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Report Highlights:

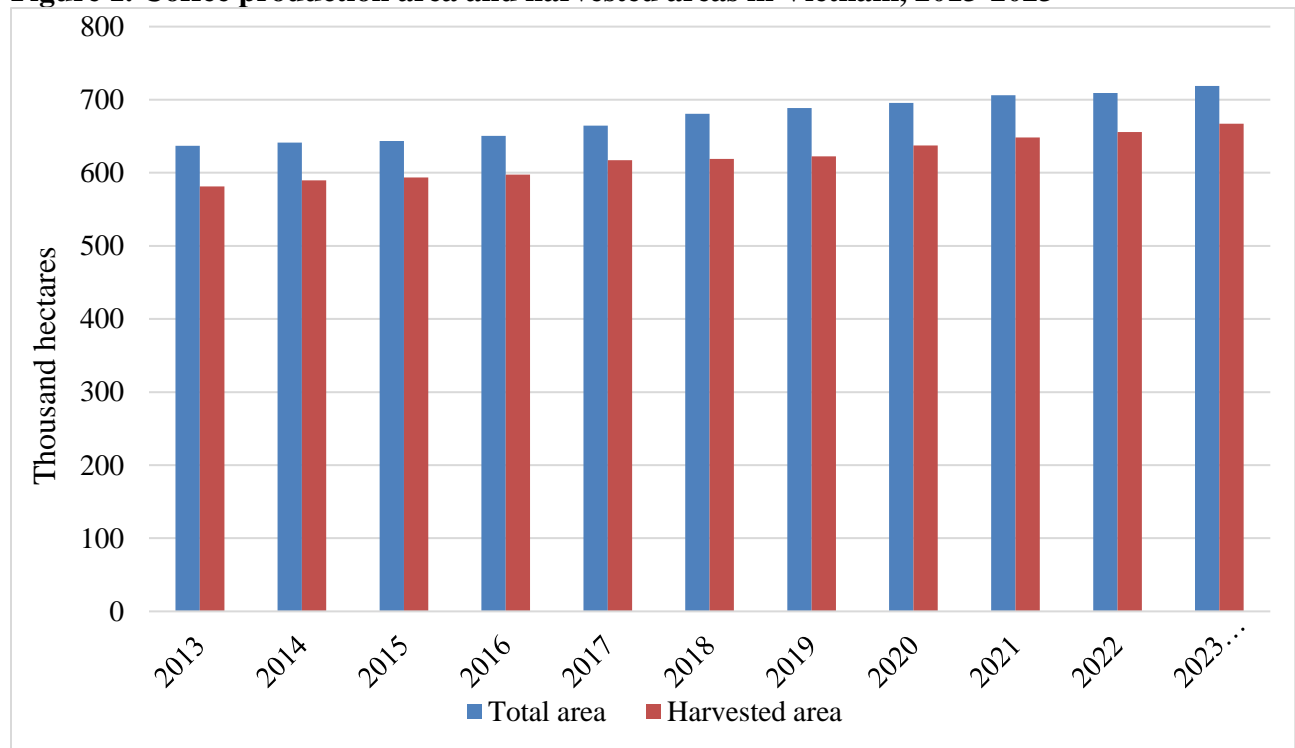
Rising coffee prices have motivated farmers to increase investments in coffee farming, helping recovery from the early summer drought this year and reducing harvest and post-harvest loss. Coffee exports are expected to rebound in MY 2024/25 after dropping in MY2023/24. Vietnam is working to expand coffee processing to capture more value added in its coffee exports. The steady rise in prices in 2024 has caused many farmers to hold coffee stocks for longer, hoping for continued price increases.

PRODUCTION

Total coffee area was 720,000 hectares in 2023 according to Vietnam’s General Statistics Office (GSO), with total harvested area at 677,000 hectares. According to GSO, coffee area and harvested area have increased 13 percent and 15 percent respectively since 2013.

