

Required Report: Required - Public Distribution

Date: November 17,2020

Report Number: VM2020-0112

Report Name: Coffee Semi-annual

Country: Vietnam

Post: Hanoi

Report Category: Coffee

Prepared By: Thanh Vo

Approved By: Benjamin Petlock

Report Highlights:

Posts revised Vietnam's coffee production for marketing year 2020/2021 (MY20/21) down to 29 million bags, green bean equivalent (GBE), lower than the USDA official number, based on unfavorable weather conditions that impacted yields. Post revised MY19/20 coffee exports up to 26.40 million bags (GBE), still lower than USDA official number, and revised MY20/21 exports down to 26.65 million bags based on competition.

Executive Summary:

Below average rainfall and above average temperatures during the calendar year (CY) 2020 dry season caused droughts that impacted coffee yields in Vietnam's Central Highlands, the country's main coffee growing area. As a result, Post revised MY20/21 coffee production down by 7 percent from the previous year to 29 million bags. Additionally, Post revised stocks down to 4.13 million bags on smaller production. Exports continue to see competition from other sources; therefore, Post revised MY20/21 exports down from the previous report to 26.65 million bags.

Commodities:

Coffee, Green

PRODUCTION

Post revised its MY20/21 green bean production forecast down to 29 million bags, including 28 million bags of Robusta (Table 1) and one million bags of Arabica, lower than the USDA official number, due to the effects of extreme weather that took place throughout CY2020. Meteorological observations confirmed that below average precipitation and above average temperatures during the dry season caused droughts in some localities in the Central Highlands, Vietnam's main coffee growing area, which affected yields. In addition, low prices discouraged coffee growers from investing sufficiently in irrigation and husbandry practices to ensure proper blossom and cherry setting. Industry sources estimated that MY20/21 production decreased by 5-10 percent from the previous year on lower yield, with the impact varying from province to province and by tree ages.

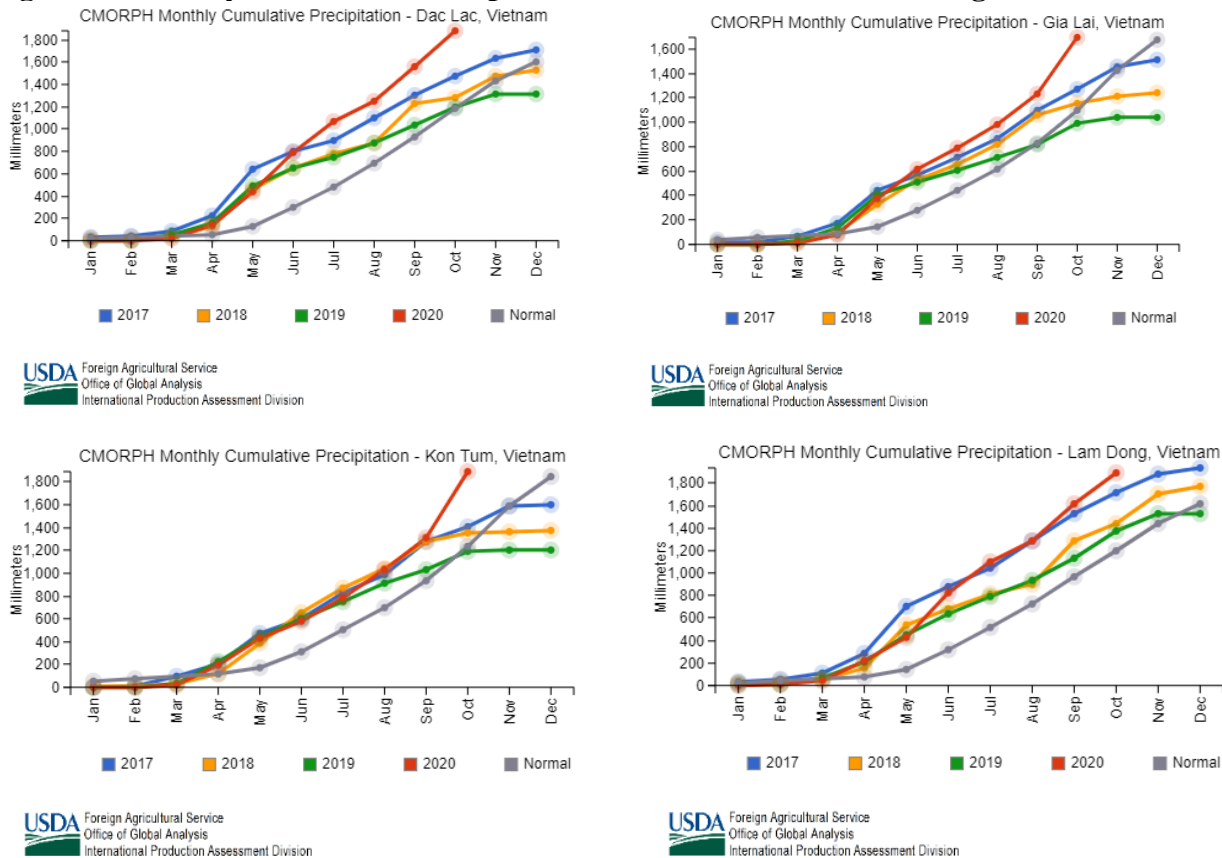
Table 1: Robusta Coffee Production by Marketing Year (Oct.-Sept.) (green bean)

