

## Discussion Paper

### Northwest Agricultural Market Association (NAMA)

"Cambodia Crop Production and Marketing Project" (CCPMP)

ACIAR Project ASEM-200-130

Stephen Gniel - *October, 2008*

## Background

The three Cambodian provinces that border Thailand in the north-west of the country are Battambang, Pailin and Banteay Mean Cheay. Within these provinces there are a number of border crossings that are used to varying degrees as trade routes between Cambodia and Thailand. The figure below shows the 2006 distribution channels for maize and soybean in western Cambodia including the four levels of traders involved in exporting to Thailand: Collectors, wholesalers, silos/small drier and Thai traders.

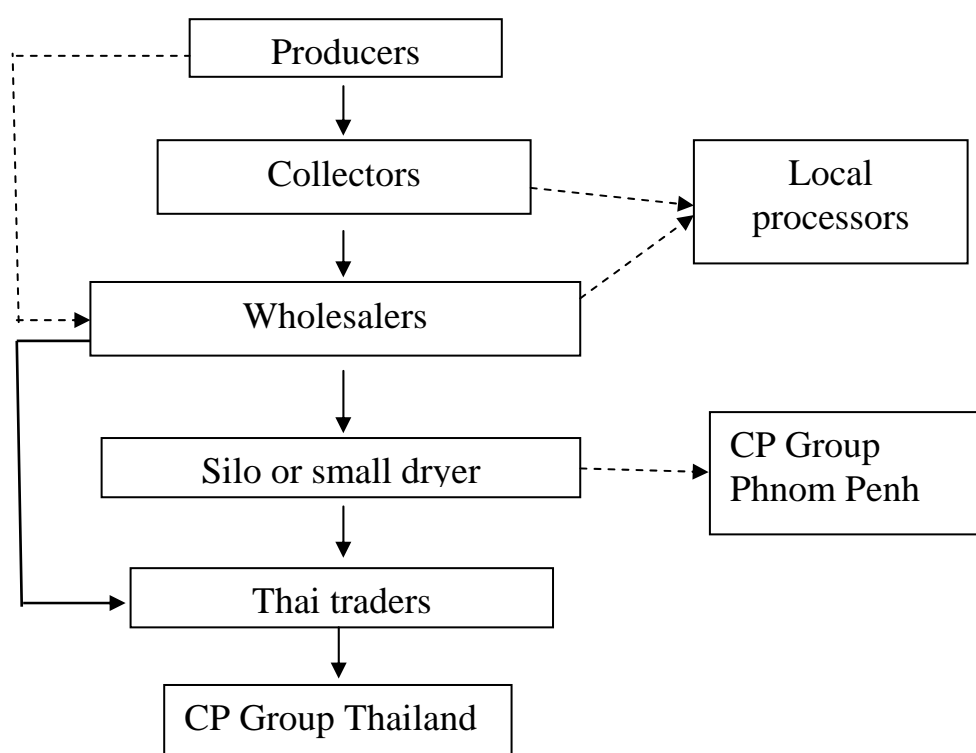


Figure 1: Maize and soybean distribution channels – Western Cambodia<sup>1</sup>

There are also now reports of producers/farmers selling directly to Thai traders, which has been raised as a concern by Cambodian collectors, wholesalers and silo/small drier owners in the area<sup>2</sup>.

<sup>1</sup> Source: 'The economic impact analysis on border fee on maize in western Cambodia', Nou Keosothea, 2006

<sup>2</sup> Un Buntha, September 2008

The idea of a silo federation had been floated with silo managers/owners along the north-west Cambodia border as part of the previous ACIAR marketing project to help to address marketing issues in the area. Silo managers/owners were, at the time, keen to hear more about the possibilities a silo federation could bring, however, they were unable to establish the federation without assistance. During 2008, the possibility of establishing an association was again raised with silo manager/owners seeking the assistance of the Ministry of Commerce and ACIAR project team members. As part of an ACIAR field trip in May 2008 to evaluate the Electronic Marketing Communication System (EMCS) project, project team members used the opportunity to again gauge interest in the formation of the silo federation. During this field trip approximately twenty individuals registered their interest in forming the federation<sup>3</sup>. These individuals were not limited to silo owners and managers but also included traders from the three provinces of Battambang, Pailin and Banteay Mean Cheay.

