

■ 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 #20**

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## ACRONYMS

AC	Agricultural Cooperative
ACBN	Agricultural Cooperative Business Network
ACDF	Agricultural Cooperatives Development Fund
ACM	Assistant for Coordination and Management (in SCCRP project management team)
ACMECS	Ayeyawady Chao Phraya Mekong Economic Cooperation Strategy
ACT	Agriculture Certification Thailand
ACTAE	Towards Agroecology Transition in the Mekong Region Project
ADB	Asian Development Bank
ADC	Agricultural Development Communities
ADDA	Agricultural Development Denmark Asia
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>
AFO	Accounting and Finance Officer (in SCCRP project management team)
AFTA	ASEAN Free Trade Agreement
AIMS	Accelerating Inclusive Markets for Smallholders Project (IFAD project)
ALCO	Asset Liability Committee (banking)
ALiSEA	Agroecology Learning Alliance in South East Asia
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)
BRC	British Retail Consortium
BRiCo	Battambang Rice Investment Company
BritCham	British Cambodian Chamber of Commerce
BUAC	Battambang Union of Agricultural Cooperatives
C2A	<i>Commission Agriculture et Alimentation de Coordination Sud (French development NGO platform)</i>
CAC	<i>Crédit Agricole Consultants</i>
CACA	Cambodian Agricultural Cooperative Alliance
CACC	Cambodian Agricultural Cooperative Corporation

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-Cambodgienne</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>
CEDEP	Cambodia Export Development and Expansion Program
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
CIRAD	<i>Centre International de Recherche Agronomique pour le Développement</i>
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>
CPS	Centre for Policy Studies
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>
DHRRRA	Development of Human Resource in Rural Areas (Asian partnership program)
Dis.	District
DMC	Direct-seeding Mulch-based Cropping system
DP	Development Partners
DPA	Development and Partnership in Action
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
EIF	Enhanced Integrated Framework
EoI	Expression of Interest
EPWG	Export Promotion Working Group (informal group of rice exporters supported by IFC)
ESP	Environmental and Social Policy
ESR	<i>Equitable, Solidaire, Responsable</i> (Fairness, Solidarity, Responsibility) – Ecocert owned standard
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
GIFT	Global Institute for Tomorrow
GIS	Geographic Information System
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
GPS	Global Positioning System
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)
HCA	Henri Capitant Association
HH	Household
HKL	Hattha Kaksekar Limited
HR	Human Resources
IBG	Input Buying Group
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>
IRRI	International Rice Research Institute
ISC	Institute of Standards of Cambodia
ISC	Irrigation Service Center
ISF	Irrigation Service Fee
IT	Information Technologies
IVY	International Volunteers of Yamagata
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
MSP	Mekong Strategic Partners
M&E	Monitoring and Evaluation
NBC	National Bank of Cambodia
NC	National Coordinator
NF3	National Farmer Organization Federations’ Forum
NGO	Non-Governmental Organization
NKPSAC	Nikum Krao Preah Sihanouk Agricultural Cooperative
NOP	National Organic Program (USA organic standards)
NPACD	National Policy for Agricultural Cooperatives Development
NPD	National Project Director (in SCCRP project management team)
NSC	National Standard Council
NSDP	National Strategic Development Plan
NWISP	North-West Irrigation Sector Project (ADB/AFD)
OA	Organic Agriculture
OACP	Office of Agricultural Cooperatives Promotion
ODM	Offer Driven Model

OPM	Open Paddy Market
O&M	Operation and Maintenance (of irrigation schemes)
PAO	Project Administration Officer (in SCCRP project management team)
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
PC	Project Coordinator (in SCCRP project management team)
PDA(FF)	Provincial Department of Agriculture (Forestry and Fisheries)
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 (in SCCRP project management team)
PMUAC	Preah Vihear Meanchey Union of Agricultural Cooperatives
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
PTP	Paddy Trading Platform
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
RSEO	Rice Sector Economic Observatory
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
SCM	Supply Chain Management
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
SoA	Signatures of Asia
SOWS-REF	Secretariat of the One-Window Service for Rice Export Formality
SPP	<i>Symbole des Producteurs Paysans</i> (a fair trade standard)
SPS	Sanitary and Phyto-Sanitary
SRP	Sustainable Rice Platform

SS	Salary Supplement
SWAp	Sector Wide Approach
TA	Technical Assistance
TBT	Technical Barriers to Trade
TDSP	Trade Development Support Program
TFP	Total Factor Productivity
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
UK	United Kingdom
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
VSO	Volunteer Services Overseas
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
WVI	World Vision International

## UNITS AND MEASURES

ha	Hectare
kg	kilogram
KHR	Cambodian Riel
km	kilometer
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 AND SUMMARY

The Support to the Commercialization of Cambodian Rice Project (SCCRP) is coordinated by the Supreme National Economic Council and funded by the *Agence Française de Développement* (AFD – French Agency for Development). Its implementation period is from January 2013 to December 2017.

This report is the 20<sup>th</sup> (and last) Quarterly Executive Report of the project. It covers the period from October 1<sup>st</sup> to December 30, 2017.

Table 1 below provides a summary of outcomes during this quarter, foreseen steps and concerns.

**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>▪ Founding General Assembly of NF3 (but the event is not financially supported by SCCRP).</li> <li>▪ Official registration of Battambang Union of Agricultural Cooperatives.</li> <li>▪ Workshop on BUAC strategic planning.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Follow-up support to BUAC by AVSF-CIRD-ADG team.</li> </ul>	
<b>C#2</b>	<ul style="list-style-type: none"> <li>▪ CRF intends to launch « <i>Malys Angkor</i> » in January 2018.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Risk if brand start to be promoted while exporters are not ready to supply.</li> </ul>
<b>C#3</b> <ul style="list-style-type: none"> <li>▪ 2<sup>nd</sup> Meeting of Taskforce on CF: Taskforce reviews and validate the draft Manual on Contract Farming.</li> <li>▪ 4 inter-provincial training workshops on Contract Farming implemented.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Final deliveries and payments of organic paddy in Preah Vihear.</li> <li>▪ Printing of the Manual on CF.</li> <li>▪ Follow-up support to PMUAC by AVSF-CIRD-ADG team.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Volumes of organic paddy delivered by PMUAC members will reach only approximately 50% of target volumes.</li> <li>▪ Request sent by SoA and AMRU to reduce amount paid by AC to PMUAC is not a good sign and is unacceptable interference in internal affairs of ACs and PMUAC.</li> </ul>
<b>C#4</b> <ul style="list-style-type: none"> <li>▪ 2<sup>nd</sup> part of mission of Horus on MEF Credit Guarantee fund.</li> <li>▪ Last mission of Horus on credit to FOs.</li> <li>▪ Two new loans to FOs approved.</li> </ul>		
<b>C#5</b> <ul style="list-style-type: none"> <li>▪ Finalization of CRSEO Bulletin No1 in English.</li> <li>▪ Finalization of SCCRP experience capitalization and lessons learnt documents in English version.</li> <li>▪ AFD last supervision mission.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Issuing of 1<sup>st</sup> Cambodian Rice Sector Economic Bulletin.</li> <li>▪ Translation and printing of SCCRP experience capitalization documents.</li> <li>▪ Closing workshop (<i>TBC</i>).</li> </ul>	

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

### **1.1. SUPPORT TO FEDERATIONS / NETWORKS OF FARMER ORGANIZATIONS**

#### **1.1.1. INSTITUTIONAL SUPPORT AND CONSOLIDATION OF FO FEDERATIONS**

##### **1.1.1.1. UP-DATE OF FAEC AND FCFD MEMBERS' SCORING (SCM)**

After the preparatory workshop organized at FAEC office on the 27-28 September 2017<sup>1</sup>, the process of up-dating the scoring of FAEC and FCFD members based on SCM method has been implemented during this quarter. The 2017 performance evaluation of ACs was based on an updated version of the SCM tool. 32 ACs of FAEC and 25 ACs of FCFD were audited. There were no major changes from previous years in term of improvement of performance.

The SCM assessment was concluded by a restitution workshop during which FAEC and FCFD exchanged with the auditors in order to determine the main fields for capacity development of their members. Reports from preparatory workshop and restitution workshop are available from FAEC and FCFD.

As for previous SCM implementation, FAEC and FCFD have shared their means in order to minimize costs in an effective way to cover all the provinces. The preparatory workshop and restitution workshop were also made in common.

##### **1.1.1.2. Institutional assessment of FAEC and FCFD**

AVSF-CIRD-ADG is preparing an assessment of FAEC and FCFD situation at the end of the project, and comparison with the situation of the two Federations when the partnership with SCCRP has been initiated. Results are expected to be provided in early 2018.

#### **1.1.2. IMPLEMENTATION OF FO FEDERATIONS' SERVICES TO MEMBERS FOR PADDY COMMERCIALIZATION**

##### **1.1.2.1. WORKSHOP ON TRICYCLAZOLE ISSUE**

Tricyclazole is a fungicide relatively extensively used by rice farmers in Cambodia. The level of tricyclazole residue tolerated for rice imported in the European Union has been significantly reduced in 2017 to 0.01 mg/kg. This is seen as a potential threat to the exports of Cambodian Rice to the EU.

MAFF (with support from projects, notably CAVAC) has already taken measures to address this issue<sup>2</sup>. But the implementation may not be immediately effective, and the presence of tricyclazole residue may remain a concern for exporters targeting EU market.

