



FOOD AND BEVERAGES SECTOR BRIEF

# CAMBODIA



## Country overview

---





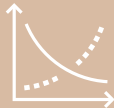




The Kingdom of Cambodia occupies the southern part of the Indochina peninsula. Its area is 181,035 square kilometres and it shares its borders with Thailand, Lao PDR, and Viet Nam on land. Cambodia's total population is over 16 million.

The country is classified by the United Nation as a least developed, although in the last decade, Cambodia has emerged as one of the fastest-growing economies in Asia, possibly even the fastest growing ASEAN country in 2019. Although agriculture still dominates the economy, the strong GDP growth was driven by textiles, construction, and tourism industries and services.

The COVID-19 outbreak caused Cambodia's economy to lose momentum, as tourism and manufacturing were hit immediately by vanishing demand.



Indicator	 Population (million)	 GDP per capita (USD)	 Real GDP growth rate% (constant prices 2000)	 Inflation (Year average)	 Trade balance (% GDP)	 Exports (% GDP)	 Imports (% GDP)
2018	16.0	1,543	7.5	2.5	-24.0	53.2	77.2
2019	16.2	1,679	7.1	2.8	-21.9	54.8	76.7
2020	16.5	1,816	6.5	2.9	-21.8	53.2	75.0

Source: National Strategic Development Plan 2019-2023

# Food manufacturing and food services – sector overview

---



## Food manufacturing industry in Cambodia

Although Cambodia's agricultural exports are on the rise since 1998, this comes mainly from unprocessed paddy rice, cassava, and cashew nuts, and only 10-12% of total agricultural goods are processed. Many of the raw materials are manufactured into value-added goods in neighbouring Thailand and Viet Nam, before they are re-exported to Cambodia.

Since 2015, much effort has been made by the government to strengthen upstream industries, like rice and flour milling, and slowly create a healthier SME sector with growth potential on the market. Expanding the agro-processing sector was also given a priority in the Cambodia Industrial Development Plan in 2015-2025.

The main products of Cambodia's emerging food manufacturing industry are the following, sorted by raw materials:

- **Grains (mainly rice):** biscuits, noodles, flakes, cakes, snacks (significant export of certain brands, e.g., Vissot peanut snacks)
- **Seeds:** spices and nuts, oils and sauces from nuts
- **Roots and tuber crops:** starch, chips, and alcohol for export
- **Fruits:** fresh cut, dried fruit, pickles, and some sugar for export purposes
- **Vegetables:** fermented vegetables, sauces, tea
- **Poultry:** frozen and chilled, fried and grilled traditionally
- **Meat:** jerky and ready-to-eat meals
- **Fish:** dried, smoked, and fermented fish
- **Marine fish:** frozen for export, dried, ready-to-eat
- **Beverages:** tea bags, flavoured coffee, soft drinks, and alcoholic beverages including craft beers.

## Attributes of the main segments

### Rice milling and snacks:

Rice milling and snacks is a well-established segment of the food manufacturing industry, with significant export capacity, but not fully productive in terms of milling. There are over 800 rice mills in Cambodia, and 200 among them are medium or large enterprises, with over 5-10 tons/hour production capacity. The value-added industry is mainly simple snack production.

Other crops processing: Cassava is processed to starch, sugar, and alcohol, and cassava chips are also exported. Sugar cane production is also increasing, although there are only a few sugar mills in the country. Phnom Penh Sugar Co. Ltd. opened its first large factory in 2012, fulfilling local demand and export needs. Later a Chinese owned competitor emerged, called Rui Feng International Co. Ltd., selling mainly to the Chinese market. Cashew nuts are usually not processed, only packaged and exported to other ASEAN countries, mainly Thailand.

### Fruits and vegetables:

Recently, some micro- and small processing companies have started their business in Cambodia, typically producing dried fruits and jams. Larger scale processing is missing, mainly due to the lack of appropriate machinery.

### Beverages:

The beverages sector is somewhat more developed than other segments of the Fast-Moving Consumer Goods (FMCG) scene, with large players on the market in soft drinks and beer breweries. The main companies are Coca-Cola, Pepsi, Angkor Beer, Cambodia Brewery, and CAMBREW. There are some boutique breweries and fruit juice processing companies developing a healthy SME microcosmos as well.

## Cambodian cuisine, and changes in consumer preferences

Cambodian cuisine has very distinctive flavours, due to the rich and diverse history of the country. The Khmer Empire that ruled the region once, has its heritage not only on in Cambodian, but also Thai and Vietnamese dishes. Chinese traders introduced noodles, Indians brought coconut milk and curries, and the French colonial era can be characterised by baguettes and liver pâté that is eaten for breakfast.

Rice is still the most important source of energy for most Cambodians, accounting for almost two-thirds of the daily calories eaten by the average family. Despite the recent growth in GDP per capita, an estimated 30% of children are suffering from malnutrition and poor nutrition. As a protein source, Cambodians are fond of pork, beef, frogs, mussels, and crabs.

