

The Current Paddy Rice Price Crisis in Cambodia: Wake-Up Call On a More Systemic Problem

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"We, 164 families, have been faced with drought, insects and worms that are destroying our crops and that led to a lesser yield; the harvested yields are sold at a low price on the market," reads the letter of families affected by the rice price crisis to the *Phnom Penh Post*. [1] These families sought the help of the Prime Minister to secure loans that could cushion the impact of the crisis.

A recent farmers' protest over the sharp drop in farm gate price of paddy rice in Battambang province, located in northwestern Cambodia and reputed to be a leading rice-producing province of the country, has exposed not only the price but also the current economic neo-liberalization crisis, and its impact on farmers' lives.

In another news article, one Battambang farmer who had joined the protest, Sok Chanthy, 46, explained what was happening: "We already harvested the rice but there is no market for it." [2]

Apart from paddy rice, other agricultural products, mainly pumpkins and cassava [3] have also been reported as facing a similar problem. The impact on farmers is immediate as the situation has made farming less feasible. Thus, farmers and millers welcomed government's intervention through a USD 27-million fund allocation under "Government's Special Program" [4] to give loans to the quality rice millers to stabilize paddy rice price and boost domestic paddy rice purchase. Yet, more than loan assistance, it is a must to raise critical questions. What was the root cause of the paddy rice and other agricultural products' price crisis? Why did it worsen this year? Will the crisis happen again in the future? How will the government's intervention (special programs) benefit farmers, especially small scale farmers? Is there a protection mechanism to prevent farmers from being pushed deeper into a circle of debt and poverty due when a similar crisis occurs in the future?

Dumping of Imported Agricultural Products

The current crisis is indicative of government incompetency in protecting its own farmers' products from dumping by other countries, including neighboring countries Thailand and Vietnam. The current system is structured to give exclusive power to those with huge capital (cash/money) to invest in the agriculture sector. The government has also failed to hinder the manipulation of the price of paddy rice and other agricultural products by brokers (both from local communities and/or

outsiders from other areas or countries), rice millers, and agribusiness companies. The government has played almost no role in ensuring a just agriculture market price, where buyers (brokers, rice millers, agribusiness companies, etc) now hold power to set the prices of agricultural products. This has increasingly pushed more independent farmers, especially small scale farmers, to give up their farming and/or become contractual farmers, plantation workers, and/or migrant workers.

The agriculture products market has become very unstable and insecure for farmers. There has not been any guarantee that once farmers' products are harvested, they can access the market and sell their produce at prices fair to them. The farmers have substantially depended on brokers, rice millers, and agribusiness companies to buy their products. Though the common practice was that agricultural products were traded through verbal agreement, contractual agreement or "Contract Farming" is also used and mostly by agribusiness companies, including for paddy rice, paper, livestock, cash crops, palm oil, etc [5]. But there are also farmers who will just grow whatever products others are growing believing that these products can have better market prices. This lack of planning resulting in more supply of some agricultural products has also contributed to the plummeting of prices. This situation has existed for many years, but it has worsened this year.

Aggravating the situation is the flooding of the local market by agriculture products from either Vietnam or Thailand (sold at cheaper prices). Local products cannot compete unless the brokers, rice millers, and agribusiness companies lower the prices at which they purchase farmers produce. The farmers have been consistently left with fewer choices and less power to bargain for their products' prices. Firstly, many of them have to be able to work on their paddies soon after harvest. With climate change, the rainy season has extended and they have to plant before the paddies get damaged by the rains. Secondly, many of them are indebted to micro finance institutes (MFIs), commercial banks, local private money lenders, and/or NGOs running credit program, and thus need cash to pay these debts.

"The price of rice was appropriate last year, about 11,000 baht [about \$315] per tonne. But this year, the traders offered only 6,000 baht [\$172] per tonne. How can we sell our rice if the price does not even cover our capital?" asked Soeung Soda, 51, another farmer who joined the protest. [6]

"This is happening in Takeo and Kampong Speu province. It is happening all over the country. It impacts other agricultural products too, mainly pumpkins and soybeans. It has become the farmers' serious problem. The declining paddy rice prices and of other agricultural products is in itself not a new tendency. It has existed since 2008. But, it has worsened recently," said Chea Sopheap, a farmer in Kampong Speu province and the representative of Farmers for Farmers Network (FFF), during an interview with Focus on October 5.

Indebtedness

Without the government's support/subsidy for agriculture inputs (chemical fertilizers, pesticides, seeds, and machinery rental), borrowing money from the above institutions and individual private money lenders is the farmers' only choice, despite high interest rates (between 24 percent to 48 percent annum from MFIs, commercial banks, and/or NGOs running credit program or 50 percent to 200 percent per annum from individual private money lender). They risk losing their houses and other properties to the lenders if they cannot pay back the debt.

