

# **Aiding Trade**

## **Case Studies in Agricultural Value Chain Development in Cambodia**

**By**

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**A thesis submitted for the degree of Doctor of Philosophy  
of the Australian National University.**



**RESOURCE MANAGEMENT IN ASIA PACIFIC PROGRAM  
CRAWFORD SCHOOL OF ECONOMICS AND  
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THE AUSTRALIAN NATIONAL UNIVERSITY  
CANBERRA, MARCH 2010**

## **Declaration**

I, *Maylee Thavat*, declare that this thesis, submitted in fulfilment of the requirements for the award of Doctor of Philosophy, in Environment and Resource Management in Asia Pacific Program, Crawford School, College of Asia and the Pacific, the Australian National University, is wholly my own work unless otherwise referenced or acknowledged. This thesis has not been submitted for qualifications at any other academic institutions.

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## **Acknowledgements**

A thesis is a little bit like a child; it takes a whole village to raise one. This thesis owes a great deal to a number of people and organisations who have supported me in this research, from inception to final draft.

This doctoral thesis was undertaken at the Australian National University, in the Resource Management in Asia Pacific Program (RMAP). An Australian Post-graduate Award (Industry) provided financial support. This scholarship was provided under a larger research linkage grant ARC LP 0348836 from the Australian Research Council awarded to Dr. Andrew Walker and Prof. Francesca Merlan, in partnership with industry partner ACIL CARDNO. This linkagegrant research was entitled ‘cross-cultural institution building and development interventions: linking applied and critical approaches’. Research was to be conducted on the cross-cultural institutions created in the context of development, planning and management interventions. Further funding support was provided by RMAP for fieldwork expenses, conference attendance and administrative costs. Throughout the research and writing process, the staff, students and facilities of RMAP provided a propitious environment, which greatly enhanced my PhD experience.

From inception to completion, this thesis benefitted greatly from the support of my supervisory chair, Dr. Andrew Walker. Throughout the process Andrew Walker provided a high level of professional academic mentoring, which accompanied by his intelligence, wit and tireless efforts at reading countless drafts helped me immensely

in managing what sometimes appeared as an insurmountable task. Andrew's frequent and detailed feedback helped me to produce a much better thesis than I could have achieved alone. His tutelage and encouragement improved my skills immensely in advanced academic research and writing. The other tower of intellectual strength and support was co-supervisor Prof. Colin Filer. His wise insights and ever-probing mind helped me to push my own logic and lines of enquiry beyond elementary assumptions and towards a more sophisticated level of philosophical enquiry.

I would also like to thank the various colleagues, informants and organisations that enabled field research in Cambodia, specifically Anthea Long, Vichet Sorn, Pieter Y'Pma, Grahame Hunter, Amelie Geoffrey and Le Minh. To my colleagues and superiors, but above all friends at ANU including Dr. Matthew Allen, Dr. Sango Mahanty and the 'Mainland Southeast Asia Writing Group' chair and participants, especially Prof. Craig Reynolds, and soon to be doctors, Amrita Malhi and Simon Creak, thank you for the comments, constructive critique, late night drinks and support.

While working on this thesis I have been blessed with what can be described as my own personal cheerleading group, my three sisters. I thank you for the dinners, accommodation, fishing trips, karaoke nights and card games which punctuated the seemingly endless task of fieldwork and thesis production with much needed moments of comic and emotional relief.

But most of all I would like to thank my husband, Paul Hutt, without whose unfailing emotional and financial support it is unlikely that I would have completed this thesis. Thank you for bearing with me over this long and arduous journey, in Cambodia,

long distance and in Canberra. Your tireless encouragement and unfailing belief that I would finish this thesis even when I did not believe it myself is a true testament to your outstanding character and strength. Thank you my dear. This thesis is dedicated to you.

## **Abstract**

This thesis presents an inquiry into agricultural development. More specifically it addresses the question: how do development agencies construct and reconstruct new and existing agricultural commodity chains to assist the rural poor to trade their way out of poverty? Growing unevenness in the development process has led to calls for development to become more pro-poor. An increasingly popular tool employed in such efforts is agricultural commodity chain development, more recently and perhaps more salubriously called value chain development. The key idea here is to assist poor rural agriculturalists (the majority of the world's poor) to upgrade their livelihoods through appropriately configured commodity chains. Although conceptions vary about what sort of commodity chain is best engaged or how to engage it, the primary tenet of this approach is that given appropriate assistance the poor may trade their way out of poverty. As such this thesis is as much about examining the aid agencies enrolled to instigate commodity chain development, as it is an investigation into agricultural commodity chains themselves. The four case studies of this thesis: rice seed, organic rice, fresh vegetables and chilli sauce provide examples of the different ways that aid processes may interact with trade processes with varying outcomes.

At the core of my thesis lies a philosophical discussion about the role of gifts and commodities relations in cross-cultural development interactions. Gifts and commodities are often set out as two distinct and incommensurate forms of exchange. I argue that they are not. In efforts to aid trade it is evident that various material and knowledge flows necessarily combine a range of gift and commodity relations that are difficult to separate. Even those development projects with the most

explicit market focus often find it hard to maintain the false dichotomy between aid and the private sector, gift and commodity relations. This is because neither gifts nor commodities are absolute states of being; rather they are just one manifestation of value in what Appadurai (1986) terms the ‘social life of things’. In this view, a commodity is only just one possible phase in the social life of a thing, as it travels within different regimes of exchange demanded by society. Things may enter and exit the sphere of commodities and likewise gifts may do the same. What may appear as a commodity in one instance can appear as a gift in another. This is especially the case in developing countries such as Cambodia where this thesis is set and where a larger proportion of the society may be considered ‘non-market’ and agriculture is specifically predisposed towards patron-client relations. However, current conceptions of how best to assist private sector development advocate strict separation between aid and the private sector. That is to say that private sector development ‘best practice’ approaches maintain a false dichotomy between gifts and commodities, which in reality is difficult if not impossible to maintain. This often leads to failure and confusion of development projects, if not decidedly anti-poor development. Thus the primary argument of this thesis is that we need to look at the entirety of social relations involved in commodity chain construction, not just market transactions or lack thereof. This means that we need to understand gift relations, not just commodity relations in agricultural commodity chain interventions if such efforts are ever to be pro-poor.

## **Transliteration, Names and Currency**

A standardised system for rendering Khmer into Roman script is yet to be developed. At the present time scholars of Cambodian studies do not follow any one particular system. Everyone simply translates Khmer sounds into what they believe is the most appropriate spelling. This is not the most desirable situation and, as such, transcription is kept to a minimum. Where used, Khmer words are written in lowercase italics, except for names of people and places. I follow conventional spelling of place names and geographical features. For reasons of confidentiality, I do not identify individuals as working with specific NGOs, projects, bilateral or multilateral donors. I use the term ‘consultant’ to refer to foreigners working on any type of project in Cambodia, irrespective of the duration of their work or institutional affiliation. All references to monetary values are in US dollars. Throughout the time of my fieldwork, US\$1 was approximately equivalent to 4000 *riel*, the Khmer currency.



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## **Acronyms**

ADB	Asian Development Bank
ANT	Actor Network Theory
AQIP	Agricultural Quality Improvement Project
AusAID	Australian Agency for International Development
ASEAN	Association of Southeast Asian Nations
CAAEP	Cambodia-Australia Agricultural Extension Project
CADF	Cambodian Agri-business Development Project
CARDI	Cambodian Agricultural Research and Development Institute
CAVAC	Cambodian Agricultural Value
CCRD	Community Co-operative for Rural Development
CEDAC	Centre d'Etude et de Développement Agricole Cambodgien
CEO	Chief Executive Officer
CIAT	International Centre for Tropical Agriculture
CIAP	Cambodia-IRRI-Australia Project
CIDA	Canadian International Development Agency
CPP	Cambodian People's Party
DAC	Development Assistance Committee
DFID	Department for International Development
EU	European Union
FFV	Fresh Fruit and Vegetables
FFVMA	Fresh Fruit and Vegetable Marketing Advisor
GDP	Gross Domestic Product
GNI	Gross National Income
GTZ	Deutsche Gesellschaft für Technische Zusammenarbeit
HURREDO	Human Resource and Rural Economic Development Organisation
HYV	High Yielding Variety
ICS	Internal Control System
IDE	International Development Enterprises
IFPRI	International Food Policy Research Institute

IFC	International Finance Corporation
INGO	International Non-Governmental Organisation
IPM	Integrated Pest Management
IRRI	International Rice Research Institute
GCC	Global Commodity Chains
LDC	Least Developed Country
LIC	Low Income Country
LNGO	Local Non-Governmental Organisation
M&E	Monitoring and Evaluation
M4P	Making Markets Work Better For the Poor
MAFF	Ministry of Agriculture, Forestry and Fisheries
MOWRAM	Ministry of Water Resources and Meteorology
MOC	Ministry of Commerce
NGO	Non-Governmental Organisation
NOP	National Organic Program
NTFP	Non-timber Forest Products
NZAID	New Zealand's Agency for International Development
ODA	Official Development Assistance
OECD	Organisation for Economic Cooperation and Development
PDD	Project Design Document
PRK	People's Republic of Kampuchea
RGC	Royal Government of Cambodia
RSG	Registered Seed Growers
SAP	Structural Adjustment Programme
SME	Small and Medium Enterprises
UNDP	United Nations Development Programme
UNTAC	United Nations Transitional Authority in Cambodia
US	United States
USDA	United States Department of Agriculture
WFP	World Food Program
WTO	World Trade Organisation



# **Chapter One**

## **Pro-poor Development and Agricultural Value Chains**

In recent years there has been increasing emphasis on pro-poor growth and development. Despite previous years of record global economic growth, increasing relative inequality and persistent pockets of entrenched absolute poverty have brought these ideas to the fore. Indeed, it is only during the last century that the gap in the standard of living between developed and developing countries has become so immense (North 2005 in Marshall et al. 2006: 4). In 1920 Gross Domestic Product (GDP) per capita in the developed world was roughly 1.97 times more than that in the developing world, yet by 1998 this figure stood at 6.92 (Marshall et al. 2006: 4). So while the last decade of global economic growth saw millions raised out of poverty, this growth was largely uneven with some countries and people left completely excluded. This led the United Nations Development Programme's (UNDP) annual Human Development report in 2005 to conclude that the globe is mired in "deep rooted human development inequality" (2005: 4). Consequently, recent development trends now speak of pro-poor growth.

Overall, widening inequality has occurred in step with the rise of globalisation, and although there is a correlation between globalisation and increased inequality, both between nations and within them, this correlation does not imply causality (Borghesi et al. 2003 in Marshall et al. 2006: 4). In fact, Marshall et al. (2006: 4) suggest that available evidence shows that globalisation tends to reduce the

gap between nations that participate in liberalised trade flows and increase the gap for those that remain isolated from it. Within countries, poverty is primarily located in rural or hinterland areas believed to be isolated from globalisation processes. Thus the authors conclude that, “increases in income inequality within and between nations during the decades of globalisation were not caused by globalisation itself but rather by inequality of access to that process” (Marshall et al. 2006:4). To remedy uneven access to the benefits of globalisation, the UNDP’s 2005 report proposes “dynamic processes through which poor countries and poor people can produce their way out of extreme deprivation” (UNDP 2005: 4).<sup>1</sup> This, the organisation claims, will not diminish the wellbeing of people in rich countries.

Pro-poor development efforts convey an implicit assumption that people must be helped into production and trade. That is to say, that people need to be assisted to take advantage of the opportunities newly arising from liberalised trade agreements and globalisation. The poor are assumed not to have the expertise to do this alone (Agrawal 1997). The aid industry is therefore enrolled to help poor people to trade their way out of poverty. The key avenue by which this is pursued is through private sector oriented projects, in a range of industries but especially in agriculture, in which the majority of the world’s poor work.

Private sector oriented agricultural development is not a new phenomenon. The past 50 years of development history have seen various approaches, models and formulations of how to incorporate poor people into commodity relations.

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<sup>1</sup> The faith that people can trade their way out of poverty is epitomised by a 2007 New York Times article which details a fair trade project said to enable women to trade their way out of war zones (Tzemach 2007).

Agricultural value chain development represents the latest manifestation of such attempts. A growing proportion of agriculture allocated donor budgets are currently apportioned to value chain development efforts. In 2008, the head of a rural development department of a large bilateral development agency informed me that bilateral aid allocations to agricultural value chain development for that year alone were approximately US\$800 million.<sup>2</sup> Accompanying these funds is a large and growing body of development literature: ‘best practice’ manuals, handbooks, and guides (Kaplinsky and Morris 2000; Keane 2008; M4P 2008).

The relative novelty of agricultural value chain development means that such interventions warrant serious and considered investigation. Like any development intervention, value chain development efforts contain inherent assumptions about the structure of the economy, government and society. These assumptions inform the various ways in which problems are identified and solutions formulated, beneficiaries identified and interacted with, projects structured and supporters enrolled. Thus, the central question of this thesis is:

- How do agricultural development projects construct and reconstruct new and existing commodity chains in order to assist people to trade their way out of poverty?

From this question several others flow:

- How are such commodity chains integrated into wider rural to urban, regional and/or global trading structures?

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<sup>2</sup> Personal communication 22 April 2008

- Who is involved and who benefits?
- What are the characteristics of such links?
- Are these links sustained, transformed or abandoned and, if so, how and why?

These research questions are relevant to broader issues pertaining to the ‘development impasse’ (Schuurman 1993). For some time there has been a growing and widely recognised rift between development theory and practice; between development critics who charge that positivist and managerial approaches to development problems fail to address the historical and *structural* underpinnings of uneven growth and under-development and those that cite examples of local *agency*, empowerment and participation under the guidance of development assistance. This structure/agency dichotomy is unnecessary and constructed: agents and their structures are of course mutually constitutive.

Global commodity chain analysis presents a theoretical escape from the development impasse, as it addresses equally both issues of structure and agency for poor producers. Taking the insights of global commodity chain analysis, value chain development has fast become the new orthodoxy in rural development and fits well within current trends in international agro-food structures and pro-poor discourses. However, agricultural value chain interventions to assist the poor trade their way out of poverty necessarily involve the aid industry. In the logic of pro-poor development through value chains, aid should work to reduce inequality of access to specialisation in production and trade. But the aid industry functions with its own logic and incentives. In short, commodity chain development cannot be viewed separately

from the aid chains which are enrolled to construct new trade linkages. Aid and trade come together in private sector-led value chain projects and at their core blur the lines between gifts and commodities. There are obvious parallels to be drawn between aid and gifts, commodities and trade. However, what I would like to highlight in this thesis is how both aid and trade involve a combination of both gifts and commodities. The aid industry, as an industry, involves the production and sale of commodities such as consultancy reports as well as the provision of gifts and/or subsidies<sup>3</sup> and likewise trade may be entwined with gift relations which initiate commodity exchange. We need to understand not just commodity relations in the construction of commodity chains but also gift relations and the way in which both forms of exchange are frequently intertwined in the pursuit of pro-poor development.

The core contribution of my thesis to the study of pro-poor development is that the development impasse is predicated not just on constructed fissures between structure and agency but also an unnecessary and false split between gifts and commodities. Although commodity chain interventions present a convenient escape from the conundrums associated with the constructed binary of structure and agency, they do not address the inherently dualistic thinking between aid and the private sector — gifts and commodities. Rather, there is a general tendency to privilege the ‘natural’ structural functioning of markets over what is perceived as the perverse, personal incentives associated with aid. There remains a strong belief among many

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<sup>3</sup> Although official development assistance (ODA) often involves a combination of loans and grants, the majority of ODA to least developing countries is provided in the form of grants. As such this thesis parallels aid with gift giving to some degree. For further discussion on the gift-like dimensions of foreign aid in development interventions see Hattori (2001; 2003).

development practitioners that trade can and must be disembedded from its social mores in order to deliver freedom from poverty. My argument is that development relations, especially pro-poor interventions inevitably combine gifts and commodities and that attempts to separate them are fraught with contradictions. As the giving and receiving of gifts are often anxiety-ridden social performances imbued with underlying tensions of obligation and expectation, much of the construction of commodity chains within developing countries via gift-like aid relations is also inescapably imbued with such tensions.

In seeking to understand existing and transformed commodity production and trade structures and those that attempt to construct, transform and resist them, this research sets out to trace such interventions from their institutional inception within the aid industry, along the aid chain, towards commodity production, marketing and final consumers. In simultaneously addressing the stream of activities, actors, structures and institutions involved along the ‘aid chain’ and towards the ‘commodity chain’, this study throws light on the false binary of gift versus commodity inherent in private sector development approaches.

Fieldwork for this thesis was conducted in Cambodia, which is a particularly apt location for such investigations, given its recent rapid economic growth, flourishing trade, high rates of rural poverty, long history of foreign intervention and recent intensive ‘development’ experience. Within the United Nations’ system of development categorisation, Cambodia falls within the unfortunate category of Least Developed Country (LDC) in a region well known for its economic growth and

prosperity. It is highly aid dependent country, with aid accounting for half the national budget (DAC 2008). This dependency, however, belies recent years of high economic growth rates, consolidating power among Cambodia's ruling political party, the Cambodian People's Party (CPP), and ever-increasing aid efforts towards private sector development, specifically in trade facilitation and value chain interventions. What is clearly notable to anyone who has spent time in the country, is the distinctive blurring between the three different institutional structures that govern Cambodia's political economy: government, aid and business. These institutional forms embody the three modes of organisational power posited by Uphoff (1993: 611): political power based on coercion, normative power based on gift/aid relations and remunerative power based on commodity relations. In private sector oriented development conducted by aid agencies and sanctioned by government elites, idealised institutional modes are often fused within the everyday activities of commodity chain construction. Local elites are enrolled via aid activities to translate and mediate resource flows to the private sector while simultaneously capturing proportions of it. Elite capture further reinforces their capacity to dominate patronage networks and commodity chains. Thus the downward flow of aid assistance towards private sector producers is redirected up in tribute systems where material goods flow upwards in exchange for elite patronage and protection. This leads to a blurring of organisational power which is evident throughout the country's fraught political history, with ongoing tensions between relations of trade and tribute, gifts and commodities and foreign intervention.

***The Case Studies***

This thesis examines four private sector oriented agricultural development projects which aimed to assist poor farmers to trade their way out of poverty. The case studies — rice seed, organic rice, vegetables and chilli sauce — each represent different donor approaches to poverty alleviation through agricultural development and trade. Hence they denote different conceptions of poverty and of the development problem itself. The first, rice seed, focuses on Australian bilateral aid attempts to improve the volume and quality of a conventional large-scale grain crop. Through improved input supply via the creation of private sector rice seed companies, this project proceeded from the logic that in order to trade, one must have something worth trading. The one thing that the majority of Cambodia's rural poor do produce is rice. However, as a primarily subsistence crop this rice is often not of export quality. Quality of production depends on quality inputs. The donor advocated the establishment of commercial rice seed companies, as the most efficient and sustainable way to provide high quality inputs over the long term. This case study therefore details development attempts to commoditise the input supply chain of rice seed and construct national seed markets to improve the quality of Cambodian rice, thus building up national rice exports. This case study highlights two issues. The first is that reliance on the private sector for rice seed distribution results in uneven access to improved rice seed. The second is that gift relations of development aid shapes the way in which commodity exchange of seed takes place. This points to the impossibility of disembedding commodity relations from social relations.



The second case study stands in contrast to efforts made at bolstering widespread development through conventional trade in conventional grain markets. Instead it investigates the coordinated attempts of international non-governmental organisations (NGOs) and bilateral donors working in partnership with a local rural cooperative to export 'organic' rice to high value European and North American fair trade and organic markets. The emergence of organic and fair trade supply chains to so called 'ethical' markets in the developed West reflects a counter discourse to that of orthodox large-scale development. From this perspective conventional trade is proposed as inherently unfair given current global trading structures. By this reasoning, the poor cannot trade their way out of poverty under current trade regimes that are rigged in favour of multinational companies and First World farmers. Furthermore, attempts to compete in such markets tend to favour large-scale industrial farming that leave Third World communities vulnerable to social debasement and environmental destruction. As such, organic and fair trade projects seek to counter this perceived structural inequity through constructing new commodity chains among what is termed Alternative Trade Organisations (ATOs). These new constructed chains are more than material commodity chains: they reflect distinct ideological discourses regarding how best to achieve sustainable development and fulfil the elusive 'triple bottom line' of environmental, social and economic sustainability. Findings from this case study illustrate that gift exchange through development projects is needed to sustain ethical commodity exchange and that ethical commodity exchange, in turn, helps bolster aid agency claims to sustainability. Development charity is required to construct and often continuously

support ethical commodity exchange, especially given quality and labelling requirements. However, the very presence of ethical commodities for sale bolsters the public relations of the charity with which the product is associated (and often branded with) thus serving to ensure ongoing public donations to these organisations. In ethical markets gifts and commodities are fused, often with varying effects in the pursuit of pro-poor development.

In the third case study, diversification is posed as the solution to the conundrum of poverty and agricultural development. Reliance on a single low value crop exposes farmers to high risks of crop failure, market volatility and environmental pressure through mono cropping. In contrast, diversification into alternative crops, it is proposed, can assist farmers and specifically women, to escape the 'poverty trap' through the cultivation of higher value crops that spread risk and provide a livelihood fallback. Diversification is posed as a solution to environmental degradation and food insecurity by encouraging agro-ecological diversity and improving the dietary diversity of farmers. At the national level, diversification is often noted as a smallholder-friendly, gender sensitive path towards economic development, through strengthening small-scale production, trade and local markets (Ali 2007; Ali 2008; Bahattacharjee 2006; Ellis and Mdoe 2002; Gari and FAO 2003). This chapter is comprised of two development projects aimed at improving vegetable production and marketing as a means towards livelihood diversification among disadvantaged rural women. This chapter demonstrates that diversification efforts may be diminished by the aid industry's propensity to co-opt the vegetable

trade from primarily female traders in the name of pro-poor development. For countries such as Cambodia, where women often dominate petty commodity exchange, their livelihoods may be jeopardised by the need for development agencies to ‘construct’ women as poor vegetable producers in order to justify pro-poor giving. This demonstrates that pro-poor development efforts may be overwhelmed not by the logic of commodity exchange but by the logic of aid relations.

Value-added processing represents the fourth and final donor approach used as a case study for this thesis. An often stated reason for Third World rural poverty is the persistence of neo-colonial trade relations whereby low cost raw materials are sourced and exported from poor countries to rich countries, where they are then transformed into higher value processed goods. Typically processors and retailers in developed countries retain the highest proportion of final consumer prices while Third World countries and producers are locked out of high value segments of agri-business chains and entrenched in low value production, receiving a small portion of the final consumer price. Value-adding through in-country processing is a strategy engaged to shift value-added production from wealthier industrial countries to poorer primary commodity producing countries thereby enabling poorer countries to retain a higher proportion of the final consumer price. This case study examines efforts by a donor to ‘construct’ business leaders thought to be essential for value chain construction and coordination. Here past successful aid recipients were identified as champions of commodity chain construction, essential to lifting their poor, disorganised suppliers out of poverty. Building upon past aid relations to

beneficiaries, new ‘entrepreneurs’ were ‘constructed’ resulting in an uneven economic landscape shaped as much by patterns of aid interventions as by the market itself.

The construction and reconstruction of new and existing commodity chains in private sector oriented development projects proceeds from a range of different ways of thinking about the nature of poverty, trade and required charitable actions. The case studies presented in this thesis demonstrate the different ways that ideas about gifts and commodities combine to varied effect in development projects. For example, the assumption may be made that people are simply trapped in the inherent material poverty of gift-oriented societies, and that commodity exchange simply does not exist. In such cases, commodity chains are usually constructed from scratch, beginning with charitable transfer of appropriate technology to enable production.

Another common conception is that although commodity exchange does exist, the nature of this exchange is inherently exploitative and therefore must be transformed towards a more compassionate or benevolent form of alternative trade. Within alternative trade, the donations of aid organisations (gifts) give greater credence to ethical commodities, while the sale of commodities tends to lend greater legitimacy to gift giving as ultimately sustainable. Thus the lines between commodities and gifts are purposely blurred under principles of fairness and sustainability.

Yet another understanding of what it takes to deliver pro-poor growth is that assisting people to trade out of poverty must not ignore the dynamics of gender. As

women comprise a disproportionate number of the poor, efforts to assist women directly are viewed as essential to ensure that interventions are truly 'pro-poor'. Thus, commodity chains may be built with the explicit purpose of gender-driven pro-poor development, often through efforts to link women to markets. However, markets themselves may be viewed as dysfunctional due to a lack of business leadership. The construction of business-leaders may be advocated to produce 'champions' of commodity chains robust enough to lift their poor and disorganised suppliers out of poverty.

The above approaches are just some of the ways in which assistance to the construction or reconstruction of commodity chains may take place. In each case, different conceptions of the problem with the market justify different forms of giving. In each case, social objectives are used to justify support and resources from the aid industry towards building the private sector in agriculture. However, the support and resources available from the aid sector often far outweigh profits available in the agricultural sector. So while aid efforts may strengthen commodity production they may also perpetuate forms of giving. Key beneficiaries may be highly reluctant to re-orient themselves entirely away from gift relations and towards commodity relations.

Constructed commodity chains may be integrated into wider rural to urban, regional and/or global trading structures through donor facilitation. There is a marked tendency by donors to preference one-way export to global markets above regional trade relations. Despite the fact that donors typically advocate free trade, imports are

frequently seen as undesirable and a threat to developing country production rather than complementary to it. Depending on the donor and the approach taken, trade at different scales (local, regional, global) may be conflated with greater poverty alleviation. Typically, access to donor markets is championed as pro-poor over and above trade relations with other countries.

The basic public narrative of development aid found in the media is simply that poor people in need are given things by western donors or helped in responsible ways resulting in improved lives and livelihoods. While this is sometimes the case, such narratives conceal the complex chain of activities and actors involved in mediating aid flows. Development assistance requires sustained mediation and interpretation of its objectives. The main beneficiaries from donor attempts at value chain construction are foremost those relied upon to mediate this information from the primary donor down. The implementing aid agencies themselves and their consultants typically benefit the most by way of contracts, salaries and other work related benefits. Expatriate consultants, local NGOs and local elites are also important to translating how aid should be used by target beneficiaries.

Given the reliance on expatriate consultants and local elites to translate donor objectives on the ground, constructed or reconstructed commodity chains tend to be negotiated and settled among elites. Much background work is completed in English to ensure accountability back to donors. Donor interventions in commodity chain construction tend to be sustained only if such interventions work closely with existing agents and structures of existing commodity chains. If this is not the case,

newly constructed chains tend to be sustained through additional aid flows. However, given donor sensitivity surrounding the creation of dependency, the nature of commodity chain interventions may be reconfigured to reduce the appearance of aid dependency.

The history of development attests to such reconfigurations. It was serendipitous that my research path for each of these case studies closely mirrors the chronology of development trends since development was first ‘invented’ under what has come to be known as the global poverty construct (Rahnema 1992). Since President Truman’s inaugural speech, which fundamentally redefined the previously colonial world, into a new world divided along the lines of wealth and poverty, ‘developed’ and ‘underdeveloped’ (Escobar 1991), the practice of development assistance has been endlessly reconfigured. Similar to the rice seed case study project, initial development efforts of the 1950s proffered development via ‘top down’, scientific and decidedly modernist approaches of technological transfer from one government to another. The formation of cooperatives (such as the one engaged in organic rice production) to collectively produce and market agricultural outputs marked another turn in development thinking from state-centric approaches towards ‘bottom-up’ farmer empowerment. The acknowledgement in the 1970s of basic needs and food security, led to further consideration of farmer livelihoods and the push for diversification. What has come to be known as the ‘lost decade’ for development, the 1980s era of structural adjustment programs (SAPs), increased the focus on private sector initiatives, specifically small and medium enterprises (SMEs)

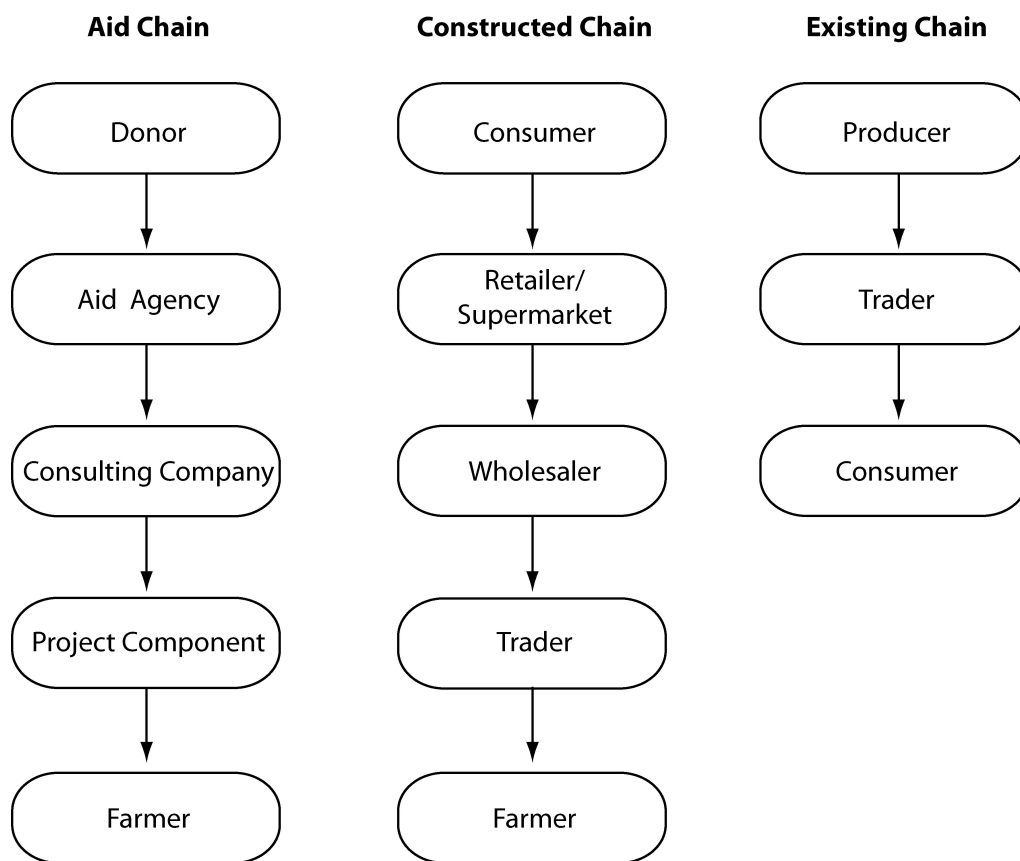
as engines of economic renewal through their potential to add value to rural agricultural outputs. Finally, the recent emergence of the new globalised agro-food systems has turned attention to agricultural value chain development, a methodological approach that many of the aforementioned case study projects turned to pursue. Such frequent changes in the way in which poverty is to be addressed speaks as much of gift relations of aid as it does to changing economic structures.

### ***Methodology***

I spent three years living and working in Cambodia. Formal fieldwork was undertaken over an 18 month period in several provinces. The main fieldwork provinces were Prey Veng, Pursat, Siem Reap and Phnom Penh. However, smaller side trips accompanying project consultants were taken to Takeo, Kampong Thom, Kratie, and Sihanoukville. Fieldwork efforts aimed to investigate three chains involved in each of the case studies outlined above. These were: the aid chain; the existing commodity chain; and the imagined/reconstructed agricultural commodity chain aimed to assist people trade their way out of poverty. Figure 1.1 gives an outline of these three chains.



**Figure 1.1: Basic schematic of aid/ commodity chain methodology**



Source: Author.

For each case study, I usually proceeded from the basis of gaining permission from donors to study one of their projects. For the first case study, rice seed, access to studying this project proved difficult. Although access was pre-arranged between my university and the aid contractor based in Melbourne, in-country consultants and project staff required further convincing. I undertook a *pro-bono* research project with a volunteer staff member aimed at comparing the differential impact of the project between farmers who purchased improved seed and

those who did not (see Long et al. 2005). This began with on-farm surveys and interviews with project beneficiaries and non-beneficiaries. Further interviews were conducted along the supply chain, with rice seed growers, rice seed sellers, and rice seed swappers, rice millers, traders and retailers. This was written up as a report for the project and served as the core component of data collection for this case study.

For organic rice a similar path was followed. Through networking and attending different workshops, I met donor staff who agreed to let me study their project. In return I conducted a small study on the impact of organic rice, comparing farmers involved in the project and those who were not. A report was produced from my findings (Thavat 2006). Data from this report inform much of chapter five. Conducting research on this project allowed for participant observation of the different donors as well as the local cooperative involved as to how the project and new trade links were negotiated.

Research into fresh vegetables was a far more informal process. Before I commenced PhD research, I had worked with a small local NGO aimed at assisting disadvantaged households in growing and marketing vegetables within the Siem Reap area. Participant observation was carried out at this time. Later I returned to the project to interview participants more formally. Researching the rice seed project also allowed access to the vegetable component of the same project. Consequently, the vegetable case study comprised two different projects. The research approach here tended towards semi-structured interviews, surveys, secondary data collection and analysis and attendance at project workshops and meetings.

For the final case study, rural agri-business, my work as a short-term consultant for the project presented me with the opportunity to conduct close-up participant observation during the formation and design of a project. Detailed accounts of key strategic meetings form a key segment of aid chain research. Research into commodity chains for vegetables and chilli sauce involved interviews with individual entrepreneurs who sourced a diverse range of ingredients from both local and imported sources. Interviews were extended to key commodity suppliers along the supply chain for the main ingredients.

Throughout field research the key aim was to understand not only the dynamics of each aid and commodity chain but also, and perhaps more importantly, to understand holistically how each chain operated and influenced the other, through processes of negotiation, transformation, resistance and/or abandonment. That is to say, how efforts to rationalise and improve commodity chains were intentionally or unintentionally influenced by aid chains, and how the logic of commodity relations and private sector development impacted upon the outcomes of aid chains. Wherever possible, I also conducted supplementary interviews with key informants from different sectors of aid, government and the private sector to provide greater contextual background.

The process of studying existing and constructed commodity chains was necessarily an evolving process. When I began fieldwork in 2005, I started with semi-structured interviews, to help me ascertain the basic issues at hand and how to approach research of this manner. After a short time, however, frustration set in with

the feeling that participants were working to politically scripted answers which glowingly reported on benefits of the aid project in question. My association with aid projects, while useful for gaining access to aid chain actors, necessarily cast me within the world of foreign aid, money and resources and therefore evoked more gratitude than honest answers. Over time, and as my experience in the field accumulated, gentle criticisms of projects were more forthcoming. Nonetheless, escaping the hierarchy of Cambodian social relations as a foreigner and outsider is a largely futile pursuit. Consequently, I decided to focus research among farmers and local traders mainly on tangible and measurable questions related to commodity production and marketing, while pursuing participant observation and ethnographic research among aid chain actors. That is to say my research among farmers and traders was distinctly positivist, which helped me to conduct ethnographic research among aid workers.

Conducting positivist research among target beneficiaries, farmers and traders, bestowed greater legitimacy upon my research in the eyes of in-country consultants and project staff, many of whom displayed a degree of suspicion and hostility against research into the functioning of the aid chain in question. This was a persistent issue throughout fieldwork. Although much of the multi-scaled analysis contained within this thesis is fulfilled through locating processes within wider global forces described within academic literature, the term ‘multi-scaled’ in this work also refers to different levels of power and authority up and down commodity and aid chains. The process of simultaneously studying up and down both aid and

commodity chains is socially awkward. The general and persistent distrust of academia that I encountered among older aid professionals meant that many of the key informants for this research were usually younger, recently university graduated women working within the projects at entry level or in volunteer positions. Similarly, research access among wealthier and more powerful members in commodity chains proved as a general rule harder to obtain. Although interviews were completed, there was a noticeable disinterest and reluctance to participate. This contrasted with the eagerness of farmers to provide me with information, often in the hope of gaining some aid assistance. Traders, millers and other supply chain participants above that of primary production were generally less available and unconvinced that participation could result in any tangible benefits to them. This seemed to correlate with wealth levels. Traversing the conceptual divide between aid chains and commodity chains within this research was consequently much easier when directed ‘downward’ in chain hierarchies rather than ‘upward’, whether operating under gift or commodity relations.

This, of course, has implications for those seeking to intervene in commodity chains to assist poor people to trade their way out of poverty. A key precept of value chain interventions is that efforts should not be restricted to the delivery of technical assistance but work towards the transformation of relationships along the commodity chain, especially focusing on unfair power structures that inhibit poor producers from taking advantage of newly arising trade opportunities. Understanding power relations is not just a question of understanding who has

economic primacy, but also who has moral primacy brought about through gift relations. This is especially the case in developing countries. We need to understand gift relations as well as commodity relations if we are to address pro-poor development.

## Chapter Two

### **Aiding Trade: Gift and Commodity Relations in Value Chain Development Interventions**

The development impasse is predicated on a false split between gifts and commodities. While methodologies and analysis such as global commodity chain analysis reconcile the structure/agency problems often associated with the development impasse, the impasse continues. This is because 'chain-like' approaches address the scale and not the full scope of relations enrolled in development efforts. Commodity chain analysis is limited to examinations of market interactions and not the full range of attendant relations inherent in any development undertaking, especially gift relations.

Gifts and commodities are deeply intertwined and this is illustrated by agricultural sectors around the world which function according to a range of formal and informal support mechanisms to enable the production of commodities. Gifts and commodities are even more combined in the agricultural sectors of Southeast Asia, often noted for their patron-client relations and a symbiosis between market and non-market structures. It therefore stands to reason that any attempt to separate gift and commodity relations in agricultural value chain development interventions undertaken by aid agencies in Southeast Asia is unlikely to succeed and will probably blur these lines further. However enforcing a strong divide between these two relations is what private sector approaches such as commodity or value chain

development attempt to do. Thus the development impasse is reproduced and schisms deepened.

This chapter provides a conceptual framework for understanding agricultural value chain interventions as conducted by development aid agencies. Drawing on several bodies of literature including global commodity chain analysis, studies of agrarian change, actor-network theory and institutional economics of aid and gift/commodity debates, key ideas from each are highlighted and discussed in relation to the other. Firstly, global commodity chain analysis presages that the disparate approaches of dependency theory and neo-classical economics can be brought together and studied under the political economy view of commodity chain analysis which above all emphasises the role of power in determining the structure of a chain and therefore the behaviour of individual nodes. However, numerous studies of agrarian change which incorporate complex whole society views, including but not limited to patterns of migration, urban rural interactions, uneven rural ecological landscapes and uneven development patterns point to the fact that much wider factors beyond the scope of market interactions shape the construction of commodity chains. As such, actor network theory is discussed as a better approach than global commodity chain analysis as it takes account of the range of consensus building activities among different stakeholders that must take place in order to sustain commodity flows. The institutional economics of aid emphasises the roles of the aid industry in consensus building around development interventions. As such, understanding of gift/commodity debates are essential to understanding how development agencies try to construct and reconstruct new and existing commodity



chains. Much of the literature on gift theory emphasises the role of the gift in building and maintaining social relationships, which are essential to ensure the ongoing production of agricultural products often in high uncertain markets and environments where production may extend beyond the rationality of the market. Gift and commodity theories are the final section covered in this chapter, concluding with remarks on how both forms of exchange relations are necessarily combined in the construction of commodity chains by aid agencies.

### ***The Development Impasse***

Can the poor really trade their way out of poverty? This chapter addresses long-standing debates surrounding this question. Within existing development literature the answer you get to this question usually depends on whom you ask. Political economists tend to answer 'no' given the dependence of Third World farmers on primary commodities which are systematically subjugated to the global market place and the developed world via export to notoriously volatile global commodity markets. Writers such as Bello (1999), McMichael (2000), Wallerstein (1974) and Frank (1969) draw attention to a number of structural inequities in the global market. These include: First World agricultural subsidies which undermine global prices and compromise the viability of Third World food security and peasant farmer livelihoods; declining terms of trade for agricultural commodities; debt and debt bailout schemes which enforce market liberalisation and structural adjustment programs; unfair tariff structures; and the freedom and flexibility of global commodity traders who are able to source commodities globally *vis a vis* geographically fixed farmers unable to solicit the highest price for their produce.

Post-development theorists argue that although trading out of poverty is possible for at least some people, they also simultaneously note the ruinous impacts of the ‘development’ discourse as one that systematically devalues local cultures, social, political and economic structures and ecology. It is therefore argued that ‘development’ places the ‘local’ at the disposal of the destructive forces of modern markets and predatory bureaucratic power. Post-development writers such as Escobar (1995), Ferguson (1994) and Crush (1995) point out the socially constructed nature of trade and development. In their analyses, the unequal outcomes of trade lie not in planned design, but rather the ‘instrument effects’ or unintended consequences of hegemonic discourses, which inevitably work to reconstruct less ‘developed’ societies towards ideals of modernity. Structural transformation and reproduction is, in this sense, an authorless strategy that simply follows a well-trodden path of ideals leading to ideals in a chain of rationalities that ultimately appears strikingly similar to those economic, political, social and cultural conditions prevailing in the West. At the extreme end, critical post-development perspectives can perhaps be summarised in a quote from Vandana Shiva; “the paradox of development arises from the mistaken identification of the culturally perceived poverty of earth-centred economies with the real material deprivation that occurs in market-centred economies, and the mistaken identification of the growth of commodity production with providing better human sustenance for all” (in McMichael 2000: 29). From Shiva’s perspective poverty does not result from subsistence livelihoods; this is merely a culturally constructed illusion. Rather, Shiva infers that, left to their own devices, subsistence societies are

socially egalitarian and environmentally benign, thereby setting up a case for mistaken identity on behalf of ignorant western observers.

A key criticism of the work of post-development theorists and political economists has been the degree to which their studies present modernity, development and trade as an all encompassing and overwhelming process with a tendency to ignore agency. Writers such as Rigg (1997), Green (2000), and Scott (1976; 1977; 1985; 1998) have been critical of 'post-development' thinking, which presents no destiny other than that of 'victim' of development, and ever-blundering western thinking. Such perspectives ignore the regional and local subjectivities that emerge when modernity discourses encounter local social realities. These writers instead choose to highlight the variety of ways that local actors resist, navigate and/or negotiate the opportunities and dangers arising from newly penetrating global markets. Emphasised in much of this work is the ability of local actors to negotiate, control and transform processes of globalisation, foreign aid and trade to assist in their struggle towards improved incomes. Indeed, such writers tend to attribute the failure of development projects to their inherent inability to grapple with the diverse array of local agents and the complex social, environmental, economic and cultural systems which they inhabit. In this view, it is the fundamental and persistent misfit between inappropriately designed development projects and local cultures that accounts for high rates of project failure.

Nonetheless, practitioners of development invariably answer 'yes', it is possible to trade out of poverty given the application of methods of participation and

empowerment of the poor. They argue that people's lives and livelihoods can ultimately be improved given the appropriate approach. Such approaches may range from basic input provision, to incorporation into ethical niche markets, assistance with diversification or value adding. A range of alternative development projects have emerged that aim to address concerns regarding traditional development projects (so called 'top-down', 'donor-driven' development aid) through, in the words of Chambers (1997), placing people before things. Such projects aim to reconfigure development critiques of the market from one of free trade and hegemonic globalism to one of pro-poor, micro-scaled solutions. The much lauded micro-centric and participatory projects of fair trade, micro-enterprise, micro-credit and community development can be read, not only as a response to top-down, one-size-fits-all projects, but also a reconsideration and renegotiation of market relations. Such projects do not champion disengagement from the market; rather they incorporate the aspirational ideals of those seeking to improve their standard of living through constructing alternative paths to market engagement. While the criticisms of participatory and micro-scaled projects are too numerous to mention here, suffice to say that the majority of them often point to the failure of participatory and micro-centric approaches to acknowledge the broader structural and institutional constraints that ensure the continued impoverishment of rural communities in Africa, Asia and Latin America (Cooke and Kothari 2001; Crush 1995; van Ufford 1988; Arce and Long 1993).

It has been widely acknowledged by writers such as Rigg (1997), Booth (1993), Schuurman (1993), Edwards (1989) and Porter et al. (1991) that development

debates have reached an impasse. These debates are often fraught with ideological and perspective-based struggles that swing predictably back and forth between scales of analysis that either privilege agency or structure and assess development as essentially 'good' or 'bad' (Ferguson 1994). As a result, development debates have not only become simply boring, they also threaten to paralyse the reflexive progress of both theory and practice. The divide between development theory and practice is, according to Rigg (1997: 240), constructed and unnecessary. He states that the:

victim-actor distinction can be explained in terms of the differing viewpoints...of each author: the work of those who see people as actors is often firmly based on, and informed by, village level research; [while] those who subscribe to the victim perspective tend to adopt a more structuralist stance, beginning from a macro or global [perspective], using this to explain local level processes...although this difference in view is conceptually quite fundamental in practical terms the distinction is often rather less marked. Both sets of authors will tend to agree that the wider economy and state act as facilitators or enablers in rural change and they will both also tend to accept that farmers do have choices and are not constrained to a single strategy dictated by outside events, forces and actors, the difference is one of perspective and to some extent ideology.

He further points out that much of this divide is a problem of perspective and ideology which stems to a large degree from the politics of scales of analysis. What is visible at one scale may be indistinct at another. Therefore, any preference of one scale over another can easily over-determine the existence of an issue, its causality, and means for resolution. As we shall see, global commodity chain analysis presents a useful escape from the politics of scale especially in trade and development debates. However, commodity chain analysis is limited in its insight, given its sole focus on market transactions and its inability to theorise on the full range of social relations that comprise commodity chain construction, such as gift relations.

***Beyond the Development Impasse and the Politics of Scale***

How can micro and macro perspectives be better incorporated into fields of study in such a way that acknowledges their inter-connectedness? While many aid projects may be geared towards constructing new trade links, such links must be maintained and sustained by local people. Clearly what is needed is a shift away from perspective-based research and a move towards empirical investigation that takes account of multiple positions and multiple scales of analysis.

The multi-scaled and multi-sited method of global commodity chain analysis provides a path out of the development impasse. Global commodity chain analysis is primarily a heuristic tool for analysing commodity trade networks. Gereffi (1994: 2) describes commodity chains as:

sets of inter-organisational network clusters around one commodity or product, linking households, enterprises, and states to one another within the world economy. These networks are situationally specific, socially constructed, and locally integrated, underscoring the social embeddedness of economic organisation...Specific processes or segments within a commodity chain can be represented as boxes or nodes, linked together in networks. Each successive node within a commodity chain involves the acquisition and/or organisation of inputs (e.g. raw materials), labour power (and its provisionings), transportation, distribution (via markets or transfers) and consumption

There are four main dimensions to a commodity chain: the input-output structure in the chain; the territory covered; its governance structure (authority and power relationships that determine how financial, material and human resources are allocated and flow within a chain); and the institutional framework, which identifies how local, national and international conditions and policies shape global processes at each stage in the chain (Raikes et al. 2000: 3; Gereffi 1994: 96–7). Global commodity chain analysis emphasises networks and relationships, linking agency and structure in such a way that acknowledges their interdependence. As such, global

commodity chain analysis is useful as it represents a shift away from the long-standing and diametrically opposed economic development approaches of neo-classical economics and structuralist theories such as world systems theory and dependency theory (Wallerstein 1974; Frank 1969). According to Henderson et al. (2001: 3) both of these types of economic analysis have been, “bedevilled by a series of analytical disjunctures that have resulted in work at either macro or meso levels of abstraction or, where empirical investigations have probed micro-level processes, the larger analytical picture has often been absent, merely implicit or at best weakly developed”. In asking the simple question, who controls trade and industry in a commodity chain and how it is that some agents come to be locked into lower-value segments of that chain, global commodity chain analysis is seen to solve this problem through disaggregating the chain of activities undertaken from producer to consumer, local to global, paying specific and even attention to local agents, governance structures and institutional frameworks.

One of the clear benefits of commodity chain analysis is its ability to uncover and theorise on power relations. Power within a commodity chain is defined by profits and profits are defined by market access. Thus, particular nodes inhabiting positions of strategic market access within a commodity chain represent higher profit margins and therefore greater levels of strategic power. It is in these areas that power tends to accumulate. Raikes et al. (2000) argue that the central principle on which commodity chains are developed is the discipline imposed by complex webs of contracts and sub-contracts dominated by key agents inhabiting strategic nodes in a chain. As a result of its power focus, many commodity chain analysts consider

governance factors as the key determinant of the overall structure of a commodity chain. Gereffi (1994: 97) defines the governance structure as the “authority and power relationships that determine how financial, material, and human resources are allocated and flow within a chain”. He distinguishes two main types of commodity chains: producer-driven commodity chains which are typical of capital- and technology-intensive industries and buyer-driven chains which are typical of labour-intensive consumer goods such as garments and footwear and many agricultural products (Humphery and Oetero 2000).

***Agricultural Value Chains and the New Rural Development Orthodoxy***

Gibbon (2001) further extends commodity chain analysis of agricultural sectors, and notes that most commodity chains here may be better understood as trader-driven chains. Factors that support trader-driven market structures include:

—relatively low value-to-weight ratios, with labour-intensive direct raw material production functions and otherwise low barriers to entry to this function.

— a globally dispersed and locally discontinuous (including seasonal) supply patterns. This in turn implies major annual and seasonal variations in availability.

— strong tendencies towards market saturation brought about by a combination of partial substitution by ‘new’ agricultural or manufactured products, accelerated entry by new suppliers and low price-elasticity of demand.

— a final (or intermediate) demand side which is also either dispersed (e.g. cotton) or concentrated but segmented with respect to commodity variety (ibid.: 351).

As a consequence of these factors, mobile traders, who are able to source commodities at numerous locations flexibly, are more likely to coordinate the efficient functioning of a chain. In this strategic position as supply-chain coordinator, traders can “institute measures which reduce costs and risks while increasing the speed and reliability of supply, which increases sales” (ibid.: 346). This ability is of



vital importance in low value commodity chains where profitability is based on volume rather than high margins, and supply is often seasonal while demand stays constant (ibid.: 351). Geographical coverage across a range of producers is therefore a necessity, and this tends towards a competitive advantage for those traders who can construct economics of scale, thereby leading to higher levels of concentration among traders.

Overall, agricultural products and other labour intensive products exist in low value commodity chains and it is here where the poor tend to work. The World Bank (2008) reports that investments and interventions here are important and can help strengthen the position of the poor relative to other actors in the commodity chain and hence act to alleviate poverty. Thus, global commodity chain analysis as a field of study, has deeply influenced rural development studies, as scholarly reflection on the nature and power structures of commodity chains has helped to identify key constraints and barriers to smallholder agricultural development (Cook and Chaddad 2000).

Commodity chain interventions have provided a sorely needed source of renewal for the stagnating subsector of rural development aid.<sup>4</sup> Since the ‘golden years’ of the Green Revolution, agricultural development budgets have declined in favour of social spending on sectors such as health and education (DFID 2004). In total, multilateral and bilateral assistance to agriculture (expressed in 2002 prices) decreased from US\$6.2 billion to US\$2.3 billion between 1980 and 2002 (ibid.: 3).

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<sup>4</sup> Value chain development is not a new concept. Raikes et al (2000) explore the similarities of this concept with the French filiere system used during colonial rule to assist in export crop management.

However, recent years have witnessed a resurgence in agricultural development spending as new commodity chain approaches have helped to rebuke many of the standard criticisms once applied to traditional, 'top-down', rural development projects, exemplified by the Green Revolution. Green Revolution projects, usually based on agro-industrial packages of high yielding seed varieties, fertilisers, pesticides, irrigation systems, agricultural extension programs and mechanisation, stood accused of providing standardised 'packages' of inappropriate inputs requiring heavy capital investment on the part of the peasant farmer (Bray 1986). Although the Green Revolution was criticised for forcing a shift towards the commercialisation of agriculture and consequently the immiseration of poor peasants who needed to borrow in order to obtain the necessary capital, the outcomes of this approach were not as dire as many critics predicted (*ibid.*). Thus far, commodity chain interventions (often salubriously renamed value chain development) have largely escaped similar criticisms. Although this is probably due to their relative novelty in the field, it is also attributable to key tenets of value chain development best practice which advocate: insertion into high value markets; the empowerment of producers relative to other value chain actors; interventions tailored to specific products and services; attendance to the institutional frameworks and governance structures peculiar to a given value chain.

The key question for value chain development is not whether smallholders should be inserted into the global market place but rather *how* they should be. The question of how is essentially a moral one. It is a question that leads to various conceptions of how best the market may be used to deliver pro-poor development.

Although the latest incantation of pro-poor development is agricultural value chain development, scholars of rural development and agro-industrialisation point out that value chain development itself is the outcome of uneven growth.

Today fewer societies around the world today remain ‘untouched’ by global capitalism. Indeed, the past 50 years of trade and development history have fundamentally transformed many agricultural economies. This is acknowledged by one of the leading scholars of peasant studies, Bernstein (2003), who notes the ‘death of the peasantry’ due to the forces of globalisation. Bernstein further comments that peasantry is no longer a useful term (if it ever was), because almost all rural inhabitants today exist in a flux between rural and urban space, proletarianism and commodity production. However, differential access to opportunities within globalisation has led to increased inequality. It is this inequality that has largely driven specialisation through which value chains are constructed. Specialisation is largely the result of class formation among the ‘peasantry’, who according to Bernstein, lead increasingly tenuous livelihoods that can no longer sufficiently self-sustain biological reproduction at the household level without some form of commodity production or off-farm linkage.

Lenin’s class formation among the peasantry, who he identified as poor, middle and rich, is useful here. For the poorest members of agrarian societies, inability to meet the demands of simple biological or capital reproduction leads towards wage labour or proletarianism. Middle peasants are identified as those with the ability to meet reproduction, while rich ‘peasants’ are defined as those who can

not only meet those demands but expand, be it through land acquisition or diversification into other areas including trading, money-lending, retailing or providing other goods or services (Bernstein 2003: 6).

It is this class distinction or unevenness, if you will, that Johnson and Berdegú (2004 in Marshall et al. 2006) attributes to the three main driving forces of agro-industrialisation and hence value chain construction. The income diversification of ‘rich’ peasants leads to a growing rural division of labour and specialisation as off-farm opportunities linked to agriculture increase. These include opportunities in the areas of input supply, output processing, and surplus trading and marketing. This inevitably results in a supply chain that propels products from producers to consumers. The need to coordinate this supply chain — to ensure timing and delivery — is the second force of agro-industrialisation. Initially this stems from the demands associated with perishability; however, further compulsion arises from growing economies of scale and the need to manage market information. This, it is posited, leads to growing levels of integration among supply chain actors. The third factor involved in agro-industrialisation relates to changes in market structures, new technologies and products that require further more sophisticated integration (ibid.: 2).

In a comparative research literature review on agricultural development economics and agri-business studies, Cook and Chaddad (2000) point out that development economists tend to focus their attention on internal organisational strategies and designs within commodity chains as determinants of chain

development, while agri-business scholars place greater emphasis on changes driven by exogenous forces in markets and institutions. These are, of course, different sides of the same coin. Indeed, while agro-industrialisation may be driven by class distinctions and resultant specialisation, supply chain development is unlikely to occur in places where greater urban populations and increased demand for higher value or processed foods does not exist. In short, value chain development is the result of economic growth, but not necessarily the solution as to how to make this growth more even, and pro-poor.

#### ***The Limitations of Commodity Chain Analysis and Construction***

Global commodity chain analysis necessarily engages a plurality of disciplines to understand the specificities of all dimensions of the commodity chain. These disciplines may include: geography, systems analysis, industrial organisation studies, institutional economics, management science and Marxist economics, as well as neo-classical welfare analysis (Raikes et al. 2000). However, at the current time, global commodity chain analysis literature appears to lack anthropological or discourse analysis. Such approaches are very much needed to widen the applicability of global commodity chain analysis as a heuristic tool, and enhance understandings of socially embedded commodity chain processes. This lacuna is surprising given that the roots of commodity chain analysis lie in a long and illustrious heritage of anthropological thinkers on markets and commodities. Beginning with Smith (1759), Marx (1867) this heritage extends to include Polanyi (1944), Sahlins (1972), Braudel (1981), Granovetter (1985) to more recent writers including Ferguson (1994), Walker (1999), (Gudeman, 2001) and Benediktsson (2002). All of these writers emphasise

that markets are socially embedded and constructed. While time does not permit a full exploration of the works of these writers, it is useful to point out here that all have sought to place markets firmly within their social contexts reminding us that there is no such thing as relations between people and things, but rather things mediate relations between people (Ferguson 1994: 142). As such, any consideration of commodity relations must also consider other important forms of exchange which mediate relationships bearing on the outcomes of pro-poor development, such as gift exchange. Most people are involved in a range of networks of exchange entailing more than just commodity relations. Therefore a fuller examination of networks of exchange is required to understand how to achieve pro-poor development.

The Asian region stands out as a testament to the fact that we cannot understand agriculture purely in commodity terms, but instead must examine the persistence of gift-like economies in which commodity production is embedded. The region attests to the fact that global commodity chains are not so easily constructed despite compelling economic pressures on farmers. As one of the few regions where smallholder farming has not been displaced *en masse*, despite past and present powerful exogenous forces of colonialism, neo-colonialism or economic globalisation, there is an undeniable persistence of subsistence-oriented smallholder farming and its attendant political and social structures of patron-client relations (Bernstein 2003). The Southeast Asian experience suggests that uneven commodity production makes gift economies more, not less, viable.

Rigg (1997) contends that the persistence of smallholder farming, especially in Southeast Asia, does not imply the existence of autarchic rural communities

impoverished by their lack of access to modern markets, trade and development. Indeed, commercialisation in the form of production for the market, monetary exchange, sale and rent of land and migration for work all pre-date modernisation in the region. He argues (ibid.: 158) that the quintessential perception of Southeast Asia as deeply agrarian and comprised of villages of subsistence-oriented farming families toiling away in their paddy fields is wrong. Instead, the persistence of smallholder agrarian landscapes is inextricably tied to the rural sector's interdependence on non-farm economies, trade and urban linkages. He further argues (ibid.: 205) that a symbiosis exists between the non-market agricultural sector and the urban industrial sector, with subsistence-oriented agricultural production subsidising industrialisation through keeping labour costs low, while off-farm wage sources remitted to the rural sector help drive productivity investments in mechanisation, fertilisers, improved seeds and other labour-saving devices. Thus, while agricultural livelihoods may subsidise industry, likewise off-farm wages earned in the industrial sector bolster productivity and stabilise rural livelihoods (ibid.: 247). Such symbiosis between rural and urban, market and non-market sectors, are often played out at the household level between different generations. The young leave the farm to seek their fortunes elsewhere, while the old maintain the village base (Rigg 2006).

This situation has led some to champion the smallholder farm as not only a key foundation of social stability under conditions of rapid and uneven economic growth, but also as an often-overlooked source of support for economic growth. While inequality may drive specialisation and hence value chain development, the reverse is also true: inequality of access to opportunities of globalisation, often

divided along the lines of class, gender and age may make subsistence-oriented farming livelihoods and their attendant social and political structures more, not less, viable.

This viability is aided by the contention that small farms are often far more efficient and productive than large farms or plantations (Hazell et al. 2007), shattering the widely perceived association between large-scale agriculture, economic development and modernity. Instead, numerous studies find that where smallholders exist, they often possess inherent productivity advantages relative to large farms (Agrifood Consulting 2005: 27). Timmer writes that,

rural households are often poor, but they are also efficient...Placing more resources at the disposal of carefully calculating households usually leads to increases in production...In virtually every developing country, an additional dollar of Gross Domestic Product (GDP) created in the agricultural sector has a significantly larger impact on the alleviation of poverty than the same dollar earned elsewhere in the economy (2001: 101-104).

High smallholder productivity in Southeast Asia is largely attributable to the Green Revolution which despite the fears of its critics, has assisted large numbers of smallholders to achieve rice self-sufficiency. Indeed, the fear that the Green Revolution would impel the marginalisation of large swathes of rural masses has not overall materialised in Southeast Asia (Rigg 1997: 189). Nonetheless, the impact of the Green Revolution has tended to be uneven, regionally concentrated and incomplete (Goss and Burch 2001: 976). Ahmad and Isvilanonda (2003) demonstrate this through their analysis of two distinct regions of Thailand, the central plains and the northeast. According to these authors, agro-industrialisation in Thailand firstly means intensification of rice, followed by diversification out of rice (de-intensification of rice). In their study, they find that efforts towards agro-



industrialisation in rice intensification (northeast) and diversification (central plains) are constrained not by a lack of willingness to engage in productive investment or marketing, but by lack of access to production factors (irrigation, infrastructure and credit) in the northeast and marketing problems (central plains). Consequently, the relative advantage of small farms over large is only secured if factors associated with production and marketing are overcome. Often this advantage is compromised by a range of issues common to developing countries including irrigation, roads, communications, credit, input availability, marketing restrictions and unofficial costs (Agrifood Consulting 2005: 27). Furthermore, as the average land size of smallholder farms has continued to decline since the 1970s due to population growth, the need to ensure the competitive advantage of small farms in both productivity and marketing coordination is ever more pressing (Timmer 2004: 12). Thus, while Marshall et al. (2006) argue that specialisation drives agro-industrialisation, it may also be constrained by production and transaction costs specifically associated with smallholder farming. Such variable production environments and marketing networks can reinforce uneven development patterns, with agro-industrialisation occurring in some areas and not others.

Timmer (2004) emphasises the role of the state in mediating or exacerbating such variables. The state may assist in constructing new commodity chains, but in doing so it usually sets up new gift-like relations of subsidies and protection to farmers. Timmer points out that many East Asian states have intervened in agriculture to ensure that the delicate balance between rural income and urban food security is met, which Timmer argues, is both politically expedient and conducive to

pro-poor growth. Historically, these states enacted policies that encouraged and incentivised increased rural production whilst ensuring that food prices were kept low enough for newly urban industrial workers. Koppel and James (in Rigg 1997: 258) contrast this approach with Southeast Asian nations such as Thailand, Malaysia, Indonesia and Burma where agriculture has historically been exploited to finance rapid industrialisation. According to Bates (1981), low market values for agricultural commodities reflect low political commitment to rural smallholder constituents. In such cases rural/urban inequality may increase, leaving potential economic returns from agricultural development unrealised.

When rural/urban inequalities become too great however, the case for greater agricultural protection is generally made. Thailand is often cited as a standout example of a country that has exploited agriculture in order to finance urban-biased industrialisation (Koppel and James in Rigg 1997: 258). Historically taxes on agriculture in Thailand depressed prices, especially for rice, keeping prices low in urban areas for low wageworkers. This, coupled with preferential resource allocation to urban industry, underwrote the extraction of resources from rural and agricultural areas to support urban/industrial development mainly to the benefit of politico-bureaucrats, the military, and what Goss and Burch refer to as their Chinese business collaborators (Rigg 1997: 83; Goss and Burch 2001: 972). However, in recent decades much of Thailand's agricultural sector has transformed from one of rice and cash crop monocultures for export towards a diversified agro-exporting country of highly processed, high value products. Although Goss and Burch (2001) contend that Thailand's transformation mirrors recent changes in the international agro-food

system,<sup>5</sup> from one focused on nationally controlled agricultural boards to global, trader-driven systems, they highlight the unique political and historical social forces in Thailand that accompanied this change. The abolition of absolute monarchy and the slow decline of the importance of military patronage are, according to Goss and Burch (2001), key factors. Such forces have enabled the one fundamental shift in Thailand responsible for moving agriculture from low value, high bulk commodity production towards diversified, value-added agro-exporting; that is, a shift from taxing the rural economy to subsidizing it (Walker 2009). On the whole, Thailand's agricultural transformation has seen substantial rises in living standards among the rural population (ibid.). However, this process has not been evenly spread and issues of relative equality remain, especially between rural and urban areas, but also among rural areas depending on the specifics of geography, environment and rural infrastructure.

### ***Actor Network Theory and Consensus Building in Commodity Chains***

In focusing solely on the structures and actors of commodity exchange, commodity chain analysis reproduces the classic gift/commodity dichotomy. However, the above brief examination of agricultural development in Southeast Asia finds support for the contention of Morgan et al. (2006) that agriculture and especially agro-food systems are uniquely shaped not just by markets but also by ecology and culture, people and their environments. Ecology and culture form the two fundamental cores that lie at the basis of production, marketing and consumption in agro-food systems and they

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<sup>5</sup> For more on the international agro-food system see Friedmann (1982), Bernstein (2003) and McMichael (2000).

are not easily divorced from commodities by disembedding forces of trade and industrialisation (ibid.: 7). Although global commodity chain analysis affords a great many insights into agricultural value chain development (each chain is treated as unique according to the commodity, actors, region, natural, economic and social conditions), agricultural value chains are more than simply buyer-driven or trader-driven. Exogenous forces of the wider economy, whether derived from changes impelled by structures or agents, do not always spur rural producers into greater agricultural commodity production. In fact, the Southeast Asian experience shows that greater exposure to globalisation can have the reverse effect, entrenching some further into newly viable subsistence production dependent on the remittance subsidies sent back to the farm from the market economy.

The characterisation of agricultural value chains as buyer-driven or trader-driven stems from what Morgan et al. (2006) identify as the central concern of political economy approaches, of which global commodity chain analysis is one. Within political economy approaches there is a tendency to be concerned with agricultural commercialisation and its social consequences, with a focus on top-down, industrial rationalisation and how this configures relations at the local level (Morgan et al. 2006: 16). Such concerns, without a consideration of ecology and culture, and without the insertion of locally grounded research are liable to present exogenous forces of globalisation and industrialisation as unrelenting; capitalism as reified (Morgan et al. 2006: 18).

Once again the danger here is one of oppositional thinking, positioning global against local, conventional trade against alternative forms, producers against traders. Indeed, current popular debates in agriculture, especially regarding agro-food products have reached a similarly dull impasse as development debates. This should come as no surprise as the public discourse of ‘development’ has been largely replaced by private processes of globalisation (Eyben 2000: 12; McMichael 2000: 149). According to Eyben (2000: 12) “much of the academic concern with what was wrong with classic development discourse has been carried over into new thinking about globalisation and the processes of exclusion.” Hence, within popular agro-food debates, agro-food products are either maligned as artificial, large-scale, industrial, exploitative, environmentally destructive and bad for one’s health, or celebrated as natural and organic, local, artisanal, socially and environmentally responsible and seasonal. Likewise trade structures for agro-products suffer blatant oversimplification. Conventional trade is deemed global, hegemonic, disembedding, and fraught with commodity fetishism that conceals true social relations of production and trade, while alternative trade or local trade is conflated with quality, safety, equality, fairness, provenance and de-commoditisation.

The degree to which most people in their everyday lives are confronted with such sharply opposing choices is questionable. As Gudeman (2001: 12) points out, most people use different modes within an economy daily, buying some products from a supermarket and others from local traders or farmers, and further still growing some produce themselves or receiving products through networks of reciprocity and gifts. Although this is not to discount the experiences of those living at the extreme

ends of agro-food systems — the purported food deserts of industrial suburbia or autarchic farming communities eking out a living in remote hinterlands — it is perhaps mainly for argument's sake that the tyranny of these extremes is presented to emphasise specific ideological positions within agro-industrialisation debates. For the majority, however, multiplicity and “impurity is the rule” in procuring daily sustenance (Callon in Morgan et al. 2006: 18).

