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Report Name: Coffee Annual

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Report Highlights:

MY2024/25 coffee production is forecast at 29 million bags green bean equivalent (GBE) as higher coffee prices encourage coffee farmers to invest more in production, helping to stabilize production. Exports are forecast to stay steady in MY2024/25, while imports are forecast to rise to meet growing domestic demand.

Executive Summary:

High global coffee prices have helped support Vietnam's coffee industry despite several years of adverse weather. Farmers are using irrigation and intercropping to mitigate the effects of draught and high temperatures. This has helped slow the decline in coffee production in Vietnam. As a result, post raised estimated production for MY2022/23 and MY2023/24. Exports and imports are both growing. Strong global coffee prices have supported higher exports, while domestic coffee drinkers are demanding more variety. Domestic coffee processors are also using imports to supplement domestic supply, particularly in the off season.

Local and national agriculture officials and research institutes are working to support coffee farmers by providing new coffee varieties and helping coffee farmers replace aging varieties. There have also been efforts to install water saving irrigation systems. At the same time, high temperatures and extended dry seasons in recent years have put stress on coffee plants and farmers. Ground water levels are also dropping in many areas, making irrigation more difficult. Long term growth in Vietnam's coffee sector remains uncertain, but higher coffee prices appear to have helped stabilize production levels for now.

Commodities:

Coffee, Green

PRODUCTION

Total coffee area in Vietnam is expected to remain stable at around 600,000 hectares over the next several years. Farmers in the Central Highlands region have diversified away from coffee cultivation to add, or switch to, higher earning crops such as durian and passion fruit. Farmers can earn twice the income growing durian they can growing coffee. However, higher coffee prices have helped stabilize coffee area and coffee remains an important crop in highland provinces such as Lam Dong and Dak Lak.

Farmers and other contacts report that high temperatures and draughts have negatively impacted coffee production in MY2023/2024. These weather conditions are expected to become more frequent over time due to climate change. Low forest cover rates and falling groundwater levels in some areas also pose long term challenges to coffee production. Forest cover helps slow evaporation, and many coffee farms rely on wells for irrigation. The rainy season came late in 2024 and Vietnam experienced above average temperatures in many areas this year. During visits to coffee production areas in April 2024, irrigated and shaded coffee fields looked generally in good condition, while coffee plants in exposed fields lacking irrigation appeared water stressed. Farmers have succeeded in minimizing the impact of adverse weather conditions this year, but current production levels may be difficult to maintain in the future if such conditions continue.

The provincial Department of Agriculture and Rural Development (DARD) and Western Highland Agriculture and Forest Science Institute (WASI) have developed strategies to maintain and improve sustainable coffee production, such as replacing old coffee trees with new varieties, encouraging intercropping to increase shade and water retention, adopting water saving irrigation systems, and helping coffee farmers certify their farms to obtain higher prices.

WASI provides around 4 to 5 million coffee plants to farmers annually. It has 22 high yield, drought, and nematode resistant Robusta varieties, and two late-maturing varieties (harvested in January and February). The World Bank Vietnam Sustainable Agriculture Transformation project (VnSat) helped upgrade 32 coffee nurseries (11 state nurseries and 21 private nurseries) to provide farmers access to improved coffee varieties.

The central government coffee re-cultivation program provides credit to farmers to replant old low yield coffee with new varieties. According to Vietnam's Ministry of Agriculture and Rural Development (MARD), approximately 130,000 hectares of old coffee farms were replanted by new plants and/or grafting between 2015-2021. The program has helped increase coffee yields to 2.8-3.0 tons/hectare. MARD plans to replant an additional 100,000 hectares in 2025. According to MARD, approximately 35 percent of coffee production area has been replanted.

Approximately 30 percent of the total coffee area in the highland region is mixed with other crops. Intercropping coffee cultivation with a reasonable density of shade providing crops such as pepper, avocado, durian, and peach can reduce the effects of hot temperatures and diseases. These crops can also provide additional income for coffee farmers. Fully replacing coffee with fruit trees can require a 4-5 year wait before the first harvest. With intercropping, farmers can maintain income from coffee while adding other crops to diversify and increase revenue. Intercropping can also reduce the risks of price and market fluctuations, helping stabilize coffee area. Local agricultural officials are encouraging farmers to expand use of intercropping for these reasons.

