

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Cambodia

Grain and Feed Annual

Cambodia Grain and Feed Annual Report

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Report Highlights:

For marketing year (MY) 2018/2019, Post reduced the estimate for rice harvested area to 3,190 thousand hectares (th. ha) owing to unfavorable weather conditions, but increased production to 9.23 million metric tons (MMT) on yield increases on the harvested acreage. Post forecasts that MY19/20 rice harvested area will not expand and production will increase modestly by one percent over Post's MY18/19 estimates, to 9.33 MMT, on continued increasing yields.

Post estimates corn harvested area and production volume in MY18/19 up over the official USDA estimate to 221 th. ha and 1.05 MMT as farmers keep their expanded acreage from MY17/18 in production and forecasts similar numbers in MY19/20.

Executive Summary:

During the MY18/19 wet season, a large area of paddy field was destroyed by flooding, leading to a drop in the rice harvested area as compared to USDA official numbers. However, production increased on yield growth resulting from better inputs. Recently, the government issued a warning that El Niño would cause a hot spell and drought and would likely affect production in MY18/19 dry season. Post forecasts that a lack of new markets and the implementation of the EU's safeguard tariff will hamper official export growth in MY2018/19 and MY2019/20, though total exports are up on increased cross-border trade.

Reduced natural water supply resulting from El Niño will affect corn production in Cambodia, where land for industrial crops is not sufficiently irrigated. However, in MY18/19, Post estimates harvested area and production above the USDA official numbers as farmers will keep their expanded acreage from MY17/18 in production. Post forecasts that farmers will not expand area or production in MY19/20. Demand for corn is driven by the feed industry and exports to Thailand and Vietnam, but Post forecasts that it will not increase substantially in MY19/20 due to fears of African Swine Fever (ASF).

RICE

Statistical Tables

Cambodia's Production, Supply, and Demand for Rice

Rice, Milled Market Begin Year	2017/2018		2018/2019		2019/2020	
	Jan 2018		Jan 2019		Jan 2020	
Cambodia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	3,180	3,184	3,245	3,190	0	3,190
Beginning Stocks	373	202	442	231	0	261
Milled Production	5,399	5,554	5,500	5,633	0	5,688
Rough Production	8,851	9,105	9,016	9,234	0	9,325
Milling Rate (.9999)	6,100	6,100	6,100	6,100	0	6,100
MY Imports	20	11	20	11	0	11
TY Imports	20	11	20	11	0	11
TY Imp. from U.S.	0	3	0	3	0	3
Total Supply	5,792	5,767	5,962	5,875	0	5,960
MY Exports	1,200	1,375	1,000	1,390	0	1,400
TY Exports	1,200	1,375	1,000	1,390	0	1,400
Consumption and Residual	4,150	4,161	4,200	4,224	0	4,287
Ending Stocks	442	231	762	261	0	273
Total Distribution	5,792	5,767	5,962	5,875	0	5,960
Yield (Rough)	2.783	2.860	2.778	2.895	0	2.923

(1000 HA), (1000 MT), (MT/HA)

Production

Table 1: Rice Area, Production, and Yield by Crop

MY	2017/2018			2018/2019			2019/2020		
	Harvested area (th. ha)	Yield (t/ha)	Production (TMT)	Harvested area (th. ha)	Yield (t/ha)	Production (TMT)	Harvested area (th. ha)	Yield (t/ha)	Production (TMT)
Wet season	2,640	2.646	6,986	2,635	2.646	7,060	2,635	2.646	7,130
Dry season	544	3.895	2,118	555	3.895	2,174	555	3.895	2,195
Total	3,184	2.860	9,105	3,190	2.895	9,234	3,190	2.923	9,325

Notes: For the wet season, which is the primary crop, sowing starts in May-June, and the crop is harvested in August-September for short and medium duration varieties and October-January for long duration varieties. For the secondary crop during the dry season, sowing starts in November-December, and the crop is harvested from February to April. MY 2018/2019 includes two crops: 2018 wet season and 2018-2019 dry season.

Source: Post calculations.