Economic development has brought a fast change in consumer preferences. Firstly, as international trade has increased, there are more products to choose from. Product diversification has brought in branding, as the most popular brands promise success and prosperity. Western influence can be seen in new eating habits, including fast food, formerly non-existent food categories like fresh frozen vegetables and near-ready food, and packaged goods. The change has had its effect on the supermarkets and more and more aesthetically packaged food and longer shelf-life are required from importers and distributors.

## Food service industry

Recent economic growth of incomes, growing middle class and rapid urbanisation are parallel phenomena that contribute to the development of the Cambodian food service sector. Full-service restaurants are the most common outlets, mostly run by independent entrepreneurs, and only a few international chains are present in the country.

Key products, such as rice, meat, and vegetables, are available at markets, and more and more cash-and-carry wholesalers operate large stores with food, and non-food, goods.



Trade with Cambodia became easier and less costly to most of the SMEs in the ASEAN region, as the country's adjusting its regulations to the regional standards. According to the World Bank's data, the simple average tariff in Cambodia is 12.45% (9,77% weighted) in 2016 is slightly over the Asia-Pacific average, and other duties are not prohibitive for traders as well.

Sources: <https://data.worldbank.org/indicator/TM.TAX.MRCH.SM.AR.ZS>

## Regulations



Trade with Cambodia has become easier and less costly to most SMEs in the ASEAN region, due to the country adjusting its trade regulations to the regional standards. According to the World Bank's data, the simple average tariff in Cambodia was 12.45% (9,77% weighted) in 2016, which was slightly higher than the Asia-Pacific average, and other duties are also not prohibitive to traders.

Source: <https://data.worldbank.org/indicator/TM.TAX.MRCH.SM.AR.ZS>

### Tariffs and certificate of origin

There are four (4) types of import duties and taxes in Cambodia:

- Customs import duties (CD) with an ad-valorem rate
- Special tax (ST) for certain goods
- Value-added tax (VAT) with a flat rate of 10%
- Additional tax (AT): 0.02\$/Litre on petroleum oil, 0.04\$/Litre on diesel fuel.

Sources: <http://www.customs.gov.kh/outline-of-law-on-customs/duties-and-taxes/>

Certain products or imports receive special preferential treatment, such as under the ASEAN Free Trade Area, which can include agricultural equipment and input, or, for example, school materials or pharmaceutical products.

A Certificate of Origin (C/O) is an official document used to certify that a product is originated, wholly obtained, produced, or manufactured in a country. This important part of the import documentation determines the tariff schedule and other regulations (NTM) used by the customs authority, especially in cases where preferential rates or treatment are used. There are two types of C/O-s, non-preferential and preferential. There are several multi- and bilateral trade agreements in force where C/O could be required. Cambodia, besides the ASEAN agreement, has signed such treaties with China, Australia, and New Zealand, India, Korea, Japan, Vietnam and Regional Comprehensive Economic Partnership (RCEP).



## Customs procedures

Customs procedures have been simplified and automated in Cambodia in recent years, and the electronic Customs Declaration (called the Single Administration Document – SAD) is going through an automated customs processing system, the ASYCUDA (or Automated System on Customs Data).

The General Department of Customs and Excise of Cambodia has a very informative website ([http://www.customs.gov.kh/en\\_gb/](http://www.customs.gov.kh/en_gb/)), where the details of the procedures for importers are explained, for each of the modes of transportation – ship, air or land, as well as the steps for customs clearance. The same information is available for exports from Cambodia.

There are some special procedures in the Cambodian customs regulations:

- **Rice export:** The Cambodian government has provided a priority procedure for rice exporters, with the highest legally possible facilitation of customs clearance, which may also be extended to other agricultural products.
- **Best traders:** A promotion programme for highly compliant traders.

To become a best trader in Cambodia, traders or relevant persons need to satisfy the following conditions:

- Be in Rank 1 of Trade Credibility Management System (TCMS) at the time of application.
- Be a legal person with registered capital not less than 1,000 million Riel.
- Have never committed serious customs offence in the last 3 years before the time of applying.
- Not be in debt of customs duties beyond the deadline or defaults on other debts.
- Fully implement their obligation to manage documents, accounting books, records and other information related to the import-export in accordance with existing regulations
- Be a member of Authorised Business Community and must be certified by Chair of Authorised Business Community on the financial situation and the compliance of the trader.
- Have a yearly trade volume not less than 2 million US\$ and obliged to report any forms as determined by the Best Trader Management Unit of the GDCE (General Department of Customs and Excise of Cambodia). Best traders enjoy preferential treatment and simplified customs clearance.

