Thai Wah: A Case Study on Responsible Investment into Cassava in Cambodia

ASEAN Guidelines on Promoting Responsible Investment in Food, Agriculture, and Forestry

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Executive Summary

This case study outlines the journey of Thai Wah Public Company Limited in their investment into organic cassava production in Cambodia.

Cassava, along with rice and maize, is one of the largest calorie source in the tropics, thereby constituting a major staple food in emerging and low-income markets, providing nutrition and food security for low-income populations.

Cassava production is increasing in ASEAN, and is consumed within the region as a fresh root crop, starch, and biofuel. Cambodia (with Viet Nam and Thailand) is among the top ten producers and exporters of cassava globally, and production in Cambodia has steadily increased since 2012. Cassava production has increased from 12.68 million tons in 2020 to 13.06 million tons in 2021 and there is an increase in demand both for traditional products (thickeners, pasta, etc) as well as innovative uses (as an ingredient for alternative proteins).

Thai Wah’s aim was to expand their organic cassava production in the region in order to improve their productivity, meet consumer demands for sustainable product, promote sustainable production, and support smallholder farmer production.

Key learnings emerging from their investment include:

- How partnerships with farmer cooperatives aid success of the project;
- Why investors should analyse and understand future market trends before engaging smallholder farmers in a new crop;
- Why governments should incentivize farmers and companies to shift to more environmentally sustainable and climate-smart agricultural practices.

Read the full case study to learn more about how Thai Wah sees financial returns on their investment, and how they are aligned to principles of the ASEAN Guidelines on Promoting Responsible Investment in Food, Agriculture and Forestry.
Oddar Meanchey Province, Cambodia

**Timeline**

- **2016**: Thai Wah started discussing its expansion to Cambodia
- **2017**: Thai Wah established its operations in Cambodia
- **2021**: Phase 1 of investment completed
Investor Profile

Thai Wah Public Company Limited (‘Thai Wah’) is a Southeast Asian agri-food company incorporated in 1947 in Thailand to produce and process tapioca products. In 1974, the company expanded into Viet Nam for processing purposes and has since expanded to neighbouring countries China, Cambodia, and Indonesia. The company continues to explore sourcing locations in Southeast Asia.

Thai Wah has since committed to the Sustainable Development Goals (SDGs) as showcased by their alignment with global agriculture and food safety standards including GMP, HACCP, and FSSC. The company also started their preparation to comply with Sustainable Agriculture Initiative (SAI) Platform’s Farm Sustainability Assessment. This means that all their operations in the region, including Cambodia, align to similar standards on sustainability, organic agriculture, and food safety. The company is committed to sustainable production and processing practices, and supporting smallholder farmer incomes alongside their own profits. These are goals driven by their senior leadership as driven by their vision “to be a regional leader in starch and starch-related food products.

“Our commitment to Creating Shared Value is to be able to add value, innovate and continuously improve along every step of the way. As a major partner to our farmers and local community partners, it is our imperative to ensure that all our associates, partners and stakeholders embark on this shared vision to create shared value, and it is Thai Wah’s responsibility to translate this vision into commitments, action and results.”

– Ho Ren Hua, CEO (Thai Wah Sustainability Report)
The organic cassava production project in Cambodia is currently funded by Thai Wah. They divide the investment into two phases: 1) securing the land lease, securing warehousing, and preparing for the processing line, and 2) building a processing factory and renewable energy facility.

The company chose to expand their organic cassava production in Cambodia due to several key factors: availability of affordable leasing on land, the opportunity to help farmers expand plantation crops (primarily cashew and rice), and key partnerships with farmer cooperatives.

As of July 2021, the company has completed Phase 1.

**Investor**
Thai Wah Public Company Limited

**Commodity / crop**
Organic Cassava / Tapioca

**Any other financiers involved**
(banks, DFIs, etc)
None

**Total amount of the investment**
(planned)
Phase 1: Secured 50-year land lease, warehousing, and processing line
Phase 2: Expand supply capability and processing facility

**Percentage invested by each investor type**
(agribusiness, government, financiers, etc)
100% Thai Wah
Investment Objectives

Thai Wah’s primary objective for the investment was to secure high-quality supply of cassava to meet consumer demand for organic product in Europe and the United States.

To meet this demand, Thai Wah has aligned its supply chain to the principles of organic agriculture and food safety. At this stage, Thai Wah has a USDA organic certification for handling (i.e. chain-of-custody certification) and processing organic tapioca starch in Viet Nam and Thailand.

The specific, long-term investment objectives include:

- Increase productivity and quality of organic cassava. Alignment to organic practices means that the farmers improve on their farming practices, meet the company’s quality standard, and ensure environmental protection.

- Expand farming operations with cooperatives in the region, as well as dealing with individual smallholder farmers. Engaging cooperatives can help smallholder farmers adopt new learnings and practices more efficiently, especially in the context of knowledge transfer on organic farming.

- Increase farmer income within Thai Wah’s supply chain, through higher price premium earned for organic product.