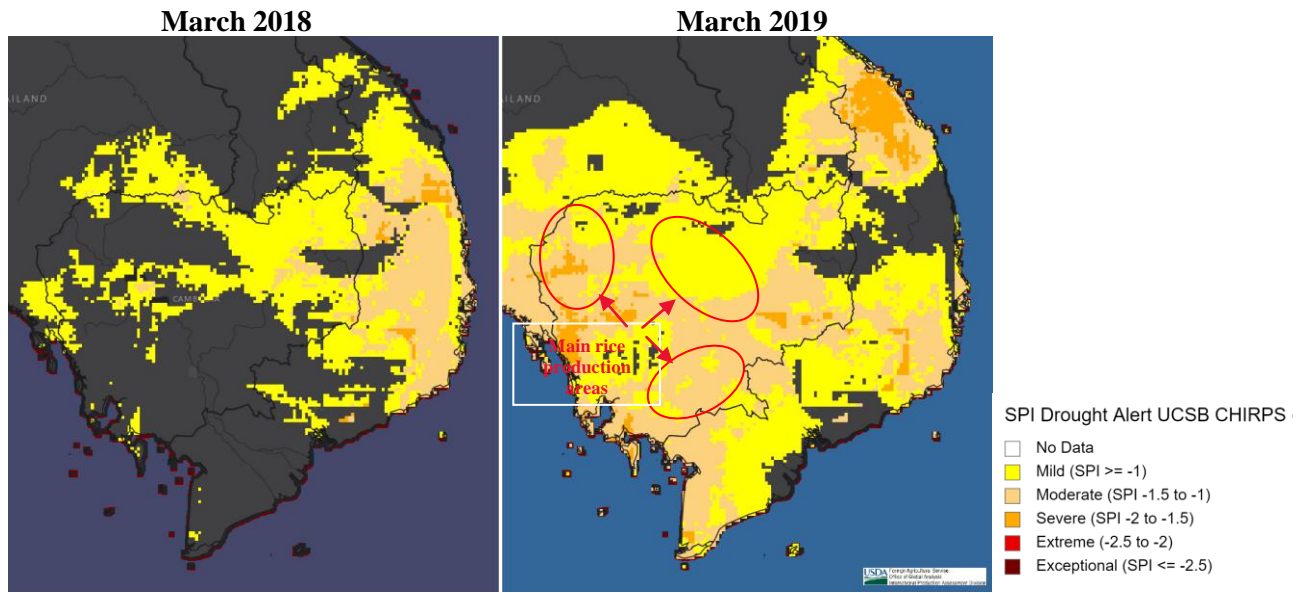
High precipitation and the dam collapse in neighboring Laos during the 2018 wet season caused extensive flooding that affected production of the main crop in Battambang, Prey Veng, Kampong Cham, Pursat, and Siem Reap provinces. At the same time, uneven distribution of rainfall led to drought in the northwestern provinces. Sources reported that 100,000 ha of paddy field were destroyed in the MY18/19 wet season.

In the MY18/19 dry season, farmers in Prey Veng province confirmed with Post that the weather is drier than the same period last year, resulting in a lack of water supply to paddy fields. This observation is supported by satellite imagery that shows vast portions of Cambodia's main rice growing areas are currently suffering from mild to severe drought (see Figure 1), as well as a lack of live, green vegetation (see Figure 2). In general, accumulative precipitation throughout Cambodia is below normal (see Figure 3). Earlier in calendar year (CY) 2019, the Ministry of Water Resources and Meteorology issued a warning of an upcoming dry spell and heat wave, owing to El Niño, where temperatures were forecast to increase to 40-42 degree Celsius in April and May. Currently, natural water sources, such as rivers and canals, are drained in some localities in Prey Veng, Preah Vihear, Battambang, Koh Kong, Kampong Thom, and Oddor Meanchey provinces. Local media quoted the Prime Minister's calling on farmers not to cultivate the MY18/19 dry crop to save water and to delay planting the MY19/20 wet crop until there is sufficient rainfall.

For MY18/19, Post, therefore, reduced its harvested area estimate down from the USDA official number to 3,190 th. ha, almost equal to the previous year. Post estimated rough production volume up over the USDA official number to 9.23 MMT, due to an increase in yield. Yield increases are a result of improved seed, higher rates of fertilizer application, and because farmers are paying to pump irrigate on their planted area. Owing to an extreme weather forecast in CY19, Post forecasts MY19/20 harvested area to remain stagnant at 3,190 th. ha and production to increase one percent to 9.33 MMT (see Table

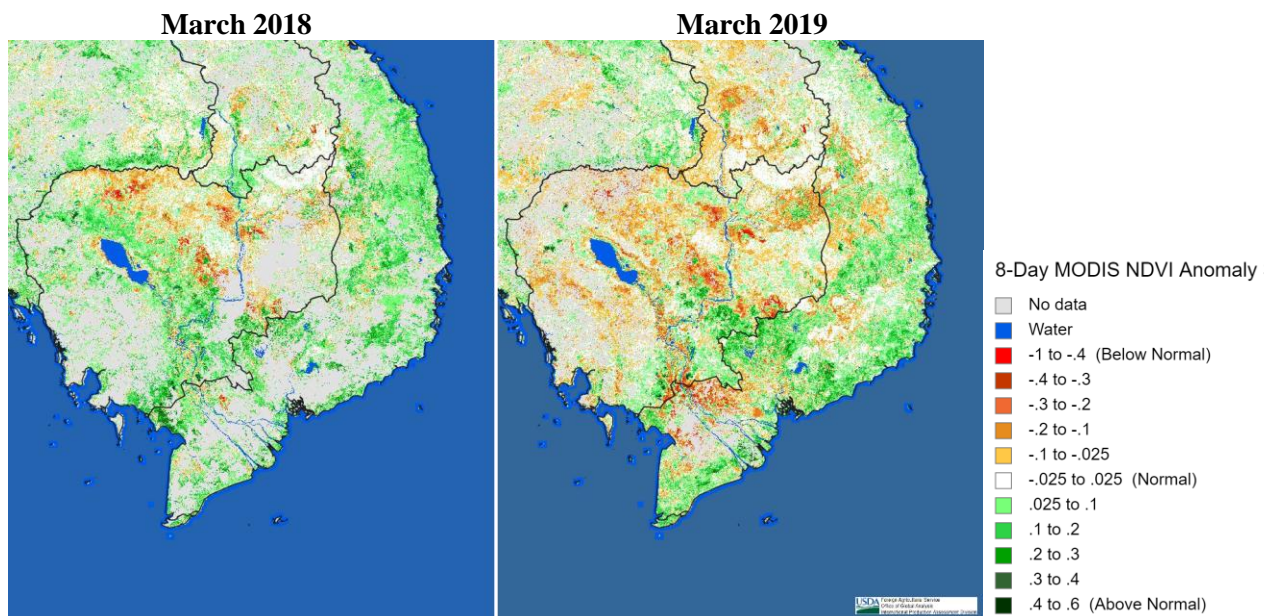
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Figure 1: Drought Alert



