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Report Name: Grain and Feed Update

Country: Cambodia

Post: Phnom Penh

Report Category: Grain and Feed

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Report Highlights:

The report provides updates on rice in Cambodia. In marketing year (MY) 2018/2019, Post revised harvested area and production volume to 3.24 million hectares (ha) and 9.41 million metric tons (MMT) paddy equivalent, up from the USDA official numbers.

Statistical Tables

Cambodia's Production, Supply, and Demand for Rice

Rice, Milled	**2017/2018**		**2018/2019**		**2019/2020**	
Market Begin Year	**Jan 2018**		**Jan 2019**		**Jan 2020**	
Cambodia	**USDA Official**	**New Post**	**USDA Official**	**New Post**	**USDA Official**	**New Post**
Area Harvested	3184	3184	3190	3240	3190	3240
Beginning Stocks	373	373	447	231	600	343
Milled Production	5554	5554	5633	5742	5688	5742
Rough Production	9105	9105	9234	9413	9325	9413
Milling Rate (.9999)	6100	6100	6100	6100	6100	6100
MY Imports	20	11	20	11	20	11
TY Imports	20	11	20	11	20	11
TY Imp. from U.S.	3	3	0	3	0	3
Total Supply	5947	5938	6100	5984	6308	6096
MY Exports	1300	1375	1200	1390	1300	1400
TY Exports	1300	1375	1200	1390	1300	1400
Consumption and Residual	4200	4161	4300	4251	4400	4287
Ending Stocks	447	231	600	343	608	409
Total Distribution	5947	5767	6100	5984	6308	6096
Yield (Rough)	2.859	2.859	2.894	2.905	2.923	2.905
(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	2,653	2.686	7,126	2,653	2.646	7,126
Dry season	544	3.895	2,118	587	3.895	2,288	587	3.895	2,288
Total	**3,184**	**2.860**	**9,105**	**3,240**	**2.905**	**9,414**	**3,240**	**2.860**	**9,414**

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. MY18/19 includes two crops: 2018 wet season and 2018-2019 dry season.

Source: Post calculations.

In MY 18/19, despite impacts from floods in the wet season and drought in the dry season, the Cambodian Ministry of Agriculture Fisheries and Forestry (MAFF) reported that total harvested area increased nearly 2 percent. MAFF claimed that improved inputs, such as seed and fertilizer, and improved farming techniques led to rising yields and production. Therefore, Post revised harvested area to 3.24 million hectares (ha), a nearly 2 percent increase over the previous year, and production volume to 9.41 MMT, a 3 percent increase (see Table 1). The expansion of rice production aligns with Cambodian government policy and the trends over the past four years (see Table 2).