The Ministry of Agriculture and Rural Development (MARD) issued Decision No. 431/QD-BNN-TT on January 26, 2024, approving the “Development Plan for Key Industrial Crops by 2030.” This plan addressed several crops, including coffee, rubber, tea, cashew, pepper, and coconut. MARD forecasts that total coffee area will drop 10 percent to 650,000 hectares by 2030, with robusta accounting for approximately 90 percent of total coffee area. This plan sets a goal that 80-90 percent of newly planted coffee areas will use varieties meeting required standards, and that 35-40 percent of coffee will meet relevant production standards (e.g., RA, 4C, Flo, C.A.F.E. Practices.) MARD anticipates that 70 percent of coffee area will have implemented traceability codes for product origin by that time. This decision reflects the government’s goal of upgrading coffee quality through new varieties and certification programs.

Figure 1. Coffee production area and harvested areas in Vietnam, 2013-2023



Source: General Statistical Office

A growing number of coffee farmers are intercropping with other crops such as pepper, avocado, durian, and peaches. This helps farmers become more resilient to climate change and market fluctuations. MARD has provided technical instructions for intercropping coffee with pepper,

avocado, and durian trees in a way to maintain coffee yields and farmers have tended to follow this guidance (Decision No.3702/QD-BNN-TT on September 19, 2018).

Coffee growers in Vietnam were hit by draught and pest outbreaks in MY 2024/25, hurting yield and quality. However, coffee farmers responded to higher prices this year by increasing labor inputs during harvest, offsetting potential production losses. This year farmers carefully picked all available coffee fruit, minimizing loss during collection, drying, and packaging. In the past, many farmers would only select large coffee fruits and harvest quickly to limit labor costs. Farmers with access to irrigation were also able to offset most of the impact of the draught.

In early October 2024, the European Commission (EC) proposed postponing the implementation of the EU Deforestation Regulation (EUDR) until December 30, 2025 for large companies and June 30, 2026 for small enterprises. This delay aims to address concerns about potential supply shortages in the EU market, as many coffee growing regions, particularly small-scale farmers in developing countries, are not yet fully familiar with the new complex requirements.

Table 1: Robusta Green Bean Coffee Production MY 2022/23- MY 2024/25

	MY 2022/23	MY 2023/24	MY 2024/25
	Estimate	Estimate	Forecast
Marketing year begins	Oct. 2022	Oct. 2023	Oct. 2024
Harvested area (hectare)	611,500	611,500	612,000
Production (thousand bags)	28,000	26,500	29,000
Average yield (MT/HA)	2.75	2.60	2.84

Source: Post estimates and forecasts based on GSO data and information from trade contacts

GSO reported total coffee production in 2023 at 32.6 million bags in 2023. However, local sources and experts have raised questions about the GSO estimates, particularly for MY20204/25 given the impact of drought and disease. Major coffee-producing provinces such as Dak Lak and Dak Nong are reporting potential yield losses as the result of prolonged drought conditions. In consideration of these challenges, Post lowers estimated MY2024/25 coffee production to 30.1 million bags (GBE). This includes an estimated 29 million bags (GBE) in robusta production and 1.1 million bags in Arabica production. Post also reduced estimated MY2023/24 coffee production to 27.5 million bags (GBE), with 26.5 million bags (GBE) of Robusta and 1.0 million bags (GBE) of Arabica coffee due to adverse growing conditions.

CONSUMPTION

Vietnam is evolving into a high coffee consumption culture. According to the Vietnam Coffee and Cocoa Association (VICOFA), average coffee consumption per capita increased from 1.7 kg in 2015 to nearly 3 kg in 2023. Domestic coffee consumption is expected to grow at an average annual rate of 6.6 percent between 2025 and 2030. Domestic coffee consumption is projected to reach

270,000–300,000 tons by 2025, offering significant opportunities for the domestic coffee industry and local coffee shops.

Euromonitor estimated that Vietnam's coffee market was valued at \$460 million in 2023 and forecasts it will grow to \$490 million in 2024. The coffee industry is expected to grow at a 7.6 compound annual growth rate (CAGR) in coming years, surpassing \$660 million by 2028. The soluble coffee market remains a promising sector in Vietnam, marked by intense competition among manufacturers, importers, and distributors. Mordor Intelligence forecasts the coffee market will expand even faster, reaching a projected \$706 million by 2028.

