

Country Market Profile: Cambodia

Euromonitor reports that in 2021, Cambodia's economy expanded in real terms, driven by increasing domestic consumption, public investment and external demand. However, the persisting pandemic-related risks, supply constraints and global inflationary pressures raise uncertainty and weigh on the country's economic outlook.

- Following gross domestic product (GDP) real growth of 1.9% in 2021, Cambodia's economy is expected to expand at an average annual real rate of 5.1% over the medium term.
- The unemployment rate is expected to remain unchanged at 0.2% in 2022, which was substantially lower than the average of 5% in Asia Pacific in 2022.
- Inflation in Cambodia is forecast to increase to 3.2% in 2022 from 2.7% in 2021.
- While Cambodia's merchandise exports increased by 10.8% and imports rose by 7.9% during 2021, the country remained a net importer of goods.
- Gross Fixed Capital Formation (GFCF) in Cambodia rose in real terms over 2021, as a result of economic recovery, fiscal stimulus measures and favorable financing conditions.
- The public debt-to-GDP ratio in Cambodia rose to 37.0% in 2021, which was lower than the regional average of 94.7%.

The total population has been slowly rising over time, reaching 16.7 million in 2022 (CIA World Factbook Est.). This was an increase of roughly 4.6 million over 2000. The median age in 2022 was 26.4 years. The number of those over 65 years of age amounted to 777,000 thousand in 2022, equivalent to 4.6% of the total population.

USDA's Office of Agricultural Affairs (OAA), in Vietnam reports that Cambodia's healthy tourism industry and the growing bakery, quick service restaurant, and retail sectors offer the best opportunities for U.S. exporters of high-value foods and beverages. Consumers of U.S. products are likely to be young and higher-income Cambodians, expatriates, and tourists. There is a surprisingly wide range of U.S. food products available in Cambodian supermarkets and growing foodservice offerings.

Although the vast majority of food is sold in traditional markets, the situation is changing as more supermarkets, convenience stores, quick-service restaurants, and other modern outlets are opening. There is limited food manufacturing in Cambodia, contributing to the impressive variety of imported processed foods from the U.S. and other sources.

Cambodia's trade volume has increased significantly since the country's accession to the ASEAN in 1999 and to the World Trade Organization (WTO) in 2004. Since its WTO accession, Cambodia developed trade-related laws and regulations to comply with WTO obligations and has eliminated most non-tariff barriers to trade. In 2006, the United States and

Cambodia signed a Bilateral Trade and Investment Framework (TIFA). Several rounds of TIFA discussions have been held to promote trade and investment between the two countries to help monitor and support Cambodia's efforts to implement its WTO commitments and to address bilateral issues.

As a member of the ASEAN free trade agreement, combined with the country's improving infrastructure and growing skilled workforce, Cambodia has tremendous economic potential. Currently, Cambodia has FTAs through ASEAN with Australia, New Zealand, China, India, Japan, and South Korea. At the time of this report, Cambodia is also negotiating FTAs with South Korea and the Eurasian Economic Union. The recently signed Cambodia-China FTA and the Regional Comprehensive Economic Partnership (RCEP) have offered potential access to the markets of China, India, Australia, and New Zealand.

According to Trade Data Monitor (TDM), annual global exports of consumer-oriented products to Cambodia were up 21% year-on-year, from US\$1.1 billion in 2018 to US\$1.4 billion in 2019. U.S. exports of consumer-oriented products to Cambodia increased by 578% over the last ten years, from US\$4.3 million in 2009 to US\$29 million in 2019, making this the second fastest growing market in Asia after Myanmar.

