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### Producing Benefits for the Rural Poor from Good Practices in Rice Contract Farming, Cambodia

The Cambodian government is committed to increasing rice productivity and aims to soon become a major rice exporting country of the Greater Mekong Sub-region (GMS). The national policy of 2010 aimed to achieve milled rice exports of at least 1 million tons by 2015 (The Council of Ministers, 2010). The government could well use contract farming to boost production, as it is considered to be one of the best ways of promoting and developing more commercially-oriented smallholder rice production.

Contract farming of rice is still a new phenomenon in Cambodia even though several rice contract farming companies have been promoting the system for a few years. A recent study entitled *"Making economic integration work for rural poor through contract farming practices in the GMS"*, investigated rice and sugarcane contract farming practices in four countries (Cambodia, Lao PDR, Myanmar and Thailand) and found that about 39% of farmers interviewed in Cambodia had engaged in rice contract farming. Contract farmers were 1.4 times as likely as non-contract farmers to have had increased profits per hectare in the last five years. However, a third of farmers who had engaged in rice contract farming dropped out in the first 2 years. The most important challenges they face is that , it is difficult to meet the rice quality standards required by that the company (62% of farmer interviewees complained of difficulties in meeting the quality standards). A second challenge is that both contractors and farmers at times may break the contractual agreements or rules (e.g. delays in payment for rice delivered, poor quality rule adherence). A third challenge is that farmers feel they have insufficient farm management knowledge within a commercial context. .

This recent study of rice contract farming revealed that it is a good way to benefit farmers who can adapt well to the farm management techniques recommended by the contract farming companies. Farmers report improvements in their livelihoods since they have become involved in a contractual arrangements. One farmer living in Duong village, Choam Sangkae commune, Kompong Speu province said, *"I have used the farm practices that the company taught me and I work hard on my farm. I can meet the company's rice quality standard and I am still currently contracted now. But most people are careless and lazy in taking care of their rice crop. So, how can they expect to get a good rice yield and meet the companies' standards?"*.

Active farmer engagement in the process is a crucial to the sustainability of the rice contract system. The study found significant differences in the contract farming models in place in the four countries.. In the case of Cambodia, a good practice in encouraging sustainability of the system is to allow farmers to buy shares in the contract farming company. In this way farmers become part owners of the rice value chains of a company. . A farmer interviewed in Chhey Thmey village, Prey Kmeng commune, Kompong Speu province mentioned that he bought 10 shares from CEDAC enterprise for 10,000 Riels (US\$2.5) per share in year 2011-12. He expects to have a good dividend from his shares in coming years.

The culmination of these findings is a call for policy action. First, encouragement of young farmers to join contract farming is recommended, as they are likely adapt quickly to the new agricultural skills required. Second, strengthening the leadership capacity of existing farmer associations or farmer groups is imperative to get farmers actively involved in the contractual farming arrangement process, giving them better rights and conditions.

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