There is strong international interest in Vietnam's coffee sector. Singaporean company Food Empire announced this September that it will invest \$80 million to build a new freeze-dried soluble coffee manufacturing facility in Binh Dinh province, Vietnam. The factory will have a processing capacity of 5,400 tons of soluble coffee per year, further supporting the growth of Vietnam's coffee industry. Trade contacts noted the rapid expansion of processed products, particularly soluble coffee, in Vietnam and internationally.

Based on these trends and reports, post raised forecast MY2024/25 domestic consumption to 4 million bags (GBE) and revised estimated MY2023/24 consumption to 3.9 million bags (GBE).

TRADE

Exports

Post estimates MY2023/24 coffee export at 24.4 million bags (GBE), including green bean, roasted and soluble coffee, based on GSO and customs statistics. Exports to the United States dropped 31 percent, while exports to Belgium and Germany dropped 37 percent and 17 percent respectively. However, exports to Spain increased 14 percent during this period and exports to Japan remained steady. Trade contacts report gradual growth in demand for Vietnam coffee exports in Asia, including China, Korea, the Philippines, Indonesia, and Thailand.

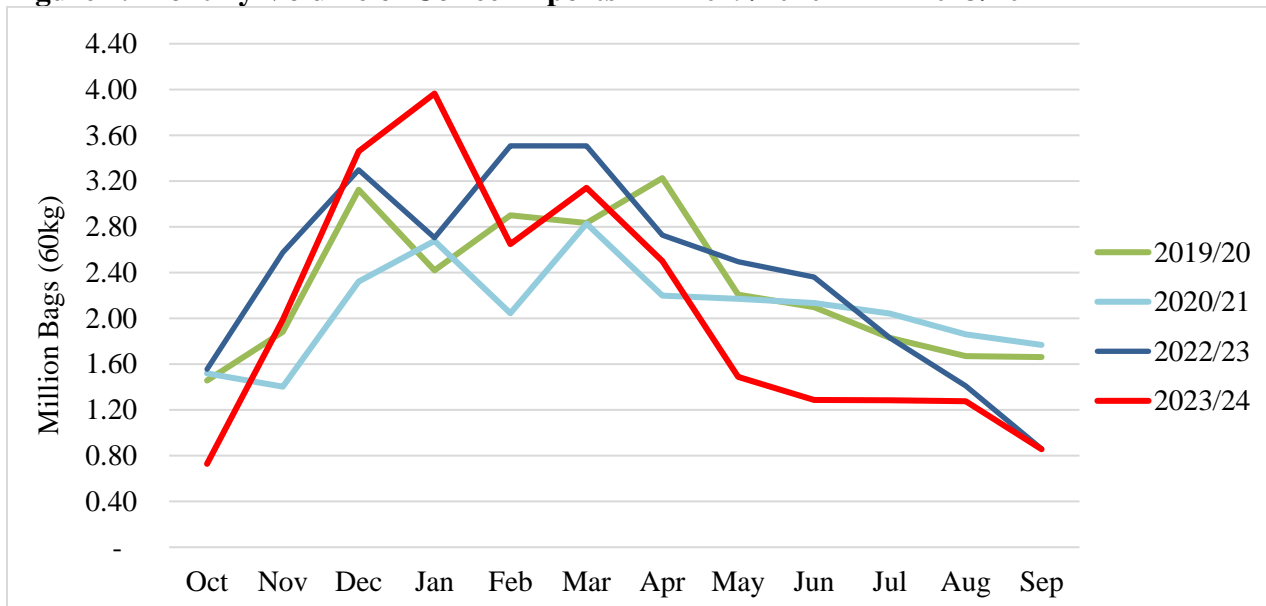
Post increased the forecast of MY 2024/25 coffee exports to 26.92 million, based on the higher estimation of coffee production, and the increasing demand in global market.

Green Bean Exports

Green coffee beans account for 85 percent of Vietnam's total export volume, totaling 22 million bags GBE in MY2023/24. This is down 19 from the previous year (Figure 3). The EU, United States and Japan are still the main importers of green beans.

