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Cambodia

Post: Ho Chi Minh City

Cambodia Annual Grain and Feed Report

Report Categories:

Grain and Feed

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Report Highlights:

Cambodia is on the lookout to export more rice to China in light of new EU MRL requirements that could reduce export to the region in MY 2016/2017.

Executive Summary:

Cambodia's rice cultivation area and production volume in MY 2016/2017 and MY 2017/2018 are expected to increase because the drought eased in late summer of 2016, and the continuing government supports to the rice sector. China's commitment to increase purchase of rice from Cambodia to 200,000MT per year is expected to raise the total rice exports volume in 2017 and 2018. Meanwhile, the European Union (EU) has recently tightened the residue limit of tricyclazole on rice. This situation poses an ongoing challenge to Cambodian rice exports into EU, and shift rice millers' attention to the expanding Chinese market.

On the other hand, declining market prices and unfavorable weather condition resulted in a remarkable reduction in corn production area and volume in the past two years. Several feed mills started importing corn from South America due to its competitive price, especially during the off-season.

RICE

Statistical Tables

Cambodia's Production, Supply and Demand for Rice

Rice, Milled	2015/2016		2016/2017		2017/2018	
Market Begin Year	Jan 2016		Jan 2017		Jan 2018	
Cambodia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	3025	3025	3000	3085		3116
Beginning Stocks	260	260	395	308		396
Milled Production	4705	4850	4700	4950		5000
Rough Production	7352	8083	7344	8250		8333
Milling Rate (.9999)	6400	6000	6400	6000		6000
MY Imports	30	8	20	8		9
TY Imports	30	8	20	8		9
TY Imp. from U.S.	0	1	0	1		2
Total Supply	4995	5118	5115	5266		5405
MY Exports	900	1140	1000	1170		1215
TY Exports	900	1140	1000	1170		1215
Consumption and Residual	3700	3670	3725	3700		3740
Ending Stocks	395	308	390	396		450
Total Distribution	4995	5118	5115	5266		5405
Yield (Rough)	2.4304	2.6721	2.448	2.6742		2.6743

Production

MY	2015/2016 (Post)			2016/2017 (Post Est.)			2017/2018 (Post Est.)		
	Cultivation area (th. ha)	Yield (t/h a)	Production (th. MT)	Cultivation area (th. ha)	Yield (t/h a)	Production (th. MT)	Cultivation area (th. ha)	Yield (t/h a)	Production (th. MT)
Wet season	2,541	2.448	6,225	2,591	2.451	6,353	2,617	2.451	6,416
Dry season	484	3.839	1,858	494	3.844	1,898	499	3.844	1,916
Total	3,025	2.67	8,083	3,085	2.67	8,250	3,116	2.67	8,333

Note:

- Sowing starts in May for the wet season, which is the primary crop and the crop is harvested from the middle of November to the end of January of the following year. Sowing starts in November for the dry season, which is the secondary crop and it is harvested from March to May of the following year.
- MY 2016/2017 includes two crops - 2016 wet season and 2016-2017 dry season.

Last year, Cambodia encountered a historically worst drought in its history due to the El Nino phenomenon, which caused a delay to the MY2016/2017 wet season sowing in some localities until June and July. Nevertheless, the drought eased, resulting in higher precipitation, which made the rice production to recover. Post estimated that the total cultivation area of the MY2016/2017 increased by 2% to 3,085,000 hectares, and the production volume increased by 2% to 8,250,000MT. Similarly, Post forecasts a slight increase of 1 % to 3,116,000 hectares in cultivation area and 8,333,000MT in production volume in MY2017/2018. Cambodia will maintain a moderate growth of rice production to capture increasing exports demand to market such as China, while at the same time, assuring no over-supply. Due to inefficient harvest and drying technology, the ratio of small broken rice and loss in weight to impurities and husks during the milling process is high, leading to a low milling rate. Based on further investigation, Post reduced the milling rate for Cambodia to 60%.