Farmers are trapped in a debt bondage because of the current price crisis. Some of them have to sell their lands and other property to pay off the debts, while some choose to migrate to seek jobs that can help pay off the debt Social Action for Change: Understanding contract farming operation in Cambodia, 2011. [7].

In Radio Free Asia, a woman farmer who grew pumpkins in Stung Treng province in northeast Cambodia expressed her frustration about the imbalance between the pumpkins market price and her investment in inputs [8]. She said that the price brokers offer is very low 150 riel (USD 0.04) to 500 riel (USD 0.12) per kilogram this year which is lower than 1000 riel (USD 0.24) per kilogram last year. This is not even sufficient to pay her debt. Her situation is similar to many other people in her village who owed micro finance institutes (MFI), commercial banks, and private money lenders. The plummeting of pumpkin's price has pushed her and others to this position. She pointed out that some of them decided to burn or use chemical pesticide to kill their harvests because the price offered was too cheap to even cope with the cost of transporting the product from the fields to the broker's place. She said that she will no longer grow pumpkins or farm in the coming year, given her severe experience. In the same interview, another male farmer also stressed his frustration about the debt issue. He said he might have to sell his land to pay his debt but was worried that the price of land was not good.

There is almost no safeguard mechanism to protect the farmers, especially small scale farmers from such crisis. This imbalance between investment in agriculture inputs and earnings from outputs has been an ongoing challenge for many farmers. The prices of chemical fertilizers, pesticides, seeds, and machinery rental keep increasing every year, whereas prices of agricultural products have remained low or have decreased. This trend has caused farmers to be trapped in a debt cycle, pushing them to give up on their farming. Two weeks before the protest in September, 164 families in Preah Vihear province submitted a letter to the Prime Minister to urge him to intervene by delaying their debt payment.

Government's Response to the Price Crisis

"We've been waiting for these loans for a long time like fish waiting to be fed. I hope to receive the loans soon so that we can survive," said Phon Nary, Director General of Heng Huch Rice Mill in Battambang province. [9]

A day after the farmers' protest, the Rural Development Bank of Cambodia (RDB), the government-owned bank, confirmed that they had received USD 27 million worth of funds from the government (USD 20 million was funded by government's budget and USD 7 million is the RDB budget) for use in emergency loans to the quality rice millers [10]. The rice millers will be charged eight percent year interest rate. The government's special program was formally announced by the Ministry of Economic and Finance (MoEF) a few days before the farmers' protest. [11] The rice millers welcome the announcement. They said that they had been waiting for these loans for a long time and had compared their situation to "fish waiting to be fed." [12]

Earlier this year, the Cambodia Rice Federation (CRF) led by the Prime Minister's son-in-law Sok Puthyvuth [13] (the son of Minister of Council of Ministers Sok An and the Soma group's CEO [14]) had pushed for immediate action by government to crack down on illegal rice importation and set up quota for rice import, reschedule debt for the millers, and give soft government loans of between USD 20 to USD 30 million [15].

RDB later launched a campaign called "Buying Cambodian' Rice = Helping Cambodian Farmers" urging Cambodian people to buy their locally-produced rice. In response, a well-known tycoon (Oknha Hong Piv), the owner of New World Group, one among the big real estate companies in the country, stepped up by buying 380 metric tonne (tons) of milled rice and immediately distributing them to urban poor communities and workers. The Cambodian Senate also released a statement that they will buy 63 tons of milled rice through a locally-operated radio company named ABC. There was

however no information on the criteria used by the Senate in deciding to buy milled rice from this company that was neither a farmers' organization nor a rice miller. The only thing known was that ABC was recently promoted by the Prime Minister as a good radio company.

In addition, the Minister of Ministry of Agriculture, Forestry and Fisheries (MAFF) said that the MAFF and Ministry of Economic and Finance (MoEF) will work together to prepare a policy on contract farming to prevent another crisis from happening in the future [16]. A framework of action consisting of five priority points was released for implementation (though this was not an outcome of the meeting of the inter-ministries working group comprising the Ministry of Commerce (MoC), MAFF, and MoEF). The five priority points include:

1. Continue to monitor the implementation of the measures set out to promote the paddy rice and milled rice prices through government's special package (USD 27 million);
2. Strengthen the procedure for importing of agricultural products from neighboring countries;
3. Disseminate market information to farmers;
4. Collaborate with development partners to accelerate the development of warehousing and drying kilns, and
5. Coordinate and negotiate with trading partners to boost for export of rice and agricultural products [17].