As explained in the previous Quarterly Report, we see here a strategic opportunity for partnership with Farmer Organizations, as millers cannot get guarantees on how the paddy is produced when they source the paddy from their usual network of collectors. At the moment, millers/exporters willing to export to the EU only control tricyclazole residue at the output of the mill on rice (pre-shipment inspection). They can decide to re-orientate a non-compliant batch to another market destination. But for exporters for whom EU is a major market, there might be a need to make sure that the paddy input is clean.

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<sup>1</sup> Cf. Quarterly Executive Report #19, §1.1.1.1. page 2.

<sup>2</sup> Cf. Quarterly Executive Report #19, § 1.1.2.2. page 3.

The workshop organized on 1<sup>st</sup> November by FO Federations (FAEC, FCFD, CFAP, FWN and FNN) with the technical and financial support of SCCRP project was convened with the above strategic background. It was attended by 38 participants (representative from Federations /Networks, rice millers – Four of them only, unfortunately: AMRU, Khmer Food, Daunkeo and Sok Keo – GDA, SCCRP project team, CAVAC and DFAT.

The workshop aimed at validating the interest of exporters and the relevance of a partnership between millers/exporters and FOs to ensure safer supply of paddy, and explore possible modalities to ensure a satisfactory level of guarantee for paddy buyers and incentives for farmers and for their organization to ensure the compliance of paddy.

The workshop started with a presentation by Dr. Ny Vuthy, representative from GDA, on the situation of Tricyclazole use in Cambodia and issues related with the use of this molecule. Representative from CAVAC project also presented their support and research action regarding this issue for 2017 and 2018. Then SCCRP team facilitated the plenary discussion.

Main results of the workshop are:

- FO Federations/Networks could have the capacity to help their members to sort “tricyclazole-free paddy” (See Box 1 below for a proposed approach). This might not provide 100% accuracy, but yet a fairly improved security for millers.
- ... but rice millers / exporters present showed limited interest, as they already have their own supply chain and did not yet really experience the problem with tricyclazole residue to enter EU market:
  - Khmer Food buy only milled rice from rice millers. They don't buy paddy rice.
  - Sok Keo and Daun Keo rice mills buy paddy from their middlemen. These are their supplying networks, establish for long, and they don't see a strong need to change now.
  - AMRU has its own supply chain for “Tricyclazole-free” paddy through the (organic and SRP paddy supply chains developed with FOs, with support from SCCRP).

### **Box 1: A pragmatic approach for FOs to sort tricyclazole free paddy**

SCCRP project has proposed a pragmatic approach for FO to sort tricyclazole free paddy.

FOs may not invest in a complicated Internal Control System (as for organic paddy), and even less in laboratory testing, as the costs of such mechanisms would be prohibitive. But for FOs involved in paddy collection and commercialization, they could simply ask farmers when they deliver paddy, if they have used tricyclazole during the cropping (They should have the posters that were developed showing all the pesticide containing tricyclazole available in Cambodia, as the name of the molecule might not be known by farmers). They could therefore sort paddy in two batches: tricyclazole-free and non-tricyclazole-free. They should pay the paddy to their members at the same price, regardless of the fact that they have used or not tricyclazole, so there is no incentive for the farmer to lie. But then the FO should negotiate a higher price from millers for tricyclazole free paddy, and after the selling operation, the FO can redistribute the additional value generated to all its members, in proportion of the volume of paddy they have sold through the FO (again, regardless of the use of tricyclazole).

This would not provide 100% guarantee that the paddy delivered is tricyclazole free (there is always a risk of mistake in the declarations, and the risk of contamination from neighbouring fields might not be addressed). But yet the risk to have high level of tricyclazole residue in the batches sorted as “tricyclazole-free” could already be significantly reduced.

### 1.1.2.2. PADDY TRADING PLATFORM

#### UP-GRADES MADE TO THE PTP

Some up-grades have been made by ProacIT (subcontracted by AVSF-CIRD-ADG) to the Paddy Trading Platform. Notably:

- Active announcements can now be consulted online by unregistered users. But users need to register and get a login and password if they wish to receive e-mails or SMS notifications for the new announcements posted and if they want to set filters for the notifications they receive.
- Users can reset forgotten passwords.
- Geographical locations (provinces, districts, communes, villages) are aligned with the official national database.
- The administrator of the platform can :
  - Add and modify organizations;
  - Add and modify users;
  - View announcements that have been discarded;
  - View the reason why a user closed an announcement.
- An additional information can appear on the announcements for “Tricyclazole free” batches of paddy (following the workshop on Tricyclazole, see § 1.1.2.1. above, and notably Box 1)

#### SUPPORT MEMBERS IN THE USE OF PADDY TRADING PLATFORM AND ANNOUNCEMENTS POSTED

During this quarter, 15 announcements have been posted by FOs on the Paddy Trading Platform (shown in Annex 1 to this report).

Sambo Roeung Roeung AC was contacted by AMRU rice after this miller/exporters has seen the announcement. But the AC had already sold out the paddy at that time. Yet the contact established by the cooperative with AMRU could lead to possible partnership between them next year.

### 1.1.3. OTHER FO FEDERATIONS’ SERVICES TO THEIR MEMBERS

#### 1.1.3.1. ACCESS TO CREDIT: LIAISE WITH RDB CREDIT MECHANISM FOR FO AND GUARANTEE MECHANISM

##### DISCUSSIONS ON IMPROVED PARTNERSHIP WITH RDB

FAEC and FCFD took part in several discussions with Horus mission on the credit to FOs, and with RDB, in order to reflect on the possible improvements of RDB credit facility to FOs and of the role of FO Federations [See details in § 4.1.2. page 22 in this report].

##### SUPPORT PROVIDED BY FAEC AND FCFD TO THEIR MEMBERS FOR NEW CREDIT APPLICATIONS

FCFD has supported to cooperatives (Trapaing Russey AC and Sambour Meas Mean Chey AC) to apply for credit with RDB. FAEC has supported an application from Kampong Speu Palm Sugar AC.

Two of these three applications were approved (for Trapaing Russey AC and for Kampong Speu Palm Sugar AC) in December 2017, for a total amount of 35,000 USD [See details in § 4.1.1. page 22 in this report].



## 1.2. NATIONAL FO FEDERATIONS FORUM (“NF3”): AN APEX BODY TO CONSOLIDATE SERVICES AND REPRESENTATION

### 1.2.1. FOUNDING GENERAL ASSEMBLY OF “NF3”

The first General Assembly of the National Forum of Federations of Farmer-Organizations (NF3) was organized on 27<sup>th</sup> of November 2017 at the Cambodian Korean Cooperation Center (CKCC) in Phnom Penh. 81 participants from foreseen member organization (CFAP, FAEC, FCFD, FNN, FWN) and relevant institutions (MoI, MAFF, EU, ADG, CIRD, AVSF and SCCRP) participated in the event.

The main objectives of the General Assembly were:

1. To formally inform to all FO Federations members, their networks, and other stakeholders about the establishment of NF3;
2. To endorse by a vote the from members (FO Federations) the Statutes and Internal Regulations of NF3; and
3. To elect NF3 Board of Directors.

As a result, 95% of FO-Fed representatives approved the NF3 statutes and internal regulations.

Mr. Keo Sokha, FAEC’s Deputy President was elected as a NF3 first President. Four FO-Fed Representatives, Ms An Sarun from CFAP, Mr Din Sakhon from FCFD, Mr Seu Rany from FNN, and Ms. Rom Saroeun from FWN, became NF3 Board Member.

### 1.2.2. NEXT STEPS FOR NF3

Following the closure of the first NF3 GA, Mr Phat Sophany (AVSF/SCCRP) organized an *ad-hoc* meeting with elected NF3 Board Members to discuss on next steps. NF3 Board members suggested that NF3 would need a strong Executive Director to prepare internal policies, administrative works, design action plan and strategic planning; secondly they expressed the need to process with the registration of NF3 with the Ministry of Interior; and finally (following a suggestion from AFD supervision mission) NF3 members expressed an interest to consider the develop a database of their member FOs.

## 1.3. SUPPORTING THE ESTABLISHMENT OF AN AGRICULTURAL COOPERATIVES UNION IN BATTAMBANG

### 1.3.1. OFFICIAL REGISTRATION OF BUAC

On 5<sup>th</sup> of October 2017, the Battambang Union of Agricultural Cooperatives (BUAC) was officially registered by the General Directorate of Agriculture (GDA) (Registration certificate No. 1731 GDA). The BUAC was established based on the regulations and procedures of the law on Agricultural Cooperatives of 2013.

On 28<sup>th</sup> November 2017, the President of BUAC Board Director, Ms. Yann Srey Yat, received the BUAC’s official certificate and endorsed statutes from Mr. Ouk Saroeun, Deputy Director of the Department of Agricultural Cooperative Promotion (DACP). BUAC’s board of Directors will send the official copies of statute to all stakeholders after they are initialed by all BUAC’s board members in December 2017.

### 1.3.2. PADDY SACKS SUPPLY: FIRST BUSINESS OPERATION OF BUAC

Ms. Yann Srey Yat has implemented a price survey for paddy sacks in Battambang market (wholesalers) and on local market (and she has also received data form SCCRP’s Institutional Capacity Building consultant for prices in Phnom Penh). This has confirmed a potential service of collective purchase of paddy sacks by

BUAC, as the Union could obtain significantly lower prices from wholesalers in Battambang (including cost of delivery to ACs) compared to the prices villagers could get from retailers in their commune. Price differences vary from 70 to 140 Riel per sack depending on the type of sacks.