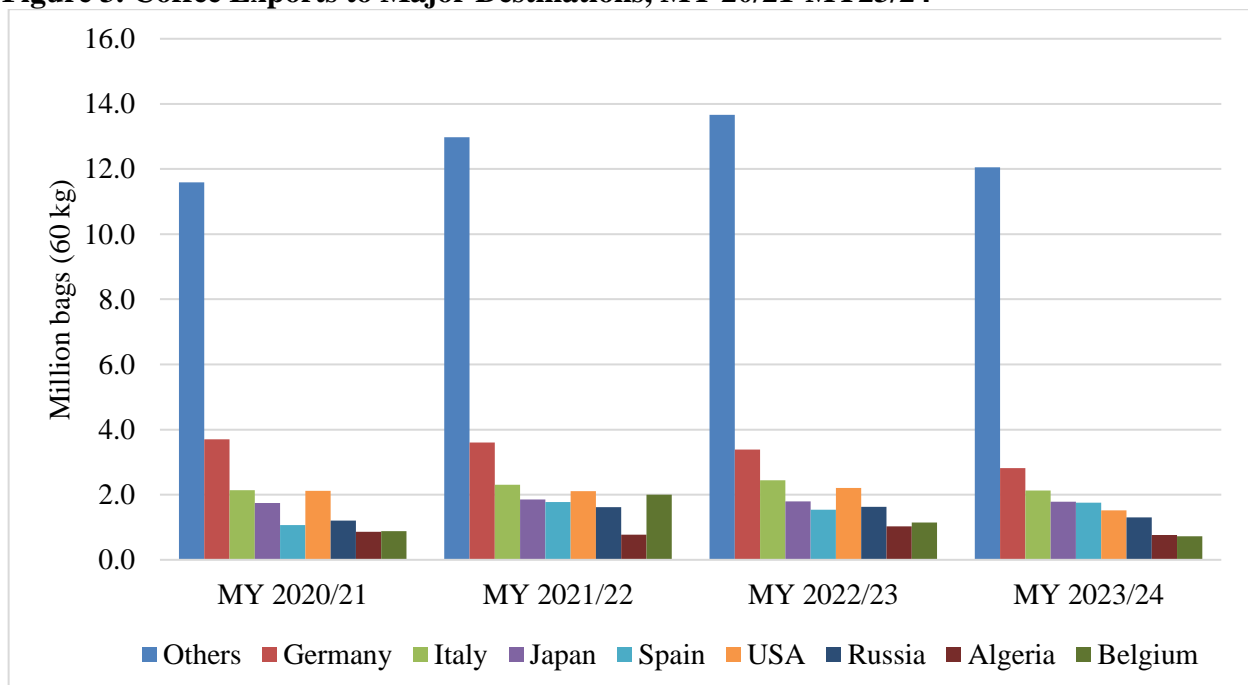
Post lowered forecast MY2024/25 green bean export slightly to 24 million bags. Growth in coffee processed products domestically and internationally has cut into green bean exports. Vietnam is working on gradually replacing green bean exports with higher value added processed coffee products.