- Embed environmental sustainability in the company’s supply chain and apply a circular economy model in their processing platform.
Investment Process

**Feasibility:** A feasibility study was conducted for this investment, which included consultations with key stakeholders that helped to identify a location in Cambodia. During this process, the company had to undergo a screening process by the Cambodian government. With the assistance of an international law firm, Thai Wah was able to establish an operation and sign a memorandum of understanding (MOU) with a local cooperative to contract farmers and a total of 50 hectares of land.

**ESG Risk Assessment:** As part of ensuring that there were no land conflict risks, a firm was engaged to verify land tenure and ownership in the plantation areas. For the establishment of the processing plant, an Environmental Impact Assessment (EIA) was required by the Ministry of Environment in Cambodia. To comply with this requirement, Thai Wah engaged a third-party consultant to guide them through regulatory compliance.

**Partnerships:** Partnership building was an essential stage in the implementation of the investment. In 2017, Thai Wah launched a partnership with the Cambodian Agriculture Cooperative Cooperation (CACC), a venture created by Amru Rice, an organic rice producer based in Cambodia, to contract 400 farmers representing 10 agri-cooperatives. CACC engaged their contracted cooperatives already producing organic rice to also produce Thai Wah’s organic cassava. CACC contracts farmers at set prices for cassava through their existing MOUs with cooperatives. Thai Wah then purchases the cassava from CACC at the pre-determined price.

Thai Wah also set up a partnership with the Cambodia Veterans Association (CVA) to identify additional farmers interested in producing organic cassava. This partnership offered an additional 75 hectares of land managed by CVA, with potential to expand to include other cooperatives.

**Implementation:** Trainings were conducted for farmers on organic production practices. Agronomists from Thai Wah conducted these trainings and utilized demo farms for efficient knowledge transfer. The training aims to address the local farmers’ use of chemicals for weed control and encourage them to consider the manual or mechanical process instead. To support this, Thai Wah supports its farmers by allowing them to lease farming equipment, which further helps reduce the overall cost of organic production.

**Monitoring:** To monitor the progress and impact of the investment, Thai Wah set up an internal audit system on top of the internal management system required for sustainability standards. Since the start of the organic cassava production partnership with CACC and CVA, data has been collected to analyse and gain insights on how to improve cassava productivity. To determine the improvements in farmer income, Thai Wah collects farmers’ total yield per season and quantity of inputs (including fertilizer) used.
## Investment Results

<table>
<thead>
<tr>
<th>Objective</th>
<th>Results &amp; Timeline</th>
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<tbody>
<tr>
<td>Increase in productivity and quality of production</td>
<td>Thai Wah sets annual production goals for this objective.</td>
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<tr>
<td></td>
<td>Due to the challenges of the COVID-19 pandemic and cassava mosaic disease (CMV), increasing production by using stems from existing plantations is not possible. New stems are yet to be purchased for 2022.</td>
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<tr>
<td>Increase in farmer income</td>
<td>400 farmers earn a premium for organic cassava (20-30% more than traditionally-produced cassava).</td>
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<tr>
<td>Expand farming area for cassava production</td>
<td>Through partnership with CACC and CVA, Thai Wah has expanded its organic production in Cambodia to 125 hectares.</td>
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<tr>
<td>Embed environmental sustainability in the production process</td>
<td>Adoption of international sustainability standards in production with on-going process to achieve FSA certification.</td>
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<tr>
<td>Apply a circular economy model in their processing factory</td>
<td>Thai Wah has applied food safety standards such as GMP and HACCP.</td>
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Alignment to the ASEAN RAI

The ASEAN Guidelines on Promoting Responsible Investment in Food, Agriculture and Forestry (ASEAN RAI) is a regionally-adopted, voluntary framework to guide investment decision making for both private and public sector actors.

ASEAN Member States have agreed to use these Guidelines to create or update legally-binding policies – which means agribusinesses and investors who demonstrate alignment to the ASEAN RAI are better prepared for these future policy changes.

The 10 principles of the ASEAN RAI (Figure 1) describe the impacts those agricultural investments may have at the community, local, or national level.

The next two pages outlines the alignment between the company’s practices and the ASEAN RAI principles. When a company like Thai Wah makes a pre-investment commitment to follow responsible environmental, social and governance practices, they are more likely to be aligned to the ASEAN RAI.

This investment retroactively applies the ASEAN RAI to Thai Wah’s investment practices and outcomes, which are aligned to (some aspects of) 9 out of 10 Guidelines. If ASEAN RAI had existed before Thai Wah’s investment into their cassava production in Cambodia, it would have helped them: evaluate and address food security and the need for alternative livelihoods among smallholder farmers in the program (Guidelines 1 and 2), set up systems to measure change in impact over time (such as farmer income) (Guidelines 2 and 9), integrate specific gender and youth-inclusive approaches (Guideline 3) and integrate additional, targeted climate-smart agriculture practices (Guideline 7).
Alignment of Thai Wah’s Investment to the ASEAN RAI

**Guideline 1**
Food security and nutrition (local and national)

The Cambodian government identified cassava as one of the crops that are essential to the country’s food security. This investment supports both local and global demand for cassava.

