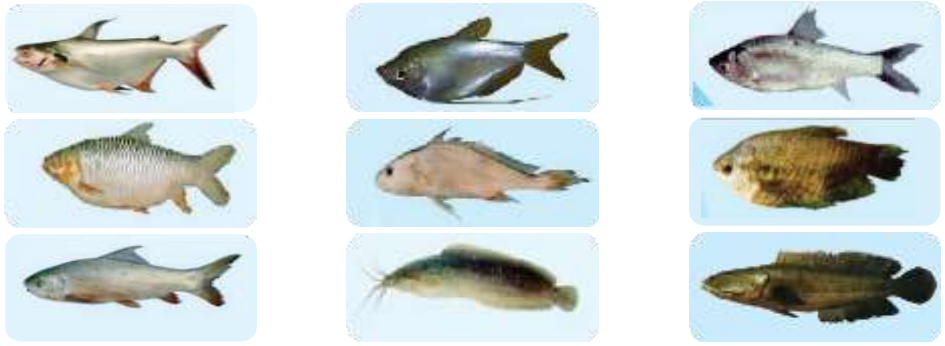
## Why mango?

- Unique national variety (Keo Romeat) has a yield (12 tonnes/ha) that is 60% greater than the global average (7.2 tonnes/ha).
- Production scale and year-round production (2 to 3 harvests per year) is suitable for large-scale processing factories.
- Increased export opportunities for fresh fruit and processed products, such as dried, pulped, juiced and canned mangoes.

## Investment areas

- Improved climate-smart and deforestation-free mango production.
- Increased vapour and water treatment operations to meet SPS
- requirements for fresh mango exports.
- Increased mango processing operations to meet international export standards.
- Strengthen the government's SPS system to enable increased export.

# Why Investing in Aquaculture Value Chain?

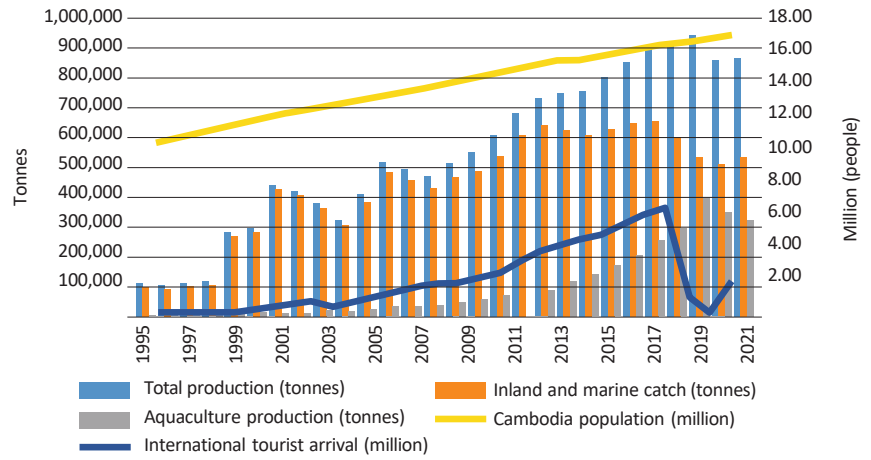


## Key facts:

- Cambodia harvests approximately 900,000 tonnes of fish per year. On a per capita basis, Cambodia produces and consumes more fish than any other country globally.
- 47% is wild capture and 38% is farmed freshwater aquaculture (ponds, rivers and lakes). The remaining 14% is marine capture in coastal areas.
- Fish accounts for about 75% of animal protein intake in Cambodia.
- Opportunities exist for increased aquaculture production with climate mitigating and sustainable production standards.

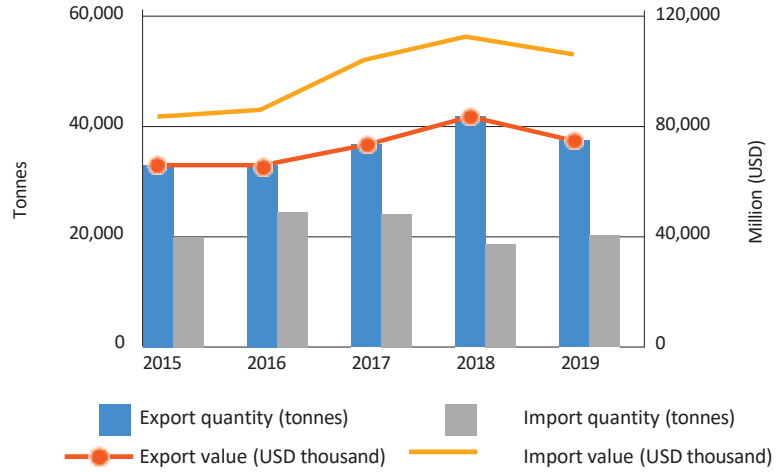
## Target exports:
**live and processed fish**