According to a report by the International Union for Conservation of Nature (IUCN), the water demand for coffee mono-culture production in the highland region of Vietnam is about 1.12 billion cubic meters a year. Improvements to irrigation systems could save about 290 million cubic meters a year (a 26 percent reduction). Applying water saving irrigation systems together with intercropping could save an estimated 407 million cubic meters of water (36 percent). These measures can help make coffee production more sustainable and climate resilient. The World Bank VnSat project deployed 316 water saving irrigation systems (including 110 drip irrigation systems and 206 sprinkler irrigation systems) for coffee farms in the highlands. However, this irrigation system is expensive for coffee farmers, and it is still only used in 5 percent of coffee farms by area.

The Vietnamese coffee industry has been implementing a range of certification programs to meet buyer requirements. According to statistics from MARD's Department of Crop Production, approximately 30 percent of Vietnam's coffee cultivation area has been certified for sustainable coffee production, including 4C, Rainforest Alliance, UTZ Certified, Fairtrade, VietGAP, Global Ga, Organic, and FLO. Lam Dong province has the largest certified coffee area with 75,493 hectares, followed by Dak Lak (63,600 hectares), Gia Lai (36,620 hectares), and Dak Nong (23,489 hectares).

The European Union (EU) is a major market for Vietnam's coffee industry and Vietnam coffee farmers are paying close attention to the new EU Deforestation Regulation (EUDR) which comes into force later this year. However, the EU has not yet issued clear implementing instructions and local farmers are concerned about how they will meet these requirements, particularly small-scale farmers. Farmers already certified with programs such as 4C hope that there will be some overlap in requirements, making compliance easier.

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

	MY2022/23	MY2023/24	MY2024/25
	Estimate	Estimate	Forecast
Marketing year begins	Oct. 2022	Oct. 2023	Oct. 2024
Harvested area (hectare)	611,500	611,500	611,533
Production (thousand bags)	27,300	28,000	27,850
Average yield (MT/HA)	2.68	2.75	2.73

Source: Post estimates and forecast

Post forecasts Vietnam MY 2024/25 total coffee production will remain stable at 29 million bags (GBE) as higher coffee prices help halt declining production trends. Robusta production is forecast at 27.85 million bags (GBE) and arabica production is forecast at 1.15 million bags. Post raised estimated MY2023/24 coffee production 6 percent to 29.1 million bags (GBE). Higher coffee prices in MY2023/24 caused farmers to increase investments in labor to reduce harvest loss as well as other inputs. Post raised estimated MY2022/23 production to 28.3 million bags (GBE) based on government production statistics, including 27.3 million bags of Robusta and 1 million bags of Arabica. The increase was primarily due to higher estimated area. Instead of switching completely to another crop, coffee farmers now are adopting intercropping to diversify and increase revenue. Arabica production is stable as suitable land for Arabica production is limited in Vietnam.