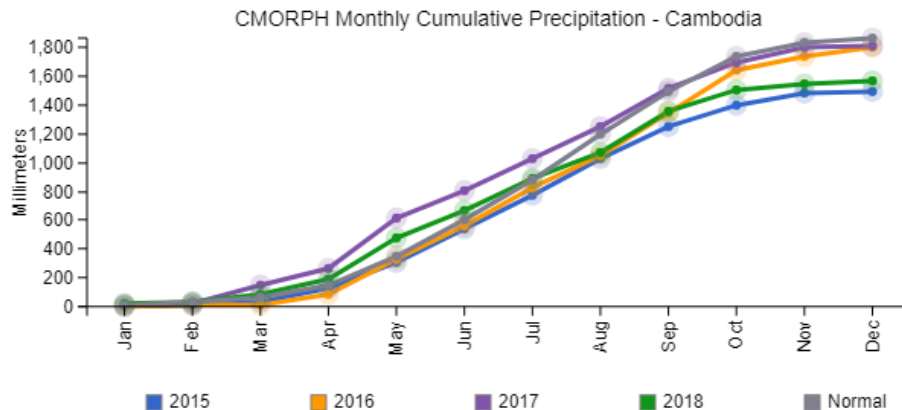
Source: USDA/GADAS

Figure 2: Normalized Difference Vegetation Index



Source: USDA/GADAS

Figure 3: Accumulative Precipitation 2015-2018



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International Production Assessment Division