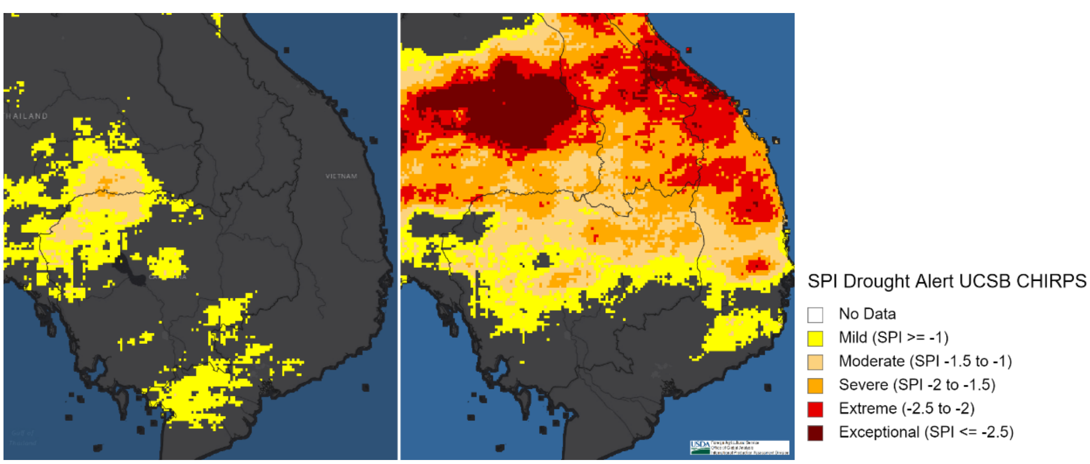
Table 2: Rice production 2016-2019

Year	2015/2016	2016/2017	2017/2018	2018/2019
Harvested area (th. ha)	3,025	3,095	3,184	3,240
Yield (t/ha)	2.672	2.784	2.860	2.905
Production (th. MT), paddy	8,083	8,616	9,105	9,414
Production (th. MT), milled	4,931	5,256	5,554	5,742

For MY19/20, the late arrival of the rainy season caused a water shortage at the beginning of the wet crop. While traveling to Siem Reap province in July, Post observed dry ditches and paddy fields, with farmers also confirming the drought. These observations are supported by satellite imagery that shows large portions of Cambodia's agricultural land suffering from mild-to-moderate drought (see Figure 1), as well as a smaller density of green vegetation this year as compared to last June (see Figure 2).

