

Required Report: Required - Public Distribution

Date: November 15, 2021

Report Number: VM2021-0096

Report Name: Coffee Semi-annual

Country: Vietnam

Post: Hanoi

Report Category: Coffee

Prepared By: Thanh Vo

Approved By: Benjamin Petlock

Report Highlights:

Posts revised its forecast of Vietnam coffee production for marketing year 2021/2022 (MY21/22) up to 31.1 million bags, green bean equivalent (GBE), on improved weather conditions that supported yields. MY20/21 Vietnam coffee exports declined by 9 percent year-over-year to 24.77 million bags, according to Vietnam Customs. Post also revised the MY21/22 coffee export forecast down to 25.8 million bags considering on-going logistical difficulties. Post estimates MY20/21 stock at 3.81 million bags, and forecasts that MY21/22 stock will rise to 6.58 million bags due to high carry-over and potential higher production.

Commodities:
Coffee, Green

PRODUCTION

Industry contacts reported an increase in production output of Vietnam coffee in MY21/22, with a year-over-year growth rate ranging from 6 to 10 percent. Improved weather conditions during the 2021 dry season, including timely precipitation, supported the cherry setting in the main coffee growing areas in the Central Highlands. A higher number of cherries per branch supported production, with higher yields and outputs reported mostly in the Lam Dong, Dak Lak, Gia Lai, and Dak Nong provinces. Although accumulative rainfall January-September 2021 was slightly lower than average, it was higher than the same period of 2020, according to weather monitoring sources. The USDA Global Agricultural and Disaster Assessment System (GADAS) reported that May 2021 was less dry than the previous year (Figure 1), and accumulative precipitation was generally higher in the Dak Lak and Lam Dong provinces for the first nine months of 2021 compared to the same period last year (Figure 2).

