Case Study

Agricultural Investment at the Crossroads in Cambodia:
Towards inclusion of smallholder farmers?

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Il Oeur

August 2022
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Cover image: A Cambodian farmer harvesting sugarcane. (Photo: Chhor Sokunthea/World Bank)
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<td>AC</td>
<td>Agricultural Cooperative</td>
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<tr>
<td>ADIC</td>
<td>Analyzing Development Issues Centre</td>
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<td>CACC</td>
<td>Cambodian Agriculture Cooperative Corporation</td>
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<td>CCAPC</td>
<td>Coordination Committee for Agricultural Production Contract</td>
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<td>CDC</td>
<td>Council for the Development of Cambodia</td>
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<tr>
<td>CF</td>
<td>Contract Farming</td>
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<td>CPS</td>
<td>Centre for Policy Studies</td>
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<tr>
<td>DAI</td>
<td>Department of Agro-Industry</td>
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<tr>
<td>ELC</td>
<td>Economic Land Concession</td>
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<tr>
<td>EU</td>
<td>European Union</td>
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<tr>
<td>FO</td>
<td>Farmer Organisation</td>
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<tr>
<td>HH</td>
<td>Household</td>
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<tr>
<td>MAFF</td>
<td>Ministry of Agriculture, Forestry and Fisheries</td>
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<td>MFI</td>
<td>Micro-Finance Institute</td>
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<tr>
<td>MoC</td>
<td>Ministry of Commerce</td>
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<tr>
<td>MoEF</td>
<td>Ministry of Economy and Finance</td>
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<tr>
<td>MRLG</td>
<td>Mekong Region Land Governance</td>
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<tr>
<td>NGO</td>
<td>Non-Governmental Organisation</td>
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<tr>
<td>PDAFF</td>
<td>Provincial Department of Agriculture, Forestry and Fisheries</td>
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<tr>
<td>RAI</td>
<td>Responsible Agricultural Investment</td>
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<td>RGC</td>
<td>Royal Government of Cambodia</td>
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Executive summary

The agricultural investments landscape of Cambodia is changing rapidly. The large-scale development model, driven by agro-industrial concessions, is out of steam, and other forms of investments linking farmers with companies and markets are emerging. These include various out-grower and contract farming schemes. This comparative case study examines the implications of these transformations for smallholder farmers. The aim is to provide recommendations to enhance the institutional environment, policies and practices, for governing these new forms of agricultural investment in order to enhance the benefits gained by smallholder farmers.

Based on a hybrid categorisation of agro-investment models that encapsulates both land-based and market-based arrangements between farmers and agribusiness companies, we selected four case studies (in the provinces of Preah Vihear and Mondul Kiri) where we conducted a quantitative and qualitative survey. Listed below are the main findings:

- The main incentive for smallholders and agribusiness to engage in contract farming revolved around better access to stable and remunerative markets. More surprising is the attempt by agricultural concessionaires to develop contract farming partnerships with farmers they had been in conflict with.

- Farmers lack legal understanding about the contract terms and conditions. The lack of clarity and understanding about the contract is not just an issue of communication between parties. There are also some gaps and flaws in the terms and legal provisions written in the document itself, which sometimes put farmers at a disadvantage.

- The key elements that shape farmers’ satisfaction with contractual arrangements revolve around price (the contract farming price is reasonable compared with the price they would have received in spot markets), mutual respect (trust is nurtured between farmers and the investing company to honour the contract), and the payment schedule (the purchase of CF produces and payment is made on time).

- We note important variations between study sites. Contract farming emerging from a failing concession (Rui Feng) or as an approach to address a land conflict (Dak Lak – Socfin) is tainted with mistrust and an overall lower level of satisfaction.

- But the study found that contract farming goes much beyond marketing arrangements. It also requires a supportive technical setting that allows farmers to meet the contract requirements.

- Contract farming farmers engaged in specific niche markets (for example CACC – organic cassava) receive more targeted services that are of particular concern to contract farming (quality seed supply, training in organic agriculture methods, and guidance in the use of chemicals).

- Improving access and management of water and the development of soft skills seem to be neglected topics in general, across the groups, whereas they figure among the most important problems faced by contract farmers. In the context of climate change and risks associated with the disturbance of the water cycle, contract farming should not be a way for companies to out-source their risk burden onto smallholders.

- Actual outcomes of contract farming are highly contingent on how local actors jointly shape up their collaboration and partnership. Establishing contract farming goes well beyond fixing a price for a particular agricultural commodity. It requires an enabling environment that includes both contractual arrangements, technical support services, and trust. Crafting this enabling environment depends on the will of the actors involved in the first place and their capacity to compromise interdependent interests.

With the intent to inform a wider and multi-stakeholder dialogue on the issue of large-scale land acquisition for agricultural development, some key recommendations can be developed to inform ongoing efforts to
build the institutional framework for responsible agricultural investments. The recommendations that concern the contract farming legal framework are addressed to the national legal team in charge of drafting the law. The points relevant to policy initiatives are relevant to policy making actors (ministries and development agencies) and policy implementers (companies, farmers’ organisations, and the banking and micro-finance sector). The recommendations revolving around the enabling environment speak to actors who are at the forefront in facilitating and implementing the contract farming agreements (State organisation at the sub-national level, training organisation, companies, farmers and their organisations).

**Contract farming law**

- Set minimum requirement of contracts
- Establish an effective and independent grievance mechanism and dispute resolution process. This could at least be annexed to the law
- Regulate the registration of companies, contracts and farmers’ organisations

**Policy incentives and initiatives**

- Encourage companies to work with farmers’ organisations
- Ensure appropriate and affordable financing mechanisms for farmers’ organisation and individual farmers. It is particularly important that farmers’ organisations should be responsive to gender and the concerns of ethnic groups and provide a voice for marginalised peoples
- Ensure appropriate investment by the public sector to regularly monitor and evaluate CF projects
- Enhance links with land policy to enhance land tenure security and promote inclusive State land management

**Develop the enabling environment**

- Encourage both public sector and companies first to understand the context and study the feasibility of the project properly to avoid failed investments
- Enhance communication between all stakeholders to ensure open exchanges between farmer organisations, and public and private sector actors to understand different motivations, interests etc.
- Provide technical support for farmers to meet the expectations of the investing companies through farmers’ organisations

Casava field in Battambang Province. (Photo: Jean-Christophe Diepart)
Over the last few decades, the agricultural investment landscapes in Cambodia have evolved under different economic and political conjunctures. Under the Khmer Rouge regime (1975-1979), labour mobilisation in agriculture was immense but entirely dictated by the State and at significant human costs (Kiernan, 1996). From the early eighties, Cambodian smallholder farmers took centre stage in agricultural production. For about 20 years, they were the main force driving food production for the growing population in rural and urban areas. At the start of the 21st century, however, the renewed interest in agricultural land created a global appetite for a capital-intensive agricultural investment model. In conjunction with the integration of agri-food systems into regional and global agro-commodity markets, this investment model has materialised through large-scale agricultural concessions (Ingalls et al., 2018). The investment model is based on the supposed superiority of large-scale operations to leverage the latent productive potential of land and meet the demand of global markets for strategic agricultural commodities (Diepart & Castellanet, 2022). In Cambodia, despite a lack of evidence in favour of such large-scale agricultural development policies, more than 2 million ha of land have been granted as concessions to 267 companies. However, a study conducted in 2016 showed that the area planted represented only 20 percent of the total land area allocated (Fella et al., 2017). This figure contrasts with the 3.3 million ha of agricultural land owned by 2.1 million farming families that prevailed back then (ibid.).

Besides causing a significant change in the agrarian structure, large-scale agricultural concessions have resulted in fundamental problems for rural communities and risks for investors and the government in Cambodia and other countries of the region who have followed the same approach: smallholder land dispossession, increased vulnerability to price volatility of agricultural commodities, land conflicts, and environmental degradation (Gironde, Golay, & Messerli, 2015; MRLG, 2017; Neef & Touch, 2012). The concession system has failed to deliver on its promises to stimulate agro-industrial activities requiring a large capital investment, to increase employment in rural areas, to encourage local economic diversification and to generate State revenue at national and sub-national levels (Diepart & Schoenberger, 2017). And the growing resistance and conflicts it has generated, have compelled agri-business corporations and policymakers to revise their approach.

Alternative agricultural investment models have emerged (or re-emerged) to promote more collaborative and mutually advantageous arrangements between investors and smallholder farmers. These models include land-based arrangements (for example, the reorganising of concessions, land leases, etc.) or market-based arrangements (for instance, contracts with agreed terms on quantity, quality, price, and the delivery of agricultural produce to a buyer). While land-based arrangements endeavour to share land resources more equally between smallholders and the agribusiness company than is the case under a strict concession model, market-based arrangements aim to offer more stability for agricultural intensification. They also improve integration between smallholders and complex supply chains, helping to overcome smallholder problems in accessing technology and inputs such as credit, seeds, etc. (Eaton & Shepherd, 2001). However, in reality, real-life agricultural investments often involve a combination of market-based and land-based arrangements.

Such alternative agricultural investment models are promoted by multi-lateral organisations to connect smallholder farmers to global value chains. They are seen as tools of inclusive growth and a win-win development strategy (Deininger et al., 2011; Speller et al., 2017; World Bank, 2007). They have also become key references in the agricultural development policies and poverty reduction programs of the Royal Government of Cambodia as representing more promising agricultural development opportunities for smallholders, investors, and the State alike (MAFF, 2019; RGC, 2019).

Even if this new trend in agricultural investment holds promise for smallholder farmers, the
literature has consistently shown that it is not a magic bullet; actual outcomes are dependent on a myriad of parameters that shape access to land and technology. These include the ownership of agricultural assets, the roles and responsibilities of contracting parties in decision-making, the management of production and commercial risks, and the benefit-sharing mechanisms between stakeholders (Vermeulen & Cotula, 2010). Critical accounts of the literature suggest that the outcomes of agricultural investment are always contingent on their specific historical, political, agrarian, and social contexts and on the uneven relations between stakeholders that animate them (Adams et al., 2018; Vicol et al., 2021; Vicol et al., 2019). Critical scholarship has also drawn attention to how these new forms of agricultural investment are instrumental in the expansion of global value chains and trade in agricultural commodities (Pérez Nino & Oya, 2022) and in deepening the dependency of smallholders on global agri-business interests (Peemans, 2015).

The knowledge available in Cambodia to inform new agricultural investment policies is scant. And the development of the institutions to govern agricultural investment, including legislation, policy, and the regulatory framework, is in its infancy. This case study primarily aims to contribute to this conversation. It is part of a wider initiative on Responsible Agricultural Investment (RAI) in Cambodia that endeavours to generate evidence-based dialogues on inclusive agricultural investment models and to inform these dialogues with empirical research that evaluates different agricultural investment models. The initiative is carried out by an alliance of State and non-State actors sharing strategic interests in questions of RAI. It has been supported since 2019 by the Mekong Region Land Governance (MRLG) Project.