CONSUMPTION

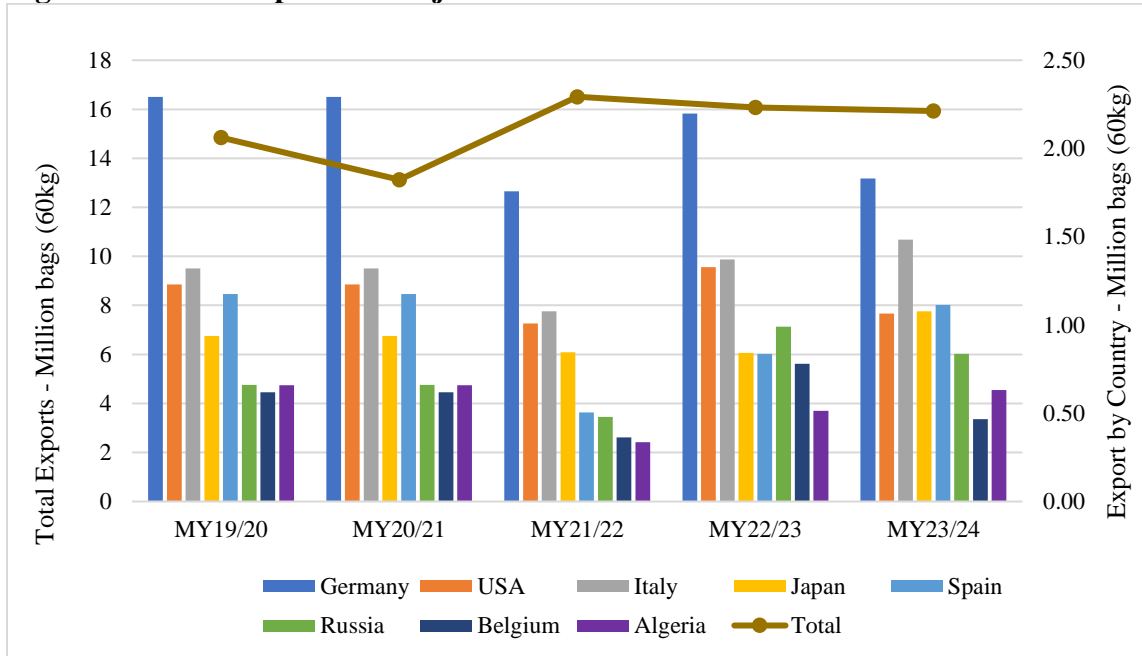
The World Bank estimates that Vietnam's economy grew 5.6 percent in the first quarter of 2024. However, consumption grew 4.9 percent during Q1 2024. Job growth also fell significantly and income growth slowed as well. Despite these headwinds, coffee consumption is still growing. Coffee is less expensive than many alternative beverages in Vietnam, and coffee is popular with budget conscious consumers. Vietnam also has a strong and growing coffee culture. Post estimates that coffee consumption will increase to 3.6 million bags in MY2024/25. Estimated MY2023/24 coffee production is raised to 3.45 million bags on strong demand.

TRADE

Exports

Coffee exports reached 15.94 million bags (GBE) in the first half of MY 2023/2024 according to customs data, a 7 percent decrease from MY 2022/2023. Customs data shows a large drop in exports to major markets, such as Belgium (down 40 percent), United States (down 20 percent), and Germany (down 17 percent). However, exports to some other markets increased, including Spain (up 33 percent), Japan (up 28 percent), and Algeria (up 23 percent).

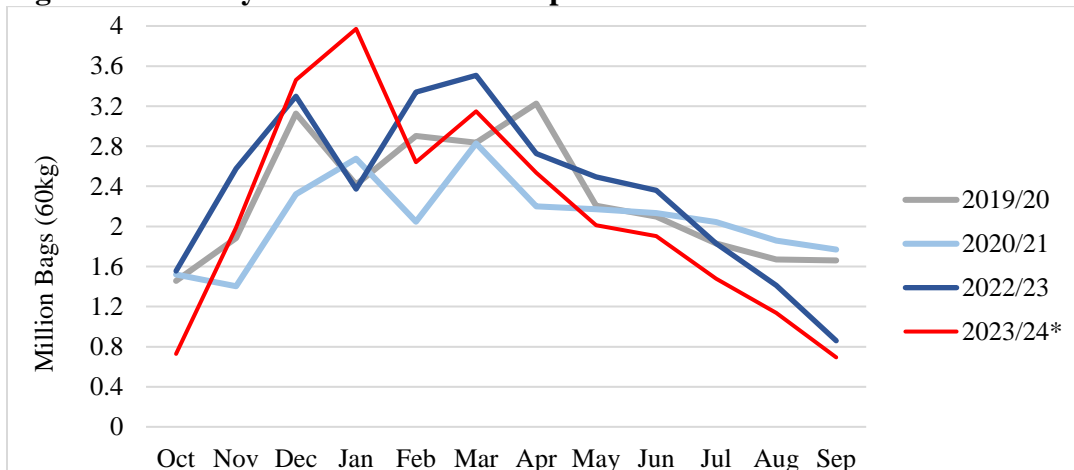
Figure 1: Coffee Exports to Major Destinations in the First Half of MY19/20-MY23/24



Source: Vietnam Customs export data for October-March.