## Association Establishment

Three of the five large silos along the north-west border indicated their interest in forming a silo association:

1. Malai Silo, southwest corner Banteay Meanchey province
2. Kamrieng Silo, Battambang province
3. Pailin Silo, Pailin City

There are two other large silos along the north-west border with Thailand at Phnum Proek and Sampov Lun both situated between Kamrieng and Malai. Owners and managers at the Phnum Proek silo are not interested at this stage in becoming involved in the association. Over the last couple of years it has been unclear who owns the large silo at Sampov Lun. Other interested parties have heard that the Governor of Battambang may be the new owner. Due to this uncertainty the other interested parties are not keen to involve the Sampov Lun silo in the association<sup>4</sup>.

The association between the interested parties is based on an entrepreneurial cooperative model. In this model interested parties join as a business venture to better serve the customer (in a modern supply chain) with a focus on economic concerns. This is in contrast to a traditional cooperative model that is more concerned with joint action in response to social concerns such as social injustice<sup>5</sup>. Registration of these types of entrepreneurial associations is supported by the MOC's business association registration process.

Mr Un Buntha, as part of his role with the Ministry of Commerce, has been assisting the interested parties form and register a silo association since May 2008. During August/September the interested parties determined the executive positions for the association including appointing a Chairman, Vice Chairman and Treasurer. They then drafted an association statute which was subsequently submitted to the Ministry of Commerce applying for association registration. There had been discussion about forming a federation rather than an association, however, the members decided not to establish a federation because of the attention it may receive from government authorities and the perception that it would then be more closely monitored with possible tax implications. The application with the statute was submitted under the name of North-west Agriculture Market Association (NAMA).

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<sup>3</sup> See Field Trip Report, May 2008, Stephen Gniel

<sup>4</sup> Un Buntha, September 2008

<sup>5</sup> Cambodia Trip Report, John Spriggs, November/December 2005

The map below shows the main silos in the region as well as main access roads.

