

■ Support to the Commercialization of Cambodian Rice Project  
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Supreme National Economic Council (SNEC)

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**SUPPORT TO THE COMMERCIALIZATION OF CAMBODIAN RICE PROJECT**

# **QUARTERLY EXECUTIVE REPORT #10**

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PREPARED BY:

UNG LUYN, PROJECT COORDINATOR (SNEC)

JEAN-MARIE BRUN, PROJECT MANAGEMENT ADVISOR (IRAM)





*Contacts:*

**SUPPORT TO THE COMMERCIALIZATION OF  
CAMBODIAN RICE PROJECT**

**Supreme National Economic Council (SNEC)**

# 208 A Preah Norodom Blvd  
Phnom Penh - Cambodia

Project Coordinator:  
Mr Ung Luyna (SNEC)  
012 58 43 64 - ungluyna@gmail.com

Project Management Advisor:  
Mr Jean-Marie Brun (IRAM)  
012 807 817 – jm.brun@iram-fr.org



**iram**  
**NIRÁS**

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## ACRONYMS

AC	Agricultural Cooperative
ACBN	Agricultural Cooperative Business Network
ACDF	Agricultural Cooperatives Development Fund
ACMES	Ayeyawady Chao Phraya Mekong Economic Cooperation Strategy
ACT	Agriculture Certification Thailand
ADB	Asian Development Bank
ADC	Agricultural Development Communities
ADF	Agriculture Development Fund (= ASDF)
ADG	Aide au Développement - Gembloux
AEA	Agro-Ecosystem Analysis
AEC	ASEAN Economic Community
AFD	<i>Agence Française de Développement</i> / French Agency for Development
AFDI	<i>Agriculteurs Français et Développement International</i>
AFTA	ASEAN Free Trade Agreement
ALCO	Asset Liability Committee (banking)
AMIS	Agriculture Market Information System
AMK	Angkor Mikroheranhvatho (Kampuchea)
AML/CFT	Anti-Money Laundering / Combatting the Financing of Terrorism procedures (banking)
AMO	Agriculture Marketing Office
AQIP	Agriculture Quality Improvement Project
ARIZ	<i>Accompagnement du Risque de financement de l'Investissement privé en Zone d'intervention de l'AFD</i>
AROS	Asia Regional Organic Standard
ARPEC	Alliance of Rice Producers & Exporters of Cambodia
ASDF	Agriculture Support and Development Fund (same as ADF)
ASEAN	Association of South-East Asian Nations
ASIrri	<i>Projet d'Appui aux Irrigants et aux Services aux Irrigants</i>
ASPIRE	Agriculture Services Program for Innovation, Resilience and Extension (IFAD project)
ASYCUDA	Automated System for Customs Data
AusAID	Australian Agency for International Development
AVSF	<i>Agronomes et Vétérinaires Sans Frontières</i>
BFS ExCo	Banking and Finance Solutions Executive Committee (of CRF)
C2A	<i>Commission Agriculture et Alimentation de Coordination Sud (French development NGO platform)</i>
CAC	<i>Crédit Agricole Consultants</i>
CAMFEBA	Cambodia Federation of Employers and Business Associations
CAVAC	Cambodia Agriculture Value Chain Program (AusAID)
CARD	Council for Agriculture and Rural Development
CARDI	Cambodian Agriculture Research and Development Institute
CB	Certification Body
CBAPC	Contract Based Agriculture Promotion Committee
CC	Commune Councils
CCA	Climate Change Adaptation
CCC	Chamber of Commerce of Cambodia
CCD	Cambodian Certification Department
CCFC	<i>Chambre de Commerce Franco-Cambodienne</i> / Franco-Cambodian Chamber of Commerce
CDC	Council for the Development of Cambodia
CDRI	Cambodia Development Resource Institute

CEDAC	<i>Centre d'Etude et de Développement Agricole du Cambodge</i>
CEFP	Committee for Economic and Financial Policy
CEO	Chief Executive Officer
CF	Contract Farming
CFAP	Cambodian Farmers' Association Federation of Agricultural Producers
CIDA	Canadian International Development Agency
CIRD	Cambodian Institute for Research and Rural Development
CO	Certificate of Origin
CoC	Code of Conduct
COrAA	Cambodian Organic Agriculture Association
COSTEA	<i>Comité Scientifique et Technique de l'Eau Agricole</i>
CREA	Cambodia Rice Exports Association
CRX	Cambodia Rice Exporter Meeting (facilitated by IFC)
CSR	Corporate Social Responsibility
DACP	Department of Agricultural Cooperatives Promotion
DAE	Department of Agricultural Extension
DAI	Department of Agro-Industry
DAL	Department of Agriculture Legislation
DANIDA	Danish International Development Agency
DDM	Demand Driven Model
DFID	Department for International Development (UK)
DGRV	<i>Deutscher Genossenschafts- und Raiffeisenverband e. V. (German Cooperative &amp; Raiffeisen Confederation)</i>
Dis.	District
DMC	Direct-seeding Mulch-based Cropping system
DP	Development Partners
DPM	Deputy Prime Minister
DPS	Department of Planning and Statistics (of MAFF)
DRC	Department of Rice Crops
EA	Executing Agency
EBA	Everything but Arms
EC	European Commission
EC	Executive Committee
ED	Executive Director
EoI	Expression of Interest
EPWG	Export Promotion Working Group (informal group of rice exporters supported by IFC)
ESP	Environmental and Social Policy
EU	European Union
ExCo	Executive Committee
FAEC	Federation of farmer associations promoting family Agriculture Enterprises in Cambodia
FAO	Food and Agriculture Organization of the United Nations
FASMEC	Federation of Association for Small and Medium Enterprises of Cambodia
FCFD	Federation of Cambodian Farmer Organizations for Development
FCRE	Federation of Cambodian Rice Exporters
FCRMA	Federation of Cambodian Rice Millers Associations
FFS	Farmer Field School
FI	Financial Institution
FNN	Farmer and Nature Network
FMP ExCo	Farming and Milling Productivity Executive Committee (of CRF)
FO	Farmer Organisations

FOO	Farmer Organisations Office of the DAE
FSMS	Food Safety Management System
FWN	Farmer and Water Network
FWUC	Farmer Water User Community
GAFSP	Global Agriculture and Food Security Program
GDA	General Directorate of Agriculture
GDCE	General Department of Customs and Excise
GDP	Gross Domestic Product
GF	Guarantee Fund
GI	Geographical Indication
GIZ	<i>Deutsche Gesellschaft für Internationale Zusammenarbeit</i> / German Development Cooperation
GMP	Good Manufacturing Practice
GMP ExCo	Global Market Promotion Executive Committee (of CRF)
GMS	Greater Mekong Subregion
G-PSF	Government – Private Sector Forum
GRET	Groupe de Recherche et d'Echanges Technologiques
GS	General Secretary
HACCP	Hazard Analysis and Critical Control Points
HARVEST	Helping Address Rural Vulnerability and Ecosystem Stability (USAID project)
HKL	Hattha Kaksekar Limited
HR	Human Resources
ICS	Internal Control System
IFAD	International Fund for Agricultural Development
IFC	International Finance Corporation
IFOAM	International Federation of Organic Agriculture Movements
IP	Intellectual Property
IPD	Intellectual Property Department of the Ministry of Commerce
IPM	Integrated Pest Management
IRAM	<i>Institut de Recherche et d'Application des Méthodes de Développement</i>
ISC	Institute of Standards of Cambodia
ISF	Irrigation Service Fee
IT	Information Technologies
IWRM	Integrated Water Resources Management
JCC	Joint Coordination Committee (FCRE, SNEC, IFC, AFD)
JDI	Japan Development Institute
JICA	Japanese International Cooperation Agency
KAPCD	Khmer Angkor People Community for Development
KOICA	Korea International Cooperation Agency
KYC	Know Your Customer (banking)
LGWR	Long Grain White Rice
LRI	Live Rice Index
MAFF	Ministry of Agriculture, Forestry and Fisheries
MEF	Ministry of Economy and Finance
MFI	Micro-Finance Institution
MIH	Ministry of Industry and Handicraft
MIME	Ministry of Industry, Mines and Energy
MLMUPC	Ministry of Land Management Urban Planning and Construction
MOC	Ministry of Commerce
MOWRAM	Ministry of Water Resources and Meteorology