BUAC has decided to engage in this supplying service, after assessing the exact demand from its member ACs. Until December, BUAC has purchased and supplied 27,900 sacks to two of the four ACs<sup>3</sup> members of the Union, taking a gross margin of 10 KHR/sack (to be shared equally between BUAC and each AC).

Responsibilities for this operation were clearly shared between BUAC and ACs, as detailed in the Table 2 below:

**Table 2: Distribution of responsibilities between BUAC and member ACs for paddy sack supply**

BUAC tasks	AC tasks
<ul style="list-style-type: none"> <li>■ Organize a meeting with AC board and key persons to discuss and run new business</li> <li>■ Conduct market survey (checking source of product importing, price and possibility for partnership and contracting with hold sellers)</li> <li>■ Negotiate with AC to get approval, identify the needs and hold sellers for buying product and condition.</li> <li>■ Check with AC the total amount of needs and Order paddy sack from hold sellers</li> <li>■ Paddy sack distribution to AC arrangement</li> <li>■ Collect payment from AC.</li> </ul>	<ul style="list-style-type: none"> <li>■ Organize a meeting with members to discuss on new business concept</li> <li>■ Collect all members paddy sack needs</li> <li>■ Inform to BUAC's representative all the paddy sack needed by their members</li> <li>■ Received paddy sack from hold sellers and deliver to members</li> <li>■ Collect payment from members and pay to BUAC.</li> </ul>

### 1.3.3. PREPARATION OF BUAC STRATEGIC PLANNING

To support the institutional sustainability of BUAC, SCCRP financed a consultant (Mr Leng Chhay, who has provided similar support to PMUAC<sup>4</sup>) to support BUAC and facilitate a process of elaboration of its five-year strategic plan (2018-2022). As it was done for PMUAC in Preah Vihear, a preparatory meeting was organized on 4-5 December 2017 with 19 participants from BUAC and its support institutions (OACP, SCCRP, ADG, VSO and CIRD). The purpose of this first session was to build understanding on the main concepts that will be used as part of the strategic plan development and to present the steps in this process.

In a second phase, a three-days-workshop will take place from 25<sup>th</sup> to 27<sup>th</sup> of December to actually work on the development of BUAC strategic plan.

### 1.3.4. STUDY TOUR OF BUAC IN PREAH VIHEAR

On 7<sup>th</sup> December 2017 BUAC has made a study tour to visit PMUAC in Preah Vihear. BUAC representatives were also accompanied by participants from ADG and VSO. In total, 12 persons took part in the visit.

The objectives of the visit were:

- To learn about PMUAC management and operational system;
- To understand services provided by PMUAC to its AC' members (and to farmers members of those ACs) and how the implementation of services is organized.

<sup>3</sup> Two ACs have paddy harvest in November, whereas the two other are harvesting later in December and are not integrated in the figures here.

<sup>4</sup> Cf. Quarterly Executive Report #18, § 3.1.1.5. page 9 and Quarterly Executive Report #19, § 3.1.1.2. pages 10-11.

As a result, BUAC Board representatives understood well about PMUAC's background, management structure, membership, target intervention, main activities, procedures and what services were provided by PMUAC to their members and the problems they encountered. Moreover BUAC Board Representatives also had an opportunity to visit the Krabao Prumtep AC, located in the Kulen District of Preah Vihear. After that visit BUAC Board Representatives realized how services were provided by PMUAC to their members and were well acquainted on AC background, management structure, members, main activities, and services provided to farmers' members and how they solved encountered problems.

The main points learned by BUAC's board are summarized below:

- PMUAC has competent staffs to support the delivery of services to its members, notably regarding the implementation of the Internal Control System for organic certification. Roles and responsibilities are clearly defined when working with members and partners.
- PMUAC has specific product (organic rice) and potential partners (Export companies such as AMRU and Signature of Asia), all well directly connected to PMUAC.
- PMUAC has supporters such as COrAA, SCCRP, IVY, PDAFF, DPA...
- Both PMUAC and Export Companies are mostly respecting the terms of their contracts and maintain good communication channels to address issues that are not fully defined in contract, such as for the negotiation of reference prices.
- The Export Companies are strongly engaged in working with PMUAC.

#### **1.3.5. COORDINATION AMONG INSTITUTIONS SUPPORTING BUAC**

Several meetings were organized during the quarter between ADG, VSO and BUAC in order to develop a shared vision and to coordinate supports to BUAC and clarify roles of the various institutions/projects. BUAC organisational arrangements were discussed (but are not yet finalized). Regarding support from NGOs/projects, it is foreseen that VSO will provide technical assistance and support (notably on value chain / agricultural products selling), and that ADG will provide one agronomist to support the ACs in their transition toward SRP production. An agreement remains to be discussed on how to implement tasks related to quality control and collection of paddy. These issues will have to be discussed with BUAC and AMRU in January 2018.

## 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. BRAND REGISTRATION PROCESS

##### 2.1.1.1. REGISTRATION IN CAMBODIA



On 12 December, CRF has reported that the Ministry of Commerce has already validated on the principle the registration of «*Mahys Angkor*» as a certification mark, but that the formal registration certificate was not yet issued by MoC.

SCCRP's PMA has recommended to CRF to accelerate the endorsement of a list of authorized certification bodies, and to quickly identify exporters willing to use the certification mark, and work on a promotion plan in collaboration with them in order to synchronize the promotion effort (by CRF) with the commercial/sale efforts by actual suppliers of branded rice. This is key for the promotion and success of actual sales of branded rice.

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

#### 3.1. CONSOLIDATION OF THE ORGANIC PADDY SUPPLY CHAIN IN PREAH VIHEAR

##### 3.1.1. INSTITUTIONAL AND MANAGERIAL SUPPORT TO PMUAC

###### 3.1.1.1. FINALIZATION OF PMUAC INTERNAL POLICIES

PMUAC financial management policies and staff management policies have been endorsed and compiled in a final version.



Final versions of the documents are available at PMUAC.

###### 3.1.1.2. FINALIZATION OF PMUAC 5-YEARS STRATEGIC PLAN

Similarly, the final version of PMUAC Strategic Plan 2018-2022 has been prepared, edited and endorsed, following the work implemented with the support of Mr Leng Chhay in July<sup>5</sup>.



###### 3.1.1.3. STUDY TOUR IN THAILAND

Following the approval from AFD and SNEC, PMUAC has organized (with the participation and support of PDAFF of Preah Vihear) a study tour to Ubonratchathani province in Thailand from 18<sup>th</sup> to 20<sup>th</sup> of October 2017, with 29 participants (15 PMUAC team<sup>6</sup>, 5 AC leaders, 7 PDAFF-PVH and 2 SCCRP team). The objectives of the study tour were to learn from both successful experiences and failure of cooperatives in Thailand, with a focus on services they provide to their members and their organizational functioning and management.

The Director of Provincial Department of Agriculture of Ubonratchathani province has welcomed the participants and made an overall presentation on the context of agriculture in his province. Then the delegation has visited 6 Agricultural Cooperatives over two days, as follows:

- Agricultural Cooperative of Integrated Agricultural Farming at Nam Yeun district;
- Agricultural Cooperative of Fish Processing at Khuong Cheam district;
- Agricultural Cooperative of Rice Processing at Phibon Maingsahan district;
- Agricultural Cooperative of Pig Processing (sausage, naem...) at province;
- Agricultural Cooperative of Pig Skin Processing at Varin Chamreab district;
- Agricultural Cooperative of Mushroom Culture at Varin Chamreab district.

Through this 3-day study tour in Thailand, participants have gained knowledge from Thai cooperatives experiences, notably regarding the management of business and operation, and notably the processing and packaging of agri-products to generate value added.

<sup>5</sup> Cf. Quarterly Executive Report #19. § 3.1.1.2. pages 10-11.

<sup>6</sup> 12 members of the Board and three employees.





△ Group photo during study tour of PMUAC in Thailand.

#### 3.1.1.4. SUPPORT TO PMUAC ADMINISTRATIVE WORK AND COORDINATION

To assist PMUAC Executive Director in effectively managing and leading the Union, few tasks or assignments were supported by the SCCRP team as follows:

- Review PMUAC report for 3<sup>rd</sup> quarter of 2017.
- Assist in reviewing the final draft of financial policy.
- Review agreement on service providing between PDAFF-Preah Vihear and PMUAC in term of ASPIRE program.
- Check financial report of organic rice postharvest technology project implemented with ASPIRE program, to be sent to PDAFF-Preah Vihear.
- Help Executive Director of PMUAC to apply online for the registration for SPP standard (Fair trade label, targeted by the tri-partite contract signed between PMUAC, AMRU and Ethiquable)<sup>7</sup>.

#### 3.1.2. TECHNICAL SUPPORT TO ORGANIC PRODUCERS: HARVEST / POST-HARVEST TRAININGS

PMUAC has built on the opportunity of partnership program proposed by ASPIRE program to elaborate a proposal of training of its members on harvest / post-harvest technology. The operation was financed at 50% by ASPIRE, and 50% by PMUAC. The objectives were to improve knowledge and skills of farmers in organic rice harvest and postharvest technologies, and thereof to improve quality of organic paddy. A training need assessment was conducted by PMUAC, then training were implemented from 3<sup>rd</sup> to 24<sup>th</sup> of November 2017. 53 training sessions were implemented, and 1,059 organic paddy producers from 19 ACs were trained. Besides, contact list of combined harvester owners with their name and phone number have been provided to AC leaders of PMUAC members so that they can call and make an appointment with those owners of combined harvester when their members need the service.