Figure 1: Drought Monitoring in the Central Highlands

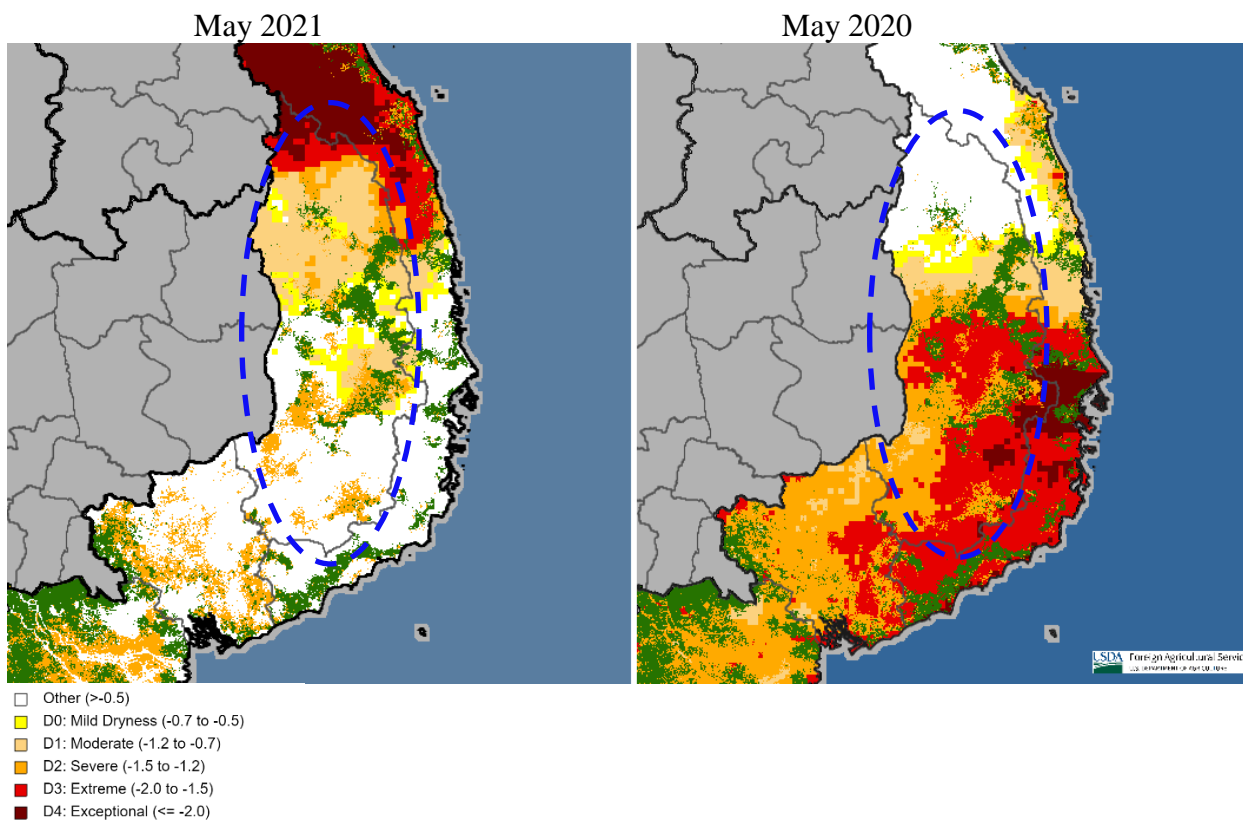
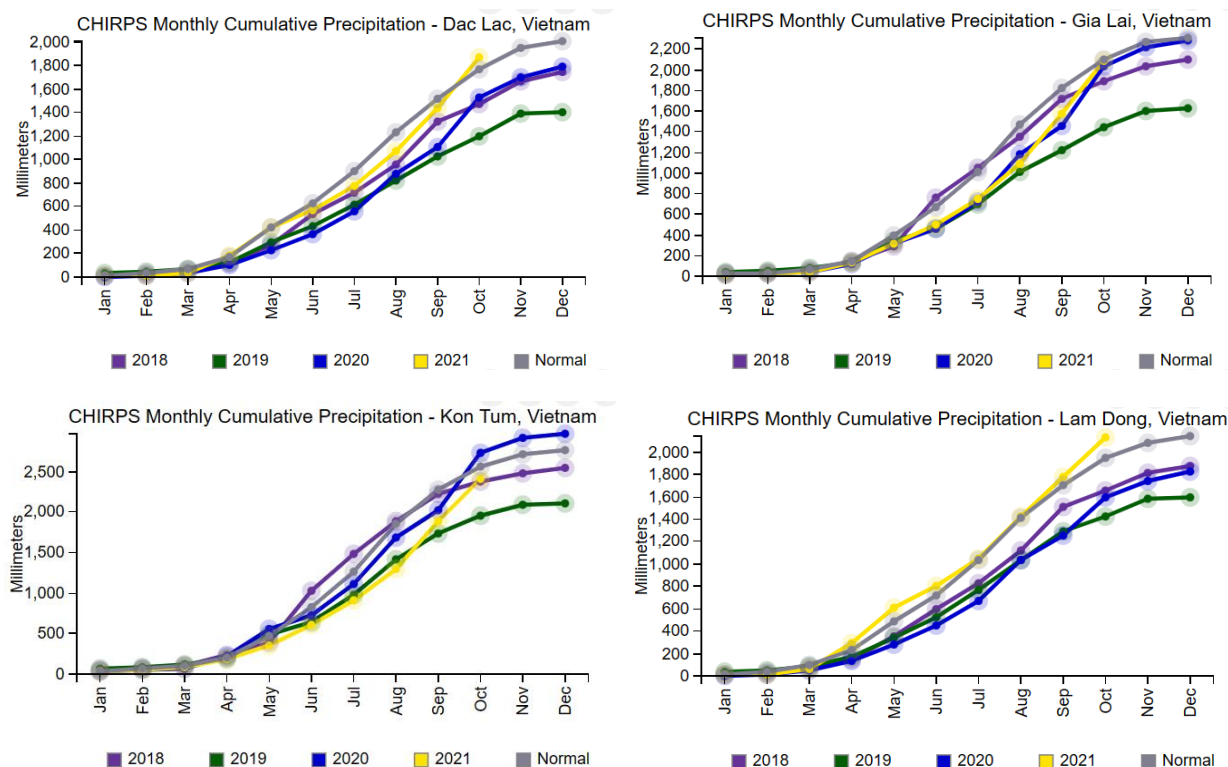


Figure 2: Monthly Accumulative Precipitation in the Main Coffee Growing Provinces



Source: GADAS

According to the National Center for Hydro-Meteorology Forecast, the rainy season in the Central Highland will end late this year. Tropical depressions and storms that occurred in September-October 2021 caused heavy rains in the Central Highlands. As a result, accumulative precipitation forecasts for November-December 2021 are expected to be 5-25 percent higher than average. There is also a high chance of unseasonal rain in January-March 2022. The prolonged rainy season coupled with wetter weather conditions have recently triggered concerns of potential delays in the harvest, as well as the quality of the beans, according to industry sources.

