Organic rice from Cambodia

AMRU Rice plans to double its production every year until 2020.

06

Exponential growth
"I can't wait" is a sentiment often expressed by Saran Song. It is with this same sense of urgency that the founder of AMRU Rice is driving his company to double its production of organic rice annually.

Saran Song
After turning down a scholarship in the USA, Saran Song completed an MBA and founded an NGO. He then realized he could have a major impact by setting up his own company. This is his success story.

Eva and Anshul
"Without responsAbility I wouldn't be able to sustain such a fast pace," says Saran Song. Essential impetus is provided by Anshul Jindal (Senior Investment Officer) and Eva Tschannen (Technical Assistance).
“Without the support of responsAbility I wouldn’t be able to keep up the fast pace.”

Saran Song

“We want to help Saran Song maintain his pace and at the same time keep him in check.”

Anshul Jindal
Rice – the white gold of Cambodia

In Cambodia, the average person eats 150 kilograms of rice per year. In this country where rice is also known as ‘white gold’, the booming export trade heralds the beginning of a new era for farmers.

Have you already eaten? If rice was not on the menu, Cambodians answer this question with “No”. A meal without rice is simply not a meal. In Cambodia, many families grow the rice they eat on land that they inherited from their ancestors. Any surplus rice is sold at local markets, providing an important supplement to their income.

Cambodia is an agricultural country. Over 50 percent of the population works in rice production. 9.2 million tonnes of rice were harvested in 2015, putting this important grain at the top of the country’s produce list. This is followed by manioc, and to a far lesser extent corn. A few years ago, the first producers began exporting rice.

Since then, production of this traditional food product has blossomed. Rice farmers are organising cooperatives and are producing more professionally and effectively. Fair trade and organic rice – which is what the company AMRU Rice specialises in – is meeting with high demand in Europe and the USA.

Low income, solid growth and King Norodom Sihamoni as a stabilising force

But how does Cambodia currently stand as a country? In 2015, the average annual income of 1,020 dollars was considerably more than it was ten years ago, but it is still merely an eighth of the worldwide average. This is partly the result of the guerrilla war waged by the Khmer Rouge, which continued up until the end of the twentieth century. Today, with a parliamentary democracy and King Norodom Sihamoni as the elected monarch, there is enough stability that the country is free from political crisis and is considered a safe travel destination.

Producing rice in a more professional way and for export represents a major opportunity for Cambodia. However, to continue this success, more funding is needed. Key factors requiring investment include warehouses in the growing regions, improvements in production efficiency and training for farmers.
Saran Song produces organic rice in Cambodia for export. His business idea has been a resounding success and the company AMRU Rice is going from strength to strength. Since its foundation in 2011, the company’s output of fair trade organic rice has doubled every year.

AMRU Rice doubles production annually

Saran Song produces organic rice in Cambodia for export. His business idea has been a resounding success and the company AMRU Rice is going from strength to strength. Since its foundation in 2011, the company’s output of fair trade organic rice has doubled every year.

Investments in new production facilities? “I can’t wait!” Training for additional contract farmers? “I can’t wait!” Negotiations with potential key customers in Europe? “I can’t wait!” This phrase is uttered frequently by Saran Song. His company AMRU Rice is growing at a phenomenal rate – not just continuously, but exponentially. Each year, the company doubles the amount of organic rice it produces, surprising even Song himself. “We didn’t expect such huge growth when we started the company,” he says. But now he wants to sustain this pace until 2020 – making time a precious commodity.

Seeds, training and work

Having previously worked for NGOs, Saran Song founded AMRU Rice on 9 February 2011, which happened to coincide with his 30th birthday. He focused the company’s activities on exporting Cambodian rice and in 2012 he was only able to trade rice. 2013 saw the first harvest of his contract farmers, who produce rice for him exclusively. Today the organic rice that is grown by these farmers before being processed and fairly traded by AMRU Rice is the company’s main business.
Song founded AMRU Rice with the aim of improving the lives of the economically disadvantaged rice farmers in the north of the country. He exports organic rice, which is more lucrative thanks to the bigger margins. In return, he pays the farmers far more than they had previously received for their harvest. One of the conditions for this is organic certification. As the contract farmers who now work for AMRU Rice had never used pesticides or GMOs, they were in an excellent position to fulfil the requirements right from the start. When AMRU Rice approached the farmers to suggest tapping the opportunities offered by the organic rice market, their soil was already in a healthy organic condition and free from chemical residues.

