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## **Vietnam**

### **Coffee Annual**

### **2013**

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**Report Highlights:**

Post revises its coffee production estimate in marketing year (MY) 2012/13 up to about 25 million 60 kg-bags (bags), or 1.49 million metric tons (MMT) of green coffee, about a 4 percent drop from MY2011/12 due to pre-seasonal rains during the coffee flower blossoming period in main coffee growing areas. Post also revises its total export estimate in MY 2012/13 up to 23.8 million bags, or 1.42 MMT green coffee bean equivalent (GBE), due to the pace of green bean exports MY-to-date.

Post's initial coffee production forecast for MY2013/14 is 22.9 million bags, or 1.37 MMT of green coffee, about an 8 percent drop from the previous MY due to drought in the central highlands early in the growing season. Post's initial total export estimate for MY2013/14 is 21.3 million bags, or 1.28 MMT GBE, as drought impacted production will lead to reduced exportable supplies in MY2013/14.

**Executive Summary:**

Vietnam's coffee growing areas continue to expand despite of GOV's goal to maintain area at 500,000 ha. Coffee prices remain high and provide a strong incentive for farmers to plant additional area. According to the Ministry of Agriculture and Rural Development (MARD) and statistics from Provincial Departments of Agriculture and Rural Development, coffee area increased by 8 percent to 616,000 ha in 2012 from 571,000 ha in 2011. Actual coffee area likely exceeds GOV official estimates.

Post revises its estimates coffee production for MY2012/13 to about 25 million bags, or 1.49 MMT of green coffee, about a 4 percent drop from the previous MY due to unseasonal rains during the blossoming period. This upward revision of Post's previous estimate for MY 2012/13 (VN2056) is due to the pace of green bean exports during the first seven months of the MY. Through the first seven months of MY2012/13 Vietnam reported a 3 percent increase in green coffee exports over the same period of the last MY. Given this strong export pace, Post also revises the MY2012/13 export estimate upwards to 23.8 million bags, or 1.43 MMT GBE. While exports-to-date are outpacing last MY, Post estimates that exports for the remaining months of MY2012/13 will trend lower than last MY, leading to a 3 percent year-to-year decline in MY2012/13 total coffee exports. Farm-gate and export prices have remained relatively stable through the last two MYs and continue to create a strong incentive for farmers to expand area and replace aging trees.

Post's initial forecast of MY2013/14 production is 22.9 million bags, or 1.37 MMT of green coffee, about an 8 percent drop from the previous MY. This decline in production is attributed to drought conditions in the central highlands, the main coffee growing area in Vietnam, which prevailed for most of the first three months of 2013. Precipitation picked up rapidly during April 2013, limiting the adverse effect of the drought. However, Post believes the drought affected crop will limit Vietnam's export potential in MY2013/14. Post's initial total export forecast for MY2013/14 is 21.3 million bags, or 1.28 MMT GBE, a 10.5 percent drop from the previous MY.

Strong domestic consumption of coffee continues, Post's initial forecast of MY 2013/14 domestic consumption is 2 million bags, or 120 thousand metric tons (TMT) GBE, up 10 percent from the previous MY. The first quarter of 2013 saw the arrival of Starbucks to Vietnam with their first store opening in District 1 of Ho Chi Minh City.

**Commodities:**

Coffee, Green

**Production:** Post revises its estimate for MY 2012/13 coffee production to about 25 million bags or 1.49 MMT of green coffee, about a 4 percent drop from MY 2011/12 due to above average pre-seasonal rains during the coffee flower blossoming period in main coffee growing provinces, Dak Lak, Lam Dong, Dak Nong, and Gia Lai. These areas represent over 89 percent of coffee cultivated area in Vietnam. Early season rains limited flower blossoming, thereby reducing berry development (See Table 1).

Post's initial forecast of MY 2013/14 production is 22.9 million bags or 1.37 MMT of green coffee, an 8 percent drop from the previous MY. The weather in the first quarter of 2013 was dry, which fueled drought concerns by local industry, especially in the Central Highlands. According to the Dak Lak Department of Agriculture and Rural Development, the drought could impact more than 34,000 hectares (ha) of coffee in the Central Highlands, of which 17,000 ha are in Dak Lak province alone. Various estimates from the Vietnam Coffee & Cocoa Association (Vicofa) and local industry currently project the drought could result in a 20 or even 30 percent decline in coffee production in MY 2013/14.