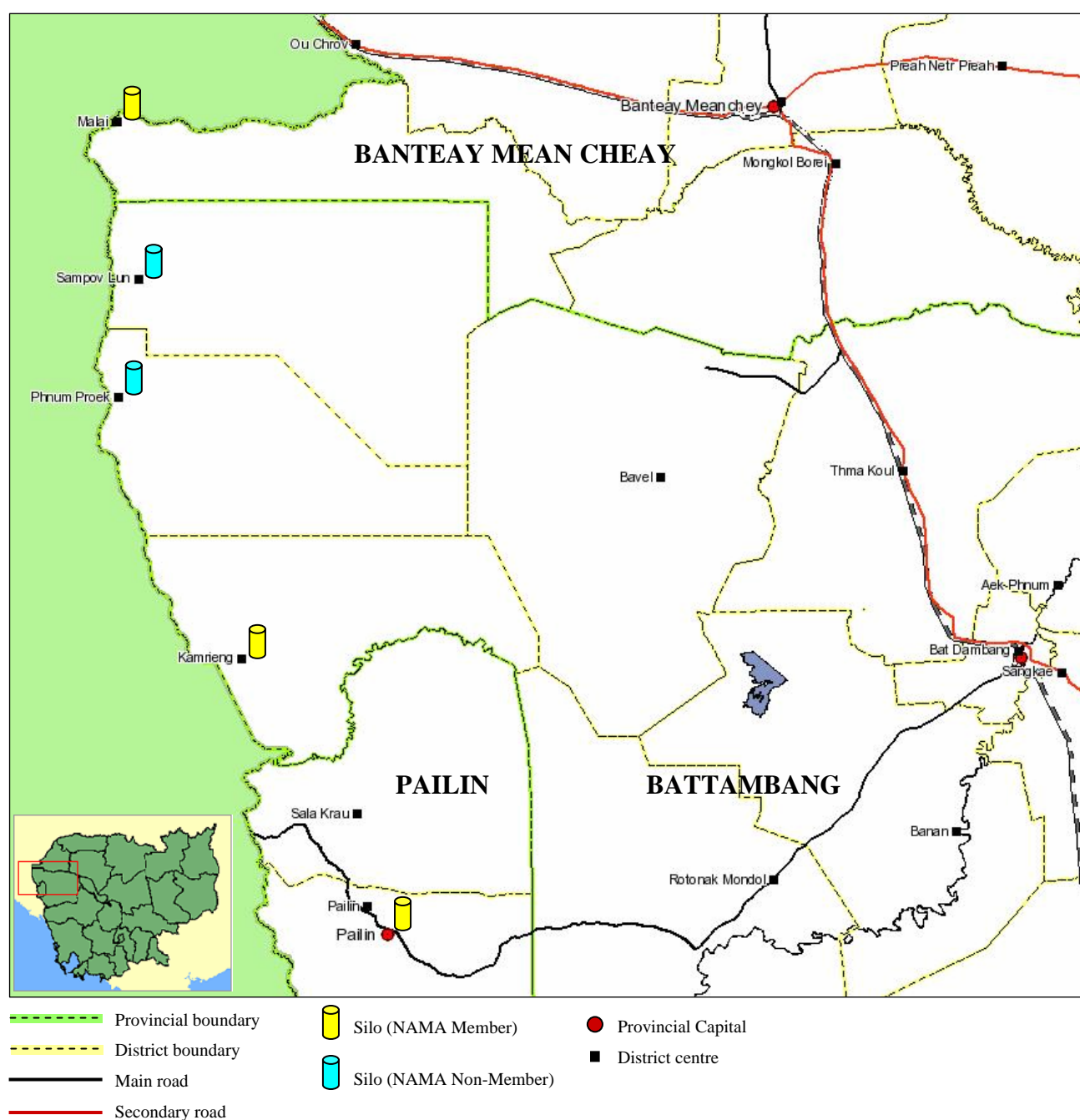


Figure 2: Map of target area in western Cambodia

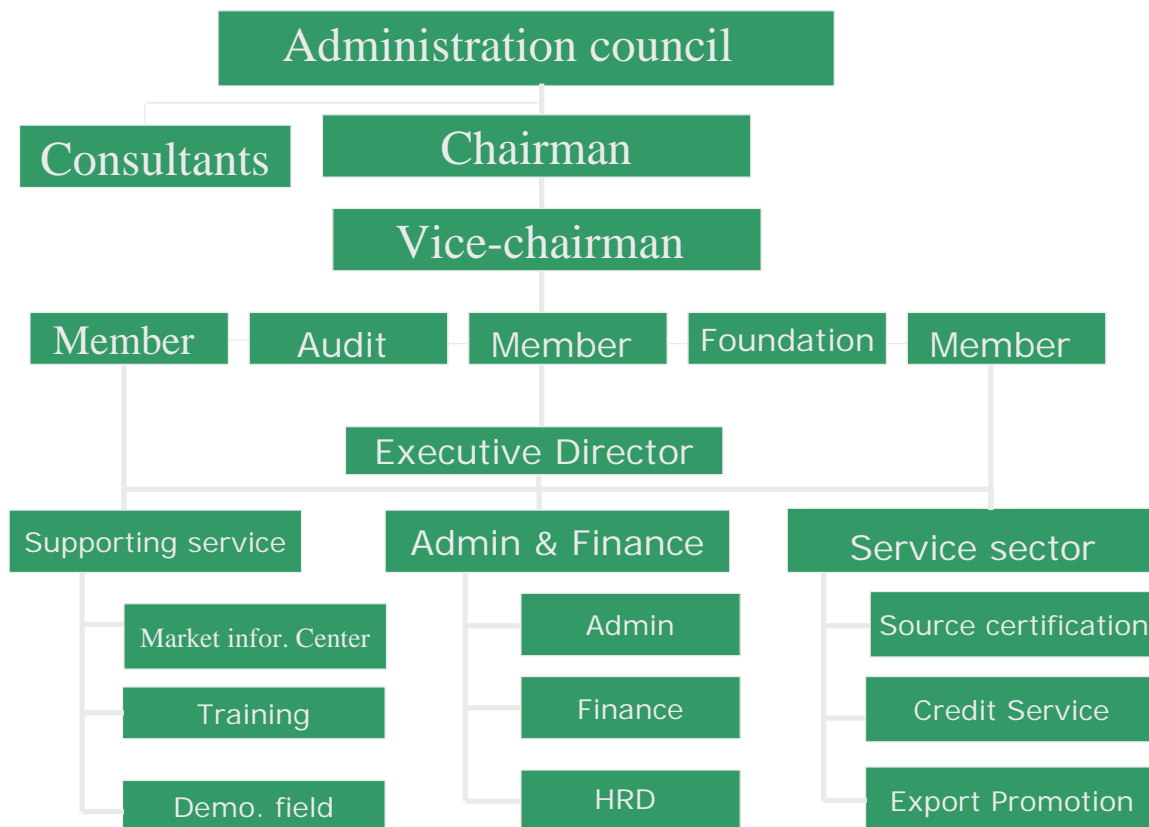
## NAMA Organisation Structure

As word spread of the formation of the association the number of interested parties increased from the original twenty to fifty. To cater for this increase in interest, the application for registration of the association with the MOC included a split in membership into foundation members and other members. A list of foundation members and their details is in the figure below.

NAMA				
Number	Name	Location	Position	Occupation
1	Mr Sar Chamruen	Pailin City	Chairman	Silo Manager
2	Mr Som Yen	Malai	V.Chairman	Silo Manager
3	Mr Chea Kao	Kamrieng	Treasurer	Silo Manager
4	Ms Tong Than	Pailin City	Secretary	Trader
5	Mr Peou Rurs	Pailin City	Board Director	Trader
6	Mr Pang Seng San	Kamrieng	Board Director	Trader
7	Mr Long Thi	Kamrieng	Board Director	Trader
8	Mr Meng Sokim	Malai	Board Director	Trader-Farmer
9	Mr Prak Seila	Kamrieng	Board Director	Malai Assoc Agent
10	Mr Khiev Theb	Pailin City	Member	Trader-Farmer
11	Mr Him Saran	Pailin City	Member	Trader-Silo-Farmer
12	Mr Sok Eng	Pailin City	Member	Trader-Silo-Farmer
13	Mr Im Nim	Pailin City	Member	Trader
14	Mr Duch Saveun	Pailin City	Member	Trader
15	Mr Aun Chhrim	Pailin City	Member	Trader
16	Mr Tun Ly	Pailin City	Member	Trader
17	Mr Chan Sophany	Pailin City	Member	Trader
18	Mr Sear Tha	Pailin City	Member	Trader
19	Mr Ngoun Yorn	Pailin City	Member	Trader

Figure 3: NAMA foundation members

The NAMA organisational structure includes a Chairman, Vice Chairman and Treasurer as well as a board of directors. The three main executive roles were assumed by the owners/managers of the large silos at Malai, Pailin and Kamrieng; the nine Board of Director positions are shared equally with three each for the three provinces involved.



*Note: There is some discrepancy between the organisation structure and list of members and their positions that needs to be clarified.*

Figure 4: NAMA Organisation Chart