What is clearly needed is a more subtle view of people and places and how they interact with numerous modes, processes, technologies and institutions that connect them with local, regional and global markets. Morgan et al. (2006) suggest that actor-network theory may be more useful here. Callon defines a network as “a coordinated set of heterogeneous actors which interact more or less successfully to develop, produce, distribute and diffuse methods for generating goods and services” (in Morgan et al. 2006: 17). Network construction is emphasised as “laboured, uncertain, and above all contested”, not easily amenable to simplistic views of capitalist world ordering (Morgan et al. 2006: 18). Instead actor-network theorists, such as Mosse (2005), Latour (1999) and Callon (1991) stress the struggles wrought to construct and maintain relationships on which the powerful base their power (Morgan et al. 2006: 18). Under scrutiny in actor-network theory are the strategies and effort required to hold alliances, associations and relations together, and stabilise networks into cohesive and consolidated pathways. Such an approach is highly relevant to the work of development interventions in constructing new commodity chains, which above all are characterised as laboured, uncertain and contested, not simply buyer or trader driven, as suggested by global commodity chain analysis.

Another commonly applied tool of analysis for agro-food systems is convention theory. According to this theory, any set of coordination in economic, political or social life requires the building of consensus. Agreement to continually engage and reproduce a set of actions, if successful, consolidates into a routine set of practices resulting in a structure or convention. This analytical approach stands in contrast to the “simple imposition of power relations by one dominant party” as proposed by global commodity chain approaches (Morgan et al. 2006: 19). Instead, emphasis is placed on the relationships between people’s “actions and the actions of those on whom they depend to realise their goal” (Morgan et al. 2006: 19). Thus Storper (in Morgan et al. 2006: 19-20) states that convention building is part of the “intimate history of incorporated behaviours”, requiring ongoing resolution between individual interests and differences of interpretation, binding people and their actions through mutual expectation.

The aid industry has long played a central role in efforts to define, construct, coordinate and consolidate agricultural trade networks. An analysis of the interaction between the aid sector and the agricultural sector, via project and community interfaces, cross-cultural work relations, technological solutions and participatory practices, illuminates the minutiae of value chain construction in a way that removes tendencies towards the reification of development processes. Instead, efforts to construct new agricultural value chains to help people trade their way out of poverty are comprised of multiple, micro-scaled interactions, struggles and resolutions. Although development plans, their logical frameworks and activity schedules may seem to present an ‘iron cage’ of rationality, efficiency and bureaucracy, the task of

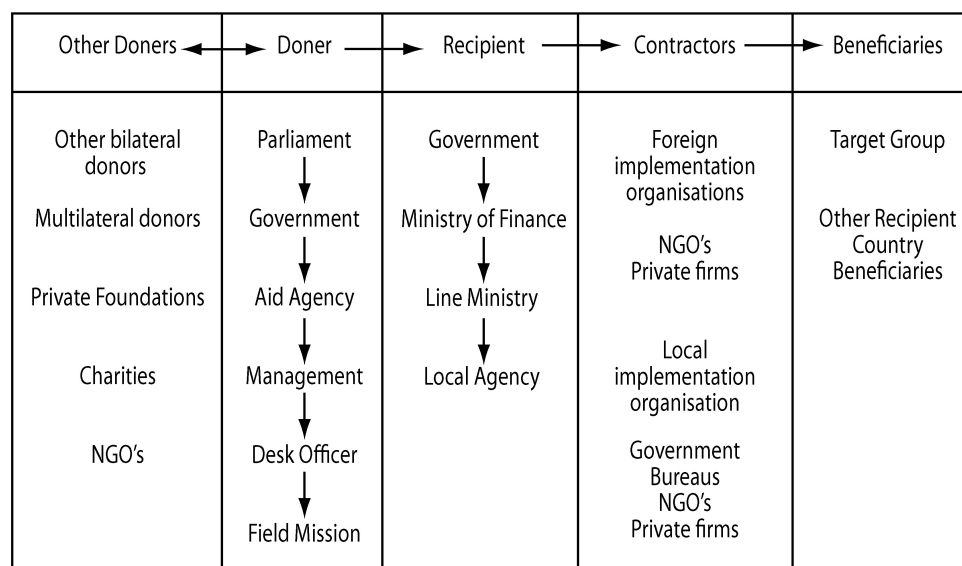
wresting agricultural production and trade from their ecological and cultural footings indeed reveals a laboured, uncertain and contested process. This thesis therefore takes an extended view of agro-commodity chain development, one that begins not simply with producers, but further back within the confounding world of international development aid agencies and incorporates not just commodity chain analysis, but also actor-network theory and convention theory as key methodological and analytical tools.

### ***Aid Chains***

The provision of aid necessarily enrolls a plethora of people, resources, organisations, technology, knowledge and ideas within both gift and commodity relations. Aid chains are emerging as a new area of investigation in the field of international development studies. Gibson simply defines an aid chain as “a set of linked activities with multiple actors” (2005: 61). Gibson states that (2005: 61), understanding how these are linked and organised is the key to understanding how foreign aid works. Figure 2.1 presents a simple diagrammatic representation of an aid chain.



**Figure 2.1: The chain of aid delivery**



Source: Gibson 2005: 62

A number of different authors have sought to unpick the chain of aid activities from different perspectives including anthropology and human geography (Silk 2004; Stirrat and Henkel 1997; Bebbington 2004), management (Wallace 2000), economics (Schabbel 2007) and institutional economics (Martens 2002, 2004; Gibson 2005). Overall, such writers note that aid chains are donor-driven, input rather than output focused, politically and strategically motivated, path dependent (one aid chain begets another), overly conditional, top-down and filled with the problems of perverse incentives, moral hazard and adverse selection. The particular point I want to make about aid chains is that, while their legitimacy may draw upon moral discourses invoked by gift giving in order to alleviate Third World poverty, aid chains are comprised of more than just gift relations as some would argue (Hattori

2001, 2003; Silk 2004). Aid chains comprise a range of different relations, including gift and commercial relations, recruited to build consensus around specific projects.

Bilateral donors make up the largest share of foreign aid provisioning, accounting for approximately two thirds of worldwide aid flows (Schabbel 2007: 18).<sup>6</sup> Although varied and multiple factors influence these flows,<sup>7</sup> the dominant determinant of bilateral aid flows lies in geo-political strategic interests. As such, geographical proximity, colonial, linguistic and ethnic ties, and political allegiances all strongly influence patterns of ‘generosity’. Throughout the history of development over the past 60 years, the territory covered by foreign aid chains has remained fairly consistent. Hattori (2003: 234) notes that, with the few exceptions of OPEC and newly industrialised East Asian states, bilateral donors have remained much the same, as have the recipients. Most bilateral donors are members of the Organisation for Economic Co-operation and Development’s (OECD) Development Assistance Committee (DAC) which contributes the majority share of foreign aid in the world.

New notable donor states are China and India, neither of which is a member of the DAC. Unhindered by regulatory and moral pressure of other DAC members, many of China’s actions in the arena of foreign aid have been controversial if not outright condemned by DAC members as a form of blatantly irresponsible *real politik*. The discrediting of Chinese aid stands in contrast to the often implied and

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<sup>6</sup> This is followed by multilateral donors, which distribute approximately 31 per cent of Official Development Assistance (ODA) (Schabbel 2007: 22). NGOs and private development flows comprise the final portion estimated at \$7.3 billion in 2001 (ibid.: 30).

<sup>7</sup> Among bilateral donors, countries with higher real incomes tend to give more “aid as a luxury good”, as do countries with larger populations. Peer pressure can also play a role in aid provisioning with giving by one donor spurring others to do the same (Schabbel 2007: 24).

unshakeable stance of core western DAC members of the high moral and humanitarian purpose of foreign aid (Hattori 2003: 229). In contrast to condemned Chinese foreign aid, DAC members seek to rationalise and thus stabilise the moral foundations of their ‘gift-giving’ through the application of aid effectiveness research. Such research is aimed at finding optimal allocation rules and formulating normative policy prescriptions. One of the more influential publications of this growing body of research is the 1997 study by Burnside and Dollar ‘Aid, Policies and Growth’. This study positively associated foreign aid effectiveness with ‘good policies’ in recipient countries and economic growth. It has hence been credited for stimulating much renewed bilateral donor commitment to ODA funding. On the other hand, such research has also increased donor conditionality to ensure that the virtuous association between foreign aid, ‘good policies’ and economic growth is maintained — effectiveness ensured. As Pronk and Desai point out

we impose so many conditions on those countries that receive money: they have to be gender sensitive; poor people must participate directly; they must have sustainability; they must have environmental friendliness; and they must have transparency, accountability, and so on....If we think of our own historical development process or that of any developed country, none of the criteria was fulfilled (in Hanlon 2004: 375-376).

Numerous papers (Bernstein 2003; Martens 2002; 2004; Gibson 2005; Wallace 2000) speak of ‘donor-driven’ foreign aid, exercised through excessive aid conditionality, strict control over resources and endless reporting schedules. The fact that all these conditions exist points to the primary problem with development aid: that is, that aid exists to satisfy demands and concerns of donors and taxpayers, not the supposed beneficiaries of faraway lands. According to Gibson (2005) it is the ‘warm glow’ or what Jean Bodin calls the ‘sweet bait of honour’ (in Hattori 2003:

237) that drives public support for aid activities to the extent that, even if a project is a complete failure, the sense of ‘doing good’ may nonetheless be enough to justify the aid dollars spent. In this sense, any development results are simply fringe benefits (Gibson 2005: 87-88). Consequently, there is often no feedback loop or obvious way that beneficiaries are able to signal discontent with the implementation or outcomes of aid (Martens 2002). Instead, Hattori (2001; 2003) and Gibson (2005) argue that most aid chains are structured towards reinforcing donor self-images of magnanimity, focusing close scrutiny on aid inputs while directing a rather hazy gaze on supposed and often hard to measure outputs or impacts. Indeed, while this may *prima facie* be the case, if donors are only concerned with demonstrating their own largesse, then why not simply transfer resources directly to target beneficiaries? Why not just give poor people money directly? Hanlon (2004) asks this very question and demonstrates that direct wealth transfer can have a notable impact on rural development through stimulating rural consumption and production, with administration costs as low as five to ten per cent. Given that it is possible just to give poor people money and if the aim is simply to appear generous then why do aid agencies exist?

The reason, Martens (2004) argues, is the need to mediate donor and recipient interests and preferences, which he contends are likely to differ because of their different cultural, social and economic backgrounds. As Martens says, there is a need to build consensus.

Although donors remain the main decision maker in foreign aid, mediation is necessary because virtually all aid programmes require some agreement from recipients too, if only that they authorise the programme to be implemented on their sovereign

territory...there is no need for mediation when donor and recipient interests are fully convergent....In that case they both fully agree on how to spend the financial transfer and there is no need to negotiate a contract. There is full joint ownership. Mediation implies there is no full ownership by either the donor or the recipient....As a result, moral hazard and adverse selection are inherent in aid delivery (ibid.: 3).

The need to mediate aid suggests that far from being all-powerful, donors must build consensus and conventions around the delivery and utilisation of aid among recipient governments and target beneficiaries. This signals that donors are not simply interested in demonstrating ostentatious largesse, as some might think; instead, the morality of the donor rests on the degree of success in consensus building achieved by donors among development recipients. Building this consensus, ensuring mutual understanding surrounding the acceptance and use of development aid, is of course an uncertain, labour intensive and contested process, exacerbated by the often yawning social, cultural and economic distance between donors and recipients and their perceptions of poverty. Carr et al. (1998) and Yapa (1998) argue that donors tend to perceive deprivation as a situational rather than distributional issue. Donors therefore focus on what they perceive to be the internal choices and behaviours of recipients. This perception automatically assumes that foreign aid is likely to be misused unless mediated and conditioned. It also makes consensus building among recipients difficult, as recipients may not view their poverty as stemming primarily from their own actions. Thus, donors work hard to manage what has come to be known as, the Samaritan's dilemma (Gibson 2005), the belief that charity may be pivotal to a motivated recipient improving their own circumstances versus the fear that charity may come to be depended on indefinitely as a means of survival. Furthermore, as development projects are not a single entity but a series of activities,

resource flows and inputs, this series must continually be communicated, interpreted, mediated and negotiated with recipients.

The failure of an aid project is often the failure to mediate the long chain of relationships that exist between the initial donors and final recipients. Aid contractors are typically recruited to perform this mediation on behalf of donor agencies; utilising business and even military management techniques (logical frameworks) to reduce uncertainty and ensure donor preferences are communicated and upheld (Wallace 2000). While this increases the administration or transaction costs of 'generosity', it provides donors with a service that manages uncertainty and the risks of potential preference misalignment, adverse selection and moral hazard that donors fear in navigating the challenging conditions of cross-cultural gift giving.

Obviously the communication, interpretation and management of information are key functions in any aid chain. Martens (2002) and Gibson (2005) place great emphasis on the way in which information is communicated, mediated and controlled throughout aid chains and by whom. Both authors note the lead role that consultants play in mediating donor-beneficiary relationships. According to these authors, consultants inhabit a strategic position within aid chains relaying information to both the donor and beneficiary throughout the chain. Consultants employed often have a long professional history and many have worked in the recipient country or the target development sector longer than the staff based in donor agencies in charge of overseeing them. They also often have more intimate knowledge of the institutions of recipient governments than citizens may themselves have (Gibson 2005: 62). As specific information regarding either the donor or

recipient is difficult and time consuming for either end party to collect or monitor, the role of the consultant in mediating information about the other is key. Consultants typically sell their services on this basis with many a curriculum vitae or expression of interest written on the basis of unique and unrivalled expertise and insight into the ‘problem’ and people at hand.

Consultants are very much the lifeblood of the development industry and typically for-profit aid contractors make their margins on consultant salaries and fees. In other words, commercial actors mediate bilateral gift relations. Aid contractors maintain databases of specialist consultants ready to deploy for aid implementation. Much of a consultant’s expertise is strongly guarded and barriers to entry into this lucrative industry are high. Typical job descriptions require PhD qualifications, ten years experience and at least two or more languages.<sup>8</sup> Martens (2002; 2004) and Gibson (2005) are especially critical of the role of international development consultants noting that strong, perverse incentives exist for these agents to overstate their expertise and distort information both up and down the aid chain. Martens (2002) argues that incentives exist for consultants to play up the benefits of a given development activity to beneficiaries and play down or obfuscate information to non-beneficiaries. Indeed, there may be political pressure for consultants to do so (Martens 2002: 155). Information distortion is of course not helped by what is identified by Martens (2004) as the primary problem that exists within aid chains, the lack of feedback loops between donors and recipients. Unlike wealth redistribution won through political contestation, in most aid chains, decision makers within donor

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<sup>8</sup> Numerous consultants I encountered seemed not to possess any of these qualifications, however.

countries remain distant from recipients and their feedback. What Martens (2002) calls split constituencies,<sup>9</sup> has serious implications for aid effectiveness. Without the ability to vote out a donor, there are few effective, formal channels through which donors may be held to account by recipients for their actions (Martens 2004).

Given the lack of feedback loops and a high dependence on consultants who may be incentivised to distort information, one could easily characterise aid chains as consultant-driven. To say, however, that aid chains are consultant driven would be to interpret the development process as reified and power absolute. Consultant power within aid chains is far from stable. The key way, however, that consultants may build consensus around their activities is through demonstrating the long-term sustainability of an aid project after donor funding has ended or through creating the illusion of sustainability. In other words, consultant power is reinforced through escaping the Samaritan's dilemma.

Mosse (2005) details how consultants must constantly rework, resell and reinterpret their work in line with changing development policies and theoretical trends. In *Cultivating Development*, he presents ethnographic descriptions of consultants falling out of favour with policy makers, lest they repeatedly renegotiate the terms on which success and failure is measured. In this sense, successful consultants drive the reinvention of aid chains towards path dependence. Because most projects or programs have limited timeframes in which to achieve significant change, there is a strong tendency for the same consultants to 'rework', remodel and

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<sup>9</sup> Split constituencies refers to a donor's split responsibilities to both tax-payers in the developed world and beneficiaries in the developing world.



repackage the ‘problem’ in a new project or program form that appears innovative and avoids the dreaded label ‘unsustainable’ (Bebbington 2004).

The term sustainability in development, although meant to encompass social, environmental and economic sustainability, is increasingly narrowed in development implementation to mean financial sustainability of the implemented project. While the financial sustainability of beneficiaries is stated as desirable, many development agencies strive to ensure that a project’s institutional infrastructure remains intact. Private sector approaches increasingly dominate in the quest to leave reputable legacies that may go on assisting motivated recipients. Indeed, it is a mark of donor and consultant pride to bestow upon a developing country a financially sustainable institution that runs as it did when the donor was in charge, yet does not require indefinite donor funding. It is a mark of pride because it is very hard, if not often impossible, to achieve. In sum, although aid is grounded in a morality of gift giving, giving gifts, especially across cultural boundaries, is a fraught process because it raises anxieties about dependency and sustainability. So aid relations come to be mediated by more commercially oriented brokers who are charged with ensuring sustainability.

### ***The Social Life of Aid and Trade***

Aiding private sector institutions is not a straightforward process. Private sector development efforts are generally expected to adhere broadly to basic ‘rules of engagement’ so that aid does not distort the ‘natural’ functioning of the market through ‘crowding out’ other investors, or engaging in other dysfunctional activities.

The aid industry's gifts cannot be permitted to undermine the principles of commodity production and exchange. The International Finance Corporation (IFC), an investment and advisory arm of the World Bank, outlines the 'rules of engagement' in four principles (Ryrie 1997). Principle one refers to additionality. Aid should not be invested in areas where private finance is willing to invest on reasonable terms. Under this principle ODA must complement, not displace, the private market lest it damage the development process and create dependency. The second principle states that aid should be used as a catalyst for private sector development. That is to say, aid should work to facilitate funds from private markets with the least amount of distortion possible. Distortion in this case refers to funds spent by the aid sector, which should be spent sparingly and only to ensure the operation of markets. Thirdly, aid to the private sector itself should be administered differently from other ODA activities, in that it should be 'business-like'. That is, it should work as an efficient business partner with the private sector, be prepared to shoulder genuine risk (which also increases efficiency) and be profit oriented. The last principle states that aid to the private sector should be on commercial terms, not based on grants or subsidies. However, certain concessions can be made here in the name of development. Loans should be for longer periods of time than the market provides, due to the common market failure of lending for extended times in developing countries (Ryrie 1997: 445). In short, aid must tip-toe around the private sector in an 'enabling way' that does not disturb it or risk seriously impairing its 'natural' development.

Key questions of the aid sector seeking to intervene in the private sector usually revolve around identifying which markets are missing, how to address such gaps and, if addressed, whether this will deter new market entrants? Where are the failures and why? If there are failures are there good reasons? Are missing or failing markets actually missing or failing or are they informal or part of the ‘natural order’?

Such questions, focused solely on confirming or denying the existence of commodities and their exchange fundamentally miss the point. Commodities are not absolute states of being; rather they are just one manifestation of value in what Appadurai (1986) terms the ‘social life of things’. In this view, a commodity is just one possible phase in the social life of a thing, as it travels within different regimes of value created by society. Things may enter and re-exit the sphere of commodities and likewise gifts may do the same. What may appear as a commodity in one instance can appear as a gift in another. This is especially the case in developing countries where a larger proportion of the society may be considered ‘non-market’. As such, the things which may be deemed by aid agencies to be potential exchangeable commodities communicate complex, context dependent signals. Things can be commodities and gifts at different moments. For example, rice may be a gift offered to monks, used as a form of money to pay for goods and services or simply sold as a basic commodity. As such, identifying where, how and why to intervene in agricultural commodity chains, especially in countries where parts of the economy are given over to subsistence production, makes value chain development a highly fraught and often speculative activity. This is especially the case where there is uncertainty over how exactly agricultural development delivers pro-poor growth.

Timmer (2005: 7) writes that, despite a long history of examining the role of agriculture in economic development, the topic remains complicated and controversial.

Although scholars of rural development tend to agree that the structural transformation of an economy requires agricultural transformation, the process by which this takes place is highly variable. Timmer (2005: 7) outlines the basic steps towards agricultural development as: 1) a move out of subsistence, to 2) agricultural growth through a variety of linkages, to 3) a lag between the agricultural sector and the non-agricultural sector often resulting in political tension, to 4) the final stage where agriculture is fully integrated into the rest of the economy. However, the path through these basic stages for different countries of the world is highly variable with change spurred in different ways. In some cases agricultural transformation may occur mainly through linkages to non-farm rural industry, and in other cases through migration to urban areas (Timmer 2005).

Thus, exactly how farmers go from being the impoverished and taxed majority to a subsidised minority is largely unknown and is a question that has fascinated political scientists and economists for some time (Timmer 2004: 14). What is certain, however, is that a fundamental shift occurs in material flows to and from the rural economy. Extraction from agriculture, often under systems of tribute, gives way to one of subsidising agriculture through government assistance or development assistance (personal communication, Andrew Walker 2010). Yet one thing is certain: the precariousness of farming, and its dependence on the vagaries of

climate and the market means that farmers the world over seek protection where and when they can. In the developed world, formal structures of agricultural subsidies govern this support; in developing countries interpersonal relations of patron-client play a crucial role. In agricultural projects in developing countries funded by First World donors aid budgets often become entangled between the two different material flows of taxing versus subsidising. Thus, the degree to which development aid may faithfully observe the rules of private sector engagement set out by the IFC are highly questionable when it comes to interventions in the agricultural sectors of developing economies. At least in agriculture, it seems the Samaritan's dilemma presents yet another false dichotomy, as market success by aid recipients in agriculture will always be linked to some degree of off-farm support. Although the mode of support may change (input provision, farmer marketing collectives, diversification support, remittances or patronage), in order to create the illusion of sustainability, the need for support to agricultural sectors is ongoing. Countries like Cambodia illustrate this point well. In Cambodia, the agricultural sector is fundamentally enmeshed in patron-client relations that sacrifice profits for protection, while various donors engage a plurality of approaches towards constructing agricultural development projects via aid chains.

### ***Gifts and Commodities***

Aid agencies seek to build consensus around new agricultural commodity chains. This occurs not through the private sector but through 'business-like' aid chains deployed in agricultural sectors of developing countries, usually imbued with gift relations. Although global commodity chain analysis presents a convenient way out

of the structure/agency conundrums of the development impasse, the impasse is reproduced in commodity chain interventions which ignore all other social relations except those of market transactions. Commodity chain interventions made in the name of economic sustainability reproduces the classic divide between gifts and commodities.

Gifts and commodities are often set out as two distinct and incommensurate forms of exchange. A gift is said to be personal, reciprocal, inalienable, emotionally driven, and based on non-market exchange between mutually obliged beings. As such, gifts are often difficult to refuse. A commodity, on the other hand, is said to be impersonal, discrete, alienable from the seller, and exists in a rational exchange mediated by the market. Gift exchange, unlike economic exchange or politically mandated redistribution, represents a unique form of exchange in human societies because the fundamental purpose of giving is not the transfer of material objects but the creation and maintenance of social relationships (Mauss 1954). In other words, gift giving creates social obligation. As Mauss says giving

...not only carries with it the obligation to repay gifts received, but it implies two others equally important: the obligation to give presents and the obligation to receive them....To refuse to give, or fail to invite, is — like refusing to accept — the equivalent of a declaration of war; it is the refusal of friendship and intercourse (1954: 11).

Mauss (1969: 11) writes “to give something is to give a part of oneself.” Thus any object exchanged under the social laws of gift relations bears the identity of the giver, unlike a commodity it is irreplaceable, just as the person who gave it is supposed to be unique and irreplaceable (Carrier 1991: 126). Unlike commodities or redistribution, the resource or service given is therefore inalienable from the giver. A rejection of a gift is a rejection of a relationship with the giver and thus the giver

themselves. Therefore, transactors partaking in gift exchange are not free and independent individuals but 'moral persons' related to one another through their social ties. Within a gift relationship each party has a moral duty of care towards the other, and through this they are obligated to give, receive and reciprocate in socially appropriate ways. Gregory (1982: 640) states that three primary elements distinguish gift exchange from other forms of exchange. These are: 1) the obligatory transfer of 2) inalienable objects or services between 3) related and mutually obliged transactors. The obligatory nature of gift relations establishes a continuous process of reciprocation, symbolising the continuity of a relationship.

Numerous scholars have sought to apply the insights of gift theory to foreign aid relations. Hattori (2001; 2003), for instance, argues that aid is primarily a relationship of symbolic domination imposed through gift relations of negative reciprocity. Negative reciprocity is created through asymmetrical relationships where the obligation to reciprocate is suspended (Sahlins 1972). Despite the suspension of obligation to reciprocate, the recipient is expected to respond with emotional displays of deference, humility and gratitude, thereby bestowing qualities of benevolence, magnanimity and virtue upon the giver. The suspension of obligation to reciprocate establishes firm social hierarchies in favour of the donor. Over time the suspension may naturalise social hierarchy, turning what began as a material hierarchy into a moral hierarchy (Hattori 2003). Thus, Bourdieu (1977) notes that the unreciprocated gift is a form of symbolic domination transforming the powerful into the generous, the dominated into the acquiescent (Hattori 2003: 233). Gifts then become powerful, covert tools of co-option, quieting potential political demands for reparations or

material redistribution and transforming moral outrage over gross material inequality into compliant submission. Parry (1986) notes that unreciprocated gifts are often the mark of stratified or unequal societies, with gifts used to subtly maintain the status quo and serve as a visible, quantifiable measure of a donor's virtue; an outward expression of a donor's inner beneficence and social ideals.

Contrary to post development writers who posit development gifts as unwanted and inappropriate, gift theory highlights the opposite: According to Hattori (2001: 646) Mauss, Sahlins and Bordieu all emphasise that "the symbolic power of the gift derives from the fact that it involves real goods and services that fulfill real needs and desires, or precisely what donors have and recipients want". Yet reading foreign aid relations as *only* a form of symbolic domination largely misses the point. If symbolic domination were the sole aim of foreign aid, this could easily be achieved through simple visible transfers of money and not through the laborious, costly and contested processes of project implementation through aid consultants. The purpose of aid is not some conspiratorial or disingenuous effort towards keeping the poor poor. *Prima facie*, foreign aid seeks to construct commodity chains to assist the poor to trade their way out of poverty. What is contested, however, is how this is to be achieved.

Recipients, via citation of the pure gift, usually invoke resistance regarding how aid is to be used. In its ideal form a gift is an object or service given voluntarily, unconditionally and often spontaneously, free from the expectation of compensation or obligation to reciprocate (Silk 2004; Belk 1979). In this way, the 'pure gift'



represents true altruism, self-sacrifice and, as such, higher ideals of spirituality and possibly salvation (Stirrat and Henkel 1997). While this notion of the 'pure gift' is morally appealing, in reality few if any donors can be characterised as completely disinterested, spontaneous altruists (Titmuss 1979 and Derrida 1992 in Silk 2004). Thus the notion of the pure gift stands as an elaborate ideological construct (Carrier 1991: 123) useful inasmuch as it highlights the degree to which different forms of giving and receiving diverge from the abstract ideal and are instead bound within social relationships of obligation and reciprocity. Invocation of the 'pure gift' by aid recipients often acts in such a way to highlight donor self-interest, thereby reducing donor claims to magnanimity whilst simultaneously liberating recipients from the full onus of conditionality or from expectations of deference and humility. Donors in turn may malign relations of negative reciprocity within developing countries, especially those noted as being predisposed to patron-client relations. Accusations of corruption abound, often while ignoring the destructive impacts of rapid economic growth. Here, the personalised nature of gift relations of reciprocity are seen as fundamentally at odds with the 'rational' and even 'natural' functioning of disinterested commodity exchange. However, whether one views gift exchange negatively or positively, both perspectives tend to reinforce the dichotomy between gifts and commodities.

Commodity exchange involves a market or institutionally mediated exchange of standardised products that are fungible (substitutable with other identical items) and alienable (once sold, they bear no relation to the seller). Unlike gift exchange, commodity exchange takes place between supposedly self-interested,

free and rational individuals bound only within the limited time frame of their contractual agreement. Once the contract is fulfilled, all parties are freed of obligation to exchange. Commodity exchange is, therefore, often held as the theoretical antonym of gift exchange; it is impersonal, rationally motivated, and discontinuous.

Commodity exchange is based on the elevation of exchange value over that of use value. Commodity production is not for the use of the commodity itself but rather for it to be exchangeable and therefore able to generate profit for its owner over and above the use-value of the eventual end user (Taussig 1980: 25). As an exchangeable commodity the components that comprise the commodity (labour, raw materials, capital) are qualitatively the same as any other commodity, no matter how they may differ, and thus anything, through the symbolic medium of money, may be exchanged for any other number of commodities thought (or even imagined) to be equivalent to other commodities. Therefore, a bag is equal to a certain amount of butter or a piece of gold (Taussig 1980: 26). According to Marx (1867), however, what is really being exchanged is human labour. Commodity exchange is actually the exchange of human labour mediated by things. In order to maintain the fiction of commodity exchange, it is necessary to think of human labour not as the unique efforts of individual human beings, but as an abstract of labour-time divisible amongst the other costs of production and symbolised by the universal medium of money. Far from being the real-time activities of real people, labour then becomes an abstract notion of quantifiable units to be compared and traded. Thus a person's labour, their daily human activity, is alienated from them. Under capitalist modes of

production, owners of capital may profit from the conjoint factors of nature, humans, and land as abstract factors of production from which surplus value may be extracted through the application of wage labour. The abstractions upon which commodity exchange is based leads to what Marx coined commodity fetishism, a phenomenon whereby commodities themselves are attributed with the characteristics of the human labour which created them, and are seemingly animate and relational. Accordingly, Marxist theories that commodity exchange and capitalist markets require a suspension of belief in what is natural and rational — the inalienable connection between human beings, their activities, environments and resources — and inverts this indivisible whole as abstract, unconnected units to be managed according to the needs of profit maximisation. It is this system that Marx sought to reveal as a type of fetishism requiring much the same suspension of belief in the laws of nature as witchcraft, sorcery or superstition.

Unpicking the dynamics between gift and commodity exchange is a well-trodden line of enquiry in the social sciences (Malinowski 1922; Polanyi 1944; Mauss 1954; Levi Strauss 1969; Sahlins 1972; Bourdieu 1977; Gregory 1982; Granovetter 1985; Parry 1986; Carrier 1991; Derrida 1992; Gudeman 2001). It is useful to note that much of this work extends analysis and understanding of gift exchange in relation to commodity exchange with the underlying intent being to “reinststate the morality inherent in gift exchange” into the perceived anomie of modern market based societies (Gudeman 2001: 83). Consequently, so called ‘gift societies’ are often implicitly portrayed as monetarily poor yet socially rich societies bound together through complex moral obligations of reciprocity, personal

connection, and power relations, volition and rank (Lapavitsas 2004: 34). Meanwhile ‘market based’ societies, wrapped up within their ephemeral ghost world of commodity fetishism — living lives dominated by the inanimate objects they created — are commonly illustrated as socially alienated, spiritually devoid but materially wealthy. Their lives are guided less through social connection and more through the supposed ‘rationality’ of market economics (as opposed to the irrationality of interpersonal gift relations), which is believed to bind these secular societies together through trade and wage labour. These clichéd notions of ‘gift’ versus ‘commodity’ societies pervade many development discussions, be they theory or practice oriented. Distinguishing between gifts and commodities is as much a political exercise as it is an academic one. Condemnation of gift culture or celebration of it often mark one’s own personal views on the market, whether the market is seen as key to delivering positive human benefits or whether it is seen to be fundamentally at odds with the goals of human development. The charge that a society is ‘gift oriented’ can be an evasive way of alleging corruption, while positive comments on gift societies can often be read as a commentary on the failings of modern society and capitalism.

The divide between gifts and commodities is, according to Lapavitsas (2004), constructed and unnecessary. Far from being clear-cut, the line between non-market and market relations, gifts and commodities, is often blurred in several fields of economic activity especially in the case of developing countries. Agriculture, particularly in the Southeast Asian region, demonstrates the blurring of gifts and commodities as an inescapable component of the development process. Protection to farmers, whether offered through formal state subsidies or through gift relations of

client-patron relations are required to sustain commodity production in uncertain environmental and market conditions. Increased commodity production in Southeast Asia, while central in efforts towards agro-industrialisation, can also result in making non-market livelihoods more viable, not less. Lapavitsas (2004) argues that it is an excessive emphasis on exchange value over use value within private sector development debates which falsely posits gifts and commodities as opposites. Increasing the exchangeability of agricultural products through increased quality and standardisation is key to the construction of agricultural commodity chains to help the poor trade their way out of poverty. However, the fundamental use value of agricultural commodities is inescapable. Ultimately people and nations produce agricultural products, foremost for food not commodity exchange. This is especially the case for rice in the Asian region. It is for its use value that food production continues, no matter how much prices fluctuate or how marginal the profit. It is the use value of food which necessitates protection to ensure agricultural production either through patron-client relations, subsidies or foreign aid projects. Thus a more balanced dialectic of use value and exchange value leads to the conclusion that gift relations are required to construct agricultural commodity chains. Any attempt to understand development efforts towards the construction of agricultural commodity chains must therefore understand both gift and commodity relations.

### **Conclusion**

Global commodity chain analysis presents a convenient escape from the development impasse and attendant oppositions between structure and agency insofar as it focuses evenly on both the actors involved and the chain of activities or

structures they create. However, as a primarily political economy approach, it is limited in providing insights beyond markets relations. Various forms of gift relation are important in agriculture and these must to be brought into commodity chain analysis.

Gift relations of development assistance intervene to construct commodity producers out of subsistence producers and build consensus around new trade relations. The way in which development aid intervenes to construct new commodity chains, form trade relations and build consensus is structured, not by the logic of the market, but by the particular functioning of the aid chain in question in which the morality of gifts is important. Nonetheless, in attempting to aid private sector development, aid agencies seek to subject themselves to specific rules of engagement with the private sector, which require aid to become more business-like. Adherence to such rules proves difficult because the rules of private sector engagement are at odds with the need for aid to build consensus. Consequently, many efforts by aid agencies in private sector development result in schisms which are deepened by the tendency of all farmers the world over to seek protection from variability in the environment and in markets.

It can be stated, therefore, that the development impasse is predicated not on a constructed binary between structures and agents — this is easily solved through multi-scaled approaches such as global commodity chain analysis — but instead on a false binary between gifts and commodities. Within the development impasse the false binary may be identified through specific attitudes taken towards gifts and commodities. Commodities and their trade may be viewed as income generating and

poverty alleviating or socially destructive and environmentally debasing. Similarly, gifts may be viewed as socially binding or socially stifling. Gifts may be identified with 'backwards' tradition versus commodities that are posed as emancipatory and modern. However, it is the 'modern' gifts mobilised by the development industry that builds consensus around which commodity relations may be sustained. Gifts help initiate cross-cultural relations and further understandings around trade relations. Both gifts and commodities are enrolled to construct new and existing commodity chains towards pro-poor development and to that end both must be understood.

## Chapter 3

# Tribute, Trade and Foreign Intervention in Cambodia

*Rich people in our country...have better hearts than rich people in other countries. Rich people in Cambodia don't have bad hearts like rich people in France and England. Rich people in Cambodia see poor people in need and are happy to distribute land to them or help them have equal wealth*

(Uk Bunchheuan, Minister of Justice 1988, Minutes 113, Cabinet, Council of Ministers, June 23–24, 1988: 9 in Gottesman 2002: 283).

*The rich must protect the poor, just as clothing protects the body*  
(Cambodian proverb in Chandler 2000: 105).

Three major themes mark Cambodian history: tribute, trade and foreign intervention. These themes and how they have played out throughout Cambodian history are essential to understanding the modern day context of foreign aid, gift giving and commodity chain construction in Cambodia. Prior to French colonisation, Cambodian history was dominated by an oscillation between two distinct systems of wealth creation: tribute and trade. Tributary systems were based on the extraction of high bulk, low value rice surpluses from sophisticated, yet autarkic, irrigated rice production centred on the upland shores of the Tonle Sap, Cambodia's great fresh water lake located in the middle of the country (see Figure 3.1). Conversely trade systems built wealth through open maritime trade in low bulk, high value forest products in coastal areas closer to what is now Phnom Penh. Cambodian elites and foreigners controlled trade, yet unlike the tributary system, trade systems largely left the population to its own devices. These two systems of wealth creation eventually proved unsustainable, due largely to the country's entanglement in wider geopolitics. Each oscillation between the upland shores of the



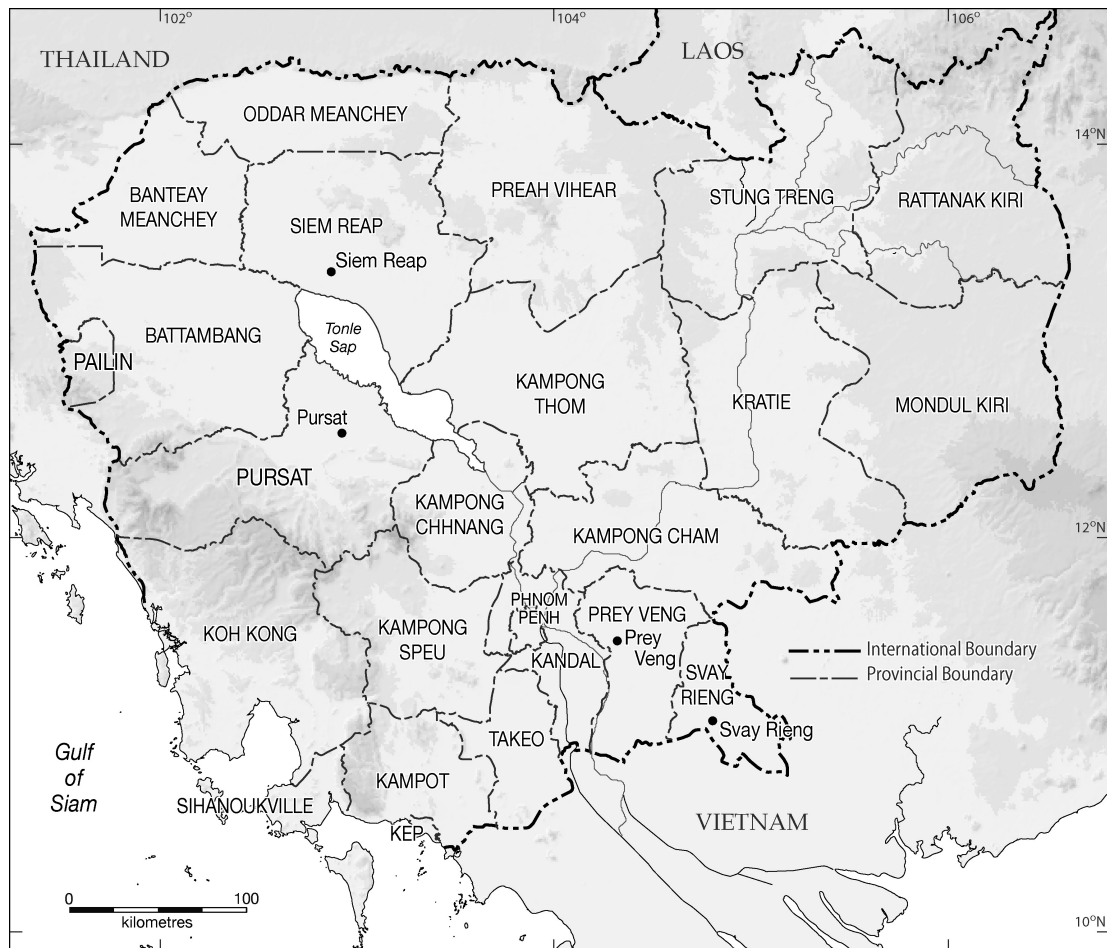
Tonle Sap and the coastal regions was typically spurred by threats from Siam and Vietnam, which nearly tore the country in two. During French colonial rule, 1863 to 1953, the two systems of tribute and trade were united, and transformed the country into a dependent economy, oriented towards the delivery of profits, through the export of high bulk, low value commodities such as rice, maize and rubber (Brown and Timberman 1998). Cambodian agriculture was ‘developed’, but again primarily for the benefit of elites and foreigners. The brief years of the Khmer Rouge aside (1970 to 1975), Cambodia has since endured decades of foreign intervention and elite patronage in efforts aimed at the production and trade of high bulk, low value commodities.

What the above paragraph demonstrates is the role of geopolitics in defining the dominant mode of accumulation in Cambodia. Under colonialism and the protection of foreign patrons the influence of geopolitics in determining the primary mode of exchange was ameliorated and the two distinct systems of trade and tribute were united whereby low value products perhaps better suited to the non-financial transactions of tributary systems were harnessed for export. This has continued under current aid-driven configurations of neo-colonialism, whereby Cambodia is encouraged to trade its way out of poverty via agricultural development.

Cambodia has a long and intertwined history of tribute and trade, and foreign intervention in agriculture is central to this. Today, Cambodia’s high level of aid dependence means that more than ever trade and tribute are intertwined. Foreign aid has helped to reinforce tribute systems that in turn ensure the domination of trade linkages by elites. Rapid, uneven growth and agricultural development are accompanied by entrenched inequality and deep pockets of absolute poverty. Foreign aid is inescapably

embroiled in the politics of tribute and trade, as foreign aid must ensure consensus building among power holders in the pursuit of ‘pro-poor’ value chain development. Despite widespread donor attitudes that the gift economy of patron-client relations is what ensures poverty and inequality in Cambodia, there is a perceptible denial of the way in which the very presence of foreign aid influences the politics of gift and commodity relations and therefore development outcomes.

Figure 3.1: Map of Cambodia



Source: Cartography and GIS Australian National University.

***Oscillations Between Trade and Tribute***

Cambodia's long history of tribute, trade and foreign intervention begins in ancient history. Prior to the establishment of Cambodia's famous temple city, Angkor Wat, in the early twelfth century two rival states existed: Chenla and Funan. Funan's wealth derived mainly from its strategic trading location positioned on the coastal reaches of the Mekong Delta, on the sea route between India and China (Carrison 2002). While flood recession wet rice cultivation probably sustained the population, the kingdom is reputed to have derived its wealth mainly from trade in low bulk, high value forest products. From this period, several artefacts have been unearthed, which appear to confirm the existence of trading ports. These objects include second century Roman coins, Indian jewellery, bronze and locally made ceramics (Chandler 2000: 7, 14). To the north of Funan a rival kingdom named Chenla existed. Fabled to have been established by a wise man named Kambu, it was located on the upland shores of the Tonle Sap, with the wealth of this kingdom stemming primarily from the inhabitants' successful mastery of Hindu-styled, highland, irrigation systems and intensive wet rice cultivation (Chandler 2000: 29; FAO, 2003).

These two rival kingdoms exploited Cambodia's two main ecological zones, coastal reaches and upland plains (Mabbett and Chandler 1996). Jayavarman II, founder of the Kingdom of Angkor, eventually united them in the ninth century. He located his new capital north of the Tonle Sap Lake and far from coastal borders, which were vulnerable to invasion and attack by Javanese and Malay marauders (Carrison 2002).

The establishment of the Angkor kingdom marked a withdrawal from dependence on maritime trade and began an increased focus on intensive, irrigated

agriculture and empire building. As the wealth and power of Angkor grew, the kingdom spread to dominate vast swathes of mainland Southeast Asia, drawing tribute and slaves from what is now Burma, Malaysia, Thailand, Laos and the coastal areas of central Vietnam, then known as Champa (Chandler 2000: 29).

The kingdom of Angkor represents a classic example of a tributary society, where extraction of subsistence agricultural surpluses occurred “by other than economic means” for the benefit of an authoritarian and hierarchical state (Wolf 1982: 267). In tribute societies, primary producers who control the means of production are strongly obligated through political pressures, to hand over surpluses to a ruling authority. Thus, wealth and power are accumulated by the elite through the extraction of tribute, not through the exchange of commodities. Resources extracted are centralised and directed up. The accumulation of wealth constructs a class system that then helps to construct and coordinate large, specialised labour forces. This allows for the development of infrastructure (Bampton 1999: 23). As Wolf (1982: 80) points out

a ruling elite of surplus takers standing at the apex of the power system will be strongest when it controls, first, some strategic element in the process of production, such as waterworks (Wittfogel 1931), and second, some strategic element of coercion, such as a standing army of superior military capability.

The pyramid-like social structure of tribute societies is usually supported by an ideology or theological doctrine that mirrors the hierarchy and discipline evident in wider society (Bampton 1999: 23). In Angkor, Jayavarman II introduced a new belief system based on the Hindu god-king cult story of the *Ramayana* (Edwards 2007). Under this belief system, the king of Angkor held a divine position as supreme ruler and intermediary between Hindu gods and mortals, ensuring soil fertility and protection from drought. As patron of agriculture and protector of the social order (the suffix *varman* translates as

armour or protector), the primary role of the Angkor king was to provide divine protection to all those under his reign through thwarting enemies, the forces of nature and closely overseeing the governing of city temples, the priesthood and the construction of large-scale infrastructure (Chandler 2000: 18). The ideology of the Ramayana ensured that the population remained beholden to the king. According to Derrett (1976: 605), “the agricultural population is fascinated with power, which is essential to its very life. The soil cannot be tilled without *protection* and *rain*”.

King Indravarman (877 - 889 AD) was the first Angkor king to sponsor major centralised irrigation works that expanded agricultural production which was needed to support empire building. Known as *barays*, the first reservoir named Indratataka covered over 300 hectares (Chandler 2000: 37). Successive reigns by Hindu and later Buddhist Angkor kings contributed to the network of irrigation by constructing other *barays* capable of supplying some 167,000 hectares in total of rice-growing fields along the northern plain of the Tonle Sap basin (Bray 1986). These irrigation systems comprised of a network of reservoirs and canals and allowed for the cultivation of at least two rice crops per year thereby supplying rice surpluses needed for the development of the ancient civilisation to spectacular heights of empire and monument building (ibid. 1986). Recent archaeological research around the Angkor area revealed that the city temple complex may have sprawled over 3000 square kilometres and supported up to half a million residents (BBC 2007).

Theories abound as to reasons for the decline of Angkor, and while many speculate that the decline of the Khmer empire is attributable to the inbuilt obsolescence of irrigation systems through steady siltification (Bray 1986), successive invasions and

occupations of both the Siamese and Vietnamese, in addition to numerous civil wars for the next five centuries, are also likely reasons (Gottesman 2002: 14). The beginning of the end for the Angkor empire is closely associated with the Siamese invasion of 1431. This invasion set in motion a long period of entanglement between the Siamese and Cambodian courts of Ayudhya and Angkor, and saw the steady migration of power, knowledge, people and wealth towards the Siamese capital to the west (Chandler 2000: 48). The two to three annual harvests of rice reported to be grown around Angkor ceased. As a result, the centre of political gravity in Cambodia slowly drifted towards Phnom Penh, far enough away from the political dominance of the Siamese, but closer to the Vietnamese and other seafaring foreign influences (ibid.: 3).

The shift to Phnom Penh revived Cambodia's involvement in maritime trade. Phnom Penh drew traders from throughout the Southeast Asian region, trading forest products from the Cambodian interior for arms and luxury goods (Chandler 2000: 79). By the end of the sixteenth century Cambodia was deeply embroiled in the politics and trade of the wider world. A multitude of foreign merchants resided in Phnom Penh including Chinese, Japanese, Arabs, Spanish, Portuguese, as well as merchants from Indonesia and later from Holland and Great Britain. The threat of Siamese invasion of Phnom Penh in 1593 further deepened foreign involvement, when the king of Cambodia appealed to the Spanish Governor-General of the Philippines for protection (ibid.: 84). The final years of the sixteenth century were marked by Spanish imperialism in Cambodia directed from the Philippines (ibid.: 86).

Cambodia's modern history, centred on the entrepôt of Phnom Penh, attests to recurring patterns of Khmer elites courting foreign and often competing sources of patronage. Yet the urban politics of the seventeenth century largely excluded the majority of Cambodians, who lived in rural villages and engaged in rice farming. Clustered around Buddhist monasteries, or around a central pond or stream, rice-growing villages were linked to urban centres in uneven and sporadic ways: through the irregular collection of rice taxes or intermittent incursions by officials looking for recruits; through the sangha (monks) who travelled in the dry season; through festivals; and through trade with provincial capitals, exchanging rice and forest products for metal, cloth and salt (Chandler 2000: 103). In times of crisis such villages were often raided for rice and men, spurring villages to seek refuge in the upland forests, or *prei* (wilderness) (ibid.: 103). Based on ethnic specialisation, Khmer rice farmers exchanged rice for fish and cattle from ethnic Malay Muslims, and for vegetables from Chinese market gardeners (ibid.:100).

The social structure of patron-client relations is cited as central to understanding Cambodian society of this era (Chandler 2000). James Scott (1972: 92) defines patron-client political relationships as

dyadic (two person) ties involving a largely instrumental friendship in which an individual of higher socio-economic status (patron) uses his own influence and resources to provide protection or benefits, or both, for a person of lower status (client) who, for his part, reciprocates by offering general support and assistance, including personal services, to the patron.

This two-person relationship may extend throughout a society, placing all those engaged within it into a pyramid structure of political loyalty and dependence, linking those at the lowest tier to those at the highest through a chain of command, which passes

resources up, and protection down. Thus, hierarchies inherited from the Angkor era typically radiated downwards from the king and capital *okyas* (high ranking royal official), to the *sangha* (monkhood) and the graded bureaucracy to the villages, and finally down to the landless and the debt-slaves living on the edge of the state (Chandler 2000: 105). Reliant on face-to-face enforcement, typically the closer one was located to the king and the centre of power, the more such relations governed one's life. In the capital, wealth was acquired through direct clientship to the king, through buying an *okya* title, which entitled the holder to the loyalty of particular clients. Such titles were often awarded to the highest bidder and often carried a large and lucrative client base (ibid.: 108). In the *kompongs* (large provincial capitals) and Phnom Penh where people no longer grew their own food, patronage and clientship were important to one's survival and advancement. People with access to money and power accepted as many followers or slaves as they could. In many cases, people who had contracted debts to their patrons spent their lives working off that debt (ibid.: 105). Nevertheless, Chandler (ibid.: 106) maintains that patron-client relations were flexible and open to negotiation as "shifting networks of subordination and control, chosen or imposed, benevolent or otherwise", but functional in that they were responsive to the needs of clients in times of stress.

The nature of patron-client relations were far more dilute in rural communities. Here a local patron, such as a village chief, was commonly a rice farmer among other rice farmers and lived a life similar to the people he influenced. In such circumstances the status of patron was not merely a function of power and authority, but also popularity. Patrons typically married local women and participated in village activities



from festivals, to rice harvests. Considered to be another member of the community, the village patron tended to be more sensitive to local issues and often expressed the same level of distrust of officials from outside the village in much the same way as villagers (Chandler 2000: 106). Indeed, much of a local patron's power derived from his ability to protect villagers from outside threats and defend community interests.

This loyalty to one's own community stands in contrast to patron-client relations in Phnom Penh where a trend of appealing to foreign protection emerged. This trend effectively transformed patron-client structures in Cambodia over time, as elites became evermore dependent on foreign patrons as sources of wealth and were freed from the need to extract wealth from the countryside (Ledgerwood and Vijghen 2002). Indeed, Cambodia's modern history, centred on the entrepôt of Phnom Penh, attests to recurring patterns of Khmer elites courting foreign and often competing sources of patronage. According to Chandler, European sources of the time chronicle "a country whose capital was isolated from its hinterland; whose royal family was murderous, intriguing and unstable, and which was at the mercy of elite factions, national catastrophes and invaders, much of the time" (2000: 93). During this era, trade patterns were more a function of patronage politics than they were economic structures.

### ***Colonisation***

In 1626, armies loyal to the Nguyen overlords of Vietnam cut off Cambodia's south-eastern seaboard frontier, effectively severing Phnom Penh's access to international trading markets and heralding in another era of Cambodian isolation (Chandler 2000: 95). It also limited the Cambodian court's ability to appeal to foreign patrons outside of

Siam and Vietnam. As a result the Cambodian royal family became split along pro-Thai and pro-Vietnamese lines. The proceeding eighteenth and nineteenth centuries were therefore years of repeated invasions from both the Vietnamese and Siamese which sparked civil war throughout the country (Chandler 2000: 95). By 1830, the Vietnamese succeeded in gaining control of the country (Chandler 2000: 99).

The Nguyen dynasty saw their mission in Cambodia as primarily a civilising one. Seeking to mobilise the Cambodian population and colonise the region, the Vietnamese sought to rationalise the country, its agricultural production, bureaucratic structures and cultural predilections. The Vietnamese emperor Minh Mang, writing in 1834, noted that Cambodia was a truly 'barbarian' country: "the people do not know the proper way to grow food. They use mattocks and hoes, but no oxen. They grow enough rice to have two meals a day, but they do not know how to store rice for an emergency" (Chandler 2000: 101). Despite Minh Mang's efforts to reform Cambodian agricultural techniques, to quantify and systematise landholdings, agricultural tax payments and irrigation works, there is no historical record of the Vietnamese ever achieving any success in this sector (Chandler 2000: 126). Instead, most historical documents from this era largely record the frustration of Vietnamese officials with Khmer people and regional *okyas* or officials (Gottesman 2002: 14).

We have tried to punish and reward the Cambodian officials according to their merits and demerits. We have asked the king to help us, but he has hesitated to do so. After studying the situation, we have decided that Cambodian officials only know how to bribe and be bribed. Offices are sold; nobody carries out orders; everyone works for his own account...For the last four months nothing has been accomplished (Giang Vietnamese General in Chandler 2000: 124).

The Vietnamese occupation spurred Cambodia's official classes to appeal to the Siamese government for assistance. The Siamese invaded and thus set in motion a series

of confrontations between Siamese and Vietnamese forces, with each trying to install their own leaders (Chandler 2000: 82). This conflict lasted until a Siamese-backed king appealed to Napoleon III and the country became a French protectorate in 1863 (Chandler 2000: 135).

By the time the French administration arrived in Cambodia, the country stood in a state of crisis. An atmosphere of physical danger and random violence prevailed. The population stood at a mere one million people (Chandler 2000: 100). Communications between districts were poor; there were few roads, and bandits and invading armies carried off what surpluses they could find. Foreign trade was restricted, as Phnom Penh was cut off from the outside world by authorities in southern Vietnam. Ports that did engage in trade were more integrated into Siamese or Vietnamese economies than into a coherent Cambodian one (ibid.: 101). Instability, the low population and the threat of invading armies offered little incentive to invest in agricultural development.

French perceptions of Cambodia were predictably much the same as those of the preceding Vietnamese colonisers, if somewhat more romanticised. French colonisers perceived Cambodians as simple and lazy, with a great but lost civilisation (Gottesman 2002: 15; Edwards, 2007).

The people have no knowledge of [advanced] agriculture, using picks and hoes...All these shortcomings stem from the laziness of the Cambodians...my instructions to you are these: teach them to use oxen, teach them to grow more rice, teach them to raise mulberry trees, pigs and ducks...If there is any outdated barbarous custom that can be simplified, or repressed, then do so (Delvert in Mabbett and Chandler 1996: 137).

In order to achieve their goal of ‘civilising’ and ‘developing’ Cambodia, the French sought to reform the country’s institutions and laws, land ownership and tax collection

structures, as well as abolish slavery (Chandler 2000: 144). For petit Cambodian elites, whose power depended on entourages of clients, exploited labour, and taxation of harvests (rather than land), planned French reforms struck at the core of their authority and power (ibid.: 144). Consequently, the modernisation of Cambodian society was resisted, with French efforts failing to transform most sectors of the economy and government. The failure of the French to ‘develop’ Cambodia was interpreted by many intrepid colonists as attributable to the innate characteristics of Cambodians, their attachment to tradition and rejection of superior rationality, which apparently kept them immune from modern ideas and inherently hostile to those who tried to implement them (ibid.: 156).

Yet change did eventually come. French authorities persisted with efforts to transform the country into an income-generating and profitable colony. They built large plantations for the production of rubber and other agricultural commodities for export, roads and modern commercial centres (Gottesman 2002: 15). In the rice sector, the French developed significant changes in farming technologies in the northwest province of Battambang, where large-scale rice plantations were established, as opposed to the rest of the country which continued with smallholder rice cultivation (Chandler 2000: 138). By 1917, Cambodia’s first rice mills opened, getting rid of the country’s dependence on millers in Saigon (ibid.: 155). By the 1920s, Cambodia was, in the eyes of many, a fairly productive, rice-producing enterprise. This translated into increased revenues for the colonial administration and prosperity for French and Chinese merchants who monopolised the rice trade. While no noticeable benefits accrued to the vast majority of Cambodia’s peasants (ibid.: 139, 155, Gottesman 2002: 15), the

population did quadruple from 1863 to 1953 when the country eventually gained its independence. Edwards (2007) argues that it was during French rule that the first systematic notions of Khmer culture, beyond the village and as a united national identity linked to the glory of Angkor were established. Nevertheless, the main material transformations during the colonial period were in foreign trade, communications, and demography. Rice and corn were grown for the first time for export, as well as rubber, which linked Cambodia once again through trade to the world outside. Its economy quickly resembled that of a dependent colony. Nothing altered with political independence in 1953; most of Cambodia's foreign exchange throughout the 1950s and 1960s came from export earnings from high bulk primary commodities (Chandler 2000: 4). It was during this time, the first time in Cambodian history, that the two systems of tribute and trade were united. Under French colonialism, the crops of tributary systems were tethered to trade structures dominated by elites backed by foreign patrons.

### ***Civil War, Communism, Cold War***

The French backed king-cum-autocratic dictator, Sihanouk, presided over these decades in what is remembered by most older generations as Cambodia's 'golden years'. Such nostalgia continues despite the fact that the economy only registered any real growth in the two years between 1963 and 1965 (Keirnan 2002: 484). However, the country was at peace, its economy functioned, albeit inequitably, and under Sihanouk's policy of 'neutrality' the country received large amounts of aid from France, the US and the Sino-Soviet Bloc (Gottesman 2002: 18). Operating as the classic Southeast Asian

bureaucratic polity,<sup>10</sup> Sihanouk used much of this aid to undertake personally development projects around the country and reinforce his carefully constructed image as a meritorious benefactor or *saboraschon*<sup>11</sup> with reference to the Angkor kings of antiquity (Hughes 2006). The strategy of playing off Cold War opponents to enhance domestic popularity was dubbed the ‘prince’s tightrope’. Yet despite generous social spending and appeals to Angkor tradition, Sihanouk could not contain growing Communist forces. In order to coopt growing leftist threats and attract popularity away from the Communist Party, Sihanouk took radical steps. He cut off US military assistance and economic aid, nationalised Cambodia's Chinese-dominated banking industry and export/import trade, and attempted to distribute rice through state channels (Chandler 2000: 192-194; Gottesman 2002: 20).

Sihanouk's break with US left him vulnerable to pressures from the left and eroded military morale. Furthermore, government control over exports and imports encouraged black market trading, with elites and the military clandestinely supplying Communists in Cambodia and Vietnam. By 1967, over a quarter of Cambodia's rice harvest was being smuggled to Communist forces which paid higher prices than the Cambodian government could afford. As a result the government lost revenue from

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<sup>10</sup> Riggs (1966) first coined the term bureaucratic polity in reference to Thailand, yet it has been used frequently to describe authoritarian governments of Southeast Asia. Jackson (1992: 6-7) summarises the key characteristics. To paraphrase, bureaucratic polities exist for and of themselves, and are usually comprised of elite members of the ruling classes. Decisions are made primarily for the benefit of polity members. Regime change simply changes the selective distribution of benefits of government to a competing group. Regime change does not bring about radical ideological change as the aim is not to remake society but instead to maintain privilege and power. Usually dependent on international support, the polity remains largely isolated from the peasantry and generally uninterested and incapable of organising them. The majority thus tolerates the polity because the polity is overall incapable of interfering in most spheres of life. The polity defines most problems as administrative problems rather than political ones and this averts any serious reform. Overall, the government is often disorganised and unresponsive but generally not malevolent, “it bumbles but it lacks any kind of grand vision” (Jackson 1992: 6, 7).

<sup>11</sup> Hughes defines *saboraschon* as an individual who earns personal merit through making generous contributions to communal projects such as the construction or repair of temple buildings (2006: 470).

import/export taxes and foreign trade was hampered (Chandler 2000: 201). To stem rice smuggling, a decision was made that army units should gather the rice surplus in several areas, pay government prices for it, and transport it to government warehouses. In some provinces resentment flared into armed conflict as peasants tried to resist the low prices paid by government (ibid.: 201).

By the end of 1967, the Cambodian economy began to falter. In 1970, a US-backed military general, Lon Nol, deposed Sihanouk and began to launch attacks on Communist and North Vietnamese positions throughout the country (Gottesman 2002: 22). Cambodia slowly fell into civil war. By April 1970, 30,000 US troops and 40,000-plus South Vietnamese troops invaded Cambodia seeking to root out Communist opposition. With Cambodia firmly engulfed in a wider Indochina war (Heder 2002: 184), the US began a carpet-bombing campaign, which was eventually to cover the entire eastern half of Cambodia (Jenks Clarke 2003: 93). Three times as many tons of bombs were dropped on Cambodia's agricultural heartland than were dropped in total on Japan during World War II (Kevin 2000a: 597). The bombings resulted in a lack of available farmland, while the civil war drove many to seek refuge in the city. Phnom Penh overflowed with refugees living in squalid conditions; the highly corrupt military dictatorship of Lon Nol did nothing to curb the crisis. This increased social unrest fuelled support for the Communists (Gottesman 2002: 24).

In 1975, Communist forces began laying mines on the riverine approaches to Phnom Penh, thereby preventing shipments of rice and ammunition from reaching the capital. US airlifts were not able to drop enough rice to feed Phnom Penh, nor were they

able to supply enough military equipment to defend the capital. Exhausted by war and corruption, many Cambodians supported a change. On 17 April 1975, the Khmer Rouge took the capital (Chandler 2000: 208). The victory of the Khmer Rouge ushered in the beginning of what would come to be known as the most brutal and bloodiest Communist revolution of the twentieth century. Inspired by the zero tolerance approach of Mao's Cultural Revolution and Stalin's ideas of rapid collectivisation, the Khmer Rouge sought to quickly turn the country into its socialist ideal through implementing a series of rapid, severe and ludicrous policies. Within a week of their victory the Communists evacuated nearly two million Cambodians from cities and townships into the countryside (ibid.: 210). They abolished currency, markets and privately owned goods and took control over the distribution of all food (Gottesman 2002: 26). Every aspect of daily life was under scrutiny, religion was banned, clothing styles and haircuts monitored, books burned (Chandler 2000: 209). Any hint of resistance was severely punished. The regime engaged in continual purges and killings of those with real or imagined links with foreign states, counter-revolutionary practices or merely suspicious ethnic backgrounds (Gottesman 2002: 27). In total, an estimated two million people died either through execution or starvation brought about by the Khmer Rouge's disastrous agricultural policies.

The Khmer Rouge, inspired by their Chinese counterparts, entitled their agricultural plans the 'great leap forward' (Edwards 2007). The main aim of this 'great leap' was to triple agricultural production throughout the country to an average national



yield of three metric tons per hectare.<sup>12</sup> This aim was to be achieved through extensive irrigation, double and triple cropping, longer working hours, and the release of revolutionary fervour connected with the people's liberation from exploitation and individual concerns (Chandler 2000: 215). By increasing national production of rice and exporting the surpluses it was hoped that the government would earn enough hard currency to pay for imports and eventually finance industrialisation (ibid.: 211).

In order to meet unrealistic targets, cadres reduced the amounts of rice available for seed and food (Chandler 2000: 216). Any surplus that could mitigate the risks of crop failure was trucked off to feed the leadership and army, some was exported to China and some was used to pay for Chinese aid and advisors.<sup>13</sup> All objects including edible plants and fruit was considered communal property; private vegetable gardens and livestock were strictly prohibited (Gottesman 2002: 28). As famine slowly broke out in many parts of the country, reports of this crisis went unreported to higher levels of government as starvation was seen as evidence of treachery by those cadres in charge of food distribution (Chandler 2000: 216). Thus, as the new regime began exporting rice in 1976, tens of thousands of people died of starvation (Keirnan 2002: 486).

The Communist regime, known formally and inaptly as Democratic Kampuchea, ruled from April 1975 to January 1979. The Khmer Rouge's rule over the country was halted by the invasion of former Khmer Rouge defectors backed by over 100,000 Vietnamese troops from across the northeast border. The invasion was swift. Troops found little resistance and Phnom Penh fell a mere 14 days after the start of the

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<sup>12</sup> Rice yields during Sihanouk's era were roughly 1.2 tones per hectare, although they were 50 per cent higher in Battambang and Kampong Cham due to higher soil quality (Federal Research Division 2009).

<sup>13</sup> They set about on a disastrous plan to introduce Chinese hybrid varieties (Helmets 1997).

invasion. The Vietnamese invasion scattered Cambodians in all directions. Thousands went with the retreating Khmer Rouge to Thailand; the rest seized the food stocks of the cooperatives. With little thought for the future, people slaughtered pigs, cows and buffaloes, took pots and pans, farm tools and anything they could carry and took to the road (Gottesman 2002: 38), looking for lost relatives, seeking to return home or hoping merely to avoid the fighting (Gottesman 2002: 38). As a result rice fields were left fallow and only a small amount of rice seed remained available for the future harvest.

As famine once again erupted throughout the country, thousands of Cambodians headed to the border where humanitarian relief missions distributed food. This food aid also helped to resuscitate remnant Khmer Rouge forces, which united with Sihanouk's royalist forces, and Lon Nol's ex-republican fighters, and backed by the US, China and Thailand, continued to fight a guerrilla war with Vietnamese forces. At least 30 per cent and up to 85 per cent of the food aid distributed in the Khmer Rouge-dominated camps, went directly into the hands of troops rather than civilians. Military commanders then used the food to get hard currency, buy weapons, establish firmer control in the camps, and operate raids back into Cambodian territory (Shawcross 1984 in Chong 2002: 970). As foreign aid stimulated trade, refugee camps also became vibrant centres of cross-border trade with gold, precious stones and jewellery exchanged in Thailand for consumer goods and rice. On some days, half a million dollars in gold came across the Thai/Cambodian border (Gottesman 2002: 89).

Within Cambodia, all foreign aid was distributed through the Vietnamese-installed central government (Chong 2002: 968). Lacking the capacity, and some

believe the political will,<sup>14</sup> much food aid was not distributed to intended beneficiaries and instead accumulated in the ports (Gottesman 2002: 83; Chong 2002: 970). As the humanitarian crisis slowly abated by the early 1980s, aid efforts shifted towards long-term development and capacity building. This relationship primarily entailed an exploitative exchange of Cambodian rice and primary resources for infrastructure development assistance, industrial and manufactured imports and an army of foreign technical advisers from Vietnam and the Soviet Bloc. By the mid 1980s, there were 310 Soviet advisors in Cambodia along with 22 Czech, 11 Cuban, 7 East German, 5 Laos, 4 Bulgarian, and 3 Indian, working directly with the Cambodian government (Gottesman 2002: 146). These numbers do not include the vast numbers of Vietnamese advisors also installed throughout government departments. By 1985, Cambodia was spending 2 million *rubles* a year on Soviet advisors alone (Gottesman 2002: 147). Exports in rice helped to pay for these advisors as well as other imports, all of which were channelled and regulated by Vietnam. Thus, despite persistent pockets of food shortages throughout the country, Cambodia exported thousands of tons of rice to Vietnam throughout the 1980s (Gottesman 2002: 151).