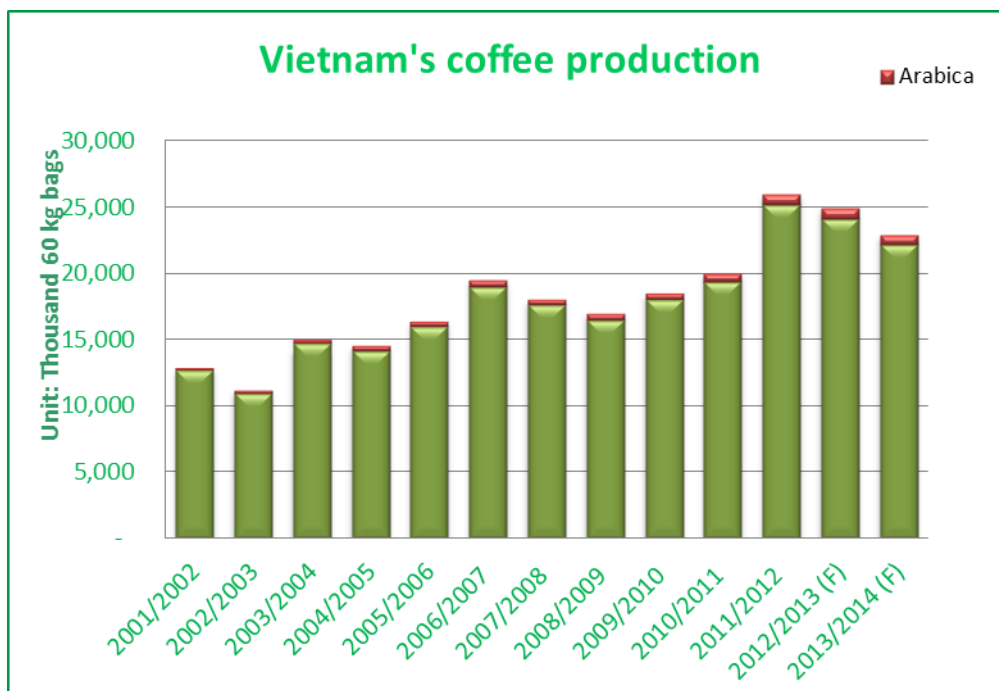
Drought affected areas in the Central Highlands began to receive rains in late March and have received normal precipitation in April and May. According to local traders, coffee areas are still more lush and green than during the last drought in the 2005/06 crop year. There is likely some decline in productivity due to the lack of moisture during much of the fruiting and fruit-filling stages, but recent rains in major growing areas have mitigated the impact of the drought for the time being. Showers continue to improve soil moisture, with more favorable soil moisture now reported throughout much of the Central Highlands. The productivity drop by low yielding and aging coffee trees remains a concern for the industry, but is offset by additional output from newly productive or replanted coffee areas over the past three years. For these reasons, Post's initial forecast of MY 2013/14 production is about an 8 percent drop from the previous MY.

Despite of reduced production, coffee cultivated area continues to expand in Vietnam due to the price competitiveness of coffee vis-à-vis other crops. Coffee prices remain high and relatively stable, providing a strong incentive for farmers to plant additional area. According to the Ministry of Agriculture and Rural Development (MARD) and statistics from Provincial Departments of Agriculture and Rural Development, coffee area was estimated at 616,000 ha in 2012, an 8 percent rise from 571,000 ha in 2011. Dak Lak, Lam Dong, and Dak Nong Provinces continue to expand coffee area (mainly Robusta coffee), and account for 58 percent of total coffee growing area in Vietnam. Arabica coffee cultivation was estimated at about 40,000 ha, accounting for about 6.5 percent of total area. Official area estimates likely significantly understate the actual coffee area.

Post maintains its estimates for Arabica coffee production in MY2012/13 at 850,000 bags, or 51 TMT of green coffee as area under Arabica in North Vietnam continues to expand, but production for MY 2013/14 is forecast to drop 10 percent to 750,000 bags, or 45 TMT due to the impact of the drought during the fruit developing stage.

MARD's master plan for Vietnam's coffee sector development to the year 2020 with a vision to 2030, calls for a reduction in coffee area to 500,000 ha by 2020 and down to 479,000 ha by 2030. Given the current production cost and price dynamics, it remains unlikely that coffee area will contract in the near future.

### **Graph 1: Vietnam's Coffee Production**



Source: USDA, Post Estimates

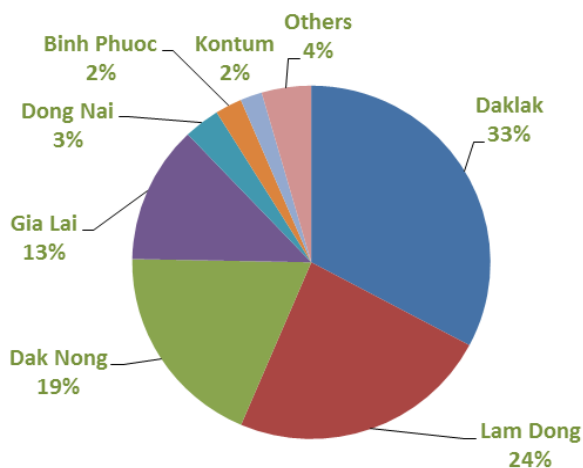
**Table 1: Coffee Production by Marketing Year (Oct.-Sept.)**

	MY 2010/11	MY 2011/12	MY 2012/13 estimate		MY 2013/14 forecast
Marketing year begins	Oct. 2010	Oct. 2011	Oct. 2012		Oct. 2013
			Old	New	
Production (green bean, thousand tons)	1,200	1,560	1,450	1,497	1,374
Average coffee yield (tons/ha)	2.18	2.44	2.25	2.32	2.1

Source: Post estimates

**Graph 2: Vietnam's Coffee Plantation Provinces**

**Coffee Plantation Area in Vietnam by 2012**



Source: *MARD and Provincial Department of Agriculture and Rural Development (DARD)*

**Table 2: Vietnam’s Coffee Areas by Province**

Province	Coffee Area in 2012	Revised Coffee Area by 2012	Target Coffee Area by 2020
Daklak	200,161	202,022	170,000
Lam Dong	145,734	145,735	135,000
Dak Nong	116,350	116,350	69,000
Gia Lai	77,627	77,627	73,000
Dong Nai	20,000	20,000	13,000
Binh Phuoc	14,938	14,938	8,000
Kontum	12,158	12,158	12,500
Quang Tri	5,050	5,050	5,000
Son La	6,371	6,371	5,000
Ba Ria Vung Tau	7,071	7,071	5,000
Dien Bien	3,385	3,385	4,500
Others	5,700	5,700	n/a
<b>Total</b>	<b>614,545</b>	<b>616,407</b>	<b>500,000</b>