Our objective is three-fold. First of all, we aim to make sense of the ongoing transformation in the agricultural investment landscape by interrogating the mechanisms through which land-based arrangements and market-based arrangements have come to intersect during the agrarian history of the last two decades in Cambodia. Second, based on robust case studies conducted in two provinces, we question the conditions and the extent to which a diversity of actually-existing contract farming experiences meet smallholder objectives and contribute to their livelihood. Third, the lessons learned from fine-grained case studies help to inform the formulation of recommendations towards CF law and associated policy and, more generally, the development of a positive CF enabling environment to ensure a sustainable partnership between farmers and agricultural companies.

The document is organised as follows. The first section presents the methods including the research process and the policy dialogues organised along the way. Section 2 describes the evolution of the agricultural investment landscape in Cambodia. The third section presents the investment models being studied. Section 4 is dedicated to the core findings of the research with both quantitative and qualitative perspectives from fieldwork. The fifth section presents a set of recommendations towards the formation of the Contract Farming Law, policy incentives and initiatives and other critical elements to create an enabling environment.
2. Methodology

The research leading to this case study emerged from the work of the national MRLG RAI alliance (their contributions are illustrated in Figure 1). The Centre for Policy Studies (CPS) started with a literature review relating to the regulatory framework and existing agricultural business models in Cambodia. This review was accompanied by a scoping study that examined the background, organisation, and challenges of ten companies representing the diverse agricultural investment models found in Cambodia. Both of these studies served as a basis for the selection of four case study sites where detailed fieldwork was conducted in two parallel surveys, one quantitative and the other qualitative. Five remaining companies were not selected for several reasons. The rice contract farming was not retained because the topic is already well studied in the literature. We also limited the case studies to crops that represent an important share of the entire cultivated area in the country (rubber, cashew, cassava and sugar cane).

The quantitative survey aimed to understand the circumstances in which the contractual arrangements are shaped and implemented and, on that basis, to assess the contribution that contract farming makes to farmers’ livelihoods. The questionnaires for the quantitative survey were designed by CPS and validated by the members of the MRLG alliance. Each company provided a list of villages engaged in their contract farming schemes and the team organised a short meeting with village chiefs to examine the feasibility of surveying their village and to conduct a rapid sampling. A total of 24 villages were eventually selected. For...
each site, the households were chosen through purposive sampling methods based on the total number of contract farming households engaged with each company. The sample size for the whole survey is 270 households, ranging from 34 to 65 households per site. The enumerators conducted the interviews either with the household head (male or female, 48 and 5 percent, respectively, of the total sample), the wife of the household head (43 percent of sample) or other household members (4 percent of sample). The enumeration was conducted from 11 to 17 January 2021 by 10 enumerators trained by CPS. The main limitation of the quantitative study is the absence of a control group (except in the case of the cassava group) to single out the contribution of contract farming arrangements.

The qualitative survey was carried out by two field-research assistants from the Analysing Development Issues Centre (ADIC), and took place from 15 until 26 February 2021. It sought to substantiate the quantitative surveys with testimonies and lessons learned from farmers that could not be easily captured with a close-ended quantitative questionnaire. The idea was to clarify, nuance or provide additional information to complement the findings of the quantitative survey. The study was conducted through 58 individual interviews reaching out to 33 people, including 11 women. The team also conducted six focus group discussions. These helped to provide additional details for the survey by CPS.

Even if the interviews provided much needed details, the team could not reach out to the Provincial Department of Agriculture, Forestry and Fisheries (PDAFF) who have played an initial, active role in contract farming, especially in the Rui Feng case. As a result, we missed their perspectives on the various approaches used to address or prevent breaches of contract. Similarly, the team did not conduct interviews with SocFin and Dak Lak representatives to clarify the contents of the contract.
3. Agricultural investment models in Cambodia

3.1. What are agricultural investment models?

Agricultural investment models are assemblages of several key elements. They include stakeholders who jointly organise their resources (for example, land and other capital assets, agricultural inputs, technical know-how, market information, social capital etc.) and make decisions to conduct and share the risks, benefits and outcomes of farming operations (Vermeulen and Cotula 2010).

The literature generally uses the terms ‘business model’ and ‘investment model’ interchangeably, but we purposely differentiate them and opt for ‘agricultural investment model’. Indeed, while the notion of business model places the investing company at the core (Vermeulen & Cotula, 2010), we view smallholders as principal investors in the agricultural sector. Farming is not just a business venture to them because it relates to more fundamental aspects of their lives, culture, and identity. Also, agricultural investment models are beyond ‘business models’ as they capture a broader range of stakeholders including the farmers themselves, investors, farmers’ organisations2 and public sector actors who have a role in the functions of the model. They also encompass social implications more readily than a ‘business model’ approach would imply, given the nature of family farming and reliance on household labour. These nuances allow us to be more explicit about inclusivity, which we see as a working partnership with smallholders and a benefit-sharing mechanism that are fair to them.

To introduce our categorisation of agriculture investment models in the Cambodian context, a useful entry point is to distinguish between land-based and market-based arrangements. These classifications are not mutually exclusive as any given agricultural investment includes arrangements between smallholder farmers and the investor to regulate the access to both land and market, as presented schematically below (Figure 2).

Figure 2. Articulation between land-based and market-based arrangements in shaping agricultural investment models

<table>
<thead>
<tr>
<th>Land-based arrangement</th>
<th>Concession model</th>
<th>Tenant farming model</th>
<th>Land lease model</th>
<th>Smallholder model</th>
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<tbody>
<tr>
<td>Spot market</td>
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<td>CF Informal model</td>
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<td>CF Centralised model</td>
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<td>CF Multipartite model</td>
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<tr>
<td>CF Nucleus-estate + out-growers model</td>
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2 Theng et al. (2014) differentiate between three types of farmers’ organisation in Cambodia: 1) Farmers’ groups (FGs) are informal groups consisting of 10-30 members. 2) Farmers’ associations (FAs) comprise more than 30 members and can be either informal or formal if they are registered at the Ministry of Interior. 3) Agricultural cooperatives (ACs) are business-oriented groups that are registered at the Provincial Department of Agriculture (PDA) and generally have more than 30 members.
Land-based arrangements describe relations between who controls the land and who conducts the farming operations. Land is either under the control of an agribusiness company or smallholder farmers. In each case, farming can be operated by either the agribusiness or by smallholders. This gives rise to four different combinations of landholder and operator:

- **Concession model** whereby land is controlled and farming operations are conducted by the agribusiness company. In this case, the relationship nurtured with smallholders revolves mainly around wage labour arrangements;

- **Tenant farming model** whereby smallholder farmers are allowed to operate lands controlled by the agribusiness company for a fee, or through sharecropping mechanisms;

- **Land lease model** whereby smallholders lease out their lands to an agribusiness firm for a fee, or is based on an agreed share of agricultural production. It sometimes presents the possibility for farmers to provide wage labour for the firm. It is the reverse of the tenant farming model;

- **Smallholder model** whereby land is held and farmed by smallholder farmers. In this case, the engagement with the agribusiness company works through a market-based arrangement only.

Market-based arrangements prevail when smallholder farmers remain in control of their land and lead the agricultural production processes; several types of relations can be nurtured between them and an agribusiness company. These relations, usually coined under the term *contract farming (CF)*, consist of a pre-defined supply agreement between farmers (also called out-growers) and buyers. This differs from the use of spot markets that are characterised by one-off sales transactions without prior agreement. The agreements usually specify a purchase price, or how it will relate to prevailing market prices, and may also include terms on delivery dates, volumes, and quality. As such, contract farming also differs from a sale agreement that merely specifies a price between the farmers and a buyer. Contract farming agreements include a wide range of deals, from informal verbal purchase agreements to highly specified out-grower schemes that are well-integrated and incorporated into the farming and/or market operation of the investing company. The work by Eaton and Shepherd (2001) on contract farming is widely used to categorise contract farming into broad models:

- **Informal model** whereby the farmers and the buyers conclude a simple, verbal and seasonal production contract. Most inputs/services are provided by farmers with low investment by and coordination (price, quality, quantity) with - and from - the agribusiness company (buyer).

- **Centralised model** whereby a company works directly with a large number of independent smallholder farmers (out-growers) and fully relies on them for the supply of agricultural outputs. This model is centralised, in that production quotas are assigned to each farmer and that the quality is controlled by the company.

- **Multipartite model** whereby there is the participation of a third-party to provide a service which supports the CF arrangement. In this model, different stakeholders may have different roles – for instance, in the provision of credit schemes (micro-finance institutes) or technical support (NGOs and development partners), and in the certification of the quality of the production (accreditation organisations), the development of infrastructure (government) or the facilitation of the contract (agricultural cooperatives). When the contract farming agreement requires a third party to contract producers (being contracted by the buyer or selling the output to them on a spot market basis, that is, typically traders/middlemen), the model is also referred to as the intermediary model. In this case, the third party could offer inputs or credit to producers but as a contract condition as opposed to service provision under multipartite arrangements.

- **Nucleus-estate + out-growers model** whereby the company is not fully reliant on smallholder farmers for the supply of agricultural outputs but also for source products from its estate plantation. In some instances, the estate plantation may function only as a nursery for experimentation purposes, and for demonstration fields for out-growers.

These classifications offer a useful categorisation of broad investment models. However, real-life investments are usually dynamic and evolve over time. Besides, these classifications fail to capture the context in which these models
come into existence and the conditions under which they are implemented in Cambodia. To address this limitation and contextualise the changing pattern of agricultural investments, we propose a brief overview of recent reforms in the agriculture investment policy priorities.

3.2. Changing tides in the agribusiness land sector: the decline of the concession model

At the turn of the 21st century, agricultural concessions were the principal tool of the government to promote agricultural investment. The associated model was implemented in a rather exclusive manner without much coordination with smallholders living in surrounding areas.

The ELC Technical Secretariat is the core institutional body in charge of ELC management. It is chaired by MAFF and consists of representatives from seven other ministries and agencies. An Assistant Group has been established to support the functioning of the Secretariat, including the Department of Agro-Industries (DAI) and the Department of Planning and Statistics (DPS); the latter has also played a key role in the formulation of the five-year Agricultural Sector Strategic Plan.

In recent years, the Council for the Development of Cambodia (CDC), and, with it, the Ministry of Economy and Finance (MoEF), have gained more responsibility in agricultural concession management because they are the first-stop ministry for any foreigner willing to invest in the Kingdom. The management of former State-owned rubber estates is shared across MAFF (the ELC Secretariat and the General Directorate of Rubber), the Ministry of Commerce (MoC), and the Ministry of Economy and Finance (MoEF).

The granting of agricultural concessions was in full swing between 2006 and 2012 (Figure 3). But it has led to economic, social, and environmental impacts that have been well documented (see, for instance, Gironde, Golay and Messerli 2015). One of the consequences is that bona fide investors are now reluctant to commit to further investment (MRLG, 2017). In an attempt to regulate the sector, the government released the Order 01 in 2012 to address the many problems emerging from Economic Land Concessions (ELCs). The directive included a moratorium on new concessions, paved the way for a land titling campaign to provide land security for smallholders holding agricultural land inside agricultural concessions, and initiated a full review of existing concessions. Based on a detailed review of all concession contracts, our database suggests that the pre-Order 01 baseline consisted of 267 agricultural concessions, totalling an area of 1.98 Million hectares. Among these, 140 do not appear to have been adjusted, while 127 concessions have been revised. This includes 96 concessions that have been downsized and 31 that have been simply revoked by a total of 0.47 Million hectares. As a result, after the Order 01 reform, the total number of concession contracts amounts to 236, including 225 ELCs and 11 former State rubber plantations (Figure 3), totalling 1.51 Million hectares.

