



Cambodia Rice

Export Potential and Strategies

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Cambodia Rice

Export Potential and Strategies

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PREFACE

In 2010, Cambodia exported 40,000 metric tons of rice. In 2013, Cambodia exported nearly 400,000 metric tons of rice to 66 countries. A ten-fold increase in just three years.

Moreover, in only five years, Cambodia moved from a paddy to a milled rice exporter, and is now well on the way to evolving from a commodity trader to a demand driven export marketer. The evolution is evident in both the product and the process, with the sector now equipped with modern milling capacities, both in terms of volume and quality management.

This includes the introduction of Food Safety certification programs vital for penetrating international markets. Such progress will contribute substantially to the government's

rice sector policy of exporting one million tons of rice in 2015.

There is room in both the established and new markets for greater export growth. There is also room for improvement in the production, packaging, and marketing of Cambodia's rice. This means there are opportunities on both sides of the transaction process.

This publication will present strategies and opportunities for Cambodian rice as an export product. It will illustrate how the Cambodia rice sector can improve its product image and how and where it can better place its rice in international markets given a more detailed analysis of its current and potential customers.



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ABOUT THE STUDY

IFC, through its Cambodia Rice Sector Support project, has been working with farmers, millers, and other sector stakeholders to promote Cambodia's place as a high quality rice producer and exporter. IFC, together with AFD/SNEC, works with the majority of Cambodia's rice exporters to increase exports through development of new strategies targeting niche markets willing to purchase fragrant rice at premium prices. Initial results are clearly encouraging, with national rice exports doubling in 2013 over 2012.

In a joint project with AFD/SNEC, IFC reviewed Cambodia's rice sector for greater export growth potential, and ultimately identified six countries from the world's fifteen major rice markets with intriguing

prospects based on current and near future expectations for Cambodia's rice sector product, capacity, and development. The six countries are as follows (in alphabetical order): China and Hong Kong, Côte d'Ivoire, France, Germany (viewed both individually and as part of the European Union market), Singapore, and the USA. The six vary in size and importance within the world rice market, and each one possesses dynamics that create interesting long-term market opportunities for Cambodian rice exports.

Note: This publication is an abridged version of the six detailed countries reports, which were disseminated to the public in September 2013 and remain available upon request through the Cambodian Rice Federation (CRF).

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ACRONYMS

AFD	Agence Française de Développement
ANUGA	German Trade Show (see www.anuga.com)
CCIC	Chinese Inspection Agency
CIF	Cost, Insurance & Freight
COrAA	Cambodian Organic Agriculture Association
DAVERT	Organic German Food Distributor
DAVITA	Organic Rice Brand in Germany
EBA	Everything But Arms
EU	European Union
FOB	Free on Board
G.A.G.	Chinese National Brand
GMO	Genetically Modified Organism
GMP	Good Manufacturing Practices
GSP	Generalised System of Preferences
IFC	International Finance Corporation
IRAM	Institut de Recherches et d'Applications des Méthodes de développement
ISO	International Organization for Standardization
KDM	Cambodian fragrant (Jasmine) Rice Milled in Vietnam 'Khao Dok Mali'
NTUC	NTUC Fairprice is a Singaporean supermarket chain
PGI	Protected Geographical Indication
RSS	Rice Stockpile Scheme (Singapore government program)
SIAL	French Trade Show (see www.sialparis.com)
SNEC	Supreme National Economic Council
SWOT	Strengths, Weaknesses, Opportunities, Threats

GLOSSARY

Basmati: fragrant rice from India and Pakistan

Khao Hom Mali: fragrant Jasmine rice from Thailand

Khao Hom Mali Thung Kula Rong Hai: GI rice product, the region and variety of fragrant rice produced in Thailand

Phka Malis: Cambodian fragrant (Jasmine) rice, Sen Kra Ob, Sen Pidao (Cambodian fragrant rice, but dry season)

Thai Hom Mali: Thai fragrant (Jasmine) rice



Table of Contents

EXECUTIVE SUMMARY	1
MARKETS OVERVIEW	3
THE STUDY	11
RECOMMENDATIONS.....	15
RECOMMENDATIONS BY COUNTRY	18
China.....	18
Côte d'Ivoire.....	20
France.....	21
Germany	24
Singapore	26
United States.....	29
CONCLUSIONS	31

Executive Summary



Rice is the principal crop of farmers in Cambodia. Rice production accounts for 15 percent of agricultural value added and paddy occupies 75 percent of the cultivated land. Rice production, processing, and marketing are estimated to employ 3 million people, or more than 20 percent of the country's working-age population.

A large part of the paddy produced in Cambodia is exported to Thailand and Vietnam, where it is milled and either locally distributed or further exported to other countries as milled rice. That process represents a huge lost opportunity for Cambodian rice millers and traders to add value, export directly, and create employment locally. In addition, limited access to services and information is creating a lack of awareness and understanding of the standards and preferences of the international rice market.

To support Cambodian rice millers and exporters in accessing international markets, IFC and AFD/SNEC conducted a survey of six countries identified as high-potential export growth markets for premium fragrant rice: China and Hong Kong, Côte d'Ivoire, France, Germany (viewed both individually and as part of the European Union market), Singapore, and the USA. The countries vary significantly in market size and maturity, customer profile and preference, processing standards and quota or other commercial restrictions/agreements. As such, the strategies that Cambodia's rice exporters will need to apply will also vary, and should also prompt the sector to implement capacity and quality upgrades at various stages along the supply chain. These improvements will have further positive repercussions within the sector and on the overall Cambodian economy.

Each country has been researched and individual strengths, weaknesses, opportunities, and threats identified with respect to the current and near future capacities of Cambodia's rice exporters. However, in

order to more efficiently formulate strategic priorities, the six countries have been grouped by market maturity and price/consumer preference whenever possible. The United States, France, Germany, and Singapore can generally be considered high price, high quality, and mature markets with established trade in rice and trade relationships. Such markets, while difficult to penetrate, provide real opportunities for niche rice products, such as organic rice, or for penetration into ethnic markets, at both the importer and supermarket level, both being significant importers of rice. In the United States, France, and Singapore in particular, ethnic markets can present an opportunity for easier entry into a new market. The other two countries, China and Côte d'Ivoire are similar only in that they both have large, generally lower priced markets. These lower priced markets are less a priority for Cambodia's exporters, who should focus their efforts on sales of Cambodia's fragrant rice. That being said, it must also be recognized that China is rapidly becoming the largest high volume rice import market in the world, both for fragrant and lower priced rice varieties and should be viewed as the largest and most relevant market for Cambodia alongside the USA. (It should be noted that for the purposes of the study and this publication, China has been viewed as a single market including Hong Kong and Macao).

In addition to both, specific country and grouped market strategies, the study further testified to the need for Cambodian rice exporters to better diversify and personalize their customer base. Exporters currently continue to rely overwhelmingly on the EU and its preferential duty arrangement, with 62 percent of all exports destined for Europe. This policy advantage should be viewed as a finite opportunity to make inroads to growing product reputation and market share. Exporters should not under-appreciate the value of establishing personal contacts – as the study noted, importers from the EU, Singapore, and

China all indicated a need for exporters to personally contact importers – many of whom are from multi-generational family-run businesses where personal relationships and trust are critical. Additionally, the study underlined the integral role government-backed trade delegations have to play in helping exporters obtain support from both the Cambodian government and the host countries. Representatives from the ministries as well as the Cambodian Rice Federation are important as advocates who can address their counterparts in new markets. The Federation in particular needs to be an important unifying force for the sector, particularly when developing market approaches.

Given the recent progress in sector organization, productivity, and quality yield, and the accolades (including being awarded World's Best Rice at the World Rice Conference the past three consecutive years) that have accompanied these gains, Cambodian rice is well-placed to meet the aforementioned expectations of international importers. It is time for exporters and sector representatives to visit new markets, initiate trial shipments, and establish valued relationships. In order to maximize the chances for success, the sector should first have established a clear identity (i.e., a brand). Cambodia should develop a unique fragrant/high-quality rice product name, mark of certification, and consider the creation of a protected geographical indication (PGI) for specific, limited regions in the country. Cambodian

millers should also work hard to develop quality and lower costs. Mills should have farmers under contract to provide consistent rice quality and aim for near 100 percent capacity utilization at the mill. It is clear that ensuring high quality and reliable supply form the basis for increased trade.

As Cambodia is essentially a price-taker in the global marketplace, it will also be important to ensure processing costs are minimized and exporters are able to provide quality business services to their customers.

Quality services and reliable products will serve the industry better over time than aggressive pricing, which should be viewed as a short-term element in a market penetration strategy. Furthermore, Cambodia's fragrant rice is a high quality product that should not be sold on a price basis but rather on the basis of brand and value in a differentiated market.

Most importantly, further penetration of foreign markets will greatly depend on effective promotion of Cambodian superior jasmine rice to the end consumer. All capacity and quality improvements achieved to date in the value chain, all market research and analysis conducted thus far, all must now rely on impactful brand awareness positioning and in-market campaigns that ultimately trigger consumer demand. In short, the brand is the final prescription for international commercial success.



Markets Overview



International Market

Global forecasts anticipate increased demand and production – particularly in Africa and Asia, where populations are growing fastest. Most rice producing countries essentially cover their domestic demand, with export volumes only a small part of their total production.