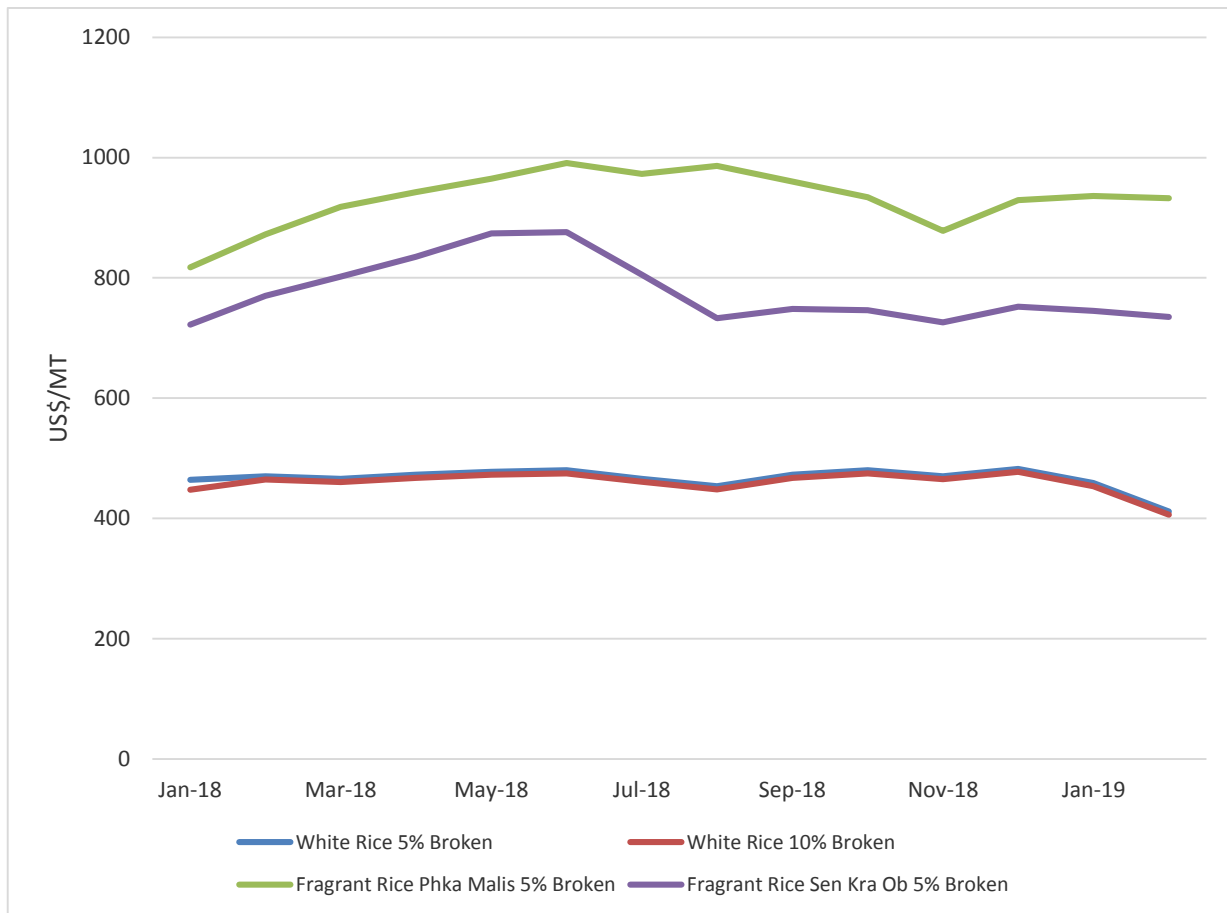
Source: USDA/GADAS

Prices

Industry noted that prices of white rice in MY18/19 were lower than the same period last year. For example, in February 2019, the farm-gate price of white rice paddy was quoted at an average of 680 riel/kg versus 850 riel/kg in February 2018. Similarly, the farm-gate price of Sen Kra Ob, a Cambodian short-to-medium duration fragrant variety was quoted at 960-980 riel/kg in February 2019, versus 1,200 riel/kg during the same period last year. The EU safeguard tariff applied on Cambodian milled rice was blamed, as millers reduced paddy purchases, leading to lower prices for fragrant rice paddy (see Trade for an overview of the EU safeguard tariff).

The FOB price of white rice was fairly stable in CY18 at US\$450-480/MT, but fell significantly to US\$410-420/MT in February 2019, placing it much lower than the same period last year (see Figure 4). However, at this price, Cambodian white rice is still more expensive than rice from Vietnam and Myanmar. The FOB price of fragrant rice was elevated from April-July, but fell beginning in August with the onset of wet season harvest. The trade believes that, at US\$920-930/MT, Phka Malis fragrant rice is still able to compete with Hom Mali, the Thai fragrant rice, in the EU market. Cambodian millers and traders are continuing to call on the government to reduce their operating costs, especially for logistics and electricity, to ensure that Cambodian rice is competitive on international markets.

Figure 4: FOB Price of Milled Rice



Source: Trade

Trade

On January 18, 2019, the EU decided to impose safeguard tariffs on long grain white rice and parboiled rice imported from Cambodia and Myanmar following an investigation initiated last year in accordance with the Generalised Scheme of Preferences. As a result, imports from these two countries are levied an additional €175/MT (US\$200) in year one, effective January 18, 2019, €150/MT (US\$171) in year two, and €125/MT (US\$143) in year three.

In another development, on February 11, 2019, the EU began the process of reviewing Cambodia's Everything But Arms (EBA) status, which includes:

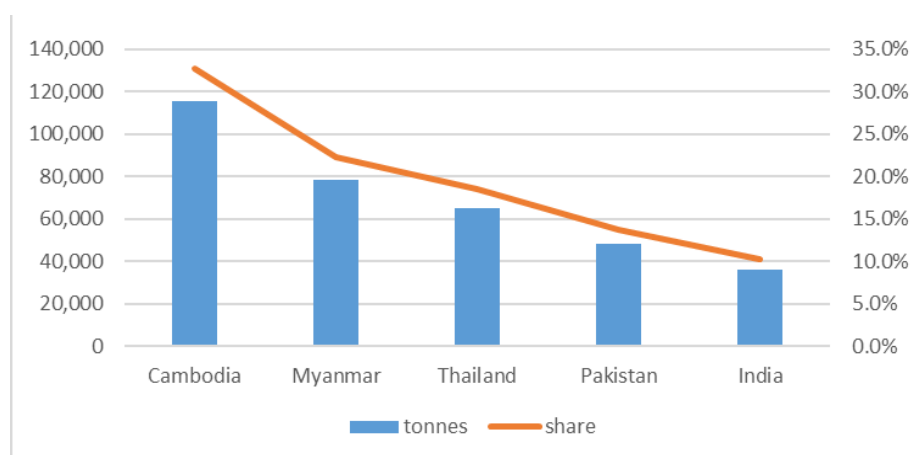
- “- a six-month period of intensive monitoring and engagement with the Cambodian

authorities;

- followed by another three-month period for the EU to produce a report based on the findings;
- after a total of twelve months, the Commission will conclude the procedure with a final decision on whether or not to withdraw tariff preferences. Any withdrawal would come into effect after a further six-month period”¹

Therefore, the decision of whether to retain or withdraw EBA tariff preferences will not be made until August 2020. In CY18, Cambodia exported 269,127 MT of milled rice to the EU. Cambodia is currently the leading exporter of long grain white rice to the EU, followed by Myanmar, Thailand, Pakistan, and India (see Figure 5). From September 2018 to February 2019, the EU imported 115,384 MT of long grain white rice from Cambodia, accounting for 32.8 percent of total imports. The safeguard tariff will likely affect the competitiveness of Cambodian rice in the EU market.