Source: *MARD, Provincial Departments of Agriculture and Rural Development*

**Graph 3: Vietnam's Coffee Growing Area and Production (Calendar Year)**



Source: General Statistics Office (GSO), MARD, Post Estimates

Currently, climate change has drawn attention from various sectors in Vietnam, especially the coffee sector. Farmers and officials in the coffee sector report that the recent drought, during the first three months of 2013, was not similar to the usual droughts which impact Vietnam every year. These officials have suggested that it could be related to climate change. In recent seasons, farmers have faced many difficulties, including: excessive rains, prolonged dry seasons, and decreasing yield and coffee quality. Due to the changing agronomic dynamics of coffee production, Vicofa proposed that Vietnam should develop new coffee varieties that could be resistant to the changing growing conditions which some attribute to climate change.

Currently, common high yield coffee breeding varieties are provided by the Western Highlands Agriculture and Forestry Science Institute (WASI). GOV is currently implementing a project to develop new high yield coffee breeding varieties with a goal to supply enough coffee breeding trees to replant about 30,000 ha of aged and low yielding coffee trees per year. According to MARD, there are about 140,000-160,000 ha of aged trees needed to be replanted in the next 5-10 years, and about 200,000 ha by 2020.

**Photo 1: WASI's Robusta Coffee Breeding Varieties**



*Source: Post Vietnam*

**Consumption:** Coffee remains a major export engine in the agricultural economy of Vietnam with the value of coffee and coffee product exports reaching close to \$3.4 billion in MY 2011/12. Vietnamese consumers consume about 7 percent of the coffee produced by Vietnam every year. Café culture and retail coffee shops continue to spread in Vietnam. In 2013, a major development in the coffee retail sector was the arrival of Starbucks to the Vietnam market. Starbucks opened their first coffee house in District 1, Ho Chi Minh City in February 2013. Starbucks joins established chains, such as Trung Nguyen, Highlands, Vinacafe, Gloria Jeans, and The Coffee Bean in the Vietnamese market.

Market research and surveys from the local industry suggest total consumption can be broken down into two sub-sectors: roughly two-thirds are roast and ground coffee products and one-third is instant coffee products. Instant coffee consumption continues to fuel overall coffee consumption in Vietnam with brand favorites such as G7 (Trung Nguyen), Vinacafe (Vinacafe Bien Hoa), and Nescafe (Nestle Vietnam) developing strong consumer bases in Vietnam through informal partnerships with independent coffee houses.

Post maintains the MY 2012/13 domestic consumption estimate at 1.83 million bags, or 110 TMT GBE, an increase of about 9.5 percent from the previous MY. Post's initial forecast of MY 2013/14 consumption is 2 million bags, or 120 TMT GBE, up 10 percent from the previous MY. Rebounding economic growth and the ever expanding coffee retail industry will contribute to stronger consumption growth next MY, and in the future.

**Trade:**

**Exports:** According to data from MARD, Vietnam exported 14.5 million bags, or 868 TMT of green coffee in the first seven months of MY 2012/13 (Oct. - Apr.), an increase of 3 percent over the previous MY (See Table 3).

**Table 3: Vietnam's Green Coffee Bean Exports, MY 2010/11 – MY 2012/13**

Month	2010/11	2011/12	2012/13*	% Change MY 2012/13 over MY2011/12
<b>Volume</b>	<b>(TMT)</b>	<b>(TMT)</b>	<b>(TMT)</b>	<b>%</b>
Oct.	67	58	118	103%
Nov.	77	79	112	42%
Dec.	93	124	125	1%
Jan.	129	121	163	35%
Feb.	84	168	104	-38%
Mar.	137	161	142	-12%
April	145	132	104	-21%
<b>Sub-Total</b>	<b>732</b>	<b>843</b>	<b>868</b>	<b>3%</b>
May	104	160		
June	81	121		
July	78	115		
Aug.	81	106		
Sept.	53	91		
<b>Grand Total</b>	<b>1,129</b>	<b>1,436</b>		

Source: *MARD*

In the first six months of MY 2012/13, Vietnam exported coffee beans to 67 countries worldwide. The top fourteen markets accounted for about 80 percent of total green coffee bean exports. The United States is the largest importer of Vietnamese green coffee beans, and Germany is second (see Table 4 & Table 11). Vietnam's coffee bean exports to Belgium, Spain, France, Italy, and India grew significantly in the first half of MY 2012/13 compared with the same period of the previous marketing year (see Table 4).