Post raised forecast MY2023/24 exports to 26.85 million bags (GBE) based on trade statistics and strong coffee prices. Vietnam businesses were able to expand exports in the last half of MY 2023/24 thanks to high export prices. However, coffee businesses are facing potential difficulties in purchasing for future exports due to high domestic prices. Some farmers are also retaining stocks in anticipation of further price increases. Coffee exporters are hesitant to sign future contracts for fear of being unable to balance domestic and export prices. The Vietnam Coffee and Cocoa Association (VICOFA) predicted that the turnover of coffee export in CY 2024 will reach \$5 billion USD. Post raised estimated MY 2022/23 coffee bean exports to 25.947 million bags based on Vietnam Customs data.

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

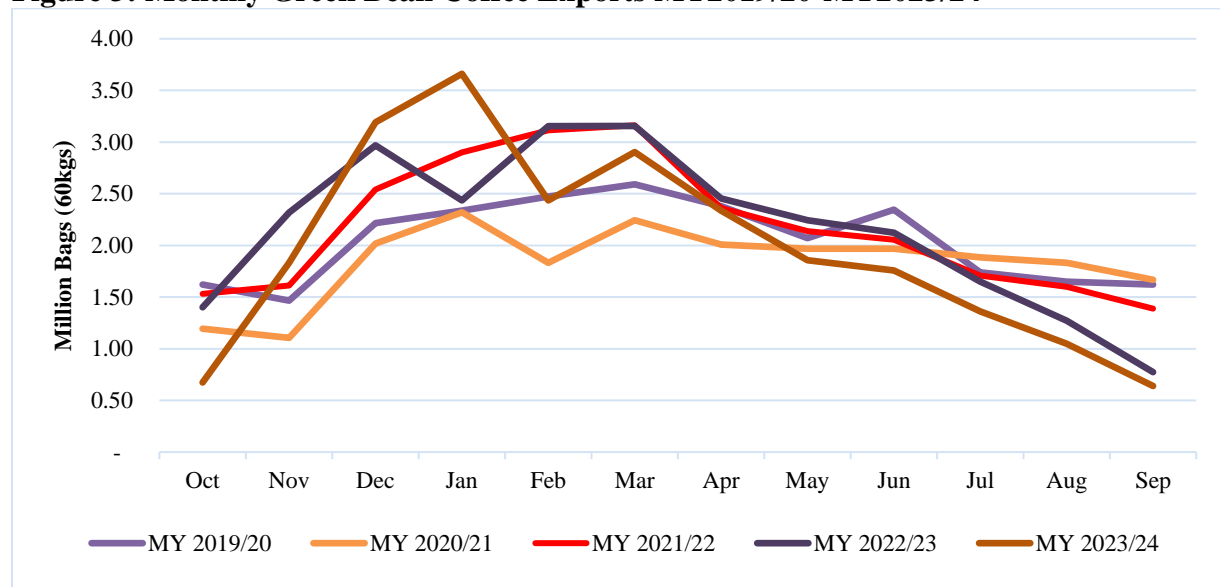


Source: Vietnam Customs, Vietnam General Statistics Office, and Post forecasts for May-September 2024.

Green Bean Exports

Vietnam's green bean exports reached 14.75 million bags in the first half of MY2023/24, down 4.4 percent compared to the same period in the previous marketing year (Figure 3). Post estimates green bean exports in MY2023/24 at 24.85 million of bags (GBE) based on trade statistics and trends. Post forecasts green bean exports in MY2024/25 at 24.4 million bags based on continued high export prices and strong demand.

Figure 3: Monthly Green Bean Coffee Exports MY2019/20-MY2023/24



Source: Post estimates. Customs data available for total exports only. May-September 2024 data based on post forecasts.

Soluble and Roasted Exports

Based on trade statistics, exports of roasted and soluble coffee in the first half of MY2023/2024 increased 16 percent compared to the year before. Estimated MY2023/24 soluble and roasted coffee exports are unchanged at 2 million bags (GBE). The high export price of green beans has caused headwinds for domestic coffee processors. Post forecasts that soluble and roasted coffee exports will increase slightly to 2.1 million bags (GBE) in MY 2024/25.