Cambodia comes with its Market Opportunities and Key Issues

Market Opportunities include:

- One of Asia's fastest-growing economies, Cambodia GDP rates averaging 7.7% growth from 1998 and 2019.
- Continued growth of the tourism sector and western-style fast-food chains, and modern food retail chains, bakeries, restaurants, and hotels drive demand for high-quality food products.
- Familiarity with U.S. products and established importers of U.S. goods.
- U.S. food and beverage products have a strong reputation for quality and safety relative to many Asian competitors.
- NGO-employed expatriates and international tourists create a natural market for imported products. Also, as Cambodians have more disposable income, their eating habits tend to change. Thus, the demand for high-quality imported food products is increasing.
- Cambodian shoppers are becoming more conscious of food safety and health products. Imported products are common in modern trade channels. As shopper demographics shift and income per capita increases, there is a growing trend towards supermarkets, convenience stores, and online shopping.
- The United States has a wide variety of food products, including fresh and processed items.

Key Issues

- The market is small when compared to more developed Southeast Asian countries, such as the Philippines and Thailand. Importers are usually unable to buy products by the container load directly from the United States.

- There is a limited and underdeveloped cold chain infrastructure and distribution systems for perishable products and products that require chilled or frozen handling. Consequently, poor handling and storage might affect the quality and freshness of products.
- Limited number of importers and distribution options.
- Cambodia is a member of the Association of Southeast Asian Nations (ASEAN), which has many FTAs with Australia, New Zealand, Japan, and other countries importing quality products. As a result, U.S. products often face a price disadvantage due to higher shipping costs and import duties.
- Only a small portion of Cambodian middle and upper-class can afford imported food products.
- Most local consumers continue to shop at traditional wet markets.
- Cambodian buyers are now sourcing U.S. products from Asian suppliers due to lower import costs.

2021 U.S. exports of agricultural products to Cambodia totaled US\$104.7 million, which was growth of 57% from the prior year and a new record high. Over US\$35.9 million were of the consumer oriented variety or just over 34% of the agricultural total, also with record high and growth of 12%. U.S. exports of processed foods to Cambodia totaled US\$27.9 million in 2021, which was up 5% from that of 2020 and yet another high value. Top U.S. processed food exports to Cambodia in 2021 included:

- Food Preparations & Ingredients
- Processed/Prepared Dairy Products
- Non-Alcoholic Beverages
- Alcoholic Beverages
- Condiments, Sauces, Jams & Jellies
- Snack Foods
- Processed Vegetables & Pulses

Retail Sector Highlights:

According to Euromonitor, retail sales in the packaged food market in Cambodia will reach US\$898.6 million in 2022. That represents a growth rate of 29.4% or US\$204.1 billion since 2018. By the year 2026 the retail sales in the packaged food market in Cambodia is expected to reach nearly US\$1.1 billion, a growth rate of 21.6% and US\$193.8 million from 2022. High growth products in the forecast include:

- Breakfast Cereals
- Ice Cream & Frozen Desserts
- Cheese
- Savory Snacks
- Dairy Products (Ex. Cheese)
- Sweet Biscuits, Snack Bars and Fruit Snacks

- Confectionery
- Baby Food

FAS Hi Chi Minh City reports that although traditional markets still dominate Cambodia's retail sector, rising disposable income, a large expatriate non-government organizational (NGO) workforce, and a strong tourism industry have contributed to the growth of modern retail outlets, including shopping malls, mini-marts, convenience stores, and supermarkets. Within the past few years, Cambodia's retail sector has undergone a major transformation, as Cambodians are slowly and steadily shifting from traditional markets to modern markets due to better hygiene, quality, and variety.

Correspondingly, the grocery market industry in Cambodia is predicted to reach US\$9.3 billion by 2023, according to UK-based Institute of Grocery Distribution. From 2015 to 2019, total retail space in Cambodia had doubled, from approximately 174,000 to 370,000 square meters. This amount of available retail space was estimated to reach 478,000 square meters by the first quarter of 2020, a 29% increase from 2019, as forecasted by the Coldwell Banker Richard Ellis (CBRE) group.