**Table 4: Key Markets for Green Coffee Exports in the 1st half of MY2010/11-MY2012/13**

	Country	2010/11 (Oct. 2010- Mar.2011)	2011/12 (Oct.2011- Mar.2012)	2012/13 (Oct.2012- Mar.2013)	% Change MY 2012/13 over MY 2011/12
		(TMT)	(TMT)	(TMT)	%
1	United States	92	95	112	18%
2	Germany	70	113	103	-9%
3	Spain	43	37	71	92%
4	Belgium	76	25	64	156%
5	Italy	65	45	61	36%
6	Ecuador	13	26	28	8%
7	Japan	19	33	28	-15%
8	Russia	12	17	25	47%
9	Algeria	15	21	24	14%
10	France	12	14	22	57%
11	United Kingdom	15	18	20	11%
12	India	9	16	20	25%
13	South Korea	18	15	18	20%
14	China	14	15	17	13%
15	Others	114	221	151	-32%
<b>Grand Total</b>		<b>587</b>	<b>711</b>	<b>764</b>	<b>7.5%</b>

Source: *MARD*

The export pace through the first seven months of MY 2012/13, highlighted in Table 3, was very strong (actually outpacing exports in the same period of the previous MY). For this reason, Post is revising the MY2012/13 total green coffee export estimate upwards to 23.2 million bags, or 1.39 TMT, 3 percent less than the previous MY. Post's initial MY 2013/14 total green coffee export estimate is 20.7 million bags, or 1.24 MMT, a year-on-year drop of about 11 percent. The production decline is attributed to the early season drought will which translate into lower exportable supplies during the next MY.

According to official data from Vietnam's General Customs Office (GCO), in first seven months of MY 2012/13, Vietnam exported about 16.4 million bags, or 982 TMT GBE, of all types of coffee products, including green bean coffee, roast and ground coffee, and instant coffee, valued at \$2.1 billion. This is an increase of 2 percent in volume and about 4 percent in value over MY 2011/12 (see Table 5).

**Table 5: Vietnam's Coffee Product Exports (all forms of coffee), MY 2010/11-MY 2012/13**

Month	2010/11 (Begin: Oct. 2010)		2011/12 (Begin: Oct. 2011)		2012/13 (Begin: Oct. 2012)		% Change MY 2012/13 over MY 2011/12	
	Volume (TMT)	Value (\$ million)	Volume (TMT)	Value (\$ million)	Volume (TMT)	Value (\$ million)	Volume	Value
Oct.	58	98	32	73	103	230	222%	215%
Nov.	77	134	71	149	128	262	80%	76%
Dec.	164	292	157	325	163	330	3.8%	1.5%
Jan.	215	414	118	241	219	455	86%	89%
Feb.	144	303	206	428	100	219	-51%	-49%
Mar.	215	487	210	440	158	354	-25%	-20%
April	129	308	169	356	111	243	-34%	-32%
<b>Sub-total</b>	<b>1,002</b>	<b>2,036</b>	<b>963</b>	<b>2,012</b>	<b>982</b>	<b>2,093</b>	<b>2%</b>	<b>4%</b>
May	98	238	205	435				
June	69	162	141	304				
July	58	135	117	256				
Aug.	42	95	103	230				
Sep.	28	64	71	160				
<b>Grand Total</b>	<b>1,297</b>	<b>2,730</b>	<b>1,600</b>	<b>3,397</b>				

Source: GCO, General Statistics Office (GSO)

Vietnam's processed coffee products, roasted and ground, and instant coffee exports have been increasing in recent years. According to trade data from GCO, in the first five months of MY2012/13, Vietnam's exported about 482 thousand bags, or 29 TMT GBE, of roast and ground, and instant coffee products, valued at \$86 million. Global Trade Atlas (GTA) data showed Vietnam's roast and ground coffee exports in the first half of MY2012/13 at about 61 thousand bags GBE. GTA reports data from countries that import coffee products from Vietnam and does not reflect an exact amount of processed coffee product exports from Vietnam. The MY2012/13 processed coffee product exports (including roast and ground, and instant coffee) are estimated at about 610 thousand bags, or 37 TMT GBE, a 22 percent increase over the previous MY, according to the trade to date and prospects for future sales. Note that the figures in Table 5 reflect the total volume of the coffee product exports which includes other ingredients, including creamer and sugar.

The total coffee export pace through the first seven months of MY 2012/13, highlighted in Table 5 was very strong (actually outpaced exports in the previous MY). For this reason, Post is revising the MY2012/13 total coffee export estimate upwards to 23.8 million bags, or 1.43 MMT GBE.

Vietnam exports to the United States totaled \$583 million in MY2011/12, and will likely reach a new record in MY2012/13 due to strong sales in the first five months of the MY. In volume terms, all coffee product exports are on pace to reach record levels in MY2012/13.

**Table 6: U.S. all types coffee product imports from Vietnam**

Product	MY 2010/2011 (Oct.10 – Sept. 11)		MY 2011/2012 (Oct.11 – Sept. 12)		MY 2012/2013 (Oct.12 – Feb.13)	
	Value ('000 \$)	Qty (MT)	Value ('000 \$)	Qty (MT)	Value ('000 \$)	Qty (MT)
Coffee, Not Roasted (HS code 090111)	443,934	194,736	536,293	230,033	209,075	97,887
Coffee, Not roasted Def (HS code 090112)	25,525	8,454	31,275	9,098	18,213	5,835
Coffee, Roasted (HS code-090121)	3,338	894	4,187	1,274	2,411	703
Coffee, Roasted, Def (HS code 090122)	5,387	1,694	4,610	1,566	1,530	467
Coffee Husks and skins (HS code 090190)	11	2.2	17	3.7	0	0
Coffee Extracts, Instant coffee (HS code 210111)	1,850	345	2,325	356	2,639	387
Coffee Extracts and Preparations (HS code 210112)	4,949	1,634	3,767	1,207	2,671	720

Source: Department of Commerce, U.S. Census Bureau, Foreign Trade Statistics

**Imports:** Vietnam continues to import small, but growing, quantities of green coffee, as well as roasted and instant coffee, from neighboring countries.