As the crop developed, Post revised the Vietnam MY21/22 coffee production forecast up to 31.1 million bags, green bean equivalent (GBE), a 7 percent year-over-year increase. Robusta output accounts for 96 percent of the total coffee production, estimated at 30 million bags (Table 1).

Table 1: Robusta Green Bean Coffee Production MY19/20-21/22

	MY19/20 Estimate	MY20/21 Estimate	MY21/22 Forecast
Marketing year begins	Oct. 2019	Oct. 2020	Oct. 2021
Cultivation area (hectare)	620,445	620,630	620,921
Production (thousand bags)	30,202	28,050	30,005
Average yield (MT/HA)	2.92	2.71	2.90

Source: Post estimates, trade

Arabica production dropped significantly in MY20/21 but rebounded strongly in MY21/22 to 1.1 million bags on high yields, close to their MY19/20 level. The Arabica growing area contracted in the Lam Dong province but remained stable or slightly expanded in the northern provinces of Son La and Dien Bien, according to trade sources.

CONSUMPTION

Largescale COVID-19 outbreaks have compelled the Government of Vietnam (GVN) to escalate the level and scale of social distancing ⁽¹⁾. Required closures throughout the hotel and food and beverage service sectors in all 19 southern provinces for almost two months resulted in lower demand for out-of-home coffee drinking, which was partly offset by increased at-home consumption. Although all provinces started easing their social distancing postures from the middle of September, and Ho Chi Minh City slowly reopened starting in early October, COVID-19 transmission concerns remain with over 5,000 new cases confirmed each day in the first week of November. Domestic tourism has resumed in some provinces but at a very slow pace. Therefore, Post revised MY20/21 domestic consumption down to 3.1 million bags, lower than the USDA official number and unchanged from the previous year. Post also revised the forecast for MY21/22 domestic consumption down to 3.14 million bags, lower than USDA official number, and will revisit its forecast in correlation with the post-COVID resumption of business activities.