#### 3.1.3. IMPLEMENTATION OF CONTRACTS WITH AMRU RICE

##### 3.1.3.1. IMPLEMENTATION OF INTERNAL CONTROL AND CERTIFICATION FOR ORGANIC PADDY FOR AMRU

##### 2<sup>ND</sup> ROUND OF INTERNAL INSPECTION

The 2<sup>nd</sup> round of internal control inspection for 18 ACs involved with AMRU-Rice were conducted from October 25 to November 7, 2017 by internal inspectors with support from ICS managers of PMUAC. The main purposes of this inspection are to estimate rice productivity and to guarantee that all contracted

<sup>7</sup> Cf. Quarterly Executive Report #19, § 3.1.2.3. page 14 and § 3.1.3.4. pages 13-14 in this Quarterly Executive Report #20.

producers have still complied with the EOS and NOP standards. Hence, 2,771 organic rice farmers of the 18 ACs have been inspected, with 9,291.48 hectares of cultivated land. Then ICS managers of PMUAC have computerized and consolidated all 2<sup>nd</sup> internal inspection reports. According to the result of this 2<sup>nd</sup> round of internal inspections, all contracted farmers have produced their organic rice following EOS and NOP standards, but the estimation of forecasted production has been decreased by 24% (- 4,272.66 tons) due to the following reasons:

- A number of rice fields were flooded during seedling & newly transplanting stages. As a result, it caused the seedlings destroyed. Additionally, other rice plots were contaminated with chemical element against the EOS and NOP standards and where thereof removed from the list of organic plots.
- Too much rain during flowering stage has affected the yield (empty grains).
- After 1<sup>st</sup> internal inspection, some farmers and plots were disqualified from organic certification due to violation of organic standards or chemical contamination.

#### ANNUAL EXTERNAL INSPECTION FROM ECOCERT

The annual external inspection of Ecocert was conducted from the 25<sup>th</sup> of September, with the opening meeting at the office of PMUAC and then completed in the afternoon of 7<sup>th</sup> of October 2017 with the closing meeting at AMRU Rice office in Phnom Penh. Below are the main findings from Ecocert external inspection:

- Total number of organic rice farmers of 18 ACs to be certified within this year is 2,771 rice producers (including 1,188 new producers), with a total surface of organic paddy fields of 9,291.48 ha.
- Total sample of the producers to be inspected by Ecocert was 160 farmers (102 new producers), from the 18 ACs.
- Strong points: all rice fields have been grazing lands of cow after the harvest for 4-5 months before planting; the internal inspectors were able to detect some non-compliance (they found some farmers using chemical input on seedling stage); growers' lists are detailed with information on rice varieties and expected volumes foreseen to be sold to AMRU; each AC have complete set of documents, including list of sanctioned farmers.
- Non-compliance points found:
  - For EOS/EU standards: 4 points of non-compliance have been detected by Ecocert including 1 deviation coming from processing unit about traceability system. The deviations at farming unit were related to documentation of growers group.
  - For NOP/USA standard: 4 points of non-compliance have been detected by Ecocert, related to traceability system, documentation of growers group, and ICS/IQS implementation & operation.
- Corrective actions have been proposed immediately after the closing meeting of Ecocert external inspection on 7<sup>th</sup> of October 2017. The deadline to submit all proposed corrective actions have been decided by the 17<sup>th</sup> of October 2017.

All corrective actions at PMUAC level have been implemented, documented and submitted to AMRU Rice by the 14<sup>th</sup> of October 2017, then transferred to Ecocert. On 16<sup>th</sup> of October, Ecocert has confirmed that the implementation of these corrective actions and the support documents were satisfactorily addressing the non-compliance points. Ecocert has then confirmed that the organic certification will be renewed for AMRU-Rice (with the 18 ACs engaged with it). The new organic certificate will be issued by Ecocert in January 2018.

### 3.1.3.2. NEGOTIATION OF REFERENCE PRICES TO APPLY FOR CONTRACTS AND PREPARATION OF PADDY COLLECTION FOR HARVEST 2017

On the 7<sup>th</sup> of November 2017, a half-day negotiation meeting took place between AMRU and the 18 ACs (+ PMUAC) to negotiate and fix the reference prices for fragrant paddy and white rice paddy to apply for the implementation of the Contract Farming agreements in 2017.

**Table 3: Reference market prices agreed between AMRU and ACs for harvest 2017 and total price to be paid (including premium) for all grade of paddy**

Categories	Grades (in contract)	Purity (%)	Moisture content (%)	Broken rate (%)	Reference market price (riel/kg)	Premium (as in contract) (riel/kg)	Price to be applied by AMRU Rice (riel/kg)	Price to be paid to AC and PMUAC (riel/kg)	
								PMUAC	AC
Fragrant Rice	A1	90-100	13-14.9	1-24	1,250	270	1,520	50	1,470
	A2	90-101	13-14.9	25-32	1,250	180	1,430	50	1,380
	A3	90-100	13-14.9	33-36	1,250	130	1,380	50	1,330
	A4	90-100	13-14.9	40-52	1,150	50	1,200	50	1,150
	B1	90-100	15-19.4	1-24	1,140	210	1,350	50	1,300
	B2	90-101	15-19.4	25-32	1,140	180	1,320	50	1,270
	B3	90-100	15-19.4	33-36	1,140	130	1,270	50	1,220
	C1	90-100	19.5-24.9	NA	1,050	100	1,150	50	1,100
	C2	90-100	25-30	NA	1,020	80	1,100	50	1,050
White Rice	D1	90-100	13-16	1-16	900	230	1,130	50	1,080
	D2	90-100	13-16	17-24	900	190	1,090	50	1,040
	D3	82-89	13-16	1-24	900	130	1,030	50	980
	DM	90-100	16.1-19.4	NA	850	230	1,080	50	1,030
	DW1	90-100	19.5-24.9	NA	800	230	1,030	50	980
	DW2	90-101	25-30	NA	800	190	990	50	940

The meeting has also discussed about the organization of paddy collection. Mr. Nhim Thangcheng, representative of AMRU Rice, briefed participants about the proposed approach for effective paddy collection and presented how to check paddy quality as well. He has requested all AC leaders to check paddy quality in advance before sending paddy sample to the company to be checked. On their side, AC representative have asked AMRU to try to proceed faster than last year for the payment of paddy.

### 3.1.3.3. IMPLEMENTATION OF PADDY DELIVERY TO AMRU

After negotiation of reference prices, the process of organic paddy collection has started from 7<sup>th</sup> of November 2017 onwards. But to date, volumes delivered are much lower than volumes committed in contracts. Two reasons are given for that:

- The production has been affected by flooding at the beginning of the season and late rains at flowering stage. According to the estimation of forecasted production during second round of internal control inspection, this has led to a decrease of production by approximately 25%.
- Market prices for paddy in 2017 are significantly higher than in 2016. The increase of the agreed reference price only partly reflects this increase. According to PMUAC General Manager, there were also new buyers coming to Preah Vihear to buy paddy and offering higher price than usual local collector. Moreover the facts that payments by AMRU were still relatively late (still often beyond the delay agreed in contracts) has maybe also contributed to increase side selling by farmers.



As of 22<sup>nd</sup> of December 2017, a total quantity of 7,783.18 tons of organic paddy (2,799.794 tons of fragrant rice and 4,983.386 tons of white rice) has been delivered to AMRU Rice, which is only 47% of the volumes committed in contracts. These figures are still not final figures as the harvesting and collection of paddy were still on-going at the time of this statement, but the majority of fields were harvested, and the final volumes will remain far from the target.



*△Paddy quality checking at organic paddy collection point (Photo: AMRU)*

Detailed statement of organic paddy delivery to AMRU, for each cooperative as of 22<sup>nd</sup> of December is shown in Table 4 below.

**Table 4: Statement on organic paddy delivery to AMRU as of 22<sup>nd</sup> December 2017, in comparison to volumes committed in contracts**

Code	AC Name	Volume committed in contract (kg)			Quantity of paddy sold (kg)			Gap or surplus in Kg	Gap / surplus in %
		Fragrant	White	Total	Fragrant	White	Total		
AC01	Krabao Prum Tep	429,500	558,500	988,000	187,762	117,894	305,656	(682,344)	-69%
AC02	Livelihood Improvement	241,500	543,500	785,000	102,389	228,430	330,819	(454,181)	-58%
AC03	Rohas Samaki Meanchhey	264,770	77,300	342,070	108,624	50,593	159,217	(182,853)	-53%
AC04	Leuk Kampos Satrey	823,150	2,775,200	3,598,350	270,358	842,072	1,112,430	(2,485,920)	-69%
AC05	Romduol Mlu Prey Cheay Den	666,300	969,000	1,635,300	457,649	323,456	781,105	(854,195)	-52%
AC06	Satrey Ratanak	1,463,000	2,434,200	3,897,200	1,193,812	1,310,311	2,504,123	(1,393,077)	-36%
AC07	Torsu Sen Chey	719,000	533,500	1,252,500	434,846	359,513	794,359	(458,141)	-37%
AC08	Rom Tom Samaki Meanchhey	175,100	565,900	741,000	44,354	331,708	376,062	(364,938)	-49%
AC09	ProMe Senchey	0	305,000	305,000		175,066	175,066	(129,934)	-43%
AC10	Choam Ksan Cheayden Meanchhey	0	1,230,500	1,230,500	0	400,931	400,931	(829,569)	-67%
AC11	Rumdos Sre Samaki	0	273,000	273,000		116,604	116,604	(156,396)	-57%
AC12	Ke Lom Or Chivapheap Teuk Krohorm	0	412,500	412,500		194,853	194,853	(217,647)	-53%
<b>3 ACs supported by IVY</b>									
AC13	Preah Klaing Meanchey	0	136,500	136,500		27,024	27,024	(109,476)	-80%
AC14	Kon Khmer Chamnan Krouy	0	450,000	450,000	0	88,187	88,187	(361,813)	-80%
AC15	Tbeng Pi Samaki Rik Chamroeun	0	268,500	268,500		165,318	165,318	(103,182)	-38%
<b>3 ACs supported by DPA</b>									
AC27	Ronak Se	0	168,000	168,000		128,633	128,633	(39,367)	-23%
AC36	Ro Ang	0	89,500	89,500		67,617	67,617	(21,883)	-24%
AC37	Sdao	0	89,800	89,800		55,176	55,176	(34,624)	-39%
<b>Total</b>		<b>4,782,320</b>	<b>11,880,400</b>	<b>16,662,720</b>	<b>2,799,794</b>	<b>4,983,386</b>	<b>7,783,180</b>	<b>(8,879,540)</b>	<b>-53%</b>