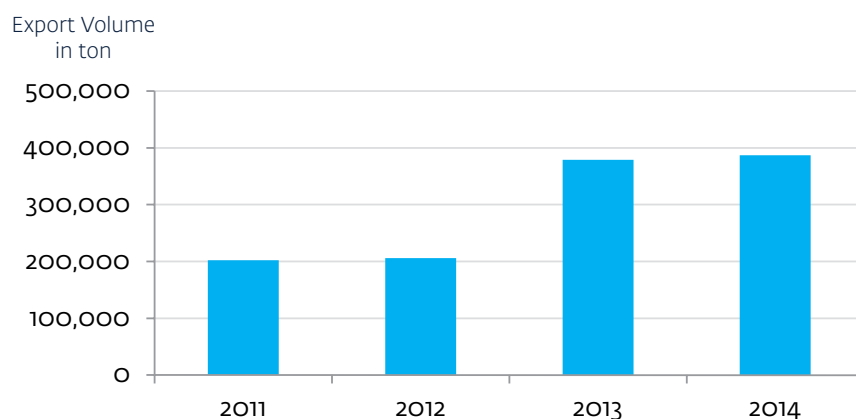
However, given the increased demand projections – the IRRI projects that 116 million tons of additional rice over 2010 levels will be needed by 2035 – it is possible that world rice production may face constraints including available land and water. Such is the case with China, the largest producer and importer of rice, which is expected to increase imports as internal production rates max out in meeting the need to feed a growing population.

This represents a significant opportunity for Cambodia, as China, over the next ten years, could in theory import all of the Cambodian rice available for export.

Strategic Considerations

The collapse of Thailand's rice pledging scheme is a significant consideration and is addressed in the Regional Market section below. Further considerations include the dramatic re-entry of India into the international rice export market, which has resulted in the near doubling of its exports and the subsequent lowering of world prices. Such developments, along with high freight costs, have made it difficult for Cambodia to penetrate regional markets. Additionally, the European Union extends the same import duty preferences to Myanmar as those Cambodia currently enjoys. It should also be noted that the EU is highly sensitive to imports of GMO-free food, which should translate to greater opportunities for Cambodia, which is GMO-free. However, as there are no laboratories in Cambodia for the required testing of goods, the Ministry of Agriculture, Forestry and Fisheries (MAFF) could issue a blanket guarantee confirming that Cambodian rice is GMO-free, and thereby eliminate this requirement for testing.

Cambodian Rice Exports from 2011-2014



Regional Market

Southeast Asia (including Myanmar) is home to the world's top rice exporting countries. Thailand and Vietnam alone make up essentially half of the world's milled rice export volume. Thailand has led the fragrant rice industry with its 'Thai Hom Mali', a defined name, variety, grade, and 'mark of certification', accepted in the market place as an effective tool in wholesale and retail packaging. The Thai Hom Mali standard has led to premium prices and name recognition with international consumers, and as such, Thailand is considered the 'go to' supplier. Thai fragrant rice exports, according to www.thairiceexporters.org, are around 1.5 million tons in total volume. By comparison, Cambodia's premium exports totaled 157,000 tons in 2013 (or 40 percent of total rice exports).

Strategic Considerations

Cambodian milling costs are higher than Thailand and Vietnam: Improvements in milling and polishing capacity will help exports by allowing Cambodian traders to bid for, and deliver, larger orders. Milling costs in Cambodia are higher than those in Thailand and Vietnam due in part to Cambodia's higher cost of electricity and greater milling and storage capacities in both Vietnam and Thailand. Furthermore, Cambodian mills typically operate one 8–10 hour shift per day, and do not have the working capital to operate year-round. Thai competitors operate around the clock, on three 8-hour shifts, six days a week throughout most of the year. The good news is that Cambodia's recent investments in the larger, more efficient rice mills and polishing factories have led to a four-fold capacity increase over the past four years – and the expectation that capacity will double again by the end of 2014.

Thai dominance: The Thai rice industry is reported to have up to two million tons of Jasmine rice in storage as a result of the previous government's inventory policy. Cambodian (as well as Vietnamese) rice exports have benefited significantly from this policy and its artificially high Thai prices. Thailand's new leadership has signaled that a 'free trade' approach will be used in rice marketing from this point forward, which, given the stored tonnage, should lower rice prices for both fragrant and white rice. If so, barring crop failure in key rice consuming countries, export rice prices could be low for the next three years. But longer-term expectations appear solid, with global production just covering demand.

The volume of Thailand's recent exports has been inconsistent, from a peak of nine million tons in 2011 to just

under six million tons in 2013. This is due to a number of factors, including the aforementioned government policy and catastrophic weather. Regardless, there appears to be an excellent opportunity for Cambodia to step in as a major supplier to export markets.

Thai exporters are focusing more on fragrant rice and can be expected to defend their market share aggressively. Cambodian fragrant rice is competitive with Thailand in terms of price and quality, although Thai Hom Mali is much better known. In general, Cambodian premium rice sells for a 22% discount against Thai rice of the same quality, though the range can vary from over 50% discount for some markets to other markets where prices are nearly at par. The steep discount is in fact entirely due to the lack of awareness and prominence of Cambodian Jasmine rice and not a variable of actual quality and is an indicator for the expected brand value.





Vietnamese competition: Vietnamese exporters have made steady progress in growing their market share. Their progress largely comes at a cost to Thailand as Vietnam has found it relatively easy to price below Thailand's policy-inflated price. A number of importers surveyed indicated that quotes for fragrant rice from Vietnam are very low, but the quality is also low. They challenge, therefore, that Cambodian prices should be competitive with the prices of Vietnam in order to get the attention of importers or some other inducement will be needed. However, Cambodian rice is of better quality than most rice from Vietnam and should be priced accordingly. Thus exporters will need to establish confidence with buyers that Cambodian fragrant rice is a higher quality, better cost alternative to Vietnamese and Thai specialty rice.

Origin and price integrity: Lastly, there are issues in the region stemming from the origin of the rice versus where or from whom it is being sold. Singaporean importers noted that they can buy Cambodian rice milled

and packed in Vietnam more easily and at a lower price than that offered by Cambodian exporters – and that the Vietnamese do not disguise the origin of the rice. Several importers wondered if the price difference were due to the inefficiency and out dated technology of the Cambodian exporters' milling equipment or that prices were increased due to Cambodian mills not storing milled rice, but buying paddy rice and milling it to order after an order has been received. Such practices and misperceptions represent clear losses of opportunity, as the importers are keen to import rice directly from Cambodia rather than from Vietnam or Thailand. (They said they could get Cambodian rice from their Thai suppliers, but the price was not as attractive as the price offered by their suppliers from Vietnam.) It should also be noted that Thai rice companies have set up operations within Cambodia which enables them to qualify for the EU preferential EBA duty policy while also diversifying their production and sourcing base and neutralize possible political and natural effects on production and sales.

Cambodia

Cambodia established milled rice standards for both white and fragrant rice in 2013. These standards, promulgated by Royal Decree, have instituted quality assurances that have led to international recognition and confidence from global buyers. Consequently, DNA fingerprints have been established for Cambodian fragrant rice varieties, and more farmers are now able to access higher value seeds and related trainings. Improved farming techniques and milling processes are raising Cambodia's rice industry yields and revenues alongside its reputation for producing outstanding fragrant rice. The results are impressive: Cambodia has won the World's Best Rice award the past three years in a row at the annual TRT World Rice Conferences. Cambodia now seeks to capitalize on these gains in the international market.

Cambodia's export growth has largely been achieved since 2010 and focused first on the EU under the special EBA (Everything But Arms) arrangements of the EU-GSP (Generalised System of Preferences). Currently, 62 percent of all rice exports go to EU markets, and while the need to further diversify the customer base is clear, exporters currently have limited funds for market development and sales support. Greater export success and penetration of new markets will therefore depend on prudent selection of industry priorities, correct analysis of market trends, proper identification of customer preferences, and short-versus long-term strategies.

Strategic Considerations

Identity

First things first: Despite the gains in export volumes and international accolades, Cambodian rice lacks name-brand recognition and as such must carve out an identity for its rice varieties. Furthermore, marketing and price strategies must reflect the demands of the particular market: for example, a deep discount on fragrant rice from Cambodia might work in a price market such as Singapore, but it is not an effective way to enter and remain in the US or EU fragrant rice markets.

The adoption and recognition of national and international certification procedures and seals/stamps are inextricably linked to this build up of brand identity, as is the commensurate support and promotion of the industry, both at home and abroad, by government agencies, associations, and business organizations.



Establish the brand

Cambodia produces fragrant, white, and to a lesser extent, organic rice. Fragrant and organic rice are 'luxury' products, white rice is a 'commodity' product, and thus all require different marketing strategies and price levels. Top priority should be given to establishing a recognizable brand for Cambodia's fragrant rice product and reinforcing it with a government-approved certification process and stamp to gain the confidence of importers and distributor.

Ideally, the brand should combine a unique fragrant rice name and visual portrayal of Cambodia's famously rich cultural heritage. The certification seal will confirm quality to international customers, solidify reputation both at home and abroad, and invite comparison to competitor's 'luxury' products. For further exclusivity, brand creators may consider the creation of a protected geographical indication (PGI) for specific, limited regions in the country. Such a designation allows marketers to tell a story of why this area is important, how it is produced, how the designation ensures traceability and standards above the levels of other areas that produce fragrant rice. This can appeal to production and methodology conscious consumers as well as those willing to pay top price for exclusivity.