MPWT	Ministry of Public Works and Transport
MRC	Mekong River Commission
MRC	“Mini Rice Center”
MRD	Ministry of Rural Development
M&E	Monitoring and Evaluation
NBC	National Bank of Cambodia
NC	National Coordinator
NGO	Non-Governmental Organization
NKPSAC	Nikum Krao Preah Sihanouk Agricultural Cooperative
NPACD	National Policy for Agricultural Cooperatives Development
NPD	National Project Director
NSC	National Standard Council
NSDP	National Strategic Development Plan
NWISP	North-West Irrigation Sector Project (ADB/AFD)
OA	Organic Agriculture
ODM	Offer Driven Model
OPM	Open Paddy Market
O&M	Operation and Maintenance (of irrigation schemes)
PADAC	<i>Programme d'Appui au Développement de l'Agriculture au Cambodge</i>
PADEE	Project for Agriculture Development and Economic Empowerment (IFAD/FAO project)
PBA	Program Based Approach
PDA	Provincial Department of Agriculture
PDOWRAM	Provincial Department of Water Resources and Meteorology
PDRD	Provincial Department of Rural Development
PIMD	Participatory Irrigation Management Development
PIP	Public Investment Program
PM	Prime Minister
PMA	Project Management Advisor
PPAP	Phnom Penh Autonomous Port
PPCR	Pilot Program for Climate Resilience
PPD	Public-Private Dialog
PPP	Project Procurement Plan
PPP	Public-Private Partnership
PPPPRE	Policy on the Promotion of Paddy Production and Rice Export
PR	Public Relations
PSC	Project Steering Committee
PSG	Paddy Selling Group
RBA	Rice Bank Association
RDB	Rural Development Bank
RGC	Royal Government of Cambodia
Rice-SDP	Climate Resilient Rice Commercialization Sector Development Program (ADB)
RMA	Rice Millers Associations
RS	Rectangular Strategy
RUA-CD	Royal University of Agriculture – Chamcar Daung
SAP	Sihanoukville Autonomous Port
SAW	Strategy on Agriculture and Water
SCCRP	Support to the Commercialization of Cambodian Rice Project
SCF	Strategic Climate Fund
SCM	Scoring Criteria Method

SEA	South East Asia
SIAL	<i>Salon International de l'Agroalimentaire</i> (Paris)
SME	Small and Medium Enterprise
SMP	<i>Sansom Mluh Prey</i> NGO
SNEC	Supreme National Economic Council
SOWS-REF	Secretariat of the One-Window Service for Rice Export Formality
SPS	Sanitary and Phyto-Sanitary
SRP	Sustainable Rice Platform
SWAp	Sector Wide Approach
TA	Technical Assistance
TBT	Technical Barriers to Trade
TDSP	Trade Development Support Program
ToR	Terms of Reference
ToT	Training of Trainers
TPC	Thaneakea Phum (Cambodia) Ltd.
TPD	Trade Promotion Department of the MOC
TREA	Thai Rice Exporters Association
TRT	The Rice Trader
TWG	Technical Working Group
TWGAW	Technical Working Group on Agriculture and Water
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Program
UNEP	United Nation Environment Program
UNIDO	United Nations Industrial Development Organization
UNIDROIT	International Institute for the Unification of Private Law
USA	United States of America
USAID	United States Agency for International Development
USP	Unique Selling Proposition
VAHW	Village Animal Health Worker
VF	Vision Fund
WASP	Water and Agriculture Sector Project (financed by AFD)
WB	World Bank
WCS	Wildlife Conservation Society
WIPO	World Intellectual Property Organization
WRC	World Rice Conference
WRMSDP	Water Resource Management Sector Development Program (ADB)
WTO	World Trade Organization

## UNITS AND MEASURES

ha	Hectare
kg	kilogram
KHR	Cambodian Riel
t	ton (metric ton)
t/h	ton per hour
teu	twenty foot equivalent unit (referring to freight of twenty foot containers)
USD	United States Dollars

## INTRODUCTION

The Support to the Commercialization of Cambodian Rice Project (SCCRP) is funded by the *Agence Française de Développement* (AFD – French Agency for Development) for a period of 3 years (January 2013 to December 2015). Its purpose is to contribute to support the implementation of the National Strategy of Promotion of Paddy Production and Rice Exports approved by the Council of Ministers in July 2010, with an objective of maximization of the added value and of the share of this added value reaching producers as a part of the overall goal of rural poverty alleviation.

The Supreme National Economic Council (SNEC) has been designated as the coordination agency for the implementation of this project, which involves various public and private stakeholders.

Four specific objectives are initially defined as follow in the financing agreement, corresponding to the four technical components of the project:

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

Project implementation phase has effectively started on January 22, 2013, when the Project Management Advisor took office.

This report is the 10<sup>th</sup> Quarterly Executive Report of the project. It covers the period from April 1<sup>st</sup> to June 30, 2015 and the four technical components above.

During this period, CRF Executive Committees have continued to be active and the Ministry of Economy and Finance has prepared a project of budget subsidy to CRF that opens perspectives of support. FO Federations have started to work jointly on a “service catalogue” and have introduced requests for loans to RDB for some of their members.

Terms of Reference for the development of control mechanism for CRF’s Cambodian Jasmine Rice brand have been finalized and the process of recruitment of consultants was launched.

DACP and DAI have explored interest of FOs and millers to develop contract farming in new provinces (Svay Rieng, Prey Veng, Stung Treng, Pursat...) and contracts signed with Golden Rice since December 2014 were successfully implemented. A MoU was signed between cooperatives in Preah Vihear, AMRU Rice and SCCRП for further consolidation of the organic paddy supply chain. On the policy and regulation aspects, the taskforce had a meeting to validate the approach and start the preparation of an experience sharing and consultation workshop on Contract Farming, which will take place in July 2015.

Regarding Component #4, RDB continued to implement reforms, and the second phase of Horus mission for the development of Credit Mechanisms for Farmers Organizations was mobilized.

Last, a backstopping mission of IRAM took place in June in order to work on the preparation of an extension of project duration.

## SUMMARY

**Table 1: Summary of important activities and outcomes of the past quarter and foreseen objectives and activities and main issues or concerns**

	Important activities and outcomes of the past quarter	Foreseen objectives and activities for the coming months	Issues and concerns
<b>C#1</b>	<ul style="list-style-type: none"> <li>CRF: regular meetings of FMP and GMP ExCos.</li> <li>Preparation by MEF of a subsidy to CRF (via MoC).</li> <li>Prepare draft FO Federations service catalogue (FAEC, FCFD and FWN).</li> <li>FO Federations introduce requests for loans of some of their members to RDB.</li> </ul>	<ul style="list-style-type: none"> <li>Finalize FO Federations' joint service catalogue.</li> <li>Formalize content of possible support to CRF in relation with MEF subsidy to the Federation.</li> </ul>	<ul style="list-style-type: none"> <li>Perspective of financial support from MEF to CRF (via MoC) opens opportunities, but coordination / harmonization of advices to CRF by SCCRP and MoC will be required. It seems it was not introduced in the MoU to date.</li> </ul>
<b>C#2</b>	<ul style="list-style-type: none"> <li>Endorse with CRF's GMP ExCo final ToR for the mission on control mechanisms for Cambodian Jasmine Rice brand.</li> <li>Received offers from consultants to develop the control mechanisms for Cambodian Jasmine Rice brand.</li> </ul>	<ul style="list-style-type: none"> <li>Finalize selection of consultant, negotiate contract and start implementation of mission on control.</li> <li>CRF's GMP ExCo has to finalize the definition of criteria for the collective trademark.</li> </ul>	<ul style="list-style-type: none"> <li>GMP ExCo has now to progress quickly on the definition of criteria for the collective trademark.</li> </ul>
<b>C#3</b>	<ul style="list-style-type: none"> <li>New actions to promote Contract Farming started in Svay Rieng, Prey Veng, Stung Treng, on the initiative of DACP and DAL.</li> <li>Successful implementation of contract farming signed by Golden Rice in December 2014.</li> <li>Signature of a MOU between project, 8 cooperatives in Preah Vihear and AMRU benchmark the way to consolidate sustainability of organic paddy supply chain.</li> <li>Meeting of Taskforce on Contract Farming Policy, Guidelines and Regulations.</li> <li>Workshop on Contract Farming prepared but postponed due to Samdech Chea Sim funerals.</li> </ul>	<ul style="list-style-type: none"> <li>Capitalization and consultation workshop on Contract Farming (re-scheduled on 15 July 2015).</li> <li>Procurement of consultant for the study on FO investment on dryer and storage.</li> </ul>	<ul style="list-style-type: none"> <li>Unexpected delays to get AFD non-objection on COrAA contract put the success of organic certification at risk.</li> <li>Unforeseen delays for the organization of the workshop on Contract Farming.</li> </ul>
<b>C#4</b>	<ul style="list-style-type: none"> <li>Procurement process for Technical Assistance to RDB declared unfruitful.</li> <li>2<sup>nd</sup> phase of Horus mission on Credit to FOs is initiated.</li> <li>RDB receives requests for loans submitted via FO Federation.</li> </ul>	<ul style="list-style-type: none"> <li>Relaunch procurement process for TA to RDB.</li> <li>Field mission of Horus in Cambodia in July.</li> </ul>	<ul style="list-style-type: none"> <li>Provision of additional Technical Assistance to RDB is delayed due to unfruitful bidding process.</li> </ul>

## **1. COMPONENT #1: ORGANIZATION OF THE RICE SECTOR AND CAPACITY BUILDING OF STAKEHOLDERS**

### **1.1. WORK WITH THE CAMBODIAN RICE FEDERATION**

#### **1.1.1. ON-GOING OPERATIONAL PARTNERSHIPS WITH CRF**

##### **1.1.1.1. GLOBAL MARKET PROMOTION EXECUTIVE COMMITTEE**

The Global Market Promotion ExCo had four meetings during this quarter<sup>1</sup> (all attended by SCCRP's Project Management Advisor). Branding of Cambodian Premium Jasmine Rice is the main subject on which CRF (through this committee) is working with SCCRP project at present, following the action plan for branding developed jointly by CRF and SCCRP PMA.