Figure 1: Drought Alert Comparison

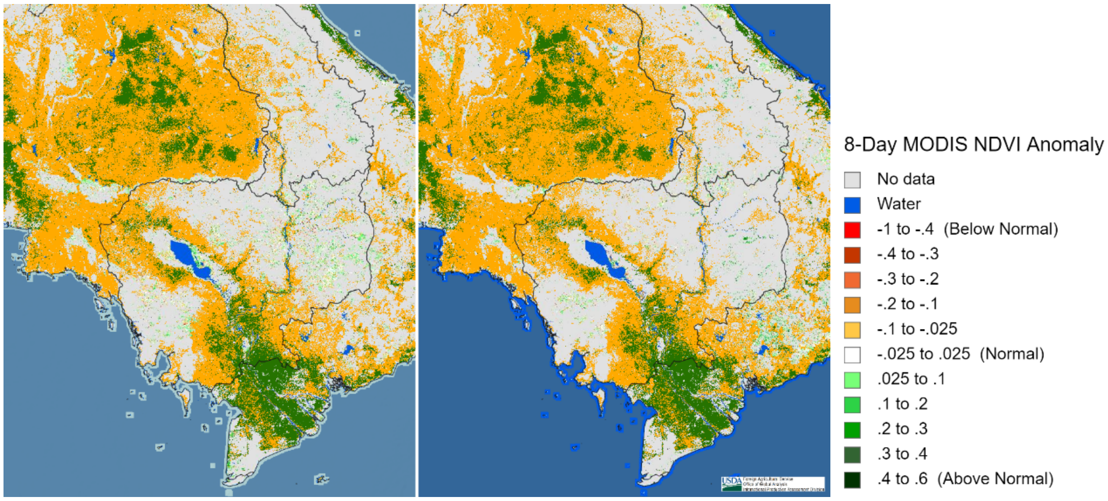
Jun 2018 Jun 2019



Source: USDA/GADAS

Figure 2: Normalized Difference Vegetation Index

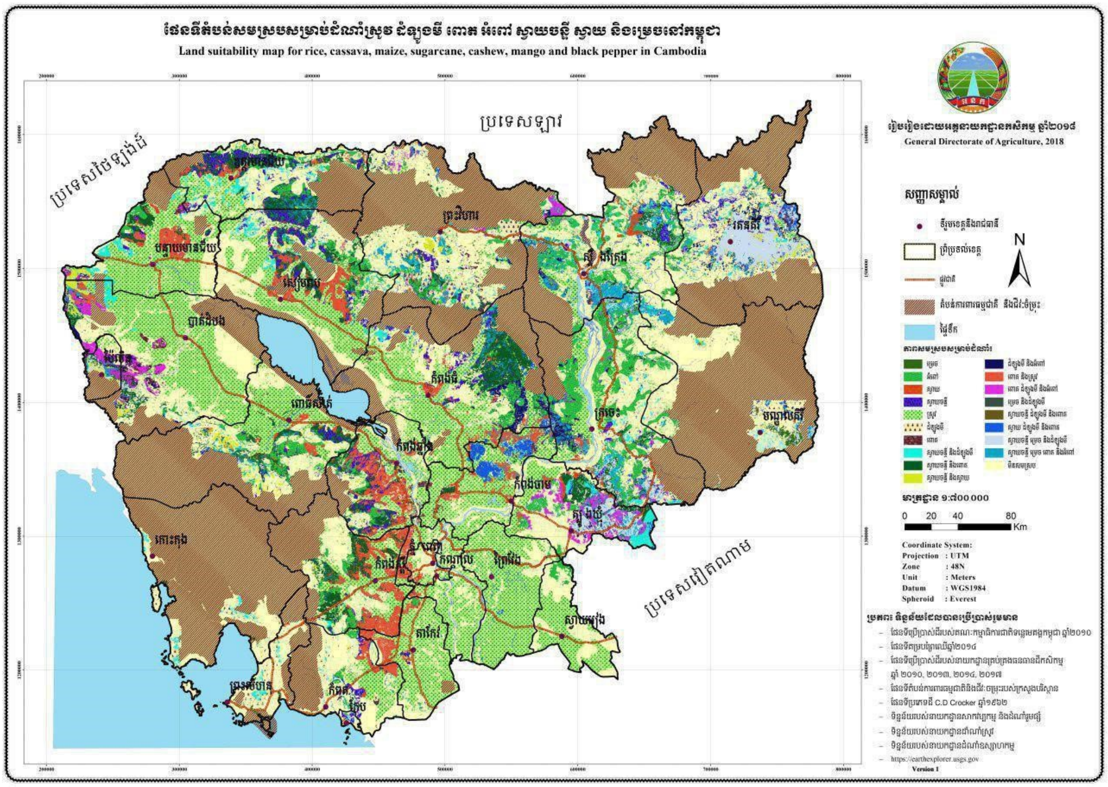
June 2018 June 2019



Source: USDA/GADAS

According to MAFF, some areas affected by drought were replanted, making the total cultivation area of the wet season approximately 2.5 million ha as of the end of August. With recently improved rainfall and supplemental water from the upstream Mekong River, rice planted area will likely see an uptick and will reach the same scale as in the previous year. Therefore, Post forecasts harvested area and production volume at 3.24 million ha and 9.41 MMT, the same as Posts estimates for MY18/19, but up from the USDA official numbers. *Note: In the most recent annual report, MAFF provided a map of crop zoning (see Figure 3).*