The brand includes product, cost, origin, and service:

Furthermore, as it is clear that consistency and reliability are critical to reputation and increased trade, Cambodian millers should strive to raise quality while lowering costs. Mills should have farmers under contract to provide consistent rice quality and aim for near 100 percent capacity utilization at the mill.

Package to the market: The packaging should cater to the needs of the buyers. The key here is for Cambodian exporters to become increasingly aware of what buyers want in different markets and work to fulfill customer needs. Selling premium rice in bulk (50 kg bags) is not the way to add value. In some markets, packaging for the consumer market may be possible, particularly working with private brands. In others, consumer packaging should follow once the product has become better known and stronger commercial relationships have been established.

Price

Short- versus long-term pricing: While aggressive pricing is an element in a market penetration strategy, working to increase the image, reputation, and quality of Cambodian rice, as well as delivering reliable and



professional business services are even more important to increasing margins and market share over time. Price is often the buyer's primary consideration, particularly with commodities, but the issue of price can be neutralized in part by offering better (often more personal) service or a higher quality product. German companies, for example, look for long-term, reliable partnerships with certified (IFS or BRC) suppliers that respect the supply contract (price, quantities, and timing), the market price evolution, and the different product specifications required. In France, China, and Singapore, importers further stressed the need for Cambodian exporters to personally contact importers and build up trust. Importers are 'gate keepers' to mature markets, and to many of the old line, multi-generational import businesses, personal contact is a pre-requisite to conducting business. Once contact has been established and product/samples shared, then these importers suggested aggressive pricing could be utilized as a short-term strategy if necessary to break into these markets. In any event, a lower price should be declared an "introduction discount" to not jeopardize the high end positioning.

Better to lower costs in production: To strengthen Cambodia's competitiveness, it will be critical to focus on lowering processing costs and providing good business services. As the relative size of Cambodian mills and the costs of shipping logistics in Cambodia already put pressure on keeping costs competitive, even more will be expected from the exporter to provide first class business services.

Use short-term opportunities to build brand

awareness: Cambodia currently enjoys the advantage of the EU duty preference of the EBA program, which can translate into a higher FOB price. But the EBA

program will end at some point, and the Cambodian rice industry would be well served to redouble its effort to build up its image in the EU while it lasts. In France in particular, where consumption of rice is growing at an average rate of 3 percent a year, there is opportunity to capitalize on consumer preferences for luxury and exotic products. In this and other sophisticated market segments, the uniqueness of Cambodian fragrant rice can have added allure to private brands looking for avenues for differentiation of their product offerings. Targeting the more discerning segments tends to have positive repercussive impact as well, as the sophisticated customer is often a primary customer as well as an opinion leader/maker. Promotion strategies can go beyond targeting ethnic markets to tap national processors and supermarkets amenable to giving Cambodian fragrant rice a space and story separate from international competitors and national brands. Maximizing such opportunities is critical, because Thailand generally sets the price in other mature markets (US), and Cambodia's exporters would likely either have to sell below the Thai price (or, increasingly, the discounted Vietnamese) in order to win over importers, or switch focus to niche markets (e.g. organic rice).

Promotion

Exploit low cost publicity options: Many global promotional activities can be done at minimal cost, given the ease of online advertising and up-to-date company, trade, or association websites with direct contact links. These have the benefit of longer lifespans than traditional advertising. However, they should be

considered as supplementary methods that support the primary investments of time and effort in travel missions, trade shows and delegations, and other direct market and importer contact. At the same time, active support from government and relevant business agencies is vital to provide the introductions and means for establishing positive rapport at government and representative levels, and more general awareness raising and education opportunities (e.g., TV, radio programs, seminars) to both general and targeted audiences.

Nothing beats personal contact: The Cambodian Rice Federation, as the official rice exporter's association, will play a critical advocacy role on both the governmental and business-to-business level abroad, and a unifying role for the industry domestically, particularly in the formulation of export strategies. The Federation should be expected to distribute various promotional materials (e.g. videos, brochures, factsheets) through its website and to interested visiting potential clients. All materials should make clear Cambodia's quality standards and certification procedures and highlight the recent growth in export volume and accolades awarded in international quality competitions.

Additionally, exporters and rice industry representatives should attend key food trade shows including SIAL in France, ANUGA in Germany, and the Fancy Food Shows held in both San Francisco and New York each year. These and other specialized (i.e. hospitality, organic) shows should be combined with targeted meetings with importers. For the larger international shows, it is wise to organize under a country pavilion as a way of recognizing



and separating Cambodia and its products from the numerous varieties of food products present. Assistance from the commercial section of the embassy can bolster the beneficial effects of show attendance.

Cooperate with related sectors: There is also clear opportunity for the rice industry to take advantage of Cambodia's allure as an international tourism destination. Piggybacking on hospitality, tourist and food events, websites, blogs, and airline and travel magazines is a comparatively low effort and cost publicity opportunity – especially once the fragrant rice brand has been launched. To apply this advantage abroad, Cambodia needs to promote its image in markets where there is clear consumer desire to use 'exotic' products. A known chef or food writer from Asia could be approached to be the 'face' or spokesperson for the Cambodian rice export industry. This would be a part-time person who could be called upon to be at special government-sponsored receptions or trade shows, write articles for food sections in magazines, etc. The industry should also recognize the value of investing in their representatives to ensure they have the proper training and skills to represent and negotiate with confidence. This would include language proficiency, cultural awareness, financial and commodity training and business ethics.

Market knowledge

To oversimplify, Cambodia needs to present the right product to the right market and the more knowledge of market preferences exporters can accrue, the more effective their attempts at market penetration can be. For example, USA is by all accounts a mature market, with its own government standards, consumer particularities, and significant barriers to entry. However, at both the importer and supermarket level, ethnic markets are significant importers of rice (this is also true for France and Singapore). Ethnic markets can present an opportunity for easier entry, particularly if there is a direct or indirect relationship between the importer and the exporter, gained through shared culture, friends or family ties, or other commonalities. Additionally, there is significant demand in the US and EU for organic rice. Cambodian millers should explore obtaining additional quantities of certified organic rice for targeted customers and test with sample shipments. In this way, organic rice can be the way to enter the market, with fragrant and/or white rice following thereafter.

Another key consideration is the role of the government in a market. For example, Thailand and Singapore have had inventory/stockpile policies, and Chinese trade authorities control levels of imports and quotas. Understanding quota systems and regulatory specifications is critical, as is establishing contacts at government levels – as aforementioned in promotional considerations.





The Study

Six Countries, Unlimited Opportunities



To support Cambodian rice millers and exporters in accessing international markets, IFC conducted surveys of the top fifteen rice markets identified as having the most potential for receiving Cambodian rice. Ultimately, six countries were selected: China, Côte d'Ivoire, France, Germany (viewed both individually and as part of the European Union market), Singapore, and the USA. The six vary in size and importance within the world rice market, and each one possesses dynamics that create interesting long-term market opportunities.

In the interest of identifying common strategic possibilities, the study and this publication profiled the countries individually for strengths, weaknesses, opportunities, and threats, and subsequently loosely organized the six into two strategic groups. The United States, France, Germany, and Singapore can generally be considered high price, high quality, and mature markets with established trade in rice and trade relationships. Such markets, while difficult to penetrate, provide real

opportunities for niche rice products, such as organic rice. The other two countries, China (including Hong Kong and Macao) and Côte d'Ivoire are large, generally lower priced markets, with China rapidly becoming the largest high volume rice import market in the world. No single strategy will cover all of these markets, but there are specific recommendations that emerge from the market research of this project that exporters can further explore.

These country reports are intended to help the Cambodian rice industry and exporters understand specific markets and specific export opportunities, as well as strategic marketing options. Summaries of the main points of each study and the key barriers to competition for Cambodian rice products in the six target markets follow. Please note that blue dots in the following tables represent conclusions made by the project team on market missions; these were not included in the 'Study of the International Markets for Cambodian Rice'.

