

**Required Report:** Required - Public Distribution

**Date:** November 22, 2023

**Report Number:** VM2023-0070

## **Report Name:** Coffee Semi-annual

**Country:** Vietnam

**Post:** Hanoi

**Report Category:** Coffee

**Prepared By:** Jane Luxner

**Approved By:** Andrew Anderson-sprecher

### **Report Highlights:**

MY 2023/24 coffee production is lowered 3.8 million bags to 27.5 million bags due to unfavorable weather conditions as a result of climate change and El Nino climate patterns. In addition, Post lowered MY 2022/23 coffee production to 27.2 million bags green bean equivalent (GBE) due to unfavorable weather conditions leading to low cherry survival rates and farmers shifting production to more profitable fruit trees. Post forecasts MY2023/24 coffee exports to be 25 million bags GBE based on a drop in stocks.

## Commodities: Coffee, Green

### PRODUCTION

According to the Vietnam Meteorological and Hydrological Administration forecasts, the ENSO (El Niño–Southern Oscillation) phenomenon is expected to return in the last three months of 2023. Due to climate change, combined with El Nino, weather forecasts may be unfavorable for MY2023/24 coffee harvests. Despite the on-cycle year, Post lowered forecast MY 2023/24 coffee production to 27.5 million bags (GBE), including 26.62 million bags (GBE) of Robusta (Table 1). MY 2022/23 Robusta coffee production witnessed a decline compared to the previous crop due to unfavorable weather condition resulting in lower cherry survival rates.

Furthermore, the cultivation area in the Central Highland regions witnessed a downtrend due to crop shifting or intercropping with other profitable fruit trees. In the off-cycle year, the coffee yield saw lower performance compared to the previous crop. Based on these factors, Post lowered estimated MY 2022/23 total coffee production to 27.2 million bags (GBE), including 26.3 million bags (GBE) of Robusta (Table 1).

**Table 1: Robusta Green Bean Coffee Production MY 2020/21-2023/24**

	<b>MY2021/22 Estimate</b>	<b>MY2022/23 Estimate</b>	<b>MY2023/24 Forecast</b>
<b>Marketing year begins</b>	Oct. 2021	Oct. 2022	Oct. 2023
<b>Cultivation area (hectare)</b>	620,000	605,800	605,000
<b>Production (thousand bags)</b>	27,900	26,300	26,620
<b>Average yield (MT/HA)</b>	2.70	2.60	2.64

Source: Post estimates

The Vietnamese coffee industry is gradually moving towards a path of green, transparent, and responsible growth in response to climate change and the European Union Timber Regulation (EUTR), aiming to enhance competitiveness in the global market. According to statistics from the Department of Crop Production (Ministry of Agriculture and Rural Development), approximately 26 percent of Vietnam's coffee cultivation area has been certified for sustainable coffee production as of 2022, including 4C UTZ Certified, VietGAP, Organic, Rainforest Alliance, FLO, GlobalGAP, FairTrade, and HACCP. This includes 45,674 hectares in Dak Lak and 36,620 hectares in Gia Lai. There was also a transition to an organic coffee agroforestry model to support the reduction of Vietnam greenhouse gas emissions.

### CONSUMPTION

According to the General Statistics Office (GSO), the first eight months of CY 2023 witnessed 15 percent revenue growth in Vietnam's food and beverage and lodging services compared to the same period in the previous year. International tourist arrivals are expected to recover 84 percent in the second quarter and fully recover in the fourth quarter of CY 2023, driving robust growth in the food and beverage industry.

Vietnam has approximately 500 thousand coffee shops from coffee-store chains of local brands and other foreign brands to sidewalk cafes. Domestic coffee consumption currently accounts for 10 percent of total production and the Vietnam Coffee and Cocoa Association (VICOFA) is continuing to promote higher domestic consumption, particularly consumption of ground and instant coffee.

