



វិទ្យាស្ថានបណ្តុះបណ្តាល និង ស្រាវជ្រាវដើម្បីអភិវឌ្ឍន៍កម្ពុជា

CDRI – Cambodia's Leading Independent Development Policy Research Institute

Food and Financial Crises – Impact on Agriculture and Policy Priorities for Pro-Poor Agricultural Growth

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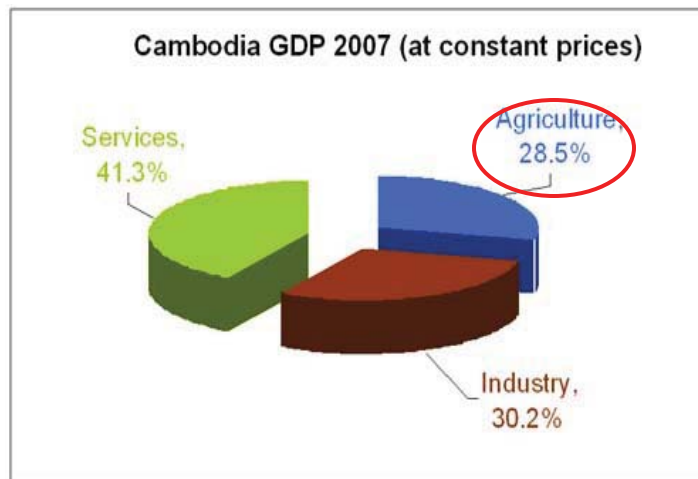
Phnom Penh Hotel

Key Issues

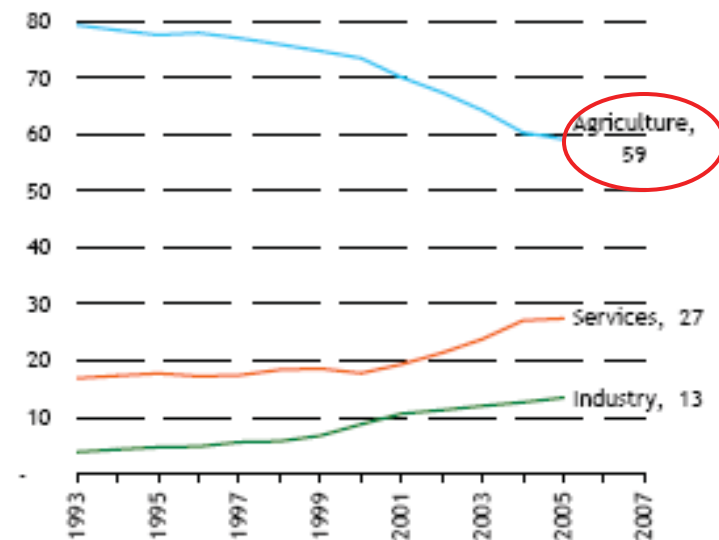
1. What will be the likely impact of the food and global financial crises on the agricultural sector?
2. Is the agricultural sector able to sustain its growth during the crises?
3. What are the priority policies to boost agricultural sector growth?

Impact of Crises on Agricultural Sector - Overview

- In 2007, agricultural sector accounted for:
 - 29% of GDP
 - 59% employment
 - growth rate of 4.4% (past decade), mainly from crops especially rice.



