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Report Highlights: Although coffee prices (both domestic and export prices) have recovered slightly they remain below estimated costs-of-production. Vietnam's 2001/2002 (Oct-Sept marketing year) coffee exports decreased both in volume and export value compared with the 2000/2001 crop. Production in the 2002/2003 crop will decline further as coffee area continues to shrink and low yields are expected. Coffee trade data and revised PS&D table are provided.

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PRODUCTION

Vietnam's 2002/03 coffee crop production.

Vietnam's marketing year (Oct.-Sept.) 2002/03 coffee production is estimated at 600 thousand metric ton (tmt) (or 10,000 thousand bags), lower than 2001/02 coffee crop production by 18-20% due to declining crop areas and crop yields.

The crop area reduction mainly occurred in the Tay Nguyen (Central Highland) provinces such as Dac Lac, Lam Dong, Gia Lai and Kon Tum where coffee farmers converted some low productivity coffee areas to grow more economic crops including cashew, corn, and cotton. In addition to the land converted to other crops, a lot of the remaining coffee area suffered from lack of farmer interest. Low coffee yields were the result, as farmers have reduced or stopped supplying required inputs (fertilizer, irrigation, pruning).

Dac Lac province supplies about 60% of Vietnam's total coffee production. In 2002/03 Dac Lac's coffee crop is estimated at 300-350 tmt, below the previous coffee crop by 13-15%. The province's coffee area is estimated to have dropped from 264 thousand hectares (tha) in 2001/2002 to 246 tha in 2002/03 as farmers switched to other crops.

In Lam Dong province, the second largest producing region, the 2002/03 production estimate is 90-100 tmt; a decline of about 25% compared with the previous year.

Table 1: Vietnam Coffee Production, Supply and Demand -Unit: tmt

	1999/00		2000/01		2001/02		2002/03	
	Old	Revised	Old	Revised	Old	Revised	Old	Revised
Sown Area	370	460	560	560	540	540	520	520
Area Harvested	310	360	415	450	470	470	480	500
Beginning Stock	9	62	15	15	30	30	57	15
Production (green bean)	480	660	900	920	735	735	630	600
Total Import	0	0	0	0	0	0	0	0
Jan-Dec Import	0	0	0	0	0	0	0	0
Jan-Dec Import from U.S	0	0	0	0	0	0	0	0
TOTAL SUPPLY	489	722	915	935	765	765	687	615
TOTAL EXPORT	450	686	880	880	670	720	600	560
Jan-Dec Export	450	686	880	880	670	720	600	560
TOTAL Dom. Consumption	21	21	25	25	38	30	39	32
Ending Stock	18	15	10	30	57	15	48	23
TOTAL DISTRIBUTION	489	722	915	935	810	765	687	615

Source: Vicofa and FAS/VN

Planting of Arabica coffee falls short of target.

In 2002, the area planted with Arabica is estimated at 3,000 ha, much lower than the 5,800 ha target. The failure to achieve the 5,000 ha target is due a shortage of capital, according to Vietnam Coffee Corporation (Vinacafe).

In 1997, Vietnam started a French funded- project to plant 40 tha of Arabica coffee in North West and Central Coastal provinces. However, only 10 tha was planted as of 2001. To make the project more effective, the Government of Vietnam approved a proposal from Ministry of Planning and Investment to reduce the target area to 26,000 ha (instead of 40,000 ha). To complete the project and hit the 26,000 ha target by 2004, the Government hoped to plant 5,800 ha in 2002; 6,000 ha in 2003 and around 6,500 ha in 2004.

At present, Vietnam's nationwide Arabica coffee area is estimated at 20 tha, with production at about 12 tmt (or 200 thousand bags).

PRICE Exchange rate VND 15,400 equal to \$1 as of Nov. 18, 2002

Domestic prices of Robusta coffee increased slightly in the last months of MY-2001/02 coffee crop due to higher coffee demand and tight domestic coffee supplies. Coffee (Robusta) prices in key coffee producing provinces, Dac Lac, Dong Nai and Lam Dong, increased from VND 6,500-6,800/kg quoted in June to VND 7,600-8,200/kg in the second week of October 2002 (see table 2). In early November, local coffee prices are VND 8,200-8,450/kg. However, coffee domestic prices are still under production costs which are estimated at VND 10,000/kg.