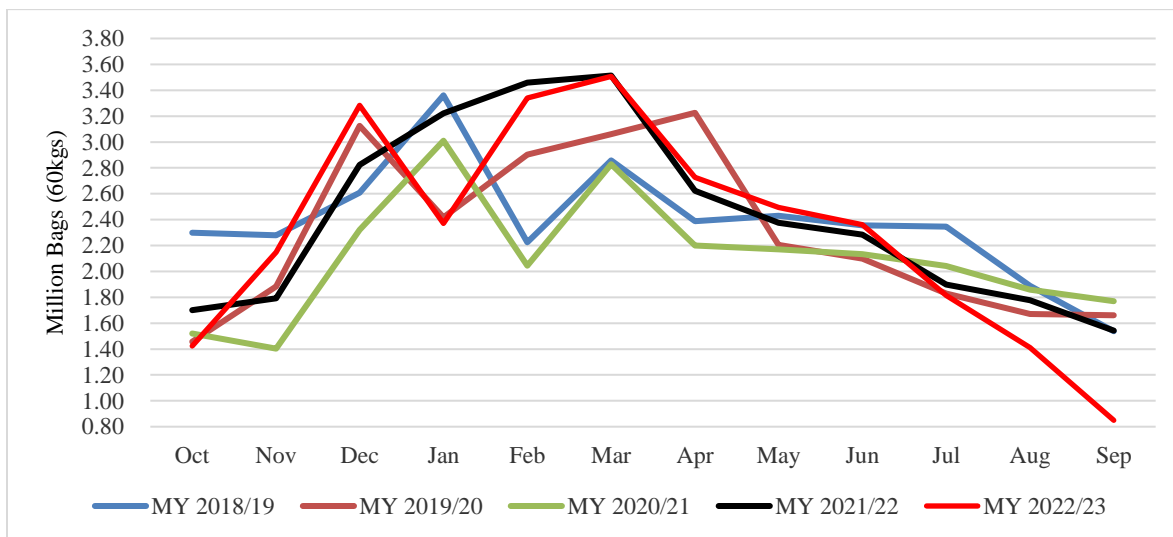
However, with the continuous increase in domestic prices and a 3 percent increase in Vietnam's Consumer Price Index (CPI) increase, costs will likely constrain consumer demand in the coming months. Post lowered forecast MY 2023/24 domestic coffee consumption by 200,000 bags to 3.2 million bags (GBE).

## TRADE

### Exports

Post revised its MY2023/24 total coffee exports forecast to 25 million bags despite increased export prices. Total coffee exports in MY 2022/23 reached 27.7 million bags (GBE) according to Vietnam Customs and General Statistics Office' data, a 4.5 percent decrease in volume compared to the previous year due to lower ending stock in MY 2021/22 (Figure 1). However, export revenue in MY 2022/23 increased by 3 percent to USD 4 billion due to high export prices.