Source: MAFF, presented at 2nd CDC Forum, Dec 2008



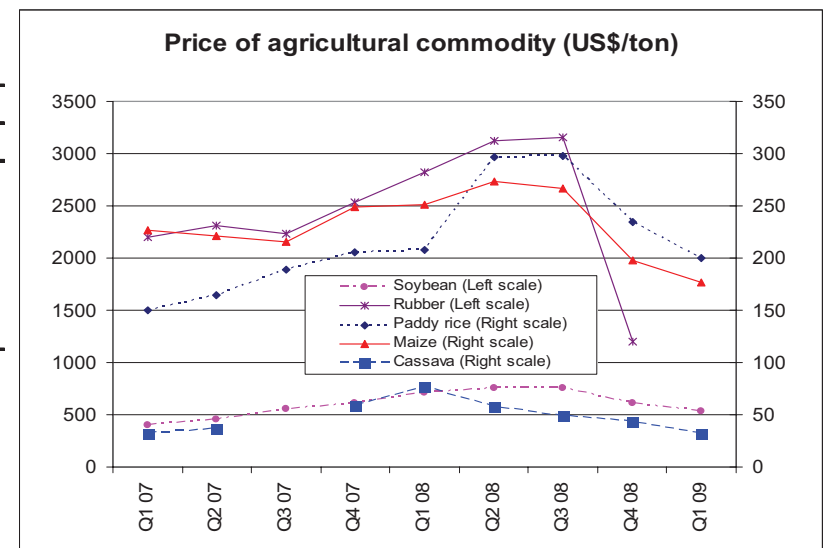
Source: World Bank, Jan 2009

Impact of Crises on Agricultural Sector - Overview

- High food price provided incentives for increasing agricultural commodities for export
- Financial and economic crises caused lower demand for and prices of agricultural commodities
- Plummeting agricultural commodity prices forced farmers and investors into debt

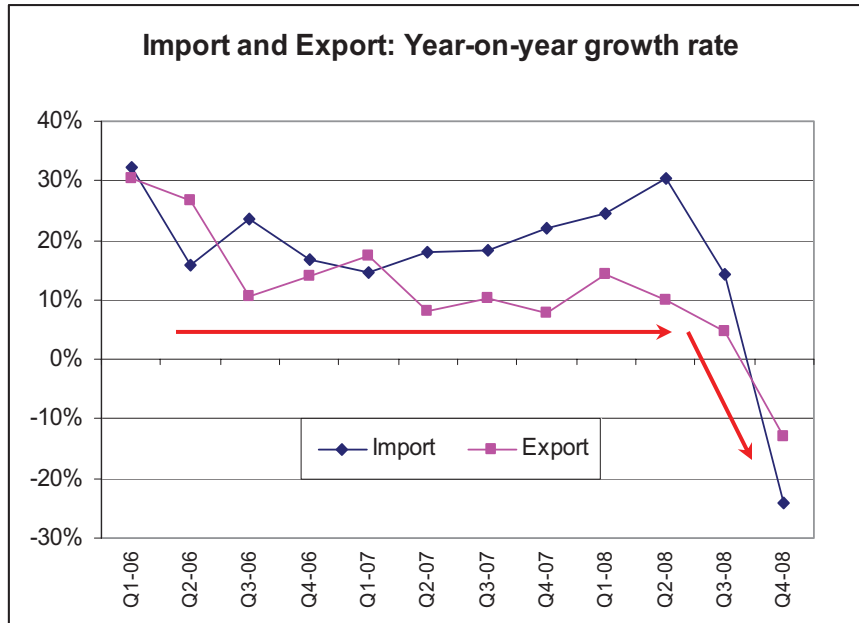
Crops	Total Areas ('000 ha)		Total Production ('000 ton)	
	2007	2008	2007	2008
Rice (Paddy)	2566.95	2593.40	6727.13	6778.00
Maize	174.06	156.76	703.32	580.00
Soybean	64.38	71.93	98.29	115.09
Cassava	96.32	180.28	2182.04	3394.66
Rubber	82.06	108.66	31.52	37.05

Source: Agricultural Statistics, 2008, MAFF (unpublished)