Common Strengths Across Targeted Countries for Cambodian Rice Exporters

Strengths	China	Côte d'Ivoire	France	Germany	Singapore	USA
Price		•	•	•		•
EBA duty-free under the EU GSP			•	•		
Significant fragrant rice market demand	•	•	•	•	•	•
Cambodian fragrant rice competitive with Thai		•	•	•		
Market for certified organic rice			•	•		•
Market has appetite for new/exotic brands		•				•
Geographic proximity (reduced shipping/freight costs & time)	•				•	
Similar rice-based culture and agriculture	•				•	
Significant ethnic market opportunity			•		•	•
Non-GMO rice available			•	•		•
Market values 'non intensive agriculture'				•		•
Market forecast strong long-term increase in rice demand	•					

Common Opportunities Across Targeted Countries for Cambodian Rice Exporters

Opportunities	China	Côte d'Ivoire	France	Germany	Singapore	USA
Potential to win market share (e.g. from Thailand)	•	•	•	•		•
Increasing demand for fragrant rice	•	•			•	•
Processors willing to delve into different/exotic products			•	•		•
Market interested in origin of product/traceability			•	•		•
Respect accolades/awards (e.g. World's Best Rice)				•		
Country/market must import rice	•			•	•	
Growing market for brown/organic rice	•			•	•	•
Vietnamese fragrant rice not seen as competition with Cambodian fragrant rice	•				•	
Relatively close country relationship	•					
Market sensitivity to value/price of Cambodian fragrant rice vis-à-vis other fragrant rice		•			•	

Common Weaknesses Across Targeted Countries for Cambodian Rice Exporters

Weaknesses	China	Côte d'Ivoire	France	Germany	Singapore	USA
Weak/uninformed view of Cambodian rice quality	•	•	•	•	•	•*
Market lack of awareness of fragrant/luxury rice			•		•	
Market lack of awareness of Cambodian rice/rice industry	•	•	•	•	•	•
Strong competitor presence (i.e. Thai or Vietnamese)	•*	•	•*	•		•
Weak country image			•	•		
Not price competitive	•	•	•	•	•	•
Cambodian exporters preference to sell FOB (not CIF)	•	•	•	•	•	•
Cambodian traders viewed as lacking trading expertise/initiative	•				•	
Market lack of confidence in Cambodia to deliver large volume quality over long term	•					
Need significant capital for business development	•					•
Market lacking confidence in packaging capacities					•	
Market represents logistical challenge		•				•
Market uninterested in organic rice					•	

* Market mission finding (not noted in the Agland 'Study of the International Markets for Cambodian Rice')

Common Threats Across Targeted Countries for Cambodian Rice Exporters

Threats	China	Côte d'Ivoire	France	Germany	Singapore	USA
New competition from Myanmar, Suriname			•			
Possible decrease in Thai rice prices	•*	•	•	•	•	•
GMO is prohibited	•*		•	•		
White/commodity rice sold on price basis		•				•
Increased local production of fragrant rice	•					•
Stronger competition from Vietnam for fragrant market share	•				•	
Market determined by political forces	•					
Local rice production improving		•				
Competition from low cost producers		•				



* Market mission finding (not noted in the Agland 'Study of the International Markets for Cambodian Rice')



Recommendations



Short term priorities, grouped:

Priorities	France, Germany (EU), and USA
Brand	Develop a unique “export” name for Cambodian fragrant rice for the global stage, which will be defined by variety and quality specifications and, in time, a mark of certification procedure.
Price	This is the time to take advantage of the situation and build the image of Cambodian rice in the EU, particularly in France and Germany, but the duty preference program will end at some point. In the U.S. market, Thailand sets the price, and exporters will have to likely sell below the Thai price in order to encourage buyers to switch suppliers or have a special product such as organic rice to offer.
Special Products	There is large demand in the United States and EU for organic rice. Cambodian millers should explore obtaining additional quantities of certified organic rice for targeted customers. Test the market with sample shipments and use organic rice as a way of entering markets.
Target Markets	Ethnic Importers and Ethnic Retail Chains are a good place to start with small volume shipments, particularly for a market unfamiliar with Cambodian rice such as the United States.
Marketing	<p>Prepare website, literature, and small brochures that describe the Cambodian rice industry, history, and natural conditions where rice is produced.</p> <p>Participation in a country pavilion in international food shows such as SIAL in France, ANUGA in Germany, and the Fancy Food Show in the United States in San Francisco, as California is the location of the majority of rice importers. While Cambodian rice has become known with importers in France and Germany, the U.S. importers and retail market chains are not familiar with Cambodian rice.</p> <p>It is useful to identify a known chef or food writer from Asia who can be the “face” or spokesperson for the Cambodian rice export industry. This would be a part-time person who could be called upon to be at special Government-sponsored receptions or trade shows, or write articles for food sections in magazines, etc.</p>
Packaging	Focus on the needs of buyers to develop packaging. In France, packaging for the consumer market may be possible, particularly working with private brands. Consumer packaging in the United States and Germany will be a goal for the future once the product has become better known and stronger commercial relationships have been established.
Training	Marketing executives should have strong awareness of ethical business practices, finance instruments, the structure of commodity trade, and language skills.

Priorities	China, Côte d'Ivoire, and Singapore
Support	<p>Target Government and other support in conducting rice and food trade missions to key Chinese cities in order to meet with rice importers and establish a dialogue and business relationship with importers. This also applies to Singapore, where, despite the close proximity of Cambodia and Singapore, importers indicated little knowledge or experience with Cambodian rice.</p> <p>Organize government- or industry-led trade delegations to China, Singapore, and Côte d'Ivoire to help Cambodian exporters develop the "human" links with importers that are essential to breaking into a market dominated by a few players or established supply relationships.</p>
Price	<p>All markets are price sensitive and market share is usually "bought" with price or volume discounts, or special promotion/advertising. In China and Singapore, Vietnamese exporters have made significant inroads into Thailand's market share, and have found it relatively easy to price below Thailand's price, which was inflated by Thai Government policies.</p> <p>Cambodian rice should be positioned against rice from Thailand not from Vietnam.</p> <p>Quote CIF prices as importers indicated that CIF was the norm and their preference.</p>
Target Markets	A list of importers and retailers useful to contact has been prepared for each country including China, Singapore, and Côte d'Ivoire. In countries where importers are unfamiliar with Cambodian rice, it will take time and personal contact to build mutual confidence and trust.
Packaging	The key here is for Cambodian exporters to become increasingly aware of what buyers want in different markets and work to fulfill customer needs. Selling premium rice in bulk (50 kg bags) is not the way to add value. Working with customers to understand their packing needs is critical. There may also be a need for a highly specialized packaging consultant to help Cambodian exporters
Training	Marketing executives should have strong awareness of ethical business practices, finance instruments, the structure of commodity trade, and language skills.

Long term priorities, grouped:

Priorities	France, Germany (EU), and USA
Brand	<p>Mark of Certification/Quality Assurance: Establish a government approved and sponsored quality assurance program with a "mark of certification" that places Cambodian Jasmine rice equal to or above Thai standards. Creating trust through quality assurance is a high priority of the Cambodian rice sector.</p> <p>Protected Geographical Indication (PGI): Developing a PGI would help sellers differentiate the product and increase confidence in the product, since it would be certified through a European agency. A PGI, which targets a specific region with traditional, top grade rice, would be useful in a promotional campaign and potentially give a boost to all Cambodian rice. Developing a PGI could be relatively cost effective if restricted to a specific geographical area. At the same time, the strategies for developing a PGI and a national certification program should be coordinated.</p>
Special Products	Define a plan for accelerating organic rice production, obtain financial support for the plan, and agree on a certification procedure (ECOCERT is often used in the European Union).

Priorities	China, Côte d'Ivoire, and Singapore
Brand	Mark of Certification/Quality Assurance: Establish a government approved and sponsored quality assurance program with a "mark of certification" that places Cambodian Jasmine rice equal to or above Thai standards. Creating trust through quality assurance is a high priority of the Cambodian rice sector; One reason China is actively seeking imported rice is the increasing concern of Chinese consumers concern about the problems with water pollution in China affecting the safety of its rice production.
Support	Establish contacts at government-to-government level with Chinese trade authorities that control the level of imports and quotas; understand the quota system and ensure that exporters comply with it, as well as with any other regulatory specifications. Understand the Rice Stockpile Scheme and import regulations of Singapore.
Marketing	Consumer Research in China: Because of the market size, its diversity, the demand for imported rice, and the close proximity of China and Cambodia, it would be useful to continue to carry out more consumer market research in major urban markets for rice focusing on the projected market requirements and the best way for Cambodia to participate in the market in the long-term.



Recommendations by country

China

Market overview:

It is only recently that China has become a net importer of rice. It is projected that China will continue to increase imports of rice to feed its growing population when faced with flat to declining rates of growth in internal production. In 2009, China imported only 258,000 tons of rice; by 2013, the country (including Macao and Hong Kong) was importing some 2.24 million metric tons.

Chinese Imports of Rice

Year	(ooo,oooMT)
2013	2.24
2014 (projected)	3.20
2015 (estimated)	3.70

China could become an important customer (perhaps the largest importer) for Cambodian rice. The main competitors are Thailand and Vietnam, with Vietnam by far the largest supplier. There are both price and consumer taste considerations at play. On price, the large price spread between domestic and international rice prices, as well as logistics difficulties within China, make it attractive to import low cost foreign rice. However, a growing segment of middle class is sensitive to quality and will likely be increasingly attracted to higher quality or specialty rice, such as fragrant rice. Fragrant rice is by no means mainstream in China but estimates project that over 200,000 tons of fragrant rice could be imported from Thailand in 2014. China imported 28,302 tons of rice from Cambodia in 2013. The bulk of it was fragrant rice at \$890/MT and priced below the Thai export price.

Seventy percent of imported rice is handled by rice traders and 30 percent by rice processing factories, oriented to repacking.

Cambodian rice export experience in China:

Cambodian rice exporters will have to overcome problems in perceptions and sales preferences to make greater inroads to market share. However undeserved, it nevertheless has been noted that Chinese importers perceive a lack of strict quality control in the Cambodian rice sector, in part because of recent problems with Thai exporters and some fraudulent practices by Chinese importers. What this really amounts to is a lack of first-hand knowledge of the Cambodian rice industry and its exporters and thus the need for more trade missions and personal encounters between businesses.