Table 2: Coffee prices in June-October 2002 (domestic and export prices)

	Unit	June	July	August	September	October	
						1st week	2nd week
Export price Ho Chi Minh city (FOB)	\$/mt	450-470	450-460	400-437	470-490	520-530	500-530
Domestic price	VND/kg						
Dac Lac		6,500	6,500	6,200	6,600	7,600	7,600
Dong Nai		6,500	6,300	6,000	6,400	7,800	8,100
Lam Dong		6,800	6,300	6,300	7,400	7,600	8,200

Source: MARD

Local prices of Arabica coffee are about VND 15,000-18,000/kg.

Prices of exported coffee.

Coffee export prices were up to \$500-530/mt in October from \$450-470/mt quoted in June (see table 2). In early November, when this report is being written, the price is rather stable at \$520-530/mt.

Although Vietnam's export prices have remained low, they have recovered somewhat compared to the last quarter of MY-2001/02 crop. The average monthly export price increased to \$480/mt in

September from \$397 in April (see table 3).

Table 3: Vietnam coffee monthly export prices — Unit: \$/mt

	2000/01 crop	2001/02 crop	Change (%)
October	530	332	(60)
November	495	316	(57)
December	438	319	(37)
January	439	329	(33)
February	453	321	(41)
March	454	355	(28)
April	430	397	(8)
May	414	437	5
June	414	389	(6)
July	397	457	13
August	379	451	16
September	364	490	26

Vietnam's Arabica coffee was exported at fairly high prices. It was reported that a private company exported about 6,500 mt (or more than 65% of total Vietnam's arabica coffee) at \$879/mt, much higher than the Robusta export prices.

TRADE

Vietnam's 2001/02 coffee export.

Green bean coffee exports.

In MY-2001/02, Vietnam exported 714 tmt of green coffee beans with an export value of \$268 million. Vietnam's coffee (green bean) was exported to 64 countries all over the World. Germany was the leading importer taking 112 tmt, while the United States, the second largest importer, took about 89 tmt. Spain, Italy, Belgium, Poland, France, Japan, Korea and United Kingdom were also on the list of top ten coffee importers of Vietnam's coffee (see table 4).

Table 4: Top ten importers of Vietnam's CY-2001/02 coffee (green bean) exports.

Countries	Import volume (mt)	Import value (\$)	Average price (\$/mt)	Share (%)
Germany	112,739	40,884,160	363	15.8
United States	89,288	31,678,258	355	12.5
Spain	59,777	21,057,983	352	8.4
Italy	56,263	21,099,784	375	7.9
Belgium	51,170	19,201,405	375	7.2

Poland	47,500	17,863,498	376	6.7
France	33,956	12,270,426	361	4.8
Japan	29,517	12,359,757	419	4.1
Korea	26,162	9,517,290	364	3.7
United Kingdom	25,799	8,719,945	338	3.6

Source: Vicofa

Coffee products exports.

In the 2001/02 coffee crop, Vietnam exported 596 metric tons (mt) of instant coffee (equivalent to 1,555 mt of green coffee); 41 mt of roasted coffee (equivalent to 49 mt of green bean coffee). The coffee products were exported to Taiwan, Poland, Korea, United States, Singapore, Malaysia, Japan and Czech, Hong Kong, and Australia.

Post revises Vietnam's 2001/02 coffee export to 720 tmt (or 12,000 thousand bags) from previous estimate of 670 tmt (11,167 thousand bag) (see PS&D table).

Vietnam's 2002/03 coffee export is shrinking.

Vietnam's 2002/03 coffee exports will decline due to lower coffee production and low carry-over stocks from 2001/02 crop. In late September, coffee farmers in key coffee growing areas told us that their coffee stocks had already been sold as they did not expect an increase in coffee prices. Now that prices have jumped \$150/mt, they are regretting their marketing decisions.

Post estimates Vietnam's 2002/03 coffee exports at 560 tmt (or 9,333 thousand bags) (see PS&D table).