According to data from Vicofa, GCO, and GTA, total green coffee imports for first half of MY2012/13 were about 179 thousand bags, or 10.7 TMT, a 90 percent increase over the same period of the previous MY. Imports are mainly from Laos, Indonesia, China, Uganda, Cote d'Ivoire, and Brazil (see Table 12). Post is revising the estimate of green bean imports in MY 2012/13 to 300 thousand bags, or 18 TMT, due to import pace to date.

According to the GCO, in the first five months of MY2012/13, Vietnam imported 5 thousand bags, or 274 MT GBE, of processed coffee products including roast and ground coffee, and instant coffee, valued at about \$686,000. However, GTA's data shows Vietnam's roast and ground coffee imports at 9.5 thousand bags, or 570 MT GBE, and soluble coffee imports at 254 thousand bags, or 15 TMT GBE in the first six months of MY2012/13. Post is revising its estimates of both roast and ground coffee, and soluble coffee imports for MY2012/13 upward to 15 thousand bags, or 900 MT GBE and 160 thousand bags, or 9.6 TMT GBE, respectively.

Post's initial MY 2013/14 forecast for total coffee imports is 402 thousand bags GBE, down from MY 2012/13.

## PRICES

**Export prices:** The average export price of Vietnam's robusta coffee in the first seven months of MY 2012/13 was \$1,952/MT (FOB HCMC), a 1.8 percent increase over the same period of the previous MY (\$1,918/MT) (see Table 7, Graph 4). Export prices have remained almost unchanged over the last three

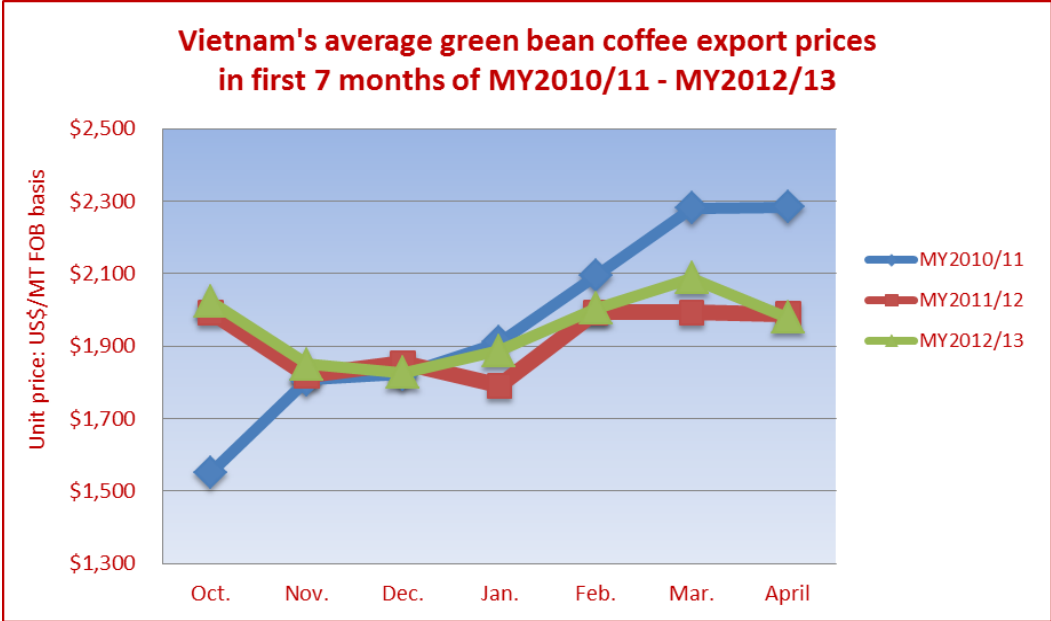
MYs. Average export prices in April 2013 dropped 5 percent from the previous month (\$2,088 in March 2013), as precipitation began to accumulate in the Central Highlands and the estimated severity of drought decreased. Strong export prices continue to provide a strong incentive for farmers to expand coffee area.

**Table 7: Average Export Prices for Green Coffee, MY 2010/11-MY 2012/13**

FOB (HCMC) price for common ungraded coffee beans (US\$/MT)	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	Average export price for 7 months
MY 2010/11	\$1,625	\$1,806	\$1,821	\$1,910	\$2,093	\$2,281	\$2,328	<b>\$1,981</b>
MY 2011/12	\$1,993	\$1,818	\$1,853	\$1,790	\$1,923	\$1,992	\$1,988	<b>\$1,918</b>
MY 2012/13	\$2,022	\$1,849	\$1,827	\$1,887	\$2,003	\$2,088	\$1,985	<b>\$1,952</b>
% change MY2012/13 over MY2011/12	1.5%	1.7%	-1.4%	5.4%	4.2%	4.8%	-.02%	<b>1.8%</b>

Source: Dak Lak Trade, Investment & Tourism Promotion Center (Daktip); Vicofa, BCEC and Local Exporters

**Graph 4: Average Export Prices for Green Coffee, MY2011/12 – MY 2012/13**



Source: Daktip, Vicofa, BCEC, and Local Exporters

**Domestic prices:** Vietnam’s average domestic coffee price for Robusta common ungraded coffee beans in the first seven months of MY2012/13 was VND 40,692/kg (\$1.95) in Dak Lak province, the largest coffee growing area in Vietnam. This is an increase of 3.7 percent over the same period the previous MY (VND 39,242 or \$1.88) (see Table 8, Table 9).