Following Order 01, the concession landscape has evolved along different trajectories. While the cancellation of concessions has opened the way for smallholders to expand their landholdings, a certain number of concessions have continued to operate in a ‘business-as-usual’ fashion, that is, without engaging with surrounding smallholder farmers. In other instances, Order 01 has created the conditions for conflict transformation and/or more collaborative engagement between the concession holder and smallholders. To maintain a level of production, despite the reduction of their landholding resulting from Order 01, some companies have established a partnership allowing smallholders to join forces with them through a nucleus-estate + out-growers model. This model works with fully independent smallholders or through tenant farming. Given that the moratorium on new concessions is still effective, a company that wants to acquire a large landholding now needs to work through a land-lease model: investors now have to lease land from many rights holders instead of through a single concession approval by government. Smallholders, meanwhile, maintain their land rights and can gain rental income.

3 In the remaining sections of the document, we use the term ‘agricultural concessions’ to include ‘Economic Land Concessions’ granted by the government to agribusiness companies in accordance with the sub-decree on ELCs (2005) and 11 former State-owned rubber plantation that were privatised in 2007-2008 following a different ELC mechanism.

4 The Ministry of Economy and Finance, the Council for the Development of Cambodia, the Ministry of Land Management, Urban Planning and Construction, the Ministry of Interior, the Ministry of Environment, the Ministry of Commerce, and the Council of Jurists.
3.3. The rise of contract farming

The origin of contract farming in Cambodia is not known but dates back a few decades. According to Sum and Khiev (2015), various forms of CF have been practiced in Cambodia since 1950, mainly through informal arrangements. Contract farming was abandoned during the civil war and was reintroduced only recently, at least institutionally. It re-emerged in support of the 2010 policy on the Promotion of Paddy Rice Production and Export of Milled Rice. The adoption of rice contract farming was a reaction to Cambodia’s lack of an efficient and transparent spot market for rice, which is largely the result of the massive informal exports of paddy rice to Vietnam and Thailand (Kramer 2017).

Interestingly, contract farming has been promoted in tandem with the establishment of agricultural cooperatives, a farming-based enterprise voluntarily formed by farmers to jointly manage services related to agricultural production (RGC, 2013). The Royal Government of Cambodia promotes agricultural cooperatives as collective platforms between farmers and agribusiness companies and other service providers, in particular in their agricultural development policy (MAFF, 2019; RGC, 2019).

In a broader perspective, the rise of contract farming in Cambodia relates to the development of global agrarian capitalism, in particular to the convergence of industry and agriculture. Contract farming is an important mechanism mobilised in the transformation of the global agri-food system towards globalisation and regionalisation where quality requirements and standard compliance is essential for global buyers (Vicol et al., 2021).

Contract farming: legal framework, policy and institutions

After several years of experiments, the adoption of the Contract Farming Sub-decree in 2011 (RGC, 2011) by the Royal Government of Cambodia marks the beginning of government policy support and promotion of CF. MAFF has a leading role in the supervision and monitoring of CF. The sub-decree includes prescriptions on the obligations of farmers and contractors...

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5 Undated ELCs (n=16) are lumped together under the year 2010. Results of the titling are incorporated in the 2013 data and the revocation of ELCs in 2014 data.

6 Delvert (1963) describes a well-functioning contract farming scheme in the fifties established between the cigarette manufacturer « la Société M.A.C. (Manufacture de Cigarettes) » and 4,500 smallholders in Kampong Cham over the production of 1,617 tonnes of tobacco on a total area of 2,720 ha.
(see Annex), the role of the State and some formalities for the implementation of the contract. It also stipulates the establishment of the Coordination Committee for Agricultural Production Contract (CCAPC), as a mechanism to ensure the implementation of the sub-decree and to manage CF activities in the country. The committee is an inter-ministerial body, consisting of members from 18 ministries and institutions along with the country’s capital and all of its 24 other provinces. It is chaired by MAFF and assisted by DAI. Key roles of the committee include the development of the CF policy and strategic plan, facilitating the implementation of CF between parties, and reconciling CF conflicts when needed.

The Circular 196 on contract farming implementation released by MAFF (2017) tries to address issues that have occurred during the implementation of CF since the release of the sub-decree in 2011. The text specifically mentions issues of mistrust, price guarantees, lack of compliance with procedures, inactivity of the organisations involved and lack of communication between investors and procedures. The Circular provides additional advice and places DAI centre stage in the approval of the CF application and in the monitoring of CF implementation. However, it does not seem to provide much information and guidance on implementing CF.

Despite the sub-decree and the Circular, an actual policy and strategic framework for promoting CF have not yet been produced and there are no additional nationwide and permanent support measures to promote contract farming development (DAI, 2018). A contract farming law and relevant policy are now being developed to further regulate the sector and provide additional incentives to companies to engage in so-called 4P initiatives (Private, Public and Producers Partnerships, which aim to further strengthen fair and stable CF relations via the representation of farmers by cooperatives).

Notably, a practical manual for economic stakeholders and supporting institutions involved in CF was released in 2018 (DAI, 2018). The manual has been developed by the Department of Agro-industry (DAI under MAFF) in collaboration with Supreme National Economic Council and funded by the Agence Française de Développement (AFD). The document is not legally binding and, as such, it does not constitute a must-follow procedure to design and implement contract farming in Cambodia. Nonetheless, it is supported by MAFF and provides useful detailed guidance on how to implement CF. In addition to a general introduction on CF and the institutional context of CF in Cambodia, the manual details: i) procedures for the facilitation of CF negotiation and registration of the contract, ii) contract content and advice for contract negotiation and writing, iii) monitoring and evaluation mechanisms of the contract during and after implementation, mechanisms for conflict resolution in CF implementation, and the principles to ensure supplies for farmers’ organisations involved in CF. The manual is rich in CF case studies across the country. Interestingly, it also includes application forms for the DAI and PDA as well as templates for contract farming agreements.

**Contract farming in practice**

Over the last decade, the number of formal CF schemes registered by MAFF has considerably increased, moving from 20 in 2013 to 936 in 2020 (Figure 3) (Cambodia Partnership for Sustainable Agriculture, 2021). Another feature of this evolution is the diversification of crops under CF arrangements, which now include cashew, cassava, rubber, etc. along with rice. This increase is indicative of wider trends in the Mekong Region as illustrated in Laos by Cole and Soukhathamavong (2021).

This increase in the number of contract farming schemes is concomitant with the decline (in number and size) of agricultural concessions resulting from Order 01 (Figure 3). The moratorium on new concessions, combined with the reluctance of investors to engage in risky land deals and the changing tides in the policy narratives, explain this shift in agricultural investments. Since 2012, contract farming has become the lead
approach and strategy for companies to source agricultural commodities.

The literature on contract farming in Cambodia, relating to both practices and policies, consists mainly of case studies that reflect the first-hand experience of farmers and contractors in a diversity of contexts. These studies point to a wide range of issues that offer a good learning opportunity. Some studies paint a relatively positive picture of contract farming experience (Chhim et al., 2021; Kramer, 2017; Sum & Khiev, 2015), wherein positive outcomes outweigh the negative, while others take a more critical stance (Social Action for Change, 2011).

The focus of this review is mainly on contract farming for crops. But it is worth noting that the literature on contract farming in relation to animal husbandry is not very prolific although a key driver for CF has been the animal feed and husbandry value chain (Social Action for Change, 2011).

At the policy level, most of the studies cited above concur about the role that the public sector should play in providing a regulatory framework that balances the interests of both farmers and companies. Public sector interventions are necessary to inform and raise awareness, to provide overall guidance about how contracts should be designed, and to monitor their implementation (including taking part in conflict resolution when needed).

The centrality of public authorities in the enabling environment for contract farming was expressed on various occasions during the meetings of the MRLG RAI alliance. Representatives of the Department of Agro-Industries, who chair the CCAPC, as well as other participants from civil society, recognise that disputes may occur between contracting parties. Yet they insisted that when the CF schemes are formally registered and properly monitored by the CCAPC, the occurrence of conflicts is low to non-existent. The role of public authorities is central not only in making sure that companies investing in Cambodia carry out their operations responsibly (Social Action for Change, 2011), but also in providing extension services, training, and legal and technical support for farmers and local authorities (Chhim et al., 2021; Social Action for Change, 2011). This public support, in tandem with the donor community, is also required to enable Agricultural Cooperatives and other forms of farmers’ organisations to play an active role in contract farming (Chhim et al., 2021).

Kramer (2017) stresses the particular need to consider gender aspects: that is, in making sure that women are consulted and benefit from contract farming partnerships on an equal footing and are able to co-sign the contract
to have a legal standing in disputes, as well as equally managing the contract, production, benefits, etc. He also insists on expanding pro-smallholder policy reforms concerning access to seed and land rights to enhance the beneficial outcomes of contract farming reform for smallholder farmers.

Overall, the literature agrees that a 'one-size-fits-all' approach to contract farming does not work. The agreement and production contracts need to reflect the particular needs of the stakeholders involved. Multiple models for contract farming, rather than a single one, must be encouraged by policymakers (Kramer 2017).

On the positive side, contract farming can benefit farmers mainly through three inter-related parameters. First, contract farming opens up new market opportunities and access to technologies (Kramer, 2017; Social Action for Change, 2011). When the partnership goes beyond a standard sale agreement, and includes a production contract, farmers may also benefit from production support provided by the company (inputs, technologies, and extension services) (Chhim et al., 2021; Kramer, 2017; Social Action for Change, 2011; Sum & Khiev, 2015). Second, contract farming can result in higher income for farmers through the combined effects of the higher sale price, increased productivity, and sometimes a larger cropped area (Kramer, 2017; Sum & Khiev, 2015). Third, contract farming with a fixed price set in advance provides security, which enables farmers to invest and take more risks (Kramer, 2017; Social Action for Change, 2011; Sum & Khiev, 2015). Sometimes, this comes with access to credit (Sum & Khiev, 2015).

Seen from the company side, contract farming is a good opportunity to access land and labour, and to reduce production risks to enhance the reliability of outputs (Kramer, 2017; Sum & Khiev, 2015). Social Action for Change (2011) suggest that CF is mainly an attempt to transfer these risks to the farmers instead. Some authors have argued that contract farming is an expensive and risky endeavour for agribusinesses due to the high transaction costs of designing and maintaining partnerships with farmers (Kramer, 2017). A typical concern that arises in respect of agricultural commodities, such as vegetables, relates to weather conditions: production, in terms of both quantity and quality, is very dependent on the weather and this leads to price volatility in consumer markets. Under these circumstances, companies need to manage under- and oversupply, which can imply high transaction costs, in, for example, diversifying the market, negotiating with other companies, and so on (Sum & Khiev, 2015).