#### 3.1.3.4. SUPPORT FOR SPP CERTIFICATION

Following-up on the tri-partite agreement signed in September<sup>8</sup> between AMRU-Rice, Ethiquable and PMUAC, AVSF-CIRD-ADG consultant team has provided support to PMUAC to register in SPP<sup>9</sup> website for Fair Trade certification. All information required by the system has been filled. TERO will be the

<sup>8</sup> Cf. Quarterly Executive Report #19, § 3.1.2.3. page 14.

<sup>9</sup> « *Symbole des Producteurs Paysans* » (a fair trade standard).

certification body for this standard. PMUAC already filled all documents sent by TERO and sent its back for certification process. PMUAC is now waiting for TERO feedback.

### 3.1.4. IMPLEMENTATION OF CONTRACTS WITH SIGNATURES OF ASIA

#### 3.1.4.1. IMPLEMENTATION OF INTERNAL CONTROL AND CERTIFICATION FOR ORGANIC PADDY FOR

##### 2<sup>ND</sup> ROUND OF INTERNAL INSPECTION

Internal inspectors from the 8ACs involved organic paddy contract farming with SoA have conducted the 2<sup>nd</sup> round of internal inspections from October 25<sup>th</sup> to November 25<sup>th</sup> 2017, with support from ICS managers of PMUAC.

The main purposes of these inspections were to update the estimation of organic paddy production and to verify that all contracted producers continued to comply with the EOS and NOP standards. 100% of the 1,288 organic rice farmers (from the 8 ACs) who have followed the standard during the 1<sup>st</sup> internal inspection have been inspected again, with 2,254.30 hectares of cultivated land.

*Second round of Internal Control Inspections by PMUAC (Photo: PMUAC) ▷*



According to the result of the 2<sup>nd</sup> round of internal inspections all 1,288 contracted farmers were still compliant with EOS and NOP standards. However, the estimation of expected production was reduced by -20% to -30% compared with the previous forecast made during the 1<sup>st</sup> round of internal control inspections. Productivity was affected by insufficient water at tillering stage, and heavy rains in the end of the season.

##### ANNUAL EXTERNAL INSPECTION FROM ECOCERT

Annual external inspection was initially foreseen to be conducted from the 19<sup>th</sup> of October as planned and agreed by both parties of PMUAC and SoA. But at the last minute, Mr. Monorum Chhoun, Organic Production Manager of SoA, wrote an e-mail to inform PMUAC that “according to my top management decision, SoA will choose Control Union as a certification body to do inspection/auditing the organic paddy project in Preah Vihear” on 14<sup>th</sup> of October 2017. To respond this, on 21<sup>st</sup> of October, Executive Director of PMUAC had called for an urgent meeting with SoA and involved stakeholders (PD AFF-PVH, DAI, SCCRP...). Different certification bodies can have slightly different expectations in the way to manage the internal control system and in the documentation required. Thereof, a last minute change of the certification body (after all the internal control inspections have already been done) could put at risk the certification, and a decision to change the CB shall rather be made before the beginning of the season to let the time to PMUAC to align its ICS with the specific requirements of the CB. Resulting from the meeting, the two parties have agreed and decided to keep Ecocert as the Certification Body for this season and to propose the schedule of external inspection in November 2017. After the meeting, SoA contacted Ecocert about the proposed date of inspection in November but they replied that their auditor teams were not available in this date and would be available only in December. Hence the annual external inspection of

Ecocert had been conducted from the 4<sup>th</sup> of December<sup>10</sup>, with a kick-off meeting which took place at PMUAC office. It was closed by a wrap-up meeting in the afternoon of 12<sup>th</sup> of December 2017. Below are the inspection findings by Ecocert:

- 1,330 organic rice farmers (from 8 ACs) are to be certified for this year (including 966 new producers), and with a surface of organic paddy fields of 2,371.50 ha.
- Ecocert has selected a sample of 120 farmers (94 new farmers and 26 who were already engaged in organic paddy production last year), from the 8 ACs.
- Strong points: Farming practices in the involved villages are basically traditional, with no use of external inputs which place the risk of contaminations of rice at a very low level; the farmers understand about the main rules of organic production and the ICS system; as declared by the internal inspectors and confirmed by the farmers, the village level inspectors have visited the farmers 2 times a year; the internal inspectors at the PMUAC level are young and energetic and are responsible in providing training to the farmer-inspectors at the village.
- Non-compliance points found:
  - For EOS/EU standards: 6 non-compliance points had been detected by Ecocert. This included notably: the fact that some other fields (not part of the organic production but owned by the same farmers) were not all recorded in inspection reports, the fact that some of the fields were already harvested at the time of external inspection<sup>11</sup>, some missing collection points in the layout maps, ICS inspectors shall not inspect in their own village, need to cross data from estimated yields and actual volumes delivered.
  - For NOP/USA standard: 5 non-compliance points, partly identical to the above ones.
- Proposed corrective actions: after the closing meeting on the 12<sup>th</sup> December 2017, SoA and PMUAC team (with support of SCCRP project) have proposed corrective actions and agreed on a deadline by 22<sup>nd</sup> of December 2017 to implement and to document the corrective measures.

Following up the proposed corrective actions submitted by PMUAC and SoA: all corrective actions related to PMUAC level have already been implemented, documented and submitted to the auditors of Ecocert and to SoA by the 22<sup>nd</sup> of December 2017. Final decision from Ecocert is pending, but according to our team experience of organic certification and based on deviations observed and corrective measures implemented, it is foreseen that the certification will be maintained for this year. But SoA should make sure to mobilize the Certification Body before the harvests in 2018.

#### 3.1.4.2. NEGOTIATION OF REFERENCE PRICES TO APPLY FOR CONTRACTS AND PREPARATION OF PADDY COLLECTION FOR HARVEST 2017

A half-day negotiation meeting to set reference market prices of white rice and fragrant rice varieties was conducted at PMUAC office on the 21<sup>st</sup> of November 2017, under facilitation of the Union staff. It was attended by 25 participants (2 representatives of SoA, leaders of 8 ACs' signatory and members of PMUAC team). The meeting also discuss about the starting date and practical arrangement for paddy collection.

Regarding negotiation of reference prices for paddy, SoA and 8 AC have agreed on amounts indicated in the Table 5 below:

<sup>10</sup> This too late mobilization of the CB has also affected the process of purchase which was delayed. It thereof probably explain part of the side selling by farmers and lower volumes delivered to SoA, as reported below.

<sup>11</sup> This is the main issue and is the responsibility of Signatures of Asia, which has been very late to mobilize the Certification Body, and has considered to change the CB whereas the season was already advanced, which was objected by PMUAC because from one certification body to another, there can be some differences in the requirements for documentations, and PMUAC has get prepared based on Ecocert requirements. A change of Certification Body shall be decided much earlier in the season (preferably even before the cropping season starts) so the internal control system can be adapted to the specific requirements of the CB. The CB shall be contracted at the very beginning of the cropping season to the latest, and the timing of external inspections shall be scheduled months in advance.



**Table 5: Reference market prices agreed between Signatures of Asia and ACs for harvest 2017 and total price to be paid (including premium) for all grade of paddy**

Varieties	Grades (in contract)	Reference market price (riel/kg)	Premium (as in contract)	Price in 2017 to be applied by SoA (riel/kg)	Price to be paid to PMUAC (riel/kg)	Price to be paid to AC (riel/kg)	Price to be paid to farmer (riel/kg)
White rice	No. 1	900	300	1,200	50	30	1,120
	No. 2	900	275	1,175	50	30	1,095
	No. 3	900	250	1,150	50	30	1,070
	No. 4	900	225	1,125	50	30	1,045
	No. 5	900	200	1,100	50	30	1,020
Jasmine rice	No. 1	1,250	300	1,550	50	30	1,470
	No. 2	1,250	275	1,525	50	30	1,445
	No. 3	1,250	250	1,500	50	30	1,420
	No. 4	1,250	225	1,475	50	30	1,395
	No. 5	1,250	200	1,450	50	30	1,370

After they agreed on reference prices the two parties have set the time to start paddy collection from the 2<sup>nd</sup> week of December 2017. Representative of Signatures of Asia presented the approach for collection and payment of organic paddy, including quality checking, weighting, and recording.