Rice continues to be a priority crop of the Cambodian government, in addition to other food and industrial crops such as rubber, maize, cassava, vegetables etc. International donors continue their efforts in helping Cambodia improve rice productivity and irrigation structure. The local media reported that a Chinese company is eyeing a large scale rice cultivation project on 4,000 hectares of leased land in Takeo Province. The prospects of increasing trade with China could be a driving factor for rice cultivation expansion in the future.

Trade

In 2016, Cambodia exported a total of 542,144MT of milled rice, an increase of 0.7% over the previous year. China became the top market for the second year, by importing 127,460MT of milled rice from

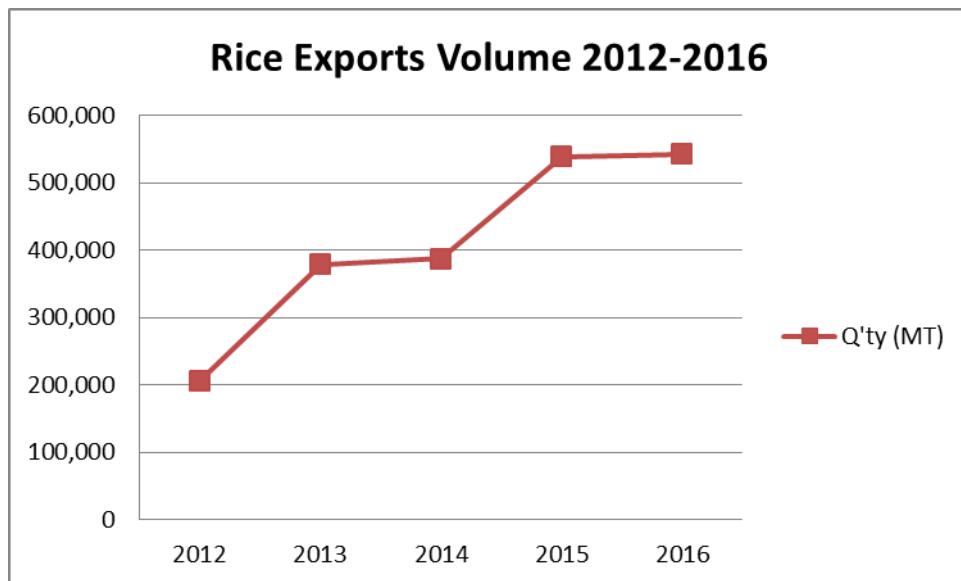
Cambodia. China's commitment to buy 200,000MT of milled rice per year will drive up total rice exports volume of Cambodia in 2017, outpacing potential decline in demand from traditional EU buyers. Recently, local media reports indicates that the EU has ban the use of Tricyclazole - a fungicide commonly used in cultivating rice in Cambodia. Effective June 2017, the EU is implanting a new threshold of tricyclazole residue for white rice – 0.01 milligram per kilogram of paddy. Similarly, effective December 2017 the EU will also implement new Tricyclazole residue level for fragrant rice - at 0.01 milligrams per kilogram, which is down from the current standard of 1 milligram. Cambodian rice farmers commonly use Tricyclazole to control rice blast fungus. Amid rice millers' concern of an EU's potential ban on Cambodian rice that fails to meet the chemical residue threshold, the government of Cambodia is looking into substitute options and raising awareness of farmers on proper usage of fungicides.

Last December, China National Cereals, Oils, and Foodstuffs Corporation (COFCO) approved 18 Cambodian rice millers for exporting rice to China as part of an agreement signed between COFCO and the Cambodia Rice Federation (CRF). Additionally, the Ministry of Agriculture Fisheries and Forestry (MAFF) selected 28 rice millers who have demonstrated competence to meet the requirements for exporting rice into China. The CRF is urging the government to facilitate more access to the China market to offset potential decrease demand from EU.

