



Amru Rice:

A Case Study on Responsible Investment into Rice 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 Amru Rice's investment into their own transition from a rice trader to organic rice producer in Cambodia.

Rice is critical for ASEAN's agricultural exports and global food security, as [rice production in ASEAN](#) accounts for **37% of the world's rice harvest**. From 2020 to 2021, [Cambodia produced an estimated 5.78 million tons of rice](#), making it the region's fifth largest rice producer.

Although rice production contributes to greenhouse gas emissions, negative climate impact from rice fields can be mitigated with sustainable production practices, including organic production. Organically produced rice also reaches premium markets, which in turn boosts revenue for producers. Amru Rice has incentivized farmers in their supply chain to adopt organic practices and gain certification, which allows the company to sell to premium markets in the EU and United States. By following organic production principles, Amru Rice has leveraged development funds to support capacity development and training for their farmers.

Key learnings emerging from their investment include:

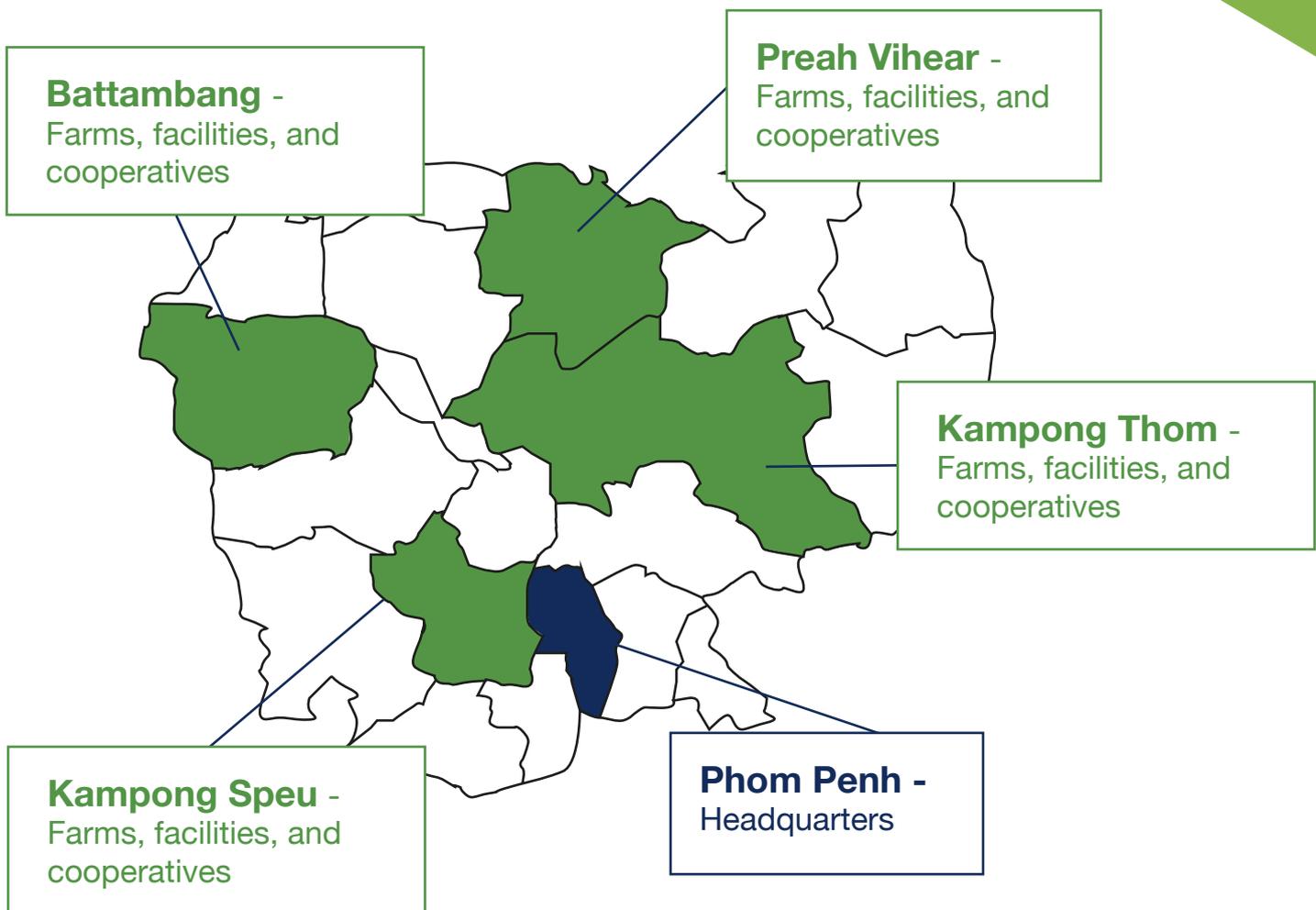
- Engaging relevant stakeholders in the early stages of the project helps to attract external financiers
- Creating a long-term but flexible strategic plan allows the company to take advantage of opportunities (i.e., tax incentives, donor funding) to increase overall project success.