Overall the decade of Vietnamese occupation of Cambodia, saw the failure of agricultural collectivisation and state marketing systems, the decentralisation of Cambodia-Vietnam cross-border trade, an explosion in black market trade, the re-emergence of a political and merchant elite in Phnom Penh and an unstoppable drift of

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<sup>14</sup> The urgency of Cambodia's economic crisis and the bureaucratic turmoil that accompanied the establishment of a new government meant that ministers were free to negotiate economic assistance with various socialist countries. Rivalries evolved among Cambodia's patrons, the Soviet Union and Vietnam, as well as political tensions over the reception of aid from the West (Gottesman 2002: 82).

the country towards a market economy.<sup>15</sup> Concomitantly, socialism was replaced with charity.

The break-up of the Soviet Union provided the final impetus for Vietnam's withdrawal from Cambodia in 1989 (Chong 2002: 972). By this time Cambodia was already showing signs of recovery with rice harvests around the country increasing every year (Chandler 2000; Gottesman 2002: 85). Shortly after Vietnam's withdrawal all four competing factions<sup>16</sup> reached an agreement in Paris to hold multi-party elections. The Paris Peace Accord mandated the creation of a United Nations protectorate over the country until 1993 when elections were held. This period brought US\$2 billion in foreign aid into Cambodia as well as 13,000 soldiers and 7,000 civilians under the auspices of the United Nations Transitional Authority in Cambodia (Chong 2002: 972).

### ***UNTAC and Foreign Aid***

UNTAC's mandate was to steer Cambodia towards peace to enable democratic elections to be held. To this end, UNTAC was responsible for disarming troops from all four factions; repatriating refugees from Thailand; carrying out rehabilitation projects and monitoring human rights abuses. UNTAC was also given the authority to take direct control of several administrative functions of the state, including foreign affairs, defence, finance and information (Brown and Zasloff 1998 in Chong 2002: 972). This was no easy task. Although the ten years of Vietnamese occupation had engendered

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<sup>15</sup> Many state officials conducted black market trade during socialism and were the first to benefit from market reforms (see Gottesman 2002).

<sup>16</sup> The competing factions were comprised of the pro-Hanoi government of Cambodia, The People's Republic of Kampuchea against the Coalition Government of Democratic Kampuchea composed of three Cambodian political factions who claimed to be a government in exile: Prince Norodom Sihanouk's Funcinpec party, the Party of Democratic Kampuchea (the defeated Khmer Rouge) and the Khmer People's National Liberation Front (KPNLF).

some stability, the country was still largely in a state of chaos. Political corruption and factionalism were rife and the Khmer Rouge guerrilla movement was still highly active in the countryside (Curtis in Chong 2002: 972). Despite UNTAC's generous budget and staff numbers, it failed to bring the country under control without the cooperation and assistance of the Vietnamese-backed People's Republic of Kampuchea (PRK)<sup>17</sup> who had held power in the ten years prior to the Peace Accord and whose own governance structures continued to rule the country behind the scenes (Kevin 2000a: 599). According to Kevin (2000a) the UNTAC administration saw numerous confrontations over issues of governance and human rights between UNTAC officers and monitors and the PRK's middle- and lower-level officials who continued to answer to party bosses (Kevin 2000a: 599; Downie and Kingsbury 2001: 55).

Thus, the main political impact of the UNTAC administration was the "development of a dual state in Cambodia" (Hughes 2000: 49). There was a "shell of a constitutional state" constructed by foreign aid on imported principles of liberal democratic institutions and rule of law existing in tandem with, and often usurped and undermined by what Hughes (2000: 49) terms a 'shadow state'. This 'shadow state' was organised around a far more manipulated and commoditised form of patronage than previously known in Cambodia, and reinforced through outright violence, threats and intimidation (Hughes 2000: 49).

Although judged a success by many observers at the time, UNTAC was delayed in deployment, went over budget by a billion US dollars and failed in its

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<sup>17</sup> Comprised of former eastern front cadres of the Khmer Rouge who defected and then re-entered the country with the Vietnamese and were installed in power.

mandate to disarm and disable political factions (Chong 2002: 974). During the UNTAC period there was an explosion in HIV/AIDs infections as a result of increased prostitution in Phnom Penh responding to newly created demand by foreign troops and aid workers. Rural-urban imbalances were exacerbated due to the emergence of ‘Dutch disease’.<sup>18</sup> Some argue that conditions ripe for PRK power consolidation were created. Ottaway (in Chong 2002: 974) argues that the rush towards elections meant that no national reconciliation took place, and this allowed for the legitimisation of PRK authority in a closed-power situation. Indeed, corruption, intimidation and political assassinations occurred in the countryside in the lead up to the 1993 elections (Gottesman 2002: 352). Gottesman (2002: 350) considers that the rush to hold elections reflected the fact that the interests of foreign countries, eager to solve international Cold War stand-offs, dictated the timing and terms of the 1993 elections more than the interests of ordinary Cambodian people. Nevertheless, the war weary population threw aside sceptical pessimism *en masse* with 90 per cent of the eligible voters casting a vote (Chong 2002: 973).

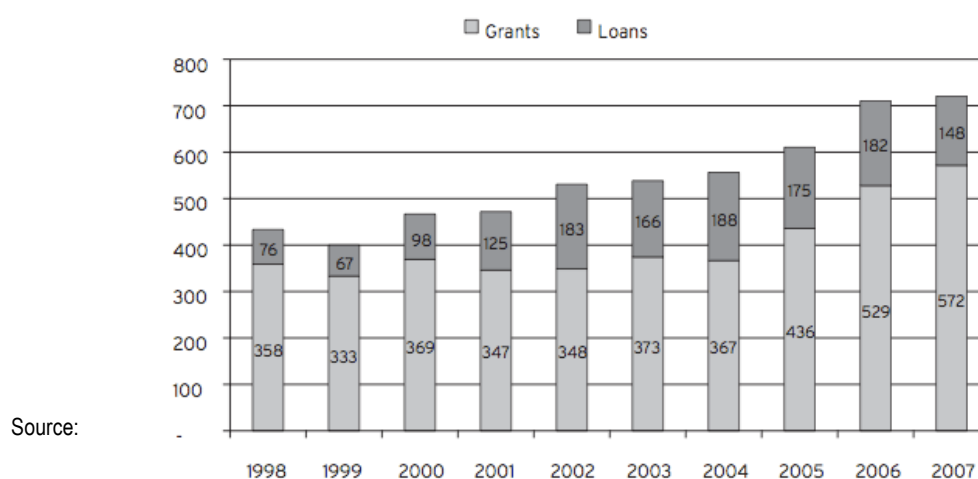
UNTAC paved the way for a persistent presence of international development agencies, NGOs and foreign advisors in Cambodia. As the humanitarian crisis abated, the development industry moved from providing emergency assistance towards the promotion of slow stream economic development. During the decade from 1998 to 2008, total development assistance to Cambodia amounted to about US\$5.5 billion

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<sup>18</sup> Dutch disease refers to the orientation of resources away from the tradable goods sector of an economy and towards a newly emergent resource boom resulting in lowered long-term and balanced growth. Although typically applied to economies with newly discovered mineral resources, the concept is frequently applied to foreign aid interventions, especially large-scale operations such as that of UNTAC, where large parts of the economy were oriented towards capturing foreign aid.

(Chanboreth and Hach 2008). For the last five years, on average, Cambodia has received development assistance of around US\$600 million per year. Official Development Assistance to Cambodia has steadily increased since 2001. Cambodia receives above average per capita ODA compared to other less developed countries (LDCs). Aid disbursements are mainly in the form of grants which accounted for 75 per cent of total aid from 1998 to 2007 (ibid. 2008).

**Figure 3.2: Development aid to Cambodia US\$ millions**



Source:

Chanboreth and Hach 2008: 8

Cambodia is a highly aid dependent country. Official Development Assistance accounts for half of Cambodia's national budget (DAC 2008). ODA as a percentage of Gross National Income (GNI) is approximately 8 per cent; the Low Income Country (LIC) average of ODA as a percentage of GNI is 2.9 per cent (Chanboreth and Hach 2008: 3). Aid measured in per capita terms in 2005 stood at \$US38 for Cambodia, again much higher than the LIC average of US\$17 (ibid. 2008: 3).

Bilateral donors account for the largest amount of aid given to Cambodia, followed by multilateral agencies and then NGOs which account for around 10 per cent of total aid flows to the country (Chanboreth and Hach 2008: 1). In 2006, net ODA provided to Cambodia by members of the OECD's Development Assistance Committee (DAC) amounted to US\$529 million or around 75 per cent of total aid (ibid. 2008). These donors form the Consultative Group, a group of donors who work in cooperation and subscribe to DAC member rules (the 'moral bookkeepers' of foreign aid). Members of this group meet formally each year to pledge aid assistance, as well as review past efforts and pressure the government into making fresh commitments to reform. The most recent meeting of the Consultative Group in 2009 resulted in an unprecedented level of aid pledges of close to one billion US dollars.

**Table 3.1: DAC-OECD member ODA flows to Cambodia**

Receipts	2005	2006	2007
Net ODA (USD millions)	541	529	672
Bilateral share (gross ODA)	67%	72%	71%
Net ODA/GNI	9.0%	7.6%	8.3%
Net Private Flows (USD millions)	2	190	692

Source: OECD 2009



**Table 3.2: Top ten donors of Gross ODA to Cambodia (2006-2007 average)**

Countries	USD Millions
1. Japan	112
2. United States	74
3. Asian Development Fund	59
4. International Monetary Fund (Structural Adjustment Facility, Enhanced Structural Adjustment Facility, Poverty Reduction and Growth Facility)	42
5. European Commission	37
6. Industrial Development Agency (Ireland)	33
7. Germany	33
8. France	32
9. Australia	30
10. Korea	25

Source: OECD 2009

Aid from other non-DAC members, including China, contributes an additional US\$180 million per year (DAC 2008). Although aid from non-DAC members is generally lower, it is considered to be less conditional in regard to demands for democratic reform, market liberalisation or other requirements. For example, aid from China is typically provided directly to the Royal Government of Cambodia (RGC) and demands little from the government except formal support for China's reunification policy (Chanboreth and Hach 2008: 14). Although Cambodia's leaders make much of China's supposedly unconditional support, especially during Consultative Group meetings, the degree to which Chinese aid can truly be characterised as selfless altruism is highly disputed. Commentators on Chinese aid to Cambodia emphasise that much of its giving to Cambodia is self-interested and aimed to ensure trade and resource flows between the two countries. Yet China is not the only country to pursue its own agenda for Cambodia. Most development agencies operating in Cambodia provide development

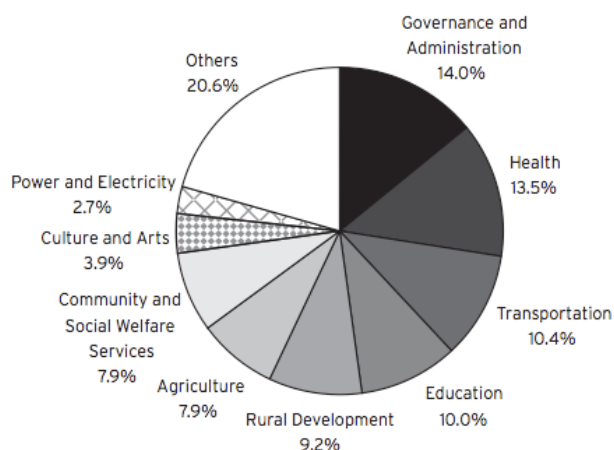
assistance based on their preferences and not based on specific plans or requests by the government. For example, while China focuses on energy, transport and direct government funding, Germany maintains its preference for funding rural development and land management. Other potential trade partners like South Korea and Japan place resources in transport, while the US continues to push its worldwide agenda of governance and administrative reform (ibid. 2008).

Official Development Assistance flows to Cambodia are highly fragmented. Thirty-nine multilateral and bilateral agencies provide the US\$529 million allocated by DAC members (Chanboreth and Hach 2008: 3). Many of these donors provide small amounts of less than US\$5 million. In 2008, 35 development agencies were providing support across a range of sectors, financing 1,300 separate projects of which 700 were ongoing (ibid.: 23). According to Chanboreth and Hach (2008: 2), more than 400 donor missions, reviews and studies are conducted each year in Cambodia. Consequently, government officials are estimated to spend at least 50 per cent of their time dealing with aid projects.

The main sectors targeted for assistance by ODA are government and administration, health, transportation, education and rural development. From 1998 to 2007, more than half of all development aid went to social infrastructure (24 per cent), economic infrastructure (20 per cent) and physical infrastructure (16 per cent) sectors. The remaining funds were disbursed to multi-sectors. Overall, the share of ODA to social sectors has decreased in recent years while disbursements to agriculture,

governance and administration have risen. This is in line with international ODA trends overall.

**Figure 3.3: Development aid to Cambodia by sector 1998-2007**



Source: Chanboreth and Hach 2008: 8

Up to half of all international development aid in Cambodia is spent on technical assistance and capacity building (Chanboreth and Hach 2008: 23). The aim of technical assistance is to build the capacity of Cambodian counterparts to conduct development projects or provide government services and hence build greater sustainability of aid efforts among recipients. However, the sustainability of such approaches is questionable. A large proportion of technical assistance budgets are spent on international consultants to build the capacity of local staff. International consultant salaries are often high, around US\$100,000 per year tax-free. In 2002, an estimated 750 international staff were employed by various development agencies, accounting for 12.7 per cent of total aid expenditure in salaries alone (ibid.: 23). Although international consultants are meant to work themselves out of a job by gradually transferring skills to

counterparts, this has not necessarily been the case in Cambodia. According to a report commissioned by the Cambodian Council for Administrative Reform (CAR) and funded by AusAID, some consultants can and have spent more than a decade inhabiting ministerial offices without training successors (Fitzgerald 2004). Fitzgerald (2005: 4) further writes that donors perpetuate the dominance of consultants in Cambodia through habitually resorting to “international experts as a first rather than last resort”. Godfrey et al. (2002) attribute this habitual reliance on international experts to the main objective of foreign aid, for both donors and the Cambodian government: to facilitate resource flows in a manner agreeable to both parties but primarily donors. International consultants usually produce higher quality more acceptable reports, assessments and plans than those undertaken by Cambodian counterparts. Consultants are generally also trusted more to supervise resource flows. In other words, consultants are better at building consensus around aid transfers. The trade-off made by both donors and government is to forgo long-term capacity building objectives in the interests of rapid and sustained resource flows (Godfrey et al. 2002: 356).

The long-term impact of the trade-off made in favour of sustained and rapid resource flows is a lack of capacity building outcomes. Low levels of capacity building have perpetuated donor mistrust in recipients’ capacity to efficiently and effectively absorb aid resources. Consequently, much technical assistance delivery results in the ongoing creation of parallel government structures. The creation of parallel government structures was first initiated under UNTAC and is currently replicated under a myriad of disharmonised donor projects. The insistence that development projects follow donor procedures, not those of the RGC, means that Cambodia has seen a proliferation of

project implementation units which, in most respects, mirrors government functions, albeit on a smaller scale. Depending on the attitude of a particular donor to the government, these units may be semi-parallel in nature. Preliminary findings from the 2008 Survey on Monitoring the Paris Declaration suggest that 123 parallel project implementation units were operating in 2007, of which 40 were focused on agriculture and rural development (CRDB/CDC 2008). Parallel structures established according to the demands of different donors mean that much of the advice provided by international consultants to the government is contradictory. Another often noted dysfunctional outcome of parallel units is the poaching of government workers to staff international development projects. Overall, foreign aid in Cambodia is often characterised as donor-driven, fragmented, uncoordinated and therefore duplicate and unnecessarily expensive (Chanboreth and Hach 2008; Godfrey et al. 2002; Fitzgerald 2004).

### ***The Business of Aid and Government***

Indisputably the Khmer Rouge did not succeed in abolishing all of Cambodia's culture and traditions. However, the rhetorical force of the Khmer Rouge's 'year zero' has long reinforced a well-documented development industry tendency to define developing countries in terms of what they lack (Ferguson 1994). In the case of Cambodia, the constant revision of Khmer Rouge history by western scholars and the insistence that in the wake of year zero, culture, religion, institutions, intellectual capital, agricultural knowledge and so on were completely annihilated, has served for years as justification for many foreign development projects which seem happy to ignore the ten years of Soviet and Vietnamese assistance provided during the 1980s. While none would dispute that the malevolent utopian vision of Democratic Kampuchea inflicted unprecedented

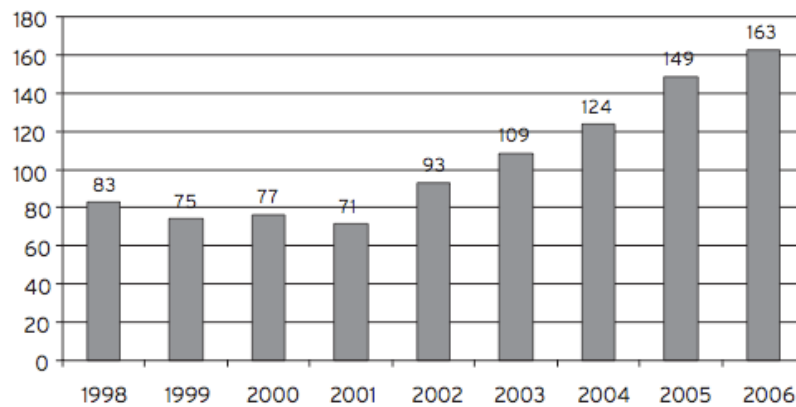
death and destruction upon the country, the interpretation that there was simply nothing left afterwards is wrong. Contrary to the assertions of Oveson et al. (1996), Cambodia did not emerge from this period as an atomised nation of households devoid of social linkages, trade and cooperation. Indeed, Gottesman (2002: 188) writes that eight years after the Khmer Rouge evacuated Phnom Penh, and four years after the Vietnamese invasion that led to their overthrow, the then ruling People's Republic of Kampuchea (PRK) party admitted that Cambodia was not a purely rural country. "The provincial capitals and the districts have capitals that are, in fact, economic, cultural, and political centres" (Minister Fang You 1983 in Gottesman 2002: 188). Despite this admission, it is a reality frequently not recognised by many development agencies and government officials in Cambodia today. Countless project design documents outlining justifications for intervention start by emphasising Cambodia's deeply agrarian and subsistence nature. Although it would be foolish to dispute the centrality of agriculture to many Cambodians' livelihoods, there remains a tendency by development agencies and power holders in the country to infer that, beyond a general rurality, nothing much else exists. Despite the fact that Cambodia's capital is once again the thriving entrepôt of Phnom Penh, and that trade continued informally in all but the Khmer Rouge years, the myth of Cambodia as a primarily subsistence nation persists.

The belief that prior to the arrival of western aid, no institutions really existed is very much part of the development discourse that surrounds the practical business of the establishment of parallel government structures. It is a perspective very much based on erroneous assumptions as Fitzgerald (2005) notes it was in the disorienting days of post-UNTAC that donors first began rejecting the idea that any credible institutions

existed other than themselves. It is a perspective that is perpetuated under current aid practices.

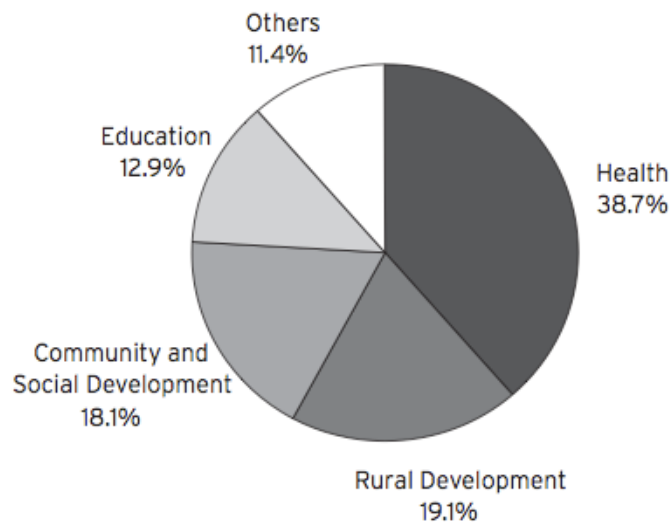
The mindset that no credible institutions exist is in many ways a self-fulfilling prophecy as the practices of international development in Cambodia ensure the continual drain of competent government staff into better paying ‘development’ jobs in better equipped offices. Meanwhile, government staff who inhabit often crumbling and decrepit state offices are oriented towards fulfilling the demands of donor procedures on a fraction of the pay. The orientation of state resources towards the development sector occurs at a cultural level too. Few consultants speak Khmer or learn Khmer. Most meetings are held in English, as are the voluminous reports that development agencies are wont to produce. Procedures, practices and administration follow the demands of donors, and few are adapted to suit the Cambodian context. As government services are generally oriented towards donors and most social services fail to deliver any tangible benefits to ordinary citizens the number of NGOs in the country has proliferated. There are currently 1,500 local NGOs and 340 international NGOs registered in Cambodia (Chanboreth and Hach 2008: 16).

**Figure 3.4: NGO disbursements for development projects 1998-2007**



Source: Chanboreth and Hach 2008: 17

**Figure 3.5: Total NGO development project disbursements by sector 1998–2007**



Source: Chanboreth and Hach 2008: 18

According to Downie and Kingsbury (2001: 56), this proliferation of NGOs is largely the result of external funding by bilateral and multilateral donors, especially Australia, Canada, Denmark, Sweden and the US. However there are other compelling reasons which support the establishment of NGOs. Favourable tax laws, regulatory laxity and other concessions made for NGOs in Cambodia mean that there are a number



of NGOs which are by all appearances businesses, yet they maintain NGO status to avoid taxation. These NGOs are often established and run by government staff who appoint themselves grandiose titles such as ‘president’. Businesses actually registered as NGOs help provide supplementary income to the paltry civil service wages. While other locally established NGOs may be more sincere in their efforts towards poverty alleviation, there is no doubt that among the multitudes of organisations registered as NGOs in Cambodia, many combine Uphoff’s (1993: 611) modes of organisational power (political, normative and remunerative) in a hybrid form. Although recent government moves to crack down on what has been dubbed ‘NGO heaven’ were reported in 2008, observers noted that such a move was aimed not at shutting down illegitimate local NGOs but rather at silencing any international NGOs which criticised the government over human rights and corruption (Guthrie 2008).

What stands at the basis of ineffective technical assistance packages, the creation of parallel units and Cambodia’s over-supply of NGOs are poor donor/recipient relations. They are relationships which Fitzgerald (2004) characterise as low in mutual trust, disrespectful and entailing a great deal of private criticism. On numerous occasions during my own fieldwork, I was shocked by the attitudes of many expatriate consultants to the country and the people. While few openly criticised their own Khmer colleagues, generalised comments about the ‘nature’ of Cambodians were not dissimilar to the comments of the previous French and Vietnamese colonisers. I frequently encountered comments regarding Cambodians’ laziness, inability to ‘think conceptually’ and overall corruptness. In hushed tones, some even searched to identify innate characteristics within Khmer culture to account for the Khmer Rouge genocide.

Poor donor/recipient relations are further perpetuated by the outward appearance of tolerance by local staff. Pearson (2005: 5) attributes such tolerance to externally imposed power hierarchies that place *barangs* (white foreigners) in senior positions with control over resources. Such power structures, she states, “reflect the predominant social construct of patron-client relations, with which many Cambodians are comfortable because of its familiarity” (Pearson 2005: 5). Whether or not Cambodians are ‘comfortable’ with such hierarchies is beside the point. Typical responses such as habitually answering ‘yes’ to any question asked, feigned ignorance, or extreme deferral to expatriates on even minor decisions, may be read as either a form of resistance, acquiescence or even respectful obedience depending on the circumstance and relationship. The point is, however, that such behaviour is a pragmatic approach to risk avoidance in the face of uneven power.

The inability and/or unwillingness of both expatriates and Khmers to confront the dysfunctions of their relationships, manifests on both sides as continued support for the formal pretence that Cambodia is a helpless subsistence-oriented country with no operable institutions or operable markets. This pretence, and the continued focus by donors on building parallel structures to what is perceived not to exist, appears to suit the ruling Cambodian People’s Party (CPP) (the PRK’s descendant) as it provides a diversion to its often brutal tactics of political consolidation.

### ***Gifts and Political Capital***

When in Cambodia it is not uncommon to see images on the evening television news of Hun Sen, the Prime Minister of Cambodia, boasting of his ability to garner international

development aid funds for the good of the Cambodian people, which he often attributes to his own personal charisma (Hughes 2006: 472). Such performances attest to the continued tradition in Cambodian politics of the manipulation of foreign patrons and their resources to consolidate domestic power. In a 2004 USAID report on corruption in Cambodia, writers estimated that between US\$300 to US\$500 million dollars (roughly the annual total ODA from DAC members) was diverted annually from government coffers (Calavan et al. 2004). According to this report, although donor funds are subject to formal monitoring and evaluation, they are still misused and diverted in numerous ways. Development loans usually flow through the Ministry of Finance, which receives and allocates much of the money from international institutions and extracts a 'fee' for transfer to its intended destination (Calavan et al. 2004: 3). In the case of procurements for projects using donor funds, bribes may be elicited from vendors to ensure that they are awarded the contract. Furthermore, donor-provided commodities may simply be sold off on the private market, as was the case in 2004 when the World Food Program (WFP) discovered that US\$1.2 million dollars worth of rice designated for distribution throughout food insecure areas of the country had gone missing (Hay 2008). Calavan et al. (2004: 3), cite a case in which donated medicines were found for sale in a shop owned by a senior government official.

The steady influx of foreign aid (and more recently foreign direct investment) means that Cambodian elites need not be as dependent on domestic constituents to extract wealth. Consequently, observers note that Cambodian elites are less responsive to their 'clients' than other patrons in Southeast Asian nations where extensive client networks remain a key source of wealth and power. Both Calavan et al. (2004) and

Ledgerwood and Vijghen (2002) state that much of the wealth accumulated by government elites is not reinvested in patron-client relations, rather it is moved out of the village, province or country. Indeed, it is a common rumour that many key leaders of the CPP have amassed staggering fortunes in Singaporean bank accounts.

However, since electoral support is now required to ensure the legitimacy of the ruling party in a way that foreign patrons previously never demanded, this has transformed the nature of Cambodian patron-client relations. Hughes (2006) and Ledgerwood and Vijghen (2002) both argue that today, patron-client relations in Cambodia are far less flexible and negotiable than they were previously held to be in pre-colonial times by Chandler (2000). Instead, control is now largely enforced through new, modern forms of bureaucratic power that penetrate far beyond municipal boundaries and down towards the remotest of villages through what Hughes (2006) characterises as regimenting gift giving. According to Hughes (2006) traditional gift giving practices of *saboraschon* (selfless, meritorious giving to the public good by a spiritual benefactor) and patron-client networks (*khsae*) have undergone significant reinvention, which while still referring to cultural traditions in order to maintain moral leverage, are accompanied by a palpable sense of threat in such a way that it makes resistance difficult if not outright dangerous. Hughes argues that gifts given are

designed to mobilise a powerful sense of surveillance and menace, which underpins the stabilisation of insider-outsider distinctions within rural villages and bureaucratic regimentation of their inhabitants. Gift-giving offers villagers choice between, on the one hand, cooperating with an invented cultural order that offers the security of physical protection and the comfort of a link (albeit a strained one) with memories of a happier time and, on the other hand, being cast adrift in a militarised and threatening environment. Because gift-giving thus operates on a number of discursive, administrative and coercive levels, it is difficult to either conceive of or enact resistance (2006: 472).

Hughes (2006) considers that gifts given by Hun Sen under the tradition of *saboraschon* invoke the divine public works of Angkor kings, and as such render the giver with innate and unassailable spiritual power. Such gifts, whether a school, hospital, bridge or irrigation canal are presented as personal gifts from Hun Sen, rather than a modern form of post-conflict rebuilding by state ministries funded through public monies (Hughes 2006: 477). Hughes (2006) argues that this type of giving disguises the extent to which modern forms of administration are relied upon, replacing them with nostalgic references to bygone days of glory and empire. The gratitude that such gifts demand is then enforced through the thoroughly more worldly application of patron-client networks. Patron-client networks are embodied in the figure of *bong thom* (big brother) or the ‘strongman’, a figure who typically dominates such networks via personal links of protection and favour. Under these networks loyalty is demanded and then further enforced through the systematic harnessing of coercive state powers (Hughes 2006: 470). This includes intimidating surveillance over party registration drives<sup>19</sup> and other fear-inducing techniques, which according to Hughes (2006), enforce dependence rather than negotiate reciprocity. Gifts distributed through patron-client networks tend to be tokenistic (small quantities of rice, clothing or MSG), and require in exchange pledges of allegiance to the CPP by villagers, lest they risk intimidation or possibly murder.<sup>20</sup>

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<sup>19</sup> Hughes writes that membership drives are based upon the explicit message that by accepting gifts villagers agree to submit to party organisation of their participation in the poll. In one example given, villagers were placed in groups of ten under the auspices of a group leader. Frequently voter registration cards were collected and held by group leaders, to be redistributed on the morning of the election, thus ensuring that voters attended the polling station as one of the group, rather than alone. Oaths of loyalty to the party were taken in front of a statue of the Buddha and used traditional forms of language, implying karmic fall-out should the oath later be violated. Alongside the use of written documents to symbolise the threatening bureaucracy of the modern state, reports were widespread of voters being required to drink ‘oath water’ from a glass containing a bullet (2006: 481).

<sup>20</sup> Hughes documents one case where an opposition party loyalist was told “you live outside of society now” and was murdered ten days prior to the 1998 election (2006: 483).

This militarised and bureaucratised structure of gift giving and the culture of fear and retribution it inspires is now so firmly lodged in Cambodia that electoral tampering is barely needed. In the country's most recent commune council elections of 2007, the CPP won 98 per cent of votes, a victory which while passed off by official observers as legitimate, was, as one commentator noted, second only to Saddam Hussein's election result prior to American invasion (Colley 2007). Indeed, Cambodia's regime of gift giving has reached Foucauldian proportions that now "tie villagers across the territory more tightly to a more interventionist state" (Hughes 2006: 473). This is evidenced in the landscape where Hun Sen schools, irrigation canals, bridges, roads and other public works and amenities now stand side to side with AusAID canals, JICA water towers and ADB bridges. Villages proclaim their loyalty to the CPP with billboards at their gates, in much the same way that traditional scarecrows (*ting mong*) are used to protect against evil spirits — pledges of allegiance to the CPP guard against "modern forms of exclusion and punishment, that would not have been available to pre-modern patrons" (Hughes 2006: 471).

Hughes' description of Cambodia's 'regimented gift giving' inevitably works to configure economic infrastructure and trade relations. She notes that control over roads and bridges commonly means control over resources as government funds are deployed to build roads into remote forested hinterlands to speed extraction. She goes on to say "control over roads represents control over population, trade, territory and jungle" (2006: 478). Indeed, Calavan et al. (2004) refer to the granting of illegal concessions by Ministry of Agriculture Forestry and Fisheries to logging companies

(many of which are owned by relatives of the ruling party).<sup>21</sup> Wealth is also accumulated through the control of specific commodities or informal taxing of them (Calavan et al 2004). Gift relations also shape petty commodity exchange. For example, on a less grand scale of extraction, one informant working for the FAO with fishing communities on the Tonle Sap informed me that when he offered the village women help with finding another marketing outlet rather than the local patron who purchased their fish at below market price, they refused. They explained that while the local patron gave them low prices for their fish, he also helped their families in times of need, when children required schooling or family members got sick. If the FAO could help them get higher prices and help them in times of need, they said, then they would consider it. In the minds of the village women, accepting low prices for their fish was a scant trade-off for the provision of protection.

In this way, gift giving in Cambodia structures the extraction of commodities to the benefit of the powerful. Despite attempts by donors to chastise the government, development funds are inevitably caught within its culture of ‘regimented gift giving’. For example, not long after the World Food Program (WFP) corruption scandal, an informant from the organisation told me how government four wheel drives would appear out of nowhere to ‘escort’ WFP rice distribution trucks, and make it appear as though aid was part of government efforts, to ‘help’ the people.

Perversely, under current political circumstances, the Cambodian economy has grown at an unprecedented rate. In the five years prior to the Global Financial Crisis,

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<sup>21</sup> A 2007 report by Global Witness (which resulted in its expulsion from the country) details how Cambodia’s natural forest resources are being systematically and criminally logged for the benefit of the ruling CPP elite, many of whom are related (Global Witness 2007).

the country experienced growth rates of 10 per cent per year (CIA 2009). Nevertheless, Cambodia remains in the unfortunate category of least developed country, replete with prerequisite abysmal human development indicators as outlined in Table 3.3. Although human development indicators have improved in recent years in line with economic growth, they have not improved as much as they should have in rural areas with high levels of absolute poverty persisting (CDRI 2006). Over the years of economic growth, rural and agricultural development have foundered despite significant donor funding.

**Table 3.3: Selected human development indicators for Cambodian and its regional neighbours (2006)**

	Life Expectancy at Birth 2006	Adult literacy rate (% ages 15 and above) 2006	Combined primary, secondary and tertiary gross enrolment ratio (%) 2006	GDP per capita (PPP US\$) 2006	HDI
Australia	81 (5)	99 (1=)	114.2 (1)	33,035 (20)	0.965 (4)
Burma	61.2 (136)	89.9 (66)	56.3 (146)	881 (163)	0.585 (135)
Cambodia	58.6 (142)	75.6 (101)	58.7 (141)	1619 (142)	0.0575 (136)
China	72.7 (69)	93 (53)	68.7 (113)	4,682 (104)	0.762 (94)
Japan	82.4 (8)	99 (1=)	86.6 (40)	31,951 (24)	0.956 (8)
Laos	63.7 (128)	72.5 (108)	59.6 (139)	1,980 (134)	0.608 (133)
Thailand	70 (47)	93.9 (47)	78 (67)	7,613 (80)	0.786 (81)
Vietnam	74 (55)	90.3 (64)	62.3 (127)	2,363 (129)	0.718 (114)

Source: UNDP 2008 (Number in brackets is ranking)

Much to the chagrin of donors, the government's agricultural strategy has been one of favouring large-scale industry, plantations and concessions, often awarded to party affiliates or large-scale foreign investors. This is despite the government's stated National Strategic Development Plans 2006 to 2010, which emphasise the promotion of agriculture as an important engine of growth (RGC 2006). Instead, a report on the



agrarian structure of Cambodia notes that many senior officials view plantation-led development as key to export-led growth, while smallholders are perceived as a dead-end (Agrifood 2005: 27). Indeed, Cambodia has been at the centre of many new international deals, whereby rich nations are buying up large tracts of agricultural lands in poor countries. Dubbed the ‘global land grab’ it was reported in grain.org in 2008 that the Cambodian government was negotiating up to US\$3 billion in agricultural investments from rich nations and multinational corporations in return for millions of hectares in land concessions, the largest of which is a bilateral deal with Kuwait involving a US\$546 million loan in exchange for a 70 to 90 year lease covering a large area of rice land. Food production from this concession will be exported back to Kuwait. This is despite the fact that food security for many individual households remains an issue, necessitating continued WFP assistance.

Slocomb (2007) argues that the current government’s rubber plantation model — capitalistic, rational, bureaucratic, profit-driven and divorced from traditional agricultural practices — first introduced by the French, remains the model for indigenous colonisation of agriculture overall by the ruling elite of Cambodia. She adds that this model now applies to most agri-business sectors including logging, fisheries and other export crops such as rice, palm oil and cashews. Consequently, land ownership is concentrating, with a mere 10 per cent of the population now owning 33 per cent of the land (Shams 2007). Incidences of land grabbing have also made international headlines as Cambodian government and business elites have exploited insecure land rights and titling (BBC 2009).

Peron implicitly blames the aid industry in Cambodia for much of the agri-business sector's woes (2007). First, she states that the majority of agricultural aid efforts have been focused on production rather than marketing or agri-business development. Second, she notes that high inflows of aid money starting from the 1990s onwards have not been monitored correctly and in many cases have increased corruption levels in the country (Peron 2007). According to Peron, the significant proportion of aid funds that has been siphoned off into offshore accounts by high-ranking officials (2007: 16) has contributed to a scarcity of finance domestically, thereby increasing the cost of credit. Despite acknowledgement of this by donors, aid funds have continued to flow unabated, further exacerbating corruption. This corruption has distorted the land market (Peron 2007). Although official land titles are supposed to cost between US\$5 and US\$20 to obtain, in reality land titles cost US\$500 to US\$2500 in 'additional' fees. The high cost of land titles has increased the cost of credit, as legal land titles — the traditional form of collateral for borrowing — are prohibitively high for most smallholders and enterprises. As the majority of Cambodians lack a land title, this has fuelled land grabbing by powerful officials. This occurs in especially lucrative areas, with high productive potential or along paved highways (Peron 2007: 23). Much of this land is then sold or leased to larger, often foreign agri-business firms that can meet the high capital requirements. Peron (2007) notes that aid has immanent and unintended impacts on the agricultural sector. Aid is blamed for corruption, which is then blamed for low levels of regulation, high borrowing costs and ineffective government, and hence a lack of growth in the agricultural sector (Peron 2007).

Under such circumstances, one would expect to find high levels of grassroots resistance. However, examples of local agency in Cambodia's current political climate are sparse especially in the current literature dominated by political economists and historians. Hughes (2006: 482) documents some minor instances of political resistance, such as snide comments made by villagers dubbing the CCP the MSG Party, and thereby implying that the gifts received are not a fair exchange for their votes, but these examples stand out as tactics and weapons of the weak in the face of unrelenting power rather than any sort of effective or systematic opposition (Scott 1985, 1990). While there are some notable public opponents to ever-consolidating CPP power, it is often difficult to know whose support for the party is genuine and whose is feigned. Indeed, after centuries of invasions, civil war, occupation, colonisation, bombing campaigns and genocide, Cambodian folklore bears many hallmark aphorisms for risk aversion and survival in the face of potentially life-threatening power. For instance, the common saying, 'an egg cannot hit with the stone' (*pong moan gom chul ning thmor*) presages that the weak will never prevail against the strong. There are numerous folktales in Cambodia, which unlike European ones, appear to contain no apparent lesson except to demonstrate that life is unfair and often ends in death. Becker (1986: 66) draws attention to the story of the 'Devilish Woman' who tricks and kills numerous people and then simply goes home. Similarly, Chhay (2005) refers to the story of *Tom Teav* of *Pich Tom Kravel* in which everyone except the king ends up dead.

Such adages and stories illuminate Cambodian attitudes to development. Cross-cultural observers, Pearson (2005) and Chhay (2005) note that given the country's war ravaged history, change is rarely seen as a good thing; instead it is a potentially

disastrous risk to be feared. This is anathema to the discourse of development. Furthermore, prevailing Cambodian attitudes insist that change only occurs when something or rather, someone, is wrong. Insisting on change, therefore, often leads to a loss of face for those involved, something to be avoided, particularly when it involves the powerful. Thus it is not uncommon for development consultants to express exasperation that participatory techniques seem rarely to engender genuine engagement, but rather extreme passivity so as not to aggrieve power holders. Although Downie and Kingsbury (2001: 51) write that Cambodians find it difficult to accept the concept of neutrality of development organisations, I would contend that it is a pragmatic attitude towards power and the way it operates within the country which leads many to disbelieve that any non-governmental organisation could actually be neutral. In Cambodia, it appears that one can only be for the government or against it. Indeed, to reiterate Mauss, “to refuse to give, or fail to invite, is — like refusing to accept — the equivalent of a declaration of war” (1954: 11). The refusal to accept political gifts from the ruling party is paramount to a declaration of war.

In such circumstances it is difficult to see how development aid can foster sustainability and ‘ownership’ for projects when the appropriate response to a gift from a donor (who for all intents and purposes appears to be a “partner” of the government) is increased dependence, deference, and gratitude. Hughes writes that, “gifts are specifically intended to differentiate between the power of the giver to get things done and the powerlessness of the recipient” (2006: 478). As such, the nightly boasting of Hun Sen of his personal capacity to induce the flow of aid monies to Cambodia often

circumvents any alternative interpretations or mediations of gift relations intended by aid donors.

This in no way implies, however, that agency does not exist. For instance Edwards (2006) documents examples throughout Cambodian history where new infrastructure (mainly roads) also provides channels for peasant protest, lobbying and resistance as opposed to obligatory gratitude. Similarly, Chandler (2000) notes the degree to which roads make bureaucratic power more superficial and fleeting, with inspections limited to brief stops on passable roads. Davis (2009) highlights subversive reinterpretations of the festival of Pcheum Ben that criticise rural-urban inequalities and Ojendal and Sedara (2006) argue that, although current representations of Cambodian political culture as crudely authoritarian and violent are indeed valid, since the process of decentralisation in Cambodia began in 1996, discourses of participatory development are making headway. They detail changes in political language that emphasise cooperation, consensus building and transparency and note that there is general acknowledgement by local power holders of the need to build consensus among their constituents. Furthermore, the proliferation of NGOs in Phnom Penh and around the country has helped fuel critical debate by educated Khmers who do not depend on traditional patronage networks. Thus beyond the formal pretences of donors and government, the polite avoidance and feigned compliance, there is also deviation from formal scripts that tenuously mask the rapidly changing realities of Cambodia today.

**Conclusion**

Oscillating attitudes towards systems of tribute and trade are perceptible traits of many Southeast Asian nations which constantly grapple with the desire to reject trade and the foreign influences it brings, and return to a glorified tradition of self-sufficiency or embrace foreign trade and influence for the potential bounty of wealth promised. These oscillations have been particularly severe in Cambodia. High levels of foreign intervention have typically been followed by extreme periods of self-imposed isolation drawing upon the constructed history of Angkor Wat for legitimacy. Unwittingly bearing witness to Pol Pot's words "at certain times in Cambodian history we have not needed money" (1978 in Edwards 2007: 2), foreign interventionism and geopolitical conflict have often set in motion extreme isolationist movements that have set the country apart from the rest of the region (Osborne 2005). The key difference between Cambodia and many of its neighbours is, according to Kevin (2000b), the high degree of foreign interventionism that Cambodia has experienced extending over at least the past three decades, while most other Southeast Asian countries were independently shaping their own societies. This has resulted in the very palpable sense within Cambodia that the country is in danger of simply disappearing, either through outright invasion or slowly through foreign dilution (Edwards 2007; Hughes 2000).

As the spectre of Cambodia's disappearance occupies much of modern day Cambodian politics, the continued colonisation of the country by Khmer elites reliant more on foreign patronage and less on domestic support continues unabated, often legitimated by appeals to Angkor tradition (Kevin 2000b: 34). Foreign influence has transformed the nature of Cambodian patron-client relations into a far more menacing

form of extraction, based not on reciprocity but threat and violence. Gifts redolent with Angkor mythology, are enrolled to covertly co-opt protest and consolidate power. Gifts also allow for the domination of commodity relations. In this sense, gifts and commodities in Cambodia do not bestow power; rather gifts and commodities are merely devices of the powerful to build risk averse agreement to their domination. Without a consideration of the way that gift-giving operates in the context of a country like Cambodia any attempt to ensure pro-poor development via commodity chain construction will be seriously compromised.

## Chapter Four

# Bilateral Rice Seed Companies

*Strength and spirit, in the village of Tanue  
With low inputs and costs from farmers  
Following formula for seed bed preparation and transplant  
In line with technical advice, ensure effectiveness in weed control  
All in each farmer's field, farmers are happy because of good yield  
Learning and applying as we go, though physically exhausted still we try  
AQIP kindly provide with no reservations  
Receiving this support with open arms  
Easy to grow yet with high results, forever we will record in our hearts  
2–3 cars will timely arrive at the gate dealing freely with all farmers  
AQIP keeps on helping us, no more negotiate with middleman  
Endowed with truth and chasing successful results because of AQIP  
In deep essence and meanings, my sincere apologies to you all  
With great health and forever  
Happiness and success*

Source: AQIP Offices. Attributed to farmers in Tanou village, Chambak Commune, Svay Chuum District, Svay Rieng.

This chapter details a traditional bilateral agricultural development project, AusAID's Agricultural Quality Improvement Project (AQIP). It was traditional in the sense that development activities followed a classic project model aimed at agricultural input improvement. The Agricultural Quality Improvement Project resurrected some key characteristics of the Green Revolution that bypassed Cambodia due to historical circumstances, albeit with a slightly more sensitised ecological approach. Although the project used similar technologies to the Green Revolution, including short-duration high-yielding seeds reliant on chemical



fertilisers, it also introduced 'improved' indigenous varieties adapted to local ecologies. Through the dissemination of higher quality seed, the project aimed to improve both agricultural production quantity and quality via arms-length discipline imposed by transformed, rationalised input supply (Morgan et al. 2006). This traditional agricultural development approach was altered, however, by wider institutional frameworks governing best practice, especially aid effectiveness ideals. These ideals were very much dominated by private sector approaches, which were fast becoming the aid industry norm in the late 1990s. Thus the natural tendency of bilateral agricultural projects to work directly through or with recipient governments to distribute agricultural aid was tempered by the insistence that the recipient government, in this case, play a more limited role in ownership and dissemination. Instead, greater emphasis was placed on the private sector through the establishment of private rice seed companies.

The tensions inherent in this project were thus between traditional government-driven, top-down, bilateral aid project structures and modern, market-led requirements. In other words, the tensions of this project represent the classic tensions between gifts and commodities. Far from rationalising these two streams of exchange into separate and incommensurable relations, this 'private sector oriented development project' reinforced and transformed a range of different gift and commodity relations within the recipient country, strengthening some above others and often with perverse outcomes. The dual aims of establishing commercially successful rice seed companies and poverty alleviation resulted in both direct sales and indirect gifts of seed to farmers, both of which undermined the commercial

viability of the seed companies yet ultimately bypassed the poor farmers the project set out to help. This outcome then precipitated the need for more donor aid to the private companies in the name of poverty alleviation of subsistence farmers. Although very little of this aid ended up assisting the target ‘subsistence farmers’, this seemed of little consequence to the larger bilateral ‘gift’ relations that the farmer’s very existence was enrolled to justify.

***The Agricultural Quality Improvement Project***

The primary purpose of AQIP was to “improve food security and cash income for farm households to take them beyond the current levels of marginal subsistence in selected districts of selected provinces” (AusAID 1999: 46). To this end the project was to spend a total of AU\$17.2 million over five years (ACIL 2006a: 3). The major vehicle to achieve this objective was the establishment of four rice seed companies in four adjacent provinces of Cambodia. These companies were to “improve the availability of varieties and quality of rice seed in target provinces” (AusAID 1999: 57). Although the seed companies comprised just one component of the project, which also included irrigation, rice post-harvest improvement, provincial agricultural consulting services and fresh fruit and vegetable marketing, the companies were considered, by key stakeholders, to be the central output of the project, and absorbed the majority of the budget. Table 4.1 shows project costs by component. Seed production comprised the highest share of total project costs at 37 per cent followed by project management costs at 36 per cent. Thus, the success or failure of these companies was central to the success or failure of the overall project.

**Table 4.1: Total AQIP costs (millions of AUD)**

Component/ Year	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	Total	%
Seed production	0.530	2.176	0.035	0.510	0.514	0.238	6.002	37
Post harvest	0.127	0.285	0.263	0.249	0.314	0.141	1.379	8
Fruit & vegetable marketing	0.002	0.064	0.168	0.102	0.183	0.094	0.613	4
Irrigation	0.110	0.104	0.140	0.214	0.218	0.022	0.808	5
Training	0.255	0.249	0.275	0.409	0.346	0.195	1.729	11
Project management	1.622	0.898	0.938	0.847	0.876	0.710	5.893	36
<b>Total</b>	<b>2.645</b>	<b>3.777</b>	<b>3.820</b>	<b>2.330</b>	<b>2.451</b>	<b>1.596</b>	<b>16.619</b>	<b>100</b>

Source: ACIL 2006b.

Furthermore, as the first private companies set up by AusAID in Cambodia, the success or failure of the companies stood as an experimental model in private sector oriented development aid for this agency's efforts in the country as a whole. Donor stakeholders therefore maintained tentative opinions on the project and its potential to deliver systematically benefits to rural producers through private sector distribution. When I first began studying this project near the end of the project cycle in 2005, the perspective of some donor representatives and the implementing agency were doubtful about the degree to which any success could be achieved via Cambodia's somewhat embryonic formal private sector. Doubts were, however, tempered with a degree of controlled optimism that at the very least the project would lead to further productivity and quality gains in the rice sector.<sup>22</sup> In this sense, the project stood as an indicative example of a second-generation Green Revolution project, but was also a first generation private sector project.

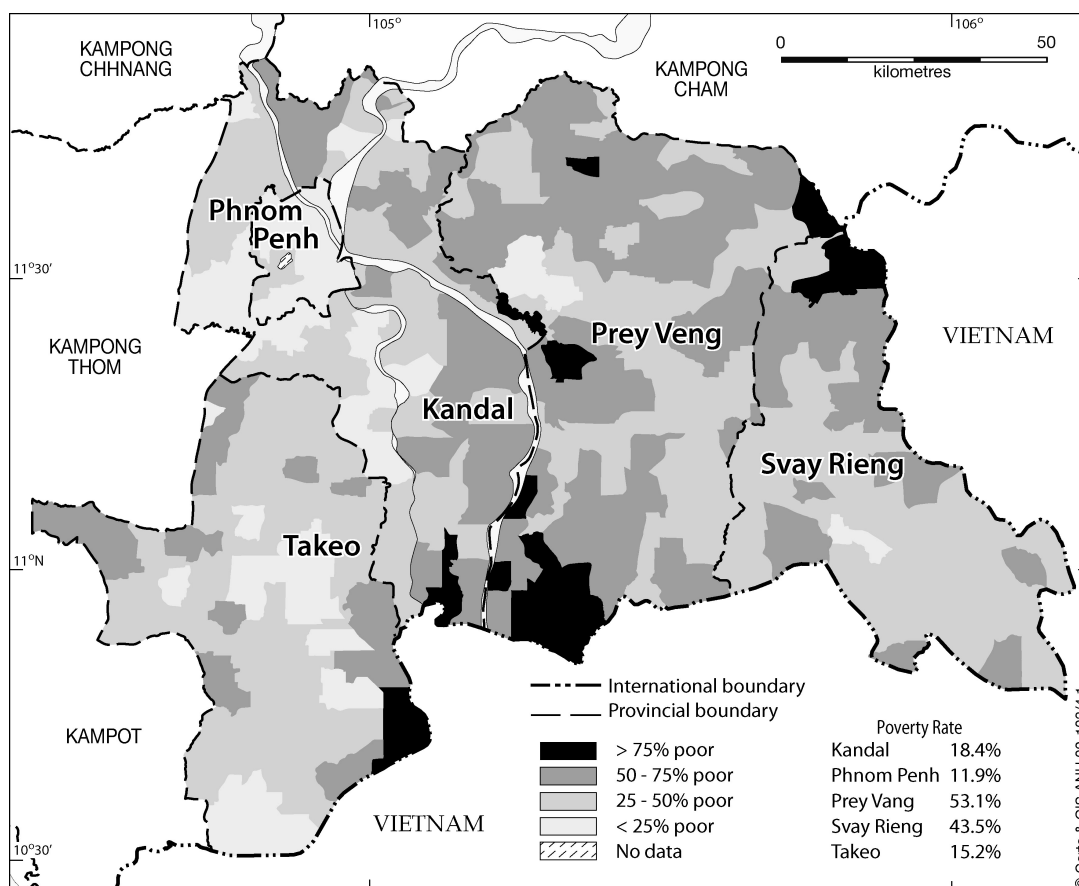
<sup>22</sup> Personal communication with lead consultant June 2005.

The private sector orientation of AQIP, while contentious among some donor representatives, aligned the project with the relevant political and economic conditions of a rapidly changing Cambodia as well as the current development orthodoxy of sustainability. Since the 1980s and the undeniable failure of central planning, the Cambodian government had embarked on a process of market-driven reform. Thus, in keeping with the market focus, commercial rice seed companies were set up in four selected provinces as primary project beneficiaries, to be jointly overseen by provincial government authorities. Commercially successful companies were seen as key to the sustainability of Australian efforts to continue to deliver systematically high quality seed to farmers after the close of donor funding. Although improved seed had previously been distributed via NGOs, government extension and on-farm trials, sustainability was interpreted primarily in market terms. Indeed, with a cash-strapped Cambodian government and imminent WTO accession which was poised to impose tight limitations on agricultural subsidies, circumstances and finances left government-sponsored support for improved rice seed distribution untenable despite the fact that many of Cambodia's neighbouring rice-dependent countries had maintained steadfast government protection over their national rice sectors as a matter of utmost national food security (Timmer 2004). For Cambodia the market appeared to be the only hope for improving Cambodian farmers' seed stocks; the private sector offered a discourse of inevitability despite the uncertainty of Cambodia's emerging market economy.

The target provinces were the neighbouring Takeo, Svay Reing, Prey Veng and Kandal, all located in southern Cambodia. These provinces were selected

through participatory preference ranking with government, NGOs and international organisations. During project design, twenty preferences were identified and ranked accordingly. First among the preferences were provinces that displayed the highest capacity to take advantage of good quality seed especially in terms of irrigation, land tenure, market access and high levels of dry-season rice production, yet were nonetheless poor, densely populated and showed high levels of malnourishment, coupled with a disproportionate number of female headed households (AusAID 1999: 40). In short, the provinces were identified as having commercial potential but were nevertheless poor.

**Figure 4.1: AQIP's target provinces**



Source: Cartography and GIS Australian National University.

The establishment of the four seed companies was jointly overseen by the AQIP project and provincial authorities who were also given a 49 per cent share in the companies (one per cent below what would, under Cambodian law, be classed as a stated owned enterprise), held in trust by the Ministry of Agriculture, Forestry and Fisheries (MAFF) under the rationale that in Cambodia's uncertain business climate it was advantageous for the newly establishing enterprises to have robust links with central government. The seed companies were situated on land donated by provincial authorities as set out in the Memorandum of Understanding signed by the Australian and Cambodian governments. Designed as a token of goodwill and to foster a sense of partnership on the part of Cambodia regarding the project, much of the land designated by provincial authorities was, in fact, poor quality, easily flooded and in some cases contained unexploded ordinances.

In 2002, the construction of the four seed processing plants, operated under four separate companies, was completed. Each seed company housed imported European seed cleaning machines, seed driers, generators, a testing room, storerooms and a fully equipped office. Each company had a production capacity of 600 tonnes of commercially graded seed and 60 tonnes of foundation seed per year.<sup>23</sup> Combined, the seed companies had the capacity to produce approximately 2500 tonnes of high quality seed per year. Each seed company employed between thirty and forty people, from the Seed Company Manager to Production Managers, Sales and Marketing

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<sup>23</sup> Foundation seed is seed produced from high genetic purity breeder seed. Foundation seed production occurs under strict supervision and must be approved by a certifying agency. Specific handling techniques are used to maintain genetic identity and purity. All foundation seed conforms to certification standards specified for the crop and the variety being certified. Certified seed is the progeny of foundation seed. Certified seed production requires specific handling to maintain genetic purity according to the standards prescribed for the crop being certified.

Officers, accountants and down to security guards. Ex-government officials and civil servants, especially from MAFF, overwhelmingly held the majority of senior positions in the companies, under the rationale that they were, in the post-conflict Cambodian context, the only reasonably qualified candidates for the positions. Being from government, the majority of employees were men, many of whom had conducted the standard practice of filling their positions in government with a ‘seat warmer’, a person who maintains their post temporarily in government while the civil servant or official goes off to earn money working on a development project. A number of seed company staff had been involved in previous Australian aid projects.

The AQIP seed companies purchased high purity breeder and foundation seed from a rice research institute also established by AusAID. Specially selected seed growers who were trained, and who were provided with irrigation and inputs by the project, then reproduced this seed as certified seed. Each of the four target provinces had between 80 to 100 Registered Seed Growers (RSG) these growers were formed into associations and promised 51 per cent of the shares in the seed companies in order to ensure participation and loyalty to the company. Each season they were contracted to grow a specified amount of rice seed, to a predetermined quality at a predetermined price. Seed company staff frequently monitored all seed crops. Harvested seed was then transported from seed grower fields to the company where it was dried and processed, checked for quality and packaged. In addition, the seed companies often hired the seed growers as casual labourers for processing work, paying them the standard agricultural salary of 4000 *riels* per day or US\$1.

The seed growers produced around twelve to fourteen different types of rice seed varieties under contract to the company. All varieties were cross or open-pollinating, meaning they could be retained and reused over seasons. Doing so, however, led to a reduction in genetic purity. Although the companies recommended that farmers buy new seed each season, the seed could be used up to three times before it lost much of its higher yielding benefits and behaved as ‘unimproved’ ordinary seed. The companies sold two main types of seed varieties: improved traditional or indigenous varieties and modern short duration varieties.

***AQIP Antecedents***

AQIP comprised just one project in a suite of projects, as part of Australia’s second phase of agricultural development efforts in Cambodia. The first phase was implemented primarily under the Cambodian-IRRI-Australia Project (CIAP), Australia’s first and highly regarded agricultural project in Cambodia. Beginning in 1987, the goal of the project was to rehabilitate Cambodian agriculture in the post-conflict environment. The stated aim of CIAP was thus simply “to increase rice production and productivity of rice based farm production systems” (Nesbitt 2002). It set about doing so primarily through plant variety improvement, soil and pest management and agricultural engineering (Nesbitt 2002).

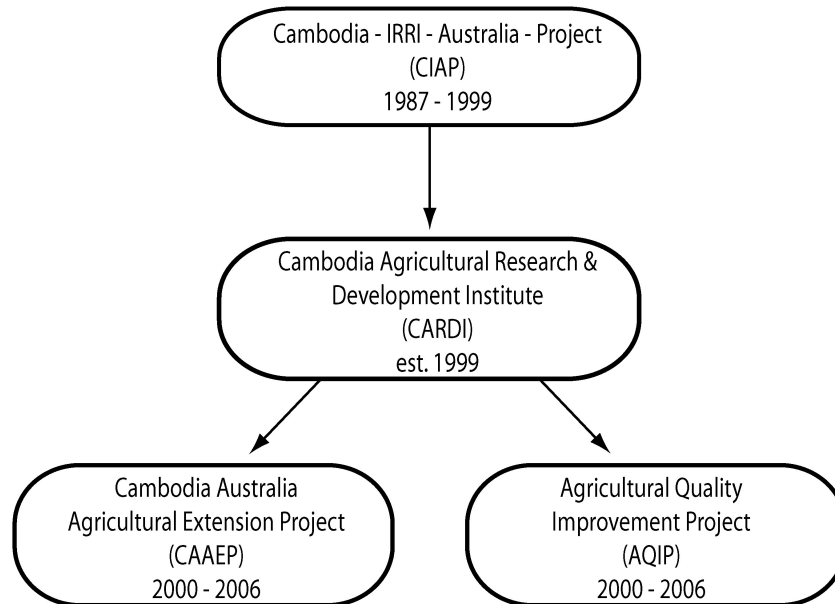
A key output of the CIAP project was the testing and selective breeding of some of Cambodia’s estimated 2000 traditional rice varieties, leading to the increased genetic purity of these landraces. Traditional Cambodian varieties were collected and pure genetic lines singled out for multiplication. A total of nine ‘improved’ Cambodian rice varieties were released in Cambodia: three medium-



duration (CAR1 to CAR 3) and six late-duration (CAR4 to CAR 9) (Javier 1997: 53). In addition to the introduction of CAR varieties, CIAP also introduced foreign, modern photoperiod sensitive and non-photoperiod sensitive varieties. This included the medium-duration *santepheap* ('peace' in Khmer) varieties, *santepheap* 1, 2 and 3 and the high yielding short-duration variety IR66. Today, among the 17 modern non-photoperiod sensitive varieties of rice available in Cambodia, IR66 is one of the most popular and is grown widely throughout the country's lowland areas that permit dry season rice cultivation (Mak 2001).

With the announcement of Cambodia's first official national rice surpluses in 1995, donor post-conflict and emergency relief efforts began to shift towards slow stream development, despite the persistence of conflict in the northeast and widespread pockets of malnutrition and food deficits throughout the country (FAO 2004a). By 1998, Australia was looking at options for supporting Cambodia's long-term sustainable development (AusAID 1999). Seeking to leverage the investments made in CIAP and extend upon the work of the project, CIAP's core agricultural development activities were eventually restructured into three distinct projects: Cambodia-Australia Agricultural Extension Project (CAAEP) which sought to build capacity within the MAFF's Department of Agricultural Extension; the Cambodian Agricultural Research and Development Institute (CARDI) which maintained the project's work in agricultural research and development especially in rice variety selection and breeding and; the AQIP which sought to systematically distribute agricultural knowledge and technology and especially improved rice seed from CARDI via the construction of commercial seed companies.

**Figure 4.2: AusAID's dependent path to seed companies**



Source: Author

Drawing on research in Sri Lanka, Yapa (1998: 103) takes a critical view of rice development projects, and argues that interventions stem from a narrative of elite self-aggrandisement, whereby the powerful imagine themselves as fulfilling a historic mission that involves the recreation of authentic, traditional family farming. Much of this has to do with the symbolism of rice, according to Yapa (1998), which represents culture, restoration and history. The ‘rice bias’ is reinforced through excessive public policy approaches including extension, research, credit and irrigation, for rice production to the exclusion of other important crops. Within this rice-centric framework, rice productivity and quality improvement become symbols of modernity and development, despite the fact that rice, as a staple crop is a low value, monoculture crop (Yapa 1998: 103). Although Yapa’s (1998) critiques have

some resonance with the AQIP approach and previous AusAID approaches (Puckeridge 2004), this does not discount the fact that improving input supply for rice in Cambodia makes very good sense. As a country with low topographic elevation, located in the Mekong delta, rice monocultures are an inescapable ecological fit and survival necessity. Improving the quality and quantity of rice production has the potential to alleviate poverty to some degree. Part of this equation must be access to good quality inputs.

### ***Rice Production in Cambodia***

If farmers are to improve production and strengthen their position *vis a vis* other actors in commodity chains, they must produce a marketable surplus and for this they must have access to good quality inputs, especially seed. Agricultural input supply chains in Cambodia are generally informal, fragmented, and often supply poor quality inputs. An estimated 75 per cent of Cambodians farm low input, low yielding rain-fed rice crops using seed retained from the previous harvest (Agrifood Consulting 2002: 13) (see appendix 4.1). Average national yields are approximately 2.5 tons per hectare, which as Table 4.2 shows are the lowest in the region.

**Table 4.2: Regional rice yields 2006 (tonnes/hectare)**

Country	Tons Per Hectare
Cambodia	2.49
China	6.27
Indonesia	4.77
Japan	6.34
Laos	3.5
South Korea	6.6
Thailand	2.91
Vietnam	4.89

Source: IRRI Social Science Division Statistics Database 2009.

The major exception to these low yields is the growing numbers of farmers who, with access to a combination of irrigation, modern non-photoperiod sensitive varieties and fertilisers, have expanded production into the dry season. Although the total area cultivated during the dry season tends to be smaller, yields are generally higher as production utilises higher-yielding modern rice varieties, such as IR66, which are usually grown on more fertile soil with better control of water and during more beneficial climatic conditions (the dry season typically experiences higher total sunshine hours) (Nesbitt and Phaloeun 1997: 19) (see appendix 4.1). In addition to favourable environmental conditions, external quality inputs are key to the attainment of higher yields. To maximise returns from the cultivation of modern rice varieties, use of irrigation, chemical fertilisers, pesticides and fresh pure seed is important.

### ***Rice Commodity Chains in Cambodia***

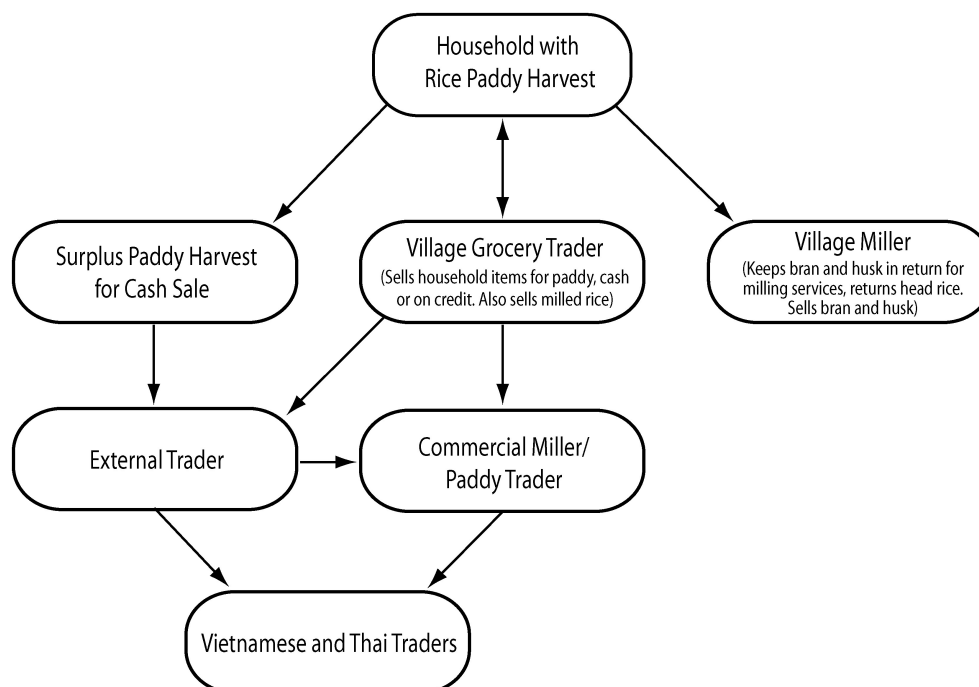
Traditional and modern rice varieties represent an important split in rice production and marketing in Cambodia. Cambodia contains an estimated two thousand different

landraces unique to the country. These indigenous rice varieties are well adapted to Cambodia's different agro-ecosystems and rain-fed production (Helmert 1997: 2). The majority of traditional rice varieties are strongly photoperiod sensitive and begin reproductive growth at pre-determined day lengths (Nesbitt and Phaloeun 1997: 32). Photoperiod sensitivity is an adaptive trait responsive to Cambodia's erratic rainfall patterns. For these varieties planting can be delayed up to five months until rainfall is adequate (Nesbitt and Phaloeun 1997: 2). This means that planting can take place early or late in the season according to rainfall patterns and flowering will still take place once the required day length is reached. A crop is generally guaranteed. Overall, traditional photoperiod sensitive varieties are preferred for wet-season production due to their stress resistance and crop height which means that the rice towers above floodwaters (Javier 1997: 41-47). The drawback, however, is that yields for traditional varieties tend to be low. Indeed, Sokhen et al. (2004: 17) cite a study in Cambodia that correlated the lowest lying land with the tallest rice varieties and the poorest families. Nonetheless, Cambodian farmers prefer traditional varieties for consumption because they believe it tastes better. Overall, there is little demand for traditional varieties outside of the domestic Cambodian market. Foreign buyers consider traditional varieties as low purity, low value and low grade. As a result of this lack of trade, Cambodian farmers tend to limit cash expenditure on this crop and produce their own seeds.