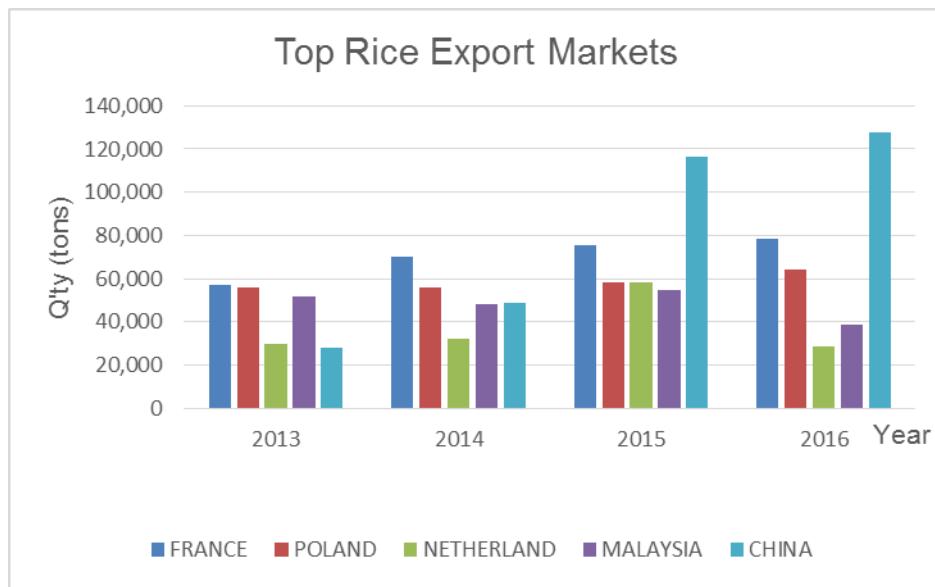
The cross border rice trade is a vital pathway for Cambodia rice export into Thailand and Vietnam. However, Thailand's reduction in stock and a production recovery this year show no signs of an increase in import demand. Meanwhile, the cross border trade with Vietnam is robust mostly because of strong demand for Cambodian rice to serve local Vietnamese consumers who prefer quality fragrant rice.

Export

Post estimates that the volume of rice officially exported in 2017 will increase by 5% to 570,000MT, and 8% to 615,000MT in 2018, while that of cross-border exports will remain unchanged at approximately 600,000MT, which is shared equally between Thailand and Vietnam.



Source: Cambodia Rice Federation



Source: Cambodia Rice Federation

Consumption

The per capita rice consumption of Cambodians is approximately 143 kilograms per year. With a population growth rate of 1.2%, Post estimates the total demand for human consumption at 2,290,000MT for MY 2017/2017 and 2,320,000MT in MY 2017/2018. In addition, rice is also used for making rice wine for human consumption, broken rice and rice bran for producing animal feed, and a portion of paddy is reserved for producing seed. Total demand for the latter categories is estimated at approximately 810,000MT in MY2016/2017 and 820,000MT in MY2017/2018. In general, Cambodia has maintained a national surplus of rice production for two decades. Broken rice and rice bran contribute largely to the energy portion in animal feed formulas, especially at the community processing level. In order to reduce production cost, feed millers add rice bran and other locally sourced ingredients such as cassava, corn to commercial feed. According to a 2012 USAID swine feed survey, local feed produced at the community level consisted 30% to 50% of broken rice and rice bran, especially in swine feed formulation. Due to low harvest, inferior drying technology, and poor storage condition, Post estimates a high residual amount of approximately 600,000MT.

Stock

In Cambodia, Green Trade is the state-owned company that is responsible for buying rice for the national reserve, which must be maintained at 100,000 tons at the minimum. In the recent years, the government of Cambodia identified improving rice storage capability as a requisite to increasing the country's food security and rice export capabilities.