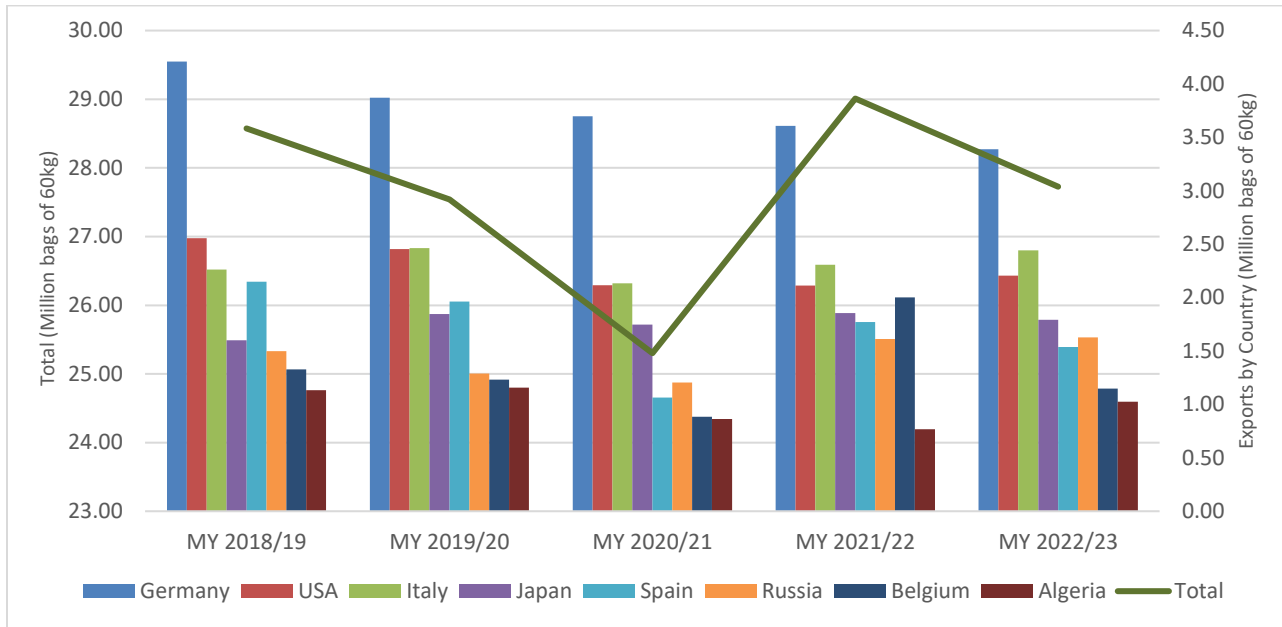
**Figure 1: Vietnam Coffee Monthly Exports**



Source: Vietnam Customs and General Statistics Office

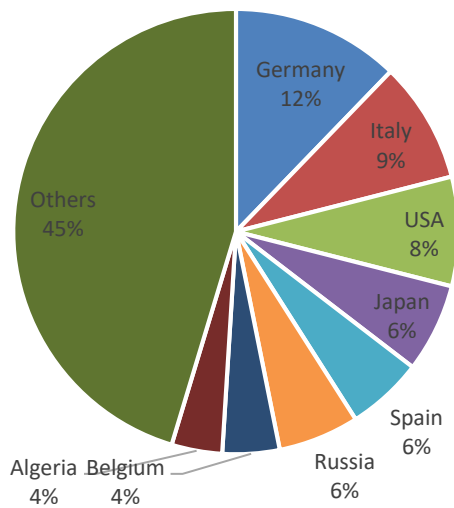
The European Union (EU) remained the largest export market for Vietnam, accounting for 37 percent of total export volume. Exports to the EU declined by 7 percent in volume and 0.3 percent in revenue, reaching at 615 thousand tons and USD 1.4 billion. Inflation and high interest rates impacted coffee consumers in the EU, leading to a decline in European coffee imports. There was a 6 percent decrease in exports to Germany, the largest export market for Vietnam. Exports to Spain dropped 13 percent and exports to Belgium fell sharply by 42 percent. In contrast, exports to Italy grew 6 percent and exports to the United States grew by 4 percent in MY 2022/23. (Figure 2 and Figure 3).