Vietnam's average domestic coffee price for Robusta common ungraded coffee beans in the first seven months of MY2012/13 in the other major coffee growing provinces Lam Dong, Gia Lai and Dak Nong track relatively close to the prices in Dak Lak Province (see Table 8).

In March 2013, prices spiked in all four major growing provinces as the specter of the drought in the Central Highlands took hold. Prices reached VND 44,000-VND45,000/kg before falling off in late March and April as rainfall increased.

**Table 8: MY2012/13 Average Price for Robusta Beans in Major Coffee Growing Provinces**

Common coffee beans (VND/kg)	Oct. 2012	Nov. 2012	Dec. 2012	Jan. 2013	Feb. 2013	Mar. 2013	Apr. 2013	Average price for 7 months of MY 2012/13
Dak Lak	41,246	38,190	38,057	39,236	40,920	44,191	43,005	40,692
Lam Dong	41,085	38,010	37,929	39,027	40,720	43,991	42,732	40,499
Gia Lai	41,165	38,090	37,952	39,182	40,820	44,091	42,859	40,594
Dak Nong	41,177	38,090	37,967	39,182	40,820	42,050	42,873	40,308

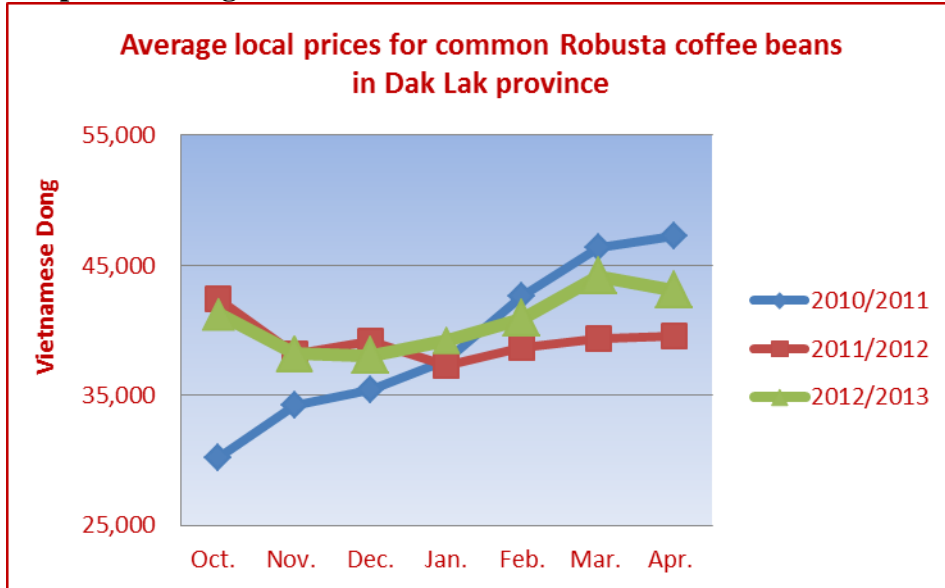
Source: Local Exporters; Average Interbank exchange rate: US\$1 = VND 20,828 as of May 15, 2013 (Source: State Bank of Vietnam)

**Table 9: Average Prices for Robusta Beans in Dak Lak Province (MY 2010/11-MY2012/13)**

Month	Common Coffee Bean			
	MY 2010/11 (VND)	MY 2011/12 (VND)	MY 2012/2013 (VND)	Changes MY2012/13 over MY2011/12 (%)
October	30,210	42,355	41,246	-2.6%
November	34,190	38,214	38,190	-0.06%
December	35,390	39,200	38,057	-2.9%
January	37,730	37,342	39,236	5.1%
February	42,630	38,669	40,920	5.8%
March	46,410	39,370	44,191	12.3%
April	47,220	39,543	43,005	8.8%
<b>Average price for 7 months</b>	<b>39,111</b>	<b>39,242</b>	<b>40,692</b>	<b>3.7%</b>
May	49,960	41,577		
June	49,730	42,043		
July	48,370	42,936		
August	48,470	42,243		
September	46,230	42,059		

Source: Daktip, Vicofa, BCEC, and Local Exporters

**Graph 5: Average Prices for Common Robusta Beans in Dak Lak Province**



Source: Daktip, Vicofa, BCEC, and Local Exporters

**Stocks:** Although there is no official data for coffee stocks available, according to local growers and exporters, as of the end of April 2013, the stocks are estimated at about 28-30 percent of total coffee production (about 400- 430 TMT of coffee beans) with the majority of stocks held by traders and processors. Farmers and collectors are holding smaller stocks after selling most of their supply to take advantage of relatively high prices.

Post’s estimate for MY 2012/13 coffee carry-in stocks is revised upward to 1,031 thousand bags, or about 61 TMT GBE. Post’s initial forecast of MY 2013/14 carry-in stocks is 821 thousand bags, or about 49 TMT GBE, as lower exportable supplies and relatively competitive coffee bean prices will draw down stocks in Vietnam.