A wide variety of U.S. products can be found in modern retail outlets and include a number of famous brands, such as Post cereals, Blue Diamond Growers' non-dairy milk, Kraft's products, General Mills' cereals, Bragg Organic Raw Apple Cider Vinegar, Heinz's products, Bob's Red Mill's products, Costco's Kirkland Signature's products, Hunt's tomatoes and sauces, Uncle Ben's rice, Norbest Turkey, Lamb Weston frozen French fries, Washington apples, Hormel luncheon meats, Ocean Spray fruit juice, Campbell canned soup, Hershey's chocolate, Kellogg's cereals, Betty Crocker cookies and cereals, Jim Beam bourbon, and certain California wines.

Phnom Penh, Siem Reap, and Sihanoukville have become hot spots for Cambodian retailers, with new supermarkets and shopping malls sprawling in these cities. Convenience store chains are also increasing in popularity and 7-Eleven is set to open its first store in Phnom Penh in 2021, offering international beverages and food products along with ready-to-eat meals designed for local tastes. Moreover, megamalls such as the Phnom Penh Mega Mall and Chip Mong 271 Mega Mall opened in 2021 and 2022, respectively. The Lucky Market Group, Cambodia's leading retail chain, currently operates 11 Lucky supermarkets, nine Lucky Burger fast-food operations, and six Guardian pharmacies, and has plans for further expansion. Lucky imports a number of products directly from the United States, such as frozen potatoes. They also import additional products through consolidated shipments from Singapore. DFI Lucky Private Limited is a joint venture between Dairy Farm International (DFI), Hong Kong (70%) and Lucky Market Group (30%).

The Japanese retailer AEON opened a large hypermarket mall in 2014, attracting 15 million visitors in its first year. AEON opened its second hypermarket (AEON 2) in 2018 and plans to open a third hypermarket (AEON 3) in 2023. Although AEON imports many of their products from Japan, Thailand, and Singapore, these hypermarkets also carry some U.S. brands.

Other food retailers that offer imported products include: Bayon Markets, Thai Huot Supermarkets, Makro, Veggy's, Super Duper, Grocerdel (online retailer), and DeliShop (online

retailer), and GroceryDelivery (online retailer). Super Duper and DeliShop currently source their U.S. products from one supplier. Although most modern retail outlets are in Phnom Penh, there is an increasing number in Siem Reap, including Angkor Market, Lucky Market, Thai Huot Market, Makro, and Asia Market.

Modern retailers in Phnom Penh often import from foreign suppliers, while smaller supermarkets in Siem Reap position themselves as distributors, sourcing products from importers based in Phnom Penh. Retailers, such as DFI Lucky and Thai Huot, also service the Hotel, Restaurant and Institutional (HRI) trade through their retail stores and wholesale operations.

Best Prospects:

FAS Hi Chi Minh City reports that based on trends in export trade data from 2015 to 2019, the best prospects for U.S. products include nonalcoholic beverages (367% increase from 2015), dairy products (266% increase from 2015), beef and beef products (253% increase from 2015), processed foods (202% increase from 2015), and fresh fruits (76% increase from 2015).

Foodservice Sector Highlights:

FAS Hi Chi Minh City reports that Cambodia's Hotel, Restaurant, and Institutional (HRI) food service sector has had rapid growth in all sub-sectors, including full-service restaurants; fast foods; bakeries; café and bars; and catering. The country continues to welcome new international food and beverage brands into the market.

Cambodia's food and beverage industry has rapidly transformed in recent years, with new international brands entering the market aiming to become part of this thriving industry. According to Euromonitor, there were over 2,000 restaurants in Cambodia by 2019. Cambodia's growing urban middle class, supplemented by a large expatriate community, has led to strong demand for international food products along with an increased desire to try new food and beverage products.