Figure 3: Crop Zoning Map



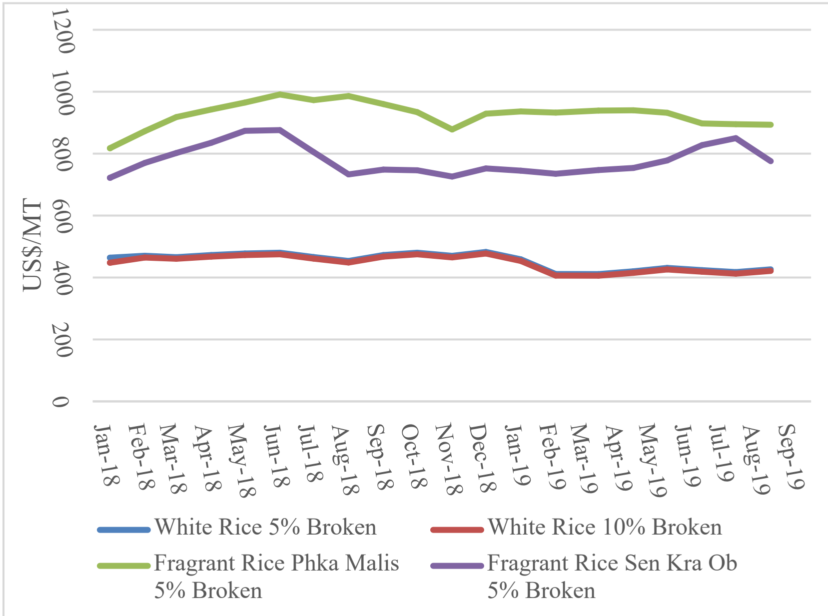
Paddy cultivation area

Source: MAFF

Prices

Average export prices in the first eight months of 2019 for white rice, fragrant Phka Malis, and fragrant Sen Kra Ob were 9.0, 1.3, and 3.1 percent lower, respectively, than in the same period last year, partly due to decreasing demand from the EU following the imposition of safeguard tariffs (see Figure 4).

Figure 4: FOB Price of Milled Rice

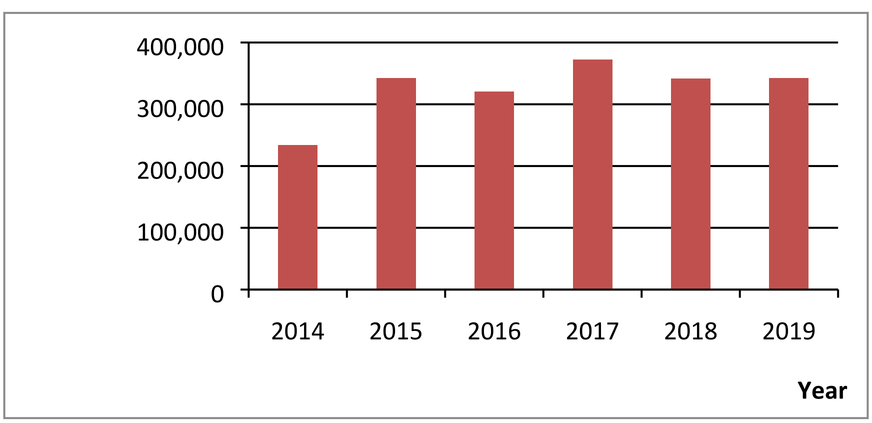


Source: Trade

Trade

In the first eight months of MY18/19, the official export volume of rice reached 342,045 MT, almost unchanged from the previous year (see Figure 5 and Table 3). Post therefore estimates that the total MY18/19 export volume will reach 1.39 MMT, up from the USDA official number.