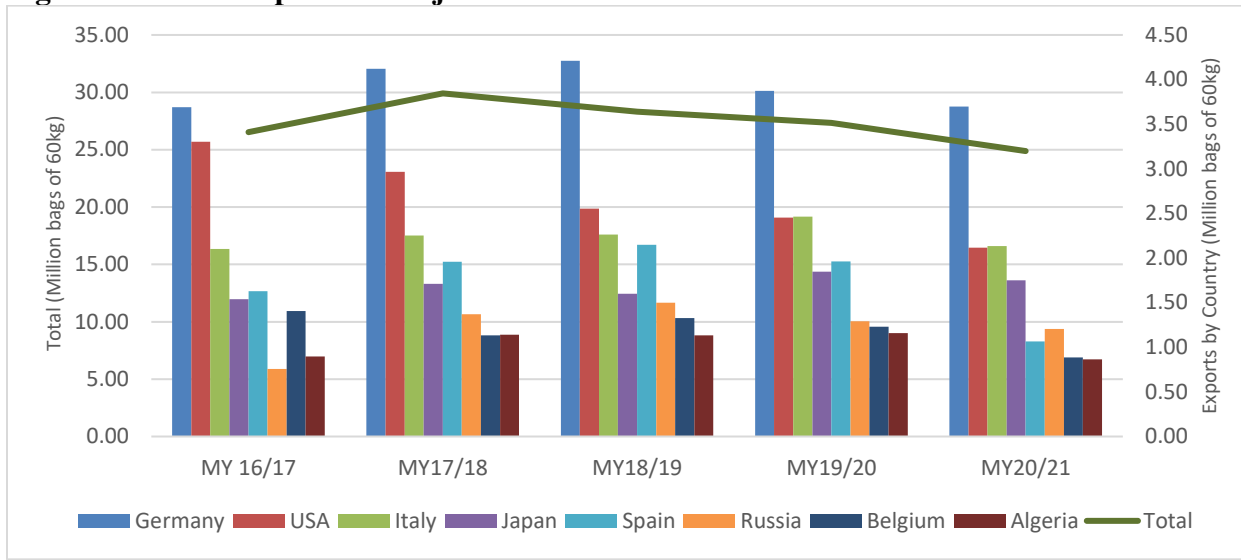
TRADE

Exports

Widespread COVID-19 outbreaks and social distancing in July-September 2021 resulted in difficulties in inter-provincial movement and delayed transportation of all agricultural products. Port operations in Ho Chi Minh City were scaled down due to labor shortages and GVN and local government required COVID quarantine measures. Logistical constraints, including significantly higher freight costs, lack of shipping containers, and port congestions in some overseas destinations worsened during the cycle of this report, hampering Vietnam's coffee exports in MY20/21 in both quantity and sailing times. Vietnam's coffee exports dropped to their lowest level in five years and were down for all major destinations (Figure 3). Post revised its historical export numbers to align with USDA official numbers and Vietnam Customs' final numbers. Vietnam Customs' final numbers include stocks in bonded warehouses which will ship shipped out at a later date. As a result, the Vietnam Customs' numbers are usually higher than physical export volumes in a report cycle. MY20/21 exports declined by 9 percent from the previous year to 24.77 million bags, according to Vietnam Customs (Figure 3). Exports to Spain, Belgium, and Algeria saw the biggest declines of over 20 percent compared to last year.

⁽¹⁾In order to prevent further outbreaks of COVID-19, beginning July 19, the GVN mandated the strictest social distancing rules in all 19 southern provinces: All factories must house their employees on-premises under the "3-on-site" requirement, as a condition to allow continued operations. COVID preventative measures were applied, including but not limited to restriction of movement, travel permits, frequent COVID testing on all truck drivers. These conditions were formally lifted or lessened in October 2021.

Figure 3: Coffee Exports to Major Destinations in MY16/17-MY20/21



Source: Vietnam Customs

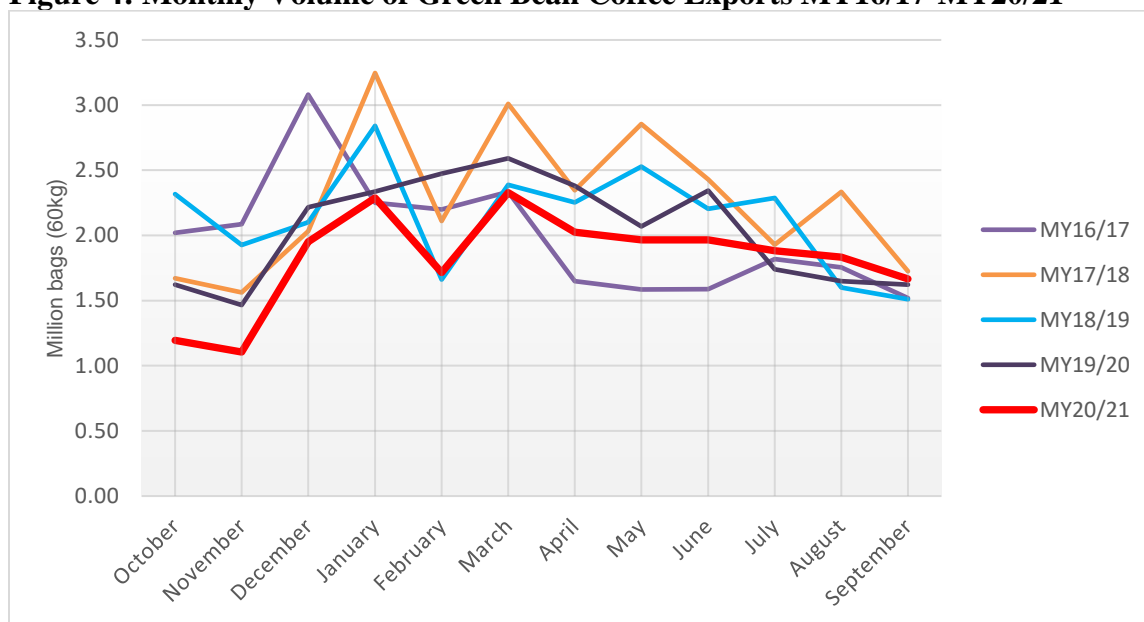
Industry contacts note that container freights from Vietnam to the United States have increased five to six times over the past year. Container and vessel scarcity remains a challenge, and will likely continue in the first quarter of 2022, while exports will probably ramp up. The number of Twenty-Foot Equivalent Unit (TEU)s shipped out of Vietnam to the United States in the first nine months of 2021 reached over 1,773,000, 31 percent higher year-over-year, according to industry contacts.

Overall, industry forecasts the growth of world coffee demand will return in MY21/22. Future prices remained strong over the past consecutive months and may continue to be bullish due to weather anomalies in some major coffee growing countries, easing the differentials of Vietnam Robusta. With Brazil Conilon prices rising to a multiple year high on increased local consumption and low exports, exports of Vietnam Robusta in MY21/22 are foreseen as positive. Post revised MY21/22 forecasts of Vietnam coffee exports slightly down to 25.8 million bags, lower than the USDA official number, but higher than MY20/21.