Besides, Ms The Sokha, chairperson of the GMP ExCo, took part in the SCCRP procurement commission for the recruitment of consultant on the control of compliance with the collective trademark.

See Part 2 in this report (page 11) for more details on the branding process.

Note that CRF's GMP ExCo has also discussed other topics such as:

- the access to China market and negotiation of quota for Cambodian rice to China;
- unfair trading caused by price dumping and non-Cambodian origin rice blending in rice export among our millers and exporters.

##### **1.1.1.2. FARMING AND MILLING PRODUCTIVITY EXECUTIVE COMMITTEE**

SCCRP project also assist in the meetings of the FMP ExCo. Either Mr Sok Sarang (Team Leader for Component #3) or the Project Management Advisor (or both) attend the meetings. FO Federations leaders (FAEC, FCFD and FWN) are also part of this Executive Committee. FMP ExCo had three meetings during this quarter on 7<sup>th</sup> and 27<sup>th</sup> of May and on 30 June.

SCCRP has notably presented the concept of the workshop on Contract Farming (that will take place on 15 July) to the ExCo in order to alert the members on the importance of this consultation for future development of the legal framework on Contract Farming. CRF (via Mr Phang Phalla, the coordinator of FMP ExCo) has been asked to mobilize 15 of their members (among millers and exporters) to take part in that workshop.

Some representatives of CRF were also associated to the presentation of the Terms of Reference for two potential innovative models to involve FOs in paddy commercialization. The presentation took place in SNEC on 18 June and Mr Phang Phalla and Mr Vong Bunheng (chairman of the FMP ExCo) took part in this presentation (Cf. § 3.4.1. page 17-18 in this report). In the following days, CRF have asked SCCRP team to present again the proposed concepts and objectives of the study in the 5<sup>th</sup> meeting of the FMP ExCo on 30 June 2015. Presentation was done by Mr Sok Sarang and Mr Jean-Marie Brun.

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1 On 7<sup>th</sup> April, 28<sup>th</sup> April, 26<sup>th</sup> May and 23<sup>rd</sup> June.

### 1.1.2. ADDITIONAL PERSPECTIVES ON INSTITUTIONAL SUPPORT

In June, Mr Laurent Liagre (IRAM) has implemented a backstopping mission on the SCCRP project. The main purpose of his mission was to contribute to the reflection of the strategic orientation for the foreseen extension of the duration of SCCRP project.



◁ Meeting of IRAM backstopping mission with CRF on 16 June.

As part of this mission, a meeting took place in Cambodian Rice Federation on 16 June 2015. CRF team was led by Mr Song Saran (member of the Board) for this meeting. General Secretary, coordinators and leaders of FMP and GMP ExCo were also present.

Previous or existing partnerships between SCCRP project and CRF were briefly recalled before to discuss future perspectives.

SCCRP project director had previously expressed the wish that SCCRP continue to work on CRF governance and institutional aspects in order to ensure a fair representativeness of this inter-professional body. During the meeting on 16 June, CRF representatives have welcomed the idea of additional support on institutional aspects and governance. They have also expressed more focused demands regarding the administrative management of the Federation: request support to develop Operation Manual, Administrative Policies, etc.

The other topic that was discussed and could be an object of further action is the monitoring and revision of the rice sector policy. Development of strategic thinking and monitoring capacities is seen as a need for CRF. The envisaged joint policy review<sup>2</sup> (CRF and SNEC) could provide a good opportunity to work on these subjects, with possibly the provision of specific technical assistance or advisory services.

### 1.1.3. CRF FINANCING AND SUSTAINABILITY AND GOVERNMENT FINANCIAL SUPPORT TO CRF

During IRAM backstopping mission, H.E. Ros Seilava, SCCRP Project Director has informed that the Ministry of Economy and Finance is considering the allocation of a subsidy of approximately 450,000 USD to CRF in order to support the initial development of the Federation. The funds would go through the Ministry of Commerce, after a Memorandum of Understanding is signed between MoC and CRF. It was indicated by the project director that this grant would come with some conditions, notably to pursue the improvement of the governance of CRF in order to ensure the representativeness of the different segments of the rice value chain, and the actual start of collection of export fees<sup>3</sup> by CRF in order to build its financial sustainability.

## 1.2. SUPPORT TO FEDERATIONS / NETWORKS OF FARMER ORGANIZATIONS

### 1.2.1. HUMAN RESOURCES

#### 1.2.1.1. REPLACEMENT OF TECHNICAL ASSISTANT OF FCFD

Mr. Tep Sopheakmingkoul resigned from the position of Technical Assistant during this quarter. His resignation was effective on 30 May 2015. FCFD has proceeded to the recruitment of a replacement.

<sup>2</sup> SNEC Project Director has informed that the principle of a revision / extension of the duration of the rice policy is supported by MEF but a decision of the Government is pending regarding the lead institution on this process.

<sup>3</sup> Cf. Quarterly Executive Report #09, § 1.1.3., page 5.

Mr Seng Bundoeun has been selected. The replacement was approved by SNEC and AFD<sup>4</sup>, and Mr Seng Bundoeun took office on 15 June, 2015.

### 1.2.2. DEVELOPMENT OF JOINT SERVICE OFFER AMONG FO FEDERATIONS

FAEC, FCFD and FWN had a joint working sessions in June 2015 in order to develop a catalog of services that the three Federations could jointly propose to their members, and the conditions and costs for these services.

The “service catalogue” defines the types of services, modalities of implementation and costs to be charged for Federations’ members and for non-members. Few examples are given in the table below as an illustration. One can refer to the full version of the service catalogue for more details:

**Table 2: Examples of services and fees charged by FO Federations**

Services proposed	Fees charged		Comments
	For members	For non-members	
Facilitation of fertilizer commercialization	1,000 KHR/bag	1,500 KHR/bag	May be collected from the supplier in case an agreement exists with the Federations.
Paddy selling group facilitation	10% of net benefit	15% of net benefit	
Facilitation of seeds selling	300 KHR/kg	500 KHR/kg	
Support to credit access from RDB or MFI	1% of the amount of loan received		Success fee: charged only if the request for loan is successful.

Members of FO Federations might be entitled to 2 to 3 free training services per year<sup>5</sup>, and only additional services required would be charged.

The development of the service offer and fees to be charged is expected to contribute to develop and sustain the activities of the Federations. However, the preparation of the service catalogue is not yet achieved and will still require additional steps to be finalized, as stated in the Table 3 below:

**Table 3: Next steps toward the finalization of FO Federations service catalogue**

No	Action planned	Timing
1	Collect technical trainer CV	July
2	Selection the technical trainers	July
3	Design technical training module	July-August
4	Develop service catalogue	July-August
5	Meeting with FO Fed Ex com to approve service fee	Sep-Oct
6	Publishing service catalogue	Sep-Oct
7	Introduce service catalogue to members and stakeholders	Oct-Nov
8	Service catalogue approve by FO Fed GA.	Dec

<sup>4</sup> AFD Non-objection letter No L 303/15, dated 02 June 2015.

<sup>5</sup> Payment included in their membership fees.

### 1.2.3. SERVICE OF FACILITATION OF FERTILIZER TRADE AND AGRICULTURAL INPUT FOR FO FEDERATION'S MEMBERS

#### 1.2.3.1. PARTNERSHIP WITH 5 STARS COMPANY

##### MEETING IN PHNOM PENH

On 21<sup>st</sup> April, 2015 FAEC and FCFD organized a meeting with Five Star Fertilizer Company with nine participants (4 people from FAEC, 2 FCFD, 1 SCCRP consultant, and 2 company representatives) in Phnom Penh, in order to discuss and understand the product supply, service support and possible collaborations with FOs.