For the farmers, delays in payment schedules are critical as they result in farmer discontent, mistrust, and breaches of contract (side-sales) (Kramer, 2017; Sum & Khiev, 2015). Based on a study in which contract farming worked mainly on sales agreements (and were not production contracts), Chhim et al. (2021) show that the lack of support services (for example, training in technical and soft skills, and awareness-raising about contracts) hampered farmers in meeting the expectations of the company and from taking full benefit from the contract farming partnership. Social Action for Change (2011) argues that farmers lack bargaining power in these agricultural investments as their market links are increasingly controlled by agribusiness companies. The study goes further, suggesting that the presence of companies can create an environment of competition between farmers, which could be detrimental to the price they receive for their produce.
3.4. Trajectories of agricultural investment models

The above analysis helps to elaborate the diversity of CF models that have emerged, and why they often intersect with land-based arrangements owing to the context-contingent production arrangements among disparate stakeholders and for different commodities. On this basis, we propose a hybrid typology of agricultural investment models that incorporates land-based and market-based arrangements (Figure 4). The Figure depicts the different models emerging from the reform of Agricultural Concessions together with the market arrangement linking the smallholder farmers with the agribusiness company. Each type identified is a combination of a specific land-based and market-based arrangements.

Figure 4. Typology of real-life hybrid investment models in Cambodia
Note: The underlined names refer to agricultural investment models where quantitative and qualitative surveys were conducted.

Land lease model →
Concessions/ Estate plantation and land lease
Concessions/ Estate plantation
Concession and tenant farming model
Smallholders

Land-Labour arrangements
(evolution along reform of concessions)

Market-based arrangements

Nucleus Estate + out-growers under contract farming
- Rui Feng
- Dak Lak
- Socfin
- AMRU
- CACC
- Sok
- Golden rice
- Confirel
- Lors Thmey

Multi-partite CF
Centralised CF
Informal CF
Spot market
No market relations

Sugarcane plantation in Preah Vihear Province. (Photo: Sangwan Sapma)
4. Presentation of the four agricultural investments

As indicated above, the agricultural investment model selected for the quantitative and qualitative studies includes a diversity of crops, companies, business models, and agrarian trajectories. Table 1 presents the key characteristics of each model.

Table 1: Main characteristics of the agricultural investments studied

<table>
<thead>
<tr>
<th>Name of company</th>
<th>Dak Lak</th>
<th>Socfin-KCD</th>
<th>CACC</th>
<th>Rui Feng</th>
<th>Santana</th>
</tr>
</thead>
<tbody>
<tr>
<td>Crop</td>
<td>Rubber</td>
<td>Rubber</td>
<td>Organic Cassava</td>
<td>Sugar Cane</td>
<td>Organic cashew</td>
</tr>
<tr>
<td>Nationality of investor</td>
<td>Vietnamese</td>
<td>European - Cambodian</td>
<td>Cambodian</td>
<td>Chinese</td>
<td>Cambodian</td>
</tr>
<tr>
<td>Agricultural investment model</td>
<td>Land-based arrangement</td>
<td>Concession</td>
<td>Concession and tenant farming</td>
<td>Smallholder</td>
<td>Concessions and land lease</td>
</tr>
<tr>
<td>Market-based arrangement</td>
<td>Centralised CF</td>
<td>Centralised CF</td>
<td>Multi-partite CF: ACs</td>
<td>Centralised CF</td>
<td>Spot market</td>
</tr>
</tbody>
</table>

Note: For the sake of the analysis, households engaged in contract farming with Dak Lak and Socfin are put together in one group because the contract farming arrangements are quite similar in both companies. HHs enumerated for the Santana-organic cashew group are not yet engaged in contract farming, but are in the process of becoming CF households.

The households who have embarked on one of these agricultural investments live in the provinces of Preah Vihear or Mondul Kiri. In both provinces, the agricultural land cultivated by smallholder farmers co-exists with Protected Areas and Economic Land Concessions (ELCs) (Figure 5). These landscapes are characterised by massive deforestation over the last two decades not only inside the concessions but also largely outside as a result of in-migration movements.
4.1. Dak Lak and Socfin - Rubber – Concession/tenant farming and centralised CF – Mondul Kiri province

From 2008 to 2010, several ELCs were granted to foreign companies in Mondul Kiri province to develop rubber production. Socfin-KCD is a joint venture between Socfinasia and its local partner Khaou Chuly Development (KCD). Socfinasia is a subsidiary of the Socfin Group, a European company managing large rubber plantations in Africa and in other parts of Asia. Socfin-KCD acquired two ELCs for a period of 70 years to develop rubber: Sethikula (4,273 hectares in 2010), and Varanasi (2,705 hectares in 2009) (Chan, Ngorn, Hour, & Hem, 2020). Dak Lak Mondul Kiri Aphivath is a Vietnamese State-owned company, with headquarters in Dak Lak province, Vietnam, bordering Cambodia. It acquired a concession of 4,162 hectares in 2008. The rubber plantations developed by both companies on the three sites have affected the population of all seven villages in Bousra commune who used the land through customary and informal systems without any formal record and for different purposes and durations. To address the associated conflicts, both companies agreed to negotiate and offered several options to the people who were affected. One of these options consisted of establishing a contract farming scheme (family rubber plantation). In the case of Socfin-KCD, families rent a piece of land from the company for 60 years, and all costs incurred to establish the plantation are financed by the company through a 15-year credit scheme (interest rate of 5 percent per annum for the first seven years and 8 percent per annum for the remaining eight years). In the case of Dak Lak, the company offered a 20-year credit scheme to finance the upfront investment to establish the plantation and the plantation maintenance costs (at no interest rate during a nine-year grace period and 5 percent per year for the remaining 11 years). They also provided free training for farmers on maintenance techniques. The companies agreed to buy rubber latex from farmers at the market price. As in the case of Rui Feng, the investment model has evolved from concessions to a nucleus estate model + out-growers. However, the contract farming schemes are now fully operational for the farmers who chose this option.

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8 For a detailed discussion on these different options, please refer to Chan, S., et al., 2020).
We selected this scheme to learn from the experiences of a contract farming scheme that emerged to fix an intense land conflict between investors and farmers in the context of a well-established and strategic value chain. All five villages selected for the survey are located close to each other in an area between Dak Lak and Socfin-KCD ELCs, right at the edge of Phnom Nam Ly Wildlife Sanctuary where land use change has been very dynamic over the last 20 years.

4.2. CACC - Organic cassava – Smallholders and Multipartite CF - Preah Vihear province

The Cambodian Agriculture Cooperative Corporation Plc. (CACC), a subsidiary of AMRU Rice (Cambodia), started several agricultural investment projects in Preah Vihear province in 2018. The corporation focuses on organic production of cassava, rice, cashew nuts, and pepper. After a test phase with informal contracts, in 2019 CACC started to implement contract farming for organic cassava with eight agricultural cooperatives (353 members) on 474 ha in the Kulen district of Preah Vihear. The key market is for fresh organic cassava and cassava starch mainly exported to the THAIWA Company in Thailand and Vietnam. CACC implements a multipartite model for contract farming by working with different stakeholders. The corporation works with other ACs and individual farmers to produce and supply quality organic rice and organic cassava. In addition to the support and facilitation from the Provincial Department of Agriculture, Forestry and Fisheries (PDAFF), CACC signed a Public-Private Partnership (PPP) with the International Fund for Agricultural Development (IFAD)-funded ASPIRE project to support the production of organic cassava seeds in April 2020. It also received technical support from the Cambodia-Australia Agricultural Value Chain (CAVAC) project, which is funded by the Australian Department of Foreign Affairs and Trade (DFAT), for cassava seeds and quality assurance, soft skills training for farmers (such as accounting, group discussion facilitation and so on), and training in cultivation and cassava seed production techniques.

By selecting this scheme, we aimed to learn from a relatively new contract farming initiative that is organised around a different business model and that provides important support for farmers in the context of a highly strategic value chain for Cambodia. A total of 11 villages were selected for the survey. In seven of them, households are

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9 Interview with PDAFF in Preah Vihear.
engaged with CACC in an organic cassava contract farming scheme. For the sake of comparison, we also enumerated households involved in conventional, non-contract cassava production in the same or neighbouring villages, located in a region with intense and recent land use change.

4.3. Rui Feng - Sugarcane - Concession and centralised CF - Preah Vihear province

Rui Feng Cambodia is one of five subsidiary companies of the Chinese Hengfu Group Sugar Industry Co. involved in sugarcane production in Preah Vihear province. Each of the companies was granted an Economic Land Concession in 2011, totalling an area of 42,422 ha. The group also invested in a sugar refinery in 2016 that requires a total supply of 2,000,000 tons of sugarcane to run at full swing. The ELC area is notorious for rampant land conflicts due to the competing claims between the ELC and smallholders (Phak, 2018). These tensions were partly addressed in 2012 through the Order 01 land titling campaign that resulted in a decline of the ELC area to 21,788 ha. To increase the production of sugarcane and to keep the refinery afloat, Rui Feng initiated a centralised contract farming scheme with 74 farmers in 2014. The terms of the contract between the company and the farmers are as follows: 1) a fixed price pre-agreed arrangement according to the grade of quality; 2) the company does the planting/harvesting and provides regular monitoring services at the field; 3) the company advances fertilisers and seedlings while farmers settle the costs upon the harvest; and 4) farmers are in charge of the general maintenance of the plantation during the entire cultivation period. However, the terms of the contract were not properly understood by the farmers. The whole partnership was built upon a misunderstanding as the farmers considered their role was merely limited to leasing their land out to the company in exchange for regular payment. In 2019, the under-capitalised company faced two additional difficulties: 12,000 ha of sugarcane were reduced to ashes as the result of a massive fire; and the company lost tax-exempted import access to the EU market after Cambodia lost the Everything But Arms (EBA) trade agreement with the EU. As a result of these multiple difficulties, the company has suspended its operation, as well as the contract with the farmers.

10 Details provided by the company representatives.
The rationale for the selection of this scheme was to learn from a failed concession project that has not been adequately fixed with a contract farming agreement. Six villages were selected for the survey (in five communes and three districts). These villages are located in a lowland area surrounding the Rui Feng concession that belongs to the same Hengfu Chinese sugar group. In all villages, the contract farming arrangement initiated with Rui Feng in 2019 has been suspended.

### 4.4. Santana – Cashew – Concession and spot market - Preah Vihear province

Santana is a Cambodian agribusiness company that started agricultural investment in 2017 focusing on quality cashew nuts, rubber, rice, and mango. Santana owns cashew, rubber and mango plantations in the Rovieng district of Preah Vihear province, but also runs a cashew nut processing plant. This started in 2018 and was in full swing by 2019 at a daily processing capacity of 35 tons of dried cashew nuts and 10 tons of finished cashew nuts. In addition to processing its production, Santana purchases fresh cashew nuts from commercial farms, traders, and ACs through open markets. Santana sells standard fertilisers and pesticides to commercial farms and ACs on credit and shares planting and caring techniques for cashew nut plantations with commercial farms and ACs who sell cashew nuts to the company. Santana’s business model represents a very loose nucleus estate with an out-growers scheme because the market arrangements and technical support provided for farmers are not institutionalised in any form of agreement. However, Santana has considered establishing a contract farming scheme. The terms and conditions to implement this are under negotiation with 11 ACs in the provinces of Preah Vihear, Kampong Thom, and Siem Reap.