Modern, short-duration varieties are not as tall, have shorter growing periods and are not photoperiod sensitive, meaning flowering is not dependent on day length so they can be grown throughout the year. They tend to be grown in the

dry season with irrigation and they have higher yields than traditional varieties if used in conjunction with fertiliser. Modern varieties are not preferred for food. Farmers who grow these varieties tend to treat them as cash crops and sell the majority of their harvest. Modern, short-duration varieties are also considered to be low grade and low value and are often mixed with surplus traditional varieties when sold to foreign buyers. The most popular modern variety in Cambodia is IR66 (Mak 2001). IR66 seed does not possess the same in-built dormancy as traditional seed, which means it cannot be stored as long as traditional seed and must be renewed more frequently. This is usually done via exchange with friends and family, or occasionally purchased from a farmer rumoured to have extremely good quality, high germinating seed. Since farmers expect to sell modern varieties for cash, they are less averse to purchasing inputs. The expansion of dry-season rice production of modern, short-duration varieties has dramatically increased some household's annual yields, although this has occurred against a background of growing rice surpluses overall in Cambodia, resulting in increased trade.

Most Cambodian households, however, still retain the majority of their rice harvest for consumption. Yet subsistence systems in Cambodia, whilst often austere, do not entail extreme levels of autarkic household independence. Instead, Cambodia's subsistence systems often involve households within wider networks of distribution and exchange. For example, despite the common perception that subsistence systems are closed systems, characterised by the expression 'hand to mouth', Cambodian paddy for consumption circulates in two interrelated exchange networks via village millers and in-village female traders.

**Figure 4.3: Cambodian paddy exchange and sale networks**

Source: Author.

Paddy for consumption is commonly stored in a granary or under the house and milled intermittently by a village miller who keeps the bran, husk and broken rice as payment for service. Milling rates of conversion from paddy to white rice are 53 per cent, lower than commercial mill rates at around 64 per cent (AusAID 1999: 21; Agrifood Consulting 2002: 55). Village rice milling in exchange for bran and husk provides village millers with the incentive to extract as much bran from rice as possible, and this often results in poorly milled rice with a high proportion of broken grains. Village milling tends to be horizontally integrated into pig farming and/or money-lending, bran selling and perhaps grocery selling (Rozemuller 1998). Although some may characterise their activities as exploitative, village millers often

play an important socio-economic role in providing milled rice on credit for farmers in times of stress and selling bran for animal feed.

Small amounts of traditional paddy retained for consumption may also be exchanged, throughout the year, via female village traders for household goods and consumables such as fish sauce, shampoo and other necessary items. These traders often integrate their businesses where possible and may engage in village milling and/or selling milled rice purchased outside the community. If paddy for household consumption is in short supply (as it often is before harvest), and social relations with the village trader are good, milled rice and other consumption items may be borrowed on credit and repaid in paddy at harvest. Within many village economies, paddy and cash are considered commensurate units of exchange and villagers may settle debts with either. However, successful traders must manage risks by ensuring an intimate knowledge of the households they provide credit to, their production capabilities, internal household politics and current livelihood status. Decisions on when, to whom and for what purpose household paddy is to be sold or exchanged is also generally at the discretion of the female head of the household, most in-village business and exchange relations are settled among a village's women, with the local trader's store often acting as a key site of village gossip.

The majority of Cambodia's rice harvest and its various by-products are distributed through in-village systems that trickle through gendered exchange, contract and credit relations in small, dispersed amounts. This chain is subject to the dictates of specific farmer preferences for highly polished, white rice of local long-



duration, traditional varieties, as well as embedded within specific interpersonal trade relations. Among such relations, the production of commercial quality milled rice is not the key objective. Patron-client relations between village millers, female traders and farmers means that quality standards are less demanding — creditors and traders would rather accept poor quality paddy as payment than no payment at all.

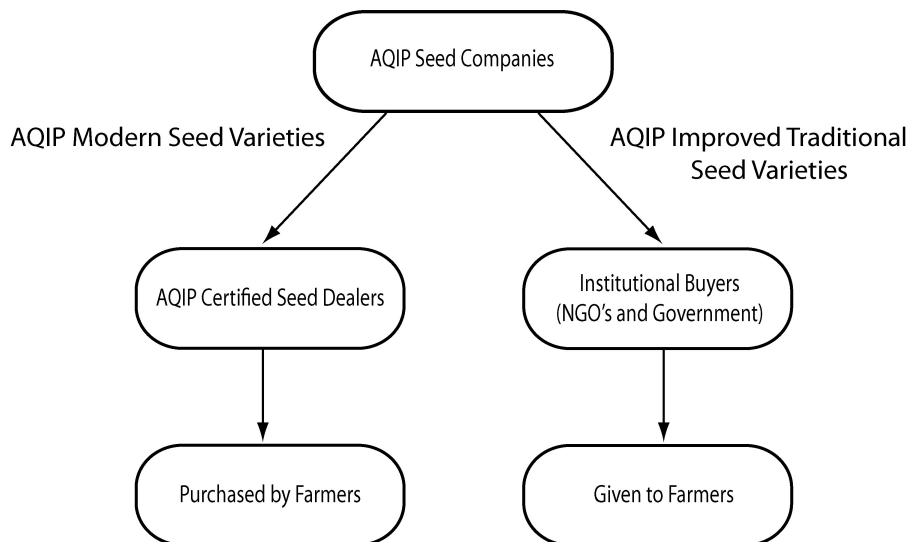
Larger surpluses of approximately 100 kilograms and up, available directly after harvest and usually of modern varieties, are sold for cash to traders. Paddy is typically sold on short-term credit to female in-village traders or, less preferably, external traders. Prices for paddy immediately after harvest tend to be low, due to high volumes of paddy entering the market, yet many farmers sell their paddy quickly in order to fulfil long suppressed household needs and service debts acquired in the previous ‘hungry months’. The paddy trade in Cambodia mainly bypasses commercial millers who cannot compete with the higher prices offered by Thai and Vietnamese paddy buyers. These buyers consider modern and traditional varieties as the same, and most varieties sold outside of the village, are mixed together and sold as low value, impure unprocessed paddy across Cambodia’s borders. Thus, the rice value chain in Cambodia is dominated by two distinct production systems, subsistence production of traditional varieties and barter trade via female traders and surplus production of modern varieties for informal cash sale to commercial buyers usually of Thai and/or Vietnamese origin. Although some high quality, fragrant variety milled rice has been formally exported by Cambodia, this has largely taken place under the auspices of Angkor Gasekgum Roungeung — a company rumoured to have strong government connections especially with MAFF. Overall, the

contribution of rice production to GDP is low (rice accounts for 46 per cent of agricultural GDP, which overall comprises 37 per cent of GDP) despite the centrality of rice production to Cambodia's economy (Agrifood Consulting 2002; EIC 2006). For approximations of margins throughout the rice paddy chain in Cambodia see Appendix 4.2.

### **The AQIP Constructed Rice Seed Chain**

The AQIP rice seed companies sold both modern and traditional varieties of seed to farmers and institutions, which the companies produced to internationally recognised standards of seed production. The two types of rice seed varieties — modern and traditional — also followed two distinct marketing channels.

**Figure 4.4: AQIP seed marketing channels**



Source: Author.

The first sales channel was to farmers via a seed dealer networks. Seed dealer networks were established by the seed company sales and marketing officers. Seed dealer networks usually enrolled men of stature within villages, such as village chiefs, who are also usually Cambodian People's Party (CPP) members. Typically, seed dealers received a daylong sales pitch on the benefits of high quality seed and how to sell the seed to farmers. Those eager to sell AQIP company seed signed an agreement with a seed company to ensure they followed company policy for storage, sale and promotion of the seed. Seed was then given to the dealers on credit at the price of 1300 *riel* per kilogram and sold for 1400 *riel* per kilogram, with dealers keeping the 100 *riel* or 2.5 US cents commission. These are 2005 prices.<sup>24</sup> Around 85 per cent of sales via seed dealers to farmers were of modern, short-duration varieties, mostly IR66.

The other sales channel was institutional sales to NGOs and government, and were mainly of improved, traditional seed varieties. NGOs tended to give traditional seed on credit to farmers, as part of other development projects while government purchases were often used as part of relief to farmers who had lost their seed due to flood or drought. In the first years of the project, institutional sales far outweighed farmer sales. Although institutional sales supported the companies in the early years of the companies' establishment, institutional sales were generally seen by most involved in the project to undermine the market for seed, as farmers who were given seed were obviously far less likely to buy it. However, institutional sales

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<sup>24</sup> Depending on the Business Development consultant employed by the project, and the different accounting variables included, recommended seed prices were often higher or lower depending on whichever variables the consultant deemed important to include. If the true establishment costs of the seed were included, however, no Cambodian farmer would ever have been able to afford to buy the seed.

were seen as useful in terms of the poverty alleviation aims of the project. By the end of the project farmer sales increased significantly as market awareness was built and institutional sales declined (see Appendix 4.3). This was of some relief to AusAID as sales to farmers were seen as crucial to the long-term commercial viability of the seed companies.

Through the sales of both traditional and modern rice seed varieties, rice seed was channelled towards both commercial rice commodity chains and towards subsistence systems of farmers in distress. These two different channels were interpreted by project managers as conflicting with the seed companies' goal of financial sustainability, despite the fact that the improved traditional seed sold by the company to institutions was unlikely to be purchased directly by commercially oriented farmers. Consequently, gift relations of aid assistance by NGOs and government were interpreted as averse to the long-term interests of commodity chain construction, not complementary to it. Further research identified that sales of modern rice seed to commercially oriented farmers did not necessarily mean greater seed company viability either. However, AQIP seed did impact unevenly on the rice commodity chain and farmer livelihoods significantly.

### ***Rice Seed Company Benefits Study***

In 2005, I conducted field research to establish the uptake of company seed among farmers and the impact of this along rice commodity chains.<sup>25</sup> As part of the Australian Research Council Industry Linkage Grant and agreement was made with

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<sup>25</sup> This research was undertaken with a volunteer staff member and a paid staff member of AQIP and resulted in a small report entitled "AQIP Seed Supply Chain Benefits, Pilot Study Report 2005" (Long et al. 2005).

the industry partner to host me within the AQIP project as my first research case study. Although project staff were at first reluctant to allow me access to the resources and time needed to undertake this study, it was recognised by the Team Leader that there were gaps in the understanding of the impact of the project that previous efforts to research had not fulfilled. In addition, an Australian Youth Ambassador for Development had recently joined the project and it appeared that the project staff were unsure how best to deploy her skills. Together the Youth Ambassador, myself and a young Khmer staff member from the Post Harvest Team set out to undertake this small-scale study. The primary aim was to understand who purchased the seed and who did not; that is to say, which farmers were incorporated into seed commodity relations and which farmers were excluded. Research was conducted in Prey Veng Province, the province with the highest farmer company seed uptake. Within Prey Veng 14 villages were rapidly surveyed to identify villages for further in-depth research (see Appendix 4.4).<sup>26</sup> Out of the 14 villages surveyed, four villages were chosen. The four villages each represented a varying level of AQIP company seed use. They were: Prey Ankoing (non-AQIP seed use village), Prey T'bal (low AQIP seed use village), T'Lor (medium AQIP seed use village) and Chuen Tukor (high AQIP seed use village) (see Figure 4.5). Focus group meetings were conducted in each village with around 15 to 20 farmers, during which inputs, outputs, preference ranking and distribution of paddy were assessed (see Appendix 4.5). Since few farmers purchased improved traditional varieties, the study compared AQIP IR66 with other non-AQIP seed, (unimproved IR66 and unimproved

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<sup>26</sup> Village identification was conducted over a one week period from 26 September 2005.

traditional varieties).<sup>27</sup> Information from focus group sessions was then supplemented and supported by 35 surveys with individual farmers (see Appendix 4.6).<sup>28</sup> Finally, information on seed exchange, paddy trading and milling was gathered in informal interviews over a week-long period (see Appendices 4.7 and 4.8).<sup>29</sup>

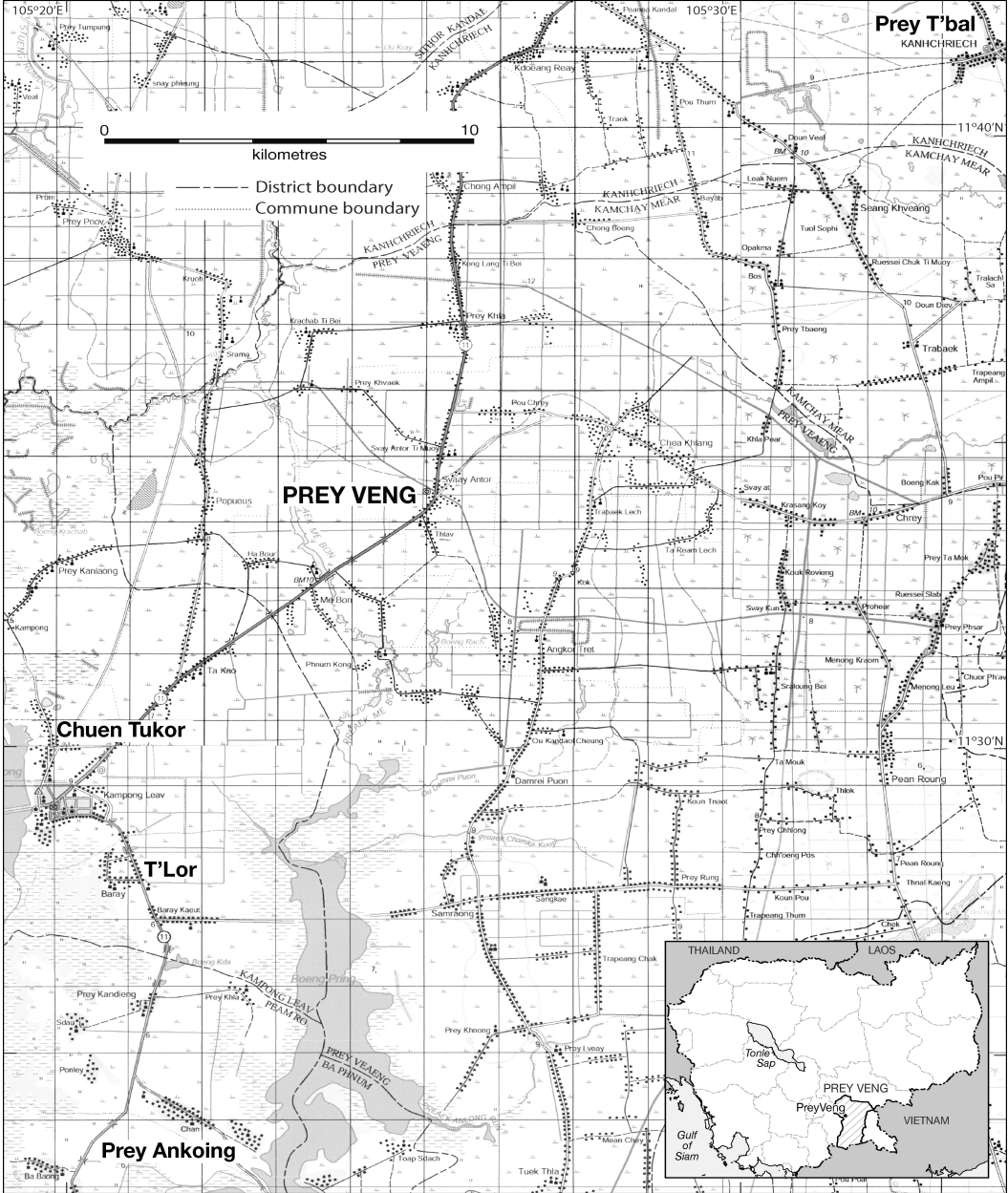
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<sup>27</sup> Focus groups research and farmer surveys were conducted over a four week period from 10 October 2005 to 4 November 2005.

<sup>28</sup> These surveys were intended to verify the focus group data and collect further detailed information regarding seed use, inputs and production methods, outputs and harvest use and perceptions of different seed varieties.

<sup>29</sup> These were conducted from 28 November 2005 to 5 December.

Figure 4.5: Map of Prey Veng research villages



Source: Cartography and GIS Australian National University

Overall, the research found that farmers who purchased and grew AQIP company seed experienced yield improvements of between 20 and 40 per cent. This was supported by the AQIP 2005 Household Crop Production survey, carried out by


the project, which found for all project provinces, over all seasons, there was a 44 per cent yield increase with AQIP seed. The variation in yield benefits among AQIP seed farmers who used AQIP seed depended on factors such as differential soil quality, water supply, production techniques and timely and appropriate use of good quality fertiliser. These non-seed variables had the ability to render the benefits of high quality seed negligible: one farmer complained that the poor quality fertiliser she purchased completely ruined her crop, a common problem in Cambodia's unregulated fertiliser market. Farmers were very aware of the impacts of environmental and other factors, and given the high price by Cambodian standards, for the company seed, many farmers reported that they tried to provide the seed with the best growing conditions possible. They planted it on their best soils, close to irrigation sources and generally took greater care. Given this, it was difficult to make exact statements about the benefits of company seed alone as a number of other factors contributed to its higher yields. Importantly, however, 100 per cent of company seed users interviewed perceived the seed to have several positive attributes including: higher germination rates (meaning they used less seed); higher yields; crop growth was considered stronger and more even; and the resulting paddy was perceived as higher quality and therefore easier to sell.

It is not surprising that the research also found that farmers with better and more secure resource endowments were better able to take advantage of company seed. The largest benefits were experienced by more commercially oriented farmers with good soil, access to water and closer proximity to larger provincial markets.



From the focus group discussions and farmer surveys a graduated scale of farmers was identified.

**Table 4.3: Resource security and seed uptake**

Resource Security 				
Secure		Insecure		
Commercial large scale farmers	Commercial medium scale farmers	Subsistence farmer with irrigation and large paddy surplus	Subsistence farmer with irrigation and small paddy surplus	Subsistence farmer with no irrigation and no surplus
Grows modern varieties ONLY	Grows modern and traditional varieties	Grows modern and traditional varieties	Grows modern and traditional varieties	Grows modern varieties ONLY
From 1 <sup>st</sup> generation AQIP seed	From 1 <sup>st</sup> and 2 <sup>nd</sup> generation AQIP seed	From 2 <sup>nd</sup> generation AQIP seed	Retains and swaps seed	Retains and swaps seed
Sells 2 <sup>nd</sup> generation AQIP seed IR66, buys traditional rice for consumption	Sells IR66 surplus, buys traditional rice for consumption	Sells IR66 surplus. Retains traditional rice for consumption	Retains IR66 and traditional rice for consumption	Retains IR66 for consumption

Source: Long et al. 2005.

In general, large-scale farmers who produced purely for commercial sale, tended to use high-quality, modern company seed purchased on a regular basis. They intensively produced IR66 and purchased traditional varieties for household consumption. Some of these farmers had also moved into the production and marketing of second generation company seed for sale to other farmers at a price of 700 *riel* per kilogram. These farmers were able to take advantage of the marketing efforts of the seed companies, which had built demand for high quality seed, and without the overheads they were able to undercut the seed companies by 50 per cent.

Second were the slightly less commercialised farmers who produced predominantly IR66 and used company seed or second generation company seed for production. Generally, they sold at least 50 per cent of their yield. Third were farmers who were slightly less resource secure. They tended to have average land parcels with average soil quality and used a combination of ordinary IR66 and traditional varieties. They consumed and sold a combination of their production of both IR66 and traditional varieties. The wealthier among this group ate a greater proportion of traditional varieties. Some of these farmers had heard of, or were experimenting with, company seed. Lastly were poorer farmers who, with limited land and larger families, tended to grow ordinary IR66 continuously from seed that they had obtained from seed swaps with other farmers. Despite these households growing up to three crops a year, many only just managed to fulfil their consumption needs. Few of these farmers had even heard of the rice seed companies. Their poverty and inability to fulfil basic subsistence needs meant cultivating modern rice monocultures. Although the introduction of IR66 had undoubtedly helped such farmers achieve greater yields and therefore food security, without the backup of Cambodia's traditional varieties, they inhabited a precarious position, should crops fail (Dennis 1990 in Oveson et al. 1996: 23).

The impacts of the seed companies therefore followed the classic trickle down pattern. Wealthier and better-connected farmers were better placed to take advantage of the benefits of improved seed and even capture part of market demand and value created by the project for high quality seed. They did this by producing and selling second generation seed for sale, thereby further improving their position *vis a*

*vis* other farmers. Wealthier farmers tended to display a number of characteristics of industrialised production. For example, they were more likely to use fertiliser but used it more efficiently; they were more likely to use pesticides, and hire labour and machinery. Middle income farmers were the least productive in terms of yield, preferring to grow their own traditional varieties for consumption, despite the lower yields, and earn their cash income with the commercial production of IR66. This made sense from a household perspective, because traditional varieties are differentiated in local markets and cost more to purchase. However, due to the dominance of Vietnamese traders' preferences, when traditional varieties are sold, they are typically treated the same as IR66 and given a low price. Unless farmers had large parcels of land to achieve economies of scale, it made more sense to grow traditional rice for consumption, than to grow all IR66 and buy in traditional varieties. Some of these farmers purchased first or second generation AQIP seed to enhance their surplus production of IR66. Poorer farmers, who grew IR66 just to maintain food security because it is highly productive, had few options to access modern company seed which would have helped them move beyond subsistence and towards surplus production. Unless they received gifts of modern seed from institutions or second-generation company seed as part of an exchange with friends and family members, there was little scope them to obtain this seed. None of these farmers reported receiving seed from government agencies, NGOs, friends or family.

**AQIP and The Rice Value Chain**

Obviously the ways in which these farmers were linked to markets varied. Interviews with traders and millers identified four different types of traders linking different types of farmers to markets in different ways:

- First were small-scale in-village female traders who sold groceries and provided credit to poor subsistence households. These ‘subsistence’ traders bought and sold primarily IR66 which they collected throughout the year and sold to Cambodian commercial millers. From my calculations it appeared that many of these traders operated at a loss or at the most made a marginal profit. The small volumes traded and the low quality and grade of IR66 prevented them from increasing their profitability. Their trade linkages to Cambodian commercial millers rather than foreign paddy traders across the border in Vietnam disconnected them from the higher margins available in regional markets. They complained of penalties imposed by commercial millers on poor quality paddy or paddy with high moisture content.
- A village miller, in a more resource-secure village, represented the second type of trader identified. This trader made high margins through marketing traditional milled rice to the small local market. Although her volumes were small, her margins were high, and she benefited from high quality AQIP IR66 paddy through the underhand practice of mixing it with higher value traditional paddy varieties such as the fragrant *som mali* (jasmin rice). She noted that the higher quality of AQIP IR66 paddy meant it could be mixed with high quality fragrant varieties without being detected by buyers. This

trader appeared to make higher profits than a neighbouring large-scale commercial miller.

- The next category of trader identified was a medium-scale trader with the highest margins among all traders interviewed. This trader, through her direct links to Vietnamese buyers, was beginning to focus on selling only traditional fragrant varieties, such as jasmin rice, that fetched high prices. She also sold paddy at differentiated costs to different buyers, charging Vietnamese buyers the most. She stated that she paid high premiums to farmers who specifically grew AQIP traditional fragrant varieties; however, only one farmer she purchased from grew this variety. She thus intended to start producing this variety herself. She did not pay premium prices for IR66 whether it was grown from AQIP seed or not.
- The final type of trader was represented by two large-scale paddy traders who resided in the high AQIP-use village of Cheun Tukor. Although they did not have margins as high as the previous quality-focused trader, they displayed advanced economies of scale. The more successful of the two differentiated on quality and operated on a large scale, sourcing paddy throughout the country and traded in amounts of 13 to 40 tonnes per day. Economies of scale compensated for the smaller margins.

Many of the traders, not including the village miller, reported that they passed on premiums for high quality paddy to farmers, usually in the order of 5 to 10 *riel* per kilogram. The degree to which these premiums were available appeared to be determined by variety and whether the trader had links to Vietnamese buyers.

However, there appeared to be few premiums available for IR66, whether it was AQIP or non-AQIP. Thus, the primary benefit of AQIP seed was in the form of increased volumes of a low value paddy. However, while IR66 did not fetch a price premium, better quality IR66, such as that grown from AQIP seed, was easier to sell and did not attract as many penalties. As many traders reported that they either penalised or simply did not buy bad quality paddy, AQIP seed did help to improve the saleability of surplus paddy. Traders who purchased paddy produced from AQIP seed perceived the paddy to be of better quality (evenly sized and less defects) than ordinary paddy and millers stated that it milled as better quality rice.

While the primary benefits of AQIP seed accrued mainly to commercialised farmers, especially those selling second generation seed, the flow-on effects further up the paddy value chain helped to reinforce surplus flows of low value IR66 via large-scale traders across the border to Vietnam. Of course, AQIP seed did little to alter the low value, neo-colonial dependent nature of paddy trade with Vietnam; rather, it reinforced this relationship to the benefit of some farmers and traders able to take advantage of economies of scale. With the one exception of the village miller, increased seed quality of IR66 did not translate into increased paddy value. Poorer farmers and their female trader/patrons remained excluded from 'improved' production and marketing chains that increased surpluses, improved paddy quality and saleability. So even for those who accessed AQIP seed, flow-on benefits to improved value chain development were questionable. What AQIP did achieve was to improve the quality of seed on informal markets for those capable of buying second-generation seed. However, the poorest of the poor, for whom the yield

increases afforded by AQIP seed would have made the biggest livelihood difference, remained excluded from access.

These outcomes resonate with much of the literature assessing seed aid effectiveness in post-conflict countries all of which stresses the importance of understanding conditions of access. Almekinders et al.'s (1994) assessment of informal seed networks in Africa demonstrates that for most staple crops, the share of the formal seed system in the total seed system rarely exceeds 10 per cent. They state that informal seed systems are much more significant and accessible channels for most farmers, which encourage farmer experimentation. However, the authors note that informal seed systems show weaknesses in seed diffusion due to cultural or geographical barriers. Consequently, Almekinders et al. (1994) argue that formal seed systems can compliment informal systems by feeding in new forms of genetic material which leads to further farmer experimentation. However, this depends on the mode of distribution. Sperling et al. (2008), question the assumption that access to seed is reduced during times of crisis, stating that even during extreme states of crisis — whether economic, political or environmental — informal seed systems are extremely resilient. As such these authors argue that widespread seed handouts or 'gifts' only serve to undermine local seed markets and exchange systems. The problem, they argue, is that even if seed is available, poor farmers may not have the ability, either financially or socially to access it. In post-crisis agricultural recovery the authors found that seed handouts play only a minor role in the total seed used for cultivation, and that under or after conditions of crisis, farmers will adapt production and varieties accordingly. In the wide range of countries across many continents

(including Africa, South America and Asia) studied by these researchers there was a lack of access to seed through formal and/or informal channels. This was the problem, not a lack of seed per se. They also found that where seed was routinely given to farmers, these ‘gifts’ undermined the ability of farmers to grow and procure their own seed sources (Sperling et al. 2008).

Thus, the debate over which of the two modes AQIP used to distribute rice seed — as indirect gifts made through institutional sales or as direct farmer sales — overlooked a fundamental issue in both modes of exchange: that of access. The constructed dichotomy between institutional ‘gifts’ or farmer sales and whether or not institutional gifts undermined the long-term financial viability of the seed companies indicated that the project failed to grapple with the social dynamics of seed systems in Cambodia. This was largely due to the project’s denial of class difference among Cambodia’s rural farming population.

### ***The AQIP Aid Chain***

That AQIP seed would primarily benefit a select few of wealthier farmers who could afford to purchase the seed and largely bypass poorer farmers is not a surprising outcome for private companies in a country where large portions of agriculture are given over to subsistence production. What is surprising, however, is that despite not meeting the project’s larger goal of poverty alleviation, this pattern of distribution was acknowledged with shrugged shoulders of resignation by most who worked on the project. Indeed, AusAID’s Independent Completion Report Draft 2 (2007) noted that the project still spent too much time grappling with the social objectives instead



of achieving the commercial objectives of establishing functioning rice seed companies. More specifically under the title of ‘Weaknesses’, the report noted that

a fundamental weakness in design was the failure to translate the concept behind a commercial private sector seed company into a clear strategy to achieve it. The PDD [project design document] called for the creation of a private seed company as a joint venture between the Provincial Government and Seed Grower Associations. The numerous legal, financial, and governance complexities and inherent conflicts associated with this thinking were not addressed at design...most efforts during the project period were devoted to the establishment of seed companies and the production of high quality seed. More should have been done in the early stages of implementation to address the long-term institutional and governance issues in partnership with RGC. (AusAID 2007: 3).

The report cites several instances of failure to address the institutional environment required for the establishment of commercially successful seed companies. This included the failure to take account of other projects working in seed production, especially the World Bank funded Agricultural Productivity Improvement Project (APIP), and the assumption that AQIP would help persuade the government to pass the seed law designed to ensure that Cambodia’s unique rice seed varieties were protected and only reproduced under license. Other problems identified in the completion report included: the failure to anticipate that constructing four seed companies in close proximity to each other would inevitably lead to their competition in the small Cambodian market; and the failure to assess farmer access to credit markets to ensure seed access. Also mentioned was the general lack of focus on finding the appropriate ownership structure for the companies which led to drawn out negotiations with the Cambodian government at the close of AusAID funding.

Yet, despite the AQIP project’s evident shortcomings, the completion report argues that the project should be applauded, “notwithstanding...design weaknesses, the project has been an outstanding success in terms of generating benefits for a

range of poor farmers” (AusAID 2007: 1). How could this project be celebrated as a success when it clearly did not achieve its stated aims and largely bypassed the poor farmers it was designed to serve? The interpretation of the project put forth by the assessment was of a successful project that was hindered by its social considerations. This is an odd conclusion to make for a bilateral development agency that is a signatory to the Millennium Development Goals. The conclusion made in the report helped to clear the way for AusAID to commit further funds towards ensuring the commercial viability of the seed companies. This, it was reasoned in the Independent Completion Report, was the correct action because the private seed companies should be viewed as a ‘public good’.

The specification and justification for the AQIP concept was confused at design. Instead of justifying AusAID’s support in terms of the project’s contribution to the wider public good of high quality rice seed availability, social objectives became confused with the necessity of a commercial approach to seed production. A clear separation of this wider public good, and the appropriate strategy to contribute to it was necessary (AusAID 2007: 8).

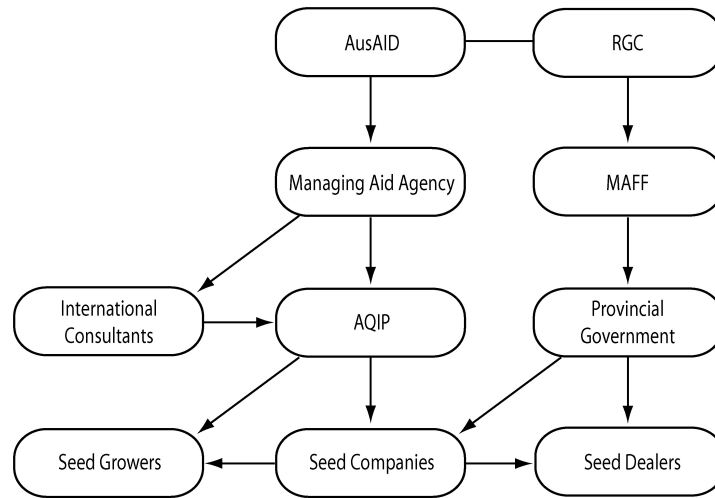
Although it is beyond the scope of this chapter to debate the vagaries and contradictions emergent around the theme of the private delivery of public goods, it is at least prudent to note that even in highly developed cash economies such approaches are not without their critics, drawbacks and failures to systematically provide ‘goods’ to the public.

The degree to which the conclusion of the Independent Completion Report sat uncomfortably among project workers and supporters was detectable in statements such as the following: “at least the institutional sales ended up giving seed to farmers, ensuring that some seed reached the poor.” It was also mentioned that, despite the uneven distribution of benefits, no one could deny that even the

“commercial farmers were poor by western standards.” In a bid to retain a degree of moral virtue in their roles as paid international consultants exactly which poor benefited in particular was inconsequential. Thus, Cambodian farmers were once again relegated to an undifferentiated mass of poor farmers. Indeed, the denial of class difference among Cambodia’s rural farming population seems necessary if one is to justify donor support to private companies as public goods ‘gifted’ to the Cambodian government.

The central critique of the project by the Independent Completion Report was not concerned with differential social impacts; rather the main problems lay with the “institutional environment and governance issues in partnership with the RGC.” In other words, the report argues that too much emphasis was placed on the technical aspects of the seed companies and not enough was placed on consensus building around the giving of them. What this report fails to note is the degree to which the institutional structure of the AusAID/AQIP aid chain itself contributed to the overtly technical and commercial approach of this project and its seed companies. This structure resulted in the neglect of the institutional environment surrounding the project, and arguably in the exclusion of poorer farmers.

**Figure 4.6: AusAID/ AQIP aid chain**



Source: Author.

The funding structure that governs traditional development projects such as AQIP is milestone achievement. Within a project design document, milestone targets are “identifiable points in the implementation of an activity when a concrete achievement has been reached” (AusAID 2005: 2). Typically, contractors do not get paid until these milestones are reported on as having been achieved. Within AQIP a total of 96 milestones were reported on within the five and a half year life of the project. AQIP consultants submitted no less than 151 reports over the lifetime of the project, not including the feasibility study, sector review, project design and capability statements prior to project commencement (AusAID 2007). Familiarity with AusAID reporting procedures and requirements and access to large amounts of bridging finance are the two major prerequisites necessary to win a project implementation bid. Launching a bid to implement an AusAID project from the first

step of submitting an Expression of Interest to contract signing costs on average AU\$100,000. Even if a firm wins the bid, they are unlikely to be paid until the first milestone is achieved, which may be months or even years down the implementation track. The finance structure of AusAID means that there are very few firms capable of implementing bilateral projects. Consequently, oligopolistic conditions prevail within the Australian aid market and there is only a small number of key firms that typically bid and win AusAID projects.

As a result of the high costs involved with designing, bidding on and implementing an agricultural development project such as AQIP, projects are often, by design, loaded with the expensive and large-scale infrastructural items set as milestone targets in the first years in order to retrieve funds and get costly and easily completed milestones ticked off the output box as quickly as possible. As one key informant noted, it would probably be wiser to build capacity and rally political and institutional support for a project first and then build the large-scale infrastructure, but this rarely happens.<sup>30</sup> Instead such projects often rush ahead first with office set up, vehicle procurement, and building of infrastructure in the first years and build capacity around such things later. Undoubtedly AusAID is aware of this. One might speculate that the high level of activity that takes place at the beginning of a project and the building and procurement of highly visible things may well be in the interests of AusAID through reinforcing the symbolism of gift giving to the recipient country, and leaving sustainability issues until later.

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<sup>30</sup> Personal communication AusAID Advisor March 2008.

**Plate 4.1: Hun Sen Prime Minister of Cambodia inspects AQIP rice seed**



Source: AQIP project files, unpublished.

### ***Project Endings***

In the closing months of the project, there was a concerted focus on achieving the commercial sustainability of the rice seed companies to ensure they would continue beyond AusAID funding. The four rice seed companies were merged into one and registered as a single commercial entity. As a result, a number of staff members were made redundant and proceeded to attempt petty sabotage of the companies' already virus-laden computers. Negotiations with the Cambodian government took place over the final corporate structure that left MAFF shares unchanged at 49 per cent and seed growers' associations with a reduced shareholding of 20 per cent, 10 per cent of shares went to the newly formed AQIP Association made up of seed company staff and the remaining shares were to be sold to a private investor. A trust fund was

established to fund the company until the date at which it was forecast to break even in 2009 (AusAID 2007:10). A Board of Directors was established and a CEO was appointed out of the four seed company managers. In order to ensure that the plan towards commercial viability would be met, AusAID set high sales targets for the seed company's new CEO. These targets would best be met through increasing short-term sales to large institutional buyers. In a desperate scramble to meet these targets the newly appointed Khmer CEO paid a small commission to a provincial governor who had placed a large seed order to hand out seed to farmers in his province. When AusAID found out about this, an inquiry was launched and the newly appointed CEO was accused of corruption and fired. This led to other dismissals of Khmer employees who did not "support the AQIP vision" or as another informant put it, those who questioned why the aid project should be a business and not a 'gift' to the Khmer people.

Gossip that surrounded AusAID's response deemed it to be extremely harsh. Indeed it seems odd that sales of seed from a donor-produced seed company to NGOs and government to give gifts of seed to farmers was interpreted as a form of poverty alleviation; while gifts of cash to Khmer officials to ensure that they buy seed and give seed to farmers was considered corrupt. Is this simply the case of a double standard? After all, plenty of Australian aid contractors make money out of implementing Australia's aid programs. It seems odd that Australia could really take the moral high ground on making money out of gift giving when it only recently changed its 'tied aid' practices and still *de facto* perpetuates them (Duxfield and When 2007). Perhaps what may be important here is the sequence in which gifts

and commodities change hands? This sequence obviously has some bearing on the interpretive difference between allegations of corruption and claims to poverty alleviation. That there is confusion between what can be claimed as poverty alleviation and what can be labelled corruption in a private sector oriented project in a developing country such as Cambodia, where the lines between aid, business and government are often inextricably blurred, is perhaps understandable. It probably will not be the last time that such a conundrum is encountered.

### **Conclusion**

The key assumption around which the rice seed companies were constructed was that formal private sector seed distribution is more systematic, sustainable and therefore beneficial to improving rice seed inputs in Cambodia, than informal markets, traditional seed swapping or direct handouts. Although the concept of agricultural extension relies on dissemination through farmer sharing and word of mouth, this logic was not applied to seed. Instead donors and consultants sought to commoditise seed distribution which, it was argued was the most reliable way of distributing seed. This chapter demonstrates that private sector approaches to seed distribution are inevitably uneven; and although systematic, it is a system which distributes benefits according to wealth and advantage, not poverty and need. While market relations governed seed distribution, gift relations governed the construction of seed companies.

Gudeman (2001) notes that money can be exchanged ceremonially or through trade. The form used depends on an encompassing political order. Individual trade takes place only in existing political commitments, whereas ceremonial



transactions construct them (Gudeman 2001: 20). AusAID's bilateral aid 'gifts' to the government ceremonially constructed commodity relations and helped sustain old projects through creating linkages with new projects. Between these projects and their established trade networks, commodity relations prevail in the name of project sustainability. Cambodia Agricultural Research and Development Institute sold seed to AQIP, which sold seed to farmers. Although Australia's gift relations construct political commitments to commodity exchange among various actors, the only gift relations that prevail are those that are politically sanctioned by AusAID. Cambodian government officials are exhorted to support the sustainability of AusAID's gifts through the display of 'business-like' behaviour. The only gifts that are sanctioned are those that contribute to the commercial or political sustainability of AusAID projects and/or bolster AusAID's claims to poverty alleviation (such as NGOs buying seed and giving it to farmers or gifts of company shares to government). Within these relations, the concept of sustainability is continually enrolled to legitimate gifts to bygone development projects and their state shareholders. However, as this case study demonstrates, the term sustainability is often narrowly defined in terms of the commercial success of aid projects, with the sustainability of farmers themselves often overlooked, despite continued aid funding in their name.

The financial sustainability of Cambodia's rice cash cropping farmers is more likely to emerge from cross-border trade relations, than from the gift-cum-market relations of an AusAID project. As an ex-AQIP worker who once promoted the benefits of AQIP seed to farmers informed me in late 2006, more and more farmers were now growing Vietnamese varieties 504, 85 and *Nam Combong* which

they said had even higher yields, bigger grains and were more drought resistant. These varieties were also reported to have shorter growing times than IR66. Many of these farmers were buying these varieties, despite higher prices, in preference to AQIP rice seed, because of guaranteed sales of the harvest to Vietnamese traders. This informant, now a project worker for a new IRRI project promoting 'super bags' for rice seed storage, was also facing the embarrassing task of trying to convince the same farmers that they didn't need to buy the AQIP rice seed at all: if they bought the super bags they could grow their own seed and keep it fresh

## **Chapter Five**

# **The Marketing of Organic Rice and Charity**

One of the paradoxes of the new global agro-food system is that international gourmards now enthuse over agro-food commodities once considered as low quality and not suitable for export (see Appendix 5.1). The very characteristics that were once thought to contribute to a product's inferiority — subsistence orientation, antiquated and/or irregular production methods with low or erratic yields — are now celebrated as environmentally sustainable, 'authentic', artisanal and superior in taste. With the rise of organics and fair trade markets as high value market niches, such products can command very high prices in western markets. The premium prices charged are justified as necessary to account for the smaller scale of production, which is often explicitly or implicitly conflated with greater social responsibility. Thus, access to high value organic and fair trade markets is yet another conception of how poor producers might trade their way out of poverty, this time through 'charitable' commodity chains which aim to work in 'partnership' with farmers. Such alternative trade arrangements are vaunted as reducing the inequality between Third World producers and First World consumers in such a way that fuses the fundamental ideals of gifts and commodities in products on supermarket shelves. The research described in this chapter reveals, however, that constructed ethical commodity chains, for the sake of charity, frequently involve unsustainable and imposed ideals, regulations and trade networks that do little to assist the poor producers they set out to help. This is because 'ethical commodities', while they attempt to redress the gift/commodity distinction, tend instead to reinforce it through the insistence that inequality and poverty justice be met primarily through the

market. As such, ethical commodity chains constructed by donors tend to increase the division between gifts and commodities.

This chapter deals with an international NGO's attempt at constructing a fair trade, organic rice marketing chain to link farmers in Cambodia with ethical consumer markets in North America and Europe. It examines how imposed and inappropriate notions of agricultural 'post-productivism' worked to reinforce the poverty and subsistence orientation of Cambodian farmers through promoting cultivation methods that did nothing to alleviate production constraints and raise surplus rice production. The marketing of meagre rice surpluses of poor producers to 'ethical consumers' was therefore dubious, not only because of the questionable level of assistance offered to farmers but also because of poorly organised trade facilitation on the part of donors. Nonetheless, this project found support because organic and fair trade products are key selling points for NGOs seeking to bolster their public relations image. Marketing 'ethical' commodities enhances the credibility of NGOs as sustainable providers of development assistance and helps to ensure that the public and bilateral donations on which they depend for survival keep flowing.

#### ***The Community Co-operative for Rural Development***

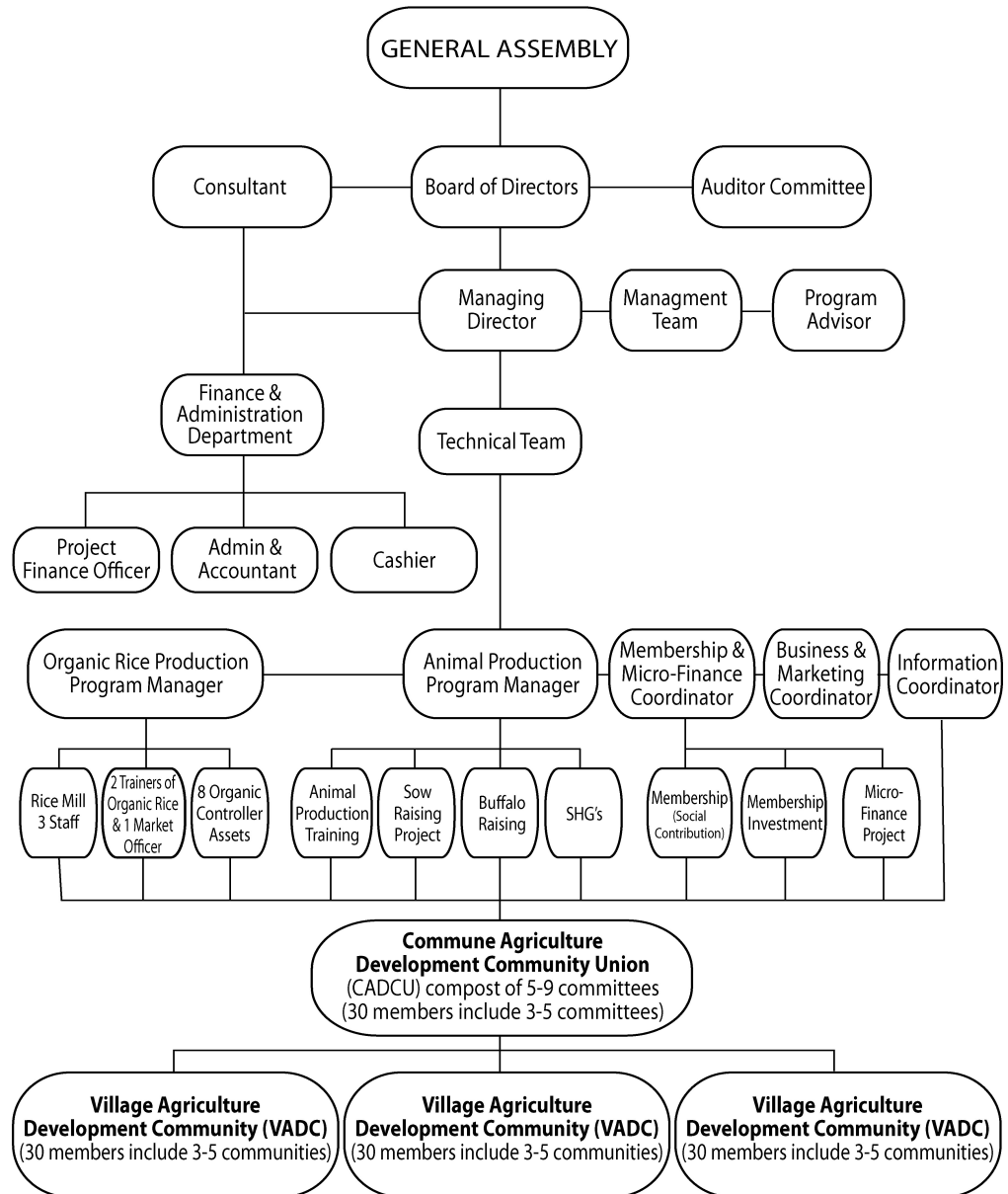
The Community Cooperative for Rural Development (CCRD) was just one of the 'institutional' buyers that purchased rice seed from the AusAID funded AQIP rice seed companies. This small local NGO (LNGO) was based in Pursat, a province in the northwest of Cambodia. The LNGO was formerly a relief project of a larger international NGO (INGO), Oxfam Quebec. Being devolved from Oxfam Quebec, the

organisation received additional support from a range of bilateral and INGO donors.<sup>31</sup> In its relief phase the organisation focused primarily on food security through the establishment of ‘rice banks’ — a mechanism for ensuring a steady supply of rice for members who could deposit surplus grain at harvest and withdraw rice, or ‘borrow’ rice when needed. In the general shift from humanitarian relief towards post-conflict economic development that occurred in the mid to late 1990s, the organisation was restructured and localised into a Cambodian farmers’ cooperative at the behest of the majority Oxfam donors. The new organisation, although renamed as a cooperative, did not formally register as a cooperative as required by Cambodian law. Instead, it remained a local NGO by legal status (Wyman and Wuerffel 2006). Nevertheless, under this new organisational structure the so-called cooperative was, under donor guidance, to move away from donor dependence and aim towards self-sufficiency and economic sustainability, while still providing rural services and extension to its 1189 members. These members paid 10,000 *riels* (US\$2.50) in annual fees which gave them access to CCRD’s development activities. These activities included: rice banks, self-help groups, micro-credit and livestock programs. The fee also gave members ten shares each in the cooperative and the eligibility to elect village representatives who helped to select Board Members.

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<sup>31</sup> These included: Oxfam America, Oxfam Great Britain, Oxfam Hong Kong, German Agro-Action, Canadian bilateral aid agency, CIDA (Canadian International Development Agency) and German bilateral aid agency, GTZ (Deutsche Gesellschaft für Technische Zusammenarbeit).

**Figure 5.1: Organisational structure of the Community Cooperative for Rural Development 2005**



Source: CCRD 2005: 52. (SHG stands for Self Help Group)

Having a Board was considered essential to guide the organisation in its reinvention as a more entrepreneurial development entity. Established in 2005, the Board was in charge of steering CCRD's strategic direction. It was responsible for hiring an English-speaking Managing Director to oversee the day-to-day running of operations, help CCRD become financially sustainable, and liaise with donors. As the notion of a 'Board of Directors' was a fairly new concept, introduced at the instruction of donors and comprised primarily of farmers, the hiring of a suitable Managing Director proved problematic. No Board Members could recommend an appropriate Managing Director with the prerequisite business skills, experience and education level demanded by donors. Furthermore, finding a candidate who would be willing to relocate to the province of Pursat was difficult. Like donors themselves, qualified Khmer professionals prefer to live in urban centres. Eventually donors found a candidate from Svay Rieng province, who they recommended to the Board. This candidate was accepted, paid US\$700 per month, provided with housing, a four-wheel drive emblazoned with the Oxfam logo and charged with the mission of making the cooperative a sustainable, if not profitable, enterprise achieved through undertaking new ventures such as organic rice production and marketing. However, the goal of self-sufficiency and economic sustainability remained elusive and, much to the donors' frustration, they were obliged to support the cooperative financially and with technical assistance. This support ranged from financing its administration and CCRD employee salaries to suggesting new and novel ways that CCRD could make money. Understandably, donors wanted to move the cooperative towards self-sustaining

activities that would help it grow and deliver more benefits to more members in such a way that donors could eventually move on to funding new projects. However, moving away from gift relations of donor aid towards greater reliance on commodity relations to ensure self-sufficiency was met with resistance and suspicion by local staff: they were suspicious of the capacity of new business ventures to provide their salaries and conditions currently paid by donors.

The failure of donors to instil a sense of independence in CCRD staff members was evident from the first time I attended a CCRD/donor planning meeting. The perpetuation of patron-client relations between donors and the cooperative was evident in the constant requests by CCRD staff to the donors to provide more office space, new computers, digital cameras, video recorders, high tech equipment and study tours to Vietnam. At one CCRD/donor meeting I attended in October 2005, every staff member from the cashier to the Managing Director stood up, outlined their job description, and noted their 'needs'.

Donors were reluctant to fund these requests due to the cooperative's already high administration costs. In an effort to signal their desire to distance themselves from CCRD's day-to-day funding, the donors informed the Managing Director that if he could devise a sound business plan that justified expenditure on additional office space and other requested items in terms of projected new income, they would be more willing to provide the necessary funding. Not long after, the Managing Director rented, at a high price and with donor funds, a new office in the provincial township and had it painted white with the green Oxfam logo. This action was read by donors as a clear



signal that the cooperative preferred to remain a franchise of Oxfam, not to function as an independent entity. Dismayed that their message of financial sustainability had not been heeded, donors tried to reinforce their message of independence and increased pressure on the Managing Director to produce a business plan during a routine meeting.

You must start to think that you are a business. We can fund you for three to four years but you need to think of the cooperative as a business...if you do a good business plan and it is good enough, then you can use it to get other donors.<sup>32</sup>

The Managing Director however expressed concern,

We are worried that if the business plan is not good then you will stop funding CCRD.<sup>33</sup>

Donors responded with reassurance,

No we will make sure it is [good] 150 per cent. Otherwise we're not doing our job. We're committed to funding CCRD, but you're lucky to have investors who don't want dividends.<sup>34</sup>

The push towards a business plan was the primary subject of numerous meetings and emails and seemed to have a bewildering effect on the Managing Director, who believed he had been hired to run an NGO, not a business. Although requests that the cooperative move towards a more 'business-like' approach appeared rational and justified under the donors' logic of sustainability, resistance by the Managing Director suggested that he and other staff members instead believed that their sustainability was under threat. From my own point of view it appeared odd to be telling development workers who had found post-war employment in Cambodia's development aid sector to behave in a more business-like manner. It is one thing to tell people involved in the private sector to be

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<sup>32</sup> Personal communication October 2005.

<sup>33</sup> Ibid.

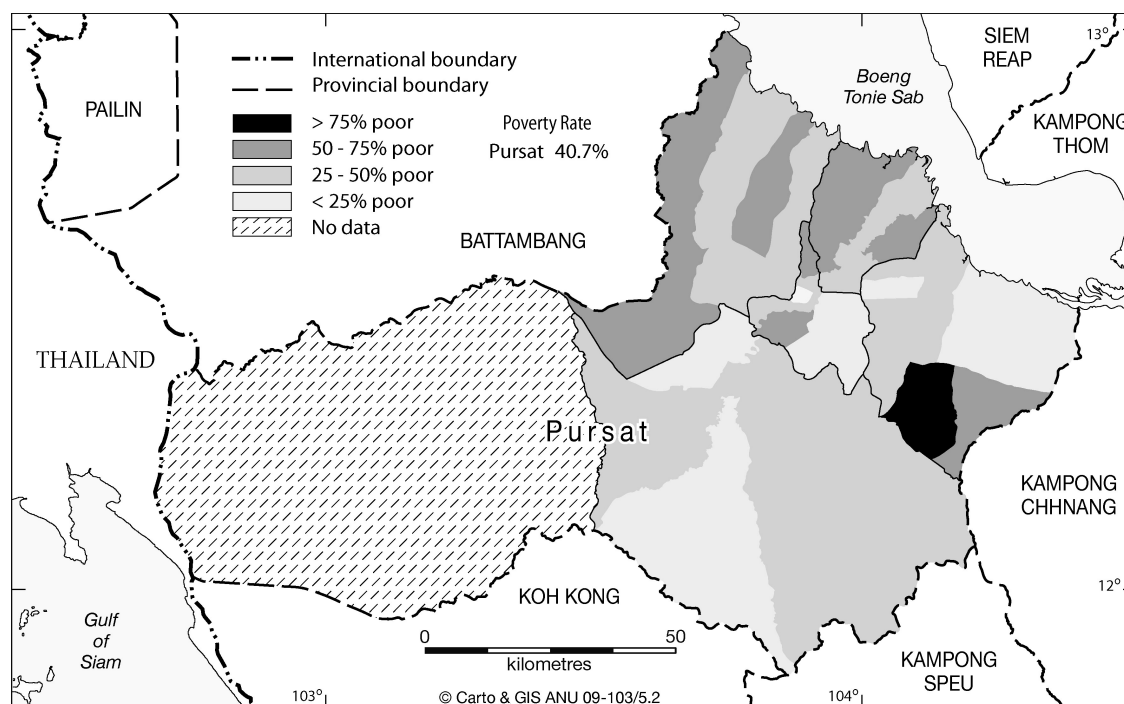
<sup>34</sup> Ibid.

more business-like, yet the transition from post-conflict assistance to ‘slow stream’ economic development had clearly left this organisation and staff members stranded in Cambodia’s receding tide of humanitarian aid money. Nevertheless, donors pushed on and signalled that they were willing to fund infrastructure and capital investments directly related to productive activities such as the cooperative’s fledgling organic rice production and marketing project. In other words, development assistance was now to be guided by commodity relations, not gift relations.

### ***The Organic Rice Project***

The expansion into organic rice by CCRD occurred at a time when increased funding was available from foreign donors looking to support organic rice projects in line with their own development philosophies. In 2004, several donors had committed themselves to assist CCRD to expand into organic rice production with existing cooperative members. However, at the initial start up of the organic rice project, none of the existing cooperative members were interested in converting to organic rice farming. Instead, new *de facto* organic farmers were found in remote districts of Bakan and Phnom Kravahn in Pursat province. These farmers were not consciously organic, rather they were simply too poor and remote to afford a regular supply of chemical fertilisers. In addition, the soils they farmed on were relatively rich soils, attributed by cooperative staff to the fact that the land had been recently cleared as forest and settled by ex-Khmer Rouge fighters who laid down arms after the Vietnamese invasion in 1979.

Figure 5.2: Pursat province with districts



Source: Cartography and GIS, Australian National University.

These farmers lived in districts that were deemed too remote for the delivery of existing cooperative livelihood projects and services. Consequently, most of these *de facto* organic farmers did not join the cooperative. Instead they were engaged via contract farming arrangements whereby they were provided with training (primarily in composting), some inputs (primarily rice seed on credit), rice bank services and a price premium for their paddy of between five and twenty per cent above market rates at harvest, depending on their organic status.

In 2004, the first year of the organic rice project, 76 farmers in four villages were identified and agreed to join the project. According to European Union organic regulations, the process of conversion to full organic status takes three years. However,

as many of the farmers were *de facto* organic, the first farmers to join were categorised from the outset as being in their second year of transition to organic production. By 2005, a total of eight villages and 192 households were involved in CCRD organic rice production, all of which were located in Phnom Kravanh district with the exception of one village, Khmar, which was located in Bakan District. For this year, a total of 74 farmers were classified as fully organic, with the rest of farmers in either year one or two of transition (CCRD 2005).

#### ***The Organic Rice Study***

In early 2006, I undertook field research over a two month period, focusing on the 2005 harvest. Through networking I was able to make contact with key informants at Oxfam America and Oxfam Quebec who permitted me to study the project in return for a *pro bono* report of my findings. My aim was to examine the differences between the organic rice value chain and existing non-organic rice value chains from farmers to millers to determine what benefits, if any, were accruing to farmers as a result of their involvement with the project. Key guiding questions were:

- What were the socio-economic dynamics of uptake for farmers wishing to join the CCRD organic rice project?
- What were the overall benefits and impacts for CCRD farmers and other supply chain actors in the organic rice value chain from both the organic rice commodity chain and the aid chain of benefits passed on from donors?

- How sustainable were the different methods of rice production with regard to different social, environmental and financial considerations? In other words, could social justice truly be met through market relations?
- What were CCRD farmer perceptions and attitudes?

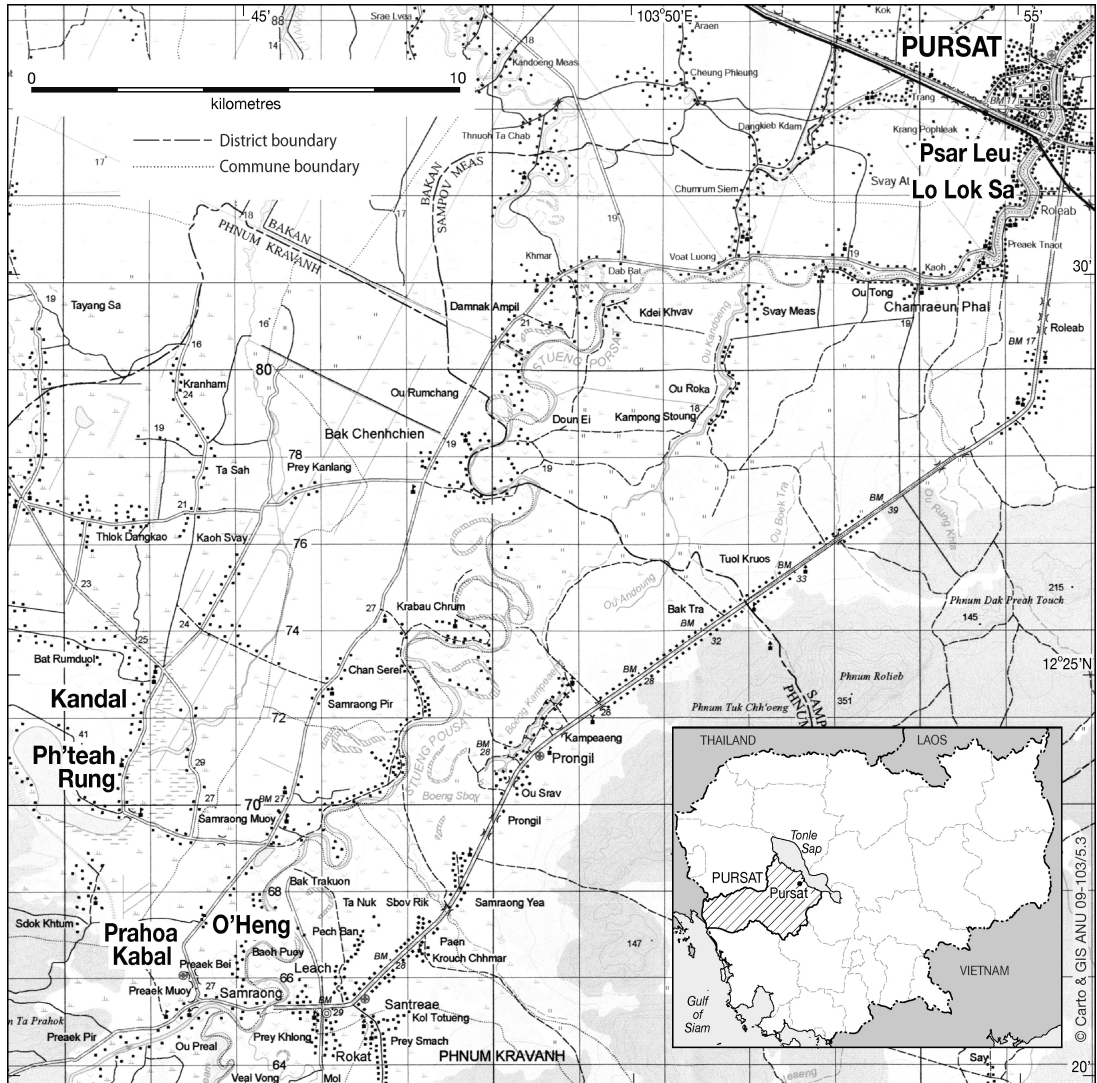
The study consisted of three main research activities. First a rapid survey of ten villages was undertaken to identify potential case study villages (see Appendix 5.2). Case study villages were selected on the basis of willingness to participate and general comparability. Four organic villages and two non-organic ‘comparison’ villages were chosen. Second, focus groups were held in each village, with the exception of Kandal and Ph’teah Rung villages, for which one focus group was held for both due to the close proximity of the villages. In these focus groups, basic data regarding differences in rice production inputs, outputs and values were recorded. Finally a total of 36 individual interviews with farmers, traders and millers were undertaken to verify the results of the focus groups and add further detail and insight (see Appendix 5.3 and 5.4).

**Table 5.1: Organic status of villages selected for study**

	Fully organic households	Transition year 2 households	Transition year 1 households	Non-organic households
CCRD villages				
Prahoa Kabal	10	21	0	131
Kandal	0	41	0	217
Ph’teah Rung	0	31	0	200
O’Heng	0	0	25	157
Non-organic villages				
Lo Lok Sa	0	0	0	103
Psar Leu	0	0	0	94

Source: Interviews conducted by author.

Figure 5.3: Map of CCRD 'organic' and non-organic villages



Source: Cartography and GIS Australian National University

### Case Study Village Characteristics

Information gathered during the focus group sessions revealed that most CCRD households had slightly larger landholdings than other non-organic households in the same villages. Overall, CCRD villages were spread across much larger land areas than

the non-organic villages, which were more densely settled. In CCRD villages, neighbours were often quite far apart. This signalled that rice production was likely to be less intensive.

**Table 5.2: CCRD and non-organic village characteristics**

	Total population	Total number of households	Average household size	Total land (hectares)	Average land size per household/ ha	Landless households
CCRD Villages						
Prahoa Kabal	643	131	4.9	120 ha rice land	2.51 (1.81 with rice land)	0 households (50 % population have no rice land)
Kandal	1350	217	6.22	129 ha rice land	1.36 (1.39 with rice land)	15
Ph'teah Rung	967	200	4.8	180 rice land	1.09 (0.91 with rice land)	3
O'Heng	778	157	4.99	163 ha (rice land unspecified)	1.253	27
Non-Organic Villages						
Lo Lok Sa	537	103	5.21	70	0.67	0
Psar Leu	468	94	4.9	210	2.2	6

Source: Interviews conducted by author.

During the village identification session the O'Heng village chief stated that he was once a chemical fertiliser salesman, selling chemicals on consignment for an importer. However he had not been successful. This was attributed to a lack of irrigation and modern seeds in the village, which were seen as prerequisites for the use of chemical fertilisers. In fact, few CCRD households had access to irrigation or modern seeds. Consequently, *de facto* organic rice production was seen as a prudent strategy, under conditions of limited access, to yield enhancing technologies.

*Production*

All of the selected villages primarily grew one wet season rice crop. A small minority in both organic and non-organic villages (4 to 15 households or 2.6 to 10 per cent) also typically grew small plots of dry season rice utilising short duration rice varieties, with the exception of Ph'teah Rung in which 100 households (50 per cent) grew a dry-season crop. Dry-season production was limited to households with access to irrigation and mechanical pumps. In the CCRD villages there were low levels of mechanisation. All villagers bemoaned the lack of access to water and mechanical water pumps. Villages in the CCRD project grew a greater number of rice varieties on their land. During research we identified up to 27 different varieties used among the organic villages as opposed to 12 different varieties used among the non-organic villages. As is typical of Cambodian rice farming, a mix of varieties was grown for the primary wet season crop (known as *charcar* or mixed rice). Non-organic villages displayed slightly higher levels of chemical use and higher levels of mechanisation than non-organic farmers that lived within the organic villages of Phnom Kravahn. Focus group and survey results showed that many farmers in non-organic villages, while using more modern techniques, appeared to be farming rice at a loss. This loss was of little consequence, however, as it was often subsidised by younger family members earning non-farm wages.



**Table 5.3: CCRD 'organic' and non-organic village production**

	Average wet season yield tonnes per hectare	Cultivation method	Number of rice varieties used	Irrigation type	Number of households with irrigation	Soil quality	Mechanisation
CCRD Villages							
Prahoa Kabal	2 – 2.5	Transplant	15	Small Dam	25	Fair - good	6 pumps
Kandal	2.5	Transplant	18	Lake	202	Fair - good	18 pumps
Ph'teah Rung	4 - 5	Transplant	27	Lake	30	Good	2 tractors 12 pumps
O'Heng	1.5 - 2	Transplant	16	Road canal	25	Poor	1 thresher 3 pumps
Non-Organic Villages							
Lo Lok Sa	2	Transplant	6	Rehabilitated Khmer Rouge canals	No information	Fair	2 threshers 20 pumps
Psar Leu	1.5 - 2	Transplant	8	River	5	Fair	2 tractors 1 thresher 7 pumps

Source: Interviews conducted by author.

### *Marketing*

The Community Cooperative for Rural Development villages displayed low levels of market access. Few in-village traders existed, with most villagers relying on the intermittent visits by less-trusted large external traders or CCRD. For non-organic villages market access was far easier, given their proximity to the provincial centre.

**Table 5.4: Basic marketing constraints CCRD and non-organic villages**

	Distance to local market	Distance to provincial market	Road access	Local traders	External traders	Village millers	Commercial millers
CCRD villages							
Prahoa Kabal	6	33	Poor	1	0	6	0
Kandal	11	31	Fair	0	1	20	0
Ph'teah Rung	11	31	Fair	0	1	12	0
O'Heng	3	35	Fair	0	-	9	0
Non-organic villages							
Lo Lok Sa	0	3	Fair	2	1	4	0
Psar Leu	2	9	Fair	0	2	2	1

Source: Interviews conducted by author.