Green Bean Exports

Vietnam’s green bean export dynamics are in correlation with its total coffee exports considering its major shares. As explained above, COVID-19 social distancing requirements, coupled with logistical constraints, hampered Vietnam’s MY20/21 green bean exports. Therefore, exports dropped by approximately 11 percent to 21.92 million bags in MY20/21 (Figure 4). Post revised its MY21/22 forecast of Vietnam’s green bean exports down to 22.9 million bags, lower than the USDA official number.

Figure 4: Monthly Volume of Green Bean Coffee Exports MY16/17-MY20/21



Source: Vietnam Customs, Trade

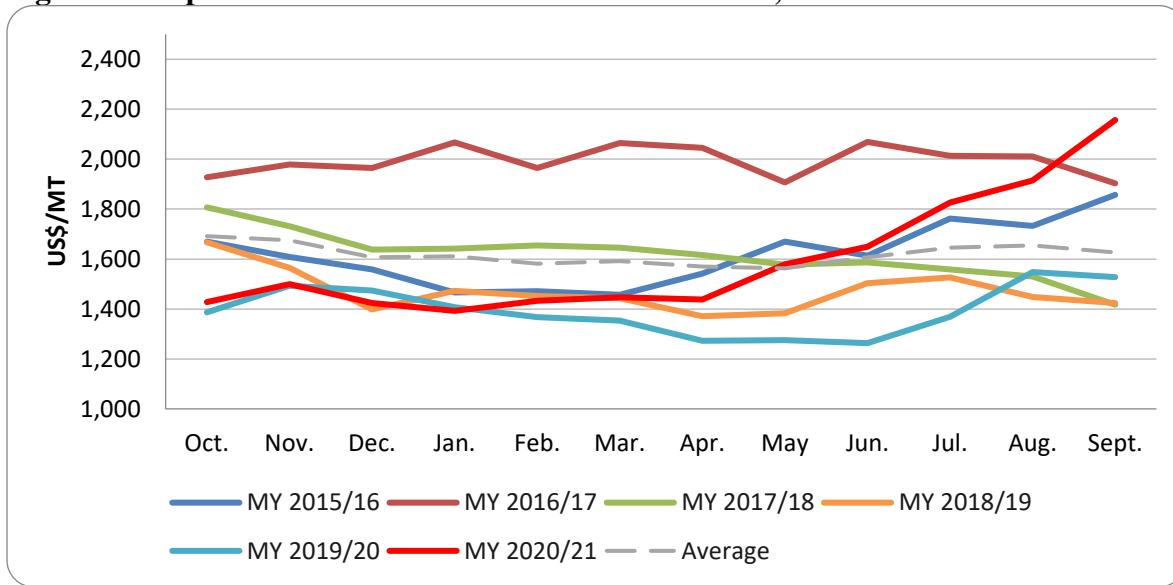
Soluble and Roasted Exports

Post revised the MY20/21 estimate of soluble and roasted coffee exports up to 2.85 million bags, higher than the USDA official numbers, and slightly higher than MY19/20. According to sources, export turnover of processed coffee products rose by nearly 3 percent in MY20/21. Post also revised forecasts of MY21/22 soluble and roasted coffee exports up to 2.9 million bags, based on the expansion of investments in the coffee processing sector. Local media reported that Nestle will double their production capacity of instant coffee and increase the size of a decaffeinated coffee plant in Vietnam. In August 2021, Louis Dreyfus and Instanta signed a joint venture agreement to build an instant coffee processing plant in 2022.

PRICES

Export prices of Vietnam Robusta green beans rebounded in April in correlation with future prices (Figure 5). Cheap differentials due to high London prices in compensation for expensive freight costs may support MY21/22 exports of Vietnam coffee beans.