Figure 2. Monthly Volume of Coffee Exports MY 2019/2020 – MY 2023/2024



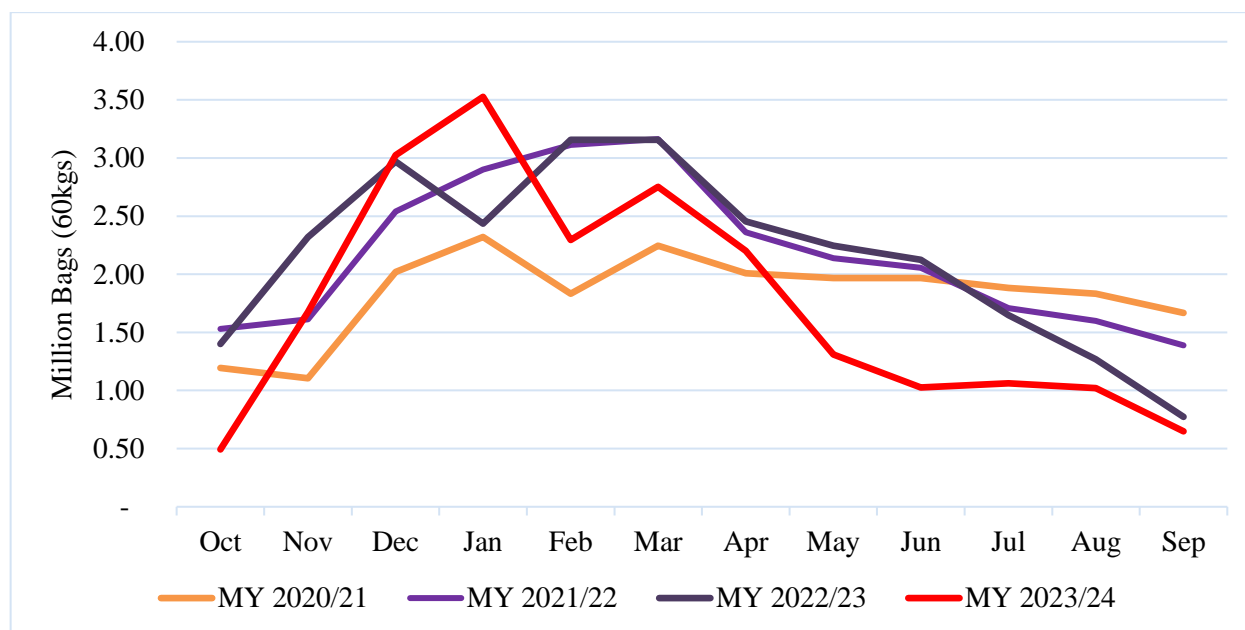
Source: Vietnam Customs, Vietnam General Statistics Office

Figure 3. Coffee Exports to Major Destinations, MY 20/21-MY23/24



Source: Vietnam Customs

Figure 4. Monthly Green Bean Coffee Exports MY 2019/20-MY 2023/24



Source: Based on Vietnam Customs data, trade contacts, and Post calculations

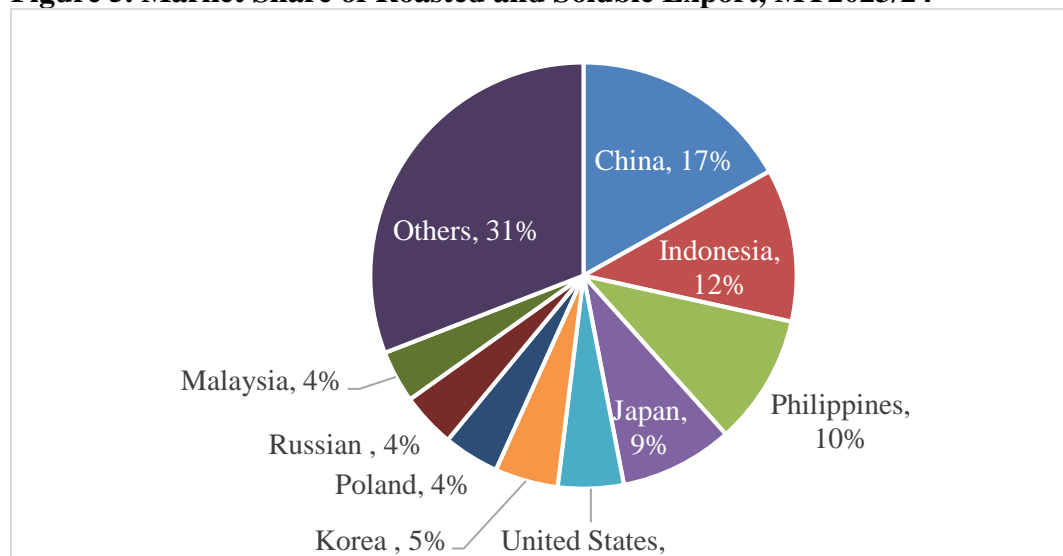
Soluble and Roasted Exports

Exports of roasted and soluble coffee account for 15 percent of total coffee export volume. These exports reached 3.6 million bags of GBE in MY2023/2024 according to Post calculations using Customs data. Trade contacts have observed growing demand for soluble coffee in Asian markets, a trend supported by customs data. Significant export markets include China, Indonesia, and the Philippines, which account for 17 percent, 12 percent, and 10 percent of total soluble coffee export volume respectively.