#### *Other Livelihood Sources*

CCRD villages selected for study were all located in Phnom Kravahn District approximately 35 kilometres from Pursat's provincial township. Many were located close to forested areas of the Cardamon Mountains. During my research, many men were not present as they collected wood and other products from the forest during the dry season (a dangerous livelihood strategy given that much of the area is still dotted with land mines). In contrast, the selected non-organic villages were all located in Sompov Meas District approximately five to ten kilometres from Pursat township. Both non-organic villages had younger family members working off-farm, and many of the farmers who participated in the focus group sessions were much older than the farmers in organic villages.

All selected CCRD villages were said to be surplus rice villages (estimated on daily paddy requirements of one kilogram of unmilled paddy per person per day) with

the exception of Kandal village, which contained larger proportions of mixed crop lands or *chamcar* land on which they grew cash crops such as cashews, oranges and sesame. Lolok Sa village theoretically had a rice deficit, however, as the village is close to town and many inhabitants were government workers or had other urban occupations. Therefore it is unlikely that this shortage was in any way significant. Instead, off-farm work appeared to subsidise on-farm losses. CCRD villages had other NGO projects operating intermittently in their villages. These were primarily saving and micro-credit followed by livestock assistance. A small number of households in each village had members working as migrant labourers in Phnom Penh, Thailand and on the Thai border. Off-farm work was generally more casual for CCRD villages.

**Table 5.5: Other livelihood sources and assistance for organic and non-organic villages**

	Other sources of income	Other development projects
CCRD villages		
Prahoa Kabal	Livestock, fruit and vegetables, remittances from migrants, collection of wood and non-timber forest products (NTFP)	Micro-credit, agricultural development, livestock
Kandal	Livestock, fruit and vegetables, rice wine production, remittances from migrants	Credit and health programs
Ph'teah Rung	Livestock, fruit and vegetables, rice wine production, remittances from migrants	Credit and demining projects
O'Heng	Livestock, fruit and vegetables, rice wine production, remittances from migrants, collection of wood and NTFP	Livestock and credit
Non-organic villages		
Lo Lok Sa	Livestock, fruit and vegetables, remittances from garment workers in Phnom Penh, government workers, teachers	None. Government rehabilitation of Khmer Rouge irrigation canals
Psar Leu	Livestock, fruit and vegetables, remittances from garment workers in Phnom Penh	3 micro-credit programs

Source: Interviews conducted by author.

**Key Findings**

The CCRD project only purchased medium-duration fragrant rice varieties such as *Phkar Roumdoul* and *Phkar Malis*. While there are over 2000 different rice varieties in Cambodia (Helmert 1997: 2) adapted to different regions and soil types, only a couple of fragrant medium-duration rice varieties, similar to Thai jasmine rice, are demanded by consumers in Europe and North America. Farmers grew these varieties where they could, dependent on the availability of suitable land. Medium-duration varieties are grown earlier in the wet season, before the floods, and in medium elevation fields. They are not as tall as long-duration varieties and cannot withstand deeper waters where the soils are typically the most fertile. As a result, yields for fragrant medium varieties tend to be lower than late varieties grown without the application of additional nutrients to soils. Even compared with local medium varieties, fragrant medium varieties performed poorly. Contracted farmers tended to grow fragrant varieties demanded by CCRD for export on some of their land, while reserving the deeply submerged land for late varieties.

All CCRD farmers complained of lower yields from growing medium-duration fragrant rice varieties demanded by CCRD. Prior to the project, a number of farmers clearly viewed the production of these medium fragrant varieties as uneconomical and much of the land that was now given over to *de facto* organic medium fragrant variety cultivation was previously fallow, cropped with higher yielding local medium varieties or used for the production of alternative crops such as sesame or in one case, teal raising (CCRD 2005). As farmers now grew medium fragrant varieties for CCRD's organic

project on between 30 to 50 per cent of their land, many farmers complained that this had led to a reduction in overall paddy yields. Although this total reduction varied between villages, for some it was as high as 25 per cent of their total yield. Yield reductions of this magnitude were not compensated by organic premiums paid and were likely to have far reaching impacts on farm systems as a whole, reducing total paddy available for both human consumption and animal feed.

### *Inputs*

Focus groups and individual surveys revealed that hardly any CCRD farmers owned enough, if any, livestock for manure (see Table 5.6) and none were applying the recommended minimum amount of organic matter to ensure soil nutrients cycling and therefore soil fertility (around ten tonnes per hectare is recommended).<sup>35</sup>

**Table 5.6: CCRD villages' livestock ownership**

Status	Village	Cows	Buffalos	Pigs	Chickens	Ducks
T0	Prahoa Kbal	7	0	3	60	4
T0	Prahoa Kbal	6	0	1	5	0
T0	Prohoa Kbal	4	0	1	20	3
T0	Prohoa Kbal	4	1	3	5	2
T2	Kandal	1	0	2	3	0
T2	Kandal	2	4	3	10	0
T2	Kandal	2	0	1	2	0
T2	Ph'teah Rong	1	0	1	10	7
T2	Ph'teah Rong	0	3	0	6	3
T1	Ph'teah Rong	2	0	2	6	0
T1	O'Heng	13	0	5	3	0
T1	O'Heng	7	0	0	8	0
T1	O'Heng	2	0	0	2	6

Source: Interviews conducted by author.

<sup>35</sup> Personal communication with rice agronomist, February 2006.

**Table 5.7: Organic fertiliser application in CCRD villages**

Status	Village	Fertiliser plot 1 tonnes/hectare	Fertiliser plot 2 tonnes/hectare	Fertiliser plot 3 tonnes/hectare
T0	Prahoa Kbal	3.75	4	0
T0	Prahoa Kbal	6	6	1
T0	Prohoa Kbal	1	1	3.70
T0	Prohoa Kbal	4	0	4
T2	Kandal	1	1	0
T2	Kandal	4	0	0
T2	Kandal	3	0	0
T2	Ph'teah Rong	1.71	7.5	6
T2	Ph'teah Rong	4.5	2	0
T1	Pth'eah Rong	0	0	1
T1	O'Heng	6	0	3.70
T1	O'Heng	0.91	0	4
T1	O'Heng	0.5	4	0

Source: Interviews conducted by author.

Most farmers understood organic farming simply to be an absence of chemical fertilisers or pesticides, not as a comprehensive and integrated farm management system including a high degree of soil management. Indeed, among many Cambodian government and NGO organisations this view of organic farming — as merely the absence of chemicals — prevailed. I was left at times to question the sincerity of efforts to increase organic rice production in Cambodia. Many CCRD farmers reported having received limited training, usually of around one morning, and few farmers appeared to be producing organic fertiliser in sufficient amounts. This raised the possibility that in future soil fertility may be depleted. Unlike organic farming systems in developed countries, there was a significant scarcity of organic waste within the farm systems of Pursat. With low livestock ownership levels and the thrift with which all manner of

plant and animal matter is utilised for building materials, animal feed and other uses to sustain these households, the scarcity of organic materials at farm level presented a very real threat to the sustainability of organic rice farming.

*Labour*

Medium-duration rice varieties flower earlier in the wet season than long-duration varieties. They often ripen just when preparation for planting the main wet season crop of long-duration rice is taking place. Thus labour demands are high at this point: the cultivation and harvesting of medium-duration rice varieties overlap with labour demands for the cultivation of long-duration varieties. In addition, because it is often raining when medium rice varieties must be harvested, post-harvest processing can be a difficult task. Roads are often inundated, making it difficult to reach paddy plots and transport the rice panicles. Drying the paddy, which usually occurs outside on mats, is also risky because of the high rainfall. Consequently, female-headed households and households experiencing labour shortages due to illness of a family member or otherwise, either did not join or dropped out of the project. For those who remained in the project, higher labour requirements meant less labour available for other livelihood options including on-farm diversification.

*Seed*

In addition to increasing labour requirements, organic rice production for CCRD also required farmers to use high quality seed purchased on credit from the project. The project usually grew this seed itself and sold it to the farmers at a cost price of 700 *riels* per kilogram. However, poor planning on the project's behalf meant that they ran out of

seed early in the season and had to buy seed from the Australian-funded AQIP seed companies at a cost of 1400 *riel* per kilogram. Farmers wishing to supply CCRD with organic rice were required to purchase this seed at cost price. This substantially reduced the organic premiums received by farmers. This reduction, in addition to the higher labour requirements and reduced yields, meant that the compensatory effects of organic premiums were reduced even further. By my calculations, in a second year transition village, the higher price of seed alone reduced the premium from 10 per cent to 6.6 per cent.

*The Importance of Off-farm Income*

Off-farm employment is a key feature of many Cambodian villages, including those in Pursat. During fieldwork research with the CCRD *de facto* organic villages and comparison non-organic villages, off-farm employment data were collected. For non-organic villages, employment tended to be more highly paid, in more secure jobs and closer to the local township. Households reported having family members engaged in professional occupations in government or educational sectors. For these farmers, remittance money subsidised more capital-intensive rice production even at a financial loss. Meanwhile, CCRD villages had a far lower number of migrant workers and surveys indicated that when off-farm work was undertaken, it tended to be more seasonal or casual, lower paid and less secure. A small number of families indicated that members had left permanently to work in Phnom Penh, and a higher number of households reported that members had left to work at the Thai border or in lower paid manual labour positions, such as construction within Pursat province itself. Indeed, off-



farm labour was more important for all farming households to ensure household income and increased farm productivity than any kind of changes to rice production methods. For CCRD households, however, with limited or intermittent access to the security provided by more reliable non-farm wages, production methods were restricted to risk-averse, low capital input, labour-intensive methods.

#### *Analysis*

*De facto* organic rice production of local rice varieties under rain-fed cultivation is a prudent strategy pursued by remote and ill-supported farmers in a region prone to both drought and flood. Farmer focus group participants reported that in times of inadequate rainfall those farmers who used chemical fertilisers were likely to lose their entire crop, whereas those who did not use chemicals would at least reap a small harvest. However, farmers who received the largest yields during periods of inadequate rainfall were those who produced *de facto* organic local varieties, not *de facto* organic fragrant varieties for CCRD. In terms of the dynamics of farmer uptake of organic rice production for the CCRD project, it is clear that only those farmers who were able to bear seed costs and yield reductions associated with planting fragrant varieties could successfully participate in the project. Households participating in CCRD organic rice production also tended to have greater labour resources. For example, the female head of one household who had dropped out of the organic rice project informed me that she had done so due to the loss of her husband.

Aside from price premiums, the project offered few additional benefits to farmers. As contract farmers, the project did not provide any significant support to

ensure the sustainability of farmers' capacity to produce rice. This raises the question of whether or not the cooperative or donors were actually centrally concerned with ensuring the sustainability of farmers. Efforts to support farmers were tokenistic at best. Indeed, many farmers were perplexed by the project. The farmers questioned why CCRD only demanded the one type of rice variety if they were so concerned with helping them. They asked why CCRD could not simply buy all their surplus rice at a higher price without such strict quality requirements, if indeed the goal was to improve farmer livelihoods.

*Organic Rice Project's Livelihood Impact*

The project's official price for organic fragrant rice growers was five per cent premium for first year organic (27.5 *riel* per kilogram or 0.7 US cents per kilogram), 10 per cent premium for second year (55 *riel* per kilogram or 1.3 US cents per kilogram) and 20 per cent premium for fully organic rice (110 *riel* per kilogram or 2.75 US cents per kilogram) on top of quoted market prices which at the time were 550 *riel* per kilogram or 14 US cents per kilogram. Throughout this province, as in many others in Cambodia, Vietnamese rice traders had long-standing buying relations and farmers reported that many had started to offer the same prices as the cooperative, often for lower quality rice. While this can be interpreted as a positive impact in some regards for rice farmers in the province as a whole, it was not a desirable outcome for the project's ongoing sustainability. With Vietnamese buyers matching prices, farmers did not hesitate to sell to these traders who were often better organised and more reliable in prompt pick up and payment than the project and less fussy about quality. The cooperative only

purchased disease free rice within a strict range of between 12 and 14 per cent moisture content. Furthermore, the ease at which Vietnamese buyers matched the relatively small price premiums called into question whether or not price premiums, and therefore poverty alleviation aims, were in any way significant.

The ability of organic or even fair trade projects to achieve poverty reduction through offering price premiums on subsistence crops is questionable. Cyclic agricultural commodity price spikes aside, the standard market rate for a subsistence crop like rice tends to be below the true cost of production, given that part of the crop goes towards non-market household consumption. Thus the portion consumed, in effect subsidises the portion sold as not all food for household consumption needs be purchased for cash on the market. This is demonstrated by the fact that farmers rarely account for their own labour when calculating the cost of rice production. As such, placing a 20 or even 30 per cent premium on a low value crop such as rice is therefore unlikely to pull anyone out of poverty. For the 2005 harvest studied, market rates for non-organic mixed variety paddy (*charcar*) were 520 *riels* per kilogram (US\$0.13 per kilogram or US\$130 per tonne). For fragrant varieties the standard market price in Pursat increased to 550 *riels* per kilogram (US\$0.1375 per kilogram or \$137.50 per tonne). With the additional CCRD price premiums of five (US\$6.875), ten (US\$13.75) and twenty per cent (US\$27.50) per tonne, depending on organic status, farmers appreciated the extra cash at sale time. However, the additional dollars were not significant increases in farmers' incomes especially after higher labour costs and other additional costs were factored in.

Furthermore, involvement in the project had left some farmers more reliant on the rice bank that the project had established. For some households surveyed, rough calculations showed an apparent paddy deficit at the household level as a result of project involvement. To increase the reliance of poor farmers on an organisation that did not appear to have the best planning skills, to ensure their food security, all for the sake of supplying organic fragrant varieties to western markets was hardly beneficial. The cooperative structure implemented by donors focused economic sustainability efforts on the cooperative itself, not on the farmers. In conflating the cooperative's sustainability with farmer sustainability, the focus remained squarely on the export of certified organic rice to western markets rather than on improving farmer livelihoods.

Under conditions of resource scarcity, there is logic to rice production in subsistence-oriented societies that works to maximise yields, avoid risk and build food security through surplus production and patronage networks. It is a logic that does not readily extend to high quality commodity production. Had a more thorough and informed assessment of farmer livelihoods and sustainability in Pursat been undertaken prior to project implementation, the sense of expecting poor resource-constrained farmers, without the necessary technologies to produce quality organic rice for advanced markets, may have been questioned. However, the project was propelled not from a bottom-up concern for farmer livelihoods but from donor responses to new funds available for organic rice projects.

***Marketing Organic Rice - An Exercise in Trade Facilitation***

Despite the questionable beneficial impact on farmer livelihoods, CCRD proceeded with the next phase of the project, organic certification. In order to market Cambodian organic rice in high-value European and North American markets, organic certification is necessary. Organic certification and labelling practices place the onus of meeting quality control standards on producers. In order to gain certification, farmers must adhere to a strict Internal Control System (ICS). Administered by one trained internal inspector per village the ICS details information regarding farmer production methods (conversion status, inputs used, field identification, expected yields, compliance with organic standards and rice varieties). However, organic certification is expensive because certification bodies are established and run solely by the countries that impose certification requirements. For European compliance, a qualified European certification officer representing an official organic labelling organisation must be paid to survey the farmers once a year. Costs for these certifiers are high, and include all accommodation, travel, food and translation costs in addition to certification costs. The certifier examines the ICS records and then takes a random sample of participating farmers to test for chemical residues. If one farmer fails, the whole association fails. The CCRD farmers received organic certification that complied with European Council Regulation 2092/91, the United States Department of Agriculture (USDA) and the United States National Organic Program (NOP) organic standards (Geoffroy 2006). The German bilateral donor GTZ, who had established other organic projects around the country, paid for the organic certification costs of all organic farmers in the country, including the Pursat

farmers. The total cost amounted to US\$10,400 annually. Out of this CCRD's farmers' share was US\$2300 or roughly half of the total premium payment to all CCRD organic farmers. This cost was well above what CCRD could affordably pay alone. So although the price premiums in western markets can be lucrative, there are high barriers to entry for small producers and Third World cooperatives that are unlikely to be overcome without continued donor support.

In addition to organic certification and labelling, donors decided it would also be advantageous to seek fair trade labelling thereby allowing the cooperative to access additional price premiums of up to 20 per cent. Yet this goal was thwarted, not by high costs but this time by poor management, staffing issues and conflicts between donor staff and the cooperative's Managing Director. In order to achieve fair trade certification and expedite the export of already certified organic rice to pre-arranged buyers in Canada, Oxfam Quebec funded the placement of a Livelihood Specialist and a Marketing Consultant. The Livelihood Specialist was expected to live in Pursat province to assist CCRD staff and ascertain the requirements for fair trade labelling. However, when confronted by the rustic and isolated conditions of Pursat, the consultant returned to Canada after one week. This left the Marketing Consultant, a London School of Economics graduate of Development Studies, who had volunteered to come to Cambodia to fulfil the all-important fieldwork experience crucial to finding future paid employment in the development industry. Her task was to facilitate the export of the first fully certified organic rice, investigate and gain fair trade status for the cooperative's rice and ensure the overall success of CCRD's organic rice project.

This work included establishing a marketing plan, encouraging CCRD to draft a business plan, basic training in accounting, liaising with the other donors, and paying CCRD staff salaries. Eventually, another Livelihood Specialist was hired, on a part-time basis. This was an expatriate who had previously worked with the cooperative. Although he received a salary and free housing in Phnom Penh for this work, I never once met him during my fieldwork. I was informed that he had had a falling out with CCRD's Managing Director whom he had accused of 'wasting his time' when approached over queries regarding the draft business plan. After that the two men refused to work together. Furthermore, the Managing Director began casually mentioning his own close ties to the ruling CPP, and hinting that he might leave the cooperative to pursue fame and fortune in Hun Sen's executive office. If the point of such name-dropping was to intimidate his expatriate 'partners' working for Oxfam, this was clearly lost on them and the feud continued. Thus, with quarrelling co-workers, with no form of transport (the truck had been given to the Managing Director), no formal office, and on volunteer wages, many of the tasks of the day-to-day running of the cooperative fell on the shoulders of the Marketing Consultant, who regularly caught the five hour bus to Pursat to dole out staff salaries and administration costs whilst extolling the need for the cooperative's eventual financial 'sustainability'. With such mixed signals — exhortations of the need to be more business-like set against a donor representative arriving with envelopes stuffed with cash— the development impasse appeared ever wider. Hushed debates in donor circles ensued which sought to reconcile their positive enthusiasm for the capacity of organic rice to assist farmers to trade their

way out of poverty with the creeping sense that the gift-like relations in which they were embroiled with CCRD would ultimately obstruct their efforts.

The collection and assessment of harvested organic rice was also problematic. The only truck owned by the CCRD was old and broke down regularly. The process of checking the rice, ensuring it was labelled correctly and checking moisture content was slow and laborious. For some farmers, it was too slow and those that could not afford to wait sold their crop to Vietnamese traders. This reduced supply. Furthermore, due to heavy rains at the end of the growing season much of the rice was not up to CCRD's required quality. Nonetheless, paddy collection went ahead, but complex discussions with other donors, traders and interested buyers took place over how to process, store, mill, package and transport the smaller than expected paddy harvest.

**Plate 5.1: CCRD rice collection**



Source: Author's photograph.



**Plate 5.2: Transition year 2 rice bags**



Source: Author's photograph.

The first issue after paddy collection was how to store the paddy to keep it dry and safe from pests. True to their promise to fund infrastructure needed for production activities, donors released funds for the construction of a storage facility. As donors had demanded that CCRD relinquish its lease of the 'Oxfam' office, this rental was cancelled and a storage house was constructed. To me, however, the 'storage house' looked very much like an office.

Another donor, German Agro-Action, paid for the construction of a brand new mill to ensure organic rice remained organic during milling and to help the cooperative add value to the organic rice. The mill was a large commercial one but given the small volume of organic rice it ran at a continued loss. In order to achieve economies of scale and mill enough rice to ensure profitability, the project had to mill additional non-

organic rice under contract. For this, the machine needed to be cleaned entirely after milling to maintain organic status. This added to costs. In addition, the mill was run in order to produce international quality milled rice. Unlike other local mills it produced a high level of unbroken whole rice grains or 'head rice'. This made it uncompetitive with local mills that charged a small milling fee and kept broken grains, bran and husk for sale on the local market. It was therefore within their interests to mill the rice 'clean', removing as much bran as possible while also breaking the rice. With its high quality equipment, the CCRD mill produced high proportions of unbroken rice and less bran thereby leaving less broken rice and bran to sell on the local market. In order to mill non-organic rice under contract profitably, the mill needed to switch to lower quality milling methods that produced more bran and less head rice. Thus, while in theory the mill was consistent with donor principles of value-adding and technical assistance, in practice it was too large and sophisticated for the local market context.

**Plate 5.3: The CCRD rice mill**



Source: Oxfam America.

Adding further value to the milled rice was also a concern. The donors reasoned that if the milled rice could be packaged according to buyer preferences, this would add further value and place the cooperative in good stead towards fair trade certification. Fair trade organisations promote additional value adding in the producer country where possible, arguing that the more value adding processes that stay in the producing country, the fairer the trade. Thus, the Marketing Consultant investigated vacuum packaging machines. However, such machines had to be imported and there were no service guarantees if they broke down. Furthermore, there was no readily available source of bags for packaging rice in order to meet international export standards. The idea was abandoned.

The harvest of 2004 produced no fully organic rice, only transition-organic rice and therefore, no international market willing to buy it. This harvest was sold to an organic agri-business company, newly established by an ex-Food and Agricultural Organisation (FAO) consultant from the United States who had been previously involved in the implementation of Integrated Pest Management (IPM) throughout Cambodia. He reportedly borrowed money from a bilateral German donor, GTZ, in order to purchase the rice. This deal was negotiated between foreign consultants and the rice was milled at CCRD's rice mill under the supervision of the AusAID-funded, AQIP post-harvest team, which was hired by the organic agri-business company under contract. The rice was then packaged in Phnom Penh and distributed to tourist hotels and high-end supermarkets in Phnom Penh and Siem Reap. Given the small size of the Cambodian organic market, much of this rice was left unsold. The deal left the cooperative out of pocket, as monies owed for the rice were left unpaid by the agri-business company.

The donors were eager not to repeat this mistake and to claim the title of being the exporter of Cambodia's maiden shipment of internationally certified organic rice. The marketing of the 2005 harvest involved by complex negotiations among the numerous donors who were all striving to make Cambodian organic rice marketing a success. The Marketing Consultant and her counterparts at different donor organisations worked in collaboration for several months to 'facilitate' the sale and delivery of organic rice to western buyers. All negotiations were conducted in English between

western buyers and donor representatives. Despite their supposed harmonious approach, the various donors involved all pursued different strategies.

One strategy by the larger, more powerful bilateral agency, GTZ, was to form the ‘Cambodian Organic Farmers Association’ and combine all organic marketing efforts under a ‘public’ organic rice brand to be sold in Cambodia through approved channels. Everyone who grew certified chemical free rice in Cambodia could market rice under the brand name: Saravan. This association included: the Pursat cooperative, an organic farmer cooperative in Battambang previously supported by the Danish International Development Agency (DANIDA) now abandoned, GTZ’s organic projects and other farmers trained by a French organisation. The creation of a ‘public’ rice brand for organic rice clearly violated the common logic for creating a brand in the first place. The primary reason to create a brand is to imprint on a product a clear mark of ownership and distinction, in order to create private value not a public good. Branding seeks to create value through associating a corporate logo or symbol with specific characteristics such as quality, uniqueness and experience, thereby setting a product apart from others. Nevertheless, in the name of ‘participation’ aimed at creating a collective sense of ownership by organic rice farmers from all around Cambodia, farmer representatives from different provinces were regularly ferried back and fourth to GTZ’s Phnom Penh office to pick out label wording, designs and bag colours. This proved a time-consuming and laborious process given the general reluctance to participate and tendency towards silence that most Khmer farmer representatives display when placed outside of their comfort zone, such as within the corporate-style boardrooms of the

German bilateral donor. Eventually an identity was crafted which comprised more emblems of donor identity than of Cambodian organic rice growers, as evidenced in Plate 5.4, a brochure for the rice which contains the logos of six donors.

Plate 5.4: Saravan rice brochure



Source: Oxfam Quebec.

Saravan was marketed by the GTZ sponsored National Marketing Co-ordinator, a locally engaged marketer who eventually organised the sale of organic

transition rice (not suitable for export) at selected upmarket outlets, supermarkets and market stalls, such as Lucky's and the tourist market, Psar Cha in Siem Reap. This rice was labelled and packaged so as to compete with local rice prices. As such, much of the rice was sold well below the price of packaging and branding and was of variable quality, given the lack of vested interest by any one group to ensure brand consistency. This called into question the degree to which organic rice production in Cambodia was more a symbol of donor magnanimity than a serious attempt at commodity marketing.

Collective marketing, however, was not in the interests of CCRD. With their large-scale donor-funded mill, the Marketing Consultant pushed the cooperative to find a way to ensure that not only their paddy, but all organically certified paddy in Cambodia was milled in Pursat, to achieve the economies of scale needed to support the mill. However, staff and members of the Pursat cooperative wanted to sell to the same agri-business company they had sold to in 2004. The primary reason for this was that CCRD staff felt socially comfortable dealing with this familiar company, despite having lost money in the previous 2004 transaction. The Marketing Consultant strongly advised against this. Various other donors tried unsuccessfully to convince different Phnom Penh commercial millers to buy the entire crop and export it to donor-arranged organic buyers in Europe and North America. None were interested, however, when they learned that they had to guarantee organic status all the way to the final destination.

At the National Conference on Organics and GMO Free Agriculture held in Phnom Penh in December 2005, all the donors plus the agri-businessman/consultant (who was still under the impression that he could buy the Pursat and other organic rice)

tried to sell the same crop of organic rice several times to the same European organic trade representatives. At the event, display tables were littered with different promotional materials for Cambodian organic rice suppliers: GTZ's Saravan, the organic agri-business, CCRD and the DANIDA-abandoned Battambang organic rice producers association, all of which claimed to be potential suppliers of the same rice stocks. Collectively, the cross-purposes of these organisations served to create a mirage of abundance and diversity of suppliers rather than the reality — abundant 'trade facilitators'. However, none of the donors, 'suppliers' or other associations was either mandated or capable of the key requirement to export rice, that is, the capacity to take on, manage and absorb the financial risks associated with rice trading. No one was willing to buy the rice and sell it to organic traders who had agreed to buy the rice. Much to the chagrin and bewilderment of Khmer farmers and onlookers, the obvious appearance of wealth and willingness to pay by western donors only extended to 'capacity building' or 'facilitation', not towards their stated goal of exporting organic rice. Unwillingness to bear such risk was, of course, justified in the name of 'sustainability', a term, which for all its evocations, became increasingly narrowed to the financial sustainability of donor sponsored projects.

The incapacity of donors, either single-handedly or collectively, to ensure the sale of already harvested rice appeared even more nonsensical, given the charitable attitude of the organic traders. The organic traders present at the conference were known to have taken low quality rice shipments from Pakistan which, when unloaded, was



found to be infested with bugs. At the conference it was stated by one trade representative that

there was a sample of rice sent from Cambodia two years ago and it was terrible. This rice doesn't stand a chance. No one is waiting for a new fragrant rice variety from a little country. But we will try to market [it] out of social responsibility.<sup>36</sup>

Social responsibility or not, quick cost calculations made by the Marketing Consultant showed that Cambodia's organic rice was highly competitive. Prices for paddy and milled rice were lower than the cost of the Pakistani shipment. This once again proved that Cambodia could indeed theoretically supply organic rice at competitive prices to international markets. With this optimism in mind, the Marketing Consultant decided that it would be best for CCRD to buy all the remaining organic rice in Cambodia, not already sold under the Saravan label, and mill it in Pursat, thereby taking advantage of the mill's existence.

However, CCRD did not have enough money to do this without taking out a loan at very high interest rates from the only available rural credit provider in Cambodia. Furthermore, foot-dragging on behalf of the Managing Director meant that CCRD had not, in fact, registered as a cooperative and still maintained the legal status of NGO, which could not under law use its assets to borrow money. Eventually, some cash from CCRD, a grant from German-Agro Action and a loan against a CCRD employee's assets were pooled to purchase the rice. There was strong resistance from some cooperative farmer members to taking on debt. They continued to perceive the cooperative as a donor-funded local NGO and questioned why the donors could not just give the cooperative money, as they had done in the past. After some wrangling and

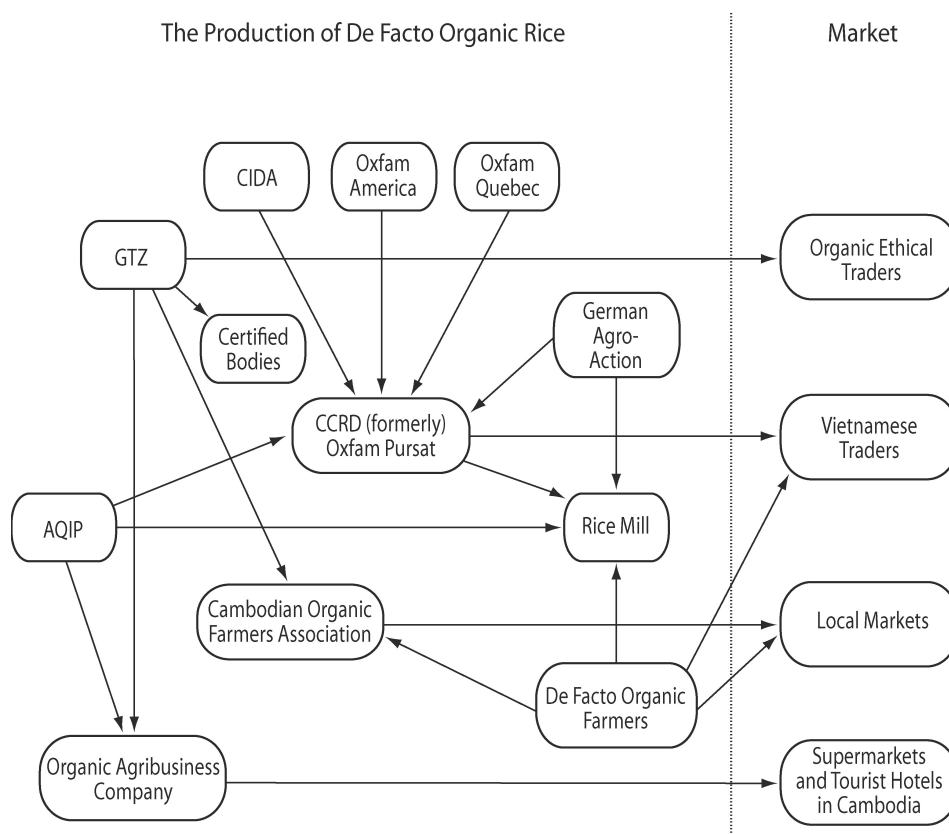
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<sup>36</sup> National Conference on Organics and GMO Free Agriculture, Phnom Penh, December 2005.

negotiation, the loan went through and the donors collectively decided to install two ex-World Bank business consultants to help the cooperative to devise, finally, a proper business plan. In return, donors promised that if CCRD accepted the consultants, had a business plan and generally behaved in a more business-like manner, this would give the donors confidence and they would pledge more money to support the cooperative.

The cooperative purchased all the remaining organic rice from all the other provinces in Cambodia. This amounted to 161.3 tonnes of fully organic rice and 105.9 tonnes of transition rice. Meanwhile the business plan was completed. The plan stated that, given the implementation of new procedures and cost-cutting measures, the cooperative could become sustainable in 18 months time. The Managing Director of CCRD was emboldened by the business plan. Being the only person at CCRD who could read the English-worded plan, he was able to convince the farmer-comprised Board of Directors that the consultants had said the cooperative could be financially sustainable immediately. He convinced the Board that they no longer needed the donors. He then wrote to all the donors thanking them for their help but informing them that it was no longer needed. Cambodia's entire organic rice crop of 2005 (partially subsidised by donors) was sold to Vietnamese traders arranged by the Managing Director (who came from a border province and had good trade contacts). The hopes of all donors to fulfil their annual milestone reports of being the first to export certified organic Cambodian rice were dashed.

**Figure 5.4: Aid/organic rice value chain**



Source: Author.

### ***Organic Agriculture in Cambodia***

Given the questionable benefits to farmers, and the difficulties encountered in exporting such a small amount of rice to such faraway markets, it is necessary to ask why there was such a great deal of support for organic rice production in Cambodia? While no formal organic policy was in place in Cambodia at the time of research, organic agriculture was variously supported in a scattering of government strategy documents including the National Poverty Reduction Strategy Paper (2003), Rectangular Strategy

for Growth, Employment, Equity and Efficiency (2004) and other key over-arching ‘development’ documents (Makarady 2007). More specifically, rice production and export was listed as a key strategy of the Cambodian government’s Ministry of Commerce to support wider agricultural trade and development. The Ministry’s National Export Strategy for 2006-2007 notes

our vision is to develop the organic rice sector to further enhance economic growth in Cambodia as a whole, to generate employment opportunities for the land-less and to reduce poverty among the rural population and improve the wellbeing of farmers (Ministry of Commerce 2006: 58).

The report estimates Cambodia’s national surplus paddy for 2004-2005 at approximately 650,000 tonnes, a small amount by international standards. For example, the world’s largest rice exporter, Thailand, exported eight million metric tonnes in the year 2003-2004 (USDA 2009). By most estimates, the majority of the Cambodia surplus — 500,000 tonnes — was traded informally as unprocessed paddy across Cambodia’s borders to Thailand and Vietnam (Boreak 2001; Kurczy 2008; Ministry of Commerce 2006: 57). This is such a small volume of paddy surplus relative to other rice producing nations (even non-traditional producers export more rice than Cambodia). Uruguay exported 750,000 tonnes in 2003 to 2004) (USDA 2009). Cambodia is unlikely ever to hold a commanding presence on conventional international rice markets. Thus, a number of influential multilateral and bilateral organisations<sup>37</sup> recommend that Cambodia seek out higher value, niche markets, such as organics, for its relatively small surpluses.

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<sup>37</sup> These include the International Trade Centre (ITC), an arm of the World Bank and the International Monetary Fund (IMF).

Cambodia is perceived to have a competitive advantage in niche organic rice markets for several reasons (McNaughton 2002; Makarady 2007; Perera 2005; Rozenkranz 2005). Firstly, as a poor, predominantly rice-producing country, it is believed that many farmers already produce *de facto* organic rice crops, although exact numbers are unavailable. Many farmers are unable to invest in productivity-enhancing equipment or purchase chemical inputs that may increase yields. Secondly, rural labour is seen as an abundant resource. Thus, many believe that the higher labour requirements associated with organic rice production could absorb excess rural labour. Given the low cost of labour relative to capital in rural Cambodia, the National Export Strategy states that conversion to organic rice production is relatively inexpensive compared with the investment required to move farmers towards ‘modern’ rice production techniques (Ministry of Commerce 2006). Thirdly, the promotion of Integrated Pest Management (IPM) in Cambodia, by the United Nations Food and Agriculture Organisation (FAO) and other aid organisations, is assumed to have impacted on farmers’ behaviour, and it is generally believed that many farmers would abstain from chemical inputs even if they had access to them.<sup>38</sup> Overall, organic proponents in Cambodia hope that the country may skip the ‘productivist’ agricultural phase (modern, industrialised production epitomised by the Green Revolution) and move straight to ‘post-productivist’, organic cultivation.

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<sup>38</sup> A key argument for the promotion of organic production in Cambodia has been the continued problem of illegally mislabeled dangerous farm chemicals such as DDT imported from neighbouring Thailand and Vietnam. A report by the French organisation Centre d’Etude et de Development Agricole Cambodgien or CEDAC in 2004 details these issues.

In the term ‘post-productivism’, some or all elements of conventional or ‘productivist’ food systems are rejected on the principle of sustainability (Watts et al. 2005; Wilson and Rigg 2003). Productivist systems are interpreted as environmentally destructive, predisposed to economic concentration in the hands of fewer and fewer wholesale and retail giants, and socially malignant — displacing small farmers in favour of large-scale plantation production. By contrast, post-productivist practices include organic production, local or community-based agricultural projects or associations and direct and/or fair trade marketing and labelling. These activities seek to provide alternatives to what is perceived as dominant and destructive production, marketing and consumption patterns in conventional agro-food systems.

Wilson and Rigg (2003: 682-683) outline several characteristics typical of post-productivist systems including: a) a reduction in farming intensity through extensification, diversification and dispersion of agricultural production; b) increased ‘consumption’ of the countryside resulting in greater contestation over its use and meaning; c) widening of the agricultural community to include formerly marginal actors, such as NGOs, at the core of the policy-making process; d) a weakening of the state’s role in policy-making; and e) farming techniques that reduce or abandon the application of external inputs (for example organic farming).

The distinctions made between productivism and post-productivism resonates with the false dichotomy of gift/commodity exchange. Productivism, on the one hand, is viewed as the inevitable, yet ultimately unsustainable outcome of unbridled commodity exchange characteristics of the developed world and capitalism. Post-productivism,

however, represents an attempt to reinsert ‘morality’ into the market, through attempting to incorporate a range of other social and environmental values, beyond market values alone. Similar to the false binary of gifts and commodities, the distinction made between productivism and post-productivism is often presented as an either/or dilemma. However, productivism gives rise to post-productivism and both systems of production tend to co-exist or even complement each other. Today, few if any nations, communities or people rely solely on one form of agriculture to sustain them. To reiterate, multiplicity and “impurity is the rule” in procuring daily sustenance (Callon in Morgan et al. 2006: 18).

The Cambodian government, along with other development industry analysts, notes that skipping agricultural ‘productivism’ is feasible despite a long list of acknowledged obstacles. For example, the National Export Strategy’s analysis lists six strengths for organic production: productive land, market access, an entrepreneurial business sector, under-utilised value and specialised rice varieties. However, these strengths stand against 16 weaknesses, ranging from basic infrastructure to economic and social constraints, in addition to administrative and market barriers (see Appendices 5.4 and 5.5). The ambitious plan to launch Cambodia’s rural development through organic exports to international niche markets is certainly not a simple path for a country categorised as ‘least developed’ and therefore grappling with building a basic supply chain infrastructure. Wilson and Rigg (2003), however, contend that the development of food chains should not necessarily be seen as a simple linear process of moving predictably through the stages of pre to post-productivism. They argue that least

developed countries can successfully import post-productivist systems and ‘leapfrog’ the productivist stage, given a clear and accurate understanding of the values, meanings and definitions surrounding such a transition. On the other hand, Watts et al. (2005) note that fair trade and organic food that is not consumed locally, generally requires the same spatially dispersed and co-ordinated supply chains that are usually associated with conventional food systems. Thus, under conditions of production for export, these ‘alternative foods’ often require conventional food supply chain infrastructure to become economically viable. Hence ‘leapfrogging’ from subsistence production into high value international niche markets, while not impossible, is certainly exceedingly difficult without extensive pre-existing trade institutions and infrastructure. Donor ‘trade facilitation’ is a poor substitute for the existence of core trade infrastructure.

While the discourse of organics and fair trade projects appears to offer hope by way of innovative niche marketing, the key question remains as to whether post-productivism offers a path beyond the status quo of subsistence farming and poverty. In this project, *de facto* organic farmers were left primarily as *de facto* organic farmers with limited on-farm organic matter, no irrigation or livestock assistance and price premiums below what is needed to encourage farm productivity investment. In short, the approach taken by these donors was one that championed poverty and subsistence and offered a premium for it. This approach seemed largely to find favour with the cash-strapped Cambodian government which states that, because many Cambodian villagers are already *de facto* organic and as organic rice production requires less external inputs, it is a cheaper way to develop the rural sector than following the conventional approach



of modernisation via external inputs. Support for such low-input farming in Cambodia is disingenuous, given government promotion of large-scale, productivist agricultural concessions and contracts. Thus, the discourse of post-productivism offers a convenient justification for providing little support to the rural sector while appearing to do something. The many conferences, field days and executive meetings surrounding the promotion of organic rice production in Cambodia which is estimated to absorb 5000 farming households at the most out of a total population of 1.8 million households, is a case in point (Makarady 2007).

The commotion that surrounds the promotion and development of Cambodian organics appears to be uninformed about what are the known pattern of agrarian transition and rural development found throughout Southeast Asia (Rigg 1997: 195; Scott 1976; Walker 2008; Timmer 2005). This pattern is one where off-farm labour contributes to the modernisation of the farm sector via remittances. Off-farm labour, while it represents a loss of labour power on the farm, is a valuable source of cash income to farming households and tends to compensate for reduced labour through capital investment and labour saving technologies such as mechanical pumps, ploughs and chemical fertilisers and pesticides if necessary. Capital investment in small farms helps to alleviate any on-farm labour shortages as a result of off-farm employment through increasing productivity, thereby permitting the further freeing of labour available for the industrial sector. It is this 'virtuous cycle' that increases on-farm productivity and stimulates rural development. Organic premiums running at 20 per cent above market rates of 550 *riels* per kilogram in 2005 are unlikely ever to compete with a

job in the garment factory in Phnom Penh paying minimum wages of US\$45 per month. Even at the height of the 2007 commodity boom, when rice prices doubled, one tonne of organic paddy worth US\$330 would still comprise around one third less than could be earned in a garment factory (US\$540). Given that few farmers even produce one tonne of paddy as surplus, a more realistic figure is 360 kilograms worth US\$99 per harvest.<sup>39</sup> Although much is made of the ability of organic agriculture to absorb Cambodia's apparent excess pool of young labourers, it is not a good strategy for rural development overall.

Because organic rice production is more labour intensive than conventional modern farming, only those with large families and limited off-farm employment options are likely to pursue it, while wealthier better connected farmers find easier ways to farm, thanks in part to remittances. In short, *de facto* organics is the last resort of poor farmers with adequate labour and limited or seasonal off-farm work opportunities and no resort at all for those without those assets. In the Southeast Asian context, it is a strategy that is better suited to an undiversified, autarkic economy with excess labour limited in mobility. This is an absurd thought when one considers Cambodia's recent history.

In terms of value chain interventions for rural development, this case study makes clear, therefore, the need to examine agricultural value chains not only within

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<sup>39</sup> Calculated by 2005 numbers most farmers produce surpluses of 360 kilograms estimated at 650,000 tonnes/1.8 million households = 0.361 tonnes. For 2007 figures paddy surpluses are lower. Total estimated paddy yield after post-harvest losses is 5,591,572 – 5349993 (paddy needed for domestic consumption estimated at 1 kg paddy per person per day = 365 x 14,657,515 = 5349993) equals 241579 surplus/2,273,517 households = 0.108 tonnes) (calculated using data from the National Institute of Statistics in Cambodia and RGC's food security website).

their own existing set of organisations and processes but relative to other livelihood options and sectors. The absence of such an examination was a serious failure of this project and many others, which, in an effort to ride aboard the development trend for organic agricultural development, failed to consider seriously the livelihoods of the farmers they purported to help. In order to construct a truly sustainable 'post-productivist' organic rice value chain able to capture the premiums of international markets, both production and marketing constraints require serious and considered investment, as do farmer livelihoods. Failing that, organic rice promotion is an empty policy with questionable motivations.

***Conclusion — Marketing Charity Through Ethical Commodities***

For NGOs and donors, ethical commodities symbolically address trade injustices between First and Third Worlds in such a way that appears in harmony with the environment and social concerns. However, alternative trade structures do little to ameliorate the power dynamics of existing informal cross-border trade which overwhelmingly dominates Cambodian agricultural commodity networks. The trade networks imposed by donors operated primarily along their own ethnic lines; deals were negotiated between foreign aid workers and European or North American traders and as such they were inherently socially unsustainable. No marketing capacity building took place to train Khmer staff to maintain imposed trade linkages with European or North American organic buyers. Donors tended to ignore existing dominant trade networks and relations between neighbouring countries as they were perceived to be low value and difficult to understand and deal with. Overall, there was a tendency to overstate the

importance of western values and markets to ensure the livelihoods of poor Cambodian farmers, while other trade avenues or rural development options were left unexplored. Why was the presence of Cambodian organic rice on western supermarket shelves (and not Vietnamese ones) of such vital importance? In this case, it obviously has far more to do with western consumers and donor requirements than farmer needs.

Within developed countries the organic and Fair Trade market sectors are undeniably associated with consumers of upper-income socio-economic brackets (Marsden 2001; Morgan et al. 2006) which equates the ethics of social and environmental sustainability with that of superior taste and moral righteousness. Here gifts and commodities are fused on supermarket shelves. Consumers in this sector pay higher price premiums for ethical products, which demonstrate, by way of labelling, a concern for the poor and the environment. While roots of alternative commodities may lie within the common fears of food safety and the risks of industrial agricultural production, a public concern for decreasing diversity and even a leftist agenda of de-commoditising food chains, within the ethical market such values may only be afforded by a select minority. The consumption of ethical products has not only become a cultural marker connoting wealth, high social status and morality, it has been conflated with superior taste and refinement. Consumers in this market seek out regional ‘artisanal’ food in the belief that if the provenance is known then so too the production process is known and this is thought to have a bearing on taste (Marsden 2001). This results ultimately in the paradox that peasant production methods once maligned as ‘backward’ are now considered gourmet. Consequently and somewhat perversely,

romanticised images of Southeast Asian peasant rice production and subsistence lifestyles are perpetuated by the same consumers that seek to help them ‘trade out of poverty’, by paying a price premium mediated by INGOs.

Furthermore, the presence of such products, marketed through NGOs and lining the shelves of fair trade shops and selected supermarkets, works to translate foreign aid efforts as noble, worthwhile and successful. More specifically, it helps to interpret NGO-constructed trade relations as benevolent rather than bumbling. It encourages First World awareness of aid projects and potentially further donations towards NGO activities. It helps NGOs to be seen to be more than just charities but smart business-minded people with a heart, whilst capitalising on and reinforcing romantic and unrealistic notions of Third World rural farming communities. In doing so, ethical trade imposes high standards of compliance on poor producers and, in a marketing twist, transforms this practice into a form of benevolence on behalf of western consumers (Hughes 2005). Thus it seems apparent that much of the rise in ethical consumerism may be more about making First World consumers feel better as moral donors and consumers with refined tastes than providing real benefits to poor Southeast Asian farmers.

Ethical trade systems such as fair trade and organic production in developing countries respond to the development impasse through attempting to reconfigure the *structural* inequities of conventional agro-food systems. Yet in doing so alternative trade necessarily enrolls aid agencies and their attendant gift relations. Gifts are passed through donor created trade networks that conflate farmer sustainability with project

sustainability. As such, they tend to ignore the true driver of rural development and poverty reduction — symbiosis between on-farm and off-farm employment — and instead attribute the transforming power of development to their own donor-created projects.

## Chapter Six

# Gender and Vegetables

*In this country it is the women who are concerned with commerce...every day, a market takes place which begins at six in the morning and ends at noon. There is no market made up of shops where people live. Instead people use a piece of matting, which they spread out onto the earth. Each has her own location and I believe that fees are charged for these locations.*

Zhou Danguan Chinese emissaries to Angkorean thirteenth century in Chandler 2000: 74.

Fresh fruit and vegetables give rise to different food chains than those associated with high bulk, low value and storable grains such as rice. Seasonality, perishability and quality demands of fresh vegetables are associated with higher levels of production and marketing knowledge, coordination and information throughout the chain in order to meet market demands for quality and freshness. This chapter examines two fresh vegetable projects, each of which represents distinctly different approaches to fresh vegetable commodity chain development. The first project, Human Resource and Rural Economic Development Organisation (HURREDO) was a local NGO, established in 2000 and run by a former government agricultural extension officer. As one of the first projects working in the area of vegetable production and marketing in Siem Reap, the project initially attracted a great deal of donor interest and received several large donor grants but eventually fell out of favour with donors when results were not forthcoming. The second project was a small component of the AusAID-funded Agricultural Quality Improvement Project. This component worked initially to improve the production capacity of existing vegetable producers and then focused strongly on improving post-harvest and

marketing practices of predominantly female vegetable traders. Although successful in its aims, the component did not find wide support among the donor community in Cambodia.

What these two case studies highlight is how development organisations, drawing on horticultural development literature, tend to assign fresh fruit and vegetables as the medium through which gender equity is achieved. The preconception that fresh fruit and vegetables are a ‘women’s activity’ fits well within gender and development discourses. This works to legitimate donor giving to fresh fruit and vegetable commodity production. In addition, value chain literature often overstates distinctions between producers, traders and consumers and then identifies power in agricultural commodity chains as residing with traders. Thus, fresh vegetable producers, not traders, are the preferred beneficiaries. This rationale and the predilection for development projects to work with producer groups, rather than individuals, in the name of pro-poor development works to disenfranchise female traders in Cambodia who dominate petty fresh fruit and vegetable trade. As such, women and their livelihoods tend to be strategically simplified in the category of producer, thereby limiting them to passive group recipients of benevolent, technical assistance.

As we shall see in the first case study, the key role of vegetable trader is often then appropriated by a development project in the name of capacity building marketing ‘know how’. Donors replace female-dominated vegetable marketing chains with donor-constructed commodity chains in the name of charity. Donor-sponsored vegetable projects often erect marketing outlets and distribution channels



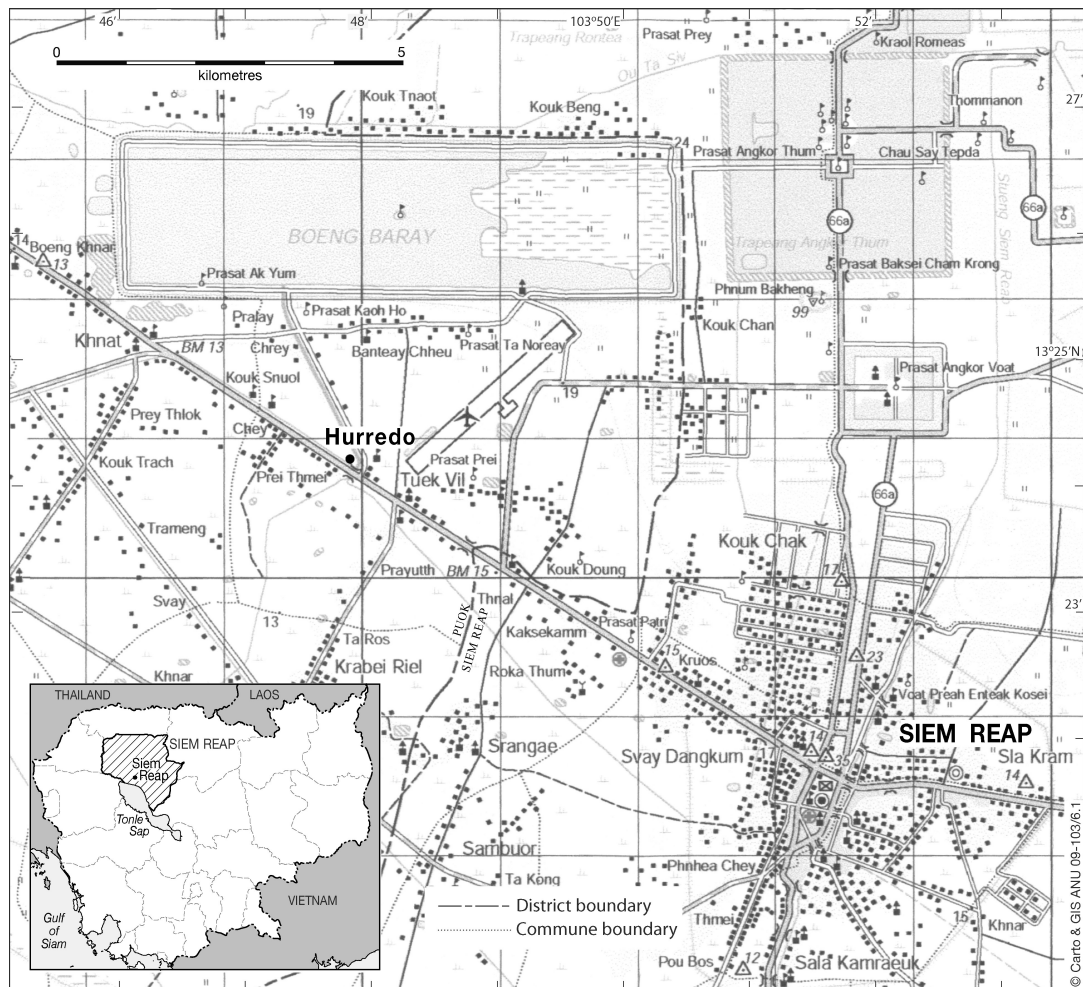
themselves under the assumption that the poor, and more specifically poor women, need to be helped to trade their way out of poverty. Such projects tend to find support due to their emphasis on the lowest rung of the supply chain and are lauded as pro-poor. Their high level of visibility, via donor-branded demonstration farms and shops, is also an advantage, since efforts aimed at women in their multiple roles as producers/traders/retailers/consumers remain largely imperceptible and inconvenient to donors and their needs to make obvious their charitable assistance.

Such forms of assistance reproduce the development impasse insofar as they assume that the poor and disadvantaged are locked out of the market, or if engaged in the market, are subject to exploitative conditions by unscrupulous traders, necessitating the need for donor-led public marketing. The poor and disadvantaged, in particular poor women, are usually supposed to exist primarily within the private, non-market sphere of the home in gift or subsistence-oriented economies. Pro-poor efforts aimed at women therefore aim to empower women out of the private sphere and into the public sphere of the market via collective production and marketing. However, these categories of private and public are not ones that necessarily resonate in Cambodian society. The reality is that, in Cambodia, women tend already to be engaged in trading as part of their duty in maintaining the private sphere of the home; efforts towards collective/public production and marketing undermine their crucial role as petty traders and therefore their ability to provide for their families.

### Case Study One: HURREDO Project Description and Aid Chain

In 2000, HURREDO established a demonstration farm located at Tek Village, in the Pouk District of Siem Reap, near the Siem Reap International Airport and close to an ancient water canal fed by an Angkor era water reservoir (*baray*).

Figure 6.1: HURREDO Siem Reap



Source: Cartography and GIS, Australian National University.

The aim of the project was to assist small rural producers in Pouk District to grow organic vegetable varieties to supply to the hotel market of Siem Reap, with HURREDO SIEM REAP as market facilitator and trader. The burgeoning tourist market of

Siem Reap was viewed by many in the agricultural development community as a great opportunity for poverty alleviation, whereby poor local farmers could supply high quality vegetables to high-end hotels, thereby accessing the kinds of premium prices usually only reserved for the most sophisticated producers and suppliers. In 2006, Siem Reap hotels consumed an estimated five tonnes of vegetables per day in the high tourist season, approximately half of which were imported (EIC 2006: 17).

Initially, the project aimed to assist 250 people who were conveniently organised into 25 groups of ten. The project reported that over 60 per cent of these people were women, with many participants suffering from physical disabilities, social dislocation and family trauma. The remaining 40 per cent were comprised of households which contained demobilised soldiers and other disadvantaged or poor farmers (HURREDO 2003). Other indirect beneficiaries were said to be an estimated 300 farming families living in two villages adjacent to the HURREDO demonstration farm. These people were assumed to have benefited via proximity to the project and their presumed observance of 'proper' agricultural techniques. The project expected to raise incomes of beneficiaries through providing technical assistance and training to farmer groups. Produce was to be transferred to the demonstration farm where additional vegetables were grown. The project then planned to store all produce in a cold room for distribution via market linkages established by the Project Director. The demonstration farm and its facilities were to be run as a cooperative by farmer participants and their families.

The project enrolled the support of various bilateral and international NGO donors to achieve these ends, and spent considerable time writing grants and applying for assistance, eventually amassing a rumoured US\$200,000 in donor support. Donors supplied grants of between US\$2,500 and US\$25,000 per application. Donors also supported the project via training days and educational trips for the project's Director. In addition, the project hosted a number of volunteers from donor volunteer programs including New Zealand and Australia. Much of the assistance appeared to go towards improvement of the demonstration farm. New plots were dug and labelled with donor logos. A truck was purchased and drip irrigation systems installed. An intermittent supply of seeds arrived, courtesy of NGOs and of local chefs eager to support local supplies of exotic vegetables.

**Plate 6.1: HURREDO demonstration plot**



Source: Author's photograph.

### ***Fresh Fruit and Vegetable and Poverty Alleviation***

It is often postulated that the diversification of farmer livelihoods away from cereal monocultures and into high value products such as fresh vegetables can play a significant role in poverty reduction through addressing the multi-dimensional aspects of poverty and disadvantage (Ali 2008: FAO and World Bank in Dorjee et al. 2003: FAO 2004b: Weinberger and Lumpkin 2005). Vegetable production is thought to provide sustainable growth and poverty reduction in a number of ways. First,

growing a variety of crops increases on farm agro-biodiversity thereby creating more resilient farm systems (Gari and FAO 2003). Diversification is also believed to improve food security for farmers over the different seasons, as opposed to relying on one major harvest per year as with rice. Increased crop diversity may increase household nutrition which is especially important for more vulnerable household members including children, pregnant mothers and the aged.

Beyond the farm gate, marketing fresh fruit and vegetables has one very important advantage — income. Fresh fruit and vegetables are generally defined as high value agricultural products along with other perishable products including livestock and dairy (FAO 2004b). The higher values attributed to fresh fruit and vegetables are derived from their higher levels of perishability and the degree of specialisation required in production and marketing (Weinberger and Lumpkin 2005: 4). Fresh fruit and vegetable production and marketing are more profitable than cereal production and undeniably linked with commercialised agriculture. Indeed, Dorjee et al. (2003: 1) state that diversification is the first sign of a move away from subsistence, while the second move is specialisation for the market. Thus, fresh fruit and vegetable production and marketing are thought to represent a significant opportunity to increase poor rural producer incomes (Weinberger and Lumpkin 2005; Bass 2006).

Ali (2008) argues that diversification into vegetable production can improve on-farm management practices through improved resource allocation, as farmers who grow vegetables for commercial markets apply lessons of timely and efficient input use throughout their farm systems. In addition, diversification is believed to

spread labour inputs more evenly through the year, and create rural employment opportunities for the landless and disadvantaged. Ali (2008: 12) states that on average horticultural production requires 2.5 times more labour than cereal production per labour days per hectare. The additional employment opportunities created by fresh fruit and vegetable production is thought to be favourable work for women and the disabled; that is to say, it is less physically demanding agricultural work with higher returns (Weinberger and Lumpkin 2005). Overall, Ali (2008) states that the impacts of what he terms the ‘horticultural revolution’ on poverty alleviation are far more effective than the cereal-focused Green Revolution.

However, access to high value fresh vegetable markets is not without hurdles. In order to capture the potentially high values inherent in these markets, products must be high quality, safe to eat, well packaged, consistently supplied and in line with consumer preferences and price expectations (Epperson and Estes 1999). In order to deliver this, a high degree of knowledge and coordination is required throughout the commodity chain from producers to consumer (Ali 2008). First, the fundamentals of fresh fruit and vegetable production must be in place. This means farmers must have access to high quality inputs such as seeds, appropriate land with adequate soil quality, irrigation and labour and in some cases access to specific technology and therefore capital.

Production must then be well planned, implemented and managed. This generally includes staggered production schedules across a growing season of commercial varieties, pest management and mitigation of other environmental

variations where possible. Knowledge of optimal harvest times is also important for ensuring optimal prices. Harvesting too late or too early can affect the final sale price. Harvest knowledge varies depending on the variety grown and consumer preferences.

Appropriate post-harvest practices are especially crucial for highly perishable crops that may quickly deteriorate and lose value. Transportation methods are included in post-harvest practices and damage during transport must also be mitigated. Appropriate packaging and timing is highly relevant and so therefore is rural trade infrastructure. Overall, post-harvest losses in fresh fruit and vegetable production in developing countries are around 40 per cent of total harvests, representing a significant loss of potential income (FAO 2006). Technology is clearly a factor in reducing losses and improving the quality and therefore price of produce. Technological improvements are a function of capital investment and therefore of rural credit.

The degree to which all these factors constrain or enable horticultural production and trade vary depending on the specifics of a given location (Ahmad and Isvilanonda 2003). In many developing countries where complex cold storage processing chains do not exist, commercial fresh fruit and vegetable production tends to favour suitable peri-urban areas (Moustier 2007). The highly specific demands of commercial horticultural production and marketing require a high degree of business nous. According to Ali (2008: 25), the requirements of matching market demand with available farm resources are so complex that “if farmers can successfully manage a



fresh fruit or vegetable farm, they can easily operate a computer shop or any other modern business”.

### ***HURREDO Constructed Vegetable Chain***

In 2003, the marketing of HURREDO vegetables began. At the demonstration plot, cherry tomatoes, lettuces, herbs, capsicums, okra and other varieties were cultivated on heavily ploughed, and, by and large, poor soils. Initially, poorly conceived order forms that listed vegetables by their formal Latin botanical names were sent to hotel chefs. This was a failure and no orders were forthcoming. The recently established Siem Reap Chefs' Association then decided to organise a marketing day in order to explain to suppliers the quality, consistency and varieties needed by hotels. Still little progress was made by HURREDO in marketing vegetables and only intermittent supplies of basil and okra were delivered. Planting schedules were obviously an issue as the organisation often had either too much or too little produce to sell. On several occasions, chefs drove out to the farm to enquire as to what had become of the seeds they had supplied. Some had been stolen by so called 'cooperative' members; others planted on the demonstration plot, but the produce from the seeds left unsold. On one occasion chefs arrived at the demonstration plot to find ripe, high quality cherry tomatoes growing in abundance, a vegetable with high demand in the hotel market. The Project Director however, lamented a lack of buyer interest much to the chefs' frustration. "No one has bought your tomatoes because no one knows they are here," said one chef. Once word of cherry tomatoes got out, all were sold and the hotel chefs eagerly awaited the next crop. However, despite the desire of many hotel chefs in Siem Reap to buy local produce, which when available was cheaper and better

quality, budgetary and purchasing practices of the hotels themselves worked firmly against such efforts.

### ***HURREDO's Existing Vegetable Chain***

Vegetable purchasing by large hotels in Siem Reap is not controlled by chefs but by purchasing officers within centralised Financial Control Offices. Many Purchasing Officers employed in these hotels expect to be paid additional money by vegetable suppliers for allowing them the privilege of supplying a hotel. This practice inevitably inflames the ire of expatriate chefs who see such payments as conflicting with their demand for the best quality vegetables. Some local chefs who had risen through the ranks to the level of Head or Executive Chef in Cambodian-owned hotels supplemented their incomes by establishing their own vegetable supply businesses for their own kitchens. Barriers to supplying hotels extended beyond simple 'rent seeking' behaviour. Hotel payment structures only favoured larger scale suppliers who could manage the risks of produce rejection and the delayed payment schedules that many hotels adhered to (accounts in hotels are typically settled at the end of every month). In addition, much of the produce demanded by hotel kitchens was more consistently supplied by imports from cooler climates of Northern Thailand and Vietnam. Imports also fulfilled demand for exotic herbs, vegetables, and fruit unable to be grown or out of season in Cambodia. Furthermore, many of the local markets carried imported products; few varieties were supplied from local sources close to Siem Reap, with the exception of *kangkong* or water spinach in the wet season.

In this case, the concerns of development theorists that smallholders may be locked out of high value fresh fruit and vegetable markets at first appearance seemed

to be justified. Hotel purchasing systems and market demands for exotic vegetables meant few opportunities for local growers, were they ever to overcome ecological constraints to production. However, the concern held by members of the Siem Reap development community, that masses of smallholder growers were in some way missing out a large and lucrative market, was somewhat overstated.

Overall, the local and hotel markets of Siem Reap, although increasing in size, were relatively small. Some locally owned hotels (owned mostly by Cambodia's top military brass) sourced vegetables from the local wet markets in Siem Reap which were often supplied by traders selling produce from Kampong Cham and Battambang. Larger international hotels imported the vast majority of produce from internationally linked suppliers. An interview with one major international hotel supplier — an ex-UN worker-cum-vegetable trader who supplied herbs, baby vegetables and exotic vegetables from his own farm in Dalat in Vietnam and other Australian, American and French sources — stated that his total vegetable sales to Siem Reap were in the order of 500 to 800 kilograms per week in 2006. This high value produce was all transported into Cambodia by truck from Vietnam. However, the total values of these vegetables was little more than US\$2000.<sup>40</sup> In actual fact, the hotel market of Siem Reap was neither all that large nor lucrative, especially at the high-end of the market. Nonetheless, the aim of local supply to this market continued to transfix donors and government.

To be supplying the limited tourist market of Siem Reap, or the supermarkets of Phnom Penh, was the ultimate mark of vegetable value chain

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<sup>40</sup> Personal communication with vegetable supplier, 23 August 2006.

development achievement in Cambodia. To this end, donors and the RGC justified support for the development of a ‘greenbelt’ around Siem Reap to “enable people in Siem Reap to cultivate vegetables and subsidiary food crops and to raise livestock in order to supply the hotels and restaurants in the province” (Royal Embassy of Cambodia Washington DC 2006). Likewise in many of HURREDO’s proposals the “ever-expanding tourist and hotel market in Siem Reap and its corresponding growing demand for produce” was cited as a good reason to continue subsidising the organisation (Dalton 2006: 17).

***Transformed, Sustained, Abandoned?***

For HURREDO, however, prospects were dim. As a local NGO with little project management or technical skills, accountability was non-existent. Few records of income and expenditure were kept aside from a shoebox stuffed with receipts. No monitoring and evaluation took place, except for the occasional official visit or promotional photo opportunity used by donors in their newsletters (Williams 2007). Over time, donor perceptions of the project began to change and sensing imminent failure, the project’s Director enrolled the support of a foreign-run local NGO, Small and Medium Enterprise Cambodia (SME Cambodia) who agreed to assist the project with strategic direction and accountability needs and to help the Director secure a steady supply of seeds. This NGO soon lost interest, as it too fell out of favour with larger bilateral donor institutions, and, subsequently reinvented itself as a clean energy provider. Continued donor support was vital to HURREDO’s maintenance. The centralised marketing chain from farmers to demonstration plot to hotel purchasing offices was far too cumbersome and expensive for the relatively small

volumes of vegetables being traded from a couple of nearby villages. The management structure too, demanded high overheads that mere vegetable selling could not sustain. It is not surprising that with limited seed supplies, high competition from imports and high barriers to market entry via hotel purchasing officers, the HURREDO Project Director often spent more time writing donor funding proposals and attending conferences and development workshops than actually overseeing vegetable production.

Revisiting HURREDO at the end of my fieldwork in 2006 revealed that it was now using the demonstration plot as a training centre for vegetable production and marketing for the International Labour Office (ILO).<sup>41</sup> Having honed its skills in the art of donor grant proposal writing, in partnership with a volunteer from Australia, the NGO had transformed itself into a consulting firm, oriented more towards capturing donor funding than towards being a serious seller of fresh vegetables, thereby trading up, not through the commodity chain, but rather through the aid chain.<sup>42</sup>

Fieldwork in 2006 revealed that many of the farmers who were once involved in HURREDO were still growing vegetables, as they had done prior to the establishment of HURREDO in the first place. With the collapse of HURREDO as a marketing linkage, farmers were now marketing vegetables themselves and in some cases to large hotels (see Chapter seven). Clearly the idea that farmers needed help to trade their way out of poverty via a central marketing system erected by a local NGO

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<sup>41</sup> A somewhat perplexing activity for this international organisation to be involved in given that it is traditionally involved in protecting industrial workers' rights.