**Figure 2: Coffee Exports to Major Destinations**



Source: Vietnam Customs

**Figure 3: Coffee Exports Market Share MY 2022/23**

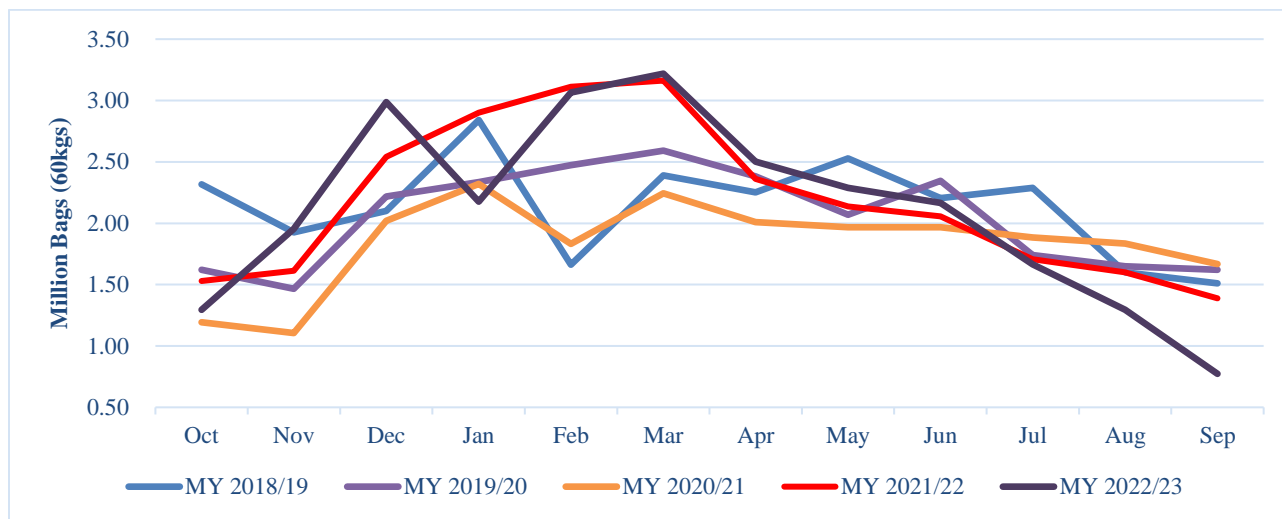


**Green Bean Exports**

Post lowered forecast MY 2023/24 green bean exports to 23 million bags and estimated MY 2022/23 green bean exports to 25.4 million bags due to reduced production and a drop in stocks. According to data from Vietnam Customs, Vietnam exported 17.8 million bags of green beans in the first eight months of the calendar year 2023 valued at USD 2.3 billion. This represents a 5.8 percent decrease in volume but a 2.4 percent increase in value compared to the same period in 2022. Export volume declined to Germany, Spain, Belgium, and the UK, while exports increased to Italy, the United

States, Japan, and Russia. Arabica exports fell 27 percent by volume and 35 percent by value, amounting to 560 thousand bags and USD 133 million (Figure 4).

**Figure 4: Monthly Volume of Green Bean Coffee Exports**



Source: Vietnam Customs, Trade contacts

### Soluble and Roasted Exports

Post lowered forecasts MY2023/24 soluble and roasted coffee exports to 2 million bags and lowered estimated MY2022/23 soluble and roasted coffee exports to 2.34 million bags. According to Vietnam Customs data, during the first eight months of the 2023 calendar year, the export value of soluble and roasted coffee experienced a 24 percent increase, reaching USD 530 million, accounting for 18 percent of total export value. The primary export markets for soluble coffee include the European Union, China, Japan, and Indonesia.

### Imports

Post raised coffee import forecasts for MY2023/24 170,000 to 720,000 bags to compensate for reduced domestic supply. Estimated coffee imports for MY2022/23 are also raised slightly 50 550,000 bags.