Imports

There is growing demand for specialty coffee in Vietnam with the expansion of coffee shops and chains, supporting imports of Arabica beans as well as soluble and roasted coffee. Demand for green beans for coffee processing is also rising. According to the Vietnamese Coffee and Cocoa Association (VICOFA), the total coffee processing capacity of Vietnam is about 300,000-350,000 tons per year. The processing industry depends on imports to fill part of their coffee input needs, especially in the off-season (March to September). High domestic prices have also made imports more attractive.

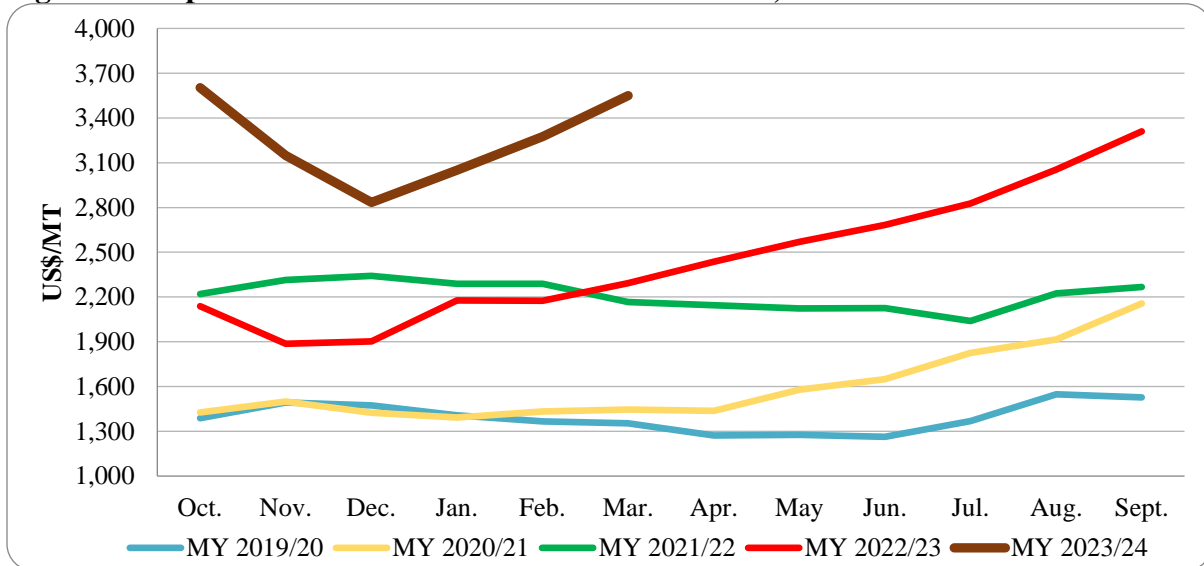
Most green bean coffee imports come from Indonesia, Brazil, and India. Laos is also an Arabica supplier to Vietnam. Processed coffee products are imported from Brazil, Thailand, Indonesia, Australia, and Belgium. About 445,000 bags (GBE) were imported to Vietnam in the first half of

MY2023/24, up 52 percent from the same period last year. Based on these trends, post estimates MY2023/24 coffee imports at 800,000 bags and forecasts imports will rise to 1.1 million bags (GBE) in MY2024/25.

PRICES

Average export prices in the first half of MY2023/24 reached \$3,244 a ton, up 155 percent compared to the same period last year (Figure 4). High global demand and concerns about harvest losses in Brazil and Indonesia have pushed prices higher. High export prices benefited Vietnam’s coffee farmers and industry, raising local prices.

