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Report Highlights: The report revises upward Vietnam's coffee production and exports in MY-1999/00. The steep drop in export price is the biggest problem faced by Vietnam's coffee sector. Revised coffee PS&D is also provided.

Includes PSD changes: Yes
Includes Trade Matrix: No
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EXECUTIVE SUMMARY

In MY-1999/00, Vietnam's coffee production as well as coffee exports reached the highest level ever recorded - 1999/00's coffee production estimated at 660 thousand metric ton (TMT) and coffee export volume was 686 TMT. However, continuous coffee price drops threatens both coffee producers and coffee exporters. The average export price of Vietnam's coffee in MY-1999/00 (\$850/MT) was about 62% of the average export price of MY-1998/99 (\$1,370/MT). Rapid production increases by coffee exporting countries is blamed for reduction of coffee price. Although Vietnam is still not a member of the Association of Coffee Producing Countries (ACPC), Vietnam's coffee sector is very actively supporting ACPC's coffee retention plan because Vietnam became the second largest coffee exporter in the World in 1999/00 coffee season. Recently, the Government of Vietnam (GOV) approved the Vietnam Coffee-Cacao Association (Vicofa) and Ministry of Agricultural & Rural Development (MARD)'s plan to retain 60 TMT of coffee from 2000/01 coffee crop.

PRODUCTION

Vietnam harvested a bumper coffee crop in MY-1999/00. According to statistical data estimated by Vietnam Cacao - Coffee Association (Vicofa) and Ministry of Agricultural and Rural Development (MARD), the total coffee production in MY-1999/00 was about 660 thousand metric ton (TMT) or (11,010 thousand bags), increased by 46% compared with last crop's level. The big increase resulted from newly harvested areas and improvement of crop yield. It is said that, in Vietnam, statistical data on coffee areas and production is not very accurate due to under reported data, because more than 97% of coffee areas are managed by private households and sometime farmers under report their coffee areas to avoid tax payment. Therefore Post revises coffee areas and production in 1999/00 upward to 397 Tha (of which 320 Tha harvested) and 660 TMT respectively (see Table 1 and Table 5).

Coffee yield in MY-2000/01 is likely reduced due to less investment. The sharply falling coffee price discourages coffee growers from investing in coffee nursing work and that may cause a slight reduction in coffee yield in MY-2000/01. Post forecast coffee areas in MY-2000/01 will remain stable at this crop's level except there is a small increase in arabica coffee areas. The coffee area in MY-2000/01 is projected at 400 Tha of which 330 Tha harvested and coffee production at 670 TMT (or 11,167 thousand bags).

Table 1: Vietnam Green Coffee Bean Production, Supply and Demand (Unit: TMT)

	1998/99 (Oct./Sept.)		1999/00 (Oct./Sept.)		2000/01 (Oct./Sept.)	
	Old	Revised	Old	Revised	Old	Revised
Sown Area	350	350	370	397	375	400
Area Harvested	270	270	310	320	320	330
Beginning Stock	27	30	9	62	18	15
Production (green bean)	400	450	480	660	480	670
Total Import	0	0	0	0	0	0
Jan-Dec Import	0	0	0	0	0	0
Jan-Dec Import from U.S	0	0	0	0	0	0
TOTAL SUPPLY	427	480	489	722	498	685

TOTAL EXPORT	400	400	450	686	450	600
Jan-Dec Export	400	400	450	686	450	600
TOTAL Dom. Consumption	18	18	21	21	21	21
Ending Stock	9	62	18	15	27	64
TOTAL DISTRIBUTION	427	480	489	722	498	685

Source: Vietnam Cacao and Coffee Association; Statistical Department of Vietnam and FAS/VN

Vietnam exported 686 TMT of coffee in MY1999/00 and became the second largest coffee exporter in the World. According to statistical data from Vicofa and Vietnam Customs Department, in MY-1999/00, Vietnam exported 686 TMT (or 11,433 thousand bags) increased by 69% comparing with 1998/99's crop level. Ministry of Trade was quoted as saying that Vietnam coffee makes about 12% of the total coffee traded in the World market and has surpassed Colombia to become the second largest coffee exporter after Brazil.

Post is forecasting Vietnam's coffee exports in MY-2000/01 will be 600 TMT (or 10,000 thousand bags), slightly less than MY-1999/00's level (see Table 5).

Vietnam earned about \$583 million from coffee export in MY-1999/00, an increase of 7% comparing with the previous crop. Falling coffee export prices resulted in a slight growth rate in export value offsetting the big rise in export volume (69%).

Table 2: Vietnam Coffee Export in MY-1999/00

Duration	Volume(TMT)	Value (\$thousand)	Aver. price (\$/MT)
Oct. 99	39	38,829	994
Nov.99	85	87,415	1,034
Dec.99	70	72,983	1,041
Jan.00	98	92,917	948
Feb.00	52	44,153	854
Mar.00	68	54,933	812
Apr.00	50	38,750	768
May 00	54	39,511	734
Jun. 00	40	28,730	720
Jul.00	40	27,355	686
Aug.00	44	28,889	652
Sept.00	47	28,900	621
MY-1999/00	686	583,365	850

Source: Vietnam Customs Department

United States is the largest coffee importer from Vietnam. According to Vicofa, in MY-1999/00, Vietnam's coffee was shipped to about 59 countries around the World. The United States of America was the destination of about 147 TMT (or accounting 21% of the total export volume), Germany ranked second with the total import

volume of 84 TMT (12%); followed by Italy imported about 64 TMT (9%). Spain, Belgium, France, Poland, England, Japan and Austria are also in the top ten coffee importers of Vietnam (see Table 3).