Local eateries emulating U.S.-style fast-food restaurants are increasingly popular. In 2005, Thailand's "The Pizza Company" became the first international standard pizza operation in Cambodia and the company continues to perform well. Swensen's and KFC opened their first outlets in 2008 and continue to expand throughout the country. Dairy Queen and Burger King entered the Cambodian market in 2013. The Hard Rock Café opened franchises in Siem Reap and in Phnom Penh in 2014 and 2017, respectively. Starbucks entered the Cambodian market in 2015. Under the TH F&B Co. Ltd., U.S. franchises, such as Carl's Jr. and Cold Stone Creamery, also opened their first outlets in 2016. The above are just a few examples of incoming international brands, with many more chains expected to come.

Express Food Group Co., Ltd., a subsidiary of RMA Group, is one of Cambodia's biggest restaurant chain operations and is the franchise owner for Swensen's, The Pizza Company, Krispy Kreme, Texas (Church's) Chicken, and Dairy Queen. The group manages more than 60 chain restaurants of different concepts in five provinces. Meas Development Holdings is also a prominent player in the food and beverage industry, operating 30 outlets in Cambodia, including

The Hard Rock Café, Blue Pumpkin, and Yoshinoya. The Royal Group, one of the largest investment companies in Cambodia, signed a joint venture deal with the Malaysian QSR Brands and Rightlink Corporation for the KFC franchise in Cambodia in 2008. In addition to international outlets, new local restaurants and bakeries are also increasing.

Tourism is a major factor in the above growth of food outlets. Menus can be very broad and often include both Western and Asian dishes. Also, as the country modernizes, Cambodians are eager to discover new flavors, concepts, and products. In recent years, there has been an increase in the number of northeast Asian restaurants due to the influx of northeast Asian and ASEAN tourists and cultures. Coffee and bubble tea are also popular among younger generations; hence, brand engagement and innovation are crucial to stay competitive. Bars and pubs are growing, especially in major tourist areas.

Although fish remains the staple food of Cambodia, there has been an increase in meat consumption, mostly in urban areas. Export opportunities to Cambodia's HRI sectors may not be readily apparent, as many hotels and restaurants still prefer to source local products due to their regular availability (such as abundant local fish for domestic Khmer cuisine), and the competitive prices of local food and beverage products. However, as there is limited local production for processed food products, HRI outlets must source other innovative food products to serve customers. Therefore, growing demand for new and high-quality products offers opportunities for U.S. exporters to enter this market.

Although a few hotels import consolidated containers of products themselves, most imported products for HRI are purchased from local importers. A small number of food importers service both HRI and the retail sector, including LSH Cambodia Pte Ltd., Thai Huot Trading Co, Ltd, DFI Lucky Private Ltd, AusKhmer, Ostra Fine Foods, Annam Group, Lee's Frozen, Veggy's, Hung Hiep, and Celliers d'Asie (wines and spirits)

Best Product Prospects:

FAS Hi Chi Minh City reports that according to local sources, demand for processed pork, beef, and poultry are also increasing in Cambodia, forcing the country to import meat due to insufficient domestic production. Meat imports are expected to grow at an annual rate of 11%, from 15,000 tons in 2018 to 37,000 by 2030. Fruit and vegetable imports are also expected to increase at an annual rate of 5%, reaching 48,000 tons by 2030. Although Cambodia has a domestic dairy industry, imports are expected to increase at an annual rate of 6%, reaching 2,000 tons by 2030.

Food Processing Sector Highlights:

FAS Ho Chi Minh City reports that Cambodia's food manufacturing industry is still in its infancy and relatively small. Although the number of multinational food manufacturers is low compared to those in neighboring countries, the food and Agri-processing sectors are gradually expanding and MAFF reports greater volume of exports of processed food and agricultural products.

The food manufacturing industry faces several constraints and weaknesses, including a lack of capital, processing facilities, food processing technology and skills, market analysis and marketing information, and sanitation and hygiene knowledge. Additional challenges include poor infrastructure, unreliable supply of raw materials, a lack of competitiveness for locally-produced products due to high operating costs, and a relatively small domestic market.