Figure 5: Official Rice Exports by Volume, January- August, 2014-2019



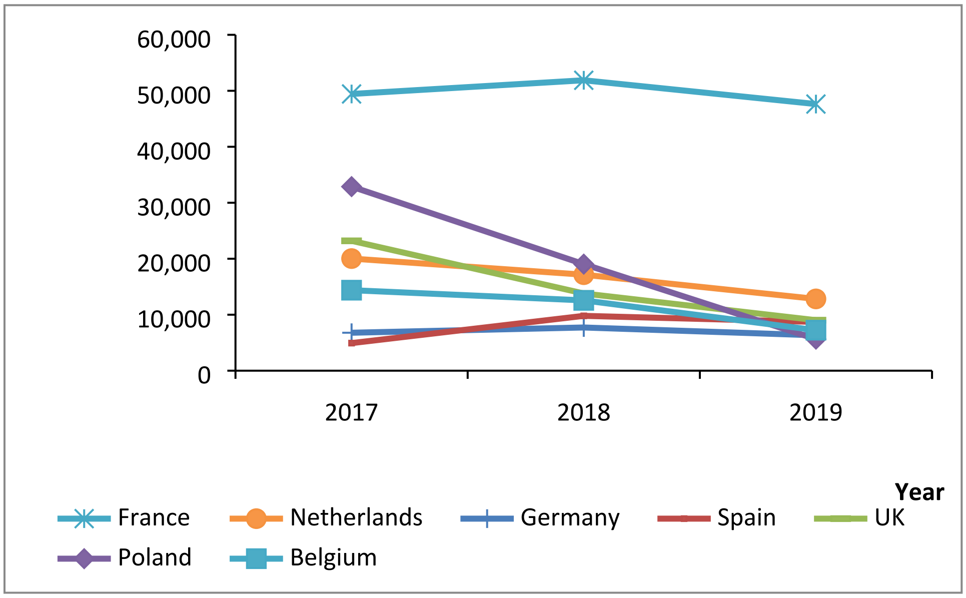
Source: SOWS-REF

Table 3: Official Rice Exports by Volume, January- August, 2014-2019

Month	2014	2015	2016	2017	2018	2019
Jan	21,536	35,921	44,033	48,820	62,623	59,625
Feb	27,037	37,676	51,912	60,731	47,809	52,861
Mar	35,757	75,867	66,275	57,127	50,683	58,335
Apr	35,961	51,719	39,550	45,716	36,239	42,942
May	27,971	41,842	32,558	45,243	42,865	36,409
Jun	29,666	40,800	33,862	30,925	31,318	31,366
Jul	26,060	28,492	24,087	27,354	25,543	26,475
Aug	29,871	29,819	27,799	56,274	44,558	34,032
Total	**233,859**	**342,136**	**320,076**	**372,190**	**341,638**	**342,045**
Change (%)	-1%	46%	-6%	16%	-8%	0%

Due to the imposition of safeguard tariffs earlier this year by the EU on long grain white rice and parboiled rice imported from Cambodia (KH9002), exports to the major EU markets dropped remarkably, most notably to Poland, the United Kingdom, the Netherlands, and Belgium (see Figure 6). The total export volume in the first eight months of 2019 to the EU was down by 30 percent from last year to 120,061 MT. In April, media reported that Cambodia had filed a complaint at the European Court of Justice against the EU's safeguard tariffs. In addition to tariffs, the EU has been tightening controls on pesticide residues for both locally produced and imported rice. Trade contacts noted that the EU has applied new maximum residue limits (MRLs) in the past few months (see Table 4).

Figure 6: Top EU Markets, 2017-2019



Source: SOWS-REF

Table 4: EU MRLs

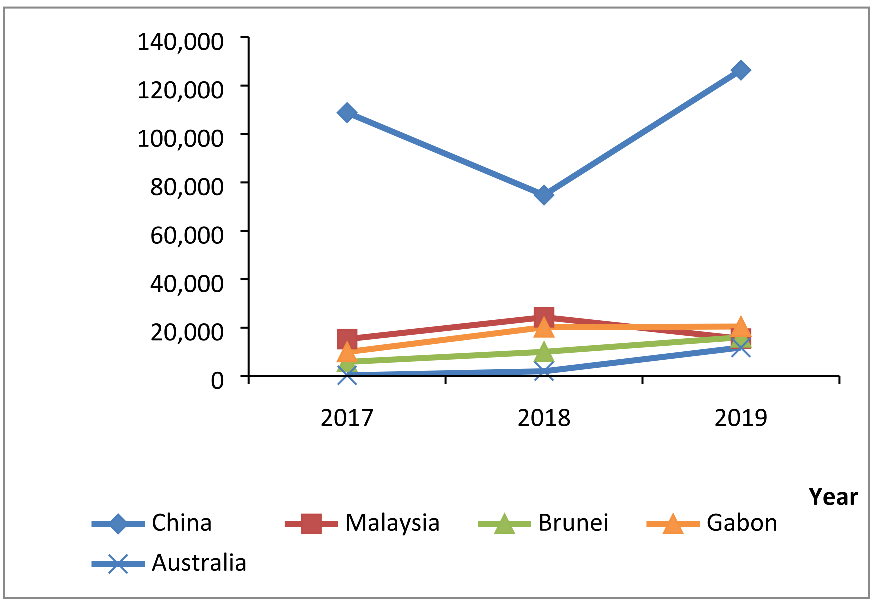
Pesticide	Old MRL (mg/kg)	New MRL (mg/kg)
Buprofezin	0.5	0.01
Etofenprox	0.5	0.01
Iprodione	10	0.01
Isoprothiolane	5	6
Lambdacyhalothrin	0.01	0.2