Further perceptions include prices from Cambodian exporters not being competitive. While importers know that costs in the Cambodian rice processing sector are relatively high, the prices quoted by Cambodian exporters are not price competitive relative to the prices quoted by Vietnamese exporters for the same (or at least the level of same quality) rice. Such a perception may come from reading or being given quotes for export to China based on the prices usually used for export to the EU, which can command a higher price due to Cambodia's preferential duty (EBA program) status in comparison to the CIF EU cost of rice from Vietnam or Thailand. Lastly, there is the preference of Cambodian exporters to only quote FOB and not CIF.

Export strategy for China:

The Cambodian rice export industry has to focus on the aspects of its export trade that will maximize its competitive advantage: providing excellent business services that favor the customer/buyer, improving storage and logistics, improving business practices and relationships, ensuring quality and compliance with buyer requirements, and competitive pricing.

Strategic Export Priorities for China

Brand	<p>Simplify the designation of Cambodian rice into two main types: higher quality Phka Malis and lower quality Sen Kra Ob. Utilize fragrant rice and organic rice to establish a quality image, obtain early orders, and establish relationships with Chinese importers.</p> <p>Establish a mark of certification for branded fragrant rice as a quality designator or certification of genuine Cambodian rice, which can compete with the Thai Hom Mali trademark and mark of certification. This mark of certification would have to be managed by either the Cambodian Ministry of Agriculture or the Ministry of Commerce, and tied to specific quality standards.</p> <p>Though most brands still tend to be local, it is possible to find some brands emerging nationally. Chinese consumers will look at the origin of rice in their rice purchasing decision if this information available. Some of these national brands (e.g. Ko-Ko of G.A.G.) already use Cambodian origin rice in their branded products, but it is sold under the familiar brand name, rather than by its place of origin. The mark of certification must be compatible with established house brands in supermarkets which are the primary distribution channels in some markets, as well as with importer brands.</p>
Support	<p>Organize government- or industry-led trade delegations to China to help Cambodian exporters develop the “human” links with Chinese importers that are essential to breaking into a market dominated by established supply relationships.</p> <p>Establish contacts at government-to-government level with Chinese trade authorities that control the level of imports and quotas; understand the quota system and ensure that exporters comply with it, as well as with any other regulatory specifications.</p> <p>Emphasize and support the role of the CCIC in Cambodia (for inspections). CCIC is the Chinese inspection agency that has a large office in Bangkok and another one in Phnom Penh, which would need to certify rice for export to China.</p>
Price	<p>Emphasize the lower cost of shipping from Cambodian ports to the Pearl River Delta, equivalent shipping times as from other exporters, and reduced rates for backloads.</p> <p>Ensure competitive pricing that reflects known milling costs and marketing margins.</p> <p>Ensure compliance with buyer requirements.</p>
Target Markets	<p>Focus on the rice trading segment (which accounts for the bulk of imports) and aim to satisfy the restaurant and hotel – food service – trade through promotion specifically targeted at the food service segment.</p>
Marketing	<p>Emphasize the quality of Cambodian rice, in particular “pure” strains and low fertilizer use in production. Organic and SRI rice will be well-received. The Cambodian industry can effectively emphasize the production of rice under more natural conditions with clean water, and minimal use of agricultural chemicals in contrast to the publicity in China about heavy metals in irrigation water and soil contamination, adulteration, etc., the awareness of which is having an impact on Chinese consumers’ demand for products perceived to be contaminated.</p> <p>Improve storage and logistics to lower marketing costs. Cool storage may improve quality especially for preferred new crop rice.</p>
Packaging	<p>Focus on improved packaging and labeling; emphasize consumer packs. Work with Chinese packers to ensure the preferred size of bag (up to 10 Kg) is available.</p>
Training	<p>Develop excellent business practices and services that favor the customer. Engage in training marketing executives to include ethical business practices, finance instruments, the structure of commodity trade and language skills.</p>

Côte d'Ivoire

Market overview:

In 2013, Côte d'Ivoire produced 1,218,000 tons of milled rice and imported 831,000 tons, although the five-year average for imported rice is 958,000 tons. Over the past 50 years, the per capita consumption of rice has increased in Côte d'Ivoire from 28.3 kg per capita in 1961 to 67.3 kg per capita in 2009, an increase of 138 percent. USDA estimates that per capita consumption of rice in Côte d'Ivoire will increase to 71 kg by 2015.

There is an effort to expand local rice production that has substantial government support utilizing a public private partnership structure.

Market Segmentation

Market	Grade	Market Share
Luxury imports	0-15% broken	2%
Mid-range imports	16-35% broken	40%
Low quality imports	35% and more broken	18%
Rural production	Middle range (16-35%)	40%

Over 95 percent of the Côte d'Ivoire market is product that is 16 percent broken or more. Urban consumers prefer imported rice.

By volume, Vietnam was the largest supplier of rice in 2012, followed closely by India and Thailand. Thailand dominates the high-end rice market with an average price of \$767 per MT in 2012, although Thailand exports both Jasmine rice and 100 percent broken grade (It was noted that the green Thai Hom Mali certification mark was not used on the Thai Jasmine rice label, although the name was mentioned on packages.)

Cambodia is a small player, so far: in 2013, imports from Cambodia were 2,637 tons. Cambodian Jasmine rice has just begun to be imported over the past two years, mostly by large international traders. One trader who reported importing Cambodian fragrant rice is based in France and presumably knows the product from experience in France. Cambodian Jasmine rice can compete in quality with the Thai product in the Côte d'Ivoire market, but it may take a price discount to cause a buyer to switch initially. Price discounts can be a temporary marketing factor until a buyer is satisfied with the product.

Cambodian rice export experience in Côte d'Ivoire:

Côte d'Ivoire was selected as one of the six countries for Cambodian export focus on the basis of it being a major buyer of Thai Jasmine rice. As Cambodia is a relatively small player on the market, with only recent exposure of its fragrant rice, there is little experience to build from. But while there is a lack of familiarity with Cambodian rice and little direct contact to date with local importers, some Ivorian importers connected with large, international trading companies do have knowledge of Cambodian rice.

Export strategy for Côte d'Ivoire:

In interviews with importers, several of whom had been responsible for the Cambodian imports, traders said that they liked the quality of Cambodian fragrant rice and thought it could compete on both quality and price in the Ivorian high end market. They suggested it would make sense to sell a combination of high-end (fragrant) and lower value (commodity) rice. This type of product spread would more closely match the overall profile of the Ivorian rice market, help to increase market share for Cambodian rice in general, and increase consumer knowledge of Cambodia as an origin of high quality rice. These importers were large international buyers of rice, but there was also interest in Cambodian fragrant rice expressed by several of the smaller importers.

Strategic Export Priorities for Côte d'Ivoire

Price	Smaller importers might be very interested in obtaining a source of high quality rice to compete with Thai Jasmine rice if they could buy and sell it at a lower price, and perhaps in smaller quantities. If combined with well-priced lower grades of rice, this would allow them to compete more broadly in the distribution network and supply to smaller supermarket chains in urban areas. While these importers are interested in competitive prices, they are also very concerned with the standard elements of good commercial practices: Consistent quality, reliable commercial relationships, and good communications.
Target Markets	Work with the larger importers who are the principal suppliers to the high end, imported rice market. Fifteen importers account for almost 93 percent of the rice imports.
Marketing	Several of the smaller importers interviewed expressed interest in meeting with Cambodian exporters. One had been to Asia last year but did not meet with anyone from Cambodia. While there is some knowledge in the importer community about Cambodia (several of the Ivorian importers subscribed to the Rice Trader and had seen information about Cambodia in this publication), an increased presence in the market of Côte d'Ivoire requires Cambodian exporters meeting importers in Côte d'Ivoire directly and potentially addressing the Importers Association to increase the visibility of the Cambodian rice industry's capabilities.

France

Market overview:

France imports 510,000 tons of rice, 14 percent of total EU imports. It is a mature rice market with a 3.1 percent annual growth in rice consumption over the past 50 years to 8 kg per capita in 2010. Consumption growth is primarily tied to an increase in convenience food items utilizing rice.

Market segmentation:

56 percent Supermarkets
17 percent Catering and restaurants
14 percent Ethnic
13 percent Industry (processing and prepared food products)

Major food processors in France and EU are important packagers of rice, rice products, and distributors of rice. All rice must meet EU standards, although major market players have their own specifications above EU standards.

There is a diversification trend occurring in the French rice market, with more expensive specialty products (including organic rice) gaining an increased presence in the supermarket market. Basmati rice from Pakistan and India is the most popular specialty rice in supermarkets, restaurants (both Indian and traditional French), and discount stores. Fragrant rice is a popular specialty rice best known by the Thai '*Hom Mali*', and while Cambodian fragrant rice is competitive with the Thai in terms of price and quality, Thai *Hom Mali* is still better known. Furthermore, supermarkets are aware of the fact that Cambodian rice does not have the mark of certification that Thai fragrant rice carries.

The rice origin country of a product is only mentioned on product packaging for fragrant rice (Basmati and Thai *Hom Mali*). The Taureau Ailé brand, which belongs to Ebro Foods, has a large range of fragrant rice products from different countries (India, Pakistan, Thailand, Suriname, and France). For the other brands, the core of their product range is made up of parboiled rice products with no mention of the rice origin country on the package.