### **NAMA Section Responsibilities**

The NAMA organisational structure is split into three main sections: Supporting Services, Administration and Finance, and Service Sector. Some definition of the roles of these sections has been articulated, however, further refinement is required particularly in the Supporting Services and Service Sector sections. Complementing these sections is the involvement of consultants with a direct link to the association's Chairman. This is where the association is hoping to receive assistance from the ACIAR project team, the Ministry of Commerce and non-governmental organisations. Below are the association's ideas for roles for these main sections and the consultants<sup>6</sup>.

#### **Administration and Finance**

##### *Administration*

1. Communicate with the members
2. Association management
  - Theory and implement on Association Management
  - Organise for study tour on local & overseas Association Development
3. Supervise and audit

<sup>6</sup> Information taken from presentation provided by Un Buntha, September, 2008

### *Finance*

1. Income management on deposit of members
2. Income management on training of association
3. Income management on other services

### *Human Resource*

1. Professional training for Association members
  - Study tour local & overseas on Association Leadership and production development
2. Professional training for non-Association members

### **Service Sector**

- Research on marketing information
- Development of production
- Export market
- Labelling and packaging
- Expense and cost
- Extension (promotion)
- International commerce consultation

### **Consultants**

- Prepare prices for Association through SMS system
- Strengthen effectiveness of product transportation with assistance on documents required by inter-ministries and stakeholders
- Train and facilitate on the process of applying for (subsidized) loan from Rural Development Bank and MFIs to lend through individual silo associations to their members
- Promote the role of the Association as a MFI, assist it to make loans to members (at low interest rates) and organise the repayments

## **NAMA Member Key Crops**

The key crops for NAMA Members are maize and cassava. Data from the Ministry of Agriculture, Forestry and Fisheries (MAFF) shows that Maize production in each of the three NAMA members' provinces is the largest it has been for the last five years. The importance of Soybean is limited to Battambang province as production levels in Banteay Mean Cheay were less than 5000 ton in 2007/2008 and only just over 500 ton in Pailin in the same period.