Figure 5: EU Imports of Milled and Semi-milled Indica Rice
(Sept. 2018-Feb. 2019)

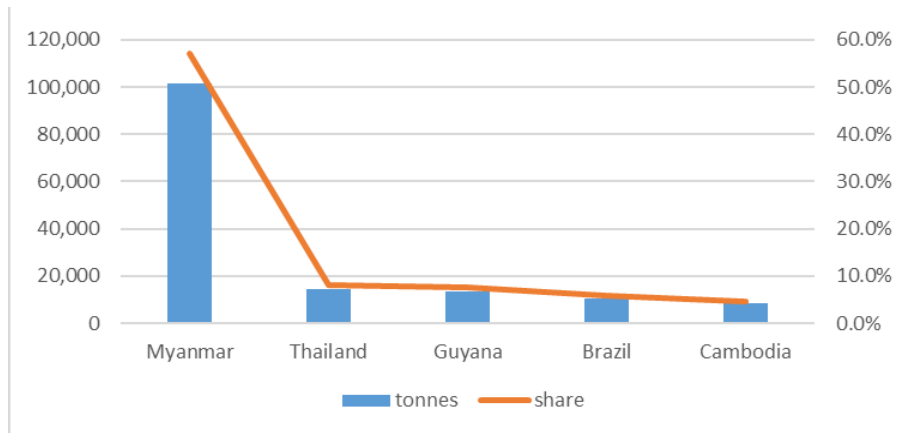


Source: EU Customs Surveillance

The safeguard tariff does not apply to broken and brown rice. However, Cambodia is not very competitive on broken rice, and, according to millers, brown rice’s shelf life is shorter than white rice, making it more difficult to export to the EU. Industry contacts reported that they received inquiries for brown rice from the EU, but no deal has materialized yet. Currently, Myanmar is the leading broken rice exporter to the EU, followed by Thailand, Guyana, Brazil, and Cambodia (see Figure 6).

¹ “Cambodia: EU launches procedure to temporarily suspend trade preferences.” 11 February 2019. http://europa.eu/rapid/press-release_IP-19-882_en.htm

Figure 6: Imports of Broken Rice into the EU



Source: EU Customs Surveillance

In CY18, Cambodia officially exported a total of 626,225 MT of milled rice, down one percent from the previous year, as China reduced its purchases and Cambodia was unable to find new markets (see Table 2, Figure 7). With the EU safeguard tariff affecting exports throughout CY19 and CY20, Cambodia is looking towards China to offset its export losses.

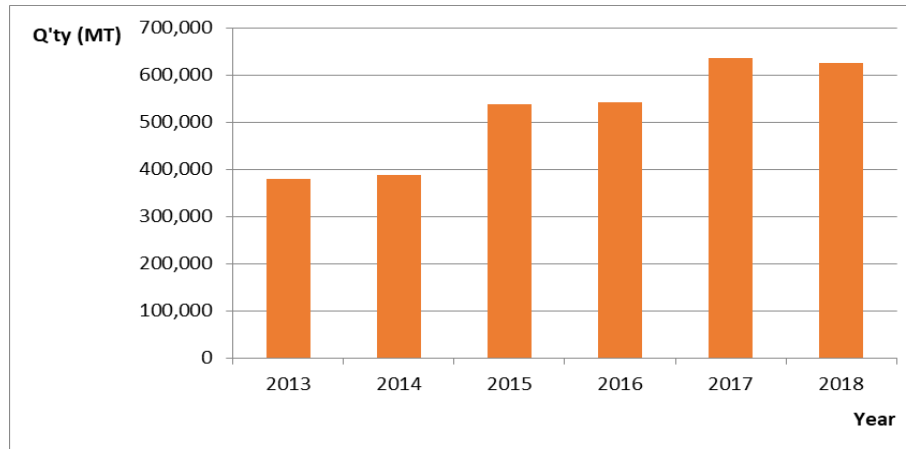
Post estimates total export volume in MY18/19 up over the USDA official estimate as farmers draw from stocks to feed cross-border trade. Post forecasts MY19/20 exports to increase very slightly over Post's MY18/19 estimate, in line with the small forecasted production increases.