In addition to these trends, coffee is increasingly being used as a primary ingredient in various beverage products, often combined with other ingredients such as ginseng, coconut, and cacao. This diversification highlights the evolving preferences in the beverage market and the potential for further innovation in coffee-based products.

Post raises forecast MY2024/25 roasted and soluble coffee exports to 420,000 and 2,500,000 bags GBE respectively. This higher forecast is due to rising global demand, increased investment in processing facilities in Vietnam, and the Government of Vietnam and coffee companies' strategy of prioritizing value added and processing in the coffee sector.

Figure 5. Market Share of Roasted and Soluble Export, MY2023/24



Source: Vietnam Customs, trade contacts, and Post calculations

Imports

Green beans accounted for 86 percent of import volume. Brazil (350,000 bags), Indonesia (200,000 bags), and Laos (150,000 bags) were the main suppliers. The processing industry relies on imports to meet part of its coffee input needs.

During the off-season (April to September), imports of roasted coffee are used to supplement supply. Most coffee processing companies in Vietnam are foreign direct investment (FDI) enterprises. They import coffee ingredients and re-export finished products to the global market. Vietnam imported 55,000 bags (GBE) of soluble coffee for domestic consumption in MY2023/24.

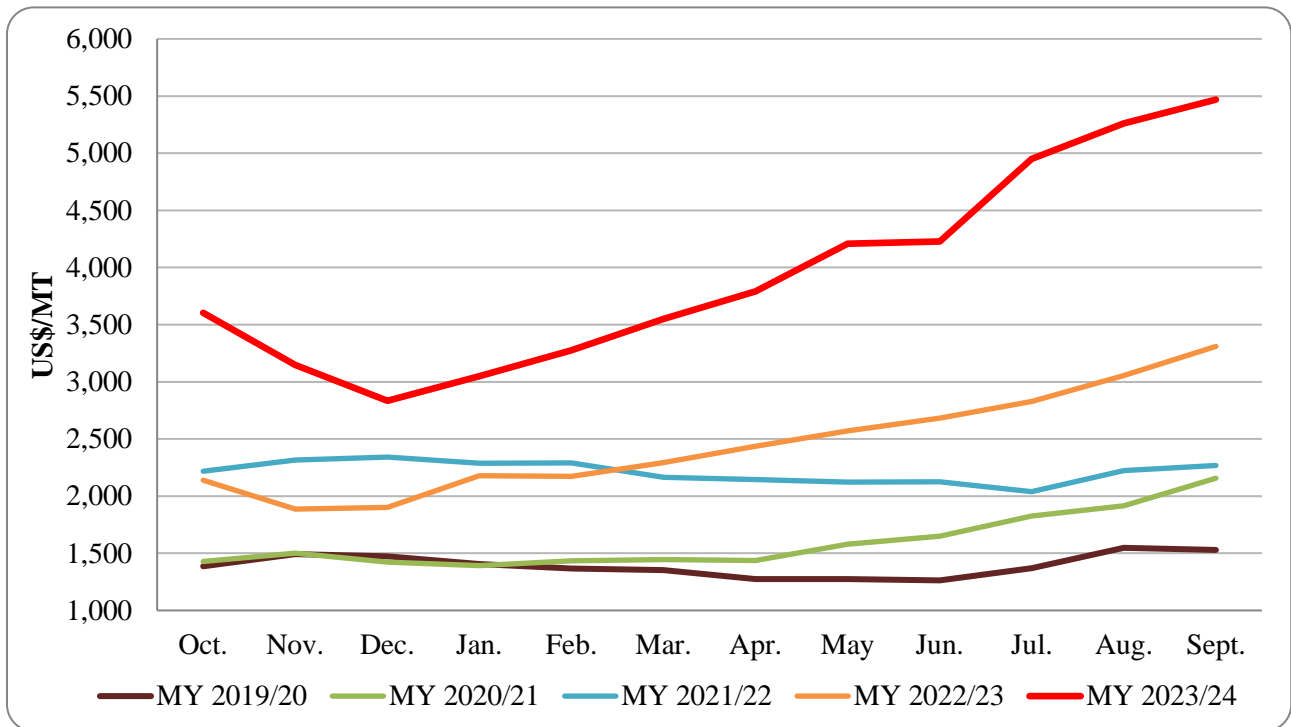
Based on these trends and available trade statistics, Post forecasts MY2024/25 imports at 900,000 bags (GBE). High international prices have caused local traders, processors and distributors to refocus on local supplies over imports. Estimated MY2023/24 coffee imports are unchanged at 800,000 bags.