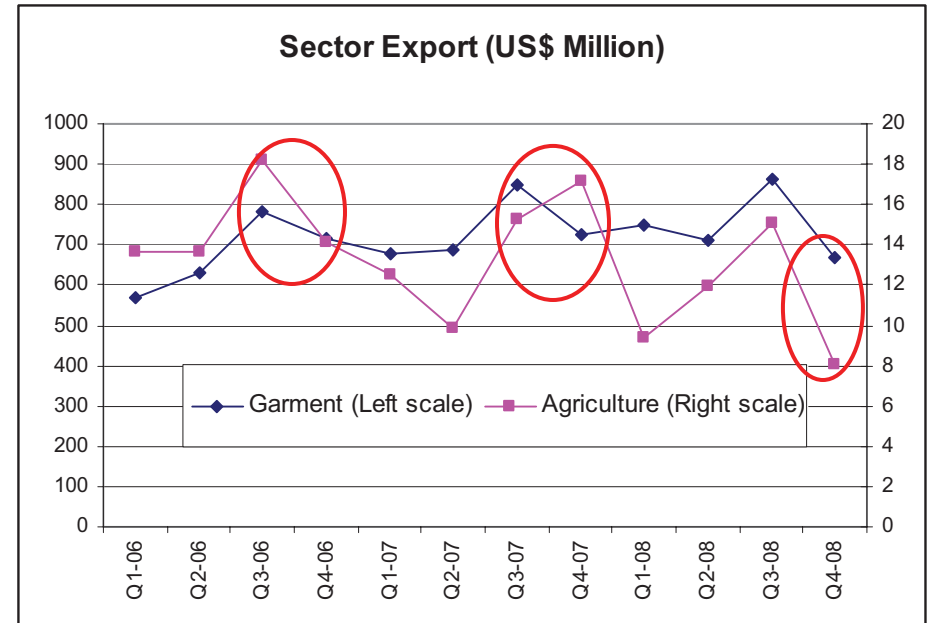


Source: AMO Price Bulletin, 2007-Jan 2009, MAFF

Impact of Crises on Agricultural Sector – Trade

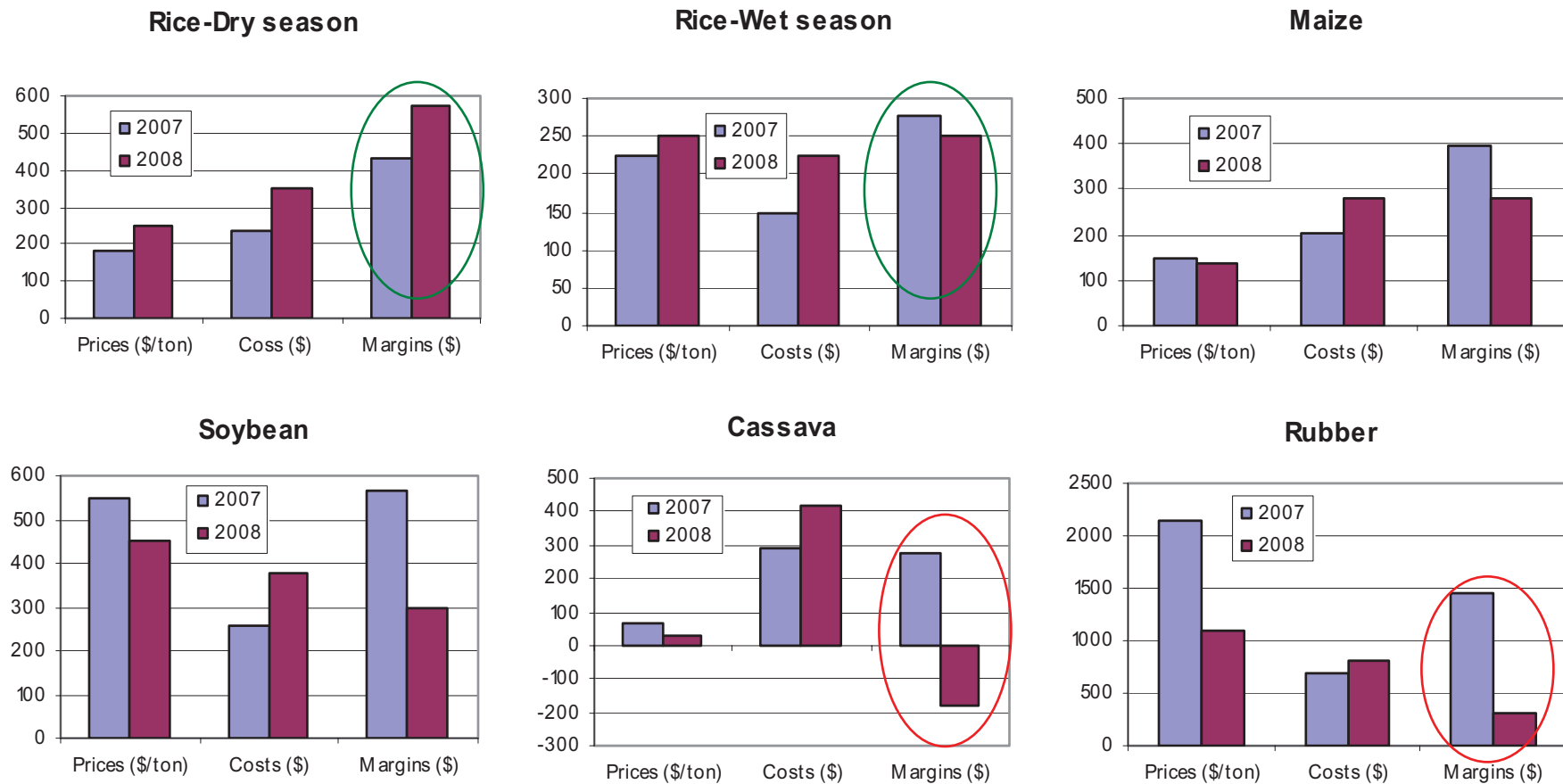


Source: General Department of customs and exercise, adapted by NBC



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Impact of Crises on Agricultural Sector – Investment and Revenue



Source: *Impact of High Food Price in Cambodia, CDRI, 2008; AMO Price Bulletin, 2007-Jan, 2009*

- Cassava and rubber are severely affected by the crises, but not rice.

Impact of Crises on Agricultural Sector – Investment and Revenue

Impact on exportable crops estimated by crop per total export before and after the crisis

Crops	2008 (000 ton)		Price (US\$)		Export Value (M US\$)		Value Lost (M US\$)
	Productions	Export	2007	2008	Bef. Crisis	Aft. Crisis	
Rice (paddy)	6,778.0	2,818.0	225	250	634.1	704.5	-
Soybean	115.1	80.6	550	450	44.3	36.3	-8.1
Maize	580.0	406.0	150	140	60.9	56.8	-4.1
Cassava	3,394.7	2,376.3	70	30	166.3	71.3	-95.1
Rubber	37.1	37.1	2016	1020	74.7	37.8	-36.9
Total					980.3	906.7	-144.1

Estimation is based on price in Nov 2007 as a base before crisis and price in Nov or Dec 2008 after crisis; and all exportable commodities are exported after the crisis

Source: AMO Price Bulletin, 2007-Jan 2009 and Agricultural Statistics, 2008, MAFF (Unpublished); estimated by CDRI staff

- Negative impact on specific crops; export losses are relatively small
- Less impact on agricultural sector; potential for investment e.g. rice

Opportunity and Challenge

- Agricultural sector has potential to boost economic growth:
 - Lower food prices are temporary, as high demand likely to strengthen – China, India, Middle Eastern countries.