**Policy:**

**GOV is going to establish a Vietnam Coordinating Coffee Board**

Vietnam continues to face a number of issues in the coffee sector. To confront these issues and provide overall leadership to the sector, the Minister of Agriculture and Rural Development has agreed in principle to form the Vietnam Coordinating Coffee Board. The Coordinating Coffee Board’s members will consist of all segments of the industry and will have the main functions of (i) coordinating coffee production, processing and trade programs; (ii) studying and recommending sector policy and strategy; (iii) supporting the organizational restructuring of the sector; (iv) representing MARD in the International Coffee Organization (ICO), and etc. The Board plans to be officially established by middle of this year.

**GOV restricts foreign firms’ ability to buy coffee directly from farmers**

On April 22, 2013, the Ministry of Industry and Trade published Circular 08/2013/TT-BCT, which bans foreign firms not already granted export licenses from purchasing coffee directly from farmers, or

establishing collecting station networks, for export. The Circular enters into force on June 7, 2013. Provision 4, Article 3 of the Circular specifies that foreign companies already granted export licenses are only allowed to directly purchase commodities from Vietnamese traders who have a registered business or import and distribution licenses for export of specific products, including coffee.

## **INDUSTRY ACTIVITIES**

### **Starbucks opened its first café in Vietnam**

In February 2013, Starbucks, the U.S. Seattle-based coffee company, opened its first café in Ho Chi Minh City, as a part of its strategy to expand across Asia, and plans to add more cafés throughout the country.

### **Ngon Coffee Ltd launched instant coffee processing plant in Dak Lak Province**

On April 28, 2013, Ngon Coffee Ltd. Co., 100 percent Indian-invested company, launched the operation of instant coffee processing plant in Cu Kuin District, Dak Lak. The plant has a total annual capacity of 10 TMT of coffee products, which are mainly for export.

### **Vinacafe continues its replanting program**

Vinacafe is the state owned enterprise under MARD and currently manages 59 state owned enterprises, including 40 state farms with 27,000 ha coffee plantations. Vinacafe has replanted about 1,400 ha old age and low yield coffee trees, of which 500ha in Dak Lak province; 500 ha in Gia Lai province; 100 ha in Kontum province; 300 ha in Dak Nong province. Vinacafe's enterprises are currently being liberalized and privatized.

### **Sustainable coffee production attracts more farmers and trading companies**

Certified/verified coffee production standards for quality and sustainability, including UTZ certified, the Common Code for the Coffee Community (4C) Association, and Rainforest Alliance, continue to gain favor with farmers and traders in Vietnam. According to the representative of 4C Association in Vietnam, as of March 2013, there are 57 4C units that were issued the license by 4C Association with totaling of 124,152 ha, which produced 438,014 MT of certified coffee beans from 73,815 farmers. Dak Lak and Lam Dong provinces are accounting for the majority of certified coffee production in Vietnam.

Recently, Nedcoffee, the Amsterdam-based trading group, has been strongly committed to developing a sustainable coffee sector. The group currently sources about 10 percent of coffee certified/verified as sustainable under standard setting labels of 4C, UTZ, and Rainforest Alliance. In May 2013, Nedcoffee Vietnam entered into an agreement with IDH and Solidaridad to implement a 4C sustainable coffee production scheme for 3,000 coffee farmers in the Central Highlands from 2013 to 2016. This project builds on existing experience of Nedcoffee with 4C verification in Dak Nong.

Additionally, Mondelēz International will join the agricultural sustainability drive in Vietnam and implement “Coffee Made Happy” – the sustainability initiative of the company. This program will invest a minimum of \$200 million to empower one million coffee-farming entrepreneurs by 2020 in coffee producing countries such as Vietnam, Brazil, Peru, and others. Together with existing partners like the Rainforest Alliance and the 4C Association, it will improve the livelihoods of coffee farmers and their families and attract new generations to the small-scale farming sector.



### **Trung Nguyen introduces G7 Gu Manh X2 into the local market**

On April 24, 2013, Trung Nguyen Coffee Corporation launched its new instant coffee product into market, G7 Gu Manh X2. G7 is the best-selling brand name of Trung Nguyen Coffee Company in local market and has been exported to about 60 countries over the world, including the United States, ASEAN, Germany and Japan markets. According to Trung Nguyen, on the occasion of 17<sup>th</sup> birthday of the corporation, Trung Nguyen will introduce new coffee products, responding to local consumers' needs. At present, Trung Nguyen Coffee Corporation runs 4 processing plants in Ho Chi Minh City, Dak Lak, Bac Giang and Binh Duong with total capacity of 50,000 MT per year for instant coffee and 40,000 MT per year for roast and ground coffee. Approximately 30 percent of the total instant coffee production and 12 percent of the total roast and ground coffee production are for exports. The United States and China are biggest export markets for Trung Nguyen.

### **Photo 2: New coffee product of Trung Nguyen Coffee Corporation**



*Photo: Trung Nguyen Corporation*

### **Vicofa and Dak Lak governments continue to support sustainable coffee production**

According to Dak Lak Department of Agriculture and Rural Development, in 2012 Dak Lak's total coffee cultivated area is estimated at 202,022 ha, accounting for 33 percent of the total coffee plantation area, an increase of 11 percent from 2009 levels, with total production of about 488 TMT of coffee beans. Dak Lak's provincial government's sustainable target is to maintain only 150,000 ha producing about 400 TMT of coffee beans, annually, by 2015. Many coffee trading companies located in the province are participating in the sustainable production program, such as Phuoc An, Thang Loi, Simexco, Trung Nguyen, Dak Man, Nedcoffee Vietnam etc. Total certified coffee production in the province was at 51 TMT of UTZ certified and verified coffee beans on 16,850 ha, and 192 TMT of 4C verified coffee beans on 52,223 ha. It is the hope of the government that these sustainability programs will result in a contraction of coffee area in Dak Lak.