Read the full case study to learn more about how Amru Rice sees financial returns on their investment, and how their investment is aligned to principles of the [ASEAN Guidelines on Promoting Responsible Investment in Food, Agriculture and Forestry](#).



LOCATION

Amru Rice



Timeline

2011

Amru Rice is registered as a rice trader in Cambodia

2013

Sets up organic rice contracts with farmer cooperatives in Preah Vihear province

2014

Expands organic rice contracts with farmer cooperatives in Battambang, Kampong Thom, and Kampong Speu



Investor Profile

Amru Rice is a private, family-owned company and one of the leading rice exporters in Cambodia.

Amru Rice's success in their trading business allowed them to reach their next goal of expanding to rice production through contract farming, as part of their strategy to provide positive impact to Cambodian rice farmers. The same ethic underpins their business operations to date.

Through production of certified organic rice, farmers and the company access premium markets. Amru Rice set up and maintains sustainable practices along their supply chain, through the application of organic certification standards in their production and processing lines. Their commitment to sustainable practices has led to strategic partnerships with development organizations to conduct capacity development activities for farmers.

In addition to organic certification, the company has adopted food safety and manufacturing standards – ISO 22000, Hazard Analysis and Critical Control Point (HACCP), Good Manufacturing Practice (GMP) – as well as IFC's Environmental and Social Performance Standards and Sustainable Rice Platform (SRP) standards across their supply chain, as a result of financial support from IFC.

These reforms were driven by the company's goal to increase export capacity and ensure high quality internal governance systems. Amru Rice has developed integrated management systems on environment, occupational health and safety, human resources, resource efficiency, and pollution prevention, as well as safeguards against complicity in land occupation or expansion into protected areas and critical watersheds.

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Adding Sustainable Rice Platform-verified rice fits our strategy of expanding our niche market with higher value and sustainable products. Thanks to IFC's great support over the past years, we are delighted to work together with IFC to achieve the next milestone.

– Song Saran, CEO Amru Rice

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Investment Profile

This case outlines Amru Rice's own investment to transition from a rice trader to an organic rice producer and trader. Today, the company's organic rice production and trade operation contributes **33% of the company's overall annual revenue**. To finance this transition, Amru Rice has leveraged debt capital from diverse financial investors, including government and development banks.



Investor

Amru Rice – 100% owner



Commodity / crop

Organic rice



Any other financiers involved (banks, DFIs, etc)

Exim Bank; Agricultural and Rural Development Bank (ARDB);
International Finance Corporation (IFC)



Total amount of the investment

Undisclosed - over \$10 million in debt capital



Investment Objectives

As an impact driven enterprise, one of Amru Rice's core values is improving the livelihoods of Cambodian rice farmers. To achieve this, the company strengthens its relationship with farmers and farmer cooperatives by providing training and capacity development for production of export-quality organic rice.

The primary investment objective was to create access to premium markets through vertical integration of an organic production model showcasing 100% Cambodia-origin rice. This model not only increases company revenue, but also supports the Cambodian economy. Due to the premium prices globally for organic rice, low-income farmers adopting organic practices improve their income by receiving higher prices paid at farm gate.

Specifically, their investment objectives include the following:

- Increase company revenue through export of organic rice to premium markets
- Increase number of low-income farmers engaged in organic rice contract farming
- Increase farmer income and employment opportunities
- Train all contracted farmers on organic agriculture practices



Investment Process

Initial assessment: In 2013, Amru Rice's leadership decided to transition from being solely a rice trader to working with agricultural cooperatives to produce organic rice for export. This decision was due to the business opportunity (increased demand for organic rice in premium markets), as well as to support smallholder farmer livelihoods, which is a core company value.