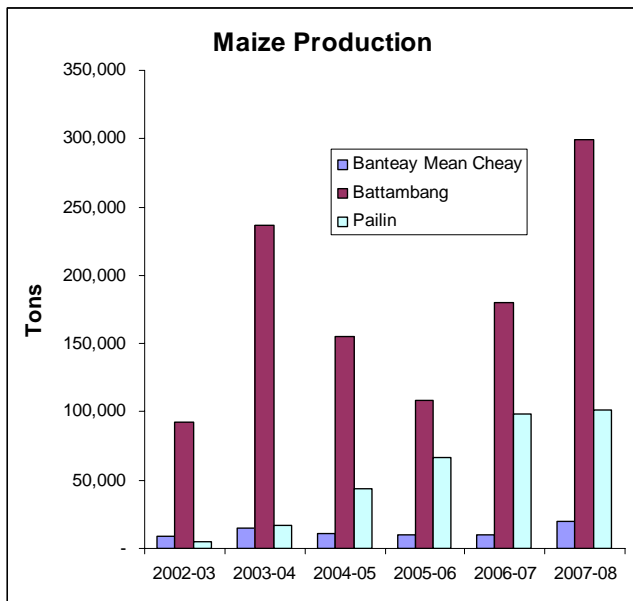


Figure 6: Maize production 2002-2008 (MAFF)

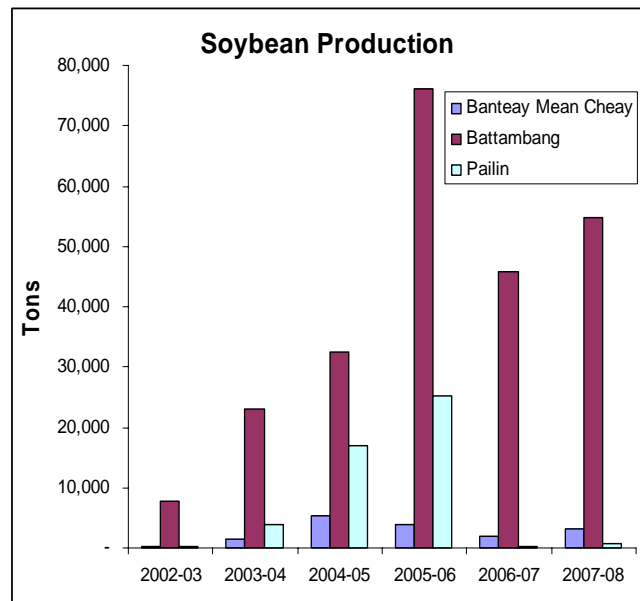


Figure 7: Soybean production 2002-2008 (MAFF)

The demand for cassava, particularly across the border in Thailand, has increased its importance to farmers in the target area. The combined Cassava production for Battambang, Banteay Mean Cheay and Pailin in 2007/2008 was over 850 thousand tons, double maize production.

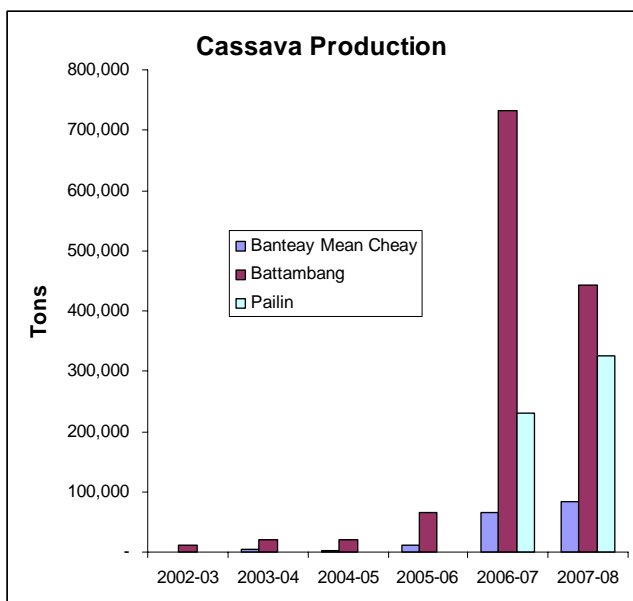


Figure 8: Cassava production 2002-2008 (MAFF)

