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Cambodian Rice: The Hidden Heavyweight in Global Trade - Funan Techo Canal as a Catalyst for Direct Exports

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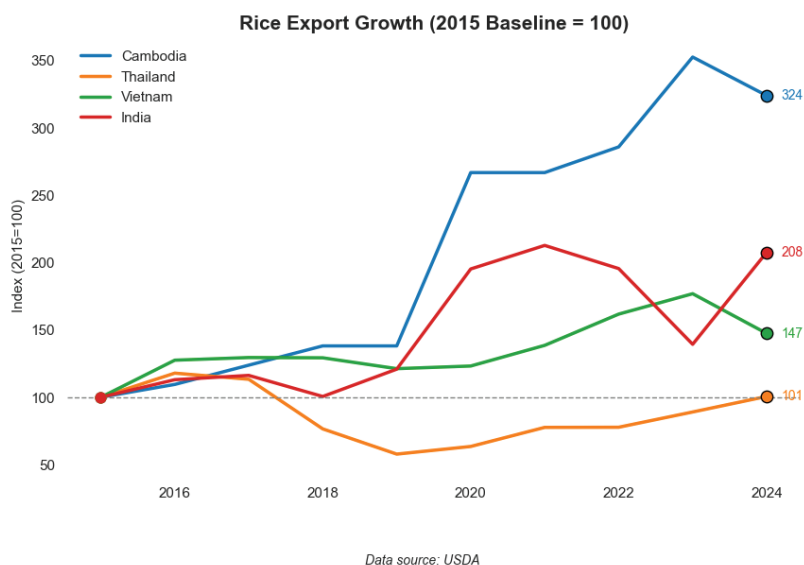
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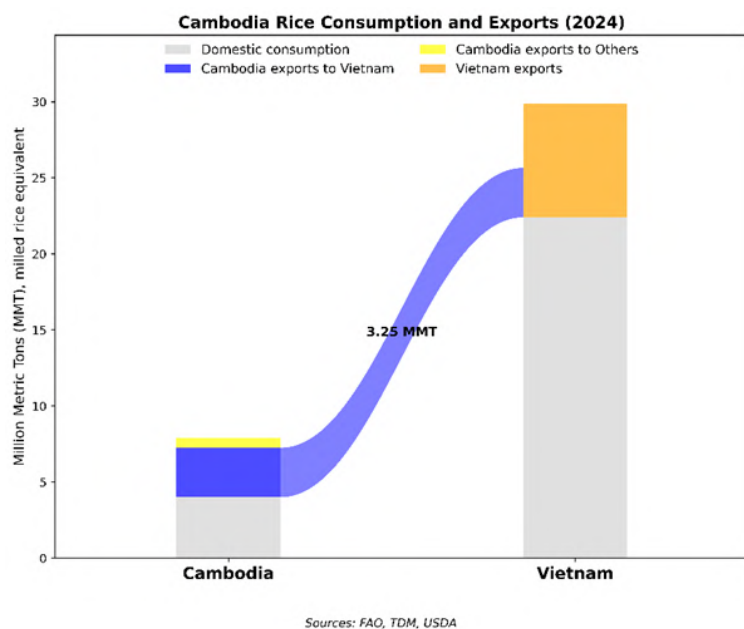
- Cambodia's rice exports have surged over the past decade, reaching more than 5 MMT of paddy trade in 2025, with plans to expand milled rice exports beyond 1 MMT despite current logistics and milling constraints—positioning the country among the world's top five exporters, and climbing.
- The Kingdom has earned global recognition for quality, winning the World's Best Rice award multiple times over the last decade.
- National strategy prioritizes shifting from raw paddy exports to domestic milling, certification, and branding, ensuring more of the export value is captured within Cambodia.
- The government is pursuing an ambitious strategy to strengthen the rice industry, with initiatives such as the Funan Techo Canal, which is expected to cut logistics costs and potentially enable direct exports of 5–6 MMT of milled rice annually by the 2030s.