Source: Trade

The Chinese market was back up robustly, with 126,380 MT of imports in the first eight months of 2018, a 69 percent increase over the previous year (see Figure 7 and Table 5). COFCO is the largest buyer from China, making up 90 percent of the total buying quantity, with fragrant rice accounting for approximately 80 percent. In April, COFCO and the Ministry of Commerce's Green Trade Company signed a Memorandum of Understanding (MOU), committing COFCO to purchase 400,000 MT of Cambodian rice from August 2019 to December 2020, after Cambodia uses up the 300,000 MT quantity agreed to in a previous MOU signed in January 2018. In June, media reported that Cambodia awarded a Chinese state-owned company the contract to build rice drying and storage facilities in 11 provinces, with a total capacity of over 800,000 MT of storage and 13,000 MT per day drying, as part of the action plan to increase total official exports to 1 MMT of rice each year.

Local media quoted the new leadership of the Cambodian Rice Federation affirming the 1 MMT export goal by 2022-2023. In addition to China, Cambodia has endeavored to promote their high quality rice to existing and new potential markets. Brunei, Gabon, and Australia are new players, with steadily increasing import volumes in the past few years. Malaysia lowered imports in the first eight months of 2019, but has expressed substantial interest in Sen Kra Ob rice.

Figure 7: China and Other Major Markets, 2017-2019



Source: SOWS-REF

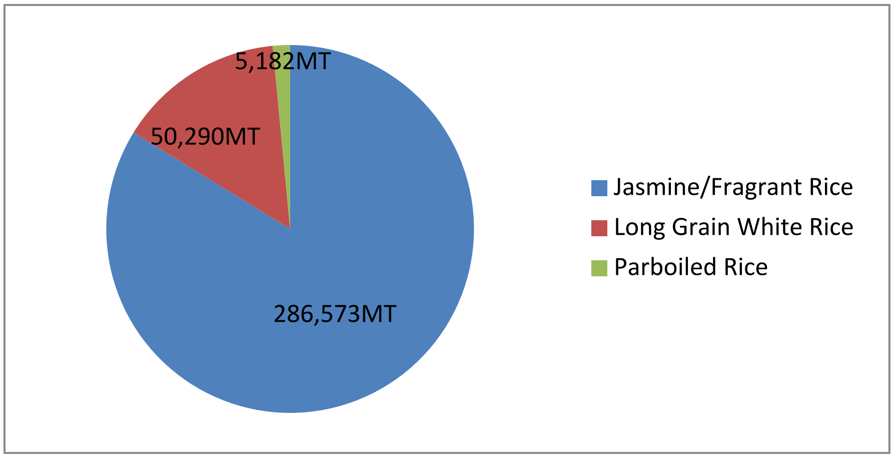
Table 5: Top Markets, January- August, 2017-2019

Year	China	Malaysia	Brunei	France	Netherlands	Gabon	Australia
2017	108,821	15,295	5860	49,433	20,029	9,957	314
2018	74,781	24,296	10017	51,880	17,150	20,169	1,999
2019	126,380	15,452	16,035	47,631	12,824	20,479	11,802

Unit: MT, Source: SOWS-REF

Fragrant rice continued to account for the largest share of exports, at 84 percent (see Figure 8).

Figure 8: Official Exports Volume by Variety, January-August 2019



Source: SOWS-REF

Local media has recently reported that the state-owned Rural Development Bank (RDB) has created a $50 million emergency fund for local millers who buy paddy from farmers at a 5 percent interest rate. This fund is available during harvest to help stabilize paddy prices, as well as reduce unofficial exports of paddy to neighboring countries. In addition, millers from the rice baskets of Battambang, Kampong Thom, and Prey Veng provinces signed an agreement with the RDB that offers them access to a $10 million Asian Development Bank loan to improve storage capacity.

Attachments:

No Attachments