The company informed about the types of fertilizer they supply and offered to provide technical training to FOs on fertilizer use. If orders are above 100 tons, the Company will apply the wholesale price. 5 Stars Company also offered to organize an exchange visit and take cover related costs (see below).

##### EXCHANGE VISIT

Five Stars Company organized the exchange visit on 5<sup>th</sup> of May 2015 in Kandal province for FO Federations with 24 participants (13 people from FAEC, 10 from FCFD and 1 SCCRP consultant). The company has supported costs for travel and accommodation of participants for a total amount of 1,000 USD.

Participants have gained some technical knowledge and could fine-tune the negotiation with the company (in case of FOs need less than 100 tons, the company will negotiate with depot at province level to sell with special price for FOs). After visit, FO prepared the plan to extend all information to members and list the fertilizers need to buy from company.

#### 1.2.3.2. NEEDS ASSESSMENT AND MEETING WITH HENG PICH CHAY COMPANY

A census of fertilizer types and quantities needed by 11 FOs was done by FAEC. A total need of more than 51 tons of fertilizers was identified, prior to the organization of a meeting between FOs and Heng Pich Chay Fertilizer Company. The meeting took place on 22 June 2015, with participation of 5 representatives of Federation and FOs, in Kirivong district, Takeo province. The meeting has discussed the prices and service conditions that the company could offer and also possible support from the company to FOs to publish a rice production booklet.

The main results of the meeting are the following:

- Company interested in rice production booklet and they able to support some finance if they can insert their logo or products in some part of the book.
- FO got special price from the company, cheaper than depot from 3,000 riels/pack/50 kg to 10,000/pack/50 kg and free transportation service fee.
- The company keep fixed price for FO for 15 days after meeting.

#### 1.2.3.3. MEETING WITH SOLAR FERTILIZER COMPANY

On 30 April 2015 FAEC has conducted a meeting with Solar Fertilizer Company in Takeo to discuss the collaboration and product supply to FO.

The main results of the meeting are the following:

- The company keeps the same price as last year (67,000 riels/50 kg bag);
- Free transportation fee to FO;



- Company provides commission fee 200,000 Riels to FO Fed that facilitated members to buy five metric ton of fertilizer in last year.

#### 1.2.4. SUPPORT FO ACCESS TO CREDIT SERVICES

##### 1.2.4.1. SUPPORT PREPARATION OF BUSINESS PLANS AND LOAN REQUESTS

FAEC and FCFD have provided support to some of their members to develop business plan and requests for loans that has then been submitted to the Rural Development Bank via the FO Federations. In total, 9 FOs are involved in these projects (Cf. § 4.2.1. pages 21-22 in this report), some of them for joint businesses.

It has to be noted that FO Federations have decided not to support requests for loans for two other projects because they have estimated that the concerned FOs were too weak in term of management to implement the project or because the FO was already indebted.

##### 1.2.4.1. EVALUATION OF FOS CAPACITIES: TRAINING ON REVISED SCORING CRITERIA METHOD

Scoring Criteria Method used to evaluate FOs capacities and performances have been revised during the 1<sup>st</sup> quarter of 2015 <sup>6</sup>. A training on the content and method for the use of the revised SCM was organized for both FAEC and FCFD on 21 and 22 of May 2015, with 21 participants. It took place in Phnom Penh for the theoretical part and in Takeo for practice, and it was jointly facilitated by ADG and by SCCRP consultant.

After finishing the training and practices it was assessed that FO Federation representatives were able to implement and use the SCM tool, but still need more practice with backstopping support and advices. ADG is considering the recruitment of a short term consultant/staff to support the implementation of SCM and prepare the database to record results, organize the report of evaluation and prepare the “performance certificates” to AC.

Next steps foreseen are the following:

- Recruitment of a short term consultant by ADG;
- FO Fed implement SCM early July, 2015;
- Organize the database on SCM results;
- Organize reports on AC requirements to FO-Fed;
- Provide performance certificate to members.

#### 1.2.5. FEDERATIONS’ SUPPORT TO THE CREATION OF AGRICULTURAL COOPERATIVES UNIONS

##### 1.2.5.1. ACU KAMPONG THOM (FCFD)

FCFD pursued the support to the process of creation of a pre-Union of Cooperative in Kampong Thom, formed by Trapeang Russey AC, Mittapheap Pet Sat AC, Ta Ream AC and Prey Pros AC.

On 25<sup>th</sup> of June 2015 FCFD (with project consultant) has facilitated the process of pre-ACU Committee selection. The procedure allowed each FO to select their representatives to stand for ACU committee. 5 Board Committee members were elected and 3 Auditing committee members. After election, the pre-

<sup>6</sup> Cf. Quarterly Executive Report #09, § 1.2.4.3. page 9.

Union discussed to identify common priority activities and prepare business plan for common activities implementation.

#### 1.2.5.2. ACUS PREY VENG AND TAKEO (FAEC)

Three meetings with Pre-ACU were conducted in Takeo and Prey Veng province<sup>7</sup>. The meetings were facilitated to select board committee members. In order to create committee structure, each FO had to select their representatives to stand for ACU committee:

- Pre-ACU Kampong Trabek has selected 6 board committee members and 3 monitoring committee members.
- Pre-ACU Angkor Chum has selected 5 board committee members and 3 monitoring committee members.
- Pre-ACU Samaki Trapeang Kranhung: has selected 5 board committee members and 3 three monitoring committee members.

After structuring, pre-ACU discussed to identify common priority activities and prepare business plan for implementing common activities. Business plans preparation will continue in the coming months.

#### 1.2.5.3. SYNTHESIS: LIST OF PRE-ACUS

**Table 4: List of the four pre-ACUs supported by FAEC and FCFD**

No	Name of ACU	Name of FO involved	Province	District	Commune	Village
1	Samaki Trapeang Kranhung	AC Trapeang Kranhung	Takeo	Tramkak	Trapeang Kranhung	Trapeang Kranhung
		AC Samaki Kpork Svay	Takeo	Tramkak	Trapeang Kranhung	Khbop Svay
		AC Mean Chey Trapeang Kok	Takeo	Tramkak	Trapeang Kranhung	Tramkak
		RBA Neak Mean Kun Plov Lok	Takeo	Tramkak	Trapeang Kranhung	Trapeang Skear
		RBA Samaki Reach Chamreun Trapeang Skea	Takeo	Tramkak	Trapeang Kranhung	Prey Kdouch
		RBA Samaki Prey Kdouch	Takeo	Tramkak		Prey Kdouch
2	ACU Angkor Chum	AC Sromok Sok Senchey	Takeo	Angkor Borey	Sromok	Sromok
		AC Ampil Mean Chey	Takeo	Angkor Borey	Ponley	Ampil
		AC Taey Rung Reung	Takeo	Angkor Borey	Basre	Ta Ey

(Continue next page)

<sup>7</sup> On 20 of May with pre-ACU Kampong Trabek, on 9 June with pre-ACU Angkor Chum and on 11 June with pre-ACU Samaki Trapeang Kranhung.

(Continued from previous page)

No	Name of ACU	Name of FO involved	Province	District	Commune	Village
3	ACU Kampong Trabek	AC Prek Pdao	Prey Veng	Kampong Trabek	Kampong Trabek	Prek Pdao
		AC Phum Yeurng	Prey Veng	Kampong Trabek	Kamsom Ork	Krouch
		Samakum Kasekor ning thormmacheat Phum Deun Tung	Prey Veng	Kampong Trabek	Prasath	Deun Tung
		Samakum Samaki Chouy Khnea Pum Rolus	Prey Veng	Kampong Trabek	Kansom Ork	Rolus
4	ACU Kampong Thom	AC Mittapheap petsat	Kampong Thom	Storng	Kampongchen	Kampong Chen
		AC Trapeang Russey	Kampong Thom	Kampong Svay	Trapingreusei	Korkngun
		AC Taream Chamreoeun Phal	Kampong Thom	Kampong Svay	Tbeng	Taream
		AC Prey Pros	Kampong Thom	Kampong Svay	Tbeng	Prey pros

### 1.2.6. ADVOCACY ROLE OF FO FEDERATIONS

#### 1.2.6.1. REPRESENTATION OF FARMERS IN CAMBODIAN RICE FEDERATION

Mr Samath Veasna has regularly participated in CRF meetings, notably

- Farming and Milling Productivity ExCo on 7 May, 27 May and 30 June.
- Meeting on the issue of import of rice from Vietnam that took place in Himawari Hotel on 8 May,
- CRF Board meeting on 12 June.

