



Support to the Commercialization of Cambodian Rice Project (SCCRP)

# Development of an economically viable organic rice supply chain via a Contract Farming scheme in Preah Vihear province, Cambodia

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# 1. Background of SCCRP

**SCCRP project is a project of SNEC funded by AFD.**

**There are 4 main components as following:**

- 1) Contribute to the organization of the sector (inter-ministerial coordination, public/private partnership, professional and inter-professional organization) and to capacity building of all the actors (processors, producers, public services, banks...);
- 2) Establish quality standards in order to optimize the economic value of Cambodian rice in the markets;
- 3) Promote contract farming and the involvement of farmers organizations in the primary stage of commercialization of paddy;
- 4) Upgrade RDB capacities to answer the financial requirements of millers and farmers.

# Challenge of developing economically viable organic supply chains

- Success stories of economically viable organic value chains are scarce on rice sector for last 15 years.
- Absence of public regulation or organic standards
- Lack of a reliable and consumers-known private-owned organic label
- Lack of connection to international markets
- International certification costs per unit of product remains too high

# Initial support to organic rice production in Preah Vihear province

- In 2013, SCCRP, in partnership with the Cambodian Organic Agriculture Association (COrAA) start to support organic rice in Preah Vihear Province
- 5 cooperatives were supported to produce organic rice with compliance to COrAA standard for domestic market and for some countries (Singapore)
- Some premium were expected from the selling of this organic rice
- Set-up Internal Control System (ICS) team
- 625 tons of paddy were declared compliant with COrAA standards
- 100 tons of paddy were sold as organic, to AMRU Rice (Cambodia) Co. Ltd (Buyer want to buy fresh paddy, logistic constraint)

# Lessons learnt from 1st season and improvements in 2014

- 8 cooperatives were involved in organic rice production in 2014,
- Organize meeting with three or four potential buyers to compare the conditions they would possibly offer for organic paddy purchase
- 8 Cooperatives decide to contract with AMRU Rice (Cambodia)
- 1,800 tons of organic jasmine paddy will be supply by cooperatives to AMRU Rice with different grade of quality.
- Reference price was set based on prices offered by other rice mills in Kampong Thom province
- AMRU rice will be responsible for the cost of certification (EOS/EU and USA/NOP standards) by external evaluator (ECOCERT)
- Cooperatives will be responsible for the cost of internal control system
- 1,465 tons of organic paddy were delivered to AMRU
- Premium price was +128 Riels/kg of paddy more higher than prices offered by collector in the production area.

# Building the economic viability

- Need the strong internal control system in the long run to support to Acs
- Role undertaken by COrAA and financed by the project was still crucial to sustain the organic certification
- Create the scenario to sustain organic supply chain in the long run
- → Mutualization of resources by the cooperatives in order to hire (and keep) a competent team (creation of AC Union)
- Acs members decide to retrocede 50 Riel/kg of premium price of organic rice for the functioning of ACU (75% of expenses in 2016)
- AMRU rice commit to buy more than 3500 metric ton of paddy rice from 2016.
- SCCRP decide to support ACU for their functioning cost in 2015 and one part of functioning cost in 2016.
- ACU will have their own resource for their functioning from 2017.

# 2015 harvest: on track with previsions

- 2,438 tons of organic paddy were delivered to AMRU (very much in line with the foreseen scenario)
- The amount of money retrocede from Acs members to ACUs for their functioning is around USD 30,000 (approximately 3/4 of its annual budget)
- Premium price was +150 Riel/kg of paddy more higher than prices offered by collector in the production area.

# Scaling up: on track toward a viable organic paddy supply chain

- AMRU Rice captures a growing demand for organic rice notably on the USA and European markets.
- AMRU could order approximately 5,000 tons of organic paddy this year: enough to ensure sufficient resources to cover the costs at cooperatives and Union level.







# THANKS FOR YOUR ATTENTION!