The know-how required for organic certification is taught to the farmers by AMRU Rice and the Technical Assistance unit of responsAbility. Healthy soil, high-quality seeds and capable farmers form the basis for the success of AMRU Rice.

**Immediately improving farmers’ lives**

Saran Song’s business idea has been met with great enthusiasm – particularly among the farmers. “For a tonne of rice, we pay 350 instead of the usual 200 US dollars – that’s almost double their income.” Song is especially proud of this. The farmers also profit straight away. “They get more money for the next harvest, rather than in three or five years’ time. We are improving the lives of our contract farmers now, not just at some point in the future. I can’t wait!”

“**We are improving the lives of our contract farmers now, not just at some point in the future.”**

Saran Song

Customers are also enthusiastic about AMRU Rice and Saran Song acquires the majority of his customers through personal contact. He knows the European markets inside out and travels frequently – often together with his wife Muny Khy, who supports him in her role as the company’s Managing Director. Every year, the demand for organic rice in Europe covers the amount of rice produced by AMRU Rice right down to the last grain – despite the company’s rapid growth. In fact, the situation...
is about demand exceeding supply, customers put pressure on Saran Song because they want to buy more than he can currently supply.

Having to wait is something Song finds incredibly frustrating. Although AMRU Rice has been doubling its production every year, demand is growing at an even faster rate and AMRU Rice is struggling to keep up because of its limited capacities. Between 2017 and 2019, Saran Song will be investing 5 million US dollars in building mass storage for organic rice as well as drying, milling and processing facilities near the farms.

The entrepreneur recently expanded his portfolio and opened a separate factory to produce products such as rice noodles and rice paper. For these product segments, he can also buy rice from farmers who do not meet or have not yet achieved the premium standards for organic rice. Around 10 percent of the rice produced by AMRU Rice is consumed in Cambodia – although it is not certified as organic, the quality is still very high thanks to the healthy soil which is untouched by pesticides.

Saran Song started off small and has set his sights high, as shown by the company’s figures, all of which he can fire off from memory (see table). The industry also holds him in high regard and has presented various awards to AMRU Rice. Two accolades merit particular mention: the Young Entrepreneurship Award of the Takeda Foundation (University of Tokyo), which he received in the category “Outstanding Project For Social Change in February 2016”, and the gold medal for the “Best White Rice 2015 in Cambodia”.

Keeping up the pace with responsAbility

Saran Song can spot opportunities from a mile away and knows how to use them. responsAbility supports him by arranging export financing and working capital. The Technical Assistance unit also sends external experts to train the contract farmers so they can obtain organic certification. “Without this support I wouldn’t be able to keep up the fast pace,” says Saran Song. But going slow is simply not his style. “I can’t wait!”

### AMRU Rice – Facts & Figures

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The figures in this table are courtesy of AMRU Rice.

**MISSION**

Sourcing, processing and mainly exporting rice that is organic and/or sustainably produced according to international certification standards. Amru Rice is also engaged in the production phase by educating and financingly securing farmers.
From seed to export: How rice is produced at AMRU Rice.

1. **Supplying the seed**
   200–250 tonnes is the amount of seeds needed by AMRU's contract partners each year. 20–100 tonnes are supplied by AMRU itself; the rest comes from other sources.

2. **Cultivating the rice plants**
   Weeding, fertilizing, removing pests and irrigating. The process from sowing to harvesting takes 5 to 6 months.

3. **Preparing the fields**
   Everything has to meet certification requirements. AMRU considers it vital for contract farmers to have training. This is mainly organised by responsAbility.