Table 5: Vietnam coffee PS&D table

PSD Table						
Country	Vietnam					
Commodity	Coffee, Green				(1000 HA)(MILLION TREES)(1000 60 KG BAGS)	
	Revised	2001	Preliminary	2002	Forecast	2003
	Old	New	Old	New	Old	New
Market Year Begin		10/2000		10/2001		10/2002
Area Planted	560	560	540	540	520	520
Area Harvested	415	450	470	470	480	500
Bearing Trees	519	562	525	587	600	625
Non-Bearing Trees	181	138	163	88	50	25
TOTAL Tree Population	700	700	688	675	650	650
Beginning Stocks	260	260	509	509	959	259

Arabica Production	117	117	166	166	250	200
Robusta Production	14,883	15,216	12,084	12,084	10,250	9,800
Other Production	0	0	0	0	0	0
TOTAL Production	15,000	15,333	12,250	12,250	10,500	10,000
Bean Imports	0	0	0	0	0	0
Roast & Ground Imports	0	0	0	0	0	0
Soluble Imports	0	0	0	0	0	0
TOTAL Imports	0	0	0	0	0	0
TOTAL SUPPLY	15,260	15,593	12,759	12,759	11,459	10,259
Bean Exports	14,667	14,667	11,167	12,000	10,000	9,333
Roast & Ground Exports	0	0	0	0	0	0
Soluble Exports	0	0	0	0	0	0
TOTAL Exports	14,667	14,667	11,167	12,000	10,000	9,333
Rst,Ground Dom. Consum	417	417	633	500	650	533
Soluble Dom. Consum.	0	0	0	0	0	0
TOTAL Dom. Consumption	417	417	633	500	650	533
Ending Stocks	167	509	959	259	809	393
TOTAL DISTRIBUTION	15,251	15,593	12,759	12,759	11,459	10,259

POLICY

Vietnam's Coffee & Cocoa Association (Vicofa)'s strategy for a sustainable coffee production.

To support Vietnam's sustainable coffee development, Vicofa had introduced several measures including changing cultivation structures, upgrading coffee processing technology, diversifying coffee products, improving coffee quality, expanding markets and promoting domestic consumption.

Vietnam plans to reduce Robusta coffee area to 350-400 tha and increase Arabica coffee area to 100 tha. Vietnam's coffee production is proposed to be stable at 600 tmt (or 10,000 thousand bags). Over time, the ratio between Robusta and Arabica coffee production is proposed at 50:50. However it may take a long, long, time to occur because coffee farmers are hesitating to chop down Robusta coffee trees. Moreover, Arabica coffee planting is much slower than hoped for in the plan to have 40 tha of Arabica coffee in 2004.

To increase coffee quality, coffee exporters are encouraged to apply new coffee standards introduced recently (for more detail, please see GAINS report VM2007).

The Government wants to diversify coffee products in an effort to increase competitiveness of the coffee sector. Beside instant and roasted coffee, Government planners are considering the production of canned liquid coffee.

Production of high quality coffee products including organic, gourmet and specialty coffee is considered a good way to diversify coffee products. Renewing and enlarging overseas markets, as well as promoting domestic consumption are also major targets of the strategy.

Vietnam preparing for application of ICO's quality standards on coffee.

Vietnam has agreed to participate in a Coffee Quality Program that was approved by the International Coffee Organization (ICO) earlier this year.

Under the program, coffee exporting and importing countries will coordinate in coffee quality control. Accordingly, exporting countries should not issue Certificates of Origin (C/O) or coffee importers can reject any coffee shipment, that does not meet the ICO's minimum quality standards. All coffee exports (including coffee products) must be labeled in accordance with the definitions described in article 2 & 36 of the 2001's International Coffee Convention.

Vietnam and Indonesia coordinating in coffee export.

It was reported that, Vietnam and Indonesia ---- the two biggest Robusta coffee exporters — are discussing ways to raise the international prices of Robusta coffee. Under discussion are plans for the two countries to reduce coffee exports by limiting production capacity. However, no details (if they exist) are available.