As such, the scheme is an outlier in our study dedicated to contract farming. But we selected it to assess how an investment with only a loose commitment from the company and farmers can still provide benefits for farmers. We were also interested in drawing lessons from these past experiences to inform the establishment of a contract farming scheme. Two villages were selected in the southern part of Preah Vihear province (Rovieng district). Both villages are located inside the Beng Per Protected Area and are in the vicinity of ELCs.
5. Learning from the field

The following section offers a synthesis of key findings gained from the quantitative and qualitative surveys. The analysis is organised around market-based arrangements (contract farming) but we call upon land-based arrangements and the legacies of land conflicts when interpreting the findings.

5.1. Profile of smallholder families engaging in contract farming

Before diving into the CF engagement between smallholder farmers’ families and the relevant companies, it is important to capture some key characteristics of the respondents. This will allow us to generalise knowledge gained from the survey within reasonable margins:

Demographics

- Household size varies from 4.5-4.6 in Preah Vihear to 6.6 in Mondul Kiri. The figures are consistent with the average profile of rural households in Preah Vihear and Mondul Kiri provided in the recent 2019 population census (National Institute of Statistics, 2020).
- The number of active labourers per household is around two people, suggesting that there is a large number of households with young children. The age of the household heads (ranging from 38 to 50 years) and their marital status (88 to 97 percent are married) confirm this observation.
- There is a fair number of migrant households among the respondents (20 percent to 59 percent) having a relatively long residence. It is a characteristic of the rural population living in upland regions, which has witnessed recent migrant-driven agricultural pioneering movements (Diepart & Ngin, 2020).
- The number of female-headed households is low (ranging from 3 to 12 percent) and consistent with the 2019 census data.
- There is a wide variability of education attainment among household heads, but the majority have not completed primary level.

Agricultural landholdings

- The average size of agricultural landholding ranges from 4.9 ha/HH to 10.4 ha/HH. By Cambodian standards (the national average is 1.6 ha/HH), this suggests that respondents from this survey form a group of relatively land-abundant households.
- The agricultural area per active labourer gives a more accurate indication of the capability of a household to undertake and oversee its agricultural operations. On average, this varies from 4.0 to 5.8 ha/person, suggesting that agriculture provides a livelihood option with potentially high return on labour for the respondents. This indicates that the respondents are households who are well-endowed with agricultural land.

Mode of land acquisition

- The mode of land acquisition and the form of tenure recognition that farmers have enjoyed on their land are important aspects of the farming system.
- Except for the rubber group, inheritance is the main mode of land acquisition (29-61 percent of total land area), which confirms the fact that the respondents are relatively young couples whose parents have been living in the area for some time. Forest clearance (11-52 percent of total land area) and purchase (13-30 percent of total land area) are the second and third most important modes of land acquisition. It is around these three modes of land acquisition that differentiation in land access plays out as they are all highly correlated with the total land area.
- Forest clearance is particularly important in Mondul Kiri (Busra) (52 percent of the total area) as the area that is cultivated with rubber.

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11 Gini indexes of 0.31 and 0.4 indicate a distribution of land among farmers suggesting that the first 50 percent of households own respectively 29 and 21 percent of the total land area.
used to be rotational fallows cultivated as part of a shifting cultivation system

- The sugarcane group stands out as having a significant area of land allocated by State authorities in the late eighties. These plots of land are located in lowland areas, close to the provincial capital, where rice has been cultivated for a long time and land was redistributed to households with the dismantlement of solidarity group production.

Cropping system

- The share of agricultural land area dedicated to the contract farming crop is important (as compared with other commercial and food crops), from a low 52 percent in the rubber group to a high of 82 percent in the organic cassava group. This suggests that the households engaged in contract farming tend to specialise their cropping activities on this very crop. This is not surprising as several authors have already suggested that Cambodian farmers are very responsive to market signals and circumstances, and are often vulnerable to boom-bust crop cycles because they tend to put most of their eggs in the same ‘market’ basket (Kong et al., 2021)

- In the cashew group, the households have anticipated the future start of contract farming, and nearly the entire plantation area is already dedicated to organic cashew. Even if there are credible alternative markets for cashew (that is, conventional non-CF cashew), this raises important questions relating to economic dependence on these special markets and the economic vulnerability that unfolds.

Activity systems (farm and non-farm activities)

- In all groups, a majority of households are engaged only in farming activities for their livelihood. This is consistent with the fact that many households enjoy decent-sized agricultural landholding. We note that households involved only in farming activities systematically have a larger area of agricultural land per active labourer than households who combine farm and non-farm activities. Labour diversification to non-farm activity results either from having a smaller land area per active labourer, or because people do not invest in expanding their farming activities. Either way, agriculture remains an important activity in the income portfolio of these respondents.
5.2. Why do farmers and agribusiness engage in contract farming?

The reasons and motivations for engaging in contract farming differ between groups, but market considerations are by far the most important driving force (Figure 6). This is not surprising, and is consistent with the rest of the literature on contract farming in Cambodia (see Section 3.3 above). More than anything, smallholders expect better access to the market to sell their products. They hope for a minimum price guarantee or a higher price than that prevailing in spot markets. On the production side, the prospect of contract farming is also appealing to them because of the possibility to access affordable credit for productive investment in agricultural activity.

Another reason why farmers engage in contract farming is their expectation that they will receive technical support from an agribusiness company or be able to access quality inputs. However, this is relatively marginal (Figure 6) and is usually associated with market motivations.

In some cases, the motivation of companies to initiate contract farming is well aligned with farmers’ expectations in facilitating access to the market. CACC, for instance, supplies organic cassava to international markets (especially the EU) and has to comply with specific quality criteria that are monitored and checked through an Internal Control System (ICS) as well as organic certification (that is, ECOCERT). Contract farming and all related services for farmers allow the company better control over production to meet the specific market exigencies required for production with differentiated quality.

![Portable milling in a rural village in Preah Vihear Province. (Photo: Sangwan Sapra)](image-url)
5.3. Land tenure security issues

The literature on contract farming in Cambodia is usually silent on land issues. However, the findings from this study reveal that they are an important part of the equation, particularly when contract farming emerges as an option to resolve conflicts between agricultural concessions and smallholder farmers.

But a nuanced and balanced interpretation of these results is needed. In the case of sugar cane contract farming with Rui Feng, for instance, the partnership proposed by the company was limited to farmers who could show a land title or a land certificate. The company even required originals of these documents to be handed over to them. This was quite problematic as these documents have never been returned to the farmers when the contract farming agreement has been terminated. The farmers who requested to be part of the contract farming scheme, but could not provide the land ownership documents demanded by the company, were simply denied access to contract farming with Rui Feng. Among the 74 HHs who had engaged in contract farming, 32 were rich migrant farmers from urban areas (Krong Preah Vihear) and other provinces (Kampong Cham, Kampong Speu, Koh Kong, and Oddar Meanchey) who were not enumerated during the quantitative survey. These households managed to access large tracks of land (sometimes several hundreds of ha) and secure their tenure through the Order 01 land titling campaign. Altogether, the attraction of households to join the contract farming arrangements proposed by Rui Feng is not just dependent on their motivation. The rule according to which contract farming is limited to households with a proof of land possession has worked here to exclude others who cannot show such a document.

This observation echoes Beban’s assertion (2021) that contract farming is not an apolitical, technical relationship between company and farmers, particularly when it emerges in the context of Order 01 and the re-organisation of the Economic Land Concession landscape. Based on a case study in Kampong Chhnang, Beban shows how Order 01 served as a mechanism of land accumulation for wealthy (often absent) households, who would then enter arrangements (usually informal there) with concessions or large farms for production. This process also served to dispossess small farmers from their land or to increase vulnerability for those who were not provided with titles (Beban, 2021).
It is worth noting that the PDAFF wrote a letter to Rui Feng on 25 December 2020 asking to cancel the contracts and to return the land to the 40 farmers (225 ha) who had been engaged in contract farming since 2014. Even if it did not achieve any resolution, it seems that, in combination with an intervention by the provincial governor, the PDAFF in Preah Vihear took an active role alongside the farmers who were in conflict with Rui Feng.

In the case of both Dak Lak and Socfin (rubber groups), the engagement is also incentivised by land tenure issues and, in particular, by the land conflicts that have emerged between companies and smallholders since 2008. In an attempt to negotiate and compromise, the company offered four options to the people who were affected: i) keeping the farmland as it was within the ELC; ii) relocating farmland (land swap); iii) establishing contract farming (‘family rubber plantations’); and iv) providing cash compensation (Chan et al., 2020). The company strongly discouraged farmers from keeping their farmland within the concession and most of the people accepted cash compensation because they felt that the company’s other options were less favourable. In particular, people were hesitant to engage in the contract farming option for several reasons: the small size of the plot; the low fertility and remoteness of the land allocated; and the fear of not being able to pay back the loan to the company. And the few farmers who had chosen contract farming options on the swapped land had to engage in a long negotiation with the company as explained by a farmer in Pu Lu village during the qualitative survey:

“\textit{In 2010, the company swapped my plantation for a plot somewhere else covered by rocky and less fertile soil. After planting the rubber trees for the first year, about 300 died because of the rats, the low soil fertility, and the lack of techniques or skills in rubber plantation maintenance. A year later, I tried to take good care of the rubber trees and continued to negotiate with the company to change the plot of the rubber plantation. As a result, in 2017, the Socfin Company agreed to swap my [family rubber] plantation plot to a better location.}”

When farmers considered contract farming as an option to maintain access to the land they previously occupied and to continue to enjoy access to, and use-rights on the land, a viable and productive partnership did not emerge overnight but was the result of long negotiations. This was widely echoed by several farmers during the quantitative and qualitative surveys.

Seen from the company’s perspective, the engagement with smallholders through contract farming combined with tenant farming was also an attempt to address the enduring land disputes. This motivation prevailed over the desire to source additional latex farming to feed their processing unit. This is because the company is perfectly aware of the risks of side-sales of rubber coagulum (cup lump) to a dense network of middlemen who are offering higher prices than are available for latex (Diepart, Kong et al. 2022). In a context where incentives for side-sales are high, contract farming offers little benefit to both parties.
5.4. The role of women in contract farming engagement

The survey shows that women are far from having a secondary role in the decision to engage in contract farming. In the capacity of household head, wife of the household head, or jointly with her husband, women have a say in this mainly through household-based discussions and decisions (Figure 7). This is well in line with the commonly observed management by women of household economic affairs in Cambodia but also their direct involvement in agricultural production processes for crops assigned to contract farming.

Yet the central role of women is not fully reflected in the formal aspects of the contracting process, a finding that is consistent with the study by Kramer (2017). Either the husband or the wife can sign the contract, but they do not seem to give any importance to who the signatory is. This might hamper the capacity of the wife to manage and benefit from the contract, for instance, when her husband is absent due to separation or divorce, as well as her legal standing in the event of contract breach.