Preparation: Before founding Amru Rice, the founder/CEO previously worked with NGOs to support poor farming communities in Cambodia. Through this existing network, the company was able to easily identify farming communities to contract for organic rice production. The company chose to focus on lower-income farming communities, to help boost livelihoods. To access development finance for their investment into organic rice production, Amru Rice began by improving internal policies and processes to align to the requirements of development financing such as labour and working conditions, gender mainstreaming, and respect for rights of indigenous communities, among others.

Collaboration: To increase their reach, the company leveraged partnerships with donors and NGOs for technical support to train farmers on organic production practices. For example, Amru Rice set-up the Cambodia Agricultural Cooperative Corporation (CACC) private-public-producer platform to support [39 agricultural cooperatives](#) into setting up

setting up their [community drying and warehousing systems](#). A collateral scheme based on deposited products (i.e. rice paddy and other agricultural crops stored by third parties) and a revolving fund (supported by [SNV Innovations Against Poverty Project](#)) provided non-cash loans to farmers for seeds, agricultural inputs and small farm machinery.

Expansion: As the company continued to grow and expand, it was able to attract and support more farmers and agricultural cooperatives. This expansion included onboarding 8,000 new farmers, and the team was able to work closely with the farmers and cooperatives to plan for planting, harvesting and storage per organic certification requirements. Farmers were incentivized to adopt the practices through the financing model and repayment schedule of loans.

Monitoring and Evaluation: Through their engagement with development partners, Amru Rice has been able to expand their business while also complying with impact requirements of donors and organic certification. The company uses Snapchat surveys with farmers to measure increase in income, and have piloted a blockchain tool with Oxfam with organic rice farmers. Amru Rice also conducted a sustainability report in 2019 aligned to GRI standards.

Investment Results

Objective	Results & Timeline by 2020
<p>Increase revenue from export of organic rice to premium markets</p>	<p>Amru Rice exported 10,000 metric tonnes of organic rice in 2020, which represents 33% of their total USD 40 million annual revenue.</p>
<p>Increase number of low-income farmers engaged through organic rice contract farming</p>	<p>Amru Rice engaged 500 farmers in 2013; 10,000 farmers in 2020.</p>
<p>Increase farmer income</p>	<p>Amru Rice pays farmers a 20-30% price premium for organic rice compared to conventional rice.</p>
<p>Increase employment opportunities</p>	<p>Since 2013, the number of company employees (FT, PT and seasonal) increased from 90 to 192 by 2018.</p> <p>The company created 400 jobs through agri-cooperatives in paddy drying and processing of</p>
<p>Train all contracted farmers on organic agriculture practices</p>	<p>Amru Rice trains farmers in organic agriculture practices, through partnerships with NGOs, local government and development organisations.</p>

Alignment to 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 Amru Rice 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 Amru Rice's investment practices and outcomes, which are aligned to (some aspects of) 9 out of 10 Guidelines. If ASEAN RAI had existed before Amru Rice's investment it would have helped them: measure and evaluate the investment's direct impact on food security and nutrition of their farmers (Guideline 1) and integrate additional, targeted climate-smart agriculture practices (Guideline 7).

Figure 1. 10 Principles of the ASEAN RAI



Alignment of Amru Rice's Investment to ASEAN RAI



Guideline 2

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

By adopting practices set by organic certification and development finance standards (such as IFC), Amru Rice sells organic rice to global markets, and therefore pays 20-30% price premium to farmers.

Amru Rice provides farmers with technical assistance to enable them to use certified and climate-adaptive seeds and organic fertilizers, so they can produce higher rice yields. These resulted in lower input costs, allowing them to retain more income.



Guideline 3

Equality, engagement and empowerment of women, indigenous communities, youth, marginalized communities

Fifty three percent (53%) of contracted farmers are women and 23% of company employees are women. Amru Rice has a gender-inclusive recruitment policy that allows fair treatment to women workers without discrimination.

To encourage young people to be actively involved in rice production, the company developed an entrepreneurship program.