Fish catch, aquaculture and demand in Cambodia




Source: MAFF, 2021

Export and import of fishery products in Cambodia




Source: MAFF, 2021

# Investing in Aquaculture Value Chain

## Why aquaculture?

- Increase domestic freshwater aquaculture production for fish import substitution and for increased export opportunities.
- Landscape and water availability well suited for aquaculture production and feed production opportunities.
- Numerous high-value fish/crustacean species with significant potential for aquaculture production.

## Investment areas

- Promote competitive species with high export value and domestic favourability.
- Improve seed, hatchery and fingerling distribution systems.
- Establish efficient fish feed processing plants via agricultural backward linkages.
- Increase and expand current and new aquaculture farms to reach commercial scales and meet SPS standards.
- Establish commercial scale fish processing companies for domestic and export markets.

# Preliminary Feasibility Analysis for each Value Chain

## Investment Case 1 - Rice

- Improve capacities and productivity of 20,000 households.
- Improve production standards of 50,000 ha of land.
- Strengthen capacity of 500 extension workers.
- Improve seed supply for 20 rice seed producer groups.
- Establish 5 additional rice drying centres.
- Establish 5 additional rice milling factories.
- Improve rice trade, branding and logistics system.

## Investment Case 2 - Cashew

- Improve capacities and productivity of 30,000 households.
- Improve sustainable and climate adapted production on 100,000 ha
- Strengthen capacity of 300 extension workers.
- Strengthen capacity 100 local collectors.
- Establish 5 drying and collection centres.
- Establish 5 large-scale processing factories.
- Trade facilitation, product standards, and voluntary industry sustainability standards and benchmarking.

## Investment Case 3 - Mango

- Improve capacities and productivity of 20,000 households.
- Improve sustainable and climate adapted production on 60,000 ha.
- Strengthen capacity of 300 extension workers.
- Establish 5 vapour or heat treatment centres.
- Establish 5 large-scale processing factories.
- Establish 3 export gateways.
- SPS system improvement, trade facilitation, product standards, and voluntary industry sustainability standards and benchmarking.

## Investment Case 4 - Aquaculture

- Improve production capacities of 2,000 households.
- Improve or establish 2,000 aquaculture farms at commercial scale.
- Establish 100 hatchery farms.
- Strengthen capacities of 200 technical officials.
- Establish 1 fish feed production plant.
- Establish 2 large-scale fish processing factories.
- Strengthen 2 aquaculture research and development centres.

Note: MAFF and FAO are working to fine-tune this proposed feasibility analysis. Blue colour: Public sector investment; Black colour: Private sector investment

# Hand-in-Hand Feasibility Analysis

## SUMMARY

| USD 1,253 M | ~20.2% | USD 180 M | ~ 4.2 M | ~1.1 $MtCO_2$-eq/year |
|---|---|---|---|---|
| Investment cost | Average IRR | NPV | Beneficiaries | Emission Reduction |

### Investment Case 1

**Cost (USD):**
~183 M
**IRR (%):**
19%
**NPV:**
~6 M
**Sustainability Benefits**
Beneficiaries: ~1 million
Income increase per ha:
~USD 358/year
Emission reduction:
~432,334 $tCO_2$-eq/year

### Investment Case 2

**Cost (USD):**
~640 M
**IRR (%):**
24%
**NPV:**
~162 M
**Sustainability Benefits**
Beneficiaries: ~1.3 million
Income increase per ha:
~USD 503/year
Emission reduction:
~92,326 $tCO_2$-eq/year

### Investment Case 3

**Cost (USD):**
~295 M
**IRR (%)**
18%
**NPV:**
~9 M
**Sustainability Benefits**
Beneficiaries: ~1 million
Income increase per ha:
~USD 231/year
Emission reduction:
~38,479 $tCO_2$-eq/year

### Investment Case 4

**Cost (USD):**
~135 M
**IRR (%):**
20%
**NPV:**
~7 M
**Sustainability Benefits**
Beneficiaries: ~0.9 million
Income increase per farm:
~USD 9,652/year
Emission reduction:
~552,210 $tCO_2$-eq/year

**Note: the results here are preliminary and subject to further analysis.**