Maize continues to dominate the NAMA member sales and the sale of cassava is steadily increasing (See Figure 9). Comparisons of NAMA data with provincial production data is difficult due to differences in reporting timeframes. However, as a rough estimate, NAMA member sales account for approximately 16% of the region's maize production. This is in line with anecdotal reports from NAMA members that they are currently only purchasing approximately 20% of produce with the remainder being sold directly to traders from Thailand.

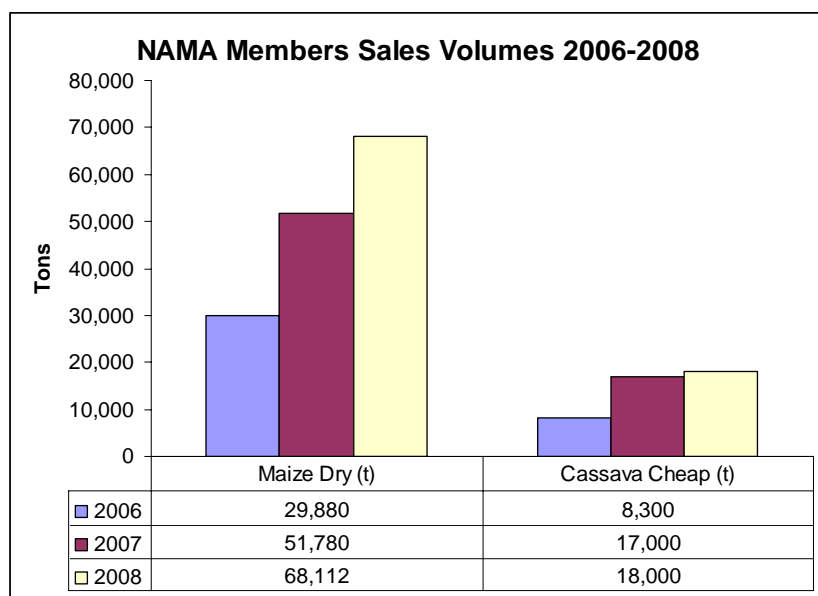


Figure 9: NAMA members' sales volumes 2006-2008<sup>7</sup>

## NAMA Members Current Lending Data

Access to cheap credit was raised as a concern for farmers in western Cambodia during the previous ACIAR marketing project<sup>8</sup>. A number of NAMA members are involved in providing loans to farmers with whom they have a trade relationship. The total combined loan portfolio controlled by NAMA members for 2008 is almost US\$1.5 million which represents an increase of 15% on 2007. This includes an RDB loan to Malai Trading Company, which in 2008 accounted for US\$650,000 of the total loan portfolio. Even with this amount removed, NAMA members remain an important source of credit to farmers in the area.

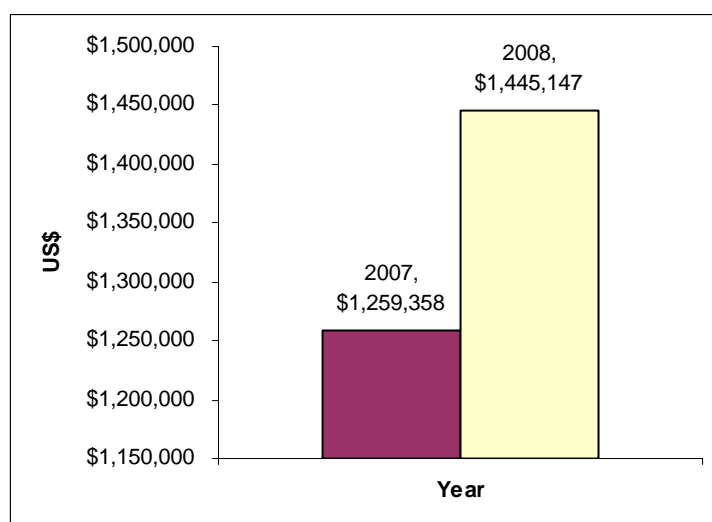


Figure10: NAMA members combined loan portfolio 2006-2008<sup>9</sup>

<sup>7</sup> Un Buntha meetings with NAMA members September, 2008

<sup>8</sup> See 'Improving the Marketing System for Maize and Soybeans in Cambodia' Annual Report to ACIAR, 2006