Table 2: Official Export Volume CY2013-2018

Month	2013	2014	2015	2016	2017	2018
Jan	25,726	21,536	35,921	44,033	48,820	62,623
Feb	24,089	27,037	37,676	51,912	60,731	47,809
Mar	45,413	35,757	75,867	66,275	57,127	50,683
Apr	23,276	35,961	51,719	39,550	45,716	36,239
May	28,350	27,971	41,842	32,558	45,243	42,865
Jun	29,105	29,666	40,800	33,862	30,925	31,318
Jul	31,411	26,060	28,492	24,087	27,354	25,543
Aug	29,358	29,871	29,819	27,799	56,274	44,558
Sep	29,395	35,511	26,969	41,429	49,776	47,626
Oct	28,031	35,418	39,064	60,016	70,149	45,543
Nov	37,855	31,137	48,748	58,168	70,122	62,433
Dec	46,847	51,136	81,479	62,455	73,442	128,985
Total (MT)	378,856	387,061	538,396	542,144	635,679	626,225

Source: SOWS-REF

Figure 7: Official Export Volume CY2013-2018



Source: SOWS-REF, CRF

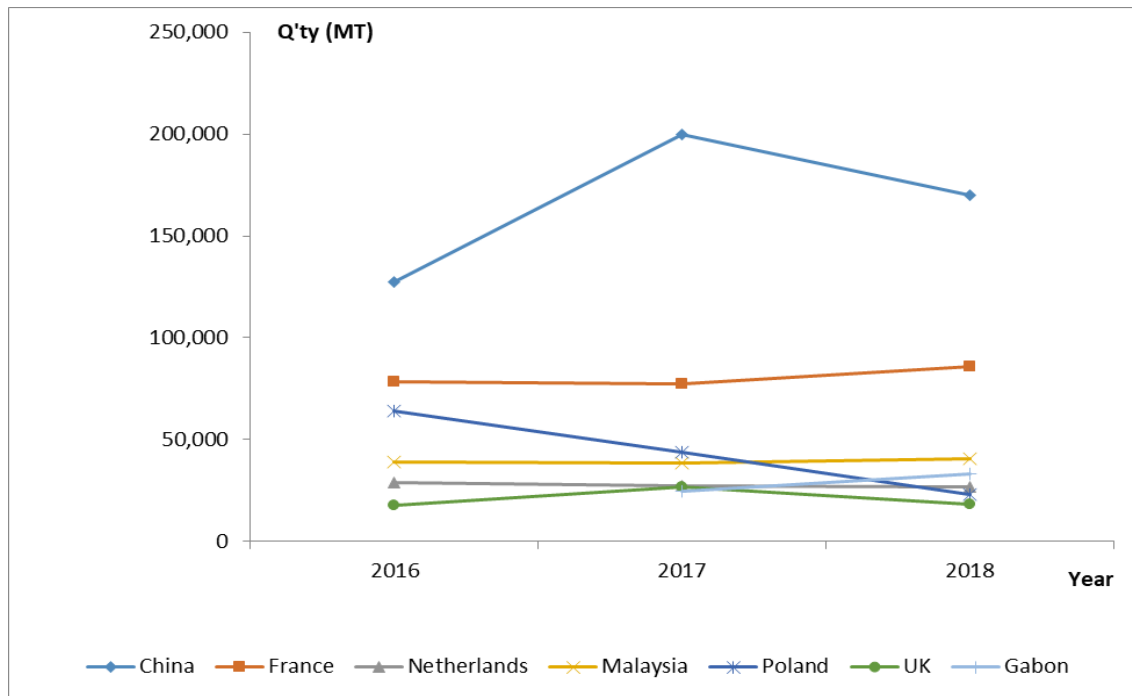
China continued to be the largest individual buyer of Cambodian rice, purchasing 170,154 MT in CY18, a decrease of 15 percent from the previous year (see Table 3, Figure 8). China announced that it would increase its quota for Cambodian rice over three consecutive years, from 100,000 MT in 2016 to 400,000 MT in 2019. Although Cambodia may not fill the quota, the government and traders continue to consider China as the market with the highest potential. There have been numerous media reports over the past few months highlighting the Cambodian government’s engagement with China on export promotion across commodities. Last year, Cambodia and China entered into discussions regarding a direct shipment agreement between Sihanoukville and Qing Dao ports. If this moves forward, commodity exporters will have more alternatives to ship to China; currently, rice must transit in Vietnam. In addition, local media and the trade also mentioned a project funded by China to build new rice warehouses in Cambodia. Increasing drying and storage capacity would help Cambodia improve its rice supply chain and export capability, but there is no clear information regarding the timeframe and scale of this project.

Table 3: Top Export Markets (MT)

CY	China	France	Netherlands	Malaysia	Poland	UK	Gabon
2016	127,460	78,329	28,690	38,877	64,035	17,673	
2017	199,857	77,363	27,175	38,360	44,023	26,775	24,677
2018	170,154	86,050	26,714	40,861	23,142	18,178	33,060

Source: SOWS-REF, CRF

Figure 8: Top Export Markets (MT)