PRICES

The average export price for coffee reached \$3,947 per ton in MY2023/24, up 160 percent from MY2022/23 (Figure 6). Many trade contacts have noted that many price consumers have become more price-sensitive in response to higher inflation, and they are increasingly choosing more affordable Robusta coffee over Arabica. Consequently, coffee roasters and processors have incorporated more Robusta into their blends to reduce costs. This shift in consumption preferences has contributed to a surge in global demand for Robusta.

While high export prices are currently benefiting Vietnam’s coffee farmers and industry, some trade contacts are concerned that sustained high prices could lead to decreased demand in the future.

Figure 6. Export Prices for Green Bean Robusta Coffee, MY2019/20 to MY2023/24

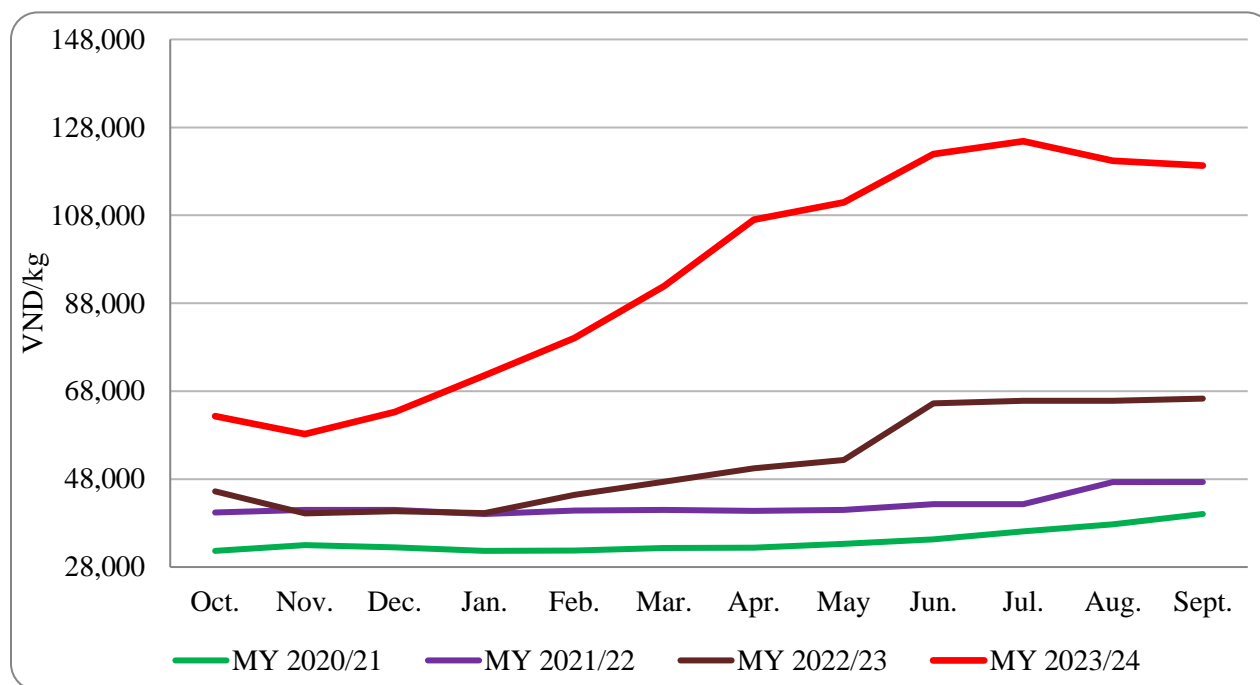


Source: Customs data, trade contacts

Domestic coffee prices closely follow international price trends. The average price of Robusta coffee in MY 2023/24 was approximately VND 94,000 per kilogram, a 180 percent increase from MY2022/23. Nowadays, farmers can easily track international coffee prices through platforms such as the London and New York Commodity Exchanges by their smart phone with 4G internet. With price information more accessible, many farmers have opted to store their coffee beans after harvest instead of selling them immediately.