#### 3.1.4.3. IMPLEMENTATION OF PADDY DELIVERY TO SIGNATURES OF ASIA



After external inspection by Ecocert completed on the 12<sup>th</sup> of December, the process of organic paddy collection has started to be implemented only from 20<sup>th</sup> of December 2017. This late start is due to the late moves of Signatures of Asia, and will certainly have a big impact of the actual volumes purchased, in regard of the 5,000 tons of the contracts.

△ Identification of organic paddy bags at collection points for contract with Signatures of Asia (Photo: PMUAC).

It is still too early to draw a full statement on the purchase by SoA. But as of 23<sup>rd</sup> of December, only 156 tons had been collected by SoA.

#### 3.1.5. SOME CONCERNS FOR NEXT YEAR?

##### 3.1.5.1. ISSUE OF THE JOINT LETTER RECEIVED BY PMUAC FROM SIGNATURES OF ASIA AND AMRU-RICE

On December 6, PMUAC has received a letter co-signed by Signatures of Asia and AMRU-Rice in which the two companies suggests to reduce from 50 to 20 KHR/kg the amount of premium channelled from ACs to the Union of Cooperatives. The justification evoked in the letter was that the market for organic rice was not as good as the year before... (suggesting that the intention of the company would be to also reduce the price they pay for the paddy by 30 KHR/kg? This is not very clear in the letter).

PMUAC organized an extraordinary meeting with its members involved in Contract Farming with SoA (the initiative of the letter was coming from this company), in order to react. The meeting has agreed on the position and on the terms of a reply to be sent to the companies (sent on 12 December). ACs engaged disagreed with the proposal from SoA (and AMRU), and mention that the terms of the contracts shall be respected, and could be only renegotiated for next year.

Yet the fact that this letter was sent by SoA and AMRU to PMUAC raises deeper concerns. In principle, the buyers negotiate a reference price and premium for the paddy they buy from ACs. This is the price they pay for an organic paddy, and (except possibly in the case of Fair Trade certification), the use of this income from selling paddy, the costs it has to cover and the way it is distributed between farmers, ACs and PMUAC is purely the internal business of the ACs and PMUAC, and SoA and AMRU shall not interfere within this decision making process (as ACs do not interfere with the costs or pricing of their partner millers/exporters). This behaviour still reflect a certain “paternalism” of the exporter over the ACs and Union which is not reflecting a fair and balanced relation between partners. We hope that in the future, AMRU and SoA will limit the discussion to the price they pay for the paddy, and not to the internal management discussion between PMUAC and its members.

Signatures of Asia has insisted by e-mail on 27 December, and SCCRP’s PMA had to take part in the discussion to present the arguments as developed in the above paragraph, and also the threat it would put on PMUAC capacity to continue to undertake its role.

#### 3.1.5.2. PMUAC SOURCES OF INCOME AND BUDGET 2018

As seen above, volumes of organic paddy delivered to AMRU and Signatures of Asia may reach only about 50% of the volumes that were committed by contracts. This will obviously affect PMUAC incomes and resources for next year, as the main source of income is in proportion of the volume sold. Moreover, as seen above, if AMRU and SoA tend to continue to pressure PMUAC to reduce the level of service fee it apply, it could affect the financial sustainability of PMUAC.

PMUAC should rapidly ask AMRU and SoA about their ambitions for paddy purchase in 2018, in order to know if they should maintain the same number of organic producers, or increase more, or reduce. This will directly impact on the number of ICS managers that PMUAC need to maintain, and thereof on its costs.

## 3.2. SUPPORT CONTRACT FARMING FOR SRP RICE PRODUCTION

### 3.2.1. CONTRACT FARMING FOR SRP RICE BETWEEN ACs AND BRICO

As reported previously, on the 24<sup>th</sup> of July 2017, Ponleu Thmey Ney Kdey Sangkhim Kasekor AC and Toeuk Chit Kasekor Kea Meanchey AC have signed Contract Farming agreements with BRICO for the production and supply of 1,196 tons of SRP *Phkar Rumdoul* paddy on 471.6 ha of land and involving 167 farmers. BRICO has then provided technical supports via VSO and WCS to the two contracted ACs following the terms of the Contract Farming agreements.

On 26<sup>th</sup> of October 2017, SCCRP project team conducted a mission and met with management committee of the two ACs and BRICO in order to follow up the implementation of the contracts. Issues and challenges encountered were discussed, some SRP fields were visited and reference prices were collected.

In general, the two parties respected all agreements committed but for this year, there was drought and it strongly affected on SRP production area of Toeuk Chit Kasekor Kea Meanchey AC and the yield was very low in general. Below are main results of CF implementation for the two ACs.

#### 3.2.1.1. CF BETWEEN BRICO AND PONLEU THMEY NEY KDEY SANGKHEM KASEKOR AC

Only 12 (out of 48) contracted farmers from this AC have delivered SRP paddy to BRICO, from 8 to 12 November 2017. The reason for this is that there were some issues/misunderstanding between BRICO and the management committee of AC regarding to the reference price setting, use of currency, quality of paddy and time of payment.

The purchasing activity was stopped on 13<sup>th</sup> November 2017. In total, 164.03 tons of SRP paddy were delivered to BRICo by this AC (it is about 47.96% of contracted volume).

#### 3.2.1.2. CF BETWEEN BRICo AND TOEUK CHIT KASEKOR KEA MEANCHEY AC

Members of this AC delivered SRP paddy from 01-12 December 2017. The harvest was a bit late because of drought. Only 68 among 118 contracted farmers sold their SRP paddy to BRICo, with a volume of 243.46 tons (approximately 28.9% of contracted volume).

#### 3.2.1.3. PERSPECTIVES

Even though, there were some issues happened, after first year experiences and reflection meeting between BRICo and management committee of Ponleu Thmey Ney Kdey Sangkhim Kasekor AC on 22<sup>nd</sup> of November 2017, the two parties still expressed willingness build on this experience and renew contracts next year.

### 3.2.2. CONTRACT FARMING FOR SRP RICE BETWEEN ACS AND AMRU-RICE

As stated in the previous Quarterly Report<sup>12</sup>, only 1,489 tons of SRP paddy have been delivered to AMRU by Chamroeun Raing Kesey AC and Kampong Preang AC, which represents about 43% of the minimum volume engaged in the contract.

Nevertheless, on the 22<sup>nd</sup> of November, AMRU and the cooperatives had a meeting to discuss about this first year of experience for SRP paddy supply. They have discussed issues, lessons learnt and challenges, and are still considering to pursue the partnership next year.

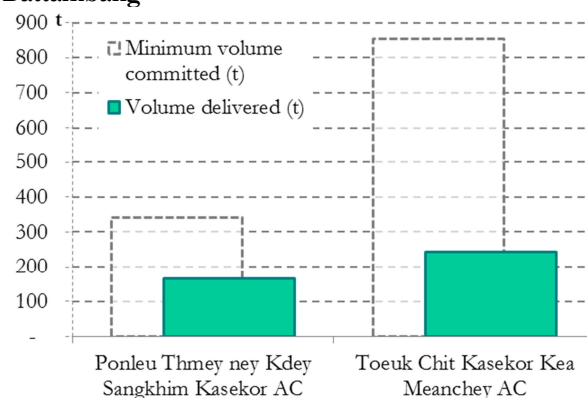
## 3.3. SUPPORT THE INVOLVEMENT OF FWUCS IN PADDY COMMERCIALIZATION AND DEVELOPMENT OF FWN SUPPORTING CAPACITIES

### 3.3.1. COLLECTIVE BUYING GROUPS FOR INPUT SUPPLY

#### 3.3.1.1. REPAYMENT OF FERTILIZERS PROVIDED AS PART OF CF IN STUNG CHINIT AND BARAY FWUCS

FWN and ISC continued to supervise and support the collection of repayments of fertilizers provided through “Input Buying Groups” in the FWUCs of Stung Chinit and Baray SR. 96.6% of the due amount has been collected (as shown in Table 6 next page). Nine farmers still have a total amount of 3.3 million Riels to repay. It will be collected in the next quarter. These farmers are late to reimburse because they have faced losses of production due to rats (in Baray) or heavy rains/ floods at harvest time.

**Figure 1: Volumes committed and delivered for the two contracts signed with BRICo for SRP paddy in Battambang**



<sup>12</sup> Cf. Quarterly Executive Report #19, § 3.2.2. page 19.

**Table 6: Situation of reimbursement of fertilizers for IBG in FWUCs of Stung Chinit and Baray SR**

Name of FWUC	Total amount due			Already re-paid			Still to be collected	
	Nb of villages	Nb of farmers	Total amount (KHR)	Nb of farmers	Amount (KHR)	% repaid	Nb of farmers	Amount (KHR)
Stung Chinit	9	79	45,009,000	71	41,978,000	93.3 %	8	3,031,000
Baray SR	4	36	52,620,000	35	52,319,640	99.4 %	1	300,360
<b>Total</b>	<b>13</b>	<b>118</b>	<b>97,629,000</b>	<b>106</b>	<b>94,297,640</b>	<b>96.6%</b>	<b>9</b>	<b>3,331,360</b>

### 3.3.1.2. Fertilizer buying groups in other FWUCs

Collective input purchase has also started to be implemented now with the support of FWN/ISC in the following FWUCs:

- Ksak FWUC;
- Spean Sreng FWUC, Bantey Meanchey;
- Dounkai Thmey FWUC;
- Prey Nup FWUC, Sihanoukville.