Farmers are encouraged to intercrop with cassava to optimize the organic production area. With this, farmers are able to grow other crops to sold in other markets and for their own consumption.

**Guideline 2**
Sustainable, inclusive economic development and poverty eradication, including: improved producer livelihoods, fair contracts, employment and wages, worker health and safety

One of the motivations for the investment is improving farmers’ livelihoods in Oddar Meanchey Province, by offering opportunities for farmers to diversify their crops. Due to the value and demand of organic produce in Europe and the United States, Thai Wah offers farmers a higher price for cassava grown according to organic standards. Working with cooperatives ensures a steady supply of produce, and the guarantee, along with price premiums for organic, allows them to pay farmers a higher price.

As company practice, Thai Wah pays farmers in cash on the same or next day for produce received. In order to facilitate cash payments more easily, Thai Wah engaged in discussions to collaborate with national banks. In Thailand, Thai Wah works with KTV (a central government bank) to open accounts for Thai farmers. In an effort to further support farmers’ access to finance, Thai Wah is testing innovations such as cash vans and ATMs inside their factories, including the planned factory in Cambodia. Thai Wah is now in collaboration with Wing Bank (Cambodia) where farmers collect their payments directly from Wing Bank agents.

**Guideline 3**
Equality, engagement and empowerment of women, indigenous communities, youth, marginalized communities

The investment in Cambodia aims to target the veteran farmers first. Currently, there are no plans to target youth and/or women directly.

**Guideline 4**
Respect for tenure of land, fisheries and forests

Part of the investment process is to ensure land tenurial rights. Thai Wah engaged a third-party organization to conduct due diligence on land ownership in the province to reduce risk in land tenure during production.

**Guideline 5**
Conservation of natural resources, especially forests

Part of the organic standards (USDA and EU organic) is to protect the environment and natural resources. Agronomists offer farmers proper training and education on organic practices, which are based on Thai Wah’s experiences in Thailand and Viet Nam.

Thai Wah recognizes the importance of water management in their investment. The company continues to look into improved practices for their production and factory as well.
Alignment of Thai Wah’s Investment to the ASEAN RAI

**Guideline 6**
Sustainable and appropriate use of technologies

In the factory, Thai Wah aims to use wastewater to generate electricity. If the electricity being generated is more than enough for Thai Wah’s facility, they will extend it to nearby farming communities.

**Guideline 7**
Resilience to climate change, natural disasters and other shocks

Thai Wah recognizes the role of good water management to mitigate the impact of drought caused by climate change. Part of their investment plan is to move towards zero-waste production by using wastewater and other waste products from the factory to generate electricity.

In the production side, the company adopted organic agriculture standards that require farmers to use calculated amounts and specific fertilizers and pesticides, which benefits the surrounding ecosystems. Organic agriculture has been shown to more effectively sequester carbon into soils due to crop rotation, cover cropping, and input management.

**Guideline 8**
Respect for the rule of law and incorporation of inclusive and transparent governance structures, processes and grievance mechanisms

Thai Wah works closely with the Cambodian government to ensure the investment remains in line with all national and local policies.

**Guideline 9**
Assess and address environmental and social impacts and monitor performance

For the construction of their processing plant, Thai Wah undertook an Environmental Impact Assessment (EIA) which identified impact areas of the project.

Thai Wah is currently piloting a carbon footprint project in their plants in Udon Thani and Nakhon Pathom provinces, Thailand, which have reported that GHG emissions were reduced.

**Guideline 10**
Strengthened regional approaches to responsible investments

With their collaboration with other organizations such CACC and CVA, Thai Wah exhibits regional cooperation with other stakeholders in the region. Thai Wah also participates in regional events and discussions on responsible investment.
Public policy recommendations

According to Thai Wah, organic agriculture is a costly endeavour, therefore public incentives for farmers to use organic farming practices would allow Thai Wah to expand their operations and farmers to benefit from increased income from producing higher-value products. In addition, the government could offer incentives (e.g. tax relief) to companies like Thai Wah that are committed to organic agriculture, which brings environmental and social benefits.
Ensuring long-term sustainability

Thai Wah has put in place safeguards to continue its sustainability plan for Phase 2 (construction of a processing factory and power generator).

To ensure that the investment continues, Thai Wah has identified improvement of farming practices, long-term farmer engagement, and fair treatment of farmers (including timely and effective payment systems) as important activities.
Learnings for the future

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The cassava production landscape is constantly changing. In the past, farmers grew less than 7 million tons per year in Cambodia. Now, they produce 13 to 14 tons per year, because there is greater market demand. We at Thai Wah are careful to consider where existing and new demand may arise, and pivot to meet that demand (i.e. organic certification, new export locations). Investors must be prepared for this fluctuation by analyzing the markets regularly and pivoting to leverage new opportunities accordingly.

– Hataikan Kamolsirisakul, Chief Of Staff, Senior Group Director - Strategy, Innovation, Farm at Thai Wah Public Company Ltd

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