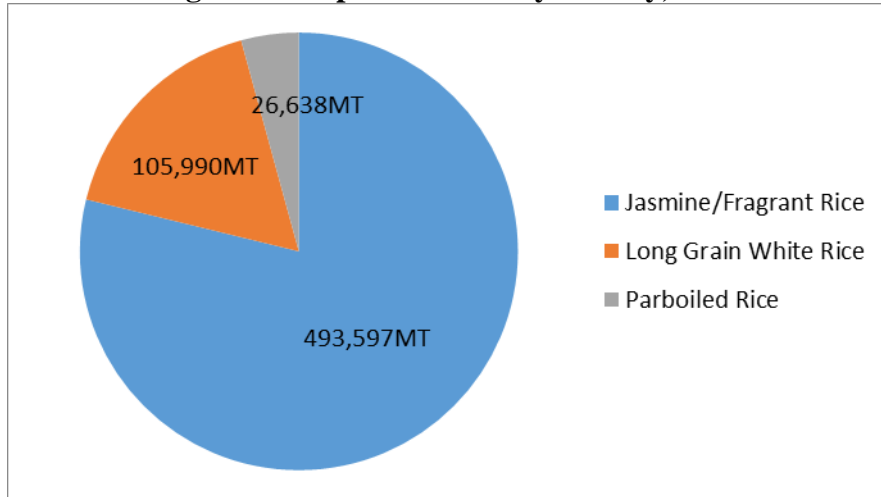


Source: SOWS-REF, CRF

Cross-border trade continued to be a vital pathway for Cambodian rice to reach Vietnam and Thailand. Although Vietnam extended a 300,000 MT tariff-free quota to Cambodian paddy, this did not change trade patterns; paddy trucked or barged via the border to Vietnam for milling and processing is more cost-efficient. Vietnam has been buying more white rice than fragrant rice, and has been urging farmers in the border provinces, such as Prey Veng, Svay Rieng, and Takeo to grow more white rice. Thai buyers, on the other hand, buy more fragrant rice than white rice from the western provinces of Battambang and Banteay Mean Chey. Trade contacts noted increased paddy flow to both Thailand and Vietnam in CY18, therefore, Post increased its estimate of cross-border trade in CY18 from 700,000 MT to 750,000 MT of milled rice equivalent, and estimates that it will hold steady in CY19 and CY20.

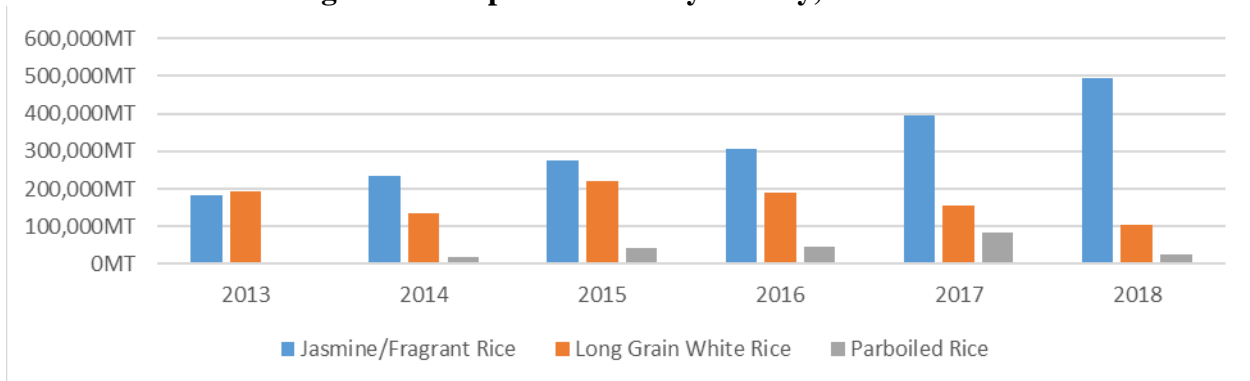
In terms of variety, fragrant rice continued to be the major export, accounting for 79 percent, followed by white rice and parboiled rice (see Figure 9 and 10).

Figure 9: Export Volume by Variety, 2018



Source: SOWS-REF, CRF

Figure 10: Export Volume by Variety, 2013-2018



Source: SOWS-REF, CRF

CORN

Statistical Tables

Cambodia's Production, Supply and Demand for Corn

Corn Market Begin Year Cambodia	2017/2018		2018/2019		2019/2020	
	Jul 2017		Jul 2018		Jul 2019	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	149	224	150	221	0	221
Beginning Stocks	165	122	165	207	0	230
Production	700	1060	715	1045	0	1045
MY Imports	50	105	50	108	0	111
TY Imports	50	140	50	108	0	111
TY Imp. from U.S.	0	0	0	3	0	3
Total Supply	915	1287	930	1360	0	1386
MY Exports	350	500	350	520	0	520
TY Exports	350	500	350	520	0	520
Feed and Residual	250	410	300	430	0	450
FSI Consumption	150	170	150	180	0	190
Total Consumption	400	580	450	610	0	640
Ending Stocks	165	207	130	230	0	226
Total Distribution	915	1287	930	1360	0	1386
Yield	4.698	4.7321	4.7667	4.7285	0	4.7285

(1000 HA), (1000 MT), (MT/HA)

Production

Table 4: Corn Area, Production, and Yield by Crop

Year	MY 2017/2018		MY 2018/2019		MY 2019/2020	
	Harvest area (Ha)	Production (MT)	Harvest area (Ha)	Production (MT)	Harvest area (Ha)	Production (MT)
Dry season	29,000	110,000	28,710	107,700	28,710	107,700
Wet Season	195,000	950,000	193,050	937,500	193,050	937,500
Total	224,000	1,060,000	221,760	1,045,200	221,760	1,045,200

Notes: The wet season is the main corn crop season. Sowing starts in July to August, and harvest is in October to November. The dry season crop starts in February to March, and the crop is harvested from June to July. MY18/19 includes the 2018 wet season and 2018-2019 dry season.