5.5. Contractual arrangements

In this section, contracts are under scrutiny. We examine the importance of having both a clear, coherent, and complete formulation as well as a supportive environment enabling farmers to understand the roles and duties of each party in the partnership. We also examine to what extent contract implementation in context meets farmers’ expectations and gives satisfaction.

The terms of the contract: clarity and understanding

In general, contracts are written in the Khmer language but contain jargon and ambiguous statements, which are difficult for farmers to understand. This is particularly so in the case of Dak Lak, Socfin, and Rui Feng, where the contract is a translation of an original version written in the company’s native language (for instance, Vietnamese, English, or Chinese). The company prepared the contract template without specific attention to ensuring that the text and content were easy to understand for farmers who had never, or rarely, been exposed to such terminology and jargon. We found that farmers lack both understanding about the contract terms and conditions, as well as access to legal advice, which echoes other studies on contract farming in Cambodia (Chhim et al.,

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**Figure 7.** Decision-making about whether or not to engage in contract farming, by groups

<table>
<thead>
<tr>
<th>Percentage of households in each group</th>
<th>Rui Feng - Sugarcane</th>
<th>Dak Lak/Socfin - Rubber</th>
<th>CACC - Organic Cassava</th>
</tr>
</thead>
<tbody>
<tr>
<td>Household head (male)</td>
<td>38%</td>
<td>34%</td>
<td>44%</td>
</tr>
<tr>
<td>Household head (female)</td>
<td>29%</td>
<td>10%</td>
<td>28%</td>
</tr>
<tr>
<td>Wife</td>
<td>9%</td>
<td>10%</td>
<td>8%</td>
</tr>
<tr>
<td>Other</td>
<td>24%</td>
<td>36%</td>
<td>18%</td>
</tr>
</tbody>
</table>
When asked about the pricing policy of their contract - an essential element of the partnership - some farmers were unclear and confused. For example, 13 percent of farmers engaged with Rui Feng thought that their contract was based on market price whereas Rui Feng adopted a fixed price policy. In the organic cassava group, 37 percent of the farmers thought that the payment made to them was based on a fixed price, whereas CACC adopts a floating market price approach with a premium.

The lack of clarity and understanding about the contract is not just an issue of communication between parties. There are also some gaps and flaws in the terms and legal provisions written in the document itself. The contract was not reviewed by a competent authority such as the DAI-PDAFF and/or a legal aid support NGO to make sure that it included legal provisions that were important to all parties, particularly the smallholders.

In the contracts with Socfin-KCD, for instance, the start-up loan amount provided by the company is not specified while the price terms are not clear:

‘the latex will be bought by the processing factory at the market price or a price determined by the rubber traders of liquid latex or coagulum (cup lump). At the same time, the contract states that ‘this price will be indexed on the global list price of natural latex’.

Gaps and flaws sometimes put farmers at a disadvantage, allowing companies to make minimal commitments towards them and transferring risks to farmers. For example, in its contract, Socfin-KCD agrees only to buy the latex during the loan repayment period, leaving farmers no guarantee for the rest of the production cycle.

Likewise, the general provisions about penalties or compensations should one of the parties fail to fulfil their contractual obligations, are absent or poorly formulated. When CACC failed to collect cassava according to the agreed schedule, which led to reduced weight and quality, farmers could not claim any compensation. The same holds true in the sugar cane case (Rui Feng) insofar as there were no mechanisms to protect the households from company bankruptcy.

Farmers’ satisfaction with contractual arrangements

During the quantitative survey, the respondents were asked about their level of satisfaction with the contractual arrangements. These included pricing, payment modalities, technical requirements, contract negotiation, the level of trust and respect between parties, and overall satisfaction. To assess the level of satisfaction of farmers in respect of these various aspects, we established six standardised indexes providing a qualitative measure of satisfaction relating to key dimensions of the contract. Each index value ranges from 0 to 1, indicating the lowest and highest level of satisfaction, respectively:

- **Price**: contract farming price is reasonable compared with the price they would have received in spot markets
- **Payment**: the purchase of CF products and payment is made on time
- **Requirements**: technical standards required by the CF agreement are reasonable to achieve
- **Negotiation**: the power held by farmers and the company are shared equally and farmers are allowed to re-negotiate the contract
- **Respect**: the companies and farmers follow the obligations of the contract
- **Satisfaction**: the overall satisfaction about the marketing aspects of CF are based on the actual utility and contribution.
Figure 8 below shows the average value of household satisfaction for each of these indexes. It shows statistically significant differences between groups, with an overall level of satisfaction ranging from 0.60 to 0.851.2

The overall satisfaction with the contractual arrangements is significantly correlated with good ‘price’ and mutual ‘respect’ (p-value < 0.01), then with ‘payment’ modalities (p<0.05). Again, this is much in line with the findings of other contract farming studies conducted in Cambodia (see 3.3). Correlation is not causation of course, but it is arguably around these three dimensions that farmers make their judgment about contractual arrangements. In other words, price, the respect of the contract by both parties, and, to a lesser extent, the payment modalities, are the most critical elements contributing to the satisfaction of the farmers. This is not to say that technical requirements or the capacity to influence negotiations are not important, but they weigh relatively less in farmers’ judgment. This was confirmed by the analysis from the qualitative survey.

Despite relative satisfaction about requirements and the negotiation, the respect for the contract among the companies Dak Lak/Socfin and the farmers is low. Individual interviews conducted during the qualitative survey revealed that companies proposed a standard contract with individual farmers along terms that were non-negotiable, giving the farmers no opportunity to raise their voices and request changes. The view of these households might not be representative of the entire sample, but they felt that they lacked bargaining power in relation to the companies.

The situation of organic cassava contract farming with CACC is different because the requirements imposed by organic certification are specific and the market does not face tremendous competition as is the case for rubber. Although technical requirements and payment modalities are not highly rated, farmers indicated a high score for price and respect, and high overall satisfaction as a result. This is mainly thanks to a collaborative effort between CACC staff, the PDAFF, and agricultural cooperative committees in organising regular training and dissemination meetings to share contract information. Through these efforts, the company have tried to be clear about the pricing arrangements and the distinctive role attributed to CACC, agricultural cooperatives, and the farmers in the production, technical support, and so on. As we noted above, there are still some flaws and misunderstandings on the part of some farmers, but the organisation of dissemination events is definitively a step in the right direction and is best considered as a continued rather than a one-off effort.
Issues revolving around contractual arrangements and mutual accountability are well illustrated in the Rui Feng sugarcane case where farmers’ satisfaction concerning price, payment, and respect (and overall satisfaction as a result) is low. It is not surprising, knowing the context under which contract farming is organised and managed by Rui Feng. In 2014, the company and contract farmers sealed the contract, and the company announced its readiness to buy sugar cane from CF farmers at a gross price ranging from US$26 to US$30/per ton, equivalent to US$1,560-2,100/ha (assuming a yield range of 60-70 tons per ha). In 2015, the company paid a net price of US$800 per ha, after deduction of all expenses such as seedlings, fertilisers, and maintenance of machinery as foreseen in the contract. The payment was well received by farmers who started to borrow money from micro-finance institutions for productive (for example, land purchase) and non-productive purposes (for instance, house renovation). In 2016, things turned complicated as the company payment arrived late, and accessing the company representatives for discussion became impossible. After mediation by the provincial governor, the company agreed to pay less than a quarter of the previous year (US$170/ha) after arguing that the sugar content had declined. This, they maintained, was due to fire and because they did not profit from processing. In 2017, the situation worsened with yet another very late and very low payment (US$83/ha, just over 10 percent of the 2015 payment). A female farmer who was interviewed reported that the consequences were very serious for the farming community:

“I remember the commune chief telling me that my livelihood would be better. I could have beef for consumption instead of salt. But now I am worse off than before. I have to sell my labour to repay my bank loan. I want my land back to cultivate rice, but I do not dare to ask for it.”

The absence of clear accountability mechanisms between parties, in particular the lack of proper independent grievance mechanisms and legal recourse, allowed the company to manage the contract as if there was no legal obligation linked to it. The absence of an established committee or collective mechanism to represent farmers in negotiations and dispute resolution throughout the contract duration increased the farmers’ vulnerability.

Rubber plantation in Mondul Kiri Province, Cambodia. (Photo: Brian Moore_Flickr)
5.6. Technical and service support

Contract farming goes beyond marketing arrangements. It also supposes the creation of an environment that enables the farmers to achieve their contractual obligations in terms of quantity, quality and timing. In this section, we look at the technical and service support that farmers receive as part of the contract farming agreement. We examine the level of satisfaction of farmers with the services they receive, and question to what extent these support services help them to address their problems. Further, we discuss the role that different services providers play in different agricultural investment models.

Farmers’ satisfaction with technical and service support

We identified a list of 10 services that farmers may have received to support their farming activities. The services were pre-identified in relation to the problems faced by farmers during production. Each respondent was asked whether he/she received it, who the service provider was, and the overall level of satisfaction (‘good’ to ‘not good’). Figure 9 below shows the percentage of HHs reached by support services.

The support received by farmers revolved mainly around fertiliser and pesticide use, extension services in general, and access to credit. Improving access to, and management of water, along with financial management skills, seem to be neglected topics in general, across the groups. However, we noted large differences between groups. In the case of organic cassava production, the contract farming target groups received more support than farmers who are not engaged in contract farming (Figure 9). Also, contract farmers engaged in comprehensive production contracts that cover the entire production process (as in the case of CACC-Organic Cassava) receive more service support than those involved in more basic sale agreements (supply contracts) as in the case of Rui Feng-Sugar Cane. Unsurprisingly, this is particularly the case for support services that are of particular concern to contract farming (quality seed supply, training in organic agriculture methods, and guidance on the use of chemicals). This finding confirms a point that is consistent in the literature about the potential added value of contract farming over spot market and sales agreements (Chhim et al., 2021; Kramer, 2017; Social Action for Change, 2011; Sum & Khiev, 2015).
### Matching farmers’ problems and the support services available to them

During the survey, we asked the respondents to identify the three ‘most important problems’ they faced in their agricultural production activities. The aim was to measure the extent to which the support they received helped to address these. All ‘important’ problems (the first, the second, and the third most important) were all aggregated without any weighting. The X-axis ranks each reported problem in descending order, that is, from the most to the least important, based on the number of respondents reporting them. The Y-axis gives the percentage of households who have effectively received support for this particular problem. For example, 100 percent on the Y-axis means that 100 percent of households who faced this problem had received support to address it.

Figure 10 below shows that the support provided for farmers is partly addressing the problems they face but, overall, that help remains insufficient. For example, among the farmers who consider that they lack skills for farming, only 50 percent had received training in the organic cassava group, and less than 30 percent in the other groups. Other problems, such as flood and drought management, or the lack of agricultural water, had not been tackled at all.

Even if the farmers engaged in contract farming schemes received proportionally more support than others, the CF stakeholders tended to tackle problems that were specific to CF activities. They were inclined to disregard other problems that are equally or more important to farmers and that could limit the benefits that farmers and the company derive from contract farming.