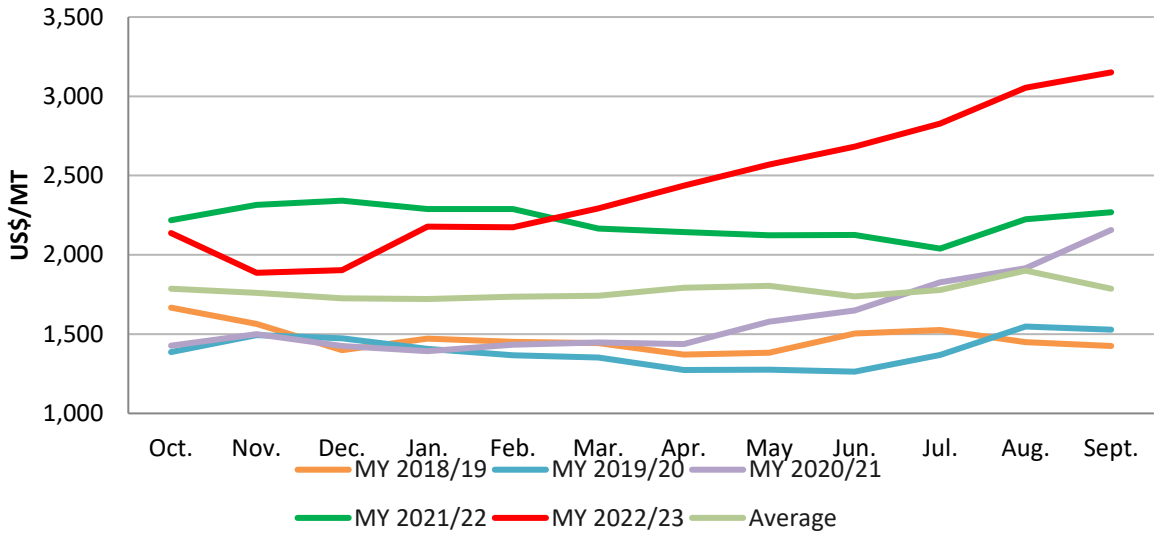
According to statistics from Trade Data Monitor, LLC, during MY 2022/23 Vietnam imported 365 thousand bags of green coffee beans, primarily sourced from key markets such as Indonesia, Brazil, the European Union, and Colombia. Concurrently, imports of processed coffee products decreased to 135 thousand bags, with the primary sources being Malaysia and China.

## **PRICES**

The Average export prices in MY2022/23 reached USD 2,441/MT, peaking at USD 3,151 per ton in September. The price increase was attributed largely to reduced supply and to a lesser degree a trend towards producing higher-quality and higher-value products. In addition, global economic challenges such as inflation caused consumer demand to shift towards lower cost Robusta. Increased demand for

Robusta coffee during a time of limited supply in Vietnam helped boost prices. High fertilizer and fuel prices have also increased production costs.

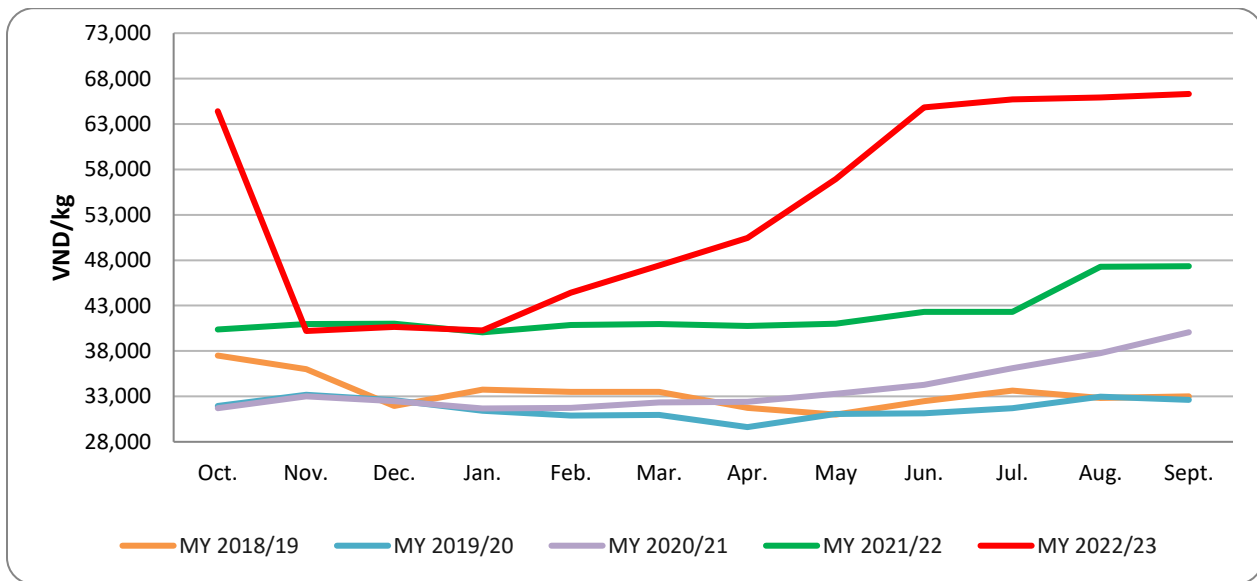
**Figure 5: Export Prices for Green Bean Robusta Coffee**