Source: Post calculations.

Favorable weather conditions with sufficient water supply and strong demand from the feed industry and export markets were the reasons behind the increase in production area and subsequent bumper crop in MY17/18. Post revised MY17/18 harvested area and production to a record level of 224,000 ha and 1,060 TMT, up 60 percent over the previous year. Post estimates MY18/19 harvested area and production up over the USDA official estimate to 221,000 ha and 1,045 TMT, respectively, as farmers keep the expanded acreage from MY17/18 in production. However, owing to a hot spell and drought that is forecasted to hit Cambodia in CY19, Post does not estimate an expansion over the revised MY17/18 numbers. For MY19/20, Post forecasts similar numbers to its MY18/19 estimates.

Consumption

Industry reports that the Cambodian swine sector started reviving itself in CY18 following the price crash in CY17 (see [KH8003](#)). Similar to Vietnam, strong recovery was reported in commercial farms, while many small, household farms closed. Post estimates demand for poultry and swine feed at 900,000 MT in CY18, with an increase in commercial feed and a decrease in homemade feed. This shift from homemade to commercial feed, alongside the expansion of commercial farms, will eventually lead to higher demand for quality ingredients, including imported grains and co-products such as corn, distillers dried grains solubles (DDGS), and soybean meal. Industry sources note that some feed mills have increased the ratio of corn in feed formulations to 30-35 percent, leading to higher corn demand.

In MY18/19, Post estimates consumption up significantly to 610 TMT to serve the expanding animal feed industry and steady food demand market. In MY19/20, Post forecasts that consumption will slowly expand to 640 TMT due to fears of ASF.

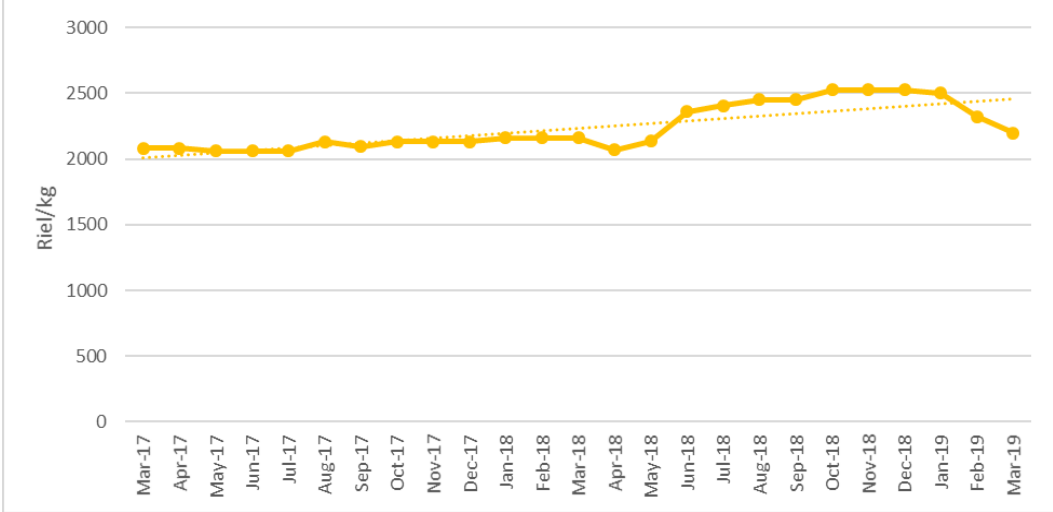
Trade

In CY18, the local corn price remained stable (see Figure 11). The trade reported that, despite the bumper crop in MY17/18, the local corn price was US\$20-40/MT higher than imported corn at some points in the year. Demand for local corn is driven primarily by the feed industry and exports to Thailand and Vietnam, with substantial cross-border trade. Owing to the shortage of working capital and storage capability, local corn is usually sold out directly after harvest, leading to a shortage of supply during the off-season and causing feed mills to source from imports, including buying from Vietnamese traders.

In MY18/19, Post estimates that exports will expand to 520 TMT on high volumes of border-trade, even though prices for locally produced corn remain high. Imports will also rise to 108 TMT as consumption of high quality, imported corn increases.

Post forecasts these trends will continue in MY19/20, but again, growth will be blunted by the threat of ASF, both in Cambodia and in neighboring countries.

Figure 11: Price of Yellow Maize at Local Markets



Source: Cambodian Ministry of Commerce