 - Downturn of other sectors may provide a labor incentive for agricultural sector
 - Land – significantly potential to expand production areas
 - Market incentives – bilateral agreements with Middle Eastern, Africa countries; and East Asia - China
 - Challenge – uncertain volume of supply; current investment in agriculture is below its real potential.

Policy Priorities

1. Increase production and productivity

A Land reform

- Land title and property rights – to increase productivity
- Better land management and redistribution

B Infra-structure

- Irrigation and water management
 - critical for improving production and investing inputs
 - a 1.5 to double return from irrigation investment
- Rural roads are critical to improving production incentives
 - lower farm gate price; no incentives to promote productivity
 - reduce production costs and get better farm gate price

C Increase loans for agricultural development

- Small loans and short maturity loans=no incentive for investment
- Lower rates and long maturity loans promote agricultural investment

Policy Priorities

1. Increase production (cont.)

D Improvement of production technology

- high purified and quality seeds
- better fertilizer use – timing and amount; adulteration
- good yields from fertilizer use – 1% application increase yield by 0.22% and 0.27% for dry and wet season rice, and have positive return.

2. Agricultural trade development

- trade environment – reduce transaction costs
- secure market price through contract farming
- post-harvest technology (milling, processing and storage facilities) – value add for trading

Thank you for your attention!