Looking at the Impact of Government's Special Program

"The government special program (USD 27 million budget allocations) is the government's strategy to put off criticism by farmers over the current crisis. Yet, the money has not directly benefited or helped the farmers. And the price policy of paddy rice (which the government announced should not be below 840 riels (USD 0.21) per kilogram) has not also been implemented. Our members in Battambang province told me that they remained receiving cheap prices offering (between 680 riels (USD 0.17) to 740 riel (USD 0.18) per kilogram) from the brokers and the local rice millers even after the announcement," said Chea Sopheak.

Yet, the current crisis is not just about the farm gate price of paddy rice. It is a systemic crisis. Thus, the recent response from the government alone cannot address it. The government's responses would need close monitoring and assessment to ensure that support is given to all without considering the political inclinations of farmers and nepotism. More importantly, such subsidy must be made available to small scale farmers as they are the ones who have been hit the most by the crisis without going through the rice millers. Government should seriously consider to take proper action to address the rural debt issue in which many farmers are heavily indebted to the MFIs, commercial banks, NGOs running micro credit program, and other private money lenders. Farmers, including the small scale farmers shall be assured that they can access government supports/subsidies, including finance (government credit with low interest rate) and technical support once they need these to make them secure in their livelihood. Such a campaign for buying local products must be promoted and maintained. It must be applied as a system rather than a charitable event.

The price crisis is a wake-up call for the Cambodian government to conduct an assessment of its current export-oriented economic liberalization model that the government has been obsessed with. In the meantime, good policy and strong regulation (aimed at setting up a safeguard mechanism) to

protect farmers' products and/or other local agricultural products must be prioritized to prevent further harm and victimization of farmers, especially small scale farmers, in the form of loss of their livelihoods and identities.

"For me, contract farming is good for us to have collective power in negotiating our products prices with the buyers. But, other farmers reject this model based on their experiences with more problems created for them, including farmers losing their sovereignty in producing their agricultural products, because under contract farming they are required to produce whatever it is agreed in the contract which fit in the company/buyer business. Farmers need to have lots of money to invest in setting up their productivity to fit the company/buyer's standard. And after all, the buyer/company earns more because they are the ones who set the price and criteria for quality of the products that we, the farmers are producing," said Chea Sopheak.

The future of independent farmers, especially the small scale farmers, remains uncertain. More and more, farmers have become transformed into local and migrant workers. In some cases, they have become workers on their own land having been transformed into contractual farmers now bound by their contract to agribusiness companies. Once again even formerly independent farmers find themselves with less power to negotiate their products' prices and/or decide on the products they want to grow on their own lands. In this situation, they are more vulnerable as they can end up losing their business when an agribusiness company decides that their products do not meet the company's criteria.

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P.S.

* <http://focusweb.org/content/current-paddy-rice-price-crisis-wake-call-more-systemic-problem>

Footnotes

[1] Phnom Penh Post, September 1, 2016.

[2] Phnom Penh Post, September 19, 2016.

[3] Cambodia Daily, Cassava prices drop sharply amid low demand.
<https://www.cambodiadaily.com/news/cassava-prices-drop-sharply-amid-low-demand-108043/>

[4] Find more information (in Khmer) here.
<http://freshnewsasia.com/index.php/en/34506-2016-09-16-10-25-58.html>

[5] Social Action for Change: Understanding contract farming operation in Cambodia, 2011.

[6] Phnom Penh, September 19, 2016.

[7] Find more information (in Khmer) here.
<http://www.freshnewsasia.com/index.php/en/34089-2016-09-12-10-31-24.html>

[8] Radio Free Asia, September 26, 2016.

[9] Phnom PenhPost, September 19, 2016.

[10] Phnom Penh Post, Terms announced rice lending package.

<http://www.phnompenhpost.com/business/terms-announced-rice-lending-package>

[11] Find more information (in Khmer) from here, Fresh News Asia.

<http://freshnewsasia.com/index.php/en/34506-2016-09-16-10-25-58.html>

[12] Phnom Penh Post, Terms announced rice lending package.

<http://www.phnompenhpost.com/business/terms-announced-rice-lending-package>

[13] Cambodia Daily, Rice federation reelects prime minister son-in-law.

<https://www.cambodiadaily.com/news/rice-federation-re-elects-prime-ministers-son-in-law-114968/>

[14] Find more information from here.

<http://www.somagroup.com.kh/index.php/new-rice-body-gets-president/>

[15] Phnom Penh Post, Taskforce weigh measures rice sectors future.

<http://www.phnompenhpost.com/business/taskforce-weigh-measures-rice-sectors-future>

[16] Find more information (in Khmer) from here.

<https://thmeythmey.com/?page=detail&ctype=article&id=44809&lg=kh>

[17] Find more information (in Khmer) from here.

<http://m.freshnewsasia.com/index.php/en/35569-2016-09-27-09-31-55.html>