Cambodia, Thailand, and India currently export approximately the same amount of rice to France (Myanmar is gradually becoming an important source). Cambodia enjoys duty and quota free entry into France (Least Developed Country status under the EBA along with 49 other developing economies). Thailand and India do not. It is unsurprising then, that France is currently the largest export market for Cambodian rice, with exports increasing from 10,600 tons in 2009 to 57,200 tons in 2013 - about 10 percent of the imported rice market.

Cambodian rice export experience in France:

The French consumer is gradually becoming aware of high-end rice products. It is a positive that French distributors and consumers are interested in a product's origin and the relative "newness" of a specific origin country for an established product can even be an advantage with consumers eager to try something new. Cambodia will need to educate the market and build up its fragrant rice from the competition. However, perhaps more urgently, Cambodia will need to improve importer impressions of its product quality and reliability. Issues with standards conformity and perceptions that Cambodia's fragrant rice lacks genetic homogeneity (especially compared to Thailand) are the main reasons many chains prefer to not include its name as the country of origin on a product's packaging.

Export strategy for France:

Product differentiation is a key to long-term market success, although in the short-run, the price advantage created by the EBA program is very important. Product differentiation is an important marketing tool used in the French market and Cambodia can give processors and supermarkets ways to differentiate the products they offer from those of their competitors and those of national brands. Cambodian fragrant rice can be promoted as a high quality, lower cost alternative to the specialty rice (e.g. Basmati) used in traditional French cuisine. It is therefore important to consolidate and expand the good image of Cambodian fragrant rice in the ethnic market segment (restaurants and ethnic food stores). Then, the objective would be to progressively enlarge the target market segments in France.

Strategic Export Priorities for France

Brand	<p>It is important to have a mark of certification for Cambodia's fragrant rice. The mark of certification would define a superior quality standard for top of the range Jasmine rice and other standard qualities, adapted to demand and competition.</p> <p>Seeking a Protected Geographical Indication (PGI) designation could be a useful tool for Cambodian exporters (Thailand recently registered its, 'Khao Hom Mali Thung Kula Rong Hai'). It would only cover a small portion of total Cambodian production, but it would be useful as a tool in the increased PR activities designed to raise consumer awareness of the quality of Cambodian rice, rather directly yielding increased sales or significant use on packaging. Though supermarkets are not interested in helping Cambodian exporters develop a PGI, their primary interest is in offering quality differentiated products, and so would list a PGI, which could further consumer confidence and knowledge. Granted, establishing a PGI is time consuming and expensive, and in the meantime the Cambodian Rice Federation can consider developing and utilizing PR material about the uniqueness of the rice varieties and production methods.</p>
Standards	<p>To gain the confidence of importers and distributors, the rice quality standards need to be clearly defined and trusted, conform to international standards, and issue from or be regulated by the government. Additionally, importers would appreciate the development of an established, long-term production policy: certified seeds, recommended agricultural practices, etc. as this would provide them with greater assurances of quality and consistency.</p>
Target Markets	<p>The private brands of supermarkets are the best suited targets for Cambodian exporters to approach because they look for avenues for differentiation in their product offerings. For the private brands of supermarkets, Cambodia's limited presence as a named origin in traditional rice products provides an element of exclusivity. The Intermarché supermarkets have the brand "Itinéraires des Saveurs," which introduces consumers to new product origins as affordable, indulgent escapes. "Saveurs d'Ailleurs" is brand that pursues the same approach used by Casino supermarkets. For example, Antartic II (working for Intermarché supermarkets as a private brand) is interested in Cambodian origin rice and may promote the product in supermarkets. The main national brands operating in France, Ebro (Taureau Ailé) and Soufflet (Vivien Paille), also seek rice product differentiation through offering different origins in their product ranges. Vivien Paille (Groupe Soufflet) is specifically interested in differentiating its product offering with Cambodian rice. Furthermore, supermarket sales of rice represent half of the total sales in the French market, so successful introduction of Cambodian rice into this segment would yield significantly increased sales volumes.</p> <p>Also, Cambodia should target French cuisine restaurants, as they are more willing to use rice from outside France than ethnic restaurants. The successful promotion of Cambodian rice as the preferred rice for use in French cuisine restaurants would also generate a ripple effect affecting household rice consumption. France actively promotes its strong culinary heritage in its population's home cooking, and so the preference for Cambodian rice in French cuisine restaurants would increase its choice as a quality rice for use in traditional French cuisine prepared at home.</p>

Strategic Export Priorities for France

Marketing

Cambodian rice organization and exporters should attend food exhibitions like SIAL, Sirha in Lyon (specifically for restaurants and gastronomic activities) or Equiphotel. Attendance would need to be supported by preparing documents to introduce the sector policy, to introduce each of the companies who are present, to give all details concerning production (agricultural methods and processing), and Cambodian quality control systems. Event attendance would be coupled with specific meetings with commercial contacts to develop specific targets including packers, private brands, organic packers, etc.

Promotion should also consider working with chefs, working with associations of chefs who could use the Cambodian rice in their recipes and mention it in interviews, or with invitations for food critics to visit. Promotional drives will help introduce the range of Cambodian rice products, including organic and fair trade products, to French professionals and will help smooth the concurrent commercial contacts with distributors. The aim is to increase total sales in France and increase the knowledge of fragrant rice in France by getting Cambodian rice identified in private brands, and possibly in the product lines of packers. These actions will prompt restaurants to list the Cambodian origin as an appealing attribute to attract consumers.

Finally, a public relations campaign with press coverage and a specific website to inform traders and consumers about promotional events would provide the necessary communication tools to complete this market penetration strategy.



Germany

Market overview:

In 2013, Germany imported 290,000 tons of rice. Its rice consumption per capita was 3.34 kg, below the level of consumption in France. However, the market structure is similar to France's, with private label rice products growing in importance and consumer interest in product differentiation. This provides opportunities for fragrant as well as organic rice to enter the market at premium prices. (Most organic companies marketing rice are situated in the Netherlands, Belgium, and Germany).

The country is not a rice producer but has an important imported rice processing industry. The majority of imports are milled rice, but brown rice, parboiled rice, and broken rice also find a market along with Basmati and Jasmine rice. It is estimated that Basmati rice represents 15-18 percent and Jasmine rice 3-4 percent of the total market. Basmati is considered to be a higher quality product than fragrant rice and commands a higher retail price, though it is interesting to note that there is little evidence of product origin on packages.

Jasmine vs Basmati	Jasmine rice prices (EUR)	Basmati rice (EUR)
Discounters & Supermarkets	3.43 - 3.78	3.82 - 4.58

Established exporters with appropriate processing facilities can penetrate this market. German companies look for reliable, long-term relationships with their suppliers. Thai suppliers have managed to establish and maintain good relationships and trust with German importers. Importers ask the rice suppliers to be certified (generally IFS or BRC). Several companies reported that they have certified suppliers in Thailand and need to find the same level of certification in Cambodia.

Process and management certification systems are strongly developed in Germany. The top five German millers and packers work under HACCP and GMP and have

different quality assurance system certifications: IFS, BRC, ISO 9001, etc. These systems, while not product labeling tools, are nevertheless extremely useful as a business-to-business guarantee.

Cambodia's rice presence on the German market has expanded considerably. In 2010, Cambodia exported only 2,594 tons to Germany; by 2013, exports were 57,223 tons and Cambodia had become the most important source of rice imports after Italy. A large part of this can be explained by the advantageous EU EBA policy. The impact of the policy and price differential is best summarized by the fact that Thai rice companies have begun to establish ventures in Cambodia in order to take advantage of the duty discount program.

Cambodian rice export experience in Germany:

Cambodian rice, particularly fragrant rice is new to the market. It enjoys preferential policies but must be prepared to compete over the long-term with Basmati and with Thai rice which enjoys a good reputation and relationships with importers, distributors, and processors. In order to do so, Cambodia must improve and prove its quality consistency throughout the entire production to export process. German importers demand that the exporting mill respects the supply contract (price, quantities, and timing), respects the market price evolution, and respects the different product specifications required. To further illustrate the extent to which German importers prioritize quality, it is not unusual for importers to not trust in hygiene certifications issued in certain countries and travel to see the plants, the production conditions, and the product firsthand. EU and German customers in particular have high expectations and standards; importers therefore seek to control quality concerns (hygiene, weight, pesticide) with as much surety as possible.

Export strategy for Germany:

Convincing German buyers of Cambodian exporters' reliability is a key step and must precede any branding efforts to establish Cambodia as a source of high quality rice.