4. **Harvesting**
   The harvest in November and December takes two, or at most three, weeks. This presents the farmers with a major organisational challenge.

5. **Drying**
   The grains of rice are dried in the sun for 2 days and are then transported to the regional warehouse, which is run by a large cooperative.

6. **Removing residual moisture**
   After the rice has been transported to the rice mill operated by AMRU's subsidiary Agro Angkor, any residual moisture is removed.

7. **Storage**
   The dried rice is stored in the silos until it is time for processing.

8. **Refining**
   In the Agro Angkor rice mill, the rice is separated according to type and quality and then processed.

9. **Transportation**
   The refined and cleaned rice is transported to AMRU’s production facility in the village Tropaing Por outside Phnom Penh.

10. **CO₂ treatment**
    Before the rice is distributed, any pests are removed. Suppliers without organic certification tend to use pesticides, but AMRU uses a gentle CO₂ treatment.

11. **Export**
    50kg bags of AMRU’s organic rice are loaded into containers and transported to the destination countries.
Back to his roots

An inclusive rice business – by combining his interests to form the company AMRU Rice, Saran Song has become a successful businessman.

With an MBA already under his belt, Saran Song is currently working on his doctorate. However, the enterprising Cambodian did not grow up surrounded by libraries but in the midst of paddy fields. His grandfather started a rice mill in the 1960s and had a rice plantation covering 2,000 hectares – the equivalent to around 2,800 football fields. After Saran’s mother subsequently took over the reins, it is now Saran’s sister who runs the business and continues to produce for the local market.

Saran Song (1981) was never particularly interested in his family’s low-income business. After completing his BBA in Management at the National University in Phnom Penh, he worked as an English teacher, sold language courses and got involved with the local NGO Save the Children of Cambodia. He was also periodically employed by the Student Association of the United Nations. In 2005, he turned down a scholarship in the USA – “I saw better opportunities for myself in Cambodia”. He then managed the Cambodian operations of the aid organisation Terre des Hommes (Germany) for two years.

In 2008, he set up his own aid organisation dedicated to protecting human rights and preventing rape and human trafficking. He managed to raise 500,000 US dollars per year from sponsors in the Netherlands and Hong Kong. “But I wanted to achieve more, particularly for the farmers”, says Saran. “It was around this time that a government advisor told me that Cambodia should start exporting rice.”

When Saran Song founded AMRU Rice in 2012 he returned back to his roots. By combining inclusive business and rice and bringing together family members in the company, he has become a successful entrepreneur. Muny Khy, his wife and mother of their two young children, also happens to be the General Manager of AMRU Rice. In addition to being an entrepreneur, Song is enrolled on the Doctor of Business Administration programme with the Minnesota-based Walden University and is completing his studies on a largely distance-learning basis. His specialization is in Social Impact Management and he is currently writing his doctoral study.

Saran Song with his wife Muny Khy. He is the Chairman of AMRU Rice and she is the Managing Director.
Phnom Penh’s growing middle class

_Above_  
Phnom Penh is prospering, leading to a boom in construction.

_Centre left_  
A hair salon in the commune of Srah Chak in Phnom Penh.

_Centre right_  
Students from Phnom Penh on their way to celebrate their graduation.

_Below_  
Silk of the finest quality is woven by hand in Cambodia.
Anshul, what do you like about your job?

For 10 years I’ve been able to contribute to a sector that I love and know very well: agriculture. It’s a very dynamic sector worldwide and in Asia it plays a key role. However, despite its huge economic importance, it is still highly underdeveloped in Cambodia. A great deal can be achieved with good investments.

Why are you investing in Saran Song and his company AMRU Rice?

It is one of the best managed companies in the sector. AMRU Rice is supported by international certification, exemplary corporate governance and a very enterprising CEO who takes a long-term perspective.

Saran Song drives his business at a fast pace.