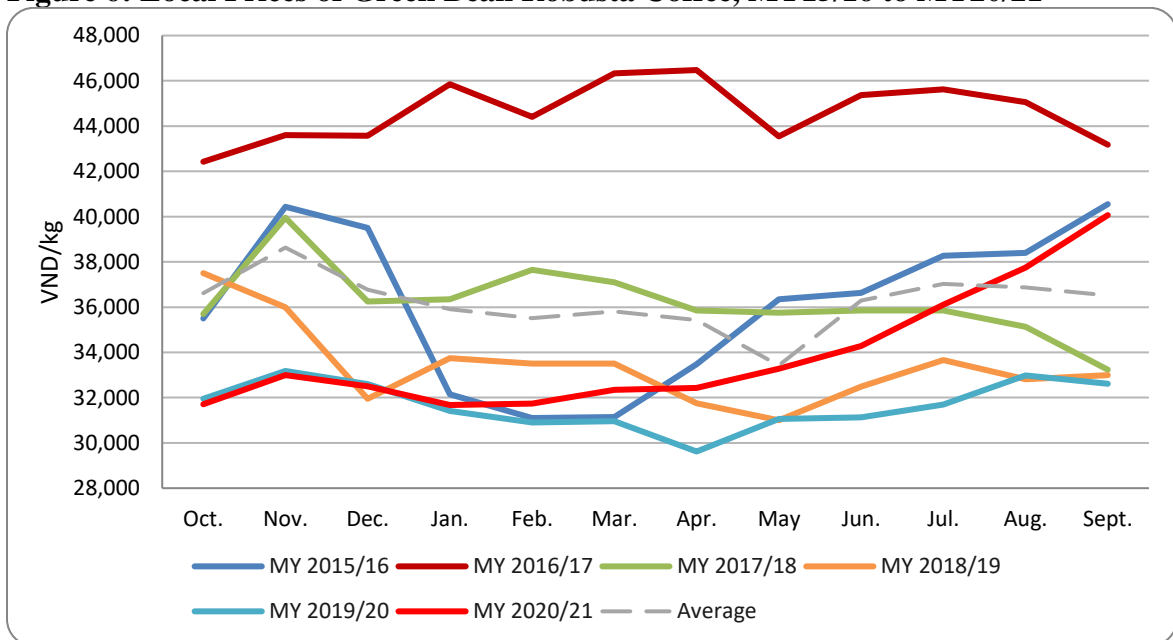
Figure 5: Export Prices for Green Bean Robusta Coffee, MY15/16 to MY20/21



Source: Trade

Local prices rose steadily in the first nine months of 2021 and reached approximately VND40,000/kg at the end of the crop year (Figure 6). Consistent rising prices helped farmers to cover higher costs of inputs, such as fertilizers and labor wages. However, farmers had sold the majority of their old crop before the crop year ended and were unable to capitalize on current prices.

Figure 6: Local Prices of Green Bean Robusta Coffee, MY15/16 to MY20/21



Source: Trade

STOCKS

As explained in the Export section, spiking sea freight costs, reduced availability of containers and vessels resulting in delayed shipping, and COVID social distancing measurements have caused stocks to accumulate. Post's estimate of MY20/21 stocks is 3.81 million bags, which is higher than the USDA official number but much lower than trade sources' numbers. As Post revised its historical export numbers up, stock numbers are lowered accordingly. Trade sources estimate that Vietnam's coffee stocks for the end of the crop year reached 5.5-8 million bags – the highest in over six years. Due to high carry-over and potentially higher production, Post forecasts MY21/22 stocks will rise to 6.58 million bags, higher than USDA official number.

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

Coffee, Green	2019/2020		2020/2021		2021/2022	
Market Begin Year	Oct 2019		Oct 2020		Oct 2021	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	556	556	2130	2130	2930	3810
Arabica Production	1100	1100	1000	950	1150	1100
Robusta Production	30200	30200	28000	28050	29680	30005
Other Production	0	0	0	0	0	0
Total Production	31300	31300	29000	29000	30830	31105
Bean Imports	300	300	250	250	300	300
Roast & Ground Imports	300	300	200	200	200	200
Soluble Imports	100	100	100	100	100	100
Total Imports	700	700	550	550	600	600
Total Supply	32556	32556	31680	31680	34360	35515
Bean Exports	24526	24526	23000	21920	26000	22900
Rst-Grnd Exp.	550	550	550	550	550	550
Soluble Exports	2250	2250	2050	2300	2300	2350
Total Exports	27326	27326	25600	24770	28850	25800
Rst,Ground Dom. Consum	2600	2600	2630	2600	2680	2620
Soluble Dom. Cons.	500	500	520	500	540	520
Domestic Consumption	3100	3100	3150	3100	3220	3140
Ending Stocks	2130	2130	2930	3810	2290	6575
Total Distribution	32556	32556	31680	31680	34360	35515
Exportable Production	28200	28200	25850	25900	27610	27965

(1000 60 KG Bags)

Attachments:

No Attachments