<sup>42</sup> Personal communication with the volunteer, March 2006.

and supported by larger bilateral donors was misguided. Nonetheless, HURREDO continues to exist as an organisation involved in fresh fruit and vegetable ‘development’. It still grows and markets vegetables, mainly from the demonstration plot but sometimes sourced from surrounding farmers, but in a far more flexible manner. Producing and marketing vegetables, however, is not its core business. Instead, donor funding continues to support this organisation as a visible emblem of donor efforts towards improved vegetable production and marketing. It is through marketing its image of an organisation involved in sophisticated vegetable production and marketing that the organisation is able to sell itself to donors, leaving open the question as to whether HURREDO is a producer and seller of fresh fruit and vegetables or a producer and seller of donor proposals and grants. For HURREDO the production and marketing of both vegetables and donor reports are inextricably linked to the sustainability of both activities.

### ***The Importance of Intermediaries in Fresh Fruit and Vegetable Marketing***

Key to the successful marketing of vegetables is a high degree of supply chain coordination. Cook (2000: 3) states, “when demand and supply are more closely coordinated buyers and sellers can work together to stimulate sales, and achieve more consistent volumes and quality”. Fresh vegetable supply chains therefore require closer and more cooperative business relationships than cereals such as rice. Traders play an important role in coordinating supply with demand. Within competitive markets the role of traders in communicating consumer preferences, values, packaging price information and so on, is indispensable. Their role in communicating market intelligence to producers is key to their survival in business

and the ability of producers to access higher prices. In this sense, fresh fruit and vegetable chains are predominantly trader-driven, as traders flexibly source produce from numerous farmers in order to deliver consistent quantities of high quality to the market.

Trader power is not, however, always favourable. In especially poor areas, where limited competition exists, trader collusion may occur (Harriss 1981). Power may be exerted especially in remote village markets where external competition is scarce. Under such conditions producers or local traders may use their market dominance to collude, fixing prices for poor quality vegetables to poor village consumers with few other market options. When higher quality produce enters a market either through improved local production and marketing or through better supply of higher quality imports, collusion is unlikely. Instead, producers and traders tend to work together to improve production and marketing techniques, meet consumer demand and capture market share and values.

Thus, beyond isolated conditions, fresh vegetable value chains tend towards specialisation in production and marketing by dedicated horticulturalists and the commercial traders that link them to markets. Trader power via supply chain coordination is not always stable either; rather it shifts with location, season, quality and farmer. For example, for local traders, buying power is often strongest at the height of a harvesting season, eroding slowly as the season wanes and supplies dwindle. Trader power is improved through flexibly sourcing vegetables from various locations to mitigate the fluctuations of supply associated with seasons. Trading fresh fruit and vegetables across provinces, regions and borders is therefore

essential to maintaining a trader's capacity to support local growers and contribute to competitive fresh fruit and vegetable markets at low prices to poor consumers. Sourcing vegetables from a limited pool of smallholders in one location and marketing through a donor-supported NGO is not.

Aid projects working to assist poor people to trade out of poverty often overlook the importance of existing intermediaries, due to the logic that if intermediaries do in fact exist, they must be part of the reason that poor producers are not benefiting from market access. Aid projects assign themselves the role of intermediary or trade facilitator, often bypassing existing intermediaries, thereby replacing trade chains with aid chains.

### **Case Study Two: Agricultural Quality Improvement Project - Fresh Fruit and Vegetable Component**

Acknowledging the crucial link between producers and traders in fresh fruit and vegetable marketing, the fresh fruit and vegetable component of the Agricultural Quality Improvement Project (AQIP) sought to work with both producers and traders. In the initial project design, however, focusing on traders was not a priority. The original project design sought to work only with producers to increase their incomes to between US\$17 and US\$32 per member per month. This was to be achieved through supporting pre-existing NGOs, similar to HURREDO, with village-based initiatives requiring low levels of investment. Beyond this, the fresh fruit and vegetable component aimed to support fresh fruit and vegetable policy formation and implementation at the national level; assist with the establishment of a Marketing Information System for this burgeoning trade; and build capacity within the



Provincial Departments of Women's and Veteran Affairs to market fruit and vegetables (AusAID 1999).

Implementation of this component began later than the other AQIP components due to the delayed appointment of the fresh fruit and vegetable Marketing Advisor. Once on board, this advisor set about redesigning and scaling back much of the original plans and designs. The establishment of fresh fruit and vegetable marketing information system was scrapped as government counterparts advised that this was already in development with another donor. The goal to assist with formulating national fresh fruit and vegetable policy was also abandoned, as it was declared futile to build the capacity of government counterparts to market vegetables when this should be done in the private sector. Instead, the key focus was redesigned to be fresh fruit and vegetable production groups and marketing agents supported directly by the AQIP project since no suitable NGOs were found. Pre-existing vegetable producers were identified and provided directly with irrigation and technical assistance. These groups then nominated a Group Marketing Agent, usually an existing vegetable producer/trader whom all producers knew and trusted. This agent was provided with comprehensive business development advice, post-harvest training and other marketing tools and tips. In addition, the role of the trader, her costs, risks and overheads were carefully explained to farmers supplying her. Much of the work done in the initial months was on strengthening relationships between farmers and traders.

The project worked with two categories of vegetable commodity chains: provincial local markets and peri-urban markets closer to Phnom Penh. With the

exception of Kandal, the characteristics of vegetable commodity chains for the provinces were fairly similar. Prey Veng, Takeo and Svay Reing (see Figure 4.1) contain small provincial markets. All provinces are located in low-lying rice ecologies, prone to flooding during the wet season, making vegetable production in these months difficult. All provinces are close to borders with Vietnam. Research conducted by International Development Enterprises on vegetable markets in Prey Veng reported numerous physical constraints to production including poor soil, limited financial resources, unpredictable rainfall and a lack of horticultural knowledge. A small number of farmers in these areas engaged in commercial production of specific crops under the encouragement of NGOs. However, imitation by other farmers had led to market gluts and price collapses (Roberts 2006). These provincial markets displayed high levels of price volatility, given that all were subject to rapid over-supply or under-supply depending on the season.<sup>43</sup> By contrast, Kandal province held a greater competitive advantage and more developed and concentrated vegetable commodity chains due to its proximity to Phnom Penh. Kandal is a major source of fresh vegetables for Phnom Penh, supplying approximately 50 per cent of Phnom Penh wet markets with leafy green varieties such as lettuce and choy sum and yard long bean (Sokhen et al. 2004).

### ***The AQIP Constructed Fresh Vegetable Chain***

The Marketing Advisor was careful to select pre-existing vegetable growers with capacity to expand and improve production. All participants chosen had never previously been involved in development projects. This, it was explained, was to

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<sup>43</sup> Personal communication with AQIP Group Marketing Agents, July 2005.

avoid any potential problems associated with farmer preconceptions of NGOs as ‘institutional patrons’. The vegetable growers continued to grow the same varieties of vegetables, albeit with expanded production and better techniques, and sell the vegetables to the same traders they had previously sold to, albeit with better post-harvest techniques. Overall, the ‘improved’ fresh vegetable chains enabled more consistent and stable production due to the provision of irrigation and training in post-harvest. It also ensured the production of safer vegetables due to training farmers in organic production or responsible chemical use. However, due to the low-lying topography of the target provinces, little could be achieved to assist production in the wet season. After all, the provinces had been selected due to their high poverty rates rather than their horticultural suitability. Nonetheless, the project encouraged grower specialisation in the area of highly perishable leafy greens, a market niche in which local growers easily obtained a competitive advantage due to their fast growing, highly perishable nature.

The AQIP fresh fruit and vegetable component was considered a great success by AusAID, farmers and traders alike. Produce increased in quantity and quality, marketing chains improved in efficiency and consumers gained access to better, cheaper and safer vegetables. The project increased producer incomes from averages of US\$115 to US\$886 dollars annually and trader incomes from US\$425 to US\$1476 (ACIL 2006a: 15). The largest and most successful female trader from Kandal averaged gross profits of US\$500 per month in 2005.

Semi-structured interviews undertaken with growers and traders confirmed the project's impact on producer and trade incomes. In an interview with one Group Marketing Agent from Svay Rieng she stated

I sell a larger range of vegetables than most people [at the markets]. Before AQIP I mainly produced [vegetables] for home consumption. I did not sell much but now I have expanded production with the support of irrigation and I grow a lot more now.<sup>44</sup>

She also stated that vegetable imports from Vietnam were not a concern for her business.

Vegetables from Vietnam are only the vegetables that don't grow in this area, cabbage, carrots and long life vegetables. The problem in Svay Reing is that it is quick to be undersupplied and quick to be over supplied. From Vietnam there is a consistency of supply.<sup>45</sup>

Another AQIP farmer informed me that,

Before AQIP we just used to grow the traditional way, but now I have an open mind. Before I had to carry water but now we have irrigation. Before we made around 20,000 *riels* per season, but now we grow three crops of vegetables a year a make 2,000,000 *riels* [US\$500]. Other families who did not join the project grow vegetables but only for eating. The commune chief lives far from here, he only grows vegetables for eating.<sup>46</sup>

Although training farmers in quality fruit and vegetable production and supplyin irrigation provided the foundation for the project, the work with the Group Marketing Agents in managing supply and demand absorbed the majority of the Marketing Advisor's time. The Marketing Advisor met with Group Marketing Agents regularly to discuss marketing and accounting techniques, assist with budgets and sales forecasts and suggest new methods of post-harvest handling. Much of this work included strategising pep talks.

Market power is with the GMAs at this time, customers really need GMAs service at the moment. This is the season that you must do your best. If you have to buy outside the grower groups then do so, this is the season to do it. You need to supply more now and

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<sup>44</sup> Personal communication Group Marketing Agent, 22 July 2005.

<sup>45</sup> Ibid.

<sup>46</sup> Personal communication with vegetable farmer, 22 July 2005.

get even in the dry season when there is an oversupply. In terms of growers you need to keep them as your friends in the dry season as you will need them in the wet season. In the wet season there is more competition and they will sell to others. Use your power to negotiate and say “remember I buy off you in the dry season.”<sup>47</sup>

What the above quote demonstrates is the co-dependent relationship that existed between vegetable traders and producers. It was a relationship where relative power fluctuated between the seasons. This co-dependence was socially embedded in long-standing relationships, based to a large degree on trust. The capacity of the agents to support the grower groups with marketing services was maintained only through the agent’s capacity to source vegetables from other growers if needed. However, the quality of vegetables from growers not trained by AQIP was noticeably lower. As such the Marketing Advisor enquired whether the largest Group Marketing Agents from Kandal would be willing to invest in training more groups in vegetable production.

You could pay trainers to train farmers. Then they would be not an AQIP group but your group. The costs would be approximately US\$500 over 3 months or US\$150 per month to train 20 to 30 farmers in a group on quality vegetable production.<sup>48</sup>

At the time, this Group Marketing Agent sourced vegetables from three AQIP trained groups. With her average income of US\$500 per month, each group was worth about US\$100 to US\$150 per month to the agent’s gross income. But the agent was not willing to make this investment

When I sell vegetables that are not AQIP vegetables I explain they are not AQIP so they are not so good. I only sell vegetables from non-AQIP sources in exceptional cases. The most I would be willing to pay would be US\$100 over 3 months to establish new AQIP groups. An extra AQIP group of 20 to 30 farmers would add 30 per cent more to my income.<sup>49</sup>

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<sup>47</sup> Personal communication AQIP Fresh Fruit and Vegetable Marketing Advisor, 12 August 2005.

<sup>48</sup> Personal communication, 12 August 2005.

<sup>49</sup> Ibid.

So despite the high and quick returns available should this trader invest in creating new producer groups, expansion of high quality fresh fruit and vegetable production was limited without investment by development aid. As a pilot project only, the AQIP fresh fruit and vegetable component could not justify further investment in expanding the supply of an already successful trader.

**Plate 6.2: AQIP fresh fruit and vegetable group marketing agent field trip Kampong Cham August 2008**



Source: Author's photograph.

### ***AQIP Fresh Fruit and Vegetable Component and Gender***

In the wider scheme of the AQIP project, little attention was paid to the fresh fruit and vegetable component. Comprising a mere four per cent of the total project budget, the fresh fruit and vegetable component was over-shadowed by the larger, more politically important rice seed companies (ACIL 2006a). Indeed, the project's

managing contractors commented that this project component was “originally an after-thought”, tacked on to the larger rice seed project as the ‘gender component’ despite the fact that women in Cambodia tend to perform over half of the labour for rice farming. Thus, vegetables were imagined and then presented as the ‘gender sensitive’ component of AQIP. Project managers and contractors were aware of this pretence.

The fruit and vegetable component was added as a PR [public relations] component, in order to have a “gender” component. The Department of Women’s Affairs wanted the component. They think that women are confined or rather dominate fruit and vegetable production, but not really. In rice production and marketing you deal with the whole household. Fifty per cent of the fruit and vege component is female. But women tend to dominate marketing and household finances.<sup>50</sup>

The fruit and vege marketing shouldn’t be there - it is a women’s component but women do most of the work on rice fields and are too busy.<sup>51</sup>

Although the AQIP project consultants and contractors were well aware that fresh fruit and vegetable production in Cambodia was not really all that gender sensitive, the pretence was maintained as it helped the wider project appear ‘gender balanced’ and worked in line with common misconceptions about gender and vegetables in Cambodia.

### ***Gender and Vegetables***

Whether or not fresh vegetable production contributes towards greater gender equity is debatable. A number of studies have noted the trend towards the feminisation of agriculture as men move more quickly out of the agricultural sector than women (Singh 2003 in Weinberger and Lumpkin 2006). Overall, vegetable production requires more labour than cereal production (Dorjee et al. 2003), and as such the

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<sup>50</sup> Personal communication with project consultant, 18 May 2005.

<sup>51</sup> Personal communication with project consultant, 21 June 2004.

responsibility of diversification efforts may fall disproportionately on the shoulders of already overburdened rural women. Thus, the long-term impacts of diversification may instead entrench gender imbalances (Ardrey et al. 2006). This may be especially the case in agrarian societies dependent on the migration of men to find higher paid off-farm employment during off-peak the agricultural production cycle. Off-farm employment is often more highly paid than fresh vegetable production and marketing.

Earnings differentials between men and women are of concern to development agencies, given that women are commonly viewed by these agencies as 'holding the keys' to development. Development reports repeatedly state in their introductory sections the importance of addressing gender imbalances to ensure the efficacy and equity of development impacts. This stems from numerous research findings that demonstrate that improving women's incomes does more for family and community wellbeing than increasing male incomes, due to the fact that women tend to spend a greater proportion of their income on household needs, health, education and child care (Albee 1996 in Ardrey et al. 2006). As the production of vegetables is often perceived as a female activity, the emphasis on diversification into fresh vegetables by donors cannot be understated. Typically, donors see their role as one of empowering poor rural female farmers *vis a vis* community power holders and men through improving female incomes and bargaining power compared with other actors in the vegetable supply chain. So despite the fact that diversification into vegetable production and marketing can, in the long-term, entrench gender inequity, improving



the immediate incomes of female farmers is often cited as a key positive dimension of projects aimed at vegetable commodity chain development.

### ***Gender and Vegetables in Cambodia***

Nesbitt (1997: 37) states that vegetable cultivation in Cambodia is traditionally considered as part of a female's household duties. Although it is true that some agricultural tasks are 'traditionally' assigned to a specific gender — for example, women usually transplant rice — these roles are flexible according to labour availability. In fact, a study conducted by Genova et al. (2006: 6) found that men and women in Cambodia are equally involved in vegetable production, with the exception of part-time work in horticulture that is usually fulfilled by women. So although one could suppose that agriculture in Cambodia is feminised, due to the migration of males to the cities to find work and the demographic imbalance left by the war, migration patterns and demography in Cambodia are rapidly changing. For example, fifty per cent of the population is under thirty years of age, meaning the majority of people alive today were not alive during the war. As such, the number of female-headed households in Cambodia is declining. Furthermore, Cambodia's largest sector of the economy by GDP, the garment industry, has also seen a large exodus of women from rural farming communities into factory work (Davis 2009). Indeed, in provinces close to garment factories one may often observe men transplanting rice. Plainly, labour in agricultural production in Cambodia is fluid and flexible according to gender. Vegetable production is no more a female task than it is a male one. The gendering of vegetable production in the AQIP project as a women's activity transposed ideas about gender and vegetable production that are not

necessarily useful in the Cambodian context. However, women irrefutably play an important role in fresh vegetable marketing, outnumbering men at a ratio of two to one (Genova et al. 2006: 7).

Working with female traders was a key focus of the AQIP fresh fruit and vegetable component. It was for this work that the project received the most attention. It was widely acknowledged among the donor community that the project had increased the profits of female traders and therefore the resilience of vegetable marketing chains from producer groups to market. What was disputed, however, was whether or not this could be interpreted as ‘pro-poor’. Indeed, the project increased trader incomes much more than it did those of producers. For this reason the AQIP approach was contested and often disliked among a number of development organisations that interpreted the strengthening of traders compared with producers as anathema to pro-poor development. The Marketing Advisor’s frustration with the perceptions of the wider donor community was palpable in many of my discussions with him.

The Group Marketing Agents (GMAs) work on commission. But most donors want marketing groups, not agents. With the GMAs we’re creating a market driven model, which is ‘seen as natural’. But other NGOs and donors don’t agree and prefer farmer cooperatives, [including] CIDA, NZAID and the UNDP.<sup>52</sup>

To date, the traditional approach of many donors working in diversification has been farmer-focused and, similar to the HURREDO project, aimed towards improving or even simply establishing vegetable production, often as a means of improving basic rural food security. In such instances, development organisations work to increase production, spreading technical assistance as widely as possible. Methods such as

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<sup>52</sup> Personal communication with Marketing Advisor, 6 June 2005.

train the trainer, demonstration farms, farmer field school days, seed dissemination and other forms of technical assistance are deployed to boost production. Quantity rather than quality production prevails. Early adopters and product innovation are left unrewarded without the concomitant development of marketing strategies. Production-focused horticultural development is, of course, useful in areas where malnutrition is high and markets simply do not exist (Muller 2000). In such places production capacity, rather than rural household income, is the key to household survival. Yet beyond isolated conditions, farmers must market their produce and boost their incomes. Opinions on how this should be achieved vary among organisations and depend on the prevailing institutional perceptions of the rural sector, poverty and development. Depending on the agency, NGO or ruling government's policies, these may take the form, for example, of promoting state marketing boards, collective producer marketing or 'enabling' individual producers and traders (Abbot 1987). The relative success of these approaches depends on the degree to which the chosen approach aligns with existing trade practices and structures. However, in the case of vegetable commodity chains constructed by development projects in Cambodia, rarely do they promote the role of individual traders who often must market both imported and locally grown vegetables in order to stay in business and supply vegetables all year.

### ***The Cambodian Fresh Fruit and Vegetable Sector***

There is a long-standing perception among agricultural development agencies that Cambodia is flooded with cheap vegetable imports from neighbouring Thailand and Vietnam that are of better quality than Cambodia can currently produce.

Development practitioners often lament the state of Cambodian fresh vegetable supply chains as under-developed. The perceived low capacity to produce and market fresh vegetables is often attributed to unfair competition from Thailand and Vietnam, or unfavourable factors of production including seeds, irrigation, post-harvest handling, transport infrastructure, rural credit, market intelligence and business nous (FAO 2006). The potential for production to be increased is often noted, despite the fact that the majority of the population of Cambodia inhabits low-lying lands susceptible to seasonal flooding and 13 per cent of vegetables and 22 per cent of fruit imported are simply not able to be grown in Cambodia (EIC 2006: 19).

Cambodia is simply not capable of growing all the vegetables required to satisfy domestic demand. Imports of fresh fruit and vegetables are needed, despite the fact that total demand in Cambodia is still very low compared with other countries. In order for most fresh fruit and vegetable traders in Cambodia to stay in business, they must source vegetables from both local and imported sources. However, reliance on imported vegetables is often interpreted by development practitioners as against the interests of local producers and the development of the national fruit and vegetable sector overall. I argue that imports are crucial to the survival of Cambodia's female petty fresh fruit and vegetable traders and that imports help sustain these traders when domestic supplies are low, thereby enabling traders to stay in business and continue supporting local growers. Furthermore, small-scale female horticultural traders are in fact more beneficial to the interests of smallholder producers than large-scale supermarket buyers.

Overall, vegetable production Cambodia is seasonal and takes place mainly in the early dry season from November to January when the climate is cooler, soils are still moist, irrigation water more accessible and pest numbers are lower (Sokhen et al. 2004). Vegetable production gets progressively more difficult throughout the dry season as water sources decrease. The hot season, from April until June, presents significant challenges with soaring temperatures and a lack of water. The wet season is equally unsuitable for vegetable production, except for water spinach (*kangkong*), which grows in streams and lakes. Most other vegetables do not grow well during this time (Sokhen et al. 2004).

**Table 6.1: Vegetable Seasons in Cambodia**

Description	Dry Season					Wet Season						
	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct
Favourable conditions	■											
Difficult conditions						■						
Floods						■						
Hot Season						■						
Heavy Rain							■					

Source: Sokhen et al. 2004: 15.

Despite these constraints, vegetable production is estimated to have increased 50 per cent from 320,000 tonnes in 1980 to 481,250 tonnes in 2005, with average growth rates of two per cent per year (FAO 2006 in Genova et al. 2006). The total area under vegetable cultivation in 2005 was estimated at 77,000 hectares, up from 55,000 hectares in 1980 (Genova et al. 2006:1).

Growth in the production and marketing of fresh fruit and vegetable products is specifically associated with rising domestic demand as a result of economic development, urbanisation and rising incomes of emergent middle classes (FAO 2004b; Weinberger and Lumpkin 2005). As incomes rise for some portions of a given population, diet preferences change in favour of higher meat, dairy and fresh fruit and vegetable consumption. The proportion of cheap staple traditional grains consumed, such as rice, typically decreases (Dorjee et al. 2003). This phenomenon

has occurred rapidly in recent years in the Asia Pacific region, including Cambodia. The majority of growth in vegetable production has occurred on small and medium sized farms, which hold a competitive advantage over large farms in vegetable production (Agrifood Consulting 2005: 63).

Top vegetables grown for sale in Cambodia include water spinach, lettuce, mustard leaf, beans, eggplant, cabbage, cucumber and tomato (Chand 2003: 9). With the exception of water spinach, modern production methods are employed for the cultivation of these vegetables. Genova et al. (2006) report that growth in the vegetable sector appears to be stagnating in Cambodia, although exactly why this is happening is currently unknown. A possible explanation is Cambodia's low level of irrigated arable land. The Economic Institute of Cambodia (2006: 12) notes that only seven per cent of Cambodia's arable land is irrigated compared with 19 per cent in Lao PDR, 31 per cent in Thailand and 45 in Vietnam. Furthermore many farmers still lack access to basic production tools and credit (EIC 2006: 12) while the risks of diversification into horticulture are high as external inputs remain costly, supply chain infrastructure undeveloped and vegetable prices fluctuate widely across a season and throughout the country (EIC 2006). Although a number of observers speculate that the development of Cambodian horticultural sector is severely disadvantaged by large volumes of vegetable imports from Thailand and Vietnam, research evidence suggests that it is production constraints, not competition, that is the main issue (Sokhen et al 2004). Indeed, imports of fresh fruit and vegetables from Thailand and Vietnam are very much needed to meet a rising demand that Cambodia is currently incapable of fulfilling.

*Fresh Fruit and Vegetable Consumption*

Vegetable consumption in Cambodia is rising, although it remains low compared with other nations (Nandi and Bhattacharjee 2005). Total consumption is around 1.5 million tonnes per annum, or 20 kilograms per person which according to Chand (2003), is so low that even if consumption were twice this level, it would still be considered low compared with other countries.<sup>53</sup>

**Table 6.2: Per capita availability of fruits and vegetable products 2002**

Region and Country	Fruits		Vegetables	
	Per year (kgs)	Per day (g)	Per year (kgs)	Per day (g)
<b>Southeast Asia</b>				
Cambodia	22.5	61.6	31	84.9
Indonesia	36.0	98.6	27.9	76.4
Lao PDR	36.1	98.9	151.8	415.9
Malaysia	51.8	141.9	37.6	103.0
Burma	30.0	82.2	66.8	183.0
The Philippines	104.9	287.4	62.4	171.0
Thailand	87.8	240.5	42.1	115.3
Vietnam	52	142.5	80.1	219.5
<b>South Asia</b>				
Bangladesh	9.8	26.8	12.2	33.4
India	37.7	103.3	69.5	190.4
Maldives	87	238.4	136.6	374.2
Nepal	22.7	62.2	63.9	175.1
Pakistan	34	93.2	31.5	86.3
Sri Lanka	41.8	114.5	33.5	91.8
<b>Developed Countries</b>				
Australia	93.3	255.6	92.3	252.9
Japan	56.3	154.2	106.5	291.8
New Zealand	113	309.6	140.4	384.7

Source: Nandi and Bhattacharjee 2005: 3 (from selected FAO indicators).

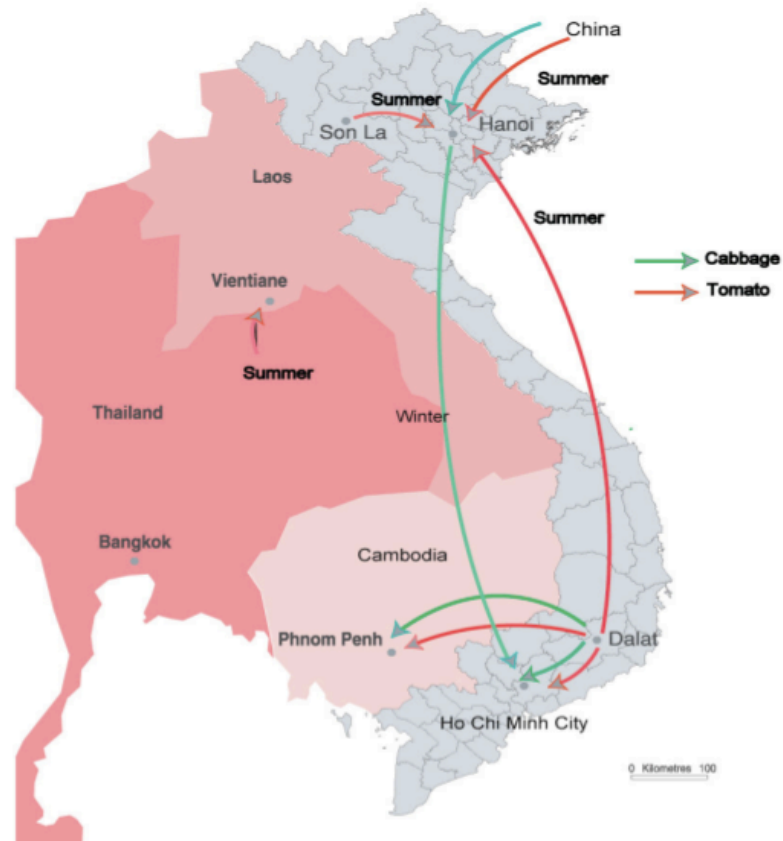
This low level of consumption reflects the overall poverty of the Cambodian population (Sokhen et al. 2004). Despite low levels of consumption, aggregated local

<sup>53</sup> Recommended consumption is 73 kilograms per annum (Ali 2002 in Hin, year unknown).



vegetable supplies currently cannot fulfil all of Cambodia's domestic demand. Cambodia formally imports an estimated US\$3 million worth of fruit and vegetables per year, although informal estimates are higher (EIC 2006: 17). According to a study conducted by the World Vegetable Centre (WVC), vegetable imports from Thailand and Vietnam accounted for 23 per cent of average domestic consumption and 37 per cent of average household food expenses (Sokhen et al. 2004). This percentage fluctuates, however, depending on prevailing weather conditions in Cambodia, with imports sometimes fulfilling all or none of market demand. Moustier (2007:61) estimates that for Phnom Penh markets overall imports make up around 40 per cent of total volumes, with the other 60 per cent fulfilled locally.

Figure 6.2: Regional Seasonal Vegetable Flows



Source: Moustier 2007: 5

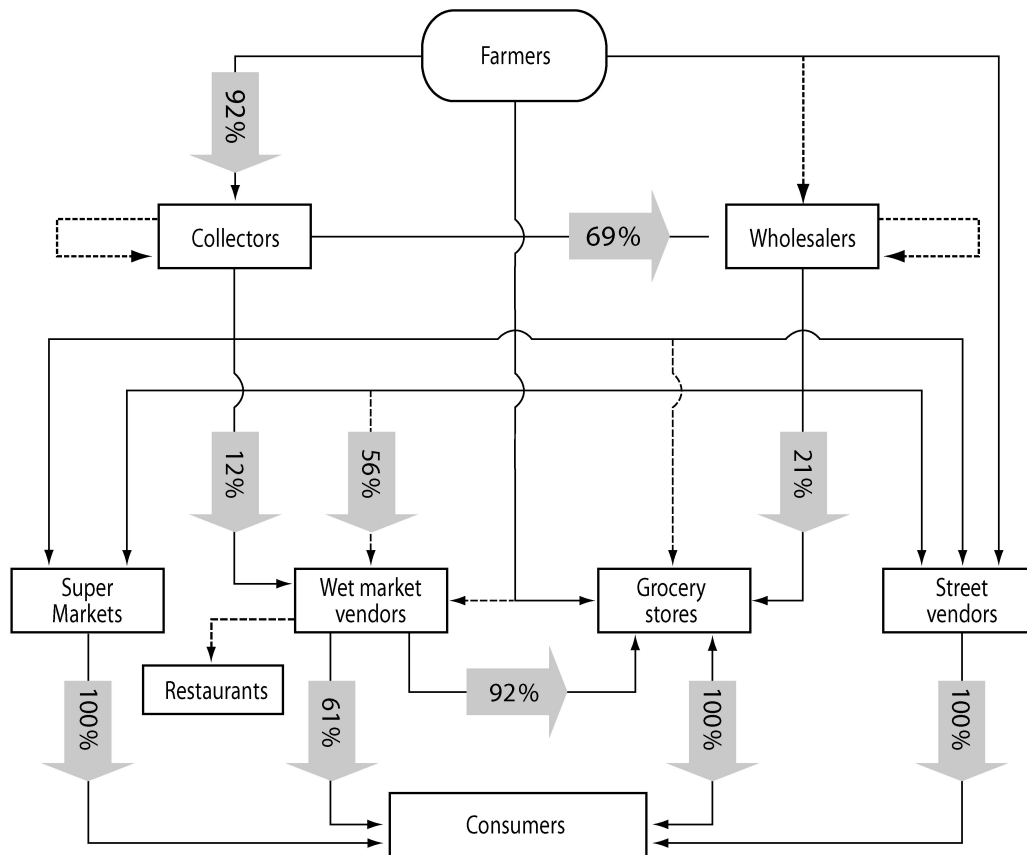
### **Fresh Fruit and Vegetable Supply Chains**

The commodity chain for different types of vegetables varies greatly depending on such factors as the season, location and perishability. For example, poor producers in peri-urban areas gather and sell large quantities of *kangkong* in the wet season — retaining over 50 per cent of the final price and supplying 100 per cent of market demand in Phnom Penh (Moustier 2007: 59). The supply chain for this vegetable is short and most is transported directly from producer to retailer. This is the main vegetable produced in Cambodia during the wet season, and it is of considerable importance in the diets of poor consumers (Sokhen et al. 2004). Other local

vegetables of high significance, such as lettuce, cucumber, choy sum and long bean, are produced in nearby provinces and transported, mainly at night to urban markets. By contrast, imports dominate the markets for tomato, cabbage and Chinese cabbage, with limited supplies originating in Cambodia (see Appendix 6.1). Supply chains for these vegetables are naturally longer, with more supply chain participants involved but lower margins for all.

Consumption of imported vegetables is high especially around the time of special festivals and rituals, such as Chinese New Year and Khmer New Year (Sokhen et al. 2004). Overall, vegetable imports increase when local supply dwindles, at the end of the dry season and during wet and hot seasons. However, Sokhen et al. (2004) note that when available at the same time Cambodian vegetables compete favourably with imported vegetables on price. Nevertheless, imports fulfil important gaps in Cambodian fresh vegetable supply chains, especially out of season supply or during instances of significant climatic variation.

Figure 6.3: Overview of vegetable supply chain in Cambodia



Source: Genova et al. 2006: 9

In 1997, a MAFF/FAO report characterised Cambodian fresh fruit and vegetable markets as disorganised and chaotic. Although there is some evidence of increased specialisation, overall fresh vegetable marketing functions are not strictly limited to predefined supply chain roles of producer, trader, wholesaler and retailer. Supply chain actors typically sell small volumes, often of both local and imported vegetables, and frequently combine a number of functions (Sokhen et al. 2004: 18). Table 6.3 identifies and describes four main types of traders in Phnom Penh markets.

As the Table 6.3 outlines, their roles are flexible with many actors engaging in production, collection and marketing.

**Table 6.3: Fresh vegetable supply chain actors, function, market share and volume in Phnom Penh markets**

Supply chain actor	Function	Per cent of market	Average volumes per day
Producer Type A	Transports and sells own produce. Sells to wholesalers, collectors and retailers.	14 % of producers	150 – 210 kgs per day
Producer Type B/ Collector	Transports own produce and produce of other farmers to the market. Sell to wholesalers, collectors and retailers. (Of 72% of sellers, their own produce comprised less than half of total sales. For 10.5% of sellers their own produce comprises half of their stock. For 17.5% of sellers over half of their stock volumes their own).	86 % of producers	150 – 210 kgs per day
Collector Type A/ Mobile	Mobile collectors who buy vegetables from numerous farmers and are often producers themselves. They sell local and imported vegetables to Phnom Penh traders and provincial traders.	80% of collectors	300 – 360 kgs per day
Collector Type B/ Fixed	These collectors are based in the market and collect produce from producers and mobile collectors. They sell local and imported vegetables to Phnom Penh traders.	20 % of collectors	300 – 360 kgs per day
Wholesalers	Buy vegetables from producers and collectors and sell to retailers.		200 kgs per day
Retailers	Buy from wholesalers, collectors and producers and sell to consumers.		15 kgs per day

Source: Sokhen et al. 2004: 18

A study conducted by Moustier (2007: 108) found that although incomes and marketing margins are highly variable among traders, few exceed profit margins of 25 per cent. These are very low margins. Total quantities traded were also small with the highest for wholesalers being around 500 kilograms per day (Sipana and Moustier 2004). The most successful traders with the highest incomes were those

selling the largest volumes (Sipana and Moustier 2004). Thus, the most stable traders are those who consistently source and sell larger volumes of vegetables from a range of sources including imports. Post-harvest losses along the supply chain are typically high for all actors, with retailers bearing the highest economic losses and producers bearing the highest share of overall post-harvest loss (Genova et al. 2006: 39). For larger traders, the larger volumes sold mitigate the risks and spoilage losses of vegetable marketing.

Vegetable supply chain participants in Cambodia employ a number of strategies to ensure higher margins. Genova et al. (2006) report that, overall, producers and collectors are the most active in seeking information on market prices before they sell, as opposed to traders and retailers. Another strategy employed by producers is to sell products within their own village. Although final retail prices are lower here, producers keep a greater proportion of the final retail price, around 60 per cent, as opposed to 42 per cent when sold in the markets (Agrisud in Sokhen et al. 2004).

Trader power is especially fragile in Cambodia, and a number of traders stop selling at certain periods of the year when supplies dwindle, prices collapse or there is a lack of demand (Sipana and Moustier 2004) (see Appendix 6.2). Sokhen et al. (2004: 33) estimated the number of traders who cease selling at 33 per cent for Phnom Penh markets. Sellers least likely to cease trade are those with the most consistent supply chains, that is, those with access to imported vegetables. These are the traders with the most robust relationships with both Cambodian and Vietnamese

suppliers and consistent consumer markets. Thus, successful fresh vegetable supply chains in Cambodia are a function of robust trade relationships over the seasons in both local and imported supply chains. The maintenance of these relationships is essential if Cambodian petty vegetable traders are to maintain market share of the fresh fruit and vegetable market which is starting to show initial signs of market concentration. Genova et al. (2006: 7) report that supermarkets in Cambodia now have the highest annual turnover for vegetables at US\$1.652 million, followed by wholesalers at US\$65,128, collectors (US\$32,446), wet market vendors (US\$10,553), grocery stores (US\$9,599) and street vendors (US\$ 5,775). This is an ominous sign for both smallholder vegetable farmers and the female vegetable traders who link them to markets because supermarkets have a tendency to source supplies only from the largest and most coordinated traders and producers.

The case studies reveal that HURREDO attempted to market fresh vegetables against the logic of the vegetable supply chain. With only three sources of supply, it could not consistently supply vegetables to large demanding buyers. Nevertheless, it coopted the vegetable trade itself rather than enabled existing traders; as a result, it continues to exist as a highly visible NGO operating within the fresh vegetable NGO sector. Its unsuccessful approach to commodity trading helped perpetuate gift relations. On the other hand, while AQIP enabled traders and vegetable commodity flows, it was criticised for strengthening traders' livelihoods over and above producers. It was therefore accused of not being 'pro-poor'. While successful at strengthening the vegetable commodity chain, AQIP did not appease the development aid logic of gift giving.

**The Importance of Women in Fresh Fruit and Vegetable Marketing in Cambodia**

Female fresh fruit and vegetable traders in Cambodia, although often ignored by development projects due to their multiple roles as trader/collector/producer, are essential to ensuring the pro-poor marketing of small-scale horticultural produce. The marketing of a household's agricultural produce is traditionally seen as an extension of a woman's duties in managing the household's finances and providing for the family (Frieson 2001). It is a tradition that has long been noted and continues to this day (see Appendix 6.3).

**Plate 6.3: Vegetable marketing in Takao 1**



Source: Author's photograph.



**Plate 6.4: Vegetable marketing in Siem Reap 2**



Source: Author's photograph

**Plate 6.5: Vegetable marketing in Siem Reap 3**



Source: Author's photograph.

Despite the patriarchy often observed in Cambodian society, conventional beliefs and traditional household structures have facilitated a lead role for women in everyday business and commerce. Economic primacy has not, however, translated into greater political power. Nonetheless, the dominance of Cambodian woman in trade has had particularly transformative effects on ‘development’. Ardrey et al. (2006) argue that for poor women in Cambodia, restricted by their family responsibilities, low status and lower paid occupations, entrepreneurship is often the only avenue open to escape the cycle of poverty. If successful in their endeavours, women often contribute positively to household and community economies. Ardrey et al. (2006) find that in Cambodia, Laos and Vietnam, women entrepreneurs tend to increase family incomes and use that increased income to diversify household revenue streams and invest in their families. Yet despite evidence of the positive contributions that female entrepreneurs can make to their families, communities and even national economic development, these may be unacknowledged by many in the development industry due to a proclivity towards working with farmers only. This emanates from best practice commodity chain intervention handbooks which stress the importance of strengthening producers *vis a vis* other supply chain actors.

The AQIP approach was criticised by the wider NGO community on the grounds that it worked to strengthen those who were perceived as unscrupulous traders compared with poor producers. Although the distinction between traders and producers is overstated in Cambodia, many NGOs and donors take the leftist view that traders are exploitative, untrustworthy and antagonistic. This, Gudeman (1992) argues, broadly stems from NGO perceived solidarity with farmers who themselves

fundamentally misinterpret the activities of traders. He argues that subsistence farmers sporadically engaged in trade misunderstand the risks and overheads associated with trading and instead extend their model of household frugality on to traders. From 'folk' perspectives then, traders exploit farmers via their power to buy low, sell high and withhold from the market. Their profits are derived from their exploitation of household frugality which produces surplus, and not from their ability to market efficiently, obtain market intelligence and manage risk. Gudeman (1992: 130) summarises this view as one which projects the household's model of thrift (economising in order to ensure leftovers) onto the merchant's capacity to profit.

In its construction of market processes, the household applies its model of internal operations to make sense of the larger market experience and interactions. For the people, the implication of this local model of profit is precisely that market exchange results in debasement for the house and gain for the trader (Gudeman 1992: 130).

According to Harriss (1981: 5), perceptions of traders typically fall into one of three categories: trader as entrepreneur; trader as powerless agent of stagnation or 'subsistence trader'; or trader as powerful agent of under-development — 'the predatory trader'. All these characterisations are obviously essentialised views of traders informed, to a large degree, by ideology. None of the above characterisations adequately represents the role of traders in rural economic development. For example, disputes with traders over vegetable prices in Cambodia are common. For water spinach, a common practice is for a trader/collector to bargain with a farmer over the amount and price of a row of plants prior to harvest and the expenditure of labour. A trader will offer a farmer a price for that row and, if agreed to, the trader will then set about harvesting the vegetables. Thus arguments often occur over how large the row is and what quality the vegetables are before harvest. Although farmers

often feel aggrieved in this process, many do not understand the risks carried by the trader and the fact that making a profit is dependent on a host of factors including market demand, minimising post-harvest losses, access to working capital and so on. Thus, a study conducted by the EIC (2006: 36) found that while 45 per cent of farmers believed the price they received for vegetables was too low, trader profits for fresh vegetable trade in Cambodia are amongst the lowest in the region. This means that Cambodia's female traders are providing risky marketing services for farmers at very low profits. Nevertheless, the dominant attitude of many NGOs and donors is one that views traders as predatory towards farmers.

Farmer-centric approaches are perceived as unquestionably pro-poor. Moreover, collective or producer group models, such as HURREDO are preferred and encouraged out of the logic that small-scale farmers can gain greater competitive advantage through increased economies of scale and therefore increased bargaining power compared with other supply chain actors. Much value chain literature also advocates this approach, noting that the structure of agricultural commodity chains naturally tends towards trader dominance (Kaplinsky and Morris 2000; Gibbon 2001). Furthermore, it is easier administratively for donors to work with groups, as it reduces transaction costs by targeting more people at once than working with individual households. Thus, the traditional agricultural development project model of organising and assisting farmer collectives prevails in Cambodia. This occurs despite the fact that Cambodian farmers with a strong aversion to such organisational forms because of the immense failure of collectives in Cambodia when they were enforced by the Khmer Rouge and the subsequent Vietnamese administration.

The preference for supporting producer groups is not to say that traditional collective agricultural development approaches do not acknowledge the need for improved marketing. Here gifts to the poor are supposed to spur commodity exchange. In the name of value adding and capacity building, such projects often encourage pre-fabricated farmer collectives to market their produce through wholesale outlets run and/or subsidised by the NGO itself. In the HURREDO case study, for example this model often proves to be ineffective and unsustainable. These projects often create parallel trade structures that fall apart without continued donor support and the establishment of undesirable donor-farmer/patron-client relations. Such models fail to take account of pre-existing trade structures and the significant positive contributions that women make through their entrepreneurial roles which may in turn spur development and family wellbeing. Ardrey et al. (2006) note such impacts are often extremely difficult to monitor as increased profitability is funnelled back from the public realm of the market and towards the private and largely 'invisible' realm of the home. The development impasse is therefore replicated due to a belief that farmers cannot trade their way out of poverty without the economies of scale offered through donor supported public collectives.

***The Public and the Private, Gifts and Commodities***

The question of 'visibility' is an important one, as Jacobsen (2008) identifies that there remains a 'western' predilection with Cartesian distinctions between 'public' and 'private'. She argues that preconceptions of power in western philosophy date back to the Enlightenment period and are concerned with questions over the control of economic and military might which are undeniably associated with the 'public'

arena. Thus, in order to be judged successful by what Mosse (2005) terms the ‘interpretative community’ of ‘western’ development practitioners and theorists, value chain interventions must prove the economic empowerment of women via the public sphere. Logos, banners, branding, collectives and large centralised warehouses are all important in this gift economy of development where public displays of support for fruit and vegetable production are made in the name of women.

In much western thought, the public is equated with the impersonal, the rational, secular sphere of economic activity and therefore power. Gifts are associated with the private, personal sphere of the home. Under this rationale women must be drawn into the public economic arena via collectives in order to be empowered. Jacobsen (2008) differentiates western conceptions of power from many Asian cultures such as Cambodia where power is associated with cosmology and supernatural forces. Such power is reinforced through gift giving traditions associated with patron-client relations and public merit making. Here the public is equated with gifts and gifts with celestial power. Displays of public power and gifts tend to be conducted by men. Consequently, drawing women into publicly visible producer collectives does little to empower women within private commodity chains thought to help them trade out of poverty. Instead, they are relegated to the status of recipient in gift giving ceremonies conducted by aid agencies that, unbeknown to the agencies, may be interpreted as a form of merit making and power consolidation for the donor, not as empowering women as vegetable growers and traders. It is little wonder, then, that producer collectives, such as the one that HURREDO attempted to establish, were sustainable only within gift economies, not commodity markets.

For the AQIP fresh fruit and vegetable project there was little that was visible to the donor community. Farmers who previously grew vegetables and sold them, grew more vegetables and continued to sell them, often to the same people they had sold them to before. Thus vegetables continued to reach the same markets via the same vegetable traders, albeit with increased production, better post-harvest practices and more efficient marketing chains. Unlike HURREDO, there was no large-scale farm adorned with donor flags and logos. There were no visible signs of altruism that anyone could claim.

Clearly, the multiple roles of many women in Cambodia as farmers, collectors, traders, wholesalers and even retailers fundamentally compromises their ability to gain access to development assistance in traditional agricultural development projects due to the maligned status of ‘middleman’. In the discourse of rural development wisdom in Cambodia, as long as women are framed within the lower strategic rung of ‘producer’ and not ‘trader’, they are more likely to be singled out for NGO assistance. Being limited to the category of producer means being limited to technical assistance in production methods, often implemented by male development workers and/or state workers who are inclined towards dealing primarily with other men. Women are thus relegated to being passive recipients of ‘technology’ handed down from male village leaders from male agricultural extension workers from male agricultural development consultants. They are used to enhance the merit of benefactors. In a nod towards gender and development sensitivities, women are imagined as fresh fruit and vegetable producers. The difficulty that many development agencies have in reconciling private sector

development aims with pro-poor agendas, the invisibility of the private realm of the home and market and traditional ideas surrounding gender, means that many agricultural development projects inherently fail to engage meaningfully with rural women in the development process in Cambodia. This is typically reinforced through the strong links between development organisations and government — the ‘public’ places where power currently resides in Cambodia. This sentiment was summarised during a discussion I had with one consultant.

Vegetable marketing is perhaps the true success story of the project but rice seeds are the focus. This is the difference between men and women.<sup>54</sup>

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<sup>54</sup> Personal communication, 14 July 2005



## **Chapter Seven**

### **Facilitating Agri-business**

Agricultural small and medium enterprise (SME) development is the key concept examined in this chapter. Agricultural processing firms in developing countries typically operate in rural towns and peri-urban areas and are primarily household-run as part of a multiplicity of livelihood activities. These enterprises tend to be involved in traditional activities such as processing primary commodities and foodstuffs. Although there is debate over what exactly how to define SMEs, by definition SMEs employ small numbers of people from one to 250. These enterprises often source inputs locally from rural smallholders. Likewise, their customers are often rural or peri-urban households and businesses (Romijn 2001). Central to this term is the notion that, once food security has been achieved, efforts should be made towards raising incomes through economic development, specifically through increasing the value of primary commodities through processing or value-adding beyond the farm gate.

This case study focuses on the efforts of the Cambodian Agri-business Development Facility (CADF) established under the auspices of New Zealand's bilateral aid agency, NZAID. This project sought to provide business development advice and services to suitable clients including chilli sauce producers, master farmers and vegetable traders. This would lead to the 'facilitation' of technical assistance to

other poorer ‘upstream’ suppliers (suppliers further up the supply chain towards the primary production end), thereby improving the coordination and efficiency of on-farm/off-farm linkages. However, donor stakeholders felt uncomfortable with CADF’s individualistic and market-oriented approach and the project’s aim was eventually reconfigured towards the ‘facilitation’ of participatory value chain development. In this case study, an outright individualistic commodity approach was seen to be at odds with pro-poor development. Instead, the ‘facilitation’ of enabling structures for pro-poor development, through value chain interventions, helped to strike a balance between the structure/agency tensions within the project.

The methodology undertaken for this case study entailed active participant observation, first in my initial contributions to CADF’s strategic direction at donor and Governing Board meetings, and later in my role as Monitoring and Evaluation consultant. Accepting this short-term contract was the precondition of my research access. The majority of my time working as a consultant entailed office work. Although confined to the CADF offices, this work permitted close-up consideration of the way in which such projects are established and negotiated from the outset. Ethnographic details of CADF are presented from this phase of research. At the end of the assignment, I conducted research with two of the commodity chains selected for intervention by the facility — vegetables and chilli sauce. I sought to ascertain the degree to which the facility’s activities were likely to achieve its aims of poverty alleviation.

From the outset CADF defined itself in opposition to the development sector, which was viewed as having a negative impact on Cambodia’s economic development

through the perceived creation of unsustainable producer collectives. The facility's strong emphasis on the private sector and alignment with 'business-like' approaches to agri-business development implicitly established a false dichotomy between the development sector and the private sector that for all intents and purposes remained deeply blurred in Cambodia. From the Facility's perspective the development sector was negatively associated with dependency-creating gifts, bureaucracy, inflexibility, irrationality, pompous ceremony and dubious links to government patronage. The private sector on the other hand was championed as commodity-driven and therefore innovative, modern, flexible, independent, and rational. In maintaining this dualistic split, and championing the private sector in a generalised way, more nuanced debates over the nature of private sector growth in Cambodia were effectively ignored. Consequently, the maintenance of this constructed binary proved untenable as the Facility's sole funder, NZAID, expressed considerable discomfort with the Facility's approach and questioned its capacity to demonstrate pro-poor development.

### ***Agri-business in Cambodia***

Agri-business in Cambodia is considered to be in its early stages. The Economic Institute of Cambodia (EIC) (2006) states that the sector is characterised by a lack of forward and backward market linkages or integration, thereby leaving the sector fragmented and often producing low quality, low value products. This fragmentation is also attributed to a lack of consistent input supply, the high cost of credit and limited government intervention. The World Bank (2004: 42) reaches many of these same conclusions noting that agro-industry is atomistic and dispersed, comprising 21,300 agri-business firms of which 91 per cent are small, employing less than five people and

with typical capital outlays of less than US\$1000. Few of these firms are linked to larger domestic or multinational firms; rather the majority of their output goes directly to individual consumers or informal export, and to a lesser extent other small domestic businesses (World Bank 2004: 43). Other key findings of the World Bank (2004: 42-50) are that competitive marketing and distribution channels are not in place; licensing requirements are excessive but generally ignored; inspection requirements are not that onerous; firms usually maintain high stock inventories to guard against uncertainty and risk especially in input supply; demand for skilled labour by these firms is low; and working capital is used inefficiently and is typically met through non-commercial sources. Table 7.1 compares agri-business with the country's most successful industry, garment manufacturing.

**Table 7.1: Comparison between garment and agro-industry**

	Garment	Agro-Industry
Value added per worker	\$1,190 (low by international standards)	\$462 (extremely low by international standards)
Firm size	600 + employees	~ 7 employees
Market scope	Global markets: US 71% EU 38%	Local, informal: 70% individual
Trade-supporting institutions	GSP, Agreement on Textiles and Clothing Labour Law, ILO compliance and monitoring, corporate social responsibility norms, quota managements systems, ELVIS, certification of origin, duty exemptions, tax incentives, dispute resolution outside of Cambodia (e.g. Singapore)	None
Informal/ private institutions	Garment Manufacturer's Association Corporate Networks	Village and community based
Quality measurement	CamControl	CamControl
Technology and standards	MIME/ CamControl getting started	Some donor funded projects Some TA by Thai suppliers
Dispute resolution	Foreign arbitration used. New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards (1958); ASEAS Protocol on Dispute Settlement	Community-based, informal
Skills	Some firm-provided training	No firm-provided training
Finance	14.1% commercial/ institutional credit	2.7% commercial/ institutional credit
Policy advocacy	Strong business association, government-private sector forum	Nascent business associations (rice millers, rural electricity)
Critical constraint	High transaction costs due to excessive/ overlapping government intervention	High transaction costs due to absence of trade supporting institutions

Source: World Bank 2004: 49.

Peron (2007) attributes the state of Cambodia's agri-business sector to the country's overall subsistence orientation and posits that if incomes are to rise then greater agri-business processing will need to occur. This, she warns, will only happen once Cambodian farmers run their farms as businesses (Peron 2007: 13). Commentators on development in Cambodia note the potential economic rewards should the agri-business sector be developed, specifically towards export markets. This is argued as

especially the case for Cambodia as it is signatory to a number of preferential trade agreements at low tariff rates (EIC 2006; World Bank 2004). Currently, however, only a small handful of larger firms are accessing export markets.

To date much growth in the agri-business sector of Cambodia stems from large firms engaged in plantation production. This raises the prospect of increased land concentration and therefore growing landlessness. In 2006, the World Bank estimated that landlessness had increased from 12 per cent to 20 per cent since 2004 (EIC 2006: 8). At present, the Cambodian agricultural landscape is beset by increasing incidences of land speculation, land-grabbing and often dubiously obtained land concessions connected with the expansion of larger foreign firms and well-connected domestic firms.

The recent boom in land prices has meant that many larger agro-industries in Cambodia are capital intensive compared with other industries, with a higher proportion of funds locked up in land and buildings than other industrial sectors of Cambodia, such as garments (EIC 2006: 22). In this environment of high capital costs, inconsistent and poor input supply, limited credit and other obstacles, many small and medium agro-enterprises struggle to develop. Furthermore, poor infrastructure and a generally unsupportive institutional framework (agri-business exporters need five separate certificates to export) mean that much of Cambodia's agricultural surplus is exported informally and unprocessed, with potential added value to the Cambodian economy lost (Peron 2007).

Similarly, a review of the Cambodian agri-business sector, conducted by a team of expatriate consultants (including the agri-business/FAO consultant from Chapters five and six), profiles the agri-business sector as unsophisticated and under-developed (McNaughton et al. 2003). According to this review, the sector is dominated by numerous micro-enterprises, with just a small number of larger firms. The review designates these two types of organisations as ‘market developers’ and ‘market takers’. Market developers are defined as large firms existing in the formal sector, which develop highly coordinated commodity chains beginning with crop planning through to production, processing and shipping. The review mentions just a handful of firms, Medtec, British American Tobacco, Angkor Gasekam (a rice contracting firm rumoured to be owned by the Minister of Agriculture, Forestry and Fisheries) and Mong Rethy Group (a company well known for its connections with the ruling party). Market takers on the other hand, are defined as all those other actors that exist within the informal sector and only participate at specific points in a given commodity chain. These organisations are described as adding value through bringing price information, accumulating or negotiating sales of products and providing business services such as credit (McNaughton et al. 2003: 5). Informality and smallness are described as key to their business survival, as any move towards formality or expansion is believed to increase their visibility and therefore vulnerability to taxation and rent-seeking by petty officials (McNaughton et al. 2003: 5).

The authors of this review implicitly find fault with the aid industry for the agri-business sector’s lack of development. They specifically criticise Cambodia’s vast legions of NGO-led projects which they categorise as ‘social capital organisers’ because

these projects are aimed at food security and organised around farmer collective models. The authors find overall fault with most projects' lack of market focus and therefore long-term prospects of sustainability. This is contrasted with the general characterisation of Cambodians as 'entrepreneurial and opportunistic' (McNaughton et al. 2003: 5). Thus, the report gives the reader a sense of a highly ambitious Cambodian population, full of untapped potential, waiting to be unleashed. Unleashed, according to the review, in potentially profitable agri-businesses like edible oils, livestock, charcoal production, eco-tourism, plantation and non-timber forest product collection, rice milling, rubber-tapping, silk production and handicrafts — potential that that the aid industry had thus far failed to unleash, if not outright disables.

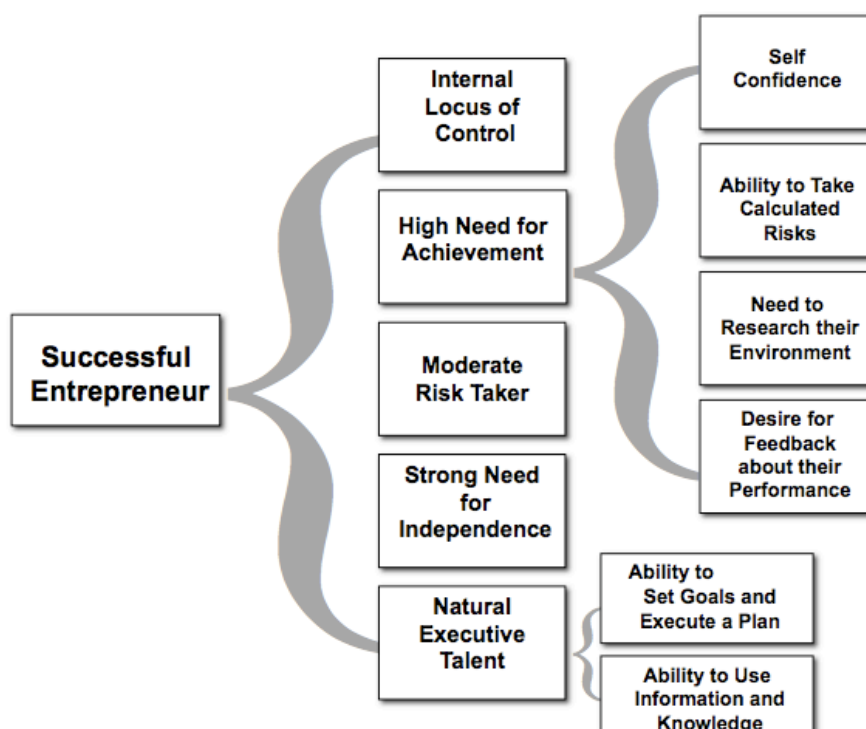
### ***The Cambodian Agri-business Development Facility***

The consultants involved in writing the Cambodian agri-business review were also the same people who formed a core group of consultants spearheading pro-private sector development initiatives in Cambodia, focused on agri-business. Having defined the sector and outlined its parameters and failures, they were now well positioned to present solutions to it. It was from this small community of like-minded consultants that the Cambodian Agri-business Development Facility (CADF) was conceived, designed and marketed to NZAID. As some of the few expatriate consultants to applaud the strong trader-centric approach of the AQIP fresh fruit and vegetable model, the new facility design sought to build upon the AQIP approach by working with traders too, but not just any traders. The new design singled out those traders who were defined as 'one step from an end-customer market' and who were specifically identified as 'the entrepreneurial leading few' (resulting in the unfortunate acronym ELF). The 'leading



few’ were only to be deemed as such if they demonstrated an “ability to respond to and implement business advice” and either had an existing supply chain of Cambodian producers or signalled a willingness to develop one (NZ AID 2005: 5).

**Figure 7.1: Traits of an entrepreneur**



Source: CADF 2006 (unpublished file).

These pioneers of agri-business were identified as key to driving the development of the agricultural sector, and increasing access and values for agricultural produce in competitive markets. They were therefore championed as drivers of economic development and poverty alleviation (although it was argued that these ‘leading few’ also tended to be as poor as their suppliers and customers). The key idea here was to provide entrepreneurs with business development services and thereby

increase the profitability and efficiency of their businesses, in turn leading to greater supply chain coordination. This, it was argued, would lead to poverty alleviation outcomes. Assisting these rural enterprises to grow and develop would have favourable flow on effects both to the poor employees they hired and the poor rural suppliers from whom they procured inputs. Furthermore, this new approach moved directly away from the old ‘project’ model of development and towards a new organisational design, that of a ‘facility’. This signalled a move away from traditional rural development approaches that usually centred on the provision of technical inputs to producers, and towards an organisational approach oriented more towards ‘capacity building’ among pro-active entrepreneurs. As such, the term ‘facility’ sought to overcome the gift/commodity tensions inherent in pro-poor private sector oriented agricultural projects. Thus, rather than scaling up the AQIP model of overcoming production constraints and linking producers closely with group nominated traders, key ideas from the AQIP fresh fruit and vegetable component were appropriated and reinterpreted.

The reconfiguration of the AQIP approach was essential. As Mosse explains, “...a project has to be innovative. It needs the quality of novelty to mark a new beginning” (2005: 36). Indeed, on my first meeting with the head consultant charged with the CADF design, he pointed to the ‘Strategic Framework’ document for the facility that I carried under my arm and said

you’ll find some really innovative stuff in there. NZAID is the first donor to really analyse the research side of a project...NZAID has commended us for thinking outside the box and using a supply chain model. In most post-conflict countries there is a focus on frameworks and enabling environments, institution building, that sort of thing (giving people titles and trying to recreate western bureaucracies). It doesn’t make sense in a place like Cambodia....Agrisud<sup>55</sup> is a good example of a private sector development model. Through

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<sup>55</sup> Agrisud is an international NGO that specialises in agricultural micro-enterprise assistance.

crop diversification and intensification they have increased the wealth in specific households from \$200 to \$700 in one year. But they take only the motivated and dedicated...only a few projects are working outside the box and doing innovative things, AQIP and Agrisud. Most donors focus on production but not marketing. I'm not part of the donor sector so I don't think like a donor.<sup>56</sup>

Like all development consultants, the key to this consultant's livelihood and status was the presentation of himself and his ideas as novel, innovative and 'in touch' with the realities of the country. However, what was different about this consultant compared with other development workers I had encountered was a stronger distancing of himself from the development sector and government and an alignment of his ideals with that of the private sector. He thus positioned CADF towards a stronger private sector emphasis thereby signalled a strong disdain, if not rejection of the development sector, its perceived inefficiencies, market failures and troubling links with government. Mosse (2005: 36) states that, "innovative projects also have to be replicable and involve approaches which can, for instance, be taken up by government." To this it must be added, that depending on the development approach the key focus may instead be on replicability and ease of take up by the private sector.

The initial CADF design identified a two-stage approach to supply chain development. Stage one was to build business development services. Stage two was the provision of technical assistance to other supply chain actors. In stage one, the first priority was to provide business development advice and services such as basic accounting skills and business plans to identified entrepreneurs. A coined for this work was "right product, right buyer, right time, right price". Of course such a slogan invited people to infer that maybe many agri-businesses in Cambodia were in fact selling the

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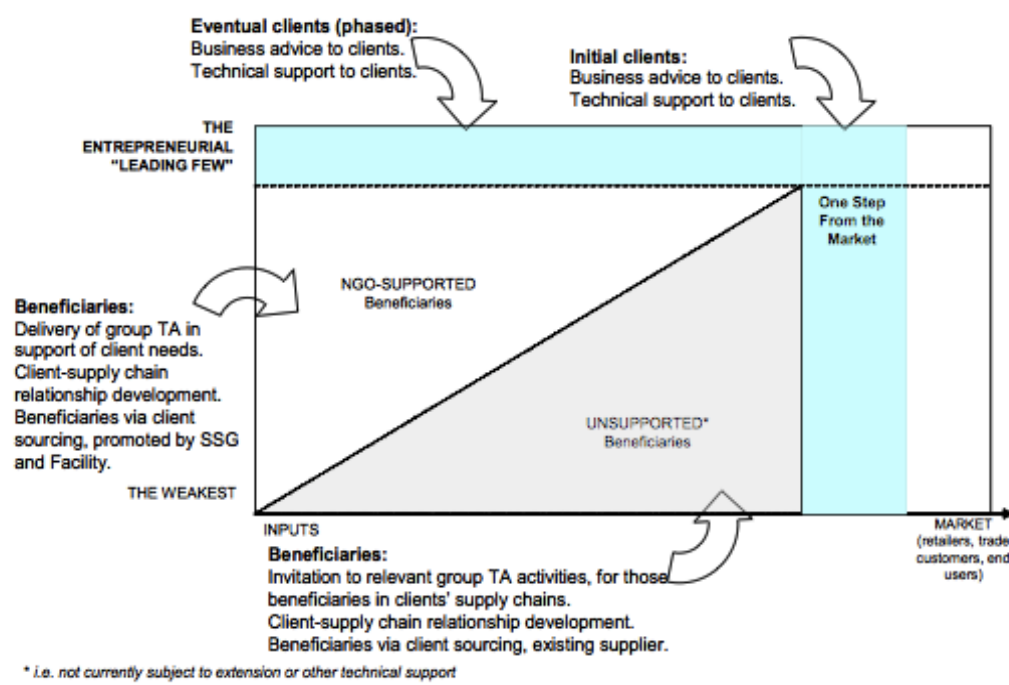
<sup>56</sup> Personal communication with consultant 13<sup>th</sup> July 2005

wrong product, to the wrong buyer, at the wrong time, and at the wrong price. Under the facility's guidance, this would not be allowed to happen. It was imagined that providing business development services would not only assist the entrepreneurs' economic profitability — thereby strengthening their businesses and those of upstream suppliers — but also create a demand for business development services in the wider economy. Thus, cost recovery for the business development services provided was also prioritised with the aim of making CADF a self-sustaining facility with potential for making ongoing profit. It was in this way the facility aimed for replicability. Cost recovery was also to ensure that the CADF remained client-focused and efficient.

Entrepreneurs were identified as the 'entry point' to longer supply chain development. Through working with the 'leading few' it was believed that other issues regarding input suppliers would be identified and remedied. In such instances, the facility would 'facilitate' technical assistance to suppliers and producers via the 'sector support group'. Echoing the previous agri-business review document, the 'sector support group' was identified as the wider business and development community already working in the agricultural sector. These included: AQIP, HURREDO, MAFF, AusAID's agricultural extension project CAAEP (Cambodia Australia Agricultural Extension Project), at the time in its closing phases, the FAO's Integrated Pest Management project, rural credit providers and other NGOs working in target areas. These organisations were to be enlisted by CADF from time to time to provide technical assistance to upstream suppliers and producers. In this way, it was believed, the Facility would 'institutionally engage' with the wider business and development community thereby avoiding 'donor disharmony' and 'market disintermediation'. The term market

disintermediation refers to precluding viable businesses and traders from the market through subsidising or providing goods and services for free through an aid project or preventing the start up of a business due to a high aid presence in a given sector. The fear that aid projects may step beyond the bounds of enabling businesses and instead disable them is a central tension in private sector oriented development projects; that is, between gifts and commodities. This is what leads many aid agencies towards working only with producer groups in gift-like relations. For example, in the case of CADF, if a company or NGO already existed that built irrigation wells, CADF would facilitate or cover the cost of well construction by such a company or NGO. CADF would not itself construct the well. From the facility's perspective, helping to 'facilitate' private sector transactions would avoid disabling another NGO or company.