AMRU Rice is growing at a tremendous speed. Over the last three years, we’ve watched how things have continuously developed in the company, including its corporate governance, customer relations and the relationship with its contract farmers. The rice business needs someone who treats both the growers and buyers fairly and correctly. This person must be able to recognise the current and future needs of the market and understand what the Cambodian rice sector has to offer. Saran is that person.

What’s next for AMRU rice?

Saran plans to maintain this fast pace over the coming years and he is very capable of doing so. To achieve this, he will need the support of buyers, growers, the government and investors like us.

Is financing Amru Rice a safe investment?

It is a sound investment, but there are always some inherent risks involved with agriculture. The recent El Nino weather phenomenon is a good example. What’s important for us is how a company deals with these situations. Someone who leads a company through difficult times will get back on track more quickly and continue to grow. We don’t pull out as soon as things get difficult, especially not with a company that is as professionally and sustainably structured as Amru Rice.

How will you help this customer to develop?

We want to help Saran maintain his pace and at the same time keep him in check. In Cambodia there are not many good entrepreneurs at the moment. Saran is one of the best and there are a lot of investors interested in working with him. It is important that we remain in dialogue and ensure that the company’s development remains disciplined and is driven by realistic goals.
We arrive at the Samakee Rohas Meanchey Cooperative in the heart of Cambodia. Located in Kampong Thom, approximately 300 kilometres from the capital of Phnom Penh, 104 rice farmers have joined forces to form the cooperative. They have been producing organic rice for AMRU Rice since 2014.

The Samakee Rohas Meanchey Cooperative is one of 18 cooperatives (as at the end of 2016) that supply AMRU Rice. “We earn approximately 20 percent more than when we were producing standard quality rice for ourselves and the local market,” the farmers say after a short discussion among themselves. Later, back in Phnom Penh, Saran Song, Chairman of AMRU Rice, says that most farmers get around 75 percent more in the first year that they work with his company. This increase depends on several variables.

In Kampong Thom, where the cooperative operates as a self-managed entity, at least ten members of the management team come to greet us upon our arrival. Among them are Quality Inspector Poy Sovath, Auditor San Sophal and Treasurer Louk Kim-seang. Heng Sopheap is the President. Every year she renegotiates the prices on behalf of the farmers and agrees the contracts. As her main occupation is also rice farming, this management position is a second job for her.

In addition to higher prices, the farmers of the Samakee Rohas Meanchey Cooperative are interested in a deal with AMRU Rice because of the guarantee that it will buy their rice. This form of income security is entirely new to them. All farmers undergo intensive training that qualifies them to produce premium organic rice. It is currently the only quality of rice that AMRU Rice purchases from the farmers in Kampong Thom. However, that could soon change because AMRU Rice is starting to produce rice paper and rice noodles for the local market, providing an opportunity for the farmers to sell slightly lower grade rice at good prices.

A flourishing rice cooperative

New know-how, more productivity, higher incomes and a guaranteed purchase agreement. Producing organic rice for AMRU Rice is improving the quality of life for rice farmers and their families.
So how are the farmers using the extra money that they are earning thanks to being able to sell certified rice and the deal with AMRU Rice? The answers we receive from the Samakee Rohas Meanchey Cooperative are as different as the farmers themselves. Some invest in increasing their productivity and buy tools or machines for the field work, others purchase a small tractor. For many of them, the higher income means that they are able to send their children to university to do a bachelor’s degree instead of sending them to work in the field as soon as they finish high school.

*Left*
Rice farmers driving to their field.

*Below*
Many farmers live in the midst of their fields.

**AMRU Rice and responsAbility work together to support the rice farmers**

Producing organic rice means more work for the farmers, for example gathering pests by hand instead of using pesticides. In the training programmes, the farmers learn to produce their own organic fertiliser and how to use it properly. AMRU Rice – with the financial and logistical support of responsAbility’s Technical Assistance unit – strengthens the farmers by providing the training required for organic certification, giving them a new sense of professional pride and better financial prospects. AMRU Rice also supports its suppliers financially. “In the first year, we provide free seedlings for farmers in a poor financial situation,” says Song Saran, Managing Director of AMRU. “In the second year, they pay for 50 percent of the seedlings themselves with their earnings from the first year and in the third year they carry the costs themselves.” Inspectors – both from the cooperative and the organic label – regularly check that the farmers are working in compliance with organic production requirements. The inspections range from correct preparation of the land through to the quality of the seeds and the proper use of natural fertiliser.
Rice farmers earn 15 to 75 percent more when they produce for AMRU Rice.