For example, a major concern for farmers relates to water management, that is, the occurrence, the impact and the adaptive capacity of those who face flood or drought. These issues ranked as the fourth major problem (73 respondents, see Figure 10) but they were receiving no support whatsoever to tackle these challenges. In the context of the climate crisis, however, these problems are more acute than ever. So a question centres on how to ensure that contract farming arrangements are not a way for companies to out-source their risk burdens onto smallholders, but instead actually enable smallholders to adapt better to them.

![Figure 10. Problems faced by farmers and support services received, by groups](image_url)

The numbers in brackets give the number of respondents

- Santana - Organic cashew
- CACC - Organic Cassava
- Dak Lak/Socfin - Rubber
- Conventional Cassava

**Problem faced by farmers (number of respondents)**

- Access to pesticides (4 resp.)
- Soil degradation (8 resp.)
- Limited knowledge on use of fertiliser (10 resp.)
- Access to fertiliser (10 resp.)
- Lack of skill in management (14 resp.)
- Limited knowledge about pesticide use (21 resp.)
- Lack of water supply (39 resp.)
- Lack of irrigation system (55 resp.)
- Seed quality (55 resp.)
- Flood, drought, too much rain (73 resp.)
- Lack of capital (139 resp.)
- Pest attack, crop disease/fungus (159 resp.)
- Lack of farming techniques (174 resp.)

**Percentage of respondents who received support services to address the problem**
Service providers

As far as service providers are concerned, the survey revealed striking differences between groups and between service providers (Figure 11). Agricultural cooperatives and companies are, by far, the predominant service providers, except in the rubber and sugarcane groups where no cooperative exists. Agricultural cooperatives are also active in the cashew group, which has not yet formally entered a contract farming agreement. In this case, the intended contract farming agreement builds upon an already existing agricultural cooperative arrangement. The role of agricultural cooperatives in the development of contract farming activities seems to be central. Other service providers are NGOs and the PDAFFs, but they have a less prominent role in contract farming.

During the survey, we invited respondents to assess the quality of the services in a simple binary choice: ‘good’ or ‘not good’. There seems to be a consensus about the role of the agricultural cooperatives as nearly all services they provide are assessed as ‘good’ by the farmers. This information does not say much about the actual quality of the services, but it does reveal that agricultural cooperatives are appreciated by farmers in the study areas. This reinforces the gateway role they play in the development of contract farming. Mainstreaming CF support activities through agricultural cooperatives seems to be the most effective approach. However, engaging with ACs also raises important questions of management capacities (professionalism) and representation (inclusiveness, equity). If the role of the AC was well perceived in the implementation phase of the contract farming (facilitating communication with the investor), several respondents felt that they were insufficiently consulted by the AC and wanted more direct contact with the company especially when they faced agricultural or contractual problems.

The level of satisfaction concerning the services provided by companies is more tainted, due to tensions and mistrust (see above). Even if they are not key service providers, NGOs and MAFF are deemed to provide a good level of satisfaction. This finding is congruent with other studies on contract farming. The PDAFF has the potential to play a more active role in facilitating and monitoring contract farming (Chhim et al., 2021; Social Action for Change, 2011).
5.7. Outcomes of contract farming as perceived by smallholders

To understand the perceptions of farmers relating to the outcomes of contract farming, the survey relied on their statements regarding the contribution contract farming was making to their livelihoods (Figure 12). Where CF had made a positive contribution to livelihoods, improvements were indicated through increased household consumption, better living standards in the village, and higher school enrolment. Where the CF had exerted a negative impact, the problem of over-indebtedness was evoked as a key issue.

CF experiences are very different across the different groups. In the sugarcane group, as we would expect, CF does not seem to have made a significant contribution as, respectively, 21 percent and 15 percent of households responded that CF had not changed anything and had made things worse. In the rubber group, CF had achieved a slightly more positive contribution, as nearly 40 percent said that CF made a ‘moderate’ to an ‘important’ contribution to their livelihoods. The most impactful contribution of contract farming was reported by the organic cassava group.

We found no statistically significant relationship between the contribution of contract farming to the livelihoods and the characteristics of the farmers and farming system described above (5.1). There are many reasons why there were no statistically valid relations, but we assume that the outcomes of contract farming are more contingent on the process through which local actors build partnership arrangements rather than on the socio-economic characteristics of the farmers.

Figure 12. Contribution of contract farming to farmers’ livelihood, by groups

Cashew nut plantation in Ratanak Kiri Province, Cambodia. (Photo: Ethan Crowley_Flickr)

Note: For conventional cassava and cashew groups (non-CF groups), the values represent the contribution of either cassava or cashew to their livelihoods
5.8. Farmers' ideas and priorities for improvement

Due to the difficulties experienced, a majority of the farmers in the sugarcane and rubber groups would prefer to pursue their cropping activities outside of contract farming: 59 percent in the Rui Feng –sugar case, and 62 percent in the case of Dak Lak/Socfin – rubber case. In contrast, in the experience of the CACC relating to organic cassava production, contract farming has been positive, and the wish is for it to be continued (the view of 95 percent of the respondents).

During the survey, we asked the respondents to identify three aspects of contract farming that require improvements in respect of both contractual arrangements and technical support services. The farmers’ responses appeared to be mainly consistent across groups. As far as the contractual arrangements were concerned (Figure 13), the request for a better price is the highest in demand. But, interestingly, for both the sugarcane and rubber groups, the request revolved around better communication with companies. The fact that there is no AC in these two groups highlights the importance of such cooperatives as facilitators between the companies and the farmers. The farmers in the organic cassava group seem to require technical support to deal with the technical standards required by the organic certification process. In the sugarcane group, nearly half of the respondents requested a proper grievance mechanism that could be activated to file complaints and address conflicts related to the contract farming initiative.

As far as improving technical support services is concerned (Figure 14), the request is also consistent across groups. Four major support services are in high demand: the provision of quality seed; the provision of more regular and better extension services; the provision of credit at lower interest rates; and the improvement of irrigation systems.

In general, these requests are consistent with previous analyses. Contract farming is a new adventure for many farmers. They are ready to move forward and adapt their agricultural practices to new technical requirements. But to do that, they require a fixed price as an incentive that would provide them with greater economic security. They also need technical support but, first and foremost, regular and effective communication with the company they sign the contract with, is key.

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**Figure 13. Improvements needed for future contract farming (contractual arrangements)**

- **Rui Feng - Sugarcane**
- **Dak Lak/Socfin - Rubber**
- **CACC - Organic Cassava**

- Higher price
- Timely payment
- Better communication
- Grievance mechanism
- Respect the contract
- Lower/easier requirements
- Respect the requirements

**Figure 14. Improvements needed for future contract farming (technical support services)**

- **Rui Feng - Sugarcane**
- **Dak Lak/Socfin - Rubber**
- **CACC - Organic Cassava**

- Seed quality
- Extension service
- Agriculture equipment
- Improved irrigation system
- Credit with low interest rate
- Provide quality fertilizer
- Demonstration field
- Improved rural road
- Need land title back
- Provide quality pesticide
This section draws on lessons from the CF case studies presented in this document and on other CF experiences presented in the literature. We offer several recommendations relevant to the design and implementation of contract farming investments that are more inclusive for smallholder farmers. These recommendations aim to contribute to consultations around the institutional framework being developed in Cambodia to promote and regulate contract farming (see 3.3 above).

Given the ongoing drafting process of the Contract Farming Law, we differentiate between suggestions relating to legal and policy instruments. This is because the law must operate in parallel with an enabling policy environment. The regulatory domains should complement each other, but they serve different purposes. The law needs to include standard procedures and accountability mechanisms that are legally robust and applicable in court. The policy environment outlines the instruments needed by government agencies, investors, and farmers both to promote and manage contract farming in practice, and the incentives mechanisms mobilised to do so.

6.1. Contract farming law

For the legal framework to increase trust between parties and facilitate the implementation and enforceability of the law, the following areas are considered: minimum contract requirements; grievance mechanisms and dispute resolution; and registration of companies, contracts, and farmers’ organisations.

Minimum requirement of contracts

As noted above, flexibility is needed to design contracts according to specific market and agro-ecological conditions, commodities and the different stakeholders involved. That said, the law can include a list of all elements required in a contract, which could be organised in a contract template. The minimum requirements are:

- Contracts need to be in written form, in local languages, shared with the farmers (prior to signing and after signing)

- Rights and obligations should be included of all parties (farmers, buyers, intermediaries, and multipartite actors including farmer organisations, PDAFFs, and so on) concerning all aspects of the contract such as the provision of inputs, training, monitoring, requirements on prices, quantity and quality, delivery arrangements, risk-sharing, and so on

- Basic contract information including duration, quantity of production required and a delivery date(s)

- Payment schedules and price formation (fixed or floating): in some cases, it is useful to have a mix of both to ensure a minimum fixed price for the farmers and to allow all parties to benefit when the price is higher

- Procedures to be followed when farmers or investors want to renew or terminate the contract

- Measures to be taken in the case of non-compliance with the terms above and breach of contract (penalties, compensation, and suchlike)

- Compensation measures if the agribusiness goes into bankruptcy or fails for another reason.

- If contract farming implies some specific arrangements around the land (land leases, tenant farming, and so on), regulations concerning access to the land, such as fees, payment schedules, duration etc. should be specified, along with the conditions of the use of land as collateral to access credit.

Grievance mechanisms and dispute resolution

As the case studies discussed above and CF experiences in other countries have shown - see the example of Thailand (Marks 2022) - effective grievance mechanisms are pivotal. They help to ensure that stakeholders are more accountable to each other because they show that there could be consequences if they do not follow the contract. They also increase confidence as farmers and investors know that their position will be supported in the event of a contract breach. As such, the CF law should stipulate that:

- A legitimate independent grievance body should be mandated to receive complaints from the wronged party and to support the resolution of such disputes
A provincial-level body, ideally established under a CCAPC, could endorse the above mentioned function, but with representation from non-State institutions.

The resolution process should be low-cost, preferably non-judicial, and easily accessible to farmers. When non-judicial conciliation is not possible, the case can be brought to court.

Registration of companies
The law should stipulate that a company willing to engage in CF should submit a company profile to CCAPC including a financial report and shareholding structure, a record of past agricultural investments, a commitment to RAI, and a clear management plan for the agricultural investment proposed. The CCAPC should be mandated by:

- Checking the company profile and registering it before they are approved to commence CF
- Maintaining a public online database of companies engaged in CF

Review and registration of contracts
After validating the company profile, CCAPC should review contracts to identify gaps or flaws that might turn problematic during implementation. On that basis, CCAPC can register the contract.

Contract signatories
The CF law should also be responsive to specific situations with regard to contract signatories:

- When farmers are represented by farmer organisations in the contracting process, it is essential to differentiate between two types of contracts. The first is a contract signed between the individual farmer and his/her farmer organisation. The second is the contract between the farmer organisation and the company.
- When the contract is established with a household, both spouses should sign it to allow gender-equal management of the contract, access to grievance mechanisms, legal representation, support services, and so on. This is particularly important in cases of separation or divorce after the signing of the contract or when the husband migrates for work.