## 3.3.2. PADDY SELLING GROUPS

### 3.3.2.1. PADDY SELLING GROUPS FOR HARVEST FOR WET SEASON PADDY 2017

During this period (November mainly, FWN report does not yet integrate data for harvest of December), 219 farmers from the FWUCs of Stung Chinit, Kamping Puoy and Donkay Thmey had plan to harvest and sell collectively the production as Paddy Selling Groups. Only 10 farmers from Stung Chinit have sold a small volume (12.9 tons) of paddy together through PSG. All the rest was sold by farmers individually, as detailed in the Table 7 below.

**Table 7: Results of sales im PSG of Stung Chinit, Kamping Puoy and Donkay Thmey FWUCs**

Table 7: Results of sales in PSG of Stung Chinit, Kamping Puoy and Donkay Thmey FWUCs								
No. FWUC		Nb. Member	Paddy land (ha)	Sale volume plan (ton)	Sold through PSG		Sold out of PSG	
					Member	Quantity (Ton)	Member	Quantity (Ton)
1	Stung Chinit ( <i>Rumduol</i> )	123	147.28 ha	257	10	12.920 t	115	323.885 t
	Stung Chinit (85)	37	33.96 ha	94,25	0	0 t	32	41.550 t
2	Kamping Puoy	31	124.8 ha	348.25	0	0 t	29	160 t
3	Donkay Thmey	10	23.3 ha	23	0	0 t	10	23 t
Total		219	329.34 ha	722.50	10	12.920 t	186	558.435 t

### 3.3.2.2. PLANNING OF SALES FOR OTHER PADDY SELLING GROUPS FOR HARVESTS BETWEEN DECEMBER 2017 AND MARCH 2018

FWN and ISC have supported the PSG of FWUCs of Angko, Baray, Popideum, Ping Pong Polyum and Kroch Seuch to gather data from their members and plan the volumes and period of sales of paddy for the up-coming harvests, between December 2017 and March 2018. Outcomes of this planning exercise are shown in the Table 8 next page.

**Table 8: Plans of sales by FWUCs PSG from December 2017 to March 2018**

No.	FWUCs	Nb of group	Nb of member	Paddy field (ha)	Estimated volume(t)	Target sale period
1	Ang ko	20	29	101	505	25 Feb – 25 Mar 2016
2	Baray	13	53	127.7	306.2	25 Jan -02 Mar 18
3	Popideum	15	43	68.26	270	10 Dec 17- 15 Jan 18
4	Ping Pong	12	20	72.8	290	05-29 Dec 17
5	Polyum	20	?	80	320	
6	Kroch Seuch	9	20	44	176	
<b>Total</b>				<b>493.76</b>	<b>1867.2</b>	

### 3.4. KNOWLEDGE MANAGEMENT, CAPACITY BUILDING, POLICY AND REGULATORY ISSUES ON CONTRACT FARMING

#### 3.4.1. DEVELOPMENT OF A MANUAL / GUIDELINES ON CONTRACT FARMING IN CAMBODIA

Taskforce meeting on Contract Farming for validation of CF Manual took place in MAFF on 31<sup>st</sup> of October 2017. The meeting was chaired by H.E. Ty Sokhun, Secretary of State of MAFF. The meeting has validated the Manual, but has some participants were asking to get an additional round of consultation and feedback, it was decided by the Chairman of the taskforce that the Training sessions (based on the Manual) scheduled in November and December 2017 (See below) would be used to gather additional feedback that could be incorporated in the final version by DAI and SCCRП team before sending the Manual for printing.

DAI has also asked for a bit of time to polish the wording of some part of the text.

#### 3.4.2. IMPLEMENTATION OF THE TRAINING WORKSHOPS ON CONTRACT FARMING

Four inter-provincial training workshops on Contract Farming have been successfully planned and implemented in November and December 2017. Two of these trainings workshops were opened by H.E. Ty Sokhun. The training workshops were facilitated jointly by DAI and SCCRП Project team (mainly from AVSF and CIRD). Each training workshop was conducted over three full days, the two first days being “in-class”, with a standard curriculum based on the content of the Manual on Contract Farming, and the third day being dedicated to a field study on one particular case of Contract Farming. Field studies were thereof different for each of the four workshops.



△ Group picture during training workshop on Contract Farming in Battambang



△ Certificates delivered to trainees after training session in Seim Reap and field visit in Preah Vihear.



Trainees were mainly officers from the different Provincial Departments of Agriculture, Forestry and Fisheries (mainly from Offices of Agro-Industry and Offices of Agricultural Cooperatives Promotion), but also few participants from other organizations (FO Federations, NGOs...). See details in Table 9 below:

**Table 9: List of inter-provincial Training Workshops on Contract Farming**

Location	Dates	Study case (field visit)	Participants			
			SCCRP/ DAI/MAFF	PDAFF	Other	TOTAL Trainees (*)
<b>Siem Reap</b>	15-17 Nov.	Organic paddy in Preah Vihear	8	19	1	20
<b>Battambang</b>	22-24 Nov.	SRP rice with AMRU	9	17	3	20
<b>Kampot</b>	20-22 Dec.	Kampot Pepper	10	20	0	20
<b>Kampong Cham</b>	27-29 Dec.	British American Tobacco	7	21	1	22
<b>TOTAL</b>				<b>77</b>	<b>5</b>	<b>82</b>

(\*) Not including SCCR / DAI / MAFF people (trainers, organizers and officials).

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

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

#### 4.1.1. FOLLOW UP ON APPLICATIONS FOR LOANS SUBMITTED BY ACs, AND NEW APPLICATIONS

Three new applications for loans were introduced by Agricultural Cooperatives (supported by FAEC or FCFD) during this quarter. Two of them have been accepted by RDB (yet with reduced amounts compared to the initial requests):

- A loan of 20,000 USD to Kampong Speu Sugar Palm Agricultural Cooperative;
- A loan of 15,000 USD to Trapeang Russey AC in Kampong Thom.

The third application for loan (from Sambour Meas Meanchey AC) was rejected because RDB has estimated that the management capacities of the AC were not sufficient.

The Table 10 below summarizes the situation of all requests for loans introduced by ACs since the new policy for credit to ACs was endorsed by RDB in June 2016 <sup>13</sup>.

**Table 10: Requests for loans submitted by FOs to RDB and follow-up**

N°	Name of AC	Province	Date of request submission	Member of	SCM score	Amount of loan requested	Type of business	Type of collateral	RDB decision	Guarantee mobilized	Amount of the loan accepted	Capital already reimbursed
1	Samaky Rithy Ta Orng	Prey Veng	30-Aug-16	FCFD	78	\$ 5,000.00	Fertilizer trade	Hard-title	No			
2	Punleu Samaky Meanchey Prech	Prey Veng	30-Aug-16	FCFD	73	\$ 5,000.00	Fertilizer trade	Hard-title	No			
3	Baphnom Meanchey	Prey Veng	14-Sep-16	FCFD	68	\$ 5,000.00	Fertilizer trade	Hard-title	Yes	Yes (40%)	\$ 5,000.00	\$ 5,000.00 ✓
4	Sahakum Ksikam Samaky Thkov	Prey Veng	14-Sep-16	FCFD	62	\$ 5,000.00	Fertilizer trade	Hard-title	No			
5	Chamroeun Phal Raingkesei	Battambang	20-Sep-16	FAEC	87	\$ 9,070.00	Rice trade	Soft-title	Yes	Yes (50%)	\$ 6,000.00	\$ 6,000.00 ✓
6	Trapeang Russey	Kpg Thom	17-Oct-16	FCFD	89	\$ 30,000.00	Paddy + seeds trade	Hard-title	No			
7	Oudom Sorya	Takeo	20-Mar-17	FAEC	83	\$ 7,000.00	Rice trade	Soft-title	Yes	No	\$ 7,000.00	
8	Baksey Reakreay	Takeo	20-Mar-17	FAEC	66	\$ 20,000.00	Fertilizer & rice trade, mill	Soft-title	Yes	No	\$ 11,000.00	
9	Trapeang Kranhoung	Takeo	23-Mar-17	FCFD	90	\$ 10,000.00	Fertilizer & rice trade	Soft-title	Yes	No	\$ 10,000.00	
10	Sangkahak Kaksekor Samyong	Svay Rieng	24-Mar-17	FAEC	71	\$ 15,000.00	Fertilizer & rice trade, mill	Soft-title	No			
11	Phnom Krapeu AC	Battambang	13-Jul-17	FAEC		\$ 5,000.00	Fertilizer & rice seeds trade	Soft-title	No			
12	Kampong Speu Sugar P.K. Speu		9-Oct-17	FAEC	81	\$ 30,000.00	Fertilizer trade, Sugar and buy high ladder	Soft-title	Yes	No	\$ 20,000.00	
13	Trapeang Russey	Kpg Thom	6-Nov-17	FCFD	89	\$ 20,000.00	Paddy + seeds trade	Hard-title	Yes	No	\$ 15,000.00	
14	Sambour Meas Mean Ch Kpg Thom		6-Nov-17	FCFD	62	\$ 5,000.00	Fertilizer Trade	Soft-title	No			

#### 4.1.2. REVIEW OF THE CREDIT OFFER TO FO AND OF THE PARTNERSHIP BETWEEN RDB AND FO FEDERATIONS

In November 2017, HORUS Development Finance / Advans International has implemented its last mission in support to Credit to Farmer Organizations. The mission was implemented by Mrs Christine Westercamp and Mrs Roxana Savescu.