The rice is harvested in December. For many of the farmers there is then nothing left to do in the fields until the beginning of the hot and wet season starting in June. In Cambodia around only ten percent of the rice fields can be permanently irrigated. The majority of the fields are only farmed during the rainy season in the second half of the year; during the rest of the year the fields are simply left to rest. The farmers instead turn to their gardens to grow vegetables for the local market or supplement their incomes by keeping pigs or chickens. Some get through the dry spell by taking a job at one of the numerous local cashew farms. According to the farmers at the Samakee Rohas Meanchey Cooperative, rice production accounts for about 80 percent of a rice farmer’s annual income.

Heng Sopheap, the president of the Samakee Rohas Meanchey Cooperative, negotiated a three-year framework agreement with AMRU Rice in 2014. This has made the cooperative more attractive for farmers in the area (4 villages, 234 families). Currently 104 farmers belong to the cooperative. In 2016, approximately 250 tonnes of rice were supplied to AMRU Rice, earning around 26,500 US dollars – approximately 5,000 dollars more than they would have earned with their standard quality rice at the local market.

Heng Sopheap foresees additional growth. Firstly, some of the farmers still have reserves of land and thanks to higher productivity they can afford to grow rice on it in future. Secondly, a growing number of farmers in the area are interested in doing more than just producing enough rice to sustain themselves and their families.
Technical Assistance creates a win-win situation for everyone.
How do you assist the farmers who work for AMRU Rice?
Five key questions answered by Eva Tschannen, Head Technical Assistance at responsAbility.

What is the “Technical Assistance” that you offer?

As part of the research and advisory department of responsAbility, the Technical Assistance unit is a team of two professionals that manage tailored Technical Assistance projects. We engage with the selected companies by providing Technical Assistance support on how to improve their operational systems or by hiring experts for social or environmental aspects to improve the companies’ development impact.

Who finances you?

The project with AMRU is co-financed by the Swiss Development Cooperation (SDC). In cooperation with this donor, we have defined a framework which enables us to support small and medium-sized enterprises that have an impact on development and employment. These companies provide access to profitable markets for significant sections of the local population in developing countries.

How does the provision of technical assistance help the farmers who supply AMRU Rice?

AMRU Rice has identified certified organic rice as a niche market within a profitable and highly competitive international market environment. To enable the business to meet the quantity and standards that buyers require for certified organic rice, the company has to expand the network of small farmers from which it can source the rice. However, in order to tap this market potential, AMRU first needs to arrange certification for the farmers, which can only be obtained through training programmes. The farmers learn about organic agriculture practices, gain access to high-quality seedlings and learn how to naturally increase their yields. Without co-financing of the costs for such training, AMRU would not be able to source sufficient quantities of certified rice and many farmers could not benefit from premium payments. We are able to create a win-win-win situation through the advisory support provided by our external consultants.

What positive impact does your work have?

Over the next three years, up to 2,500 farmers will receive certification, enabling them to achieve a better level of income. In addition, AMRU aims to invest in local infrastructure, which will further help to improve local value creation by optimising the entire supply chain, for example proper treatment and storage of the rice after harvesting and transport. Jobs for qualified people will also be created in these areas.

How do you make sure that your efforts yield the greatest possible effects?

We go through a competitive selection process to identify the most suitable consultants to provide the knowledge that is needed by the companies which we are supporting. However, this knowledge and advice is only effective if it is actually implemented by the companies. We therefore closely monitor the implementation process and regularly confirm the achievement of certain targets.
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