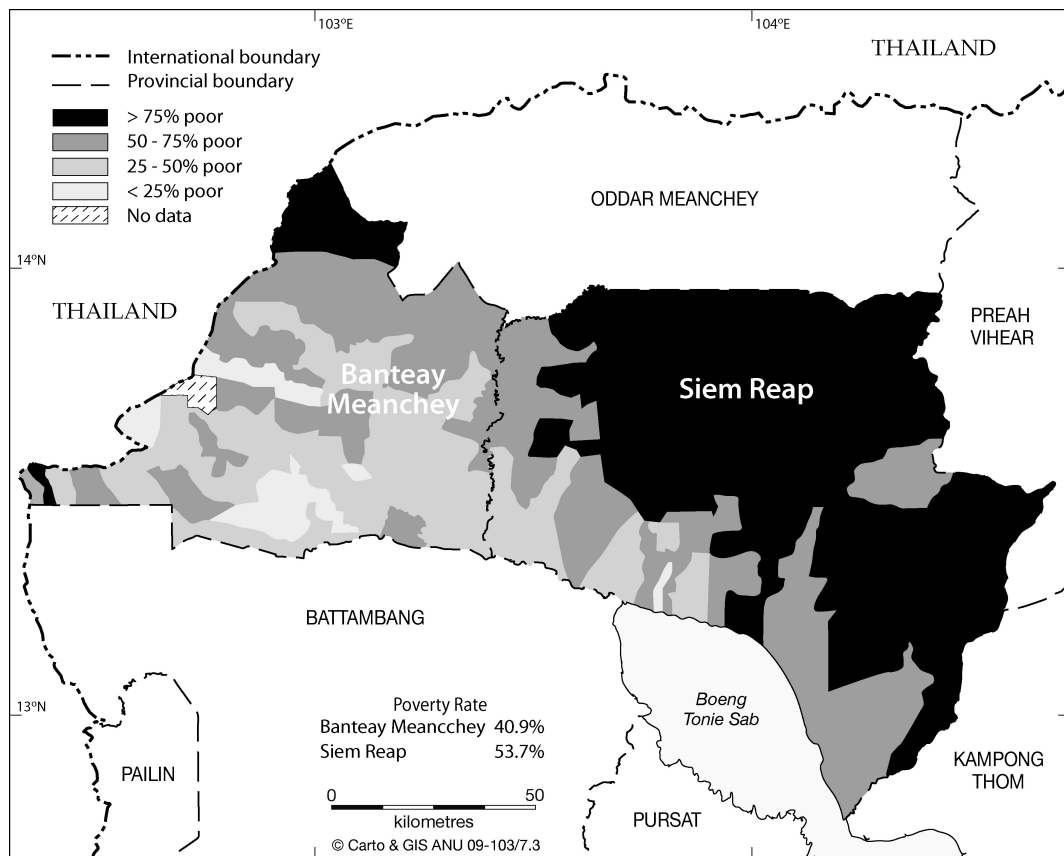
**Figure 7.2: Initial strategic design of the Cambodian Agri-business Development Facility**



Source: NZAID 2005: 20 (TA stands for technical assistance)

The target provinces for CADF were Siem Reap and Banteay Meanchey. These provinces were chosen due to their high incidence of poverty, 54 and 41 per cent of the population respectively, and their recent post-conflict status. Both of these provinces suffered through Khmer Rouge insurgency fighting until 1998 (NZAID 2005: 16-17).

**Figure 7.3: Map of Siem Reap and Banteay Meanchey with poverty rates**



Source: Cartography and GIS Australian National University

Both the feasibility study and strategic plan for the facility presumed that selected entrepreneurs and their supply channels would be geographically defined by these provincial boundaries and that any subsequent impact would pertain broadly to these areas. Although it was acknowledged that this might not always be the case, it was

stated in the Strategic Framework that businesses with the strongest potential impact on the local economy would take preference.

### ***Agri-business Development Theory and Practice***

The World Bank (2008: 136) states that, “agri-business is the off-farm link in agro-food value chains. It provides inputs to the farm sector, and it links the farm sector to consumers through the handling, processing, transportation, marketing, and distribution of food and other agricultural products”. The performance of the agricultural sector is supposedly linked to the performance of agri-business, with growth in agri-business thought to spur agricultural growth (World Bank 2008). According to the World Bank, if the right steps are taken, the total contribution of agriculture will typically decline from around 40 per cent of GDP to less than 10 per cent under conditions of economic growth. During this transition, agri-businesses’ contribution to GDP will rise from under 20 per cent to more than 30 per cent prior to industrialisation, and then fall again as the economy moves towards full industrialisation (World Bank 2008: 135). Thus, akin to Rostow’s theory of ‘take-off’ (1960), the World Bank (2008) argues that agro-industrialisation of small and medium scale agri-businesses is a first step towards economy-wide industrialisation.

As agro-industrialisation, “is generally regarded as ushering in periods of individual and collective stress, discontinuous change, and economic disorder” (Cook and Chaddad 2000: 207), development theorists and practitioners tend to emphasise the need to support SMEs involved in agri-business as a means to contribute to more even, less disruptive and altogether more ‘sustainable’ development. To elaborate, SMEs are generally perceived to be labour intensive and as such are thought capable of absorbing

excess rural labour, thereby stemming rural to urban migration, resulting in more even development. Smaller firms are also believed to operate with lower levels of labour specialisation leading to greater democratic management practices and worker flexibility and therefore innovation. Given assistance, it is believed that appropriate technology and indigenous design suitable to developing country conditions may emerge if assistance is given. Smaller firms are also thought to be more environmentally benign, utilising less polluting technologies and chemical processes. In addition, smallness is often equated with greater firm flexibility in regard to labour, cost, production and output. Support to these firms is also often thought to promote greater competition and therefore market efficiency. This, in turn, is believed to assist in creating better overall business environments; numerous smaller firms are believed to help combat monopolistic market tendencies and better protect consumer choice. Assistance to SMEs, through micro-credit programs, is also thought to help improve the overall environment for domestic capital availability (Romijn 2001).

On a macro level, SMEs are championed as a way to promote national entrepreneurship, to create diversification of productive capabilities and to provide a channel for agricultural output specifically towards export markets (Castel-Branco 2003: 14). Smaller firms are believed to be well placed to achieve this as they are thought to better reflect the factor endowment based competitive advantages of a country than large firms, thereby leading to higher economic and social efficiency (Castel-Branco 2003: 13). Put another way, their closer links to the basic components of production, be it land, labour, capital or entrepreneurship, are thought to engender greater economic and social impact than large firms. However, smallness is seen as both



a strength and weakness. Although SMEs are commonly perceived as lean, efficient, and equitable, the World Bank (2008) states that these characteristics alone do not guarantee competitiveness in emerging markets. Instead smallness may leave firms vulnerable in the face of increasingly complex, contradictory and concentrated global agro-food systems. Development assistance to small and medium agri-business is justified on this basis.

Castel-Branco (2003), however, argues that much of the literature and logic applied to SME development is laden with contradictions and schisms emanating from the championing of scale over other, possibly more important, variables and their outcomes. For example, the degree to which SMEs can provide a solution to rural unemployment is questionable. There is an inherent contradiction between the small numbers of people usually employed by such small firms and the degree to which they may therefore collectively contribute to solving rural unemployment issues. Indeed, the very fact that SMEs tend to employ small numbers of people may instead mean that these enterprises are capital, not labour intensive (Castel-Branco 2003: 6). Further inconsistency in SME debates surrounds the degree to which small firms may be assumed to be more localised or better linked to local suppliers, while at the same time they are defined as being 'flexible' to the changing market and competitive conditions. Such a view does not take account of the phenomenon of globalisation, where competitive advantage is secured through flexibly sourcing inputs from the cheapest most reliable sources whether they are from local or non-local sources (Castel-Branco 2003: 6). Indeed, there is no definitive evidence to prove that smallholders can actually consistently supply quality raw materials to local agri-business firms, especially in

developing countries (Castel-Branco 2003: 8). Further contradictions emerge from the varying descriptions of small firms. They are seen as flexible entrepreneurial organisations, but they are also seen as possibly plagued by problems by owners who are described as risk averse and prone to complacency. Smallness is also often assumed to be more environmentally benign, but there is no clear evidence to suggest that a cluster of small firms pollutes less than one large firm.

Castel-Branco (2003: 10) argues that many studies are confused by the lack of clarity and precision that surrounds SMEs. Groups of firms are defined by the number of workers employed and then their performance is compared irrespective of technology, management, competitive conditions, business cycles and the specificities of different industries. What should be important, according to Castel-Branco (2003), is the outcome of a given business activity rather than its organisational size. For example, returns on capital and other financial ratios should be discussed, rather than issues of employment, democratic management, market flexibility and so on (Castel-Branco 2003: 10). Thus, the issue should be not whether firms are small or medium firms, but whether they are capable of delivering sustained and even growth (Castel-Branco 2003: 9). The issue of growth has important implications.

Small capitalist firms only make sense within the specific context of concrete and real processes of capitalist accumulation, and thus are bound by the same dynamics as large capitalism. The nature of capitalist accumulation is one of avoiding competition through different means: innovation, growing large, mergers and acquisitions, product differentiation, combination of scope and scale, and so on (Castel-Branco 2003: 4).

Thus the belief that the smallness of firms inherently implies a commitment to more democratic management practices and contributes to more equal development processes is questionable, if not completely unknown, as small firms exist in the same

environment and are dominated by the same capitalist forces as large firms. If they are to succeed, which according to mainstream economic theory equals grow, the maintenance of democratic management practices may be compromised depending on the nature of such growth. Quixotically, however, SME proponents rarely discuss the nature of capital accumulation by small firms (Castel-Branco 2003: 4). This lacuna is especially striking given that the most strident criticism of SME development is their questionable link to poverty alleviation. In a cross-country comparison, Beck et al. (2005) find that, while a large SME sector is a characteristic of growing economies and industrial development, they find no causal correlation between a thriving SME sector and poverty alleviation.

Without a consideration of the nature of capital accumulation by agri-business SMEs, growth in this sector is likely to be uneven and therefore contentious. This is especially the case as Marshall et al. (2006) point out that much agro-industrialisation and upgrading of SME occurs through external linkages to international firms. Indeed, Gibbon (2000) points out that the key impetus for agri-business growth is exposure to external economic forces forged through export connections with foreign firms. This exposure may be doubled-edged, as the entrance of foreign firms into agri-business sectors in developing countries may lead to greater uneven development impacts (Gibbon 2000; Marshall et al. 2006). Furthermore, supply relationships with larger foreign firms may lock small firms into highly dependent supply contracts which stifle innovation and may ultimately crumble when foreign firms relocate their sourcing operations to cheaper countries (Humphrey 2001). Despite these drawbacks, most of the literature concerned with agri-business development is aimed at how to assist SMEs to

integrate into the world economy through exporting into value chains dominated by foreign firms. The fact is that many agro-industrial clusters in the developing world are actually oriented towards the domestic market (Humphrey 2001: 7). Indeed, Timmer (2005: 6) writes, “since the 1970s, the development profession has identified ‘market demand’ with border prices and international trade, on the assumption that domestic markets are saturated, politically manipulated, or not remunerative for producers of higher quality products.” Hence, concerted scholarly, donor and government efforts are made to move firms further towards export orientation, which McMichael (2000: 42) argues, reflects the acceptance of discursive and institutional relationships which define the world simply as an economic hierarchy.

### ***The Facility's Establishment***

The Cambodian Agri-business Development Facility was to be administered under NZAID's trade and development program, not its bilateral aid relationship which was focused on sustainable livelihoods. The NZAID approach for this program was to instigate graduated trade development, from local, to regional and then to international markets. That is to say, it subscribed to conventional agro-industrialisation views of a world economic hierarchy to be climbed by poor producers. To this end, the facility was endowed with NZ\$5 million over five years, courtesy of NZAID, a relatively small budget for a bilateral aid project. This covered CADF office rental and running costs, staffing and costs associated with providing business development services and technical assistance.

From the outset CADF aimed at greater cost efficiency not normally associated with aid projects in Cambodia. Large air-conditioned offices were not rented; a fleet of

white four-wheel vehicles typically found parked outside of large project offices in Phnom Penh was forgone. Rather a small office on the ground floor of a residential house in Siem Reap was rented and basic office equipment procured. A suitable Khmer Team Leader was sought to lead the facility, however, when none was found, an American with a Masters in Business Administration (MBA) and previous experience working in private sector oriented development in Cambodia was appointed. The new Team Leader displayed characteristics common among so many other expatriate development consultants in Cambodia with regard to gender, age and appearance, except for one small twist. Like the facility itself, the new Team Leader signalled his distance from the development sector with the frequent proclamation, “I’m a business guy”, a statement that was dually aimed at demonstrating his inventiveness, efficiency and no-nonsense approach, and at distancing himself from the usual standards of social accountability associated with development project management.

The Team Leader’s self-identification as a ‘business guy’, the new and ‘innovative’ facility design, the focus on entrepreneurs and not farmers all helped reinforce the identity of the facility as ‘business-like’. This identified the CADF with all those attributes commonly associated with the private sector: cost efficient, target-oriented, service-driven, innovative, modern, flexible, independent and rational. These attributes were frequently contrasted with the perceived problems of the aid sector in Cambodia: wasteful, unsustainable, dependency creating, inflexible, stifling of innovation and irrational. This defining of the CADF in opposition to the development sector therefore constructed a false binary between the aid and private sectors that was in reality hard to maintain in a country such as Cambodia. As previous case studies in

this thesis demonstrate, aid may construct new rice seed, organic rice and vegetable commodity chains. The link between the construction of these commodity chains and their impact on pro-poor development was questionable. However, the link between aid and trade was undeniable.

The case presented by CADF, its leading staff and project designers was implicitly comparative. Key actors supported the view that CADF in its generalised private sector approach, was to be more efficient at bringing about rural development than donor-sponsored, parastatal institutions or NGO benevolence. While this approach was well-meaning such institutions were ultimately misguided in their social objectives (Harriss 1981). Because CADF compared itself with real world organisations and not specific indicators of organisational efficiency such as productivity per worker, such claims at first appeared reasonable. Upon closer inspection however, issues arose. What type of private sector development did CADF advocate? What was the nature of the capital accumulation that it promoted? These aspects of development were left undefined. Certainly it did not seek to emulate the actual private sector of Cambodia, which was variously described as missing, dysfunctional and/or corrupted by the aid industry and/or government and therefore in need of CADF's assistance.

Given the facility's vague self-conception, and the role it was to play as a donor-sponsored entity aimed at 'facilitating' improved business and supply chain development, many of the bureaucratic and organisational culture problems perceived to plague the development industry and government proved difficult for CADF to avoid. From the first meeting it was apparent that, beyond setting up the office, no plan was in

place for how to establish the facility. Its only guiding document, the Strategic Framework, contained descriptions of the sector and outlined the overall approach of working with entrepreneurs, but there were none of the usual guiding features contained within most project design documents. There were no logical framework,<sup>57</sup> no activity schedule and no list of outputs to be achieved. The move towards novelty left the facility foundering for direction, and often paralysed by indecision. Bereft of guiding targets and plans meant that the key ideas, aims, and even implementation methodology for the facility were up for negotiation. At the first meeting with the donor representative in late 2005, CADF's key ideas, assumptions and activities were questioned, negotiated and reconfigured in a brain storming session. During this session it became patently obvious that NZAID felt ill at ease with the strong private sector focus and questioned the potential poverty alleviation impacts of the Facility.

One hot afternoon in 2006, on the ground floor of a residential building located in some rice fields just outside the tourist hub of Siem Reap, the Team Leader, the NZAID donor representative and I sat around a white board to figure out the key steps and approaches of CADF, one day prior to the convening of its first official Governing Board meeting. First wistful statements were made by the donor representative about whether or not the facility could be more like another project run in Laos, a collective model which helped link farmer groups to markets. Although it was not explicitly stated that NZAID wanted to replicate this project, it was expressed that an approach more similar to this would be more acceptable. This, it was relayed, was felt to be a more

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<sup>57</sup>A standard tool used in development planning to orient development activities. The framework considers activities from higher-level goals and purposes to the what is needed to meet them. With each goal or activity indicator, means of verification and assumptions are listed. This enforces the logic that an activity cannot be defined unless it is measured.

appropriate approach in line with NZAID's key objectives of poverty reduction. Other issues identified by the donor representative were that no staff or facility performance measures were outlined to ensure that the objectives would be met, although it was now even less clear exactly what these objectives were. The donor also relayed messages of dismay with the Strategic Framework's small section on monitoring and evaluation, which were thought to be inadequate for measuring the facility's progress in poverty alleviation. This, it was felt, was especially problematic due to the CADF's position as neither an NGO nor a business. The brainstorming session inevitably led to a review of the Facility's core aims.

The stated overarching aims in the Strategic Framework were to "promote income generation for poor agricultural supply chain participants, and especially rural and peri-urban producer groups in Siem Reap and Banteay Meanchey provinces through: linking producers to markets; encouraging and enabling value added activities; and improving product quality" (NZAID 2005: 6-7). The overall perception by the donor was that the recent tourism boom in the area had not been pro-poor and further assistance to these areas was needed to combat uneven development. Debate ensued over whether or not tourism had or had not impacted positively on the poor. The donor then raised questions as to whether working with leading entrepreneurs would in fact lead to more uneven development, by strengthening some entrepreneurs *vis a vis* poor upstream suppliers and other entrepreneurs not targeted by CADF. Finally the sustainability of the facility in terms of its cost recovery strategy was questioned. Was the aim to ensure the sustainability of the facility or of the clients themselves? Cost recovery discussions led to discussions over the creation of dependency. Would



providing free services lead to complacency and dependence? This was a question that, at this initial stage, no one could answer.

The overall sentiment agreed upon was that CADF already had overhead costs too high to be sustained by the as yet unidentified clients. Yet there was reluctance to abandon the idea of cost recovery for fear that if the facility's services were fully subsidised, this might disbar other private companies from entering the business development service market. This was despite the fact that no business development service providers existed and no study had been undertaken to ascertain demand, whether or not a business development service sector was likely to develop 'organically' was unknown. Finally it was argued that aid must subsidise those areas where there is unlikely to be investment, places where there is market failure or where no market exists. Thus, cost recovery ideas were deemed to be less important than creating 'sustainable business relationships' throughout a given supply chain. This decision was followed with a comment from the Team Leader that the facility should be aimed at saying, "Hey Mr Farmer, you're a business". This was followed by a significantly long pause. However, having finally grasped onto a concept acceptable to the donor — 'sustainable business relationships' — the meeting was adjourned until the next day's Governing Board meeting.

The following day the first official Governing Board meeting was convened. Present at this meeting were the newly appointed staff of CADF, the donor representative, the lead design consultant, an NGO representative,<sup>58</sup> an Executive Chef

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<sup>58</sup> Administratively the project was 'hosted' by an international non-government organisation, International Development Enterprises (IDE). Given that NZAID did not have a formal presence in Cambodia, it was decided

from one of Siem Reap's large international hotels, myself, the Team Leader and Khmer female professional who worked for the UNDP. During this meeting the facility's 'strategic direction' unravelled further. First the Team Leader informed participants that the 'sector support group' (relevant organisations of the development sector) identified as crucial to the facility's upstream work with poor producers and suppliers, barely existed in a coherent form or if they did, they could not provide services outside of their own project mandate and target beneficiaries. Many of the projects mentioned in the Strategic Framework were drawing to a close, or had lost credibility amongst their main donors. HURREDO was cited as an example of this. Despite the acknowledgement that many of these organisations were incapable of providing 'support', discussion then moved to the need for predefined criteria for preferred partner organisations with which the facility was to work. This was followed by more debate over the poverty alleviation merits of the facility, and yet more pensive statements by the donor representative that the project should be like the previously mentioned collective farmer project in Laos or more like Agrisud's project, a similar one in Cambodia.

At this stage another participant countered that CADF should focus on whole supply chains, not just producers or solely entrepreneurs. Yet another mentioned that "it is not right for projects to go around forming artificial collectives, they must be spontaneous, not donor created for the administrative convenience of delivering aid." Further still, one participant stated that many of the techniques and processes implemented by Agrisud had been copied by surrounding farmers and that the values for

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that hosting the facility through IDE would reduce the administration costs associated with starting up a new project in Cambodia.

the products developed by Agrisud had since collapsed. “How can we call this business success if the market has collapsed?”

Trickle down and multiplier effects were mentioned and everyone appeared perplexed until the Team Leader mentioned that the Strategic Framework’s key assumption on the poverty alleviation impacts of the Facility were in fact via ‘trickle down’. “So long as we have monitoring and evaluation to prove this [trickle down] is occurring then that is all that is needed,” said the Team Leader. In which case, the Team Leader added, the project simply needed baseline surveys and possibly some control groups, “What we want to know is: are there more jobs and what are the outcomes of relationships?” But someone else voiced concerns over the merits of creating new business relationships versus working with existing ones. “They don’t exist, that is why we are doing this,” was the response from another participant whilst gesturing to the hot, small office. Yet it was apparent by the unconvinced looks on participant faces that no one was actually sure whether they did or did not exist and if they did, what the nature of these business relationships were. The Khmer staff who could have given insight into the debate remained silent. The phrase ‘import substitution’ was briefly imposed on the conversation and hastily ignored, smothered by the donor representative’s eagerness to return to the subject of poverty alleviation.

The day proceeded and vague questions were asked about whether or not poverty alleviation could be demonstrated through technical assistance provided through the sector support group which, as previously mentioned did not really exist. There was palpable frustration in the room over the circular nature of the discussion.

Grumblings were made during the coffee break and after the short recess damage control over the image of the facility was addressed. Given the confusion surrounding the core aims and objectives, sensitivity ran high. It was mentioned by the Team Leader that some people in the wider development community had already begun sniggering at the facility's ELF acronym. So it was announced after the break that nothing regarding the Facility's financial details, successes, failures or otherwise were to be communicated outside of the Governing Board meetings. Public relations of the facility were to be left to the sole discretion of the donor.

Finally the discussion turned to the actual implementation of CADF's work. Concerns were raised over its capacity to deliver services, which had not been clearly thought through. The Strategic Framework stated that ten to fifteen clients, selected through the sector support group, should be worked with per year. However, this seemed far too onerous a number for the start up phase. It was decided that, in order to generate tools and templates and build staff capacity to deliver services, CADF should begin with three pilot clients. The donor stated that three months should be adequate to achieve this. This, it was hoped, would assist staff to develop their key approaches and methodologies and give the facility, time to establish its management systems and further refine its 'strategic direction'. This was indeed prudent as none of the staff appeared to have previous experience of providing business development services. Thus, in order to establish the facility, it was necessary for all staff members to learn how to do their jobs. This further reinforced the abandonment of cost recovery. However, it was agreed that the facility should maintain a cost recovery 'mindset'.

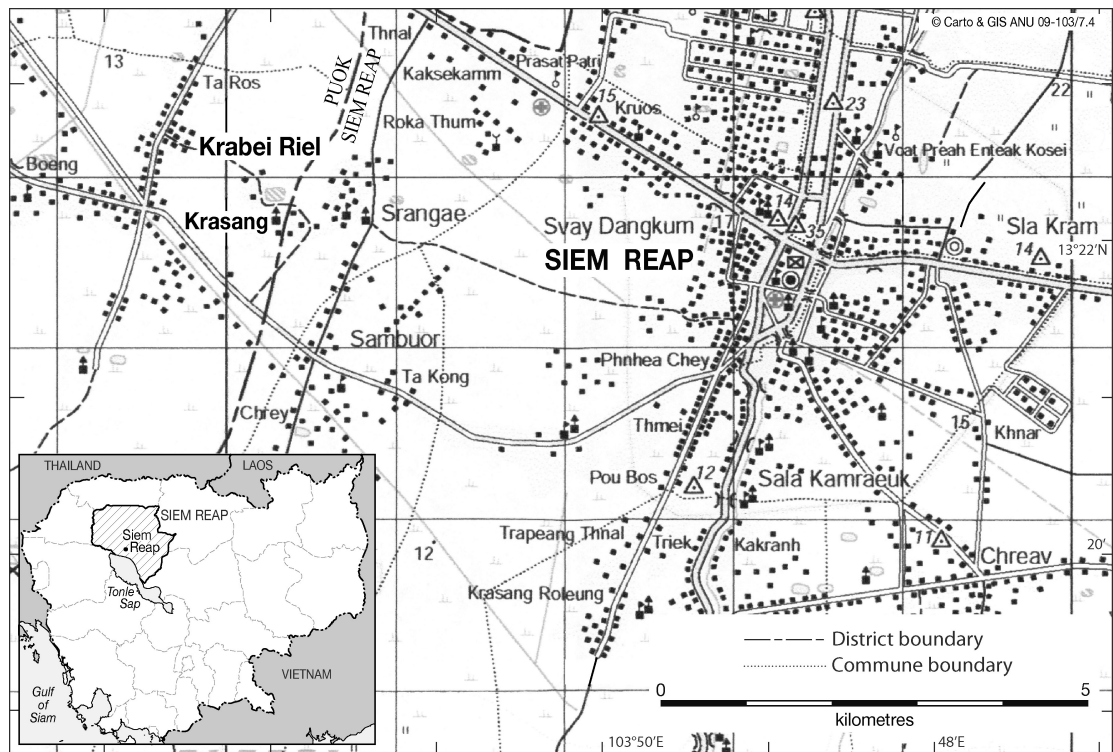
In the ensuing months, moving into pilot phase had further surprises in store for the staff and stakeholders. Finding appropriate clients to whom to provide business development services proved challenging; many entrepreneurs, by definition already successful in their businesses, did not see the need for assistance and few had the time to spare. The situation led the Team Leader to comment, “Working on the production side is easier, farmers are more open but with businesses they are harder, you have to think before you go in there.” Finally four pilot clients were selected based on their acceptability as clients and their willingness to be involved with CADF. In Siem Reap, these were a master vegetable farmer/trader and a large chilli sauce processor. In Banteay Meanchey, two vegetable farmer/traders were selected. Again, however, it was back to the drawing board as facility staff found that business development service provision could not begin without first providing extremely basic numerical and budgetary training to clients. Indeed, in some cases staff had to begin with an explanation of what a budget was. However, the path was smoothed by the fact the selected entrepreneurs had already received NGO training and support by now defunct agricultural projects. In this way the CADF constructed ‘entrepreneurs’ out of old beneficiaries from past projects.

### ***Vegetable ELFs***

The path dependent nature of this project eventually navigated my field research full circle and back to HURREDO. One of the pilot clients identified by CADF was a ‘master farmer’, previously trained by Agrisud and other NGOs in vegetable production and then later picked up as a supply coordinator for HURREDO. This farmer was

located in Krosang village, Pouk District, Siem Reap and stated that he had been in the business of growing and selling vegetables for around ten years.

**Figure 7.4: Map of Krasang village, Krabei Riel commune, Pouk district.**



Source: Cartography and GIS Australian National University.

At the end of the Agrisud project, HURREDO identified him as a key village leader and gave him with the task of organising the production of other vegetable growers and delivering this to HURREDO. His tasks included handing out seeds and equipment and providing farmers with advice on quality practices. Initially, 40 farmers were involved but this reduced to eight households over time. Over half the participants left because they either stopped growing vegetables to pursue more lucrative livelihood options in Siem Reap, such as paid hotel work or construction, or simply sold their own

produce to other traders as HURREDO proved incapable of consistently purchasing produce at predefined times and prices.

The interview with this master farmer revealed that he had now gone into the business of growing and trading vegetables alone (see Appendix 7.1). This farmer fell into a rare category of vegetable farmer that has the capacity to produce vegetables all year round. With three different parcels of land suitable for either wet or dry season production, or both, he maintained steady production. This farmer was also experimenting with greenhouse production and employed five casual labourers. With his own production, plus vegetables collected from three other villages, he supplied three major customers: an international hotel, a farmers' marketing collective (that was, in reality, a private business), and an organisation called Agricom (another business/collective). Nonetheless total sales were small, between 20 to 30 kilograms per day (often more in the weekends) of lettuce and other local vegetable varieties. These volumes contracted severely in the wet season.

Preferential supply was given to the highest paying customer, with 60 per cent of supply going directly to the hotel (which paid 80 per cent above the market price), and the other 20 per cent split between the 'marketing collective' (which paid 50 per cent above market price) and Agricom (market price). Although the hotel generally offered the highest prices, this fluctuated daily. The other two buyers paid more consistent, but lower prices. The challenge for this farmer/trader was how to maximise profits whilst minimising risks in a highly variable market. A small proportion of vegetables was therefore sold at lower prices to HURREDO and other buyers to hedge

against uncertain hotel buying practices. The facility promised to assist him with marketing and book-keeping skills, help him access capital for production inputs, budgeting, quality assurance, business plans and time management skills.

This farmer's involvement in previous NGO projects had assisted him in building a vegetable supply network. As a designated accountant for the Agrisud project, vegetable collector for HURREDO and trainer for other NGOs, he had developed new production skills and also been able to forge trust among other producers who now supplied him. However, in order to expand his business of supplying to the high-value hotel market, this farmer needed to engage other vegetable suppliers in quasi-hierarchical contract relations to ensure consistency and quality of supply. However, only seven households consistently supplied him with high quality saleable vegetables.

Discussions with other vegetable growers in the village of Krasang revealed some of the constraints on the master farmer's vegetable value chain construction. Interviews with two female vegetable producers revealed that, while they too grew vegetables all year round (these farmers had received NGO assistance), their marketing strategies changed according to the season. Both these producers had previously sold vegetables to HURREDO but had stopped participating. They had stopped growing exotic vegetable varieties and now only grew local varieties, since they no longer had access to exotic seed supplies. During the height of the vegetable season, both farmers sold their produce directly at the local market. They preferred this to selling to traders who typically offered lower prices at this time. During the wet season their strategies



changed. Both farmers sold small quantities of vegetables to different traders during the wet season when prices rose. They did this in order to maintain good relationships with each of the traders in case they needed them to buy excess vegetables during the less profitable dry season. In order to reduce risks, farmers gave preference to traders who lived in their own village. Vegetables were sold to traders on one day credit, repaid at the end of the day. Traders not based in the village were known to offer higher prices for vegetables, only to abscond without paying. The older of the two farmers also stated that the additional labour required to achieve high quality vegetables was troublesome and unnecessary, given that two of her grown children made good money, one as a tourist guide and the other as a teacher in Siem Reap. This farmer was also disinclined towards additional labour expenditure on vegetables, given that another aid project was employing her as a master handicraft woman to travel around Cambodia and train young women in traditional basket weaving. She was very proud of the mobile phone they had given her for this work.<sup>59</sup>

The selling strategies of both these vegetable producers, while logical for their own livelihood strategies, were at odds with the master farmer's expansionary plans. The diversity of their income sources and their marketing flexibility left little need for them to supply consistent high quality vegetables to the master farmer. If this farmer were to expand his business, he would need to look elsewhere. However, engaging other farmers in supply relationships who had not been previously trained by agricultural development projects was unlikely to provide the consistent quality and quantities he

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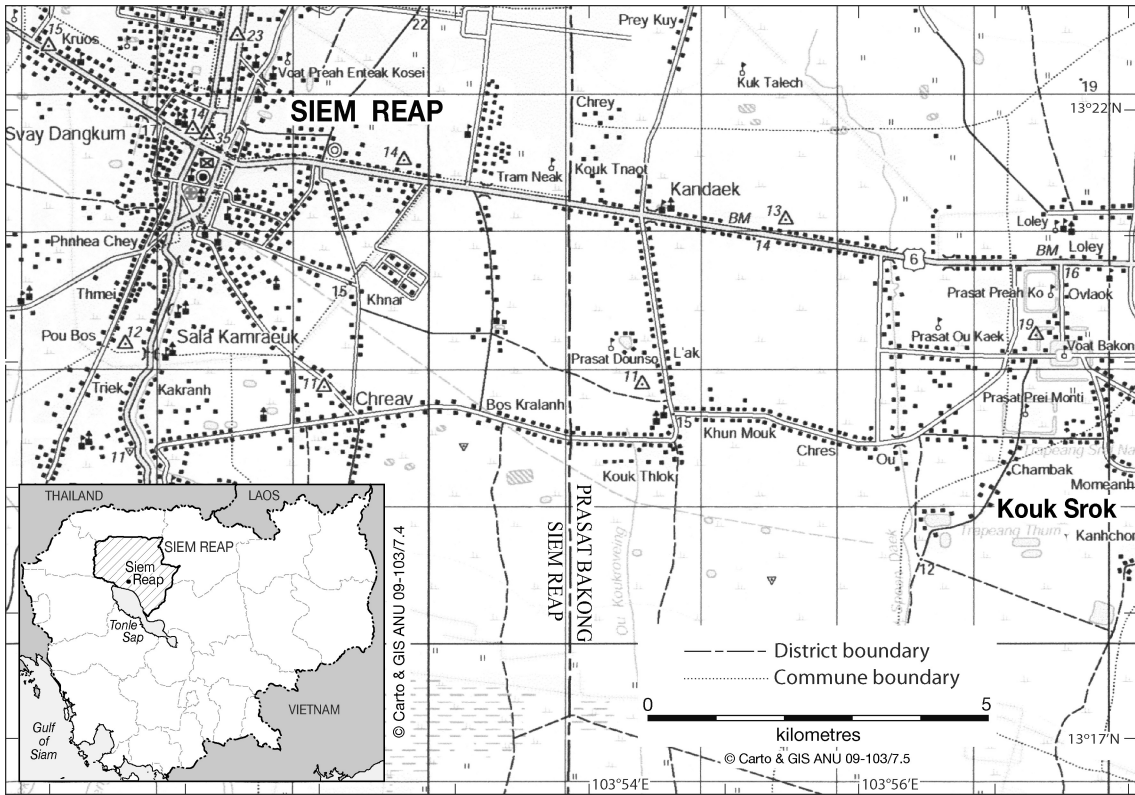
<sup>59</sup> A recent NZAID Currents article, however, states that farmers in this area have been helped out of dependence on low value labour intensive basket weaving by the CADF project through training in horticulture (NZAID 2008: 13).

required. In order to construct a larger value chain, the master farmer would need to follow the aid chain to lead him to farmers trained in high quality vegetable production, yet too remote to diversify their incomes off-farm. Such growers were unlikely to be found in Pouk District which was evidently doing well from the tourist boom of Siem Reap. Driving to and from the district during the day, the villages of Pouk were largely devoid of people and at the end of research each day, driving back into Siem Reap one encountered a heavy stream of traffic as a flood of younger people on motorbikes and bicycles headed back to the villages from their day jobs in the city. Indeed, the most striking aspect of Krasang village was that none of the households reportedly once involved in HURREDO was disabled, female-headed or otherwise disadvantaged as per HURREDO's project grant proposals.

*Non-ELF Vegetable Growers*

In order to contrast this NGO-targeted village, another village known for its cultivation of vegetables in Siem Reap was selected for research. Having heard of a village that locals referred to as the 'horticulture village', we followed directions to Kork Srok village in Prasat Bakong district, approximately 30 kilometers from Siem Reap. Here two semi-structured interviews were conducted with two vegetable growers, one of whom had no rice land and was entirely dependent on vegetable production and some casual labour in Siem Reap for income. Both interviewees grew vegetables throughout the year. This village was patently poor yet had received little assistance from aid projects. Unlike the village of Krasang, where large plots of vegetables grew under netted shades, here small plots of vegetables were planted densely around the houses.

Figure 7.5: Map of Kork Srok village, Prasat Bakong district.



Source: Cartography and GIS Australian National University.

**Plate 7.1: The road to Kork Srok.**



Source: Author's photograph.

**Plate 7.2: Vegetable cultivation around the house in Kork Srok**



Source: Author's photograph.

Neither of the interviewees sold vegetables to local markets themselves and were instead entirely reliant on traders, to whom they sold equal small amounts during the wet season in order to maintain good relations in the dry season. The prices they received were considerably lower for non-exotic vegetables. For pak choy, vegetable growers received 800 *riels* per kilogram whilst in Krasang village prices were reported at 2000 *riel* per kilogram. Unlike Krasang village, neither of these farmers had received post-harvest training and stated that they had high levels of post-harvest losses. The difference between these two villages was stark. Housing, roads and infrastructure were all noticeably poorer in Kork Srok. Yet this village had not been identified as a target for CADF's work. Unlinked to a donor-trained master farmer, 'the entrepreneurial leading few' or to any aid agency identified by CADF as a partner organisation, this village was likely to continue being neglected as CADF instead picked the 'low hanging fruit' of past development projects.

### ***Chilli Sauce ELFs***

During the start up phase, CADF also selected a chilli sauce producer as a pilot client. This producer also made fish sauce, soy sauce and vinegar. He also owned a guesthouse and was in the process of constructing a large bottled water and ice factory at a cost of US\$100,000. This producer was so successful that he was deeply reluctant to participate in the project stating that he intended to close down the sauce component of his business in order to focus on his tourism and bottled water ventures. However, CADF employees convinced him that with their help he could sustain all businesses and they could transform his sauce production into a much more profitable enterprise that would be worth his while. My own repeated efforts to interview this entrepreneur proved

unsuccessful as every time I tried to contact him he was away in Phnom Penh. Nevertheless, I endeavoured to investigate the chilli sauce processing sector.

**Plate 7.3: Chilli sauce in a market stall, Siem Reap**



Source: CADF's photograph.

A brief market survey was conducted in the retail markets of Siem Reap including Psar Leu, Psar Cha, Psar Gne, and Psar Grolaign. There were at least ten different brands of chilli sauce on the market, one of which was from Banteay Meanchey and three of which were from Thailand. In general, a dozen bottles of Khmer chilli sauce purchased by a trader at wholesale cost were 6000 *riels* per dozen (US\$1.50). The sauce was then sold for 6500 *riels* per dozen (US\$1.625), or around 700 *riels* (US\$0.175) per bottle by retailers. Thai products were considerably more expensive at 25,000 *riels* per dozen (US\$6.25), sold at 26,000 *riels* per dozen (US\$6.50)

or 2,500 *riels* per bottle (US\$0.625) retail. Cambodian products had a clear price advantage and several traders stated that sales of Thai products were declining. However, a number complained that there was often not enough Cambodian chilli sauce to supply the market. Overall, three local brands of chilli sauce were dominant in the Siem Reap market. In order of market dominance, these were *Bongkong* (prawn), *Damrei* (elephant) and *Jongpau* (chef). *Jongpau* was the brand of the larger entrepreneur selected by CADF. The address and phone number of the producer of *Damrei* and *Bongkong* were clearly labelled on each product and these were the same for both products.

After arranging a time to meet the processor of *Damrei* and *Bongkong*, myself and my research assistant headed to a small processing plant, down a muddy dirt road, around the back of Psar Leu, the main provincial market of Siem Reap. The processing plant was located at the side of his house in a warehouse that was only partially roofed. It was nonetheless very neat and tidy. Fences surrounded the house and warehouse. Accompanying us was a staff member from CADF who was keen to discover whether this sauce producer was a potential 'ELF'.

The processor stated that he did not have a business plan, nor did he see the need for one. He did not keep any records of what was bought or sold, or of what was produced. He also said that if he was owed anything, records of the debts were destroyed when the debts were cleared. He did not want to elaborate as to why this was. He only stated that he knew his net income per year, and that he was doing fine. He had learnt the business from his parents and they had run it in a similar fashion. Regarding

the chilli sauce, he stated that he originally learnt his current production techniques from a processor in Thailand. He made a trip to Thailand once a year to meet this mentor and learn. He used mostly imported ingredients for chilli sauce production, buying most of the fresh ingredients from Psar Leu wholesalers. Prices for these inputs did not fluctuate much, he said.

The label on the bottles read: 29 per cent chilli, 20 per cent sugar, 20 per cent garlic, 7 per cent salt and 24 per cent tomato. Sodium benzoate from China was used as a preservative. The sauce was manually bottled in recycled bottles that were imported from China through Vietnam to Cambodia and then sent back to China for recycling. New bottles from Thailand were said to be too expensive to use. Bottles were sterilised for six hours in a boiling vat that was fuelled by rice husks. Labels were printed and purchased in Phnom Penh, as were the caps. Twenty-five permanent staff worked in the factory, most of whom came from Prey Veng, Kampong Thom or other poorer provinces. This expanded to 30 or 40 staff in the dry season. All staff were multi-skilled and did everything from bottling to processing and transporting goods. They were paid US\$20 to US\$30 per month. Permanent staff were equally split between men and women. Casual labour hired in the dry season were usually men. The producer stated that it was difficult to find labour from Siem Reap, as most workers from the local area would not accept such low salaries.

On average the processor produced 1,200 dozen bottles of sauce per month (1,200 x 12 = 14,400 bottles per month). Production fluctuated, however, according to the season, and was constrained by labour and often by infrequent supplies of inputs.



According to the processor, many of the inputs were smuggled across the border illegally and this could create problems. However, the processor stated that input supply was not his major concern. The larger issues that this processor complained of were technical and financial difficulties.

The first issue the processor had was capital investment. He stated that he would like to purchase new machinery, specifically a bottle labeller, as labelling was currently done by hand. For this he would need to change bottles as the recycled bottles were non-standard. He had also recently purchased an acidity tester from Germany at a cost of US\$1000. However, he stated that investing in his business was difficult because of the high cost of interest.

Second, he noted that he would like to extend the shelf life of his products. Unlike Thai products that have a shelf life of up to two years, most Khmer products only last five months. Shelf life and sauce stabilisation problems constrained his ability to market his product. At the time, he distributed his products to nearby provinces to Siem Reap: Kampong Thom, Preah Vihear, and Banteay Meanchey. However, until issues of stabilisation and shelf life could be addressed, he said that there is no point in extending his distribution into more distant provinces. Nonetheless, he had ambitions to export. He proudly showed us certificates obtained from the Ministry of Industry, Mines and Energy which cleared his products for export. The Ministry charged him US\$10 per certificate per product which he then had to renew every three months. The processor also made vinegar, fish sauce and soy sauce. He had also been experimenting with oyster sauce production. This plan had been suspended until he could better ensure shelf

life and stability of his sauces. Along with extending shelf life, he stated that the sauce also has problems with emulsification — water separating from the sauce. “It is difficult to find a good formula. People keep it a secret,” he said. Indeed, the processor at first was very suspicious of our intentions and informed us that he initially thought we were coming to try and steal his recipe.

Technical problems had led this processor towards shrewd solutions. The processor made three brands of chilli sauce: Elephant (*Damrei*), Prawn (*Bongkong*) and Four Mothers (*Maydteh Bourne*). *Maydteh Bourne* did not contain tomatoes like the other two brands and sold for slightly less. For Elephant and Prawn two classes of sauce were produced, a premium product and a standard product. The premium product was sold at twice the price of the standard product, wholesaling at 12,000 *riels* per dozen. The processor stated that both Elephant and Prawn were the same product with different labels. The different labels were used interchangeably depending on the market. He stated that if one of his brands developed a bad name or had quality control issues, he would quickly change the labels to the other brand. He also stated that in particularly poor markets with low levels of literacy, customers see the Elephant label and believe that it contains real elephants. So instead of supplying the Elephant label in these markets he supplied the Prawn label (*Bongkong*) that everyone likes to eat.

Total estimated sales for chilli sauce were 5000 dozen bottles per year (60,000 bottles or 5000 bottles per month or 34 per cent of total production). The processor estimated profit per bottle at five per cent; that is, approximately US\$31.25 per month.<sup>60</sup>

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<sup>60</sup> Wholesale price 6000 riel per dozen (US\$1.50) x 5000 dozen = US\$7500 x 0.05 (net profit) = US\$375/12 months = US\$31.25 per month profit.

He stated, however, that chilli sauce demand was growing every year by 20 to 30 per cent. All of his sauce products were distributed to approximately 100 traders, with 30 per cent of production distributed outside of the Siem Reap area. Finally, he stated that he did not belong to any business associations, formal or informal, and was not interested in sharing information with anyone.

*Non-ELF Chilli Sauce Processor 2*

During the market survey a second smaller brand of chilli sauce was identified that several traders said had just entered the market. We drove to the location printed on the bottle. It was a small shack located in the Prasat Bahkong area, further out of Siem Reap and near to the poorer vegetable producers. This chilli sauce producer was also less than eager to talk to us. He stated, somewhat irately, that he had so many *barang*s (foreigners) and NGOs come to talk to him that he was sick of it. “They just come and go,” he said. Nonetheless, he agreed to an informal interview. He informed us that he had been making chilli sauce for two years now. He was a former employee of the CADF identified chilli sauce entrepreneur, and left to become a *motodop* (motorcycle taxi) driver. On his travels around Siem Reap, he met with traders, to whom he had once distributed sauce products from the large processor. They had suggested he make the sauce himself. So he started backyard production and was now selling his products to many of his former employer’s customers.

We inspected his operations which appeared extremely basic and far from sterile. This was confirmed when he informed us that he sterilised the bottles in the sun, and knew that the quality was good when he looked at it. Nonetheless, he too had

certification from the Ministry of Industry, Mines and Energy. Production was very small scale, around 20 dozen bottles per day. He also produced soy sauce, fish sauce, and an unidentifiable syrup. For this he employed four fulltime labourers who were paid US\$12.50 per month. The rest of the labour used was household labour. Inputs were sourced from similar supply chains as the larger chilli sauce producer. Preservatives, bottles, caps and labels were purchased in Phnom Penh.

**Plate 7.4: Chilli sauce producer**



Source: Author's photograph.

The start-up costs of this small operation were US\$4000, which he borrowed from relatives and a rural credit bank, and which he was still repaying. He stated that the market for chilli sauce was growing but he did not have the capital to expand his business and meet market demand. He sold products only in Siem Reap to

approximately 30 to 40 wholesale buyers. Total volumes sold had recently increased from 20 dozen bottles a day to 30 dozen, nearing the limits of his capacity to supply. He distributed all the chilli sauce by himself on a motorbike. He had ambitions, however, to buy a truck and a grinder to grind chilli, despite the fact that he often could not afford to buy input ingredients. He also stated that he would like to produce numerous interchangeable brands. Despite his ambitions, this chilli sauce producer had little understanding of his income and guessed that it must be around 1000 *riel* per dozen profit per month on chilli sauce alone, that is around US\$6.25. Why he borrowed US\$4000 in order to make such a small return was not revealed during our interview.

#### ***The Chilli Sauce Commodity Chain***

In order to ascertain the wider parameters of the chilli sauce value chain, further research was conducted with input suppliers of the main chilli sauce ingredients: chillies, garlic and sugar.

**Plate 7.5: Chili seller**



Source: CADF's photograph.

Various retail chilli traders in Psar Leu market, stated that they obtained chillies from Kampong Cham traders who conducted their business at the back of Psar Samaki market. Behind Psar Samaki market stood a whole row of wholesalers who received fresh fruit and vegetables, including chillies, ferried in Toyotas from farms in Kampong Cham to Siem Reap over night. This transportation attracted 20,000 *riels* per car trip in informal taxes collected by petty officials who operate illegal toll stops along main roads in Cambodia at night. These wholesalers stated that the chillies were mainly purchased in Phnom Penh from a chilli trader who imported the chillies from Vietnam. Other vegetables were purchased in Phnom Penh as well. Chillies and other fresh produce were then consolidated in Kampong Cham with the vegetables and chillies

produced there and sent forward to northern markets. One trader interviewed estimated her total sales volumes to be 200 kilograms of all types of vegetables per day. Chillies were purchased for 1000 *riels* per kilogram in the dry season which increased to between 3000 and 3500 *riels* per kilogram in the wet season. Gross margins were around 200 *riels* per kilogram. Chilli prices fluctuated by 200 or 300 *riels* during the day, depending on supply. Spoilage was her largest complaint. She stated that when Siem Reap vegetable producers sell a lot of chillies, this reduced the price dramatically. However, she stated that they rarely produced enough for this to occur. She added that the tomato trade followed a similar route from Vietnam to Phnom Penh and on to Siem Reap.

For garlic, the value chain appeared to be even more concentrated. A garlic trader in the large provincial market, Psar Leu, stated that a large garlic supplier from Phnom Penh supplied all the garlic to this market. A truck would arrive three times a week from Phnom Penh with one tonne of garlic and each time it would supply one of the three garlic sellers in the market with one tonne. This garlic originated from China. Garlic was purchased at 2100 *riels* per kilogram and sold for 2200 to 2300 *riels* per kilogram. Indeed, in a previous interview with an American vegetable supplier from Vietnam, it had been mentioned that for major agricultural commodities, especially garlic, onions and tomatoes, a strong monopoly was held in place by large-scale, elite and well connected traders.<sup>61</sup> This agricultural commodity trade, I was informed, was based in Phnom Penh, strongly coordinated, highly profitable and literally well defended. A similarly concentrated supply chain existed for sugar. After some enquiries,

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<sup>61</sup> Personal communication with vegetable importer, 23 August 2006.

a sugar trader was located in a shop house along the banks of the Siem Reap river. She informed me that the sugar trade was dominated by two Khmer companies importing sugar across the border at Poipet from Thailand. This being the case, commodity exchange in Cambodia cannot be characterised as rational, modern and flexible as is typically supposed by free market proponents but as associated with the politics of patronage and power.

The majority of ingredients used for the production of chilli sauce in Cambodia originated from high bulk, global commodity chains dominated by ‘hands off’ intermediaries who combined the bulk output of numerous producers to supply large-scale traders. However, as these products were not being sourced from local farmers, CADF eventually abandoned the idea of working with chilli sauce producers altogether.

The decision not to work in value-adding industries that did not demonstrate a clear link to the local agricultural sector was made on the basis that working with such businesses could not be justified as pro-poor. However, the first chilli sauce producer interviewed was clearly a highly flexible entrepreneur, sourcing low cost products from highly concentrated global commodity markets to process and to value add. Products were then sold to domestic consumers, at much lower prices than imported chilli sauces. The decision to abandon chilli sauce processors was somewhat perplexing, given that the widespread export of unprocessed Cambodian rice paddy to Vietnam for milling was much bemoaned by development consultants who lamented the loss of value adding activities.



That Cambodia was importing unprocessed agricultural products for processing itself was not interpreted as desirable, but rather as a lost opportunity for farmers to produce low value agricultural products. Thus, from the facility's perspective, Cambodia was to be placed at the bottom of the global economic hierarchy, entrepreneurialism and opportunism only to be unleashed from the very bottom up, not, however, to be developed using imports from global commodity chains. This insistence that value added processing should utilise local products is at odds with the way that agro-processing firms operate around the world. An inspection of product labels anywhere in the world reveals that most products are made from local and imported ingredients. For example, Thailand is a net importer of chilli, yet a net exporter of value added chilli sauces and other chilli preparations (Ali 2006).

***Transformed, Sustained, Abandoned?***

Meanwhile back at CADF, the 'strategic direction' of the project remained in constant negotiation, primarily over whether or not intended activities could be considered pro-poor. It was becoming increasingly difficult for anyone involved to justify the approach on decidedly 'pro-poor' grounds, aside from stating the obvious, unsubstantiated impacts of 'trickle down'. Thus, the NZAID representative continued to urge the facility to work more with producer groups in a fashion similar to the Laos project he had observed. Confusion reigned over whether and how to work with producer groups. "Do we treat them the same as individual clients?" was the question asked. But this, it was noted, may not be wise as it was speculated that within each group differences in resources, capacities, organisational structures and decision-making would vary. There were further concerns from the design consultant over working with NGO-supported

producer groups as clients. “We shouldn’t respond to the donor created environment, but to the actual environment”. Thus, it was decided that a group client strategy should be developed to appease the donor. The onus to prove the poverty alleviation impact of the facility was laid squarely on the shoulders of the M&E Officer, a fresh-faced, Khmer, female university graduate with no former training in development assessment and myself, the three month consultant hired to set up CADF’s M&E Framework and train the M&E Officer to implement it.

During my time as monitoring and evaluation consultant for CADF I found that the process of formulating a monitoring and evaluation framework for the facility was more about balancing the various demands and perceptions of the Team Leader, design consultant and donor and matching them with the ever-evolving ‘strategic approach’, than it was about the actual problem of measuring the efficiency and effectiveness of NZAID’s activities for poverty alleviation. Part of this balancing was to bring together differing perspectives on whether monitoring and evaluation should focus on participatory evaluations including all stakeholders from national government, community and the development sector, as advocated by NZAID, or focus on quantitative measurements of increased income which was advocated by the staff and design consultants. In a bid to satisfy all parties involved, I redesigned the project to graduate from providing both individuals and producer groups with business development services and technical assistance to their suppliers, and towards gradual participatory value chain development involving all value chain actors. Knowing it was the newly emerging trend in agricultural development, I hoped that such an approach would satisfy the all-competing demands. This approach, I reasoned, would also help

solve the problem of how to engender wider 'institutional engagement' once assigned to the now defunct 'sector support group'. The new approach would begin with clients, move to producer groups and end with a form of participatory supply chain problem solving that could double as participatory monitoring and evaluation. This solved the issue of whether to work with supposed agents of business development, ELFs, or the structural issues surrounding business. Furthermore, by attaching the word 'participatory' to value chain development the concerns that the facility would be too producer or trader-oriented were addressed. In this new development lexicon, the words 'value chain development' averted conundrums over the structure/agency dimensions of the development impasse, while the word 'participatory' evaded the apparent tension between gifts and commodities, between whether to 'give' assistance to poor producer collectives versus whether to 'sell' business development services to entrepreneurs. I submitted my new 'Strategic Framework', along with a fully redesigned monitoring and evaluation section and completed my consultancy, expecting that it would be ignored. For a short while, the project extended its business development work with producer groups (silk and honey) and with other 'entrepreneurs' (livestock breeders and mushroom cultivators). Ideological dilemmas over working with producer collectives versus individual entrepreneurs were suspended. The NZAID official, from Wellington, in charge of the project left for another post in the Solomon Islands. He was temporarily replaced by an aid official from the Bangkok Embassy office, an ex-school teacher who had a proclivity to fall asleep at Governing Board Meetings, much to the relief of other members.

At this point I also ended fieldwork. However, I was informed a year later that the project had been reconfigured and was now focused solely on ‘participatory value chain development’. In the years since the CADF had been conceived, established and implemented development trends had shifted rapidly. The newest and most innovative approach was now value chain development, leaving business development provision to SMEs relegated to the box of passé development tools labelled ‘1990s’. Since early 2000, the move to value chain development had gained considerable momentum within agricultural development theory, and it is likely that moving to this approach would have given the facility a whole new level of legitimacy. However, in the eyes of some, the facility’s long gestation phase, from pilot clients to producer groups, and on to reinvention in value chain development, was to be viewed with scepticism. This led one informant to describe the Facility’s leading stakeholders as “arrogant theorists stuck in a perpetual start up phase, achieving nothing”, a comment that was later requested to be withdrawn from my records due to high sensitivity surrounding this representation of the facility to the wider public.

Whether CADF has any noticeable impact on the agri-business sector of Siem Reap and Banteay Meanchey remains to be seen. Given the donor’s intense sensitivity about the public becoming aware of the facility’s success or failure, it may never be known. Nevertheless, rapid change is taking place in Cambodia. This was most evident on a recent trip I made to Cambodia, at the beginning of 2009. First I was informed that a large private company rumoured to be in league with MAFF was buying up large tracts of land to begin organic vegetable production. Later, friends who had grown up and lived in the Pouk District where Krasang village is located reported that, despite the

existence of successful horticulturists in this area, many of the farmers had sold their land in the 2008 land price boom, and moved into Siem Reap township to work in construction. Others had simply been illegally evicted from their land by the government.

### **Conclusion**

Castel-Branco (2003: 14) states that “on the whole, most SME-driven programs try not to have to address the more general dynamics of the economy, either because of the assumption that markets know better, or because SMEs are seen as a way to balance the power of more general dynamics; or simply because such dynamics are not understood.” Instead Castel-Branco (2003) argues that programs to support private enterprises usually lack clear industrial strategies or even clear sets of priorities in capacity building. Training and institutional facilitation to interested firms is usually the fullest extent of engagement, and remains deeply inadequate for the real issues confronting private enterprise development in developing countries. These statements resonate strongly with the preceding case study of CADF. On the whole, while CADF championed the ‘market’ as an amorphous whole, it did little to address the very real and pressing issues central to its structure. Land titling, foreign investment laws and corruption were swept aside. The ‘market’ was depoliticised to the simplistic challenge of business development service provision to clients. In the Cambodian business environment, these clients were unlikely to adhere to what CADF advocated — formalised business practices of budgeting, business plans and management systems, all of which would have likely incurred greater vulnerability to rent-seeking officials

CADF's key expatriate advisors' and staffs' disdain for the development industry too, left it ignorant of the dynamics that CADF left in its wake. For the master farmer to achieve the status of 'market developer' and construct a robust value chain of vegetable growers, previous NGO beneficiaries needed to be enrolled. However, involvement in such programs, in addition to the growth of Siem Reap, had unshackled beneficiaries from sole reliance on vegetable production and instead diversified their livelihood options. Poorer, more remote vegetable growers, with the least livelihood options were more likely to want to supply vegetables consistently and at higher prices to the master farmer; given their lack of training by NGOs, however, they were unsuitable candidates. In theory, these growers could have been 'developed' by the sector support group of NGOs and donors, but often these organisations had their own mandates, beneficiary identification strategies and approaches which may or may not have been useful to the master farmer. The uneven pattern of donor intervention also made it unlikely that local chilli sauce producers could have developed local supply chains. Yet this lack of links to the local market meant that CADF abandoned the idea of providing assistance to these processors. Even if chilli sauce producers accepted local produce, they were unlikely to find the producers capable of supplying the quantity and qualities needed.

Overall, the importance of linking agriculture to agri-business is overstated in developing countries such as Cambodia. Value-adding, whether to local or imported ingredients, should be considered important in its own right. The fact that it was not, left potentially successful agro-processors without the technical assistance they needed to expand sales provincially, let alone nationally or internationally. The key issue here is

not whether economic development and poverty alleviation are in fact coterminous, but how they may be. Linking the two is not a simple path from facilitating improved agricultural production, to agro-processing to export markets. Instead, it involves a range of activities and relations, not just commercial but charitable also. In this case, some NGOs improved farmers' capacity to grow vegetables. This led some farmers to pursue other more lucrative or varied livelihood options. For other farmers it meant abandoning their farms. For chilli sauce, agro-processing did not require a strong linkage to all the factor endowment based competitive advantages of Cambodia, rather it needed access to more reliable, cheaper global commodity chains dominated by elite patrons, combined with cheap rural labour that allowed for the production of competitively priced products for the domestic market.

## **Chapter Eight**

### **Conclusion**

#### **The Problem with Global Commodity Chain Analysis in Pro-poor Development**

We need to understand gift relations, not just commodity relations, in agricultural commodity chain interventions aimed at pro-poor development. This applies to gift relations within a developing country and the gift relations of foreign aid interventions. Agriculture, whether in the developed or developing world, is a sector in which producers are uniquely predisposed to seek protection, either formally through state subsidies or informally through the construction and maintenance of patron-client relations, which is what characterises many developing countries as gift rather than commodity-driven. The precarious and uncertain nature of the environment and markets, and the low prices of agricultural commodities compared with other goods and services, mean that farmers the world over tend to seek protection. This persists despite the fact that farmers are increasingly compelled by development and state agencies to rely on commodity markets alone to ensure their livelihoods. This thesis has examined the gift relations of foreign aid interventions surrounding commodity chain development.

Agricultural value chain development works to help the 'poor' trade their way out of poverty through the construction and reconstruction of commodity relations. It is



through the exchange value of agricultural commodity production and marketing that people are supposed to upgrade their livelihoods. However, this is not always the case. People, engaged in a range of social relations of exchange, including gifts and commodities, enrol a range of relations to assist them in their efforts to 'upgrade'. Consequently, what may be considered a fair exchange is the sale of agricultural surplus or surplus labour at low market values, in return for guarantees of protection and patronage. Commodities may be exchanged for the ongoing provision of gifts in a transaction that is considered by participants as commensurate, if not by outsiders. The example has been used of a farmer willing to sell below market price rice to his or her patron if the promise of ongoing protection is made. As such, in the construction and reconstruction of new and existing commodity chains, a combination of both gifts and commodity relations must be enrolled if development interventions in agriculture are effectively to help the poor. A focus on commodity relations alone will not ensure pro-poor development outcomes.

Nevertheless, current agricultural value chain development efforts tend to focus solely on commodity relations, and although uneven power relations are to some extent better conceptualised in methods such as global commodity chain analysis than simplistic neo-liberal models of trade, such approaches still do not fully integrate the important notion of power, how it is maintained and reproduced. In order to be effective, and fully understand the uneven power relations inherent in agricultural commodity chains, we must examine social life outside of commodity relations and take account of the full gamut of relations that come to bear on the construction of emerging market linkages. At the present time, value chain literature defines power by profits and

profits are defined by market access. Thus, particular nodes inhabiting positions of strategic market access within a commodity chain represent higher profit margins and therefore greater levels of strategic power. It is in these areas that many scholars of global commodity chain analysis argue that power tends to accumulate. Commodity chains are therefore often overemphasised as trader or buyer driven.

The generalisation of commodity chains as either trader or buyer-driven is an inadequate explanation of how power works to construct and maintain commodity chains. The idea that commodity chains operate under simplistic power relations driven merely by a strategically positioned trader leads towards the development impasse. In the development impasse, development theorists determine that the poor may not trade their way out of poverty due to the innate structure of commodity chains held in place by strategic actors such as traders. This stands in contrast to the view of development practitioners who argue that, given greater strategic market access, the poor may be empowered in relation to traders or buyers.

Such simplistic explanations do not take account of the range of political, social, environmental and historical factors that contribute to specific power constellations within trade relations and how these power constellations are continually reproduced through ongoing relationships. Agrarian transition in Southeast Asia provides a case in point. In the Southeast Asian region, trade linkages are more than simply a matter of market access, they are a function of state intervention, ecology, historic trading ties and existing social and political relations, recent technological innovations such as the Green Revolution and uneven development. Commodity chains

are spurred not merely by powerful strategic commodity chain actors but also through the symbiotic relationships that exist between the market and non-market whereby inequality stimulates greater class distinction and therefore specialisation and agro-industrialisation, but equally may induce greater viability of subsistence-oriented production and attendant political patronage structures. Traditionally, trader power in Southeast Asia is derived not merely from market access but through the ability to navigate a range of social, political, ecological, technological and even cosmological complexities. Trader power may often be weak, variable and seasonal. Trader or buyer-driven models predicated on power derived from market access do not alone explain issues of uneven market access, nor do they necessarily suggest immediate remedies to it. Instead, as described in Chapter six, such suggestions may lead development agencies to target unfairly petty female fresh fruit and vegetable traders as the cause of uneven development. In short, models based around examining market relations and functions alone are inadequate for understanding uneven market access. By extension, therefore, models such as value chain interventions are also inadequate for remedying uneven access.

The construction of new commodity chains is laboured, contested and uncertain. A range of relations, including gift and commodity relations, contribute to the construction of new commodity chains, primarily through efforts to build consensus. Consensus building around a set of activities and practices occurs until such practices become routine, resulting in a structure or convention (Morgan et al. 2006). A key way through which consensus is built is the practice of gift giving. While gift giving is especially associated with non-market, subsistence-oriented agricultural production,

traditionally in the form of patronage, there are modern forms of gift giving which include more formalised agricultural subsidies and agricultural development programs operated by foreign aid agencies. The key function of giving to the agricultural sector is to build consensus around the production and marketing of agricultural commodities that are valued as exchangeable and often exportable commodities. This is no easy task and is especially challenging across cultures that may hold differing perceptions of quality and value. In the arena of international development, aid agencies exist to mediate aid flows aimed at consensus building within cross-cultural contexts.

However, the degree to which aid may successfully achieve consensus around newly constructed or reconstructed commodity chains is typically hindered by the specific principles of private sector engagement. Consensus building is restricted to only those activities that conform to the logic of commodity exchange. Aid is enjoined to become more business-like lest it undermine exchange values, despite the fact that gift giving may help to construct more exchangeable commodities. Nonetheless, the logic of the gift in development assistance efforts is not so easily overwhelmed by the logic of commodity relations. Because aid relations are often deployed in areas of high geopolitical and historic importance, just as they are of economic importance, high levels of foreign assistance may continue despite contrary evidence of its effectiveness in constructing sustainable trade linkages. Consequently, deep schisms often emerge in aid projects aimed at constructing commodity chains, as high levels of 'business-like' aid assistance inundate highly aid-dependent countries, often with a propensity towards elite capture. This leads to the conclusion that the development impasse (in trade debates, oppositional positions over whether one can trade their way out of poverty or

not) is predicated not just on the unnecessarily constructed binary of structure versus agency but also, and perhaps more importantly, on the false binary of gifts and commodities.

Cambodia is an especially fecund location for investigations into how development interventions construct and reconstruct new trade linkages in agriculture. It is a country with a long history of agricultural trade and tribute and foreign intervention which has occurred mostly to the benefit of elites. These elites have used their power, often amassed through the threat of violent force, to consolidate dominance over specific commodity chains and aid chains. Wealth extracted from foreign aid, patronage networks and heavily concentrated and well-defended commodity chains erect material hierarchies which, through the use of gifts to supporters transform these material hierarchies into moral hierarchies (Hattori 2003), thereby reaffirming theological or spiritual claims to legitimate power (Hughes 2006).

Uneven power in Cambodia is more than merely a function of uneven market access. This means that to tackle issues of uneven market access, in the name of pro-poor development, other wider dynamics of politics, society, culture, history and religion need be examined as well. Most development aid attempts in Cambodia, however, fail to do this. Private sector oriented projects in the name of pro-poor development instead focus their attention solely on the private sector and market relations and work to ensure that their interventions remain 'business-like'. As such, they fail to take account of their own culpability in reproducing uneven development in Cambodia. Business-like private sector development interventions, of which there are

growing numbers in Cambodia in the name of sustainability, deny their own role in creating gift relations, resulting in private sector oriented development projects which may work against their own stated aims. This often results in an identity crisis for the aid organisation in question as to whether promoting business and pro-poor development at the same time achievable. Consequently, while aid agencies desperately seek to reconcile their pro-poor agendas with business-like approaches, Cambodian elites continue to consolidate wealth and power, leading to evermore pressing pleas by elites on behalf of the poor for more aid funds to be dispersed. Despite the undeniable, yet generally improvable, problem that aid budgets are siphoned off by state officials, it is the poor who are deplored for aid dependency and subjected to private sector oriented development projects. Meanwhile, state ministries and their employees are 'gifted' with rice seed companies and well-paid jobs in the development sector. The sponsorship of development workers, hand-picked from Cambodia's educated elite, stands in stark contrast to the often imposed contract relations that exist between aid agencies and their so called farmer-beneficiaries who are exhorted to pull themselves out of subsistence through becoming more 'business-like'. The organic rice project demonstrates this, with gift relations continuing between donors and the local NGO and contract relations between the local NGO and organic rice farmers.

Private sector oriented development interventions in Cambodia are perhaps summarised best in the guileless words of one informant, "We need to get out there and say 'hey, Mr Farmer, you're a business'". This is a statement which makes the assumption that subsistence-oriented producers in Cambodia remain delinked from the market and locked within the stifling confines of non-market gift-relations of patronage

unless aid agencies intervene. The statement overlooks three basic facts of Cambodia: first trade linkages do exist and have done so for many years; second small 'business' is mostly conducted by women; and third, despite the fact that women are the main agents of petty agricultural trade, this has not necessarily translated into greater political, social or cultural empowerment for them.

This last fact points to the crux of this thesis: that trade alone is not the only source of economic power and that economic power alone is not sufficient to engender wider developmental change. Trading one's way out of poverty requires more than just commodity exchange; it also requires gift exchange. Development agencies seek to construct and reconstruct new and existing commodity chains intervening in economic relations only. Consequently, many interventions remain ineffective. Greater attention needs to be paid to the full gamut of relations that surround market relations. The development impasse is predicated on a false split between gifts and commodities. This impasse will not be broken by different scales of economic analysis aimed at understanding the structure of commodity exchange or the agents within it (Rigg 1997). It needs a much wider the scope of analysis, one that goes beyond economics alone.