<sup>9</sup> Un Buntha meetings with NAMA members September, 2008



## Issues Identified by NAMA Members<sup>10</sup>

### ***Provision of credit***

One of the main reasons for interest in establishing a silo association is the possibility of accessing cheap capital to on-lend to farmers in the region. Many of the members are already involved in the provision of credit within their own regions. It will be important for the project team to establish very early on whether this is just one of a number of priorities for the association or whether this is a dominant priority with all others taking a back seat.

### ***Working Capital Constraints***

NAMA members report that they currently only have the capital to purchase 20% of product harvested while 80% goes to Thailand. They seek assistance in finding a source of working capital to allow them to purchase a greater proportion of production in the region.

### ***Marketing Information Centre***

NAMA members have identified that one of the potential roles for the association is to provide quality market information. A number of members participated in training sessions on the use of EMCS and are keen to further explore the use of SMS technology in providing market information.

### ***Certificate of Origin (CO)***

MOC has committed to assisting with this issue.

### ***Border fees***

There remain many issues with border fees both formal and informal.

### ***Single buyer – CP (Phnom Penh and Thailand)***

NAMA members are very keen to explore opportunities to sell to buyers other than CP. Members have received offers in the past to buy maize from Taiwan and other countries, however, the quantities required by the buyers have always been more than a single silo could provide. With the coming together of the three silos the issue of quantity may have been solved, however, feasibility of selling to these prospective buyers needs to be fully considered. This will include analysis of transport costs, border fees, export regulations and other areas. Effective governance within NAMA will also be required for the silos to work together in this way.

### ***Thailand trader signing contacts directly with Cambodian farmer***

This effectively by-passes the Cambodian traders and silos. NAMA members would like to work with ACIAR project team members to look at possible ways to encourage farmers to maintain relationships within Cambodia.

### ***Technological Improvements***

Pailin would like to improve technology for drying cassava (currently just sun-dried)  
Currently only storing cassava.

### ***Agricultural Development Zone Feasibility***

Structure of AMDZ, now have a lot of the infrastructure for the AMDZ but don't know how to use this together as part of a development zone

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<sup>10</sup> Un Buntha meetings with NAMA members September, 2008

## Next Steps

An action research process will be used in working with NAMA.

### **Step 1 – Research Meetings**

Meetings are scheduled with NAMA members in Pailin and in Kamrieng on 25 Oct. The focus of these meetings will be to confirm and add to the information about NAMA priorities and areas for development.

### **Step 2 – Desk Research**

During December and January the team will further investigate the main issues and identify possible ways forward. This research will be used as part of a participatory workshop.

### **Step 3 – Participatory Workshop**

In February 2009, CCPMP marketing team members will travel to north western Cambodia to run a participatory workshop with NAMA members. The workshop will involve a collaborative problem-solving approach to identify priority areas and develop a shared action plan.

### **Step 4 – Action**

Specific action, including timeframes, will be determined during the participatory workshop.

## Congruence with overall CCPMP objectives

The proposed work with NAMA has the potential to greatly assist in meeting the marketing component of the first objective of the CCPMP project: *To enhance smallholder income by improving the functioning of the production – marketing system for maize and soybean in north-western Cambodia using participatory methods.*

Marketing of produce in the target area is limited by the quantity that can be supplied by individual farmers, traders and silos. Silo managers in the area have been approached in the past by international buyers other than those from Thailand. However, their quantity requirements are well out of reach of individual silos. This results in a small market particularly for maize, with CP in Thailand and one in Phnom Penh being the only buyers. Investigating the possibility of selling produce outside this immediate market could result in increased prices which would hopefully be passed on to smallholders, improving their income.

Aspects of the second objective of the CCPMP project also have the potential to be met through facilitating the development of a functioning association. NAMA members have already voiced their interest in housing an EMCS server within NAMA to provide quality marketing information to members. The structure of NAMA also provides avenues for improving post-harvest management directly or through training (which is one of NAMA's intended services). NAMA could thus provide a sustainable avenue for enhancing the adoption of improved technology and practices for crops in the area, a focus for the third objective of the CCPMP.