The need to provide the contract to the farmer
- Finally, the company must give farmers a copy of the contract before CF can commence.

6.2. Policy incentives and initiatives
In addition to the development of the contract farming legal framework stricto sensu, other regulatory instruments and incentives can be proposed by the government both to promote and manage CF in practice.

Centre the role of farmers’ organisations
This study builds on a range of available analysis that demonstrates the value of farmers’ organisations, producer groups, and cooperatives as representative platforms for farmers in dealing with agribusiness firms and buyers in CF schemes. There are also many benefits for investors from the participation of cooperatives in multipartite CF, particularly in terms of managing supply-demand and the distribution of inputs and information among producers. Centring farmers’ organisations in contract farming could include:

- Tax incentives for farmers to establish and engage in cooperatives, and also for firms to work with them
- Simplifying registration procedures, documentation and other administrative requirements for agricultural cooperatives
- Providing training to enhance leadership, organisational, financial and management skills
• Encouraging companies to work through cooperative groups on various aspects of contract farming - contract negotiations, training, technical support for farmers, monitoring, etc. Where multipartite contracts are established between farmers, cooperatives and the company, these should cover the obligations of all parties and include the administrative and service costs of the farmers’ organisation.

• Building trust between farmers and their representatives – this is essential to ensure that farmer organisations have a meaningful role in contract farming, including via regular assemblies, transparent accounting systems, and sharing benefits with all members. PDAFFs and provincial federations of cooperatives, where they exist, could facilitate this process, as they already do in different places across the country.

It is particularly important that farmers’ organizations are responsive to gender and ethnic group concerns and provide a voice for marginalised peoples.

Ensure appropriate and affordable financing mechanisms

A consistent problem in contract farming is late purchases and payments that increase costs and cause frustration to farmers. This squeezes farmers’ livelihoods in terms of slowing down debt repayments and cash flow and also threatens the contract farming partnership. Various steps could be taken to mitigate this problem:

• Farmer organisations could offer direct payments to farmers upon delivery, reimbursed later by the company. This requires the farmer organisation to increase its operating budget via affordable loans, for instance, via the Rural Development Banks. Such loans could be guaranteed by the government.

• Public funding of financial institutions could also be geared to farmers who need long-term loans: companies are often reluctant to operate credit schemes with farmers due to the high transactions costs, which could instead be supported by, for example, a micro-finance institute (MFI). Those MFIs could provide specific loans to individual farmers with the company as a counter signatory.

• If contracts between farmers and a company include a credit scheme, they must also specify the terms (amount, maturity, interest rate, repayment schedule, and so on)

• Any lending practices to farmers should be accompanied by appropriate financial literacy and approval criteria to reduce indebtedness and default risk.

Promote regular monitoring and evaluation

The contract design and signing are just the first steps in the process. An equally important task is to monitor and evaluate the operations of CF schemes in practice. This is a task to be jointly implemented by all proponents of the contract farming project (farmers, farmers’ organisations, companies, CCAPC at the provincial level, micro-finance institutes, supporting NGOs, etc.). This includes the possibility for both farmers and companies to feed-back to the CCAPC if an issue emerges.

Unsuccessful contract farming experiences may discourage farmers from engaging in such investment models. The public sector has an important role to play so that monitoring and evaluation help fix problems and promote inclusive contract farming to encourage farmer participation.

Monitoring and evaluation consist of assessing the level of satisfaction of farmers and the company and the technical arrangements specified in the contract. At the farmer level, it is important to monitor credit and make sure that it does not burden farmers. Beyond benefits and impacts at the farmer level, monitoring and evaluation should also examine environmental management issues (for example, water pollution, deforestation, and so on) and the impacts that household-based contract farming may have on the privatisation of common-pool resources, along with the effects of land commodification and accumulation through land markets.

The outcome of the monitoring and evaluation could be used to reformulate the contract and agreement as needed and/or the development of sub-legislation for specific safeguards related to particular commodities.

Need for improved tenure security

Many contract farming schemes are shaping up in upland regions, where land-use change is extremely rapid and competing land claims are the rule rather than the exception. Smallholder farmers may often be engaged in contract farming without proper recognition or formalisation of their land tenure rights (for example, on recently deforested land). All CF proponents should take the question of land
tenure security seriously before starting a CF scheme. They should do so in connection with existing institutions and policies promoting security of tenure:

- Where needed, titling or other forms of land right recognition (for instance, through land-use planning) should be conducted, although these processes demand significant time and resource
- At a minimum, an assessment is needed to evaluate risks associated with land tenure insecurity for plots that are part of a contract farming scheme
- When CF is mobilised to address land conflicts (for example, between an agricultural concession and smallholder farmers), it is crucial to engage with the relevant land reform mechanisms, such as the technical secretariat for ELCs.

6.3. Develop the enabling environment

Beyond the legal and policy frameworks, other dimensions could be considered to promote mutually beneficial agricultural investments for companies and farmers.

Understand the context and the feasibility of the project

Before considering the contracting environment and the details of the contract design, a prerequisite for CF project proponents is to examine the context in which the project operates, its actual feasibility and the main risks. Such contextual studies aim to understand:

- The dynamics of the land and agrarian systems in the project area and the suitability of production conditions
- The economic feasibility of the project, including an evaluation of economic returns and distribution among stakeholders, risks associated with the market structure (breach, side-sales, etc.) and whether or not commodities allow for prices superior to those offered in spot markets (outside of which the incentives are too limited to ensure compliance)

As part of the ongoing contract farming reform, the CCAPC could develop methods and tools for such feasibility studies and evaluation criteria to determine whether or not a CF project is viable.

An independent team, coordinated by the CCAPC, should conduct such studies, financed by the investor. The findings of the study should be made available to all parties involved.

Enhance communication between all stakeholders

To enable an inclusive and level playing field in the contract negotiation process and more widely in CF regulation, all relevant stakeholders should be able to contribute meaningfully to the negotiation process. As echoed not only in this survey but also in other contract farming studies in Cambodia (for instance, Kramer 2017), this is a necessary condition for a successful long-term partnership between farmers and the agri-business company.

- The role of the public sector (for instance, CCPAC or its equivalent at the provincial level) is crucial in ensuring that farmers are federated and are represented by one or several people of trust
- Relevant government agencies should facilitate a process of consultation with the farmers that would provide a space and time for discussions and negotiations
- A positive communication environment should be established between all stakeholders to support information-sharing, the discussion of expectations and objectives, the organisation of public forums and the dissemination of details about events, etc.

Provide technical support

Successful outcomes of CF do not just depend on the triad of ‘quantity-quality-price’ and related regulations. They require an enabling environment that includes technical support services nurtured by information-rich, transparent, and effective communication with the company. Technical support services not only enable farmers to meet the requirements of the company, but also help to nurture trust between them and their new commercial partners. A recommendation is that support for issues relevant to the CF scheme should not be limited. We encourage a holistic approach that addresses the principal problems and constraints that are faced. Successful outcomes require contributions from different stakeholders, but the collaboration between the company and the farmers’ organisations is central to these efforts.
Agricultural investments are at a crossroads in Cambodia. Agricultural concessions as a main driver of investment are running out of steam, and Order 01 has created the conditions for conflict transformation and/or more collaborative engagement between the concession holder and smallholders. Furthermore, contract farming is gaining traction as a model that offers mutual benefits for farmers and investing companies. As a result, hybrid investment models borrowing from land-based and market-based arrangements are emerging and reshaping the agricultural investment landscapes.

This case study examines the conditions of different types of agricultural investments and the benefits gained by smallholder farmers. It shows that the outcomes of contract farming on farmers’ livelihoods is highly contingent on interactions between local stakeholders, including the uneven power configurations to which smallholder farmers are subordinated. Contract farming is not a magic bullet to address problems faced by smallholder farmers. It may not even always be the solution to local problems, particularly when competitive markets offer the leeway for opportunistic side-sales and contract breaches.

This study is embedded in a policy research process conducted by several State and non-State organisations that share a strategic interest in responsible agricultural investment in Cambodia. A new institutional framework for agricultural investment emerges along with the changing nature of the investment per se.

The development of the new contract farming legal framework can be seen as a positive move but it comes along with high expectations. Case studies like this one have shown some of the limits of contract farming and the conditions under which it can lead to pro-smallholder outcomes. The lessons learned from actual practices and ground-level experiences to inform the law-making process should help to shape the future law so that it can achieve its objectives: to build trust between stakeholders; to provide clear guidance on procedures and accountability mechanisms for contract farming implementation in line with decentralisation and de-concentration policies; and to lay down the foundation for grievances and dispute resolution instruments. On this point, the lessons learned from the pilot grievance mechanism proposed by Oxfam in collaboration with DAI will also be instrumental to those in charge of the law-making.

But the legal apparatus is no substitute for a policy framework that aims to incentivise responsible agricultural investment and disincentivise harmful practices. In tandem with the law, the building of institutions must also consider strengthening farmers’ organisations as representative platforms between farmers and companies: access to appropriate financing mechanisms for farmers’ organisations should be ensured, as well as for individual farmers, and public resources should be invested in monitoring and evaluating the growing contract farming experiences across the country. Given the nature of these new investments, linking contract farming with the land policy that promotes tenure security and inclusive State land management is crucial.

Nothing predisposes agricultural investments to be inclusive. A clear and sound legal framework and a supportive policy environment cannot replace the commitment of stakeholders and their mutual accountability towards inclusive agricultural investments. Down the line, the challenge for reform actors, and the public sector, in particular, is to create institutions that enable this dialogue.
References


Obligations of farmers and contractors according to the sub-decree on contract farming (RGC, 2011)

Obligations of farmers

- Comply with the terms and conditions set out in the agreement
- Produce required commodities based on seasonal conditions and within the required time frame
- Supply, on-time, a minimum quantity of products of a specified grade/quality
- Accept payment in line with the product value as set out in the agreement
- Comply with the terms and conditions set out in the agreement
- Specify quantity and quality of products, delivery date and place of delivery, and acceptance procedures.

Obligations of contractors

- Provide producers with agricultural inputs such as propagation materials, seeds, aquatic species and animal breeds, credit advances, technical services and other support as agreed to achieve the desired results
- Buy agricultural products in specified quantities and of the quality designated at agreed prices
- Pay producers for commodities within the timeframe and in accordance with the terms and conditions specified in the contract.

Formalities and implementation of the agricultural production contract

- Contracts must be put in writing and facilitated by the coordination mechanism—the CCAPC
- Contracts must be covered by the provisions of the Civil Code, laws and existing regulations
- Conflict between producers and contractors relating to contract implementation must be settled in compliance with the terms and conditions as set out in the agreement.
The agricultural investment landscape of Cambodia is changing rapidly. The large-scale development model driven by agro-industrial concessions is out of steam and other forms of investment linking farmers with companies and markets are emerging. In order to examine the implications of these transformations for smallholder farmers, this case study reviews the experiences of four types of agricultural investments linking with smallholder farmers. The research findings focus on the reasons for the farmers to engage in contract farming, contractual arrangements, technical support services, and the perceived outcomes of contract farming. It highlights the key policy and institutional implications and offers recommendations to enhance the benefits to smallholder farmers.