## Non-Tariff Measures

While tariffs are reduced throughout the region, non-tariff measures (NTM) are increasingly used by the governments to regulate trade. Cambodia is no exception, NTM for imports have a coverage ratio of 83% and frequency ratio of 73%, while exports have 93,5% and 71,6% respectively. All these figures are above the global average. The reason behind most of the NTMs is the country's desire to regulate trade, but to traders, NTMs appear as technical or cost barriers. While tariffs account for only 3% of the total cost in Asia-Pacific countries, NTM represent 76-78% of the total cost.

Food products are subject to most of the NTM, such as product certification, labelling and packaging requirements, sanitary and phytosanitary measures, quotas and other quantitative regulations. In Cambodia, there are 96 NTM applicable to vegetables and 68 to live animals, and many other regulations are in force regarding other agri-food products.

# Market Entry

---



## Sales channels

There are no significant restrictions to foreigners if they want to undertake export-import activities, and distributors tend to employ foreign workers. Cambodia's retail industry is changing rapidly. Stalls and small shops at traditional markets are still running more than half of all purchases, but western-style shopping malls, convenience stores, and supermarkets cater to the wealthier, and often younger, urban population. In just five years from 2014 to 2019, the number of retail malls in the country grew from 10 to 27.

ASEAN countries are well represented on the market. Snacks, noodles, and dry food from Indonesia, Vietnam, and Thailand are popular and are imported from directly, or by distributors owned by the producers. Importers can apply to the Ministry of Commerce for exclusive rights to import brand-name products.

**E-commerce:** Implementation of online retail in the food and beverages sector used to lag behind neighbouring countries, but it appears that the COVID-19 pandemic pushed the food and beverages sector to become the fastest growing e-commerce segment. Key challenges are still legal, as the legal framework of online trading is not yet fully ready, and logistical, with fast delivery being an issue. Despite these challenges, the largest e-commerce players in Asia, like Alibaba, are already present in Cambodia.

## Marketing

The first source for trade promotion schemes is the Ministry of Commerce:  
<https://www.moc.gov.kh/en-us/>

The national trade promotion agency is not a separate government body, but the General Directorate of Trade Promotion (GDTP) under the Ministry of Commerce. The GDTP offers some business development services to local and foreign companies, including:

- Business matching events
- Exhibitions - GDTP hosts only one large trade event every year, the One Province One Product Import-Export Exhibition
- Seminars and workshops
- Support for making appointments with companies in Cambodia
- Business environment information services
- Service providers' list in Cambodia, such as lawyers, accountants, office rentals, etc.

For more information, please contact the GDTP: General Directorate of Trade Promotion, Ministry of Commerce at Lot 19-61, Russian Federation Blvd, Teuk Thla Village, Sangkat Teuk Thla, Khan Sen Sok, Phnom Penh, Kingdom of Cambodia: [www.moc.gov.kh](http://www.moc.gov.kh)

### Chamber of Commerce in Cambodia

The national Chamber of Commerce was established in 1995 and is a voluntary membership-based and non-profit organisation, which represents all sectors, including agriculture. There are 12 municipal/provincial chambers, which may be very useful to foreign companies entering the Cambodian market. This is the widest business network in the country. More information and events can be found on the Chamber's website: [www.ccc.org.kh](http://www.ccc.org.kh)

### Business networking events

There are only a few dedicated events for the agri-food sector in Cambodia, and most of the local traders and producers attend fairs in Bangkok, Ho Chi Minh City and Singapore. The most prominent event in Phnom Penh is the Agri Cambodia Fair, which includes Livestock Cambodia.

## Recommendations and Trends

---



After an initial hit, Cambodia is emerging relatively unscathed from the COVID-19 pandemic and the country is expected to bounce back during 2021. While the pandemic has forced the government to increase investments into local agriculture, to avoid future supply bottlenecks, there are many good opportunities in the country for foreign food and beverages suppliers. The young population and rapidly growing middle class, combined with fast growth of internet access and modern shopping, suggests very attractive markets for premium food and beverages in the future. The tourism sector is also expected to generate good opportunities for foreign food and beverages companies, supplying to increasing numbers of foreign tourists, from China and the West.

### Investment opportunities

The Foreign Direct Investment (FDI) influx into Cambodia was at a very high level in 2019, before the COVID-19 pandemic hit the economy in the capital exporter countries. The total FDI in 2019, after 12% growth from 2018, amounted to US\$3.58 billion. To see the whole picture, it is important to add that US\$2.38 billion was received by the financial sector, and half of the total FDI came from Chinese investors. The National Bank's experts claimed that this increase in FDI was because sound environmental and investment laws have been adopted.

The investment promotion institution in Cambodia is the Council for the Development of Cambodia (CDC), founded in 1994. There are two operational arms of this agency, the Cambodian Investment Board (CIB) and the Cambodian Special Economic Zone Board (CSEZB). These are responsible for private sector investment projects. More information can be found on the webpage: <http://www.cambodiainvestment.gov.kh/>

Source: National Bank of Cambodia, NBC.