#### 1.2.6.2. MEETINGS WITH THE NGO FORUM

FCFD Vice-President has attended two meetings of organized by the NGO Forum during this quarter, on 29<sup>th</sup> of May and 8<sup>th</sup> of June. The main topics were to discuss about the National Farmer Forum, the reporting of the forum and the mechanism to monitor results.

#### 1.2.6.3. PARTICIPATION IN DISCUSSION OF TOR OF STUDY ON DRYING AND STORAGE FACILITIES

Representatives of FAEC, FCFD and FWN took part in a meeting organized in SNEC to provide comments on the Terms of Reference for a study of two possible innovative models for FOs' involvement in paddy commercialization. The meeting was held on 18<sup>th</sup> of June 2015 in SNEC. (Cf. § 3.4.1. pages 17-18).

## 2. COMPONENT #2: IMPROVEMENT, STANDARDIZATION AND CERTIFICATION OF THE CAMBODIAN RICE QUALITY

### 2.1. QUALITY LABEL / CAMBODIAN RICE BRANDING: DEVELOPMENT OF A COLLECTIVE TRADEMARK FOR CAMBODIAN PREMIUM JASMINE RICE

#### 2.1.1. MEETINGS OF THE GLOBAL MARKET PROMOTION EXECUTIVE COMMITTEE

The GMP ExCo had regular meetings during this quarter, on 7 April, 28 April, 26 May, and 23 June 2015. SCCRP Project Management Advisor took part in all of those meetings.

During this Quarter, the GMP ExCo:

- Has endorsed the revised Terms of Reference for a mission to develop the modalities of the verification of the compliance of products and brand users with the brand requirements (Cf. § 2.1.2. below) – Mission to be supported by SCCRP.
- Has reviewed and acknowledged the Terms of Reference for Brand Development and Communication Program (mission to be supported by IFC).
- Has formally reviewed and endorsed the branding strategy and action plan, which was then signed by CRF President, Secretary General and co-head of the GMP ExCo on 9 April 2015.

#### 2.1.2. RECRUITMENT OF A CONSULTANT TO DEVELOP CONTROL AND CERTIFICATION PLANS

##### 2.1.2.1. FINAL REVISIONS OF THE TERMS OF REFERENCE

SNEC/SCCRP has sent<sup>8</sup> to AFD, on 13 of March 2015, a request for non-objection for the procurement of consulting services to develop the modalities of control of compliance of products and companies with CRF collective trademark requirements. Further to comments formulated by AFD, some slight amendments were made to the Terms of Reference. The revised ToR were then submitted to GMP ExCo, which approved them on 7 April 2015.

##### 2.1.2.2. PROCUREMENT IMPLEMENTATION

On 6<sup>th</sup> of May, AFD gave its non-objection<sup>9</sup> to proceed to the recruitment of consultant via a direct call for proposal.

The announcement of the request for proposal was published from 18 May 2015 on DG-Market website and in National Newspaper (Cambodia Daily and Phnom Penh Post) and on CRF Facebook page and website. Deadline for application was 18 June 2015 at 2:30 pm, Phnom Penh time. By the deadline for application indicated above only one offer was received. The technical proposal has been screened and scored by the Procurement Committee (composed of representative of SNEC/SCCRP project and one representative of CRF's GMP ExCo), and has reached the qualifying score.

Request for non-objection on the Technical Offer scoring has been sent to AFD on 26 June 2015. Financial offer will be opened after the non-objection from AFD will be granted.

<sup>8</sup> SNEC letter No 011/15 – Cf. Quarterly Executive Report #09, page 14.

<sup>9</sup> Letter No L 228/15.

### 2.1.3. MEETING WITH THE WORLD INTELLECTUAL PROPERTY ORGANIZATION (WIPO)

On 18 May, SCCRP Project Management Advisor has been invited to join a meeting in CRF with Mrs Francesca Toso, Senior Advisor at the World Intellectual Property Organization (WIPO) in visit in Cambodia (in relation with the Ministry of Commerce).

WIPO expressed that they could possibly provide support regarding capacity building of CRF and raising awareness of CRF members about collective trademark. WIPO could also provide support regarding the process of registration of the collective trademark for Cambodian Jasmine Rice.

WIPO is also looking with the Ministry of Commerce at the development of additional Protected Geographical Indications in Cambodia.

### 3. COMPONENT #3: PROMOTION OF CONTRACT FARMING AND ENHANCEMENT OF THE INVOLVEMENT OF FARMER ORGANIZATIONS IN PADDY COLLECTING AND PROCESSING

#### 3.1. PILOT PROMOTION OF CONTRACT FARMING LED BY DACP AND DAI

Following Component #3 coordination meetings of March 2015, it was agreed that for year 2015 DACP and DAI would take the leadership for some pilot activities of contract farming<sup>10</sup>. The paragraphs below describe the progresses of these activities.

##### 3.1.1. SVAY RIENG

From 20 to 25 April 2015, the project team has separately met 8 Agricultural Cooperatives (Boeng So Meanchey AC, Svay Yea Pra Neth AC, Koul Sok San AC, Prolay Koun Phlos AC, Srov Smach Kampong Rou-FAEC AC, Sang Hak Kaksek AC, Raksmei Boeng Aundeng AC and Seed Production Daun Touy-FAEC AC), plus one additional meeting with leaders of those 8 ACs (two leaders from each AC) and Tauch Te Pich rice mill. The objective of the meetings was to identify the interests of ACs and rice millers in contract farming agreement for Phka Rumduol paddy.

Another meeting on contract farming negotiation was conducted on 17 June, 2015 at PDA office with leaders from 26 ACs (included 18 ACs in which 3 ACs located in Prey Veng province did participated the first meeting) with two big rice millers, Tauch Te Pich and Chea Sokhka.

The contract agreement cannot be reached between all 26 ACs and two rice millers. The main constraint was that both rice millers internally have cash flow issues and both rice millers have predicted that it will definitely have serious payment repercussion for buying the paddies of ACs. The project has contacted RDB to raise the issue and explore if there would be a possibility for RDB to lend money to Tauch Te Pich rice mill in link with the negotiation of contracts with FOs. The amount needed for the purchase of paddy was estimated about 800,000 USD for approximately 3,000 tons of paddy. But RDB replied that they cannot lend money to this rice mill due to previous unpaid loans.

##### 3.1.2 PREY VENG

A first similar meeting has been carried out in office of PDA in Prey Veng on 13 April, 2015 with leaders from 8 ACs (Sambor Phal Russey Sanh AC, Chamros Los Tmei Svayteab AC, Odom Mongkul Anlong Sar AC, Trau Trong Kaksekar AC, Kaksekar Yutethor AC, Prey Pdauv AC, Phum Yeng AC and Ponleu Kaksekar Kampong Seung AC), PDA and two rice mills (Chun Thom and Chhet Bunthon). A second meeting was conducted on 18 June, 2015 again with leaders of 7 ACs (dropped off one AC) and the same two rice millers to negotiate the contracts of selling and purchasing Phka Rumduol paddy. The contract agreement cannot be reached because all leaders of 7 ACs did not agree with the term of quality requirement determined by both rice millers (purity shall reach 98%, moisture content between 20 and 25 %, broken kernel 2%). Both rice millers mentioned that this level of quality is required for export market<sup>11</sup>. Also both rice millers will propose this matter to CRF to review the quality requirement for exports in particular in term of purity of Phkar Rumduol rice (classified as first premium fragrant rice).

<sup>10</sup> Cf. Quarterly Executive Report #09, § 3.8.2. page 25.

<sup>11</sup> For the figure indicated for the purity rate (98 %), this actually sounds very high, even for high quality export markets.

### 3.1.3. STUNG TRENG

In Stung Treng province, 4 Agricultural Cooperatives Preah Rum Keul AC, Steung Treng Ramsar Site AC, Samaki Samkhoy AC and Raksmei Samaki AC) from two districts (Thala Borivat and Se San) were met separately between 27 and 29 May 2015.

Another meeting was carried out with Kan Chan Heang rice mill (office located in Steung Treng city) on 27<sup>th</sup> of May 2015. Only two ACs (Preah Rum Keul and Domnam Srov Dombon Ram Sar) and rice miller agreed to have the meeting again at PDA office to negotiate the contract farming for the supply of Phka Rumduol paddy. The meeting will be organized in July 2015. Two other ACs decided not to take part in the contract farming with rice miller because of most of members have small size of rice fields, thus they cannot reach the required volumes.