Additionally, farmers who practice intercropping are prioritizing the sale of more perishable fruits such as durian, passion fruit, and avocado, while holding onto their coffee for longer periods. This change in strategy has raised concerns among some traders, who worry they may have more difficulty purchasing coffee during the harvesting season.

Figure 7. Local Prices of Green Bean Robusta Coffee, MY2019/20 to MY2023/24



Source: Trade contacts

STOCKS

As discussed in the Price section, farmers now monitor market information daily, allowing them to strategically hold onto their coffee stock in anticipation of higher prices. Traditionally, farmers stored their coffee in private warehouses, where they receive deposit certificates from the warehouse owners. When farmers need cash, they gradually sell their coffee back to the warehouse owner. However, in some cases warehouse owners sell the coffee before obtaining the farmer's consent, anticipating that prices will drop when the farmer decides to sell. Last year, however, coffee prices continued to rise, defying the usual annual trend. Some warehouse owners, seeing prices spike sharply, chose to sell coffee before it was available in their warehouses. As a result, many warehouse owners incurred significant losses, with some even going bankrupt.

In response, many farmers are now choosing to store their coffee at home to reduce the risk of unauthorized sales by warehouse owners. Additionally, diversifying coffee farms by intercropping with pepper and fruit trees enables farmers to generate alternative income streams while using coffee as a financial buffer. This strategy can sometimes lead to an artificial supply shortage, driving market prices higher, but it also increases stocks. Moreover, private warehouses tend to hold onto coffee for longer periods, and only make physical transactions when they have the coffee in hand. Some traders have expressed concerns that they may not be able to purchase green coffee beans at harvest time.

Post estimate MY2023/24 ending stocks higher at 892,000 bags (GBE) based on available data and the above trends. Post also forecasts MY2024/25 ending stocks higher at 972,000 bags as farmers hold out for higher prices.

Coffee, Green	2022/2023		2023/2024		2024/2025	
Market Year Begins	Oct 2022		Oct 2023		Oct 2024	
Vietnam	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks (1000 60 KG BAGS)	3580	3580	839	892	439	892
Arabica Production (1000 60 KG BAGS)	1000	1000	1100	1000	1150	1100
Robusta Production (1000 60 KG BAGS)	27300	27300	28000	26500	27850	29000
Other Production (1000 60 KG BAGS)	0	0	0	0	0	0
Total Production (1000 60 KG BAGS)	28300	28300	29100	27500	29000	30100
Bean Imports (1000 60 KG BAGS)	365	365	400	400	500	500
Roast & Ground Imports (1000 60 KG BAGS)	8	8	200	200	300	200
Soluble Imports (1000 60 KG BAGS)	126	126	200	200	300	200
Total Imports (1000 60 KG BAGS)	499	499	800	800	1100	900
Total Supply (1000 60 KG BAGS)	32379	32379	30739	29192	30539	31892
Bean Exports (1000 60 KG BAGS)	26000	25947	24850	22000	24400	24000
Rst-Grnd Exp. (1000 60 KG BAGS)	450	450	350	400	400	420
Soluble Exports (1000 60 KG BAGS)	1890	1890	1650	2000	1700	2500
Total Exports (1000 60 KG BAGS)	28340	28287	26850	24400	26500	26920
Rst,Ground Dom. Consum (1000 60 KG BAGS)	2650	2650	2800	3000	2900	3000
Soluble Dom. Cons. (1000 60 KG BAGS)	550	550	650	900	700	1000
Domestic Consumption (1000 60 KG BAGS)	3200	3200	3450	3900	3600	4000
Ending Stocks (1000 60 KG BAGS)	839	892	439	892	439	972
Total Distribution (1000 60 KG BAGS)	32379	32379	30739	29192	30539	31892
(1000 HA) ,(MILLION TREES) ,(1000 60 KG BAGS)						
OFFICIAL DATA CAN BE ACCESSED AT: PSD Online Advanced Query						

Attachments:

No Attachments