	MY18/19	MY19/20 Estimate	MY20/21 Forecast
Marketing year begins	Oct. 2018	Oct. 2019	Oct. 2020
Cultivation area (hectare)	607,000	620,000	620,000
Production (thousand bags)	29,350	30,200	28,000
Average yield (MT/ha)	2.90	2.92	2.71

Source: Post estimates

However, meteorological data showed increased rainfall from September onwards in the Central Highlands. According to the National Center for Hydro-Meteorology Forecast, the La Niña phenomenon is projected to result in more storms and higher precipitation in some regions in Vietnam during the last four months of CY2020, as well as off-season rains in the beginning months of CY2021. The Central Highlands, especially provinces in the northern Central Highlands, recorded precipitation 15-30 percent above average in October, which carried over to November. USDA's Global Agricultural and Disaster Assessment System (GADAS) also recorded high precipitation in the Central Highlands provinces in October (Figure 1). Prolonged rain triggered concerns of a delayed harvest of 3 to 4 weeks for the MY20/21 coffee crop and post-harvest quality issues, as most farmers sun-dry their beans.

Figure 1: Monthly Cumulative Precipitation in the Main Coffee Growing Provinces



Source: USDA/GADAS

The revised production number of 29 million bags reflects a 7 percent reduction from the previous year, of which, Arabica production saw its share greatly reduced, falling to one million bags. Industry contacts reported a much higher reduction in Arabica production in the northern mountainous provinces, especially in Son La, compared with the Lam Dong area. This was due to the comparative lack of farming technology, market linkages, and low prices that discouraged farmers from investing in improved husbandry practices.

TRADE

Exports

Post revised its estimate for Vietnam’s MY19/20 total coffee exports, including green beans and processed coffee, up to 26.40 million bags, lower than the USDA official number and the previous year estimate, due to competition. High differentials of Vietnamese Robusta prices over the futures market, weakening currency in Brazil and Indonesia, and a forecasted bumper crop in Brazil will reduce the competitiveness of Vietnamese Robusta in international markets.

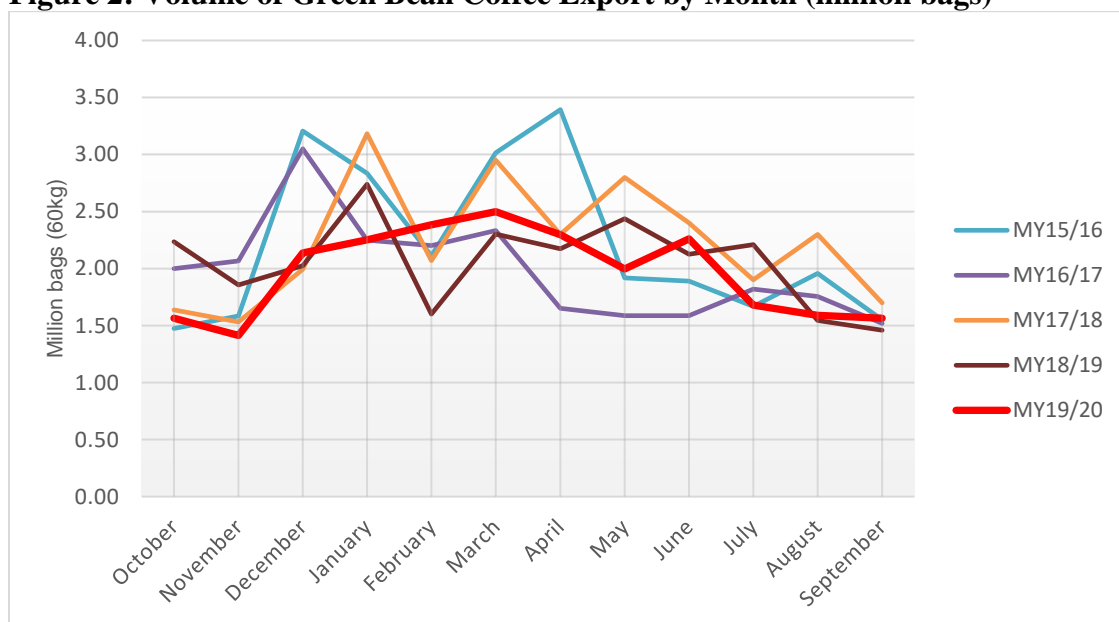
Although widespread social distancing in many countries due to COVID-19 resulted in a plunge in out-of-home coffee drinking, some industry experts reported an increase in at-home coffee drinking, which led to increased consumption of packaged Robusta blended coffee.