Guideline 4

Respect for tenure of land, fisheries and forests

Amru Rice does not own any land for production. The company engages in contracts with farmers through agri-cooperatives. The company has embedded safeguards against complicity in land occupation or expansion into protected areas and critical watersheds into its integrated management systems.



Guideline 5

Conservation of natural resources, especially forests

Organic certification and Sustainable Rice Platform guidelines promote farmer-efficient use of resources especially water and inputs that affect soil quality. To promote water efficiency, the company provides different rice varieties to farmers.



Guideline 6

Sustainable and appropriate use of technologies

Amru Rice encourages farmers to use modern farming techniques and supports them with training and capacity development efforts. Through [BlocRice](#), a project with Oxfam in Cambodia, contracts between smallholder farmers, exporters, and buyers were transformed digitally into a blockchain. This allows for cashless payments and for consumers to track the rice from paddy to market.



Guideline 7

Resilience to climate change, natural disasters and other shocks

Amru Rice continues to respond to climate change by promoting climate-smart rice varieties together with necessary training for farmers. To increase farmers' climate change-related and resilience, the company also built advisory systems on the weather forecast.

Alignment of Amru Rice’s Investment to ASEAN RAI



Guideline 8

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

Through internal control systems, which are aligned to certified organic production requirements, Amru Rice is able to ensure compliance at all stages of their supply chain, from production to processing.

The adoption of organic standards, Good Agricultural Practices (GAP), and IFC’s [Policy and Performance Standards on Environmental and Social Sustainability](#) also enabled Amru Rice to embed transparent and inclusive mechanisms into its business operations.



Guideline 9

Assess and address environmental and social impacts and monitor performance

Amru Rice aligns strongly with organic Sustainable Rice Platform (SRP) standards in production and uses GRI reporting for their public disclosures.



Guideline 10

Strengthened regional approaches to responsible investments

Amru Rice supports regional sharing of best practices by participating in multiple platforms (such as the Cambodia Partnership for Sustainable Agriculture (CPSA); and the Sustainable Rice Platform (SRP), contributing case studies, and presenting at regional forums and conferences. The company also sets up partnerships with agribusinesses headquartered outside Cambodia to offer agri-cooperatives opportunities to cultivate crops in addition to rice (such as organic cassava, see ASEAN RAI case study on Thai Wah).



Public policy recommendations

According to Amru Rice, the government can support the promotion and sharing of climate-smart technologies in the rice sector. This could boost food security and reduce poverty in poor communities, and by using climate-tolerant varieties and direct seeding, production can improve.

The sector can further improve through the support of the government in areas such as farmer training programs particularly in agri-technologies; developing learning alliances or communities of practice; communicating success stories on adapting climate-smart practices; providing farmers with access to information; enhancing public-private partnerships on farm inputs (certified seeds, organic fertilizers) and farm mechanization; and pre-financing investments on agricultural production and processing.

The government can also support by scaling-up its trade negotiations to expand and increase export markets for Cambodian agricultural products.



Ensuring long-term sustainability

Amru Rice evolved from its initial business model (trading rice) through its investment into organic rice production. Today, the company is further diversifying by developing new rice-based products such as rice noodles and rice snacks, supplying non-export rice to the domestic market, and expanding support to farmers and cooperatives to diversify their crops to include cashew, cassava and durian.

A significant aspect of the company's continuous development is to evaluate and update their farmer engagement models so that farmers have access to new tools and technologies, efficient inputs, and ongoing training to ensure better production. Engaging in commercial dealings with farmers elevates their knowledge and ability to manage their land and crops as small businesses, which helps with access to micro and commercial loans.

Strategic partnerships play an important role in ensuring sustainability for this investment.



Learnings for the future

With the production of locally marketable products, the company is able to protect itself against price shocks from the export markets, and threats to shipping from COVID-19 or other future challenges.



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Strategic and long-term planning in forming business strategies has helped Amru Rice in its operations through the years. A business should not only operate and prepare for what will happen in the immediate future but look five to ten years ahead. ”

– **Song Saran, CEO Amru Rice**

References

[Amru Rice - Impact Story](#)

[EU rice tariffs hurt Cambodia's farmers](#)

[FAO World Food Situation](#)

[IFC Partners with AMRU Rice to Promote Sustainable Rice Production in Cambodia](#)

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