Strategic Export Priorities for Germany

Brand	Establish a mark of certification for fragrant rice as a quality designator or certification of genuine Cambodian rice, which can compete with the Thai Hom Mali mark of certification mark. This mark of certification would have to be aggressively managed by either the Cambodian Ministry of Agriculture or the Ministry of Commerce, and tied to specific quality standards.
Standards	Universal quality standards enforced by the governments of supplying countries bolster wholesalers and distributors confidence and help establish buyer trust in a new product. Cambodian market penetration efforts in the German market would be significantly helped by the codification and communication of specific quality standards in Cambodian fragrant rice production and processing with a mark of certification.
Price	It is more important to compete on quality than price. 'Buying' market share through discounts will not work in Germany like it does in other markets.
Target Markets	<p>The private labels of supermarkets also present a strong target for Cambodian rice, as they would be interested in importing milled and packed products, with a quality certification for the supermarkets' own brand. The ethnic market segment in Germany also presents a significant opportunity for Cambodian rice as these customers know the product and its specifications well, and this segment is growing.</p> <p>Organic rice is a niche product but demand for it is steadily growing in Germany (seven percent in 2013), providing a key market for the entry of Cambodian rice. Distributors and importers (and even conventional millers such as Müller's Mühle) are more amenable to importing Cambodian organic rice, relative to other Cambodian rice products, because in the newer organic rice market, long-standing supplier relationships have not yet been established and market demand is urging German market actors to increase their offerings in this segment. Successful entry of Cambodian organic rice identified by its origin into the German market will have to the additional benefit of increasing consumer familiarity with Cambodia as an origin for high quality rice in general.</p>
Marketing	Significant attention should be devoted to the promotion of Cambodia to consumers as a specific source of high quality rice in the market, whether through direct advertising, celebrity chef endorsements, or promotional sales. The increasing familiarization of consumers with Cambodia as an origin for premium rice will allow a product's Cambodian origin to be used as a point of differentiation, which retailers value. This differentiation includes the additional benefit that product identity and consumer recognition are more stable, enduring determinants of demand than competitive pricing.
Training	Develop excellent business practices and services that favor the customer. Engage in training marketing executives to include ethical business practices, finance instruments, the structure of commodity trade and language skills.

Singapore

Market overview:

In 2013, Singapore imported 406,000 tons of rice, with the majority coming from Thailand, India, and Vietnam, and a modest amount of 2,994 tons from Cambodia. Singapore, a largely urban city-state, is reliant on food imports. Its role as a business and tourist hub (averaging 15 million visitors annually) translates to 40 percent of the imported rice sold via super-markets and similar outlets, with the remaining 60 percent mainly consumed outside the home and by visitors.

Rice is considered a staple and is controlled by the Price Control Act; no entity can import rice unless it has a valid license. The Government also has a Rice Stockpile Scheme (RSS) in order to ensure the population will always have a minimum supply of rice. The Singapore government also encourages importers to purchase rice from a diversity of countries, as a complement to the stockpile system.

Singapore's close proximity to Thailand and the strength of Thailand's fragrant rice reputation has resulted in the Thai "Hom Mali" rice is well known, and the green mark of certification mark was seen as positive by importers and consumers. There is a smaller presence of fragrant rice from Vietnam in the market but it is being sold on low price basis. Organic rice does not seem to be of interest to buyers, importers or consumers, and importers expressed doubts whether organic rice was truly organic. Brown rice or red rice products were of greater interest to importers as the markets for these rice types are growing in Singapore.

Government controlled NTUC Fairprice stores are major market players and have imported Cambodian *Phka Malis* rice over the last two years. NTUC Fairprice buyers purchase Cambodian *Phka Malis* out of compliance with the government priority to diversify Singapore's sources of rice (including fragrant rice). Buyers feel the quality of the rice is good, but that it was priced too high relative to the equivalent Thai rice.

Cambodian rice export experience in Singapore:

There is little consumer knowledge of Cambodian rice in the market and even importers have limited knowledge

of the ability to source rice from Cambodia, particularly fragrant rice. This situation reflects importer reliance for many years on Thai *Hom Mali* as the primary source of fragrant rice, as well as white rice. But at the same time, it suggests more can be done by exporters to establish a presence. Most importers interviewed indicated they had not been approached by Cambodian exporters to purchase Cambodian rice, in contrast to the frequent visits of exporters from other rice origin countries.

The reality is that Cambodian rice is being imported to Singapore from Vietnam. Several importers stated that they can purchase Cambodian rice from their Vietnamese suppliers more easily and at a lower price than the prices offered by Cambodian exporters. This rice is KDM; importers confirmed that KDM is Cambodian rice that has been milled and packed in Vietnam.

The importers said the Vietnamese do not disguise this fact. Several importers wondered if the price difference were due to the inefficiency and out dated technology of the Cambodian exporters' milling equipment. This misconception is a matter of perception since many Cambodian mills have modern milling equipment. Additionally, importers hypothesized that prices could be increased by Cambodian mills not storing milled rice, but buying paddy rice and milling it to order after an order has been received.

Packaging appeared to be a problem for Cambodian rice in the Singaporean market. One importer related that he had placed an order with a Cambodian exporter that was delayed due to packaging problems. He was told the exporter had to import their packaging from Thailand, with there being no active manufacturer in Cambodia. The importer expressed surprise that Cambodia was not able to produce its own packaging.

Exporter and importer preferences about initial order sizes differ significantly. Some Cambodian exporters asked for a minimum order size of five containers. Since the importer considers starting business with a new supplier to be risky, i.e. a higher possibility of not receiving the quality of rice they expect to receive (e.g. one importer received new crop rice instead of old crop and could not sell it immediately), the importer would rather start with just one container to contain his exposure to risk.

Strategic Export Priorities for Singapore

Brand	Cambodian market penetration efforts would be significantly helped by the codification and communication of specific quality standards in Cambodian fragrant rice production and processing with a certification designed to gain the confidence of importers and distributors through clarity, conformity to international standards, and government backing.
Support	Organize government-led or industry-led trade delegations to Singapore to help Cambodian exporters develop the “human” links with importers that are essential to breaking into a market dominated by established supply relationships and a close-knit group of a limited number of importers.
Price	<p>There was interest from the importers interviewed in obtaining CIF quotes, while it is understood that most Cambodian exporters quote FOB.</p> <p>Importers are keen to import rice directly from Cambodia rather than from Vietnam or Thailand. They said they could get Cambodian rice from their Thai suppliers, but the price was not as attractive as the price offered by their suppliers from Vietnam.</p> <p>Buyers for the government owned supermarkets that buy Cambodian rice in accordance with the government's stockpile program felt the quality of the rice is good, but priced too high relative to the equivalent Thai rice.</p>
Target Markets	<p>Given the growth trends in rice consumption in Singapore in the food service sector and diminishing household rice consumption due to a variety of demographic features, exporters' and industry promotion efforts should target the food service sector in the country's numerous hotels and restaurants. The hotel and hospitality sector caters to middle-class and relatively well-off visitors that expect good quality and are willing to pay premium prices. Cambodian fragrant rice can be successfully promoted as a high priced product in this segment of the market.</p> <p>Continue to expand sales to NTUC Fairprice stores or other government-owned entities that have a policy of seeking diversified sources of rice. In order to increase consumer knowledge of Cambodia as a source of quality rice, it might be useful to explore initiating a promotional campaign with certain partner supermarkets such as the NTUC Fairprice stores. NTUC has several rice brands of its own, but is marketing Cambodian rice under an exporter's brand (one 5kg package of the Baitang rice), as they were concerned that if there was a quality issue with the Cambodian rice they marketed under one of their own Fairprice brands, it would damage their own brand.</p> <p>There are rice importers who work closely with supermarkets and chain stores. Working with those importers who serve supermarkets to address a need for a certain package or type of rice, a long-term supply arrangement could be negotiated. The local supermarkets (Cold Storage, GIANT, Sheng Siong, etc.) have developed their own brands, which are expected to take a bigger share of the market in the future, but this transition has been slow to date. Targeting these relatively newer supermarket brands to include Cambodian rice in their products would be a viable long term strategy as the appeal of the supermarket brands grows.</p>

Strategic Export Priorities for Singapore

Marketing	<p>Use Singaporean hotels, particularly those catering to wealthy visitors, to showcase premium Cambodian Jasmine rice to consumers, by supplying rice to the hotel and establishing promotional campaigns within selected hotels. The campaign would have to be carefully designed to feature Cambodian fragrant rice on the labels on the hotel's buffet or on the menu of hotel restaurants, as well as feature displays in other parts of the hotel, if possible. This type of campaign would be an opportunity to connect with consumers able to afford premium rice from various markets, considering the number of short-stay wealthy visitors from around the world, as well as an opportunity to develop broader consumer knowledge of Cambodian rice in Singapore.</p> <p>An educated, urban market such as Singapore is diverse in terms of its product offerings. One strategy is to focus on providing niche products, of which fragrant rice would be one product, but there were also suggestions of providing black rice or mixed grain packages (although this requires a significant knowledge of the market and working with the importer/distributor to develop specific niche products.) This strategy benefits from an increased focus on quality and slightly reduced competition as products are less frequently perfect substitutes, both of which would benefit Cambodian exporters seeking to establish a presence in the market. Later, the exporter can expand into other market segments. One advantage of going into the specialty rice market is that it is a premium price segment, so introducing products first in this segment will create an image of the suppliers operating in that segment as being "up-market"/high quality, a perception which it could then be associated with product offerings in the other larger market segments.</p> <p>Emphasize the proximity of Cambodia to Singapore which translates to a low cost of shipping from Cambodian ports to the port of entry and equivalent shipping times as from other exporters.</p>
Packaging	<p>Packaging of rice products in Singapore is an important issue to consider, as the market's relative proximity and urban location of consumers encourage the production of smaller consumer packages in Cambodia. The design of the packaging must be considered in this effort, as certain packaging details have been important for the most successful brands. For example, the striking red color of the Royal Umbrella brand (Singapore's favorite rice brand) resonates with Chinese consumers (red being the color for good luck and prosperity). The packaging material was also enhanced to help maintain the freshness of the product. But most importantly, the package features the green Thai Hom Mali collective brand mark.</p>
Training	<p>The leading rice importers are long standing market actors with well-established relationships with suppliers and generally operate with a high degree of transparency. Cambodian exporters need to develop a "partner" type relationship with the importer, and develop, over a period of time, mutual trust. These relationship-building efforts must include the development of excellent business practices and services that cultivate trust and respect the interests of the customer/buyer. These efforts should include training marketing executives in tactics appropriate to Singapore (including ethical business practices), finance instruments (e.g. Letter of Credit,) the structure of commodity trade, and language skills.</p>

United States

Market overview:

In 2013, the United States produced 9,100,000 MT of rice and imported 674,241 MT. The large population (350 million) in the U.S. and the Asian ethnic population along with the broad popularity of Asian food have also created a large import market, particularly for specialty rice, such as fragrant rice. Current per capita consumption stands around 8.4 kg.