### 3.1.4. PURSAT

Five Agricultural Cooperatives<sup>12</sup> of Bakan district and two Rice mills (Phour Kok Ky and Chang Kon Meng) have been met in Pursat province between 6 and 9 of May 2015. The meetings were led by project team and participated by project counterpart staff of DACP and DAI and PDA staff. The purpose of the meetings was to identify the interests of ACs and millers in making an agreement to buy and sell Somaly paddy.

On 22<sup>nd</sup> of May, a second meeting was organized in Pursat town with leaders of 4 FWUCs (Tram Mnas, Kuch Nub, Anlong Svay and Kroch Saeuch) located in Pursat and with one rice miller (Phour Kok Ky). The meeting is to discuss in detail on the perspective of an agreement of buying and selling Somaly paddy.

After these meetings, only one FWUC (Kroch Saeuch) considers to enter in a contract with Phour Kok Ky rice mill to supply dry season Somaly because a majority of its members can have access to sufficient irrigation to do that crop. Other ACs and FWUCs cannot do the contracts because they have no access irrigation in dry season. The contract negotiation meeting between FWUC Kroch Saeuch and Phour Kok Ky rice mill will be organized in July, 2015.

## 3.2. CONTRACT FARMING BETWEEN GOLDEN RICE AND FARMER ORGANIZATIONS

### 3.2.1. FOLLOW-UP OF IMPLEMENTATION OF CONTRACTS SIGNED IN DECEMBER 2014

#### 3.2.1.1. CONTRACT WITH CHEY CHUMNAS AC (KAMPONG CHHNANG PROVINCE)

The contract farming with Chey Chumnas AC was signed on 2<sup>nd</sup> December, 2014 to supply *Phka Kravanh* paddy to Golden rice. 18 farmers took part in the cropping on a total surface of 54.1 hectares. More than 213 t of paddy have been delivered to Golden rice (close to the upper quantity agreed in the contract) – See Table 5 below.

**Table 5: Results of implementation of CF agreement between Golden Rice and Chey Chumnas AC**

Variety	Volume contracted	Volume harvested	Average Yield	Volume sold to Golden Rice	Fixed price (fresh paddy)	Amount (*)
<i>Phka Kravanh</i>	120-245 t	222.11 t	4.11 t/ha	213.92 t	1,000 KHR/kg	USD 53,479.25

(\*) (1 USD=4,000KHR)

<sup>12</sup> Rak Smei Kak Se Ka, Sya Chom Raenphal, Chomreaun Kak Se Ka, Prah Mlu Meanchey, Sro Ko Ponlok Tmei.



The result of implementation of the contract has been satisfied both parties notably the members of ACs. The contribution of the members to AC was USD 267.39 (5,000 KHR/ton) to cover for coordination and facilitation work of AC leaders. Moreover, 7 persons of AC provided a short term employment by Golden rice for loading paddies in the truck.

▽ *Paddy harvest in Chey Chumnas AC*



Then Golden Rice and Chey Chumnas AC signed another contract to produce *Phka Kravanh* paddy on a surface of 105.30 hectares, without intervention or support from the project.

3.2.1.2. CONTRACT WITH SROMOK SOK SENCHEY AC (TAKEO PROVINCE)

The contract was signed on 13 December, 2014 to supply *Phka Kravanh* paddy to Golden rice. 26 farmers took part in the cropping on a total surface of 44.16 hectares. More than 194 t of paddy have been delivered to Golden rice (in the range of quantities defined in the contract) – See Table 6 below.

**Table 6: Results of implementation of CF agreement between Golden Rice and Sromok Sok Senchey AC**

Variety	Volume contracted	Volume harvested	Average Yield	Volume sold to Golden Rice	Fixed price (fresh paddy)	Amount (*)
<i>Phka Kravanh</i>	133-220 t	194.93 t	4.41 t/ha	194.73 t	1,000 KHR/kg	USD 48,681.50

(\*) (1 USD=4,000KHR)

Both parties showed great enthusiasm for the result of implementation of the contract. The members voluntarily paid to AC, 88.50 USD for services of leaders of AC. And they agreed to pay to increase the contribution to 5,000 KHR per tons of paddy for the next contract. But the leaders and members of Sromok Sok Senchey AC were disappointed because next scaling up of production of *Phka Kravanh* is delayed.

3.2.1.3. CONTRACT WITH AMPIL MEANCHEY AC (TAKEO PROVINCE)

The contract was signed on 13 December, 2014 to supply 27 to 45 t of *Phka Kravanh* paddy to Golden rice. 13 farmers took part in the implementation of the crop on a total surface of 9.14 hectares. More than 35 t of paddy have been delivered to Golden rice (in the range of quantities defined in the contract) – See Table 7 below.

**Table 7: Results of implementation of CF agreement between Golden Rice and Ampil Meanchey AC**

Variety	Volume contracted	Volume harvested	Average Yield	Volume sold to Golden Rice	Fixed price (fresh paddy)	Amount (*)
<i>Phka Kravanh</i>	27-45 t	36.67 t	4.01 t/ha	35.67 t	1,000 KHR/kg	USD 8,916.75

(\*) (1 USD=4,000KHR)



The result was satisfactory to both sides. Members have contributed only 17.50 USD to the cooperative to cover transaction costs. No immediate scaling up is planned, as Golden Rice wait for the registration of the variety.

### 3.2.2. REGISTRATION / HOMOLOGATION OF *PHKA KRAVANH* VARIETY

General Department of Agriculture (GDA) has sent a letter to Minister of MAFF on 3<sup>rd</sup> of June 2015, referring to the letter of Golden rice submitted to MAFF on 20 April for the registration of *Phka Kravanh* paddy. GDA has advised Golden Rice to cooperate with GDA (especially with the Department of Rice Crop) in order to carry out experimentations on the adaptation of *Phka Kravanh* variety. GDA has also proposed to select 3 or 4 stations to conduct.

## 3.3. CONTRACT FARMING FOR ORGANIC PADDY WITH COOPERATIVES IN PREAH VIHEAR

### 3.3.1. PREPARATION OF FOLLOW-UP ACTION TO CONSOLIDATE ORGANIC PADDY SUPPLY CHAIN AND CONSOLIDATION OF COMMITMENTS OF STAKEHOLDERS

Following-up after the meeting<sup>13</sup> between the 8 Agricultural Cooperatives involved in organic paddy production, AMRU, COrAA and project team on 31<sup>st</sup> March 2015, the project team has continued to work on scenarios and budget simulations for the development of a Union of Cooperatives to sustain key tasks that are required to ensure the organic certification.

During consultation meetings with cooperatives, it was decided to set up the Union of Cooperatives in order to internalize the functions of supervision of internal inspectors, compilation of internal control reports and liaison with Certification Body. The Union of Cooperative will recruit salaried staff to undertake these functions, and COrAA will be hired in 2015 to continue to strengthen capacities of farmers, internal inspectors and ICS management staff.

For a transition period, the SCCRP project can subsidize the costs of the Union of Cooperative, provided that a clear agreement is made to provision a budget to take over these costs in 2016, based on a fee collected on the premium price paid by AMRU.

A Memorandum of Understanding was drafted by the Project Management Advisor in order to clarify and secure the commitments taken by the cooperatives, AMRU Rice and the SCCRP project. It was discussed with AMRU and presented to cooperatives leaders (on 12 May 2015) for their validations and comment. In the following days, all the 8 cooperatives have organized General Assemblies with their members to validate the commitments proposed in the MoU. The MoU was then signed on 18 May 2015. Main elements in the MoU are summarized in the Box 1 next page:

<sup>13</sup> See Quarterly Executive Report #09, pages 19-20.

### Box 1: Main commitments taken by ACs, AMRU Rice and SCCRP in MoU signed on 19 of May 2015

#### Commitments of AMRU Rice:

- Increase of premium price paid for organic rice in 2015 and 2016 (See Table 8 below).
- Purchase at least 2,500 tons of organic jasmine paddy + tentatively 1,000 tons of white rice paddy in year 2015.
- Purchase at least 3,500 tons of organic jasmine paddy + tentatively 2,000 tons of white rice paddy in year 2016.
- Hire and pay the international Certification Body.

#### Commitments of Agricultural Cooperatives:

- Endorse and support the creation of a Cooperative Union.
- Respect the principle of organic production.
- Work on the improvement of paddy quality.
- Implement the Internal Control System required in order to ensure the paddy certification;
- Negotiate with AMRU-Rice the signature of Contract Farming agreements and pursue the partnership with AMRU-Rice in the medium term.
- Retrocede to the Cooperative Union, after each harvest under the contract farming for organic rice starting from 2015, an amount of not less than 50 KHR/kg applied on the total of organic paddy sold by Cooperatives.