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# Appendices

## Appendices Chapter Four

### Appendix 4.1: Rice Ecosystems of Cambodia

Rice production system	Characteristics
Rain-fed upland rice	<p>&lt; 2% of wet season rice cultivation. Mainly in the provinces of Ratanak Kiri, Kampong Cham, Siem Reap, Mondul Kiri, Kampong Thom, Koh Kong, Kampot, Kandal, Preah Vihear and Stung Treng. In Ratanak Kiri and Mondul Kiri upland rice is the major rice ecosystem and in Ratanak Kiri the upland rice area is more than twice the area for rainfed lowland rice</p>
Rain-fed lowland rice	<p>90% of wet season rice cultivation. Mainly in the flat plain of the Tonle Sap Lake, Mekong River and Tonle Bassac River. The early varieties are grown on high fields, medium varieties in middle fields, and late varieties in low fields of the rainfed lowland areas. In general, the high fields are more drought prone while the low fields are more flood prone.</p> <p><b>Early Duration Rice</b> – 20% of total rainfed lowland rice area. Photoperiod insensitive, less than 120 day maturation. Photoperiod insensitive mainly grown at the beginning of the rainy season enabling farmers to plant medium or late varieties after harvesting, or at flood recession (recession rice)</p> <p><b>Medium Duration Rice</b> - 41% of total rainfed lowland rice area. Photoperiod insensitive or weakly sensitive. 120 – 150 day maturation.</p> <p><b>Late Duration Rice</b> – 39% of total rainfed lowland rice area. Photoperiod sensitive.</p>
Deepwater/floating rice	<p>4% of total rice area. Grown on low-lying areas that accumulate floodwater at a depth of 50 cm or more and in some places reaching depths of 4 meters. The floodwaters comes from the Tonle Sap, Mekong and Bassac rivers. Seeding time is the southern provinces including Takaev, Prey Veang and Kandal is usually from late April to May, while in the northern provinces such as Bat Dambang, Banteay Meanchey and Siem Reap it is from May to mid-June.</p>
Dry season rice	<p>8 to 13% of the total cultivated rice area. Photoperiod insensitive varieties that mature not more than 120 days. Its high productivity associated with better water control, higher light intensity during crop growth, development and cultivation of fertiliser-responsive high-yielding varieties like IR66, Kru and IR Kesar.</p>

Source: GFA Consulting 2006.

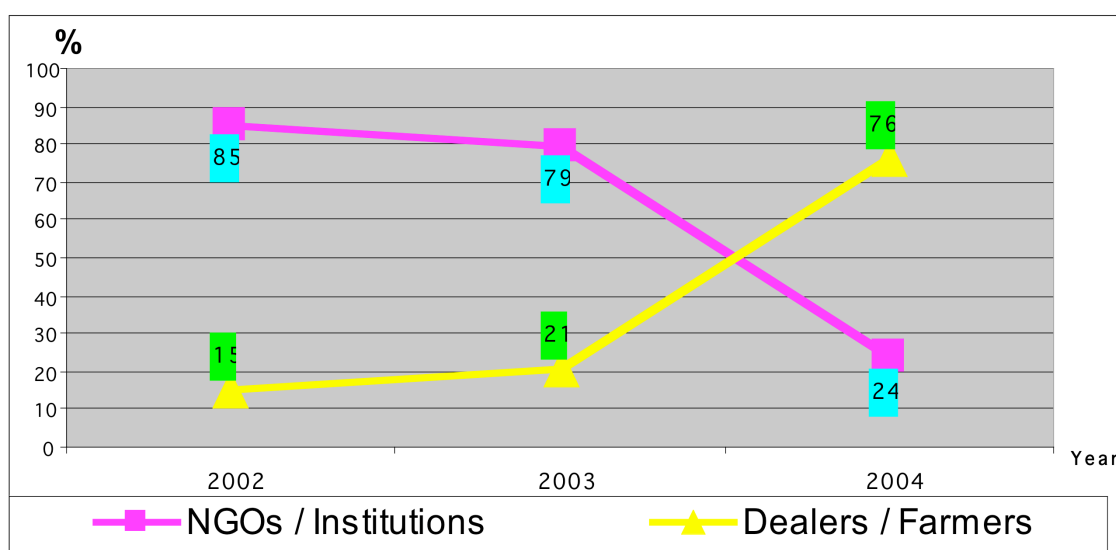
**Appendix 4.2: Average prices and gross margins for mixed paddy along the domestic rice value chain**

Price	Wet Season (riel/kg)	Wet Season (\$/t)	% Increase	Dry Season (riel/kg)	Dry Season (\$/t)	% Increase
Farmer (paddy)	660	165		600	150	
Trader (paddy)	690	172.5	4.5%	620	155	3.3%
Miller (paddy)	700	175	1.4%	630	157.5	1.6%
Wholesaler (rice)	1200	300	6.3%* (71.4%)	950	237.5	50.8%
Retailer (rice)	1250	312.5	4.2%	960	240	1.1%
Consumer (rice)	1300	325	4.0%	1000	250	4.2%

\*The conversion of paddy to rice is about 62% in Cambodia, the real increase is only about 6%.

Source: Commercial Miller Workshop, 2005, Agricultural Quality Improvement Project Closing Workshop, Kompong Som.

Appendix 4.3: AQIP Seed Sales 2005



Source: AQIP

Appendix 4.4: AQIP Research Project – Village Identification

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1. Village Identification Questions for Village Chiefs

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Village name:	Commune:
Total land:	Total population:
Number of households	
Landholding – smallest:	Landholding - biggest
Landholding - average	

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WET SEASON RICE

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Wet season average yield:	Wet season number of crops
Wet season number of farmers:	Wet season number of AQIP farmers
Wet season varieties:	Wet season varieties AQIP:
Wet season broadcast/transplant:	

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EARLY WET SEASON (EWS) RICE (IRRIGATED OR FLOOD RECESSION)

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EWS average yield:	EWS no. farmers:
EWS no. farmers using AQIP:	EWS broadcast/transplant:
EWS varieties:	EWS varieties AQIP:

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DRY SEASON (DS) RICE (IRRIGATED)

---

DS average yield:	DS no. farmers:
DS no. farmers AQIP:	DS broadcast/transplant

Overall soil fertility:	No. and type of irrigation:
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MARKETING

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Distance to large market:	Distance small market:
Road access	

Other farm activities	Proportion of households at subsistence
Level only:	
Other development activities:	Total AQIP users

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Other notes

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#### Appendix 4.5: AQIP Research Project Methods – Village Focus Group Sessions

1. **Inputs in Production:** farmers were asked to identify inputs into rice production and nominate for each input how much it comprised of their total budget. A table was produced for AQIP IR66 (if the village was an AQIP using village), IR66 non-AQIP and the traditional variety farmed in the village. Where applicable the table included percentages for broadcasted and transplanted production. Generally the data was for the early wet season (EWS), however for some villages information for wet season (WS) was also collected. It was in this exercise where an indication of yields was also sought. An example of how data was collected is presented below:

##### Wet season production comparison: AQIP IR66, non-AQIP IR66 and traditional

Variety	IR66 AQIP	IR66, non-AQIP	Traditional (mong mang)
Seed	5%	0%	0%
Labor	50%	50%	50%
Fertilizer	20%	22%	22%
Pesticide	5%	5%	5%
Water (diesel for pump)	20%	23%	23%
Yield	3.75-4.3t	3.2t	2-2.5t

2. **Distribution of Output:** farmers made a list of destinations for their output and then identified what percentage of their total rice paddy crop went to each of these. This was done for AQIP IR66, IR66 nonAQIP and a traditional crop separately. An example is below.

Sell to	IR66	Traditional
Commercial mill	74%	45%
Open Paddy Market	1%	1%
Village dealers	4%	3%
Consumption	20%	50%
Villagers	0.75%	0.75%
Exchange	0.25%	0.25%

3. **Preference Ranking for the characteristics of seed:** farmers put together a range of criteria regarding seed and then ranked AQIP IR66, IR66 non AQIP and a traditional variety. The rankings were on a scale of 1 to 5 (where 5 was “very good” and 1 was “very bad”. A score of 3 indicates an average performance).

*Appendices*

+Advantage:

Characteristics	IR66 AQIP	IR66 non-AQIP	Traditional
Yield	5	3	2
Germination	5	3	3-5
Less Seed	5	1	3
Fast growth	5	3	2
Evenness growth	5	3	4
Easy to sell	5	4	5

+Disadvantage:

Characteristics	IR66 AQIP	IR66 non-AQIP	Traditional
High Price	1	4	3

## Appendix 4.6: AQIP Research – Individual Farmer Surveys

Interview Date:	Farmer name:
Interviewer:	Village:
Interview code:	Province:
Commune:	District:

**1. Household Data:**

HOUSEHOLD MEMBER	#1	#2	#3	#4	#5	#6	#7	#8
Gender (m/f)								
Age								
Ability to read and write? (poor/average/good)								
Occupation								

Number of Females in household:

Number of Males in household:

**Total** in Household:

Comments on household data discussion

**2. Labour and Income:**

## ON-FARM EMPLOYMENT

Number of household members who work on farm:

## OFF-FARM EMPLOYMENT

Number of household members who work off-farm:

Type of employment:                      Labour    Construction    Garment factory    Migrant worker  
    Retail                      Other

Details:

## INCOME

Did the household purchase rice for consumption during the past year:    Yes    No

→ if Yes: How much? \_\_\_\_\_ kgs

Is the household currently in debt and who to?

→ If yes:

For how long has the debt been outstanding \_\_\_\_\_ months

How much do they owe    \$USD \_\_\_\_\_

How much is the interest rate: \_\_\_\_\_ %

Appendices

Income	Actual yearly income WS 2004 – EWS 2005			Expected income WS 2005		
	Unit	Price (riels)	Total	Unit	Price (riels)	Total
Rice production						
Sales of paddy						
EWS 2005		(a)				
DS 2004-05		(b)				
WS 2004		(b)				
Sales of milled rice						
EWS 2005		(d)				
DS 2004-05		(e)				
WS 2004		(f)				
Sales of seed						
EWS 2005						
DS 2004-05						
WS 2004						
Other rice sales						
Other farm activities (specify)						
Activity 1						
Activity 2						
Activity 3						
Off-farm income (specify)						
Off-farm 1						
Off-farm 2						
Off-farm 3						
Other						
TOTAL						

Are the income amounts entered for WS 2004 to EWS 2005 your usual income?

Yes                      No

→ If No, Why not?

Comments on Labour and Income discussion

---

**3. Production and Land**

LAND

How much land do you own \_\_\_\_\_ ha

How much land is dedicated to rice production \_\_\_\_\_ ha

Is your field graded?                      Yes                      No

Do you rent any land for seed production?                      Yes                      No

Soil quality:                      High                      Average                      Low

How many crops do you grow a year ?

**PRODUCTION**

Do you own oxen, if so how many?

Do you own a plough?                      Yes                      No

How many times do you plough your fields

Do you have access to irrigation?                      Yes                      No

Is this access through                      Government                      Water User Group                      Aid

Other

Do you broadcast or transplant:

Early Wet Season 2005                      Yes                      No

Dry Season 2004/05                      Yes                      No

Wet Season 2004                      Yes                      No

What is the total yield (t/ha)

Early Wet Season 2005

Dry Season 2004/05

Wet Season 2004

[\(See CALC tables to check yield response\)](#)

**SEED USE**

What seed variety do you use:

Early Wet Season 2005

*Appendices*

Dry Season 2004/05

Wet Season 2004

Why do you use this seed variety?

---

How many times have you used AQIP seed?

---

Are you happy with the performance of AQIP seed ?

---

Why do you use AQIP seed?

---

What do you think are the advantages of using AQIP seed?

---

What do you think are the disadvantages of using AQIP seed?

---

How did you hear about AQIP seed?

Other farmer      Radio      Television      Newspaper      Other

Do you think other members of the village are aware of AQIP seed?    Yes      No

Comments

---

Previous to using AQIP Seed where did you get your seed from?

Retained      Seed exchange      Other farmer      Given by org      Other \_\_\_\_\_

Do you receive a higher price for paddy that is grown from AQIP seed?

Early Wet Season 2005	Yes	No	Price _____ R/kg	Check (a)	} <i>Table 2</i>
Dry Season 2004/05	Yes	No	Price _____ R/kg	Check (b)	
Wet Season 2004	Yes	No	Price _____ R/kg	Check (c)	

Do you receive a higher price for milled rice that is grown from AQIP seed?

Early Wet Season 2005	Yes	No	Price _____ R/kg	Check (d)	} <i>Table 2</i>
Dry Season 2004/05	Yes	No	Price _____ R/kg	Check (e)	
Wet Season 2004	Yes	No	Price _____ R/kg	Check (f)	

**INPUTS**

Did you borrow money for inputs, if so from whom?

---

Appendices

INPUTS	Unit Type	EWS 2005			DS 2004/05			WS 2004		
		Amount (units)	Cost (riels <u>per</u> unit)	Total Cost	Amount (units)	Cost (riels <u>per</u> unit)	Total Cost	Amount (units)	Cost (riels <u>per</u> unit)	Total Cost
How much seed do you use (see <a href="#">CALC tables to double check</a> )										
How much fertiliser did you use? What type? (specify below)										
Type 1										
Type 2										
Type 3										
Did you use pesticide?										
Type 1										
Type 2										
What labour did you use (both hired <u>and</u> family; indicate if hired).										
Land preparation										
Sowing										
Seeding										
Transplanting										
Fertilising										
Watering										



<i>Spraying chemicals</i>										
<i>Harvesting</i>										
<i>Threshing</i>										
<i>Other</i>										
Did you hire or use any machinery and equipment?										
<i>Land Preparation</i>										
<i>Sowing</i>										
<i>Seeding</i>										
<i>Transplanting</i>										
<i>Harvesting</i>										
<i>Threshing</i>										
<i>Transport</i>										
Irrigation										
Other inputs used?										

#### 4. Post Harvest

Do you:

hand thresh

mechanical thresher → where do you get from?

How do you store your seed:

in the house

silo

under the house

other \_\_\_\_\_

in plastic bag

in rice bag

How long do you store your seed for: Early Wet 2005 \_\_\_\_\_ months

Dry Season 2004/05 \_\_\_\_\_ months

Wet Season 2004 \_\_\_\_\_ months

What percentage was lost due to rats / pests / moisture?

Early Wet 2005 \_\_\_\_\_ % due to \_\_\_\_\_

Dry Season 2004/05 \_\_\_\_\_ % due to \_\_\_\_\_

Wet Season 2004 \_\_\_\_\_ % due to \_\_\_\_\_

	EWS 2005		DS 2004/05		WS 2004	
Product	Quantity (kgs)	Price (riels/kg)	Quantity (kgs)	Price (riels/kg)	Quantity (kgs)	Price (riels/kg)
Paddy sold						
Paddy milled	(g)		(h)		(i)	
Paddy retained as seed						
Other						
<u>Total</u>						
Milled rice retained						
Milled rice sold						
<u>Total</u>	equal (g)		equal (h)		equal (i)	

NOTE: Cross check prices and quantities in this table with Table 2

Do you own a mill:

Yes

No

→ If Yes

What is the maximum capacity of your mill (in paddy)? \_\_\_\_\_ kg/hour (50-3,000kg/hr)

Mill Type:

Fuel

Electricity

Horsepower \_\_\_\_\_ (5-300HP)

Year bought \_\_\_\_\_

What do you charge for milling?

**→ If No**

Do you mill: \_\_\_\_\_ in village

What are the costs of milling?

How much rice did you mill

EWS 2005 \_\_\_\_\_ kgs

DS 2004/05 \_\_\_\_\_ kgs

WS 2004 \_\_\_\_\_ kgs

Do you sell the milled rice to:

EWS 2005                    collector                    in the market                    wholesaler

Please give details

DS 2004/05                    collector                    in the market                    wholesaler

Please give details

WS 2004                    collector                    in the market                    wholesaler

Please give details

What costs are involved in selling milled rice (e.g. transport)

What price do you receive for your milled rice    EWS 2005 \_\_\_\_\_ *riels/kg*DS 2004/05 \_\_\_\_\_ *riels/kg*WS 2004 \_\_\_\_\_ *riels/kg*

How much rice did you sell                    EWS 2005 \_\_\_\_\_ kgs

DS 2004/05 \_\_\_\_\_ kgs

WS 2004 \_\_\_\_\_ kgs

Do you sell the paddy:

EWS 2005                    to a collector                    directly to mill

*Appendices*

Please give details

---

DS 2004/05                      to a collector              directly to mill

Please give details

---

WS 2004                        to a collector              directly to mill

Please give details

---

What price do you receive for your paddy?                      EWS 2005 \_\_\_\_\_ *riels/kg*  
DS 2004/05 \_\_\_\_\_ *riels/kg*  
WS 2004 \_\_\_\_\_ *riels/kg*

➤              *Other*

Are there any by-products from the milling process:              Yes              No

→ **If Yes**

Bran                                      \_\_\_\_\_ value \_\_\_\_\_  
Husk                                      \_\_\_\_\_ value \_\_\_\_\_

In general, what mill results do you get from your paddy:

Mill product	Percentage %
Whole rice	
Large brokens	
Medium brokens	
Small brokens	
Bran	
Husks	
Total	100%

*Check adds up to 100%*

Do you find that you receive more whole-rice when milling paddy grown from AQIP seed?  
Yes                      No

Are there any other differences that you notice when milling paddy grown from AQIP seed?

Comments on post-harvest discussion

---

**5. Associations and Projects**

Are you involved in any other projects and if so what?

Have you received any extension training?

Are you involved in any associations?

*Comments on associations and projects discussion*

## CALCULATION TABLES FOR CHECKING RESPONSES

		<i>Quantity of seed used (kgs)</i>									
		<b>200</b>	<b>180</b>	<b>160</b>	<b>140</b>	<b>120</b>	<b>100</b>	<b>80</b>	<b>60</b>	<b>40</b>	<b>20</b>
<b>hectares</b>	<b>3</b>	67	60	53	47	40	33	27	20	13	7
	<b>2.5</b>	80	72	64	56	48	40	32	24	16	8
	<b>2</b>	100	90	80	70	60	50	40	30	20	10
	<b>1.5</b>	133	120	107	93	80	67	53	40	27	13
	<b>1</b>	200	180	160	140	120	100	80	60	40	20
	<b>0.9</b>	222	200	178	156	133	111	89	67	44	22
	<b>0.8</b>	250	225	200	175	150	125	100	75	50	25
	<b>0.7</b>	286	257	229	200	171	143	114	86	57	29
	<b>0.6</b>	333	300	267	233	200	167	133	100	67	33
	<b>0.5</b>	400	360	320	280	240	200	160	120	80	40
	<b>0.4</b>	500	450	400	350	300	250	200	150	100	50
	<b>0.3</b>	667	600	533	467	400	333	267	200	133	67
	<b>0.2</b>	1000	900	800	700	600	500	400	300	200	100
<b>0.1</b>	2000	1800	1600	1400	1200	1000	800	600	400	200	

Yield tonnes of paddy produced												
	15	10	5	4.5	4	3.5	3	2.5	2	1.5	1	0.5
3	5.0	3.3	1.7	1.5	1.3	1.2	1.0	0.8	0.7	0.5	0.3	0.2
2.5	6.0	4.0	2.0	1.8	1.6	1.4	1.2	1.0	0.8	0.6	0.4	0.2
2	7.5	5.0	2.5	2.3	2.0	1.8	1.5	1.3	1.0	0.8	0.5	0.3
1.5	10.0	6.7	3.3	3.0	2.7	2.3	2.0	1.7	1.3	1.0	0.7	0.3
1	15.0	10.0	5.0	4.5	4.0	3.5	3.0	2.5	2.0	1.5	1.0	0.5
0.9	16.7	11.1	5.6	5.0	4.4	3.9	3.3	2.8	2.2	1.7	1.1	0.6
0.8	18.8	12.5	6.3	5.6	5.0	4.4	3.8	3.1	2.5	1.9	1.3	0.6
0.7	21.4	14.3	7.1	6.4	5.7	5.0	4.3	3.6	2.9	2.1	1.4	0.7
0.6	25.0	16.7	8.3	7.5	6.7	5.8	5.0	4.2	3.3	2.5	1.7	0.8
0.5	30.0	20.0	10.0	9.0	8.0	7.0	6.0	5.0	4.0	3.0	2.0	1.0
0.4	37.5	25.0	12.5	11.3	10.0	8.8	7.5	6.3	5.0	3.8	2.5	1.3
0.3	50.0	33.3	16.7	15.0	13.3	11.7	10.0	8.3	6.7	5.0	3.3	1.7
0.2	75.0	50.0	25.0	22.5	20.0	17.5	15.0	12.5	10.0	7.5	5.0	2.5
0.1	150.0	100.0	50.0	45.0	40.0	35.0	30.0	25.0	20.0	15.0	10.0	5.0

*Appendix 4.7: AQIP Research Project Methods – Trader Survey*

Date:			Interview No:	
Participant Name:		M	F	Researcher:
Participant Code:		Age		Value Chain Code: IS
Village Name:			Verbal Consent Gained:	Y/ N
Commune:				
District:				
Province:	Prey Veng			

**Background Information:**

How did you become a trader?

---

How long have you been a trader?

---

Do you only trade or do you also grow rice?

---

Do you trade any other products?

---

Do you also farm?

---

If farmer, how much land do you own:

---

How, much is dedicated to rice?

---

How many crops per year?

---

What seed varieties do you use?

---

**PADDY BUYING**

Do you trade paddy throughout the year?

---

How many villages do you buy paddy from?

---



	Number of Villages	Number of Farmers
Early wet		
Wet		
Recession		
Dry season		

How many villages and farmers do you purchase paddy off that grow AQIP rice varieties?

AQIP varieties	Villages	Farmers
AQIP dry		
AQIP wet		

Do you separate AQIP seed and non-AQIP seed and why or why not? Yes/ No

How much rice did you purchase in total last year?

Variety	Qty (kg/year)	Price paid
<b>Early wet (total)</b>		
Mixed variety		
Local/ traditional		
Improved		
AQIP traditional		
AQIP improved		
<b>Wet season (total)</b>		
Mixed variety		
Local/ traditional		
Improved		
AQIP traditional		
AQIP improved		
<b>Dry season (total)</b>		
Mixed variety		
Local traditional		
Improved		
AQIP traditional		
AQIP improved		
Total		

How do you assess quality?

Do you pay a premium according to quality?

If so how much?

*Appendices*

Do you pay a premium according to variety?

---

If so how much and for which varieties?

---

Do you buy on credit?

---

Do you store any paddy?

---

How do you store rice?

---

How much paddy and milled rice did you loose in storage last year?

---

Product	Loss (kgs)
Paddy	
Milled rice	

Rank your top three causes of paddy and milled rice loss for the last year (Tick 3 only)

Reason for loss	Rank paddy losses	Rank milled rice losses
Milling losses (technical losses)		
Yellow kernels		
Fungus and mould		
Insect damage		
Rats and mice		
Other		

**PACKAGING**

How do you package the rice paddy?

---

What is the cost of packaging?

---

**LABOUR**

Do you hire additional labour?

---

How many people per day in what seasons?

---

How much do you pay?

---

**TRANSPORTATION**

How do you transport the rice paddy?

---

How much does it cost to transport the paddy per tonne?

---

Do you own your own transportation?

---

If not who do you hire to transport the rice and how much does it cost to transport the rice X kilometres?

---

**MARKET ACCESS**

Distance to commercial miller sold to?

---

Distance to Open Paddy Market?

---

Distance to local market

---

Conditions of road

---

**TRADE LINKAGES**

Who do you sell to?

---

Do buyers pay a premium according to quality or type?

---

Do you always sell to the same miller or trader and if so why?

---

Type of customer	No. of customers	Variety demanded	Quantity sold	Price
Vietnamese trader				
Commercial miller				
Exporter				
Other				

Do you sell any milled rice?

Type of customer	No. of customers	Variety demanded	Quantity sold	Price
Villager/ household				
Local trader				
Vietnamese trader				
Exporter				
Restaurant/ retailer				
Wholesaler provincial town				

*Appendices*

Wholesaler Phnom Penh				
Other				

Did you sell any bran last year?

Type of customer	No. of customers	Quantity sold	Price
Villager/ household			
Local trader			
Pig/chicken/duck/fish farmers			
Wholesaler provincial town			
Wholesaler Phnom Penh			
Exporter			
Other			

Did you provide any farmers with crop production inputs last year? Yes/ No

If yes, what type of inputs and how many farmers did you supply?

---

Input supplied	No. of farmers	Total quantity supplied
Seed		kg
Fertiliser		Kg
Credit		\$
Training		days
Other		

Appendix 4.8: AQIP Research Project – Miller Survey

Date:		Interview no:	
Owner/participant name:		M	F Researcher:
Date of birth:		Value chain code:	IS
Mill enterprise name:		Participant code:	CM
Building number		Verbal consent gained:	Y/ N
Village name:			
Commune:			
District:			
Province:	Prey Veng		
Comments:			

1. General Information:

How did you become a commercial miller:

How long have you been a commercial miller: \_\_\_\_\_ years

3 Do you do anything else besides milling? (Tick if applicable)

Activity	Tick if applicable
Farming	
Livestock raising	
Alcohol production	
Noodle making	
Other_____	
Other_____	

→ If farmer:

How much land do you own: \_\_\_\_\_ ha

How, much is dedicated to rice: \_\_\_\_\_ ha

How many crops per year:  WS  EWS  DS  \_\_\_\_\_

What seed varieties do you use: WS \_\_\_\_\_  
 EWS \_\_\_\_\_  
 DS \_\_\_\_\_  
 RC \_\_\_\_\_

3 f Have you ever used any seed bought from AQIP? (please circle) YES / NO

*Appendices*

3 g If yes, which AQIP seed varieties did you buy? (Please circle)

IR66

Sen Pidour

Phcar Roundoul

Other:

---

**INPUTS**

4. What was the price of your mill when you first bought it? \$

5. What is the maximum milling capacity of your mill in kilograms of paddy milled per hour? kg/ hour

6. How old is your mill? \_\_\_\_\_ years

7. How would you rate the overall condition of your mill? (please circle)

poor

medium

high

8. How many people including yourself run the mill? \_\_\_ persons

8 a Are any of these people paid? (please circle) YES / NO

8 b If yes, how many people are paid? \_\_\_\_\_ persons

8 c How much do you pay these people? \_\_\_\_\_ \$/hour

9. What were your main operating costs last year?

Cost category	Amount spent (\$/year)
Diesel	
Lubricating oil	
Labour	
Bags and packing	
Transportation	
Administration	
Taxes and fees paid to government	
Interest on loans	
Maintenance and repairs	
Other expenses	

10. Do you require credit to operate your business? (please circle) YES / NO

10 a If yes, what type of credit do you require?

Type of credit	Total amount required
Short term (less than one year)	

Long term (longer than one year)	
----------------------------------	--

10 b What are the main purposes for which you require the credit?

Purpose	Tick if relevant
To purchase paddy	
To purchase or upgrade mill equipment	
To repay loans	
To provide credit to farmers	
Other	

Did you receive any fee for service milling (milling done for someone else last year?) Yes/ No

If yes, how many customers?

Average price charged per tonne?

Did you mill rice for any farmers that grew AQIP seed?

If yes, how many?

Number of Traditional Seed Farmers

Did you provide any farmers with crop production inputs last year? Yes/ No

If yes, what type of inputs and how many farmers did you supply?

Input supplied	No. of farmers	Total quantity supplied
Seed		kg
Fertiliser		Kg
Credit		\$
Training		days
Other		

## Outputs

2. Paddy Milled Last Year:

	Quantity milled (t/year)	Quantity milled (% of total)
Paddy purchased by mill for milling		
Paddy milled on contract		
Paddy produced from own farm		
Total		100%

*Appendices*

3. Paddy Suppliers:

Suppliers	AQIP Seed	Non-AQIP	Total
Local Trader			
Contractors (Fee for Service)			
Other			

4. Trader Locations and Relationships:

Trader 1 : \_\_\_\_\_ Relationship:  Friend  Family  Other

Trader 2 : \_\_\_\_\_ Relationship:  Friend  Family  Other

Trader 3 : \_\_\_\_\_ Relationship:  Friend  Family  Other

Trader 4 : \_\_\_\_\_ Relationship:  Friend  Family  Other



5. What varieties of paddy did you purchase last year:

Variety	Quantity purchases (t/y)	Average price paid (\$/t)
Early wet (total)		
Mixed variety		
Local/traditional		
Improved		
AQIP traditional		
AQIP improved		
Wet season total		
Mixed variety		
Local/traditional		
Improved		
AQIP traditional		
AQIP improved		
Recession total		
Mixed variety		
Local/traditional		
Improved		
AQIP traditional		
AQIP improved		
Dry season total		
Mixed variety		
Local traditional		
Improved		
AQIP traditional		
AQIP improved		
Total		

Appendices

6. Milling rates:

Variety	% Head rice	% Large broken	% Medium broken	% Small broken	% Bran	% Husk	100%
Early wet (total)	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	XXXXXXX	XXXXXX	XXXXXX	100
Mixed variety							
Local/traditional							
Improved							
AQIP traditional							
AQIP improved							
Wet season total							
Mixed variety							
Local/traditional							
Improved							
AQIP traditional							
AQIP improved							
Recession total							
Mixed variety							
Local/traditional							
Improved							
AQIP traditional							
AQIP improved							
Dry season total							
Mixed variety							
Local traditional							
Improved							
AQIP traditional							
AQIP improved							
Total							

7. Milled rice sales last year:

Customer	No. of customers	Quantity	Variety preferred/demanded	Quality grade?	Average price
Wholesaler (Phnom Penh)					
Wholesaler local provincial town					
Wholesaler other provincial town					
Retailer or restaurant					
Factory					
Cross-border trader					
Formal exporter					
Household					

Do you also sell milled rice not from the Province? I.e. from Battambang

No                       Yes \_\_\_\_\_

8. Broken rice sales last year:

Customer	No. of customers	Quantity	Variety preferred/demanded	Quality grade?	Average price
Wholesaler (Phnom Penh)					
Wholesaler local provincial town					
Wholesaler other provincial town					
Retailer or restaurant					
Factory					
Cross-border trader					
Formal exporter					
Household					

*Appendices*

9. Paddy sales last year:

Customer	No of. customers	Quantity	Variety preferred/ demanded	Quality grade?	Average price
Wholesaler (Phnom Penh)					
Wholesaler local provincial town					
Wholesaler other provincial town					
Factory					
Cross-border trader					
Formal exporter					
Household					

10. Bran sales last year:

Customer	No. of customers	Quantity	Average price
Wholesaler (Phnom Penh)			
Wholesaler local Provincial town			
Wholesaler other provincial town			
Factory			
Cross-border trader			
Formal exporter			
Household/chicken/duck/fish farmers			

11. Husk sales last year:

Customer	No. of customers	Quantity (per jute bag)	Variety preferred/ demanded	Quality grade?	Average price
Wholesaler (Phnom Penh)					
Wholesaler local provincial town					
Wholesaler other provincial town					
Factory					
Cross-border trader					
Formal exporter					
Household/ farmer					

12. Taxes:

Proportion of revenue? (not sure here)

---

Formal Taxes:

---

Informal Taxes:

---

If transportation owned, transport taxes:

---

13. Packaging and Prices:

For Paddy: details  
Price \_\_\_\_\_ Riels / \$USD per tonne / bag / \_\_\_\_\_

For Milled Rice: details  
Price \_\_\_\_\_ Riels / \$USD per tonne / bag / \_\_\_\_\_

For Bran: details  
Price \_\_\_\_\_ Riels / \$USD per tonne / bag / \_\_\_\_\_

For Husk: details  
Price \_\_\_\_\_ Riels / \$USD per tonne / bag / \_\_\_\_\_

14. Quality Perceptions:

How do you perceive the milling qualities of AQIP rice as opposed to improved rice seed paddy and traditional rice seed paddy?

---

What impact has this had on your business?

---

What benefits do you believe there is for milling pure improved paddy?

---

Why do you not mill (or only mill small amounts of) pure paddy lines?

---

15. Value Chain Perceptions

Constraints in the value chain:

---

Export constraints FOB price Phnom Penh:

---

*Government policies that affect the business:*

---

*Appendices*

Competitors Total Number:

---

## Appendices Chapter Five

### Appendix 5.1: Gourmet Magazine

# Gourmet's CHOPTALK

THE GOURMET FOOD AND TRAVEL BLOG

[< previous post](#) | [Main](#) | [next post >](#)

August 23, 2007



**KAREN COATES**  
CHIANG MAI

## QUITE SIMPLY, THE WORLD'S BEST RICE

In years of bouncing around Southeast Asia, I've had many a conversation with locals and expats about the seeming superiority of Cambodian rice. I am not alone in my assessment. But why? Is it really better than rice in Thailand (my home for the past three years and therefore my natural point of comparison)? Or is it just my imagination?

I have my own ideas (Cambodian rice is mostly grown and harvested by hand, the land tilled by buffalo, the soil largely free of pesticides). But Khmers have their opinions, too--not necessarily based on science. "In Thailand, they eat for food, not for taste," a Khmer journalist told me. Thailand, the world's leading rice exporter, grows good rice, he said, but it's the low-quality varieties that generally make it to local restaurant tables. In Cambodia, where cheap rice is for soldiers, he said that even the poorest villagers scrape together to buy the best rice they can.

It also has to do with rice cycles. Good rice takes six months to grow during the rainy season. This accounts for the majority of Cambodia's harvest. Much less popular is the lower-quality "fast rice" grown between December and February, during the dry season. Farmers in other countries often plant second-crop rice in order to make more money, a Phnom Penh restaurant owner explained. Fast rice doesn't taste as good or last as long, but it certainly adds income.

But few people outside Cambodia get to taste the beauty of its rice. The country simply doesn't have the facilities to process mass quantities for export. Neither does it have the water for a "fast rice" crop (a mere 7 percent of Cambodian crops are irrigated). Last but not least, Cambodians proudly keep the best for themselves.

Posted at 05:30 AM in [All Travel Posts](#), [Karen Coates](#), [S.E. Asia](#) | [Permalink](#)

**Comments**

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*Appendices*

*Appendix 5.1: Village Identification Questions*

*1. Village Identification Questions for Village Chiefs*

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Village Name:	Commune:
Number of Years Established:	Total population:
Total land:	Organic Status:
Number of Households	
Total Landless Households	Largest Landholding #
Smallest Landholding Size	No. Households
No. Households	
Average Landholding #	
No. Households	

---

CROPS	TRANSPLANT/ BROADCAST
No. Crops Per Year	EWS
EWS	WS
WS	DS
DS	

---

WET SEASON RICE

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Wet Season Average Yield:	Wet Season Number of Crops
Wet Season Number of Farmers:	Wet Season Number of Organic Farmers
Wet Season Varieties:	

---

EARLY WET SEASON (EWS) RICE (IRRIGATED OR FLOOD RECESSION)

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EWS Average Yield:	EWS No. Farmers:
EWS No. Organic Farmers:	EWS Broadcast or Transplant:
EWS Varieties:	

---

DRY SEASON (DS) RICE (IRRIGATED)

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DS Average Yield:	DS No. of Farmers:
DS No. of Farmers AQIP:	DS Broadcast or Transplant

---

Soil and Irrigation

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Overall Soil Fertility:	No. and Type of Irrigation:
Poor	Total Land Area Under Irrigation
Medium	No. Households w/ Access to Irrigation
Good	
No. Households	
Poor	
Medium	
Good	

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MECHANISATION

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No. Tractors in Village
No. Mechanical Threshers

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No. Mechanical Water Pumps

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MARKETING

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Distance Large Market kms	No. In-Village Traders
Distance Small Market kms	No. External Traders
Road Access to Village	No. Village Millers
No. Households Not Able to Sell Paddy	No. Commercial Millers

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OTHER FARM ACTIVITIES

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Livestock No. Households	Other _____ No. Households
Fruit and Vegetables No. Households	Other _____ No. Households
	Other _____ No. Households

---

OTHER NON-FARM INCOME ACTIVITIES

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Other Non-Farm Activities List:

Total No. Migrant Workers

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FERTILISER & PESTICIDE USE

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No. Households Use Chemical Pesticides or Fertilisers	No. Households Experience Serious Health Conditions
Average Fertiliser Use Per Hectare	No. Households Experience Crop Failure
Average Pesticide Use Per Hectare	

---

OTHER DEVELOPMENT

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Other Projects Operating in Village

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FOR ORGANIC VILLAGES ONLY

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No. Organic Households  
 Total land under organic production  
 Agreement for involvement in further research?

Other Notes

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*Appendices*

**Appendix 5.2: Farmer Surveys**

Date:		Interview No:	
Interviewee name:		Researcher:	
Date of birth:		M	F
Village type:		Organic	Non-Org
Number in household:		Farmer type:	T0 T2 T1 Non
Average yearly income:		Year village established	
Village name:		No. years @ address	
Commune:		Electricity	Y / N
District:		Access to clean water	Y / N
Province:		TV /Radio/Telephone	
Observations: Condition of house: Proximity to main road: Proximity to school			
Comments:			

**PART A: GENERAL INFORMATION**

Please list the members of your household, age and occupation:

Family member	Age	Sex	Occupation
1.			
2.			
3.			
4.			
5.			
6.			
7.			
8.			
9.			
10.			

**PART B: HOUSEHOLD INCOME GENERATING ACTIVITIES**Land

What is the total amount of land that you own and/or rent? \_\_\_\_\_ ha

	Ha	Own/ rent		No. Years owned/rent		Soil quality			Irrigated (✓)	Inherit (✓)	Buy <i>riel</i>	Cleared (✓)
						P	M	G				
Household land												
Rice land												
Plantation land												
Vegetable land												
Other:												
Total												

If land is rented please give the total cost?

---

Please give detail as to your household's income generating activities:

---

Livestock

	(✓)	No. Owned	Acquired From	Cost Price	Consume	Sell	Price R	Estimate d yearly income
Cows								
Pigs								
Chickens								
Ducks								
Fish								
Other:_____								

Fruit/ plantation

	(✓)	Total ha	Total tonnes	Consume kgs	Sell kgs	Price R/kg	Estimated yearly income
Oranges							
Mangos							
Coconut							
Banana							
Sugar Cane							
Sesame							
Peanut							
Other:_____							

*Appendices*

Other:_____							
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Vegetable growing (large and small)

	(✓)	Total ha	Total tonnes	Consume kgs	Sell kgs	Price R/kg	Estimated yearly income
Cucumber							
Pumpkin							
Tomatoes							
Potatoes							
Eggplant							
Watermelon							
Onions							
Spring onions							
Leafy greens							
Other:_____							
Other:_____							

Agricultural labour

	(✓)	Total no. days	Estimated yearly income
Part-time			
Full-time			

Off-farm labour

	(✓)	FT/ PT	Estimated yearly income	Remittance/ year
Garment				
Construction				
Taxi				
Road. worker				
Government				
Police				
Thailand				
Thai border				
Other:_____				
Other:_____				

Other

	(✓)	FT/ PT	Estimated yearly income	Remittance
Paddy trading				
Store owner				
Rice milling				

Rice wine				
Gather from jungle				
Other: _____				

**ASSETS**

Do you own any of the following? YES  NO

And if YES, do you hire these to other people?

Asset	(✓)	Age	Cost of asset	Rental unit	Total hire units /year	Est. yearly income
Rice mill						
Tractor						
Thresher						
Water pump						
Motorcycle						
Truck						
Horse & cart						
Ox/buffalo & plough						
Other: _____						

If NO, do you hire any of these from other people?

Asset	(✓)	Rental unit	Total hire no. days/year	Total cost /year
Rice mill				
Tractor				
Thresher				
Water pump				
Motorcycle				
Truck				
Horse & cart				
Ox/buffalo & plough				
Other: _____				
Other: _____				

**HOUSEHOLD DEBT**

Do you currently owe anyone money? YES  NO

If YES, who do you owe money to?

Person	Amount Owed	Interest /month %	Purpose for loan
Local money lender			

*Appendices*

Family member			
Friend			
Bank			
Credit association			
Other: _____			

**MILLED RICE PURCHASES**

In the past year did your household purchase any milled rice? YES  NO

If YES who did you purchase from? In-Village  External Trader  Local Market

Other: \_\_\_\_\_

If NO, did you borrow any milled rice or paddy? YES  NO

If YES, who did you borrow milled rice from? Family  Friend  Other \_\_\_\_\_

Please give details on milled rice borrowed or bought:

Month	Variety	Buy ✓	Borrow ✓	Milled ✓	Paddy ✓	Qty R/kg	Price R/kg
Jan							
Feb							
March							
April							
May							
June							
July							
August							
September							
October							
November							
December							

**INPUTS**

How many crops of rice do you NORMALLY grow a year ?

How many separate plots of rice land do you own or rent?

Please detail the total number of rice land plots owned and cultivated

	Ha	Own/rent \$		Soil quality			Season				Kms from House	Variety	Seed kg/ha	Fertiliser		Pesticide	Total yield	Status					
							EW S	WS 1	WS 2	DS				Org	Non			T0	T2	T1	Non	De facto	
		O	R	P	M	G																	
Plot 1																							
Plot 2																							
Plot 3																							
Plot 4																							
Plot 5																							
Plot 6																							

*Appendices*

**SEED**

Did you purchase any seed in the last year? YES  NO

If YES, who did you purchase the seed from?

Why did you purchase seed?

	Variety	Amount	Cost/kg	Total
EWS				
WS				
WS2				
DS				
Total				

If NO, were you given any seed? YES  NO

If YES, who gave you the seed?

Exchange  Government  Aid  Other: \_\_\_\_\_

How many years have you retained your other seed?

Variety 1: \_\_\_\_\_ Yrs\_\_\_ Variety 2: \_\_\_\_\_ Yrs\_\_\_

Variety 3: \_\_\_\_\_ Yrs\_\_\_ Variety 4: \_\_\_\_\_ Yrs\_\_\_

How much seed do you store? \_\_\_\_\_ kgs

How do you store seed? (please circle)

In the house                      Silo                      Under the house                      in plastic bag

in rice bag                      Other

How much seed do you typically loose in storage? \_\_\_\_\_ kgs

**LABOUR SPENDING**

Please detail labour spending on your rice crop



EWS	Total number of days	Household labour no. people	Exchanged labour no. people	Hired labour/ equipment no. days	Hire cost per day	Total
Ploughing						
Sowing						
Broadcasting						
Transplanting						
Weeding						
Watering						
Fertilising						
Apply Pest						
Weeding						
Harvesting						
Transporting						
Hand threshing						
Drying						
Total						

WS 1	Total number of days	Household labour no. people	Exchanged labour no. people	Hired labour/ equipment no. days	Hire cost per day	Total
Ploughing						
Sowing						
Broadcasting						
Transplanting						
Weeding						
Watering						
Fertilising						
Apply Pest						
Weeding						
Harvesting						
Transporting						
Hand threshing						
Drying						
Total						

WS 2	Total number of days	Household labour no. people	Exchanged labour no. people	Hired labour/ equipment no. days	Hire cost per day	Total
Ploughing						
Sowing						

*Appendices*

Broadcasting						
Transplanting						
Weeding						
Watering						
Fertilising						
Apply pesticide						
Weeding						
Harvesting						
Transporting						
Hand threshing						
Drying						
Total						

DS	Total number of days	Household labour no. people	Exchanged labour no. people	Hired labour/ equipment no. days	Hire cost per day	Total
Ploughing						
Sowing						
Broadcasting						
Transplanting						
Weeding						
Watering						
Fertilising						
Apply pesticide						
Weeding						
Harvesting						
Transporting						
Hand threshing						
Drying						
Total						

**IRRIGATION**

Do you have access to irrigation? YES  NO

If YES, please circle:

River                  Lake                  Canal                  Dam                  Tropeang

Well                  Other: \_\_\_\_\_

How long have you had access to irrigation? \_\_\_\_\_ years

Does this irrigation provide enough water? YES  NO

Was the irrigation provided by any of the following?

Government                   Water User Group                   Aid                   Other

Do you pay to have access to irrigation? YES  NO

If YES, what is the total cost?

**FERTILISER**

	Type	Home produced ✓	Bought ✓	Qty	Cost/kg
Chemical					
Type 1.					
Type 2.					
Type 3.					
Type 4.					
Organic					
Type 1.					
Type 2.					
Type 3.					

Have you or any members of your household been sick from using chemical fertilisers?

YES  NO

If YES, please explain

—

Have you experienced crop failure as a result of using bad quality fertiliser?

*Appendices*

YES  NO

If YES, please give details

---

**PESTICIDE**

	Type	Home produced ✓	Bought ✓	Qty	Cost/kg
Chemical					
Type 1.					
Type 2.					
Type 3.					
Type 4.					
Organic					
Type 1.					
Type 2.					
Type 3.					

Have you or any members of your household been sick from using chemical pesticides?

YES  NO

If YES, please explain

---

Have you experienced crop failure as a result of using bad quality pesticide?

YES  NO

If YES, please give details

---

**HERBICIDE**

	Type	Home Produced ✓	Bought ✓	Qty	Cost/kg
Chemical					
Type 1.					
Type 2.					
Type 3.					
Type 4.					

Have you or any members of your household been sick from using herbicide pesticides?

YES  NO

If YES, please explain

---

Have you experienced crop failure as a result of using bad quality herbicide?

YES  NO

If YES, please give details

---

**DRYING**

How do you dry your paddy? Please circle

On the road                      On woven mats                      On plastic                      On dirt ground

**STORAGE**

How much paddy do you store? \_\_\_\_\_ tonnes

How long do you store paddy for? \_\_\_\_\_ months

How do you store your paddy?

In the house                      Silo                      Under the house                      in plastic bag

in rice bag                      Other

How much rice do you estimate that you loose per year in storage?

---

*Appendices*

**OTHER COSTS**

How many rice bags do you buy per year?

How much is one bag? \_\_\_\_\_ R/bag

**TRAINING/ AID**

Do you receive any support from any aid organizations?

YES

NO

Please circle

Microcredit

Livestock

Irrigation

Health

Food Security

Agricultural Training/ Inputs

Other: \_\_\_\_\_

Comments:

---

Have you received any agricultural training from aid projects?

YES

NO

If YES please state what type of training?

---

Total number of training days attended \_\_\_\_\_ days

Do you receive any other agricultural inputs or support from aid projects?

YES

NO

Please list:

1. \_\_\_\_\_
2. \_\_\_\_\_
3. \_\_\_\_\_
4. \_\_\_\_\_

In your opinion has the training and inputs provided been beneficial to you and your families income?

---

If YES, how much do you estimate it has increased your income by? \_\_\_\_\_ R/years

**OUPUT**

Please detail total paddy output and what it was used for?

**EWS**

	Variety (✓)			Qty	Price/kg
	Early	Med	Late		
Consumption					
Used for other product production					
Feed to animals					
Retain seed					
Internal village trader					
External village trader					
CCRD					
Commercial miller					
Exchanged for goods					
Exchanged for credit					
Given to wat					
Given to friends/ family					
Other					
Total					

Appendices

**WS 1**

	Variety (✓)			Qty	Price/kg
	Early	Med	Late		
Consumption					
Used for other product production					
Feed to animals					
Retain seed					
Internal village trader					
External village trader					
CCRD					
Commercial miller					
Exchanged for goods					
Exchanged for credit					
Given to wat					
Given to friends/ family					
Other					
Total					

**WS2**

	Variety (✓)			Qty	Price/kg
	Early	Med	Late		
Consumption					
Used for other product production					
Feed to animals					
Retain seed					
Internal village trader					
External village trader					
CCRD					
Commercial miller					
Exchanged for goods					
Exchanged for credit					
Given to wat					
Given to friends/ family					
Other					
Total					



## DS 2005

	Variety (✓)			Qty	Price/kg
	Early	Med	Late		
Consumption					
Used for other product production					
Feed to animals					
Retain seed					
Internal village trader					
External village trader					
CCRD					
Commercial miller					
Exchanged for goods					
Exchanged for credit					
Given to wat					
Given to friends/ family					
Other					
Total					

**PERCEPTIONS FOR ORGANIC FARMERS ONLY**

What is your opinion of organic rice production?

---

What do you think are the benefits and problems with organic rice production?

---

What do you think are the two biggest advantages of growing organically?

- 1.
- 2.

What do you think are the two biggest disadvantages of growing organically?

- 1.
- 2.

How did you hear about organic rice growing methods?

Other farmer      Radio      Television                      Newspaper                      Other

Why do other people in the village not grow organic rice?

*Appendices*

**PERCEPTIONS FOR NON-ORGANIC VILLAGES**

What is your opinion of organic rice production?

---

What do you think are the two biggest advantages of using chemicals?

- 1.
- 2.

What do you think are the two biggest disadvantages of using chemicals?

- 1.
- 2.

Would you ever consider growing organic rice in the future      YES       NO

Why or why not

---

**Appendix 5.3: Trader Survey**

Date:		Interview No:	
Interviewee Name:		Researcher:	
Date of Birth:		M	F
Number in Family:		Village Type:	
Average Yearly Income:		Farmer Type:	
Village Name:		Year Village Est	
Commune:		No. Years @ Address	
District:		Electricity	Y / N
Province:		Access to Clean Water	Y / N
Observations: Condition of house: Proximity to main road: Proximity to school			
Comments:			

**PART A: GENERAL INFORMATION**

How did you become a trader?

---

How long have you been a trader? \_\_\_\_\_ years

Please list the members of your household, age and occupation:

Family Member	Age	Sex	Occupation
1.			
2.			
3.			
4.			
5.			
6.			
7.			
8.			

**PART B: HOUSEHOLD INCOME GENERATING ACTIVITIES**

*Appendices*

Land

What is the total amount of land that you own and/or rent? \_\_\_\_\_ ha

	Ha	Own/Rent	No. Yrs Owned/Rent	Soil Quality	Irrigated (✓)	Inherited (✓)	Bought \$	Cleared (✓)
Household Land								
Rice Land								
Plantation Land								
Vegetable Land								
Other: _____								

If you are a rice farmer, please give the following detail.

	Ha	Variety	Bought/Retained	Irrigated	Soil Quality	Organic ✓	Yield
EWS							
WS1							
WS2							
DS							
Total							

Please give detail as to your household's other income generating activities:

Livestock

	(✓)	No. Owned	Acquired From	Estimated Yearly Income
Cows				
Pigs				
Chickens				
Ducks				
Fish				
Other: _____				

Fruit/ Plantation

	(✓)	Ha. Owned	Ha. Hired	Estimated Yearly Income
Oranges				
Mangos				
Coconut				
Banana				
Sugar Cane				
Sesame				
Peanut				
Other: _____				
Other: _____				
Other: _____				
Other: _____				

Vegetable Growing

	(✓)	Total Ha	Consume/ Sell R/kg	Estimated Yearly Income
Cucumber				
Pumpkin				
Tomatoes				
Potatoes				
Eggplant				
Watermelon				
Onions				
Spring onions				
Leafy greens				

*Appendices*

Other: _____				
Other: _____				

On-Farm Labour

	(✓)	Total No Days	Estimated Yearly Income
Casual			
Full-time			

Off-Farm Labour

	(✓)	FT/ PT	Estimated Yearly Income	Remittance
Garment				
Construction				
Taxi				
Road. Worker				
Government				
Police				
Thailand				
Thai Border				
Other: _____				
Other: _____				

Other

	(✓)	FT/ PT	Estimated Yearly Income	Remittance
Paddy Trading				
Store Owner				
Rice Milling				
Rice Wine				
Gather from Jungle				
Other: _____				

**ASSETS**

Do you own any of the following? YES  NO

And if YES, do you hire these to other people?

Asset	(✓)	Age	Cost of Asset	Rental Price/ Day	Total Hire No. Days/ Year	Est. Yearly Income
Rice Mill						
Tractor						
Thresher						
Water Pump						
Motorcycle						
Truck						
Horse & Cart						
Ox/ Buffalo & plough						
Other: _____						
Other: _____						

If NO, do you hire any of these from other people?

Asset	(✓)	Rental Price/ Day	Total Hire No. Days/ Year	Total Cost / Year
Rice Mill				
Tractor				
Thresher				
Water Pump				
Motorcycle				
Truck				
Horse & Cart				
Ox/ Buffalo & Plough				
Other: _____				
Other: _____				

**HOUSEHOLD DEBT**

Do you currently owe anyone money? YES  NO

If YES, who do you owe money to?

Person	Amount Owed	Interest /month	Purpose for loan
Local Money Lender			
Family Member			
Friend			
Bank			
Credit Association			
Other: _____			

*Appendices*

Does anyone currently owe you money or paddy? YES  NO

If YES, who?

Person	No. People	Total Amount Owed	Interest / Month	Purpose for loan
Family Member				
Friend				
Other: _____				
Other: _____				

**TRADING**

What total number of villages and household do you usually source the paddy from?

	Number of villages		Number of farmers	
	Organic	Non-Organic	Organic	Non-Organic
Early wet				
Wet				
Dry season				

How much PADDY did you purchase in total last year?

Variety	Non-Org	T1	T2	T3	Qty	Price bought	Price sold
Early wet total							
Mixed variety							
Traditional							
IR66/ Sen Pidal							
Wet season total							
Mixed variety							
Local/ traditional							
Improved							
Dry season total							
Mixed variety							
Local traditional							
Improved							
Total							



**QUALITY**

How do you assess quality? (tick if applicable)

Biting       Colour       Size       Moisture Meter

Do you pay a premium according to quality?      YES       NO

If YES, how much do you pay? \_\_\_\_\_?

**BUYING ARRANGEMENTS**

Do you buy paddy on credit?      YES       NO

If YES, how many farmers do you buy on credit from? \_\_\_\_\_

What is the smallest amount that you can buy on credit? \_\_\_\_\_

What is the largest amount that you can buy directly for cash? \_\_\_\_\_

**STORAGE**

Do you store any paddy?      YES       NO

If YES, how much paddy do you store at any one time? \_\_\_\_\_

How do you store paddy? Please circle

In the house      Silo      Under the house      in plastic bag

in rice bag      Other

How much paddy do you typically loose in storage per year? \_\_\_\_\_ kgs

Do you store any milled rice?      YES       NO

If YES, how much milled rice do you store at any one time?

How do you store milled rice?

In the house      Silo      Under the house      in plastic bag

in rice bag      Other

How much paddy and milled rice did you loose in storage last year? \_\_\_\_\_ kgs

**PACKAGING**

How do you package the paddy?      Plastic Bags      Rice Bags

What is the cost of packaging per bag? \_\_\_\_\_ R

**LABOUR**

Do you hire additional labour?      YES       NO

If YES, please detail

	Total No. Days	Total No. People	Cost/ Day	Total
EWS				
WS				
DS				

*Appendices*

**TRANSPORTATION**

Do you transport paddy yourself? YES  NO

If YES, how do you transport the paddy?

	Capacity	Own	Hire cost	Distance	Fuel/ trip	Cost/tonne
Moto						
Ramok						
Horse & cart						
Tractor						
Truck						
Other:						

If NO, then please explain how paddy is transported?

---

**TRADE LINKAGES**

Who did you sell paddy to last year?

Type of customer	No. Customers	Variety	Organic ✓	Distance	Quantity sold	Price
Local trader						
Phnom Penh trader						
Vietnamese trader						
Village miller						
Commercial miller						
Exporter						
Other						

Do any of these buyers pay a premium according to quality or type? YES  NO

If YES, how much do they pay?\_

Do you always sell to the same people? YES  NO

Why or why not?

Did you sell any milled rice last ? YES  NO

If YES, please detail

Type of customer	No. of customers	Variety	Organic ✓	Quantity sold	Price
Villager/household					
Local trader					
Vietnamese trader					

Exporter					
Restaurant/retailer					
Wholesaler provincial town					
Wholesaler Phnom Penh					
Other					

Did you sell any bran last year?      YES     NO

If, YES please detail

Type of customer	No. of customers	Quantity sold	Price
Villager/household			
Local trader			
Pig/chicken/duck/fish farmers			
Wholesaler provincial town			
Wholesaler Phnom Penh			
Exporter			
Other			

Did you sell any husk last year?      YES     NO

If, YES please detail

Type of customer	No. of customers	Quantity sold	Price
Villager/household			
Local trader			
Pig/chicken/duck/fish farmers			
Wholesaler provincial town			
Wholesaler Phnom Penh			
Other:			
Other:			

Do you sell anything else aside from rice products?      YES     NO

If YES, please detail

	No. of customer	Quantity sold	Price
Household goods			
Rice wine			

*Appendices*

Other:			
Other:			
Other:			

**TAX**

Did you pay tax on any of your business activities last year?      YES  NO   
If YES, please detail

	Product/ Activity	Total cost
Formal tax		
Informal tax		

**PROBLEMS**

What are the main problems you have in trading paddy?

---

What are the main problems you have in selling other products?

---

*Appendix 5.4: Organic Rice Sector SWOT Analysis*

Strengths	Weaknesses
<p>Large and productive arable land with low population density (72 inhabitants per square km)</p> <p>Market access (i.e. China and other GSP granting countries)</p> <p>Entrepreneurial business sector driving the movement towards value-addition and retention</p> <p>Extensive under-utilized capacity to add value (i.e. organic rice)</p> <p>Making conversion to organic farming for export market relatively more profitable than conventional method of farming</p> <p>Specialised varieties, e.g. Neang Malis</p>	<p>Inadequate farming experience, improper handling of crops, branding practices</p> <p>No commercial incentives to improve quality for domestic market (i.e. organic rice sector)</p> <p>Lack of property right</p> <p>Grossly inadequate enforcement of legislation and regulations</p> <p>Remoteness and poor transportation infrastructure</p> <p>Lack of inter-industry/ sector linkages and few facilities and/or silo, and policy impediments to backward and/or forward linkage development</p> <p>Urgent need to develop and rehabilitate/ modernise irrigation systems</p> <p>Inadequate, cumbersome and expensive credit facilities (limited intermediate-, short-, and long-term facilities)</p> <p>Extensive smuggling unto Vietnam and Thailand</p> <p>No FDI lead investors in the organic rice</p> <p>Low levels of human resource development and low skill base resulting in low productivity and higher than necessary costs</p> <p>Poor market information</p> <p>Lack of clarity regarding leadership and coordination (within the public/private/donors) within the sector</p> <p>Minimal and largely unexploited value addition and retention</p> <p>Rampant official and unofficial transactions costs, whether for export processed goods or import of inputs</p> <p>High costs of utilities, e.g. electricity</p>
Opportunities	Threats
<p>Renewed government commitment to support development of agriculture sector through enforcement of laws on land concession and personal property rights and upgrading of rural extension services</p> <p>Organic agriculture and agro-processing under Government consideration to become “lead” industry for export market (i.e. organic rice to EU, EU’s EBA, China early harvest, etc)</p> <p>Government priority to strengthen trade facilitation system is underway</p> <p>Domestic production of seed provides new value retention and development of organic rice to meet increases [sic] export market demands</p> <p>Environmental / health concerns stimulating worldwide demand for organic products from all corner [sic] of the globe</p>	<p>Absence of solidarity among the major private sector players in the sector</p> <p>Performance of competitor countries in conventional agriculture (i.e. Thailand, Vietnam, Philippines, etc.)</p> <p>Lack of financial rewards to peasants likely to undermine move to upgrade quality of products for domestic consumption and export</p> <p>Indifferent policing of existing laws and regulations undermines drive towards value addition and retention</p> <p>Unwillingness of FDI to enter the agriculture sector</p> <p>Extremely poor business environment due to corruption and myriad of formal and informal costs of doing business and transaction costs. Results in negative impact and undermine [sic] FDI prospects, particularly in light of limitations on domestic commercial opportunities due to small local market</p>

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Synergy among international aid agencies to assist development of rural private sector (i.e. World Bank, EU, ITC, AQIP, GTZ, AFD, CIRAD, etc)	Buyer agent offer below market price due to government lack of policy initiative
Joint public-private sector initiative to establish and develop an exchange markets [sic] along the major border trading posts	
Open access to foreign markets, reinforced by membership such as WTO, ASEAN, AISP and "EU Everything But Arms"	
Potential to enhance the productivity of the rural labour force through training and better human resource [sic]	

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Source: Ministry of Commerce, 2005: 64-65

*Appendix 5.5: Administrative and Market Barriers to Competitiveness*

	Critical issues	Impact
Business environment	<ul style="list-style-type: none"> <li>High import clearance charges</li> <li>Lack of regulatory enforcement</li> <li>Poor access to finance</li> <li>High export clearance</li> <li>Lack of certification</li> </ul>	<ul style="list-style-type: none"> <li>High cost of fertiliser</li> <li>Large unofficial outflow of paddy to Vietnam and Thailand</li> <li>High production costs, low yields, poor quality or inadequate use of agricultural inputs reduces the competitiveness of organic rice</li> <li>Investment in expanding milling capacity are discouraged</li> </ul>
Supply chain	<ul style="list-style-type: none"> <li>Lack of investment in commercial milling capacity</li> <li>Absence of business and technical support structure</li> </ul>	<ul style="list-style-type: none"> <li>Deficit in milling capacity</li> <li>High cost of support services</li> <li>Poor on-farm labour skills</li> </ul>
Infrastructure	<ul style="list-style-type: none"> <li>Uncompetitive energy pricing policy</li> <li>High cost of electricity</li> <li>High cost of diesel</li> </ul>	<ul style="list-style-type: none"> <li>High milling cost</li> <li>High transplanting cost and high milling cost for self-generating electricity</li> </ul>

Source: Ministry of Commerce, 2005: 63

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**Appendices Chapter Six**

*Appendix 6.1 Origin of Vegetables Representing More than 90% of Flows*

Phnom Penh vegetables	Kandal vegetables	Vietnam vegetables
0 – 20 kms	20 – 40 kms	400 kms
Kangkong	Choy Sum	Tomato
	Lettuce	Cabbage
	Yard long bean	Chinese cabbage

Source: Sokhen et al. 2004. '



*Appendix 6.2: Reasons for periodically stopping vegetable sales*

	Price too low	Note enough products to sell	Business is slow	Other
Producers	10	78	4	8
Collectors	16	45	5	34
Wholesalers	6	41		53
Retailers	9	38	1	52
Average	10	49	3	38

Source: Sokhen et al. 2004: 33

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*Appendix 6.3: Gender Profile of Vegetable Supply Chain Actors in Cambodia*

Supply chain actor	Male		Female		Total	
	N	%	N	%	N	%
Farmer	44	69	20	31	64	32
Collector	10	38	16	62	26	13
Wholesaler	14	35	26	65	40	20
Retailer	5	7	65	93	70	35
Total	73	37	127	64	200	100

Source: Genova et al. 2006.

## Appendices Chapter Seven

### Appendix 7.1: Question List – Siem Reap Agri-processors

Process	Question List	Comment
Planning	Do you make any business or production plan to help project demand or production need?	
Implementing	Do you keep any records of inputs, outputs or sales?	
Monitoring	Do you have a system to review your business and assess business performance?	
<b>Capability</b>		
Production	<u>Quality Capabilities/ Constraints</u>	
	Do you have any problems with the quality of inputs?	
	How do you make sure input quality?	
	Do you have any problem with the quality of production and processing?	
	How would you rate the quality of your product?	
	What other quality control methods do you use to ensure quality?	
	<u>Quantity Capabilities/ Constraints</u>	
	What is the maximum amount you can produce?	
	How much do you produce usually?	
	<u>Consistency Capabilities/ Constraints</u>	
Variation of quality?		
Variation of quantity?		
Reason for variations?		
Marketing	<u>Marketing Capabilities/ Constraints</u>	
	How do you market your product?	
	E.g. Sell to other villagers, Sell to trader, Road side selling, Market retailing	
	Branding?	
	Advertising?	
	How is product transported?	
	Who transports? How much cost?	
	Where do you get marketing Information/ knowledge?	
What problems do you have in marketing?		
Technological	<u>Technological Capabilities/ Constraints</u>	
	What type of technology is used?	
	Has the business recently adopted any new business technologies, what, why and how?	
Financial	<u>Financial Capabilities/ Constraints</u>	
	Any investments in supply chain improvements?	
	Any investment in production improvements?	

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	<p>What sort of financial investments has the person made?          Owe money? Who, why amount?          Access to credit? What sort of credit? Interest per month?</p>
Organisational	<p><u>Structure Capabilities/ Constraints:</u>          What is the structure of the business?          E.g. Family-owned, Owner-operator, Cooperative?          What is the organisational type?          E.g. Subsistence and seasonal selling, Home processing, SME, Corporation          What is the division of labour in the business?          specialisation/ multi-skilling by workers?  <u>Organisational Culture Capabilities/ Constraints:</u>          What are the client's core business values?          E.g. Subsistence ethic/ surplus selling, Entrepreneurial, Development-induced  <u>Leadership Capabilities/ Constraints:</u>          What are the qualifications and managerial skills of leader/ owner?          How are decisions made?          Who makes decisions and based on what information?  <u>Information and Communication Capabilities/ Constraints:</u>          How does decision maker get information?          What business networks is the person involved in?          How is knowledge passed on with the business - formal apprenticeships, mentoring, informally to family?          How is information passed on through the organisation?  <u>Problem Solving/ Innovative Capabilities/ Constraints:</u>          What are some of the major problems encountered by the person over the past 5 years and how were they solved?          What problems is the business currently encountering and how do they hope to solve them?</p>
<b>Indirect Beneficiaries</b>	
Downstream	<p>Number of customers/ buyers?          Retail          Wholesale          Has this number increased or decreased over the past year?</p>
Upstream	<p>Total number of employees?          Age, Gender, Pay and work conditions          Total number of <u>local</u> input suppliers          Gender, Supply conditions, Payment conditions          Total number of <u>other</u> suppliers          Gender, Supply conditions, Payment conditions</p>
<b>Financial</b>	
Income	<p>Total sales per month          Prices range received          retail          wholesale</p>

Cost	Total costs of production per unit Total fixed costs Total variable costs Other costs	
<b>Value Chain</b>		
Volume	Total Volume of Client's Business Total volume produced per year Total volume sold per year	
Value	Total Value of Client's Business Total value of products produced Total value of sales	Do Not Ask. Can calculate later
Intensity	Labour Intensity Total labour employed or used divided by total production Capital Intensity Total capital invested/ total production Input Intensity Total inputs used per unit of production	Do Not Ask. Calculate later
Sustainability	<u>Environmental Sustainability</u> Use of toxic chemicals or other dangerous substances? What by-products/ waste is produced? Type? Amount? How do you dispose? Sustainability of business or production practices including recycling, nutrient cycling, organic production, sustainable harvesting etc <u>Social Sustainability</u> Safe working and fair labour conditions? Produces/ sells products safe for consumption? Is the product certified? <u>Economic Sustainability</u> Has the business grown over time?	
Stability	<u>Client Business</u> Number of products/ other ways to make money? Other livelihood strategies engaged <u>Client Market</u> Price volatility of final markets? Price volatility of inputs? Supply volatility of inputs?	
Multiplier Effects	Number of competitors in market? Number of new entrants? Make any new products for sale or sell to new markets?	

*Appendices*