CORN

Statistical Tables

Cambodia's Production, Supply and Demand for Corn

Corn	2015/2016		2016/2017		2017/2018	
Market Begin Year	Jul 2015		Jul 2016		Jul 2017	
Cambodia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	150	104	175	109		113
Beginning Stocks	179	179	129	129		99
Production	550	400	700	420		433
MY Imports	0	50	0	50		50
TY Imports	0	50	0	50		50
TY Imp. from U.S.	0	0	0	0		0
Total Supply	729	629	829	599		582
MY Exports	200	140	200	130		120
TY Exports	200	140	200	130		120
Feed and Residual	100	260	100	270		280
FSI Consumption	300	100	400	100		100
Total Consumption	400	360	500	370		380
Ending Stocks	129	129	129	99		82
Total Distribution	729	629	829	599		582
Yield	3.6667	3.8462	4	3.8532		3.8319

(1000 HA)
(1000 MT)
(MT/H A)

Production

Year	MY2015/2016		MY2016/2017		MY2017/2018	
	Harvest area (Ha)	Production (MT)	Harvest area (Ha)	Production (MT)	Harvest area (Ha)	Production (MT)
Dry season	27,635	97515	29,017	102,391	29,887	105,462
Wet Season	76,522	302134	80,348	317,241	82,759	326,758

Total	104,157	399,649	109,365	419,631	112,646	432,220
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Note: The wet season is the main season for the corn crop. Sowing starts in July – August, and is harvested in October to November. The dry season crop starts in February – March and the crop is harvested from June to July.

Cambodia grows two types of corn - white corn, which is for human consumption, accounting for only 15% of the total corn production; and red/yellow corn for feed production. Battambang is Cambodia's largest corn producing province, comprising of 50% of the total cultivation area in the country. The production area and volume went down remarkably in MY2015/2016 to 104,000ha and 400,000MT respectively because of unfavorable weather condition and market price. Corn and cassava substitute each other in feed energy formulation. In MY 2015/2016 corn production declined while cassava production increased. In 2015, the HLH Agriculture Company that operates the largest corn plantation of 10,000ha in Cambodia switched completely to planting cassava and processing starch. The market price for corn has not recovered, and also corn can be substituted by other types of ingredients in feed. Post estimates the production area and volume at 109,000 ha and 420,000 MT in MY 2016/2017, which is a 5% growth rate. Furthermore, for MY 2017/2018, Post estimates production area and volume at 113,000 ha and 433,000MT respectively.

Trade

A large amount of locally grown corn goes to human consumption and feed production, and the remaining amount is being exported to Thailand and Vietnam. Thailand, applying tariff-free and quota-free policies, has been importing more corn from Cambodia. Given the expansion of investment in feed production in Cambodia and the moderate recovery of corn production in the past two years, Post notes that excess supply for exports via cross-border will reduce in MY2016/2017 and 2017/2018 at 120,000-130,000MT.

According to trade sources, declining prices of South American corn in the past two years has made imported corn cheaper than locally grown corn. This situation is causing feed mills to import corn from South America to meet domestic demand rather than source from the small domestic corn crop. Post estimates corn imports at 50,000 MT in MY2016/2017 and 2017/2018 respectively.

Consumption

Over the last five years, several mills were opened to meet the increased demand for animal feed. Currently, Cambodia has over ten large scale feed mills including hundreds of small scale feed producers. In 2016, Betagro – a Thai company inaugurated a feed mill with a production capacity of 200,000MT/year. Additionally, New Hope – a Chinese-Japanese joint investment company opened its second factory in Cambodia. Furthermore, M's Pig Feed and Angkor Green entered the feed production sector in 2016. The total compound feed production in Cambodia is estimated at 700,000MT/year, excluding both imported compound feed and home-made feed. The key energy providing ingredients are rice bran/broken rice, corn, cassava and feed wheat. These ingredients are substituted subject to availability and price.

Regarding protein sources, feed mills in Cambodia have increased their use of distillers grains (DDGS) in feed formulation over the past five years. As a result, Cambodia imported US\$6.5 million worth DDGS in 2016, which is an 8.6% increase over 2015, and 225% increase over 2011.