



# The Time is Ripe to Invest in Cambodian Agriculture

## Just don't expect instant gratification

By Alanna Jorde  
*Economics Today*

Ten years of research, including a recent survey of 3,000 households, has economist Chan Sophal convinced that Cambodia's top five cash crops—rice, maize, soybean, cassava and rubber—will prove very profitable in the years ahead.

According to his projections, revenue generated from the crops should increase at least 50 percent, he told prospective investors at a Leopard Cambodia forum last month.

Prices for food have soared in the past year and most analysts believe that they will remain high due to a combination of factors; most notably, sustained steep fuel costs and rising world demand for crops that can be eaten or converted into biofuels.

What's more, tens of thousands of hectares of arable land that could be purchased on the cheap are sitting idle, the Cambodia Development Research Institute's senior researcher manager pointed out.

When Central Asia Development Group (CADG) was looking to expand its agricultural operations into Southeast Asia to cash in on Asia's surging food needs, it studied Vietnam, Laos and Indonesia before deciding to target Cambodia first, said business development manager Michael Lambert.

Qatar and Kuwait have recently visited Cambodia to explore opportunities for securing long-term food supplies for their countries. "The time is ideal for investment in Cambodia's agricultural space," he insisted.

Not only does Cambodia have adequate transport links to regional markets and is integrating quickly into the regional and global economy, it is one of the few places left on Earth where "people are willing to sell arable land," he said.

Prices for Cambodian farmland and labor costs may be among the lowest in the region, but making money from farming still requires significant investment.

Initially, CADG expects to invest about US\$12-15 million to acquire more than 6,000 hectares of land near Phnom Penh to grow cassava, rice and vegetables as part of a joint venture with Paragon Corp dubbed Paragon CADG Agro, said Michael Lambert. The first crop should be in the ground by the end of 2009.

By 2010, Paragon CADG Agro's goal is to own and operate 30,000-50,000 hectares of Cambodian farmland.

Besides state-of-the-art sustainable water management, funds will be used to "implement best practices in farming and management techniques, and transferring modern farming skills, he said. To that aim, CADG managed to capitalize on controversial farm seizures in Zimbabwe by "poaching 50 of the world's best farmers (from the African nation) until they work themselves out of a job."

But while Cambodia lacks senior managers, the country has a bounty of "young, hungry and highly trainable" people, added Michael Lambert.

In a nutshell, those investing in the agricultural sector must be prepared "to get your hands dirty and

change the way people farm," he said. Since "agriculture is a five- to 25-year investment," a little patience wouldn't hurt either.

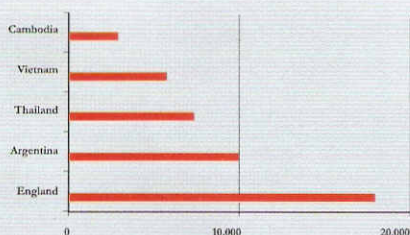
But the former hedge fund manager doesn't seem to be worried about delaying gratification. With stock markets around the globe in crisis, many of his former colleagues "are envious I'm a farmer now and not a hedge fund manager," he quipped at the forum, which was held around the time Lehman Brothers collapsed and the US government was hatching a US\$700 billion bailout of insurer American International Group. ■

### Investing in Agriculture

- Plenty of opportunities exist at the low, medium and high end of capital funds.
- Industry Intelligence is essential
  - Good returns for US\$100,000 investment
  - Great returns for US\$500 million investment
  - Bad returns at all levels if poor decisions are made
- No single magic dollar amount will ensure a return on investment and all crops have their pros and cons.
  - Some industries such as rubber and cassava need minimum investment of US\$20 million, and this is closely tied up with land prices and processing equipment.
  - Working capital to acquire raw product and then process it for export requires the bulk of investment.

Source: Agricultural Development International

Farm Land Prices - A Comparison  
Arable Land Prices US\$/ha



Note: Estimates based from numerous sources

Source: Paragon CADG Agro (Singapore)