Source: Customs, Trade contacts

Domestic coffee prices in the MY 2022/23 grew approximately 3 percent compared to the same period last year. Prices reached VND 68,000 per kilogram in September, their highest level in the last 30 years (Figure 6). Domestic prices have been impacted by the same factors noted above.

**Figure 6: Local Prices of Green Bean Robusta Coffee**



Source: Trade contacts

## **STOCKS**

Post lowered forecast MY 2023/24 ending stocks sharply to 359 thousand tons. Strong export demand during a period of limited supply has led to a dramatic drop in stocks. High domestic prices combined with high interest rates have also made traders and exporters hesitant to hold stocks. Post also lowered estimated MY 2022/23 ending stocks to 339 thousand tons.

**Table 2**

Coffee, Green	2021/2022		2022/2023		2023/2024	
	Oct 2021		Oct 2022		Oct 2023	
Market Year Begins	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
<b>Vietnam</b>						
<b>Area Planted</b> (1000 HA)	0	0	0	0	0	0
<b>Area Harvested</b> (1000 HA)	0	0	0	0	0	0
<b>Bearing Trees</b> (MILLION TREES)	0	0	0	0	0	0
<b>Non-Bearing Trees</b> (MILLION TREES)	0	0	0	0	0	0
<b>Total Tree Population</b> (MILLION TREES)	0	0	0	0	0	0
<b>Beginning Stocks</b> (1000 60 KG BAGS)	3660	3660	3580	3580	1710	339
<b>Arabica Production</b> (1000 60 KG BAGS)	1100	1100	1010	900	1070	880
<b>Robusta Production</b> (1000 60 KG BAGS)	30480	30480	28740	26300	30230	26620
<b>Other Production</b> (1000 60 KG BAGS)	0	0	0	0	0	0
<b>Total Production</b> (1000 60 KG BAGS)	31580	31580	29750	27200	31300	27500
<b>Bean Imports</b> (1000 60 KG BAGS)	250	250	280	365	250	400
<b>Roast &amp; Ground Imports</b> (1000 60 KG BAGS)	200	200	200	8	200	200
<b>Soluble Imports</b> (1000 60 KG BAGS)	100	100	100	126	100	120
<b>Total Imports</b> (1000 60 KG BAGS)	550	550	580	499	550	720
<b>Total Supply</b> (1000 60 KG BAGS)	35790	35790	33910	31279	33560	28559
<b>Bean Exports</b> (1000 60 KG BAGS)	26110	26110	26000	25400	24500	23000
<b>Rst-Grnd Exp.</b> (1000 60 KG BAGS)	550	550	550	450	500	350
<b>Soluble Exports</b> (1000 60 KG BAGS)	2350	2350	2350	1890	2500	1650
<b>Total Exports</b> (1000 60 KG BAGS)	29010	29010	28900	27740	27500	25000
<b>Rst,Ground Dom. Consum</b> (1000 60 KG BAGS)	2650	2650	2700	2650	2700	2650
<b>Soluble Dom. Cons.</b> (1000 60 KG BAGS)	550	550	600	550	700	550
<b>Domestic Consumption</b> (1000 60 KG BAGS)	3200	3200	3300	3200	3400	3200
<b>Ending Stocks</b> (1000 60 KG BAGS)	3580	3580	1710	339	2660	359
<b>Total Distribution</b> (1000 60 KG BAGS)	35790	35790	33910	31279	33560	28559
(1000 HA) ,(MILLION TREES) ,(1000 60 KG BAGS)						



**Attachments:**

No Attachments