#### Commitments of SCCRP project:

- Facilitate the process of creation of a Cooperative Union.
- Build capacities of the Cooperative Union.
- Subsidize operation costs of the Union of Cooperatives for the year 2015 (+ possibly partly in 2016).
- Facilitate the negotiation, formalization and registration of Contract Farming agreements.

For season 2015 the level of premium price offered by AMRU to cooperatives for organic paddy will be increased at least as in the table below:

**Table 8: Minimum commitment taken by AMRU on increase of premium prices for organic paddy**

Categories of Quality of paddy	Premium price paid in 2014	Confirmed minimum level of premium price that will be applied in 2015	Tentative minimum level of premium in 2016
A1	+ 200 KHR/kg	+ 260 KHR/kg	+ 290 KHR/kg
A2	+ 150 KHR/kg	+ 210 KHR/kg	+ 240 KHR/kg
B1	+ 150 KHR/kg	+ 210 KHR/kg	+ 240 KHR/kg
B2	+ 120 KHR/kg	+ 180 KHR/kg	+ 190 KHR/kg
C1	+ 150 KHR/kg	+ 150 KHR/kg	+ 160 KHR/kg
C2	+ 100 KHR/kg	+ 100 KHR/kg	+ 100 KHR/kg
D1	+ 80 KHR/kg	+ 80 KHR/kg	+ 80 KHR/kg
D2	+ 70 KHR/kg	+ 70 KHR/kg	+ 70 KHR/kg

(Premium is additional to market price for equivalent quality of conventional paddy, at the time of purchase)

### 3.3.2. ADDITIONAL CAPACITY BUILDING ON ORGANIC STANDARDS AND INTERNAL CONTROL SYSTEM

A contract has been negotiated with COrAA to provide some additional supports to the organic paddy supply chain in Preah Vihear. COrAA will notably be responsible for:

- Refresh training of farmers on organic paddy production;
- Refresh training of ISC inspectors (or training of new inspectors where needed);
- Capacity building / on-the-job training of the ACU officers in charge of ISC supervision.

The contract of COrAA was sent to AFD to request non-objection on 28 May 2015, but reply from AFD was not yet received at the end of this quarter. Nevertheless, despite the contract was not yet signed, COrAA has accepted to start to undertake the implementation of the service given the emergency of the actions to be undertaken in order to for cooperatives to be ready for the inspection of the external Certification Body, foreseen to take place in September.

### 3.3.3. SUPPORT THE CREATION OF UNION OF ORGANIC PADDY PRODUCERS AGRICULTURAL COOPERATIVES

DACP team from MAFF is responsible to facilitate the establishment of this ACU, with participation of project consultants. The first meeting with ACs representatives has been done since 1<sup>st</sup> May 2015 to introduce the concept of ACU to them. The planning for ACU establishment is already defined. The second meeting with all representatives of ACs and authority were planned for the beginning of July 2015.

Besides the support to the creation of the ACU, the project consultants are providing support on the operational aspects, notably regarding the recruitment and capacity building of the ACU salaried team.

Since the beginning of June, SCCRP project team support to ACs in Preah Vihear to recruit staff to work for their ACU. The announcement was posted in Borng Thom website, at Universities, at PDA office of Preah Vihear and distribute to all the 8 ACs in Preah Vihear. 45 candidates have submitted their CV and cover letters to work for ACU. 18 candidates were shortlisted. 11 candidates have joined the writing test. 9 candidates have passed the writing test and 8 candidates took part in the interviews. 8 representatives of ACs in Preah Vihear, with technical support from SCCRP team, are responsible to interview their staff. At the end, 4 candidates were selected (1 position for ACU manager and 3 positions for Internal Control System staff):

- 1. Mr. NEANG Thai : ACU Manager
- 2. Mr. OUM Sarith : ICS Staff
- 3. Mr. HUD Ramo : ICS Staff
- 4. Mr. OEUR Sam Ath : ICS staff

They are all ready to start working from July 2015.

## 3.4. PREPARATION OF NEW POTENTIAL PILOT ACTIONS

### 3.4.1. PREPARATION OF A FEASIBILITY STUDY ON SCENARIOS FOR FOs INVOLVEMENT IN USE OF PADDY DRYING AND STORAGE FACILITIES FOR IMPROVED COMMERCIALIZATION OF PADDY

A meeting was organized between AFD and Golden Rice, at AFD office, on 8 April 2015, with participation of the SCCRP Project Management Advisor. The purpose of the meeting was to further discuss Golden Rice idea of development of decentralized paddy drying and storage centers at FO level, which could be made via FOs investments (or possibly with participation of millers such as Golden Rice). AFD have asked SCCRP PMA to draft Terms of Reference for a study on this possible model. This was

done within the next 48 hours and the PMA sent draft ToR early on 10 April, by e-mail, also proposing to encompass in the same study another component to further explore another model of paddy selling platform that was already described in the main ideas in a concept note written by Project Management Advisor on 26 February 2015.

Comments on the ToR were sent back by AFD project officer on 27 May 2015, but at this stage with no reaction on the suggestion of embedding the study on the other model of paddy selling platform: this point was only agreed verbally by AFD project officer in June. Based on that a second version of Terms of Reference was prepared (including the two models), on 9 June 2015, and shared with AFD and SNEC project management team.

A consultation on these Terms of Reference was organized in SNEC on 18 June with AFD, RDB, representatives of Farmer Organizations (mobilized via FAEC, FCFD and FWN) and representatives of the milling industry (mobilized via CRF).

An additional presentation of the proposed study was also done (by team leader of Component #3 and PMA) during CRF's Farming and Milling Executive Committee meeting on 30 June 2015.

ToR should be finalized and procurement launched during the third quarter of 2015.

### 3.5. POLICY AND REGULATORY ISSUES ON CONTRACT FARMING

#### 3.5.1. LAUNCH THE WORK OF THE TASKFORCE ON CONTRACT FARMING POLICY, GUIDELINES AND REGULATIONS

Further to the nomination of additional members<sup>14</sup> for the Taskforce on Contract Farming policy, guidelines and regulations, a meeting between National Project Coordinator (Mr Ung Luyna, SNEC), with counterpart from DAI and Project Management Advisor on 9 April to prepare agenda of the taskforce meeting.

The Taskforce on Contract Farming policy, guidelines and regulation undertook its first meeting on 24 April 2015. During that meeting, participants have been briefed about the objectives and approach of the work of the Taskforce, which consist in the development of additional guidelines, policies and regulations for Contract Farming in Cambodia.

The proposed general work plan has been presented and agreed. First objectives in the Short term are:

- The organization of a workshop to share experience of Contract Farming and gather inputs from economic stakeholders on key issues.
- The preparation of a first version of Guidelines for Contract Farming facilitation and registration (if registration is needed).

The concept of the workshop presented to the taskforce has been validated with some comments from the meeting, notably the proposal to add more brief case studies (including from other sector than rice) and to adjust the proposed content of group discussions to make sure we get inputs for the next steps of work of the taskforce.

The preparation of the workshop is further detailed in § 3.6.2. next page.

<sup>14</sup> Cf. Quarterly Executive Report #09, § 3.7.2. pages 24-25.

### 3.6. KNOWLEDGE MANAGEMENT AND CAPACITY BUILDING

#### 3.6.1. COMMENTS ON TOR OF THE EU/MAFF PROJECT STUDY ON CONTRACT FARMING

Mr Mel Jones, Team Leader & Agriculture Sector Institutional Development Expert of the livestock and fisheries project financed by EU in MAFF has shared with the SCCRP project team the Terms of Reference of a study this EU project intends to commission on contract farming in Cambodia.

SCCRP project (PMA and coordinator, jointly) have provided some feedbacks and comments on this ToR, and have notably suggested that the consultant should report not only to MAFF but to the whole Taskforce on Contract Farming Regulations Policies and Guidelines. But, according to Mr Mel Jones, part of these comment were rejected by the Department of Agro-Industry (notably the idea that the consultant should report to the Taskforce on Contract Farming Policy, Guidelines and Regulations and not only to DAI.

#### 3.6.2 PREPARATION OF AN EXPERIENCE SHARING AND CONSULTATION WORKSHOP ON CONTRACT FARMING

After first being reviewed by Project Coordinator and Team Leader of Component #3, the concept note<sup>15</sup> for the workshop on Contract Farming has been shared with DAI on 3<sup>rd</sup> April 2015.