<sup>13</sup> Cf. Quarterly Executive Report #14, Section 4.2., pages 29-30.

The mission has:

- Implemented a quick assessment of FO Financial needs (based on some field visits and discussions with FO Federations and support organizations)
- Reviewed the RDB Credit Offer and identified (based on the above assessment) some possible adjustments / improvements in the offer as well as in the procedures for assessments of loan applications, decision making and disbursements.
- Proposed the consolidation of the partnership between FO Federations (FAEC and FCFD) and RDB, notably by drafting a Memorandum of Understanding. But the Rural Development Bank has finally expressed a reluctance to formally engage with FO Federations by signing a MoU with them<sup>14</sup>. Yet RDB CEO said that the possibility of signing such a MoU could be submitted to RDB Board of Directors.

## 4.2. GUARANTEE MECHANISMS

### 4.2.1. SUPPORT TO THE ESTABLISHMENT OF THE CREDIT GUARANTEE FUND IN MEF

In November, HORUS mission (Mrs Christine Westercamp) has also finalized the support to the development of guidelines and management tools for MEF's Credit Guarantee Fund.

Revised guidelines have been provided by the consultant in November 2017, taking into consideration comments received from SNEC, and guidelines for portfolio guarantee were provided in addition to the ones for individual guarantee.

Last, on 22<sup>nd</sup> of November, Mrs Westercamp has facilitated a training session to the officers in charge in MEF, presenting the guidelines and tools for the use of the Guarantee Funds.

### 4.2.2. INABILITY OF SCCRP PROJECT TO CONTRIBUTE TO MEF FUNDS

Whereas it was previously foreseen that the SCCRP project could use a part of its remaining funds to contribute to the initial capital of MEF Guarantee Fund, this possibility finally appears as not feasible, for two reasons:

- First for a matter of timing, as the deadline for AFD disbursements of funds under the financing agreement CKH-1077 is reached on 31<sup>st</sup> December.
- Second, because as the financing agreement is signed by AFD with MEF, MEF could not directly be the beneficiary of funds. So since the Guarantee Fund will be a MEF Fund, it would not be eligible to receive a dotation in capital from the project<sup>15</sup>.

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<sup>14</sup> Despite RDB had validated the Terms of Reference of HORUS mission, in which the objective of drafting such a MoU was clearly stated.

<sup>15</sup> Project management team has been informed of this constraint only on 15 November 2017, during the last meeting with the AFD supervision mission, whereas it was clear since the 1<sup>st</sup> Quarter of this year (Cf. Quarterly Executive Report #17, § 4.2.2., pages 29-30), that the Guarantee Fund would be a MEF fund.

## 5. COMPONENT #5: CROSS-CUTTING ISSUES

### 5.1. RICE POLICY REVIEW AND UP-DATE

On 26<sup>th</sup> of October, the Working Group in charge of the preparation of the new Rice Policy<sup>16</sup> had a meeting. Mr Bun Hay (SNEC) has presented the current progress of the policy development and participants have raised comments.

After this meeting, and as it was already foreseen<sup>17</sup>, SCCR project has contracted Mr Srey Chanthy to provide some further support to improve the draft policy. His contract was signed on 1<sup>st</sup> December<sup>18</sup>. The first phase of the contract has been implemented and Mr Srey Chanthy has delivered a revised version in end of December.

A second and third phase can be mobilized under the same contract but requires to define precise tasks and outcomes, which SNEC still had to do as of 31<sup>st</sup> December 2018.

### 5.2. ANALYSIS OF ADDED VALUE DISTRIBUTION IN CAMBODIAN RICE SECTOR AND SETTING-UP A PERMANENT RICE SECTOR ECONOMIC OBSERVATORY

On 26<sup>th</sup> of October, the same Working Group in charge of the preparation of the new Rice Policy was also consulted on the draft of 1<sup>st</sup> issue of Cambodian Rice Sector Observatory Bulletin, presented by CPS. Some comments were made, and in the following weeks, there have been additional exchanges of comments and improvements of this first bulletin, until a Final English version was sent by CPS to SNEC on 18<sup>th</sup> of December 2017, version that has been accepted by SNEC.

Khmer version is still expected from CPS, before we can proceed to dissemination.

### 5.3. PROJECT KNOWLEDGE MANAGEMENT AND LESSONS LEARNT

All 8 case studies, 4 policy notes and 1 synthesis document on SCCR project experiences have now been fully drafted and shared with SNEC and AFD for comments/feedback.

Translation to Khmer of few case studies has started.

There might be minor changes / updates in early January in case there are important new elements to reflect.

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<sup>16</sup> This Working group is composed of SNEC (chair), MAFF, MoC and CRF.



















<sup>17</sup> Cf. Quarterly Executive Report #19, § 5.1., page 28.












<sup>18</sup> (it took some time to get AFD's non objection).









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## **ANNEXES**

## ANNEX 1: ANNOUNCEMENTS POSTED ON THE PADDY TRADING PLATFORM DURING THIS QUARTER

	<p><b>White rice - 237 t</b></p> <p>15-Dec-2017 - 31-Dec-2017</p> <p>Mixed type of seeds</p> <p>Battambang, Thma Koul, Anlong Run</p> <p>Chorb Kab Chauk Chey Agricultural Cooperative</p> <p>092503432 / 0976502288</p>	 
	<p><b>Fragrant - 270 t</b></p> <p>10-Dec-2017 - 15-Jan-2018</p> <p>Own Seeds</p> <p>Banteay Meanchey, Mongkol Borei, Banteay Neang</p> <p>Por Pi Deum_Farmer Water User Community</p> <p>012424816</p>	 
	<p><b>Fragrant - 257 t</b></p> <p>15-Feb-2018 - 2-Feb-2018</p> <p>Own Seeds</p> <p>Siem Reap, Puok, Samraong Yea</p> <p>Baray_Farmer Water User Community</p> <p>017778490</p>	 
	<p><b>White rice - 50 t</b></p> <p>25-Jan-2018 - 6-Feb-2018</p> <p>Own Seeds</p> <p>Siem Reap, Puok, Samraong Yea</p> <p>Baray_Farmer Water User Community</p> <p>017778490</p>	 
	<p><b>Fragrant - 290 t</b></p> <p>10-Dec-2017 - 15-Jan-2018</p> <p>Own Seeds</p> <p>Banteay Meanchey, Mongkol Borei, Soea</p> <p>Ping Pong_Farmer Water User Community</p> <p>011344224</p>	 
	<p><b>White rice - 510 t</b></p> <p>25-Feb-2018 - 25-Mar-2018</p> <p>Own Seeds</p> <p>Kampong Thom, Kampong Svay, Kampong Kou</p> <p>Ank kor_Farmer Water User Community</p> <p>0978744940</p>	 

	<b>Fragrant - 1350 t</b>  Tricyclazole Free 1-Dec-2017 - 31-Jan-2018 Purchased quality seeds Battambang, Battambang, Ou Mal Ponleu Sat Trey Agricultural Cooperative 078649976
	<b>Fragrant - 1000 t</b>  Tricyclazole Free 10-Dec-2017 - 31-Jan-2018 FO produced seeds Battambang, Bavel, Khnach Romeas Sang Ha Phal Agriculture Cooperative 012675589
	<b>White rice - 400 t</b> 1-Dec-2017 - 31-Jan-2018 Own Seeds Battambang, Thma Koul, Chrouy Sdau Nikom Prah Sihanuk Agricultural Cooperative 077894942
	<b>Jasmine - 300 t</b>  Tricyclazole Free 6-Nov-2017 - 15-Dec-2017 Own Seeds Siem Reap, Svay Leu, Svay Leu Sambo Rong Roeung Agricultural Cooperative 085470300 / 0716268110
	<b>White rice - 80 t</b>  Tricyclazole Free 1-Dec-2017 - 18-Dec-2017 Own Seeds Prey Veng, Kampong Trabaek, Ansaong Samaki Rithy Ta Oang Agricultural Cooperative 016554751
	<b>White rice - 800 t</b>  Tricyclazole Free 30-Nov-2017 - 30-Dec-2017 Own Seeds Prey Veng, Kampong Trabaek, Thkov Samaki Thkov Agricultural Cooperative 0979569847

	<p><b>White rice - 100 t</b></p> <p>✓ Tricyclazole Free</p> <p>24-Nov-2017 - 15-Dec-2017</p> <p><b>Own Seeds</b></p> <p>Prey Veng, Kampong Trabaek, Ansaong</p> <p><b>Samaki Rithy Ta Oang Agricultural Cooperative</b></p> <p>016554751</p>	 
	<p><b>White rice - 1000 t</b></p> <p>✓ Tricyclazole Free</p> <p>24-Nov-2017 - 15-Dec-2017</p> <p><b>Own Seeds</b></p> <p>Prey Veng, Kampong Trabaek, Thkov</p> <p><b>Samaki Thkov Agricultural Cooperative</b></p> <p>0979569847</p>	 
	<p><b>Jasmine - 500 t</b></p> <p>12-Nov-2017 - 29-Dec-2017</p> <p><b>Project/MAFF seeds</b></p> <p>Battambang, Thma Koul, Chrouy Sdau</p> <p><b>Nikom Prah Sihanuk Agricultural Cooperative</b></p> <p>077894942</p>	

(Note: announcement with the grey background are the ones already discarded when we copied the information from the platform).