Table 3: Vietnam 1999/00's Coffee Export by Top Ten Importing Countries

Countries	Quantity (TMT)	Value (Thousand \$)	Average price (\$/MT)
1. U.S	147	116,782	794
2. Germany	84	69,447	824
3. Italy	64	53,468	838
4. Spain	52	42,784	824
5. Belgium	52	42,699	829
6. France	32	25,435	838
7. Poland	27	22,353	836
8. U.K	25	20,305	828
9. Japan	23	20,824	916
10. Austria	22	17,895	819

Source: Vicofa

Vietnam exported about 43,691 MT of coffee earning \$25 million in the first month of MY-2000/01. Price of Vietnam's coffee continues to drop to an average price at \$580/MT in October, 2000.

PRICE. (Current exchange rate 14,400 Vietnamese dong equal to \$1)

Coffee producers facing loss as coffee price depressed seriously by low export price. In key coffee producing provinces like Daklak, Lam Dong, Dong Nai, Grade 1 robusta coffee beans can be sold at VND 7,000/kg while the production cost is estimated at VND 9,000-9,500/kg.

Export price for Vietnam Robusta coffee declined critically in MY-1999/00. Coffee export price continuously dropped since last year. The average export price of Vietnam coffee in MY-1999/00 fell to \$850 per MT compared with last year's level of \$1,370/MT. Table 4 presents monthly coffee export price changed in MY-1998/99 and 1999/000.

Table 4: Vietnam Coffee Export Price in MY-1998/99 and 1999/00

	1998/99	1999/00	Change(%)
October	1428	994	(30)
November	1457	1034	(29)
December	1486	1041	(30)
January	1567	948	(40)
February	1530	854	(44)
March	1455	812	(44)
April	1357	768	(43)
May	1232	734	(40)
June	1242	720	(42)
July	1197	686	(43)

August	1148	652	(43)
September	1099	621	(43)

Source: Vietnam Customs Department

Vietnam Coffee traders are pessimistic about improvement of coffee price in 2000/01 season. As world coffee production is forecast to continue increasing in MY-2000/01, Vietnam coffee producers and traders do not believe that coffee export prices will improve in the coming coffee marketing season.

Table 5: Vietnam Coffee PS&D

PSD Table						
Country	Vietnam					
Commodity	Coffee, Green				(1000 HA)(MILLION TREES)(1000 60 KG BAGS)	
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		10/1998		10/1999		10/2000
Area Planted	350	350	370	397	375	400
Area Harvested	270	270	310	320	320	330
Bearing Trees	338	338	388	400	400	413
Non-Bearing Trees	100	100	75	96	69	88
TOTAL Tree Population	438	438	463	496	469	501
Beginning Stocks	483	500	183	1033	323	260
Arabica Production	67	67	70	90	70	100
Robusta Production	6600	7433	7930	10920	7930	11067
Other Production	0	0	0	0	0	0
TOTAL Production	6667	7500	8000	11010	8000	11167
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	7150	8000	8183	12043	8323	11427
Bean Exports	6667	6667	7500	11433	7500	10000
Roast & Ground Exports	0	0	0	0	0	0
Soluble Exports	0	0	0	0	0	0
TOTAL Exports	6667	6667	7500	11433	7500	10000
Rst,Ground Dom. Consum	300	300	360	350	360	360
Soluble Dom. Consum.	0	0	0	0	0	0
TOTAL Dom. Consumption	300	300	360	350	360	360

Ending Stocks	183	1033	323	260	463	1067
TOTAL DISTRIBUTION	7150	8000	8183	12043	8323	11427

POLICY

Government of Vietnam (GOV) approved the coffee retention plan stockpiling 60 TMT of coffee bean in MY- 2000/01. Responding to the petition of Vicofa & MARD, GOV issued Decree No.1067/QD-TTg to authorize coffee exporters to stockpile 60 TMT of coffee in MY-2000/01 (about 10% of the estimated production in 2000/01). Based on coffee production and warehousing available facilities, the amount of stockpiled coffee allocated to key coffee producing provinces is as follows: 20 TMT to Dac Lak province; 20 TMT to Dong Nai province; 8 TMT to Lam Dong Province, 7 TMT to Gia Lai province and Vietnam Coffee Cooperation assigned to stockpile 15 TMT. Under the guidelines of Vicofa, provincial authorities will allocate their share to the province's coffee companies for purchasing coffee. Coffee storing companies should be state owned or private ones but they must be equipped with available warehousing facilities in good condition.

Stockpiled coffee will be bought at market price. Coffee companies can borrow money from banks for purchasing coffee and their bank interest rate will be compensated by the Export Promotion Fund. Coffee for stockpile must be purchased between Nov.15 and Jan.31,2001. The period for coffee reservation is 6 months accounting from Nov.15, 2000. At the current local price of VND 7,000/kg coffee bean, the total capital needed for procuring 60 TMT of coffee is VND 420 billion (or \$29.2 million).

However, coffee traders expressed their doubts about the impact of the plan on Vietnam's coffee prices because 60 TMT is insignificant. They note 60 TMT is less than the 20% of stockpile amount suggested by ACPC, as well as by Vicofa and MARD.