It has then been presented and discussed with the Taskforce on Contract Farming Guidelines, Regulations and Policies during its meeting on 24<sup>th</sup> of April (See § 3.5.1. previous page). Useful comments were made by the taskforce members who have notably suggested a revision of the topics of group discussion session in order to focus more on priority topics that need to be addressed in the early stages of the action plan of the taskforce.

On 5<sup>th</sup> of May, Project Coordinator, PMA and senior counterpart of DAI met to discuss the adjustments in the proposed sequences of the workshop and reflect more in details on the agenda. PMA has then prepared a comprehensive agenda and slightly revised composition of workshop audience which was sent back to project management, DAI and CRF on the 6<sup>th</sup> of May.

On 7<sup>th</sup> May the proposed agenda was then discussed with CRF's Farming and Milling Productivity ExCo in order to gather additional comments and discuss support of CRF, in particular to mobilize participation of rice millers / exporters.

The preparation of the workshop continued in the following weeks by contacting speakers, developing presentations and plans for facilitation of group discussion, and preparing budget and logistic.

The workshop has been scheduled to take place on 19<sup>th</sup> June 2015. But it had to be postponed to July due to the passing over of Samdach Chea Sim (President of the Senate) and to the organization of his funeral on the same day.

### 3.7. GENERAL COORDINATION OF THE COMPONENT #3

#### 3.7.1. MONTHLY COORDINATION MEETINGS

Regular coordination meetings of the Component #3 took place, on a monthly basis, to review progresses of activities and plan actions for the following month. Meetings were coordinated by Mr Sok Sarang (with support from other members of AVSF-CIRD-ADG team) on 3<sup>rd</sup> April, 25<sup>th</sup> of May and 29<sup>th</sup> of June.

<sup>15</sup> Concept note prepared by SCCRP Project Management Advisor, See Quarterly Executive Report #09, pages 23-24.

## 4. COMPONENT #4: UP-GRADING THE RURAL DEVELOPMENT BANK

### 4.1. UP-GRADING RDB: RDB REFORMS AND IMPLEMENTATION OF KPMG

#### RECOMMENDATIONS

#### 4.1.1. IMPLEMENTATION OF REFORMS BY RDB IN THIS QUARTER

Despite the delay in the mobilization of additional Technical Assistance to implement RDB reforms, the Bank has continued to undertake a number of measures as part of its up-grading process, notably regarding Human Resources and credit policy, as detailed below.

##### 4.1.1.1. HUMAN RESOURCES

Five new staff has been recruited for the Credit Department.

A training session on credit process and evaluation as well as internal control system has been organized and provided to the staff.

##### 4.1.1.2. CREDIT POLICIES

Rural Development Bank Credit policy has been revised. The main changes are the following ones:

- Before the collateral options was focused on real estate. Now the collateral can be other things such as plant/equipment, paddy/rice inventory, receivable accounts (only available for some types of customers).
- Maximum loan-to-collateral-value ratios were increased from 50% to 70% (but the final limit would still depend on the risk of each borrower). It is noted that for cooperatives, the realistic rate is still only 50% due to their higher risk.
- Minimum loan amounts were increased to allow RDB to cover loan approval and management costs.
- Interest rates were decreased.
- Delegated more authority to approve loans to the CEO and the Credit Committee, meaning the Board will approve larger loans.
- Adjustment of loan classification rules to be in accordance with the latest NBC Prakas.
- More explicit rules on “who can do what” regarding writing off loans, loan extensions, loan restructuring, and loan classifications.

#### 4.1.2. RECRUITMENT OF FURTHER TECHNICAL ASSISTANCE TO SUPPORT TO IMPLEMENTATION OF REFORMS

After Request for Proposal was sent<sup>16</sup> on 30 March 2015 to the three shortlisted companies for the provision of Technical Assistance to RDB, two proposals were received from Sofreco associated with PlaNet Finance and from Mekong Strategic Partners associated with BD Link by the deadline of Monday 11 May 2015.

The procurement committee held a meeting to score technical offers on 18 May 2015 afternoon. The two technical proposals have been scored, and both have reached or overpassed the threshold score of 70 pts

<sup>16</sup> See Quarterly Executive Report #09, page 28.

and have thereof qualified. Minutes of the procurement committee meeting were sent to AFD and the non-objection on the technical scores was issued AFD on 2<sup>nd</sup> of June.

Financial offers were opened on 4<sup>th</sup> of June by the procurement committee. The price offered by both applicants was far above the budget available and the estimated value of the service requested. The procurement commission (after some consultation with AFD) has thereof proposed to declare the bidding process unfruitful and to re-launch the procurement with an indication of maximum budget for the provision of the services described in the ToR. The request for non-objection on these conclusions was sent to AFD on 23<sup>rd</sup> June. Reply from AFD was still pending at the end of this quarter.

## 4.2. DEVELOPMENT OF A CREDIT MECHANISM DEDICATED TO FARMER ORGANIZATIONS

### 4.2.1. FOS' REQUESTS FOR LOAN

FAEC and FCFD have introduced some requests for loans to RDB, on behalf of their members (See Table 9 below). Before to submit these requests, the FO Federations have screened the capacities and reliabilities of their members (for two cases, they decided not to support the requests for loans either because the FO wishing to apply was already indebted or because the capacities were not sufficient. For eligible applicants, the Federations have provided support to develop the requests for loans and the business plans.

All the requests were introduced to RDB in April and May 2015.

**Table 9: Requests for loans introduced to RDB via FO Federations**

Name of FO	Purpose (activity)	Amount of the loan request	Expected date of disbursement (to the latest)	Expected date of reimbursement	Collateral that the FO is able to mobilize on its own (in estimated value)
Agriculture Cooperative Udom Sorya - Takeo	Fertilizer business	5,600 USD	Earlier July	End January 2016	Warehouse: 12,000 USD Rice miller: 3,500 USD
Agriculture Cooperative Srer Kvav - Takeo	Fertilizer business	3,179 USD	Earlier July	End January 2016	Warehouse: 7,500 USD Cooperative land: 3500 USD
Agriculture Cooperative Tipath Punlor Thmey-Takeo	Fertilizer business	5,960 USD	Earlier July	End January 2016	House land 50m x 57m: 35,000 USD Warehouse: 4,700 USD Rice miller: 16,00 USD
Agriculture Cooperative Sen Ork Sen Sok-Takeo	Fertilizer business	6,480 USD	Earlier July	End January 2016	
Agriculture Cooperative Bak Sey Rik Reay-Takeo	Fertilizer business	2,360 USD	Earlier July	End January 2016	Cooperative land (65mx23m): 12,000 USD
AC Trapang Kranhung - Takeo	Fertilizer business	17,000 USD	Earlier July 2015	End Jan 2016	AC office land 30 x 100m =(2,500USD)
AC Mitapheap Petsat – Kampong Thom	Fertilizer business	30,000 USD	Earlier July 2015	End Jan 2016	2 House land certificates

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Name of FO	Purpose (activity)	Amount of the loan request	Expected date of disbursement (to the latest)	Expected date of reimbursement	Collateral that the FO is able to mobilize on its own (in estimated value)
Agriculture Cooperative Chamroeun Phal Reang Kesey-Battambang	Fertilizer business	11,000 USD	Earlier July	End January 2016	Tractor Kubota: 28,000 USD Warehouse: 7,200 USD
Agriculture Cooperative Punleu Thmey Kdey Sangkhem Ney Kasekor-Battambang	Fertilizer business	7,490 USD	Earlier July	End January 2016	House land (3200m <sup>2</sup> ): 18,000 USD Warehouse (15mx25m): 45,000 USD

**Note:** In the table above, the requests for loans are split by individual cooperatives. But some of them were made jointly by groups of cooperatives intending to work as a “Union” and with a joint business plan.

#### 4.2.2. MOBILIZATION OF PHASE 2 OF HORUS MISSION

In 2014, Horus Development Finance has implemented the first phase of a mission on the development of Credit Mechanisms to Farmer Organizations. Different scenarios were elaborated at that time.

SNEC and RDB have finally decided to start with the implementation of the scenario in which the Rural Development Bank directly lends to Farmer Organizations. Horus has been re-contacted in order to launch the second phase of the mission which consists in providing assistance to RDB to develop specific credit mechanisms and tools. In order to address the issue of time availability of Horus consultant, Mrs Juliette David has been added to the team of Horus (to complete the time availability of Mrs Christine Westercamp) in order to perform the services under this second phase of the mission.

Juliette David and Christine Westercamp have started to work from June 2015, from their home office, to develop the overall process of instruction and decision making of FOs' request for loans. They have also developed a first draft set of rules and forms for a guarantee mechanism.

Mrs Christine Westercamp will come in Cambodia in July to further work with RDB on the loan appraisal procedures, loan monitoring tools and loan recovery procedures.