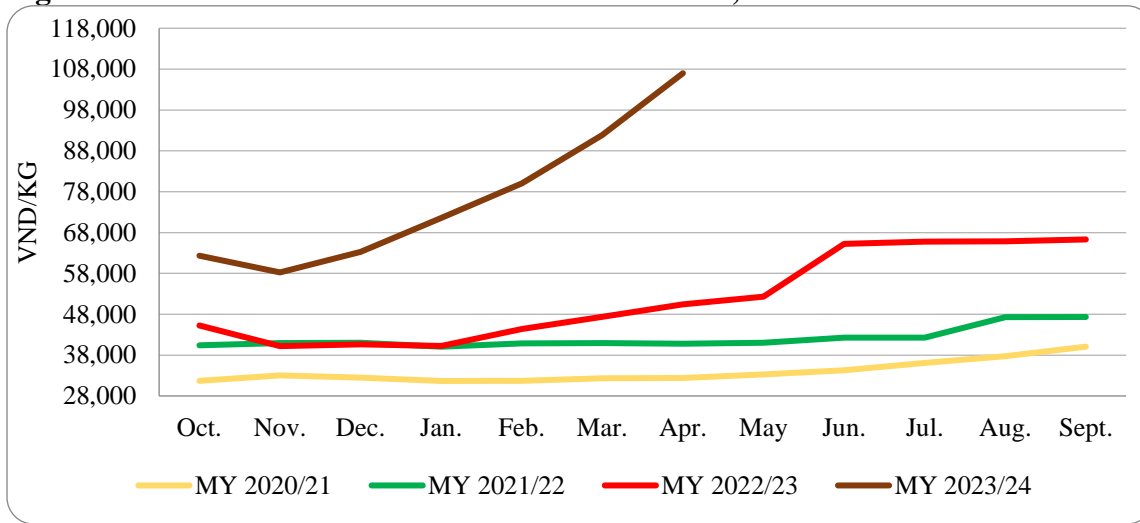
Figure 4: Export Prices for Green Bean Robusta Coffee, MY2019/20 to MY2023/24



Source: Customs data, Agro Monitor, Agro Info

Domestic coffee prices were 170 percent higher in the first half of MY2023/24 compared to the year before. In April, prices reached more than VND 100,000/kg, setting a new record (Figure 5). According to contacts, high coffee prices have caused many farmers to store coffee beans after harvest rather than selling immediately in hopes of higher future prices. Farmers who use intercropping prioritize the sale of perishable fruit (durian, passion fruit, avocado, etc.), and store coffee for longer.

Figure 5: Local Prices of Green Bean Robusta Coffee, MY2019/20 to MY2023/24



Source: Agro Info and trade contacts

STOCKS

Post raised MY2022/23 ending stocks to 892,000 bags (GBE) based on higher supply. Forecasted MY2023/24 ending stocks are raised slightly to 492,000 bags based on higher estimated supply. MY2024/25 ending stocks are forecast to remain stable at 492,000 bags.

Coffee, Green	2022/2023		2023/2024		2024/2025	
	Oct 2022		Oct 2023		Oct 2024	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Market Year Begins						
Vietnam						
Beginning Stocks (1000 60 KG BAGS)	3580	3580	339	892	0	492
Arabica Production (1000 60 KG BAGS)	900	1000	880	1100	0	1150
Robusta Production (1000 60 KG BAGS)	26300	27300	26620	28000	0	27850
Total Production (1000 60 KG BAGS)	27200	28300	27500	29100	0	29000
Bean Imports (1000 60 KG BAGS)	365	365	400	400	0	500
Roast & Ground Imports (1000 60 KG BAGS)	8	8	200	200	0	300
Soluble Imports (1000 60 KG BAGS)	126	126	120	200	0	300
Total Imports (1000 60 KG BAGS)	499	499	720	800	0	1100
Total Supply (1000 60 KG BAGS)	31279	32379	28559	30792	0	30592
Bean Exports (1000 60 KG BAGS)	25400	25947	23000	24850	0	24400
Rst-Grnd Exp. (1000 60 KG BAGS)	450	450	350	350	0	400
Soluble Exports (1000 60 KG BAGS)	1890	1890	1650	1650	0	1700
Total Exports (1000 60 KG BAGS)	27740	28287	25000	26850	0	26500
Rst,Ground Dom. Consum (1000 60 KG BAGS)	2650	2650	2650	2800	0	2900
Soluble Dom. Cons. (1000 60 KG BAGS)	550	550	550	650	0	700
Domestic Consumption (1000 60 KG BAGS)	3200	3200	3200	3450	0	3600
Ending Stocks (1000 60 KG BAGS)	339	892	359	492	0	492
Total Distribution (1000 60 KG BAGS)	31279	32379	28559	30792	0	30592

Attachments:

No Attachments