Over the past ten years, Thailand has averaged almost 64 percent of the rice imported into the US, with a decline in the last two years, due largely to internal policy issues. India and Vietnam have aggressively been pursuing the U.S. market and have increased their respective market share in recent years. Cambodia has a very small presence in the U.S. market, importing 1,326 MT in 2013, and a decline from the previous year when Cambodia exported 1,926 MT to the United States.

As with France and Germany, there has been increased demand for fragrant rice and other specialty rice by increasingly savvy consumers looking for diversity and new flavors. Thai Hom Mali rice has a commanding place in the US market for imported rice, with the biggest import market share and the most established commercial relationships with importers, grocery stores, warehouse clubs, ethnic distributors, and repackers. The mark of certification for Thai Hom Mali rice appears widely on packages as large as 50 pounds and as small as one pound. Demand for organic rice is very robust. In 2012, \$25.4 million of organic rice was imported in the United States, with even more imported in 2013.

Industrial food processors are still the largest purchaser of long grain rice, but the importance of long grain rice for retail groceries, repackers, warehouse clubs, and food service buyers is increasing.

Cambodian rice export experience in the United States:

In the United States, scale is always important. An integrated market of over 300 million people requires the ability to provide large quantities of product to compete effectively with established suppliers. The challenge for Cambodia is whether it has the means and consistency to satisfy importers over the long-term. Importers indicated that consistent high quality is what their customers are seeking, particularly in the purchase of high value, fragrant rice. Alongside consistent quality is the expectation for high quality of service. These factors are just as important as price, although price is certainly a major consideration. A niche food company such as Lotus Foods has stayed away from direct price competition and has created an image of 'linking their product directly to farmers in Cambodia' through organic and fair trade certifications for some of their products.

Export strategy for the United States:

The Cambodian export rice industry needs to become known in the U.S. market. Cambodian exporters need to be in contact with rice importers, particularly rice importers serving the ethnic restaurants, and grocery markets in the U.S. Working with importers interested in the ethnic market will open the door to the U.S. market, as the importer can provide specific information on appropriately sized market opportunities for Cambodian exporters with limited product volumes.

Strategic Export Priorities for USA

	In the US, there is a definite consumer movement that wants to know about the source of a food product, how it was produced, etc. Cambodia should establish a mark of certification for fragrant rice as a quality designator or certification of genuine Cambodian rice, which can compete with the Thai Hom Mali mark of certification. This mark of certification would have to be aggressively managed by either the Cambodian Ministry of Agriculture or the Ministry of Commerce, and tied to specific quality standards. Such a designation allows marketers to appeal to the source and production methodology conscious consumers of the U.S.
Brand	Seeking a Protected Geographical Indication (PGI) designation could also be a useful tool for Cambodian exporters (Thailand recently registered its PGI, 'Khao Hom Mali Thung Kula Rong Hai'). It would only cover a portion of total Cambodian production, but it would be useful as a tool in the increased PR activities designed to raise consumer awareness of the quality of Cambodian rice, rather directly yielding increased sales or significant use on packaging. A protected geographical indicator can also be used quite effectively in segmenting the large U.S. rice market. But by definition, a geographical brand will only serve a small portion of the market (although there are certainly opportunities for multiple geographical brands), but it will also provide publicity that Cambodia is famous for high quality rice production.

Strategic Export Priorities for USA

Support	Actualization of a marketing strategy for the U.S. market requires outside backing through a combination of funding from Government sources, development organizations, and the Cambodian rice industry to support a modest effort to introduce Cambodian rice to U.S. rice importers. This effort should be coupled with on-going contacts by Cambodian rice exporters with importers, particularly importers that serve the Asian ethnic market in the U.S.
Price	Competitive prices may provide an initial point of entry for Cambodian fragrant rice in the U.S. market, a 'luxury' product like fragrant rice should not be sold on a price basis but on the basis of image, quality. U.S. importers indicated that quotes for fragrant rice from Vietnam are very low, but the quality is also low. A deep discount on fragrant rice is not an effective way to enter the U.S. fragrant rice market. This belief was expressed by several U.S. importers, who emphasized that consistent high quality is what their customers are seeking, particularly in the purchase of high value, fragrant rice.
Target Markets	<p>Fancy Food Show in the United States: One of the most efficient ways to introduce a new food product and meet specialty food producers and buyers is to establish a booth and attend the Fancy Food Show, held in San Francisco in January and in New York in July, annually. Many countries and exporters to the United States use this venue to introduce and publicize their particular products. This show will typically have presentations by organizations such as Indian Basmati rice exporters, and specialty branded food companies such as Lotus Foods and Village Harvest, both specialty rice marketers.</p> <p>Literature describing the available products, Cambodian rice production, grades and standards, and export procedures should be available at a booth. A reception in conjunction with a formal presentation at the Fancy Food Show can be organized to allow leading food importers and retailers another venue through which they can familiarize themselves with Cambodian rice. Cambodian Government officials could provide additional support through reception attendance. Attendance at the show by Cambodian exporters should be coupled with meetings before and after the show with targeted rice importers.</p>
Marketing	<p>The marketing strategy for the U.S. market should be a combination of promotion, contact with importers, particularly importers and distributors focused on the Asian ethnic market, and establishing quality standards, especially for Jasmine and organic rice. To be competitive over time, Cambodia will have to match the quality of Thai Jasmine in the marketplace, develop additional commercial relationships, undertake promotional efforts, increase the production of organic rice, and compete aggressively on price.</p> <p>Exporters need to know about the peculiarities of the U.S. market. There is a considerable amount of information on USDA websites about the U.S. market, subscription newsletters like the Creed Rice Market Report and the Rice Trader Newsletter, and also specialized companies such as the National Rice Company that can assist firms break in to the market in the United States. There are also a number of associations, including the USA Rice Federation that supply information on their websites.</p>

Conclusions



The following points have been extracted from an overall analysis of the Cambodian rice export industry in general and knowledge gained from the feedback and demands of the buyers surveyed in the six selected countries. It should be noted that these points should not be considered exhaustive for the entire Cambodian rice sector and/or its exporters, nor should they be construed as unanimously agreed upon by IFC and/or other collaborators/actors in the sector. As the content in this report clearly illustrates, the Cambodian rice sector is growing dynamically and is comprised of a variety of stakeholders, and therefore, like most maturing industries, its needs from both a strategic and operational standpoint, are increasingly specific and complex. That being said, this conclusion is an attempt to address common, broader needs that will expedite greater and deeper penetration of targeted export markets.

For the sector in general, Cambodian rice export promotions should:

- Continue to focus on the Cambodian highest value Jasmine rice (as a leader-champion-carrier of the export portfolio).
- Brand this highest value Jasmine rice, which mandates the following:
 1. Creating a brand identity
 2. Establishing a mark of certification (quality and origin)
 3. Building of the brand image
 4. Brand promotion
 5. Building of brand equity.
- Build and/or strengthen product qualities that match customer demands and consumer preferences and promote those qualities or the progress (achievements) in building those qualities.
- Increase the number of market and potential customers visits and personal contacts.
- Use each market visit to verify/update customer demands and consumer preferences and trends.
- Establish brand ambassadors and promoters in each market (easier in some (e.g. USA) than in others).

- Consider support to promotion at retail level even if the trade first goes through importers.
- Focus on 'quick wins' with the intention of creating referrals while working on establishing long-term business partnerships.
- Focus on repeat orders (and learn from the process) while/before looking for new customers.
- Focus on quality of service and personal integrity (credibility as a supplier) to justify premium pricing.
- Raise domestic awareness of premium Cambodian Jasmine rice and promote it within Cambodia so that each Cambodian and visitor becomes a rice ambassador.

For geographical market specifics that are favorable to the Cambodian Rice Exporter, Cambodian rice export promotions should:

- Identify vicinity, logistics, familiarity (culture, language), historical relations, etc
- Besides quoting FOB, explore (even with potential buyers) how to achieve best landed costs
- **EU:** Develop relations further and take advantage of the GSP-EBA as long as it lasts
- **USA:** Weigh the distance (costs of logistics) against the attractive potential of export business and the interest.

For value chain improvements, Cambodian rice export promotions should:

- Reduce known impediments to price competitiveness (as also repeatedly stressed and detailed in this report)
- Ensure compliance with quality and food safety certifications and responsible sourcing requirements from corporate customers
- Explore new product development options that meet consumer preferences and interests: organic, bio, farmers' benefits, convenience food/packaging, parboiled, etc.







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