Post revised its forecast of Vietnam’s MY20/21 coffee exports slightly down to 26.65 million bags, higher than MY19/20 but lower than the USDA official number. The European Union-Vietnam Free Trade Agreement (EVFTA) phased out import tariffs on all types of Vietnamese coffee products beginning August 1, 2020, which the Vietnamese government and companies saw as an opportunity to push coffee exports to Europe. However, the delayed harvest of the MY20/21 crop could potentially drag out shipments of the new crop.

Green Bean Exports

Post revised its MY19/20 bean export estimate up to 23.60 million bags, lower than USDA official number and the previous year estimate (Figure 2). Post revised its MY20/21 bean export forecast at 23.80 million bags.

Figure 2: Volume of Green Bean Coffee Export by Month (million bags)

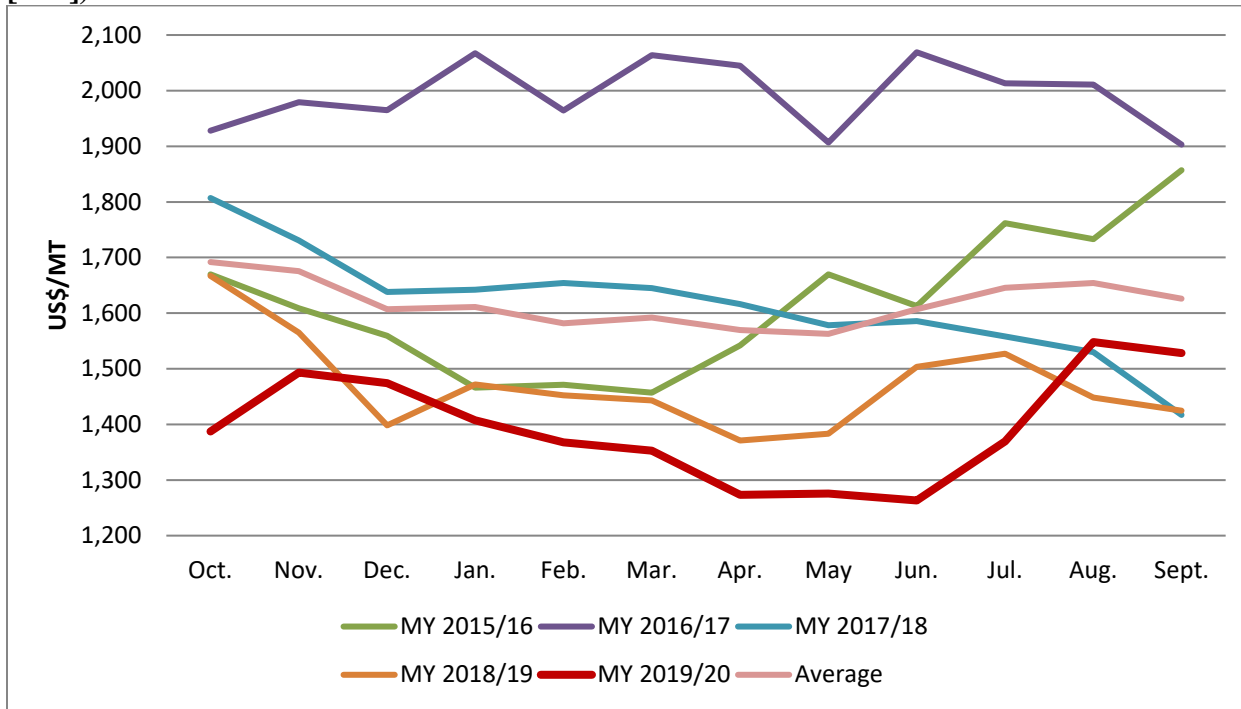


Source: Vietnam Customs, Trade

PRICES

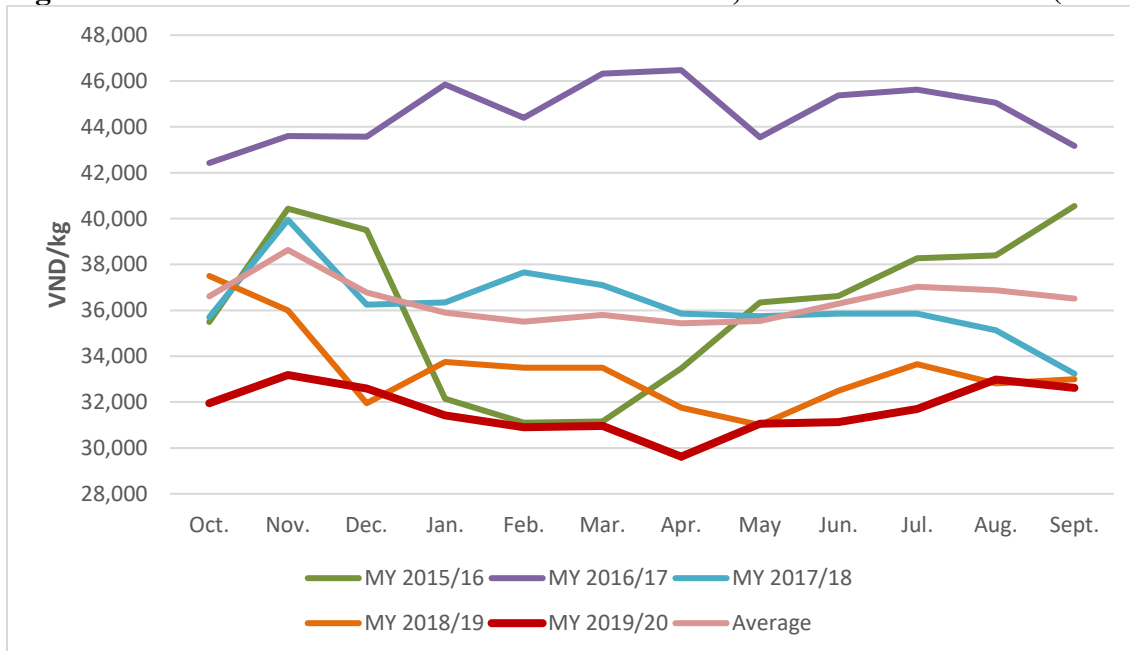
In MY19/20, export prices fell to a five-year record low, with especially low prices from January to July (Figure 3). Local prices followed a similar price trend, which discouraged farmers from investing sufficiently in irrigating and fertilizing their coffee trees (Figure 4).

Figure 3: Export Prices for Green Bean Robusta Coffee, MY15/16 to MY19/20 (US\$/Metric Ton [MT])



Source: Trade

Figure 4: Local Prices of Green Bean Robusta Coffee, MY15/16 to MY19/20 (VND/Kg)