Cambodia's Rice Export Boom.

Cambodia is emerging as a 'hidden heavyweight' in the global rice trade¹ with its rice exports having rapidly gained ground in the last decade, to over 5 MMT of paddy trade alone in 2025. This growth far outpaced the world average and elevated Cambodia's ranking – with about 5% of global export value (~\$2 billion)². This makes Cambodia the 5th biggest exporter in the world, and climbing. There are concerted efforts to build milled rice exports to over 1 MMT, but logistics costs and lack of milling capacities are posing obstacles, reducing domestic value addition. Current logistical road system is still very much developing and even a short distance could take as much as 12 hours as the trucks make the way to market. The government is pivoting from raw paddy exports to higher-value milled rice, investing heavily in local milling capacity so that more of Cambodia's crop is processed and packaged domestically. Cambodia is also focusing on its award-winning fragrant rice varieties (e.g. Phka Rumduol) to differentiate its exports, aiming to fetch higher prices and gain loyalty in international markets.



Trade Flows Shaping Cambodia's Current Rice Exports. Currently, however, a significant share of Cambodia's unmilled paddy rice is sold down the Mekong River and across borders to Vietnam / Thailand, where it is milled and often re-exported. In 2024, Vietnam was the single largest destination by volume for Cambodia's rice: about 5 MMT of Cambodian paddy went to Vietnamese mills². That represented roughly 83% of Cambodia's total rice exports, which skews official "milled rice export" figures, since much of Cambodia's rice ultimately reaches world markets under Vietnamese export statistics. USDA has begun to show this paddy trade in their monthly supply and demand (S&D) number, which mirrors the U.S. trade which has a large portion of its



trade in paddy rice as well. The government and the Cambodia Rice Federation have made increasing logistical effectiveness, improved milling capacities, and enlarging export capacities as key strategic goals, of which the Funan Techo Canal is a key initiative. Current global market dynamics make the trade logistics factor – who can get rice to market cheapest and fastest – even more critical. Similarly to Cambodia, Vietnam as well, is prioritizing premium, low-emission rice that is traceable to domestic production for targeting higher-value markets.

The Funan Techo Canal: A Potential Game-Changer for Trade. The Funan Techo Canal (FTC) is a new 180 km inland waterway under construction in Cambodia. Expected to be completed by 2028, the canal will link Phnom Penh (on the Mekong River) directly to the Gulf of

Thailand at Kep province³. In effect, it creates a shipping route from Cambodia's interior to the sea without transiting through the Mekong River. Currently, rice from Phnom Penh or the Mekong heartland must either be trucked to Cambodia's only deep-sea port (Sihanoukville) or floated down the Mekong River through the Mekong Delta in Vietnam to access the South China Sea. Both options are costly and time-consuming, which at times have made Cambodian milled rice uncompetitive. By contrast, the FTC will cut a more direct path southwest to the coast, reducing the distance to around 180 km of controlled canal passage³. FTC is expected to significantly improve Cambodia's trade logistics; at the same time, it has prompted calls for careful assessment of possible hydrological and ecological effects across the Mekong–Bassac system⁴.

Global Implications and Outlook. Cambodia is poised to remain on a strong growth trajectory in rice exports through 2025 and beyond. Cambodia's ever-improving road system and dedication to progress, are key factors worth closely watching. With the Funan Techo Canal expected to be operational in the latter part of the decade, the country could substantially increase its direct rice exports – potentially aiming for 5–6 MMT annually by early 2030s if production keeps pace and milling capacities catch up. This would firmly entrench Cambodia among the world's top exporters. For policy makers in Phnom Penh, the vision will be to manage this transition such that farmers, millers, and the economy reap the gains, while also considering environmental and transboundary interests. With diligence and focused strategy on the many key aspects highlighted above, Cambodia has a bright future indeed.

Sources:¹The Rice Trader, ²Trade Data Monitor, ³ASEAN Briefing, ⁴Yang et al. (2025).

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