Source: Trade

STOCKS

Post revised its MY19/20 stock estimate down to 4.48 million bags, higher than USDA official number, on higher exports. For MY20/21, Post revised its stock forecast down to 4.13 million bags, lower than USDA official number, on reduced production.

Vietnam's Coffee Production, Supply and Demand (PSD)

Coffee, Green	2018/2019		2019/2020		2020/2021	
Market Begin Year	Oct 2018		Oct 2019		Oct 2020	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	763	763	1983	1983	4083	4483
Arabica Production	1064	1064	1100	1100	1025	1000
Robusta Production	29336	29336	30200	30200	29175	28000
Other Production	0	0	0	0	0	0
Total Production	30400	30400	31300	31300	30200	29000
Bean Imports	500	500	300	300	300	250
Roast & Ground Imports	500	500	300	300	300	200
Soluble Imports	160	160	100	100	100	100
Total Imports	1160	1160	700	700	700	550
Total Supply	32323	32323	33983	33983	34983	34033
Bean Exports	24700	24700	24000	23600	24000	23800
Rst-Grnd Exp.	550	550	550	550	550	550
Soluble Exports	2150	2150	2250	2250	2300	2300
Total Exports	27400	27400	26800	26400	26850	26650
Rst,Ground Dom. Consum	2550	2550	2600	2600	2650	2700
Soluble Dom. Cons.	390	390	500	500	550	550
Domestic Consumption	2940	2940	3100	3100	3200	3250
Ending Stocks	1983	1983	4083	4483	4933	4133
Total Distribution	32323	32323	33983	33983	34983	34033
Exportable Production	27460	27460	28200	28200	27000	25750

(1000 60 KG Bags)

Attachments:

No Attachments