In 2012, in cooperation with WASI and Vicofa, the Dak Lak Province provided 1,600 kg coffee seeds and 75,400 coffee seedlings for replanting about 2,000 ha of coffee area in the province. In 2013, Vicofa and the Dak Lak Province will provide about 1,650kg of coffee seeds to farmers for the replanting program.

### **Coffee Production in Lam Dong province**



According to Lam Dong Department of Agriculture and Rural Development, coffee cultivated area is estimated at 145,735 ha, accounting for 24 percent of the total coffee area in the country. In 2012, total coffee production was estimated at 376 TMT, an increase of 5.6 percent over the previous year. As of March 2013, about 20,000 ha of over 50,000 ha of aging and low yielding coffee area have been replanted. There is demand for about 15 million seedlings and 43 million coffee shoots in Lam Dong in the period of 2012-2015. In Lam Dong, there are 80 nurseries producing approximately 5 million coffee seedlings per year (photo 3,4). One of the effective solutions devised in Lam Dong for environmental improvement, climate change-adaptable solutions, and increasing income for coffee producers, is to plant shading trees in coffee fields such as Thien Ngan trees (photos 5,6). In Lam Dong province, there are about 40,092 ha of coffee area are certified by 4C and Utz with total certified volume of 145,140 MT of coffee beans.

**Photos 3,4: High yield coffee seedlings**



**Photos 5,6: Shading trees in coffee fields in Lam Dong Province**



*Source: Lam Dong Department of Agriculture and Rural Development*

**Statistical Tables:  
Production, Supply and Demand Data Statistics:  
Table 10: Vietnam’s Coffee Production, Supply and Demand (PSD)**

Coffee, Green Vietnam	2011/2012	2012/2013	2013/2014
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	Market Year Begin: Oct 2011		Market Year Begin: Oct 2012		Market Year Begin: Oct 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	n/a	n/a	n/a	n/a		n/a
Area Harvested	n/a	n/a	n/a	n/a		n/a
Bearing Trees	n/a	n/a	n/a	n/a		n/a
Non-Bearing Trees	n/a	n/a	n/a	n/a		n/a
Total Tree Population	n/a	n/a	n/a	n/a		n/a
Beginning Stocks	800	800	950	1,031		821
Arabica Production	800	800	850	850		750
Robusta Production	25,200	25,200	24,150	24,100		22,150
Other Production	0	0	0	0		0
Total Production	26,000	26,000	25,000	24,950		22,900
Bean Imports	120	120	150	300		250
Roast & Ground Imports	0	19	0	15		12
Soluble Imports	100	241	50	160		140
Total Imports	220	380	200	475		402
Total Supply	27,020	27,180	26,150	26,456		24,123
Bean Exports	23,950	23,950	22,000	23,200		20,650
Rst-Grnd Exp.	95	90	100	110		130
Soluble Exports	360	442	400	500		525
Total Exports	24,405	24,482	22,500	23,810		21,305
Rst,Ground Dom. Consum	1,480	1,482	1,625	1,625		1,788
Soluble Dom. Cons.	185	185	200	200		220
Domestic Use	1,665	1,667	1,825	1,825		2,008
Ending Stocks	950	1,031	1,825	821		810
Total Distribution	27,020	27,180	26,150	26,456		24,123
Exportable Production	24,335	24,333	23,175	23,125		20,892

Source: USDA/FAS

**Table 11: Vietnam's Coffee Export Trade Matrix for MY2011/12-MY2012/13 (Oct.-Mar.)**

<b>Country</b>	Vietnam		
<b>Commodity</b>	Coffee, Green		
<b>Time Period</b>	Oct.- Mar.	<b>Units:</b>	MT
<b>Exports for:</b>	<b>2012</b>		<b>2013*</b>

U.S.	95,012	U.S.	111,599
<b>Others</b>		<b>Others</b>	
Germany	112,847	Germany	102,879
Italy	45,380	Spain	70,559
Spain	36,552	Belgium	64,392
Indonesia	34,029	Italy	60,592
Japan	33,021	Ecuador	28,071
Algeria	20,703	Japan	27,521
Mexico	18,074	Russia	25,122
United Kingdom	17,893	Algeria	23,705
Switzerland	17,060	France	21,979
Russian Federation	16,996	United Kingdom	19,755
		India	19,620
		South Korea	17,929
		China	17,056
<b>Total for Others</b>	<b>352,555</b>		<b>499,181</b>
Others not Listed	263,433		152,890
<b>Grand Total</b>	<b>711,000</b>		<b>763,670</b>

Sources: Vicofa, GCO, GTA, \*MARD

**Table 12: Green Coffee Import Trade Matrix for MY2011/12-MY2012/13 (Oct.-Mar.)**

Country	Vietnam		
Commodity	Coffee, Green		
Time Period	Oct.-Mar.	Units:	MT
Imports for:	2012		2013*
U.S.	190	U.S.	0
<b>Others</b>		<b>Others</b>	
Thailand	1,741	Laos	4,170
Cote d'Ivoire (Ivory Coast)	1,238	Indonesia	2,818
Laos	979	China	1,920
Uganda	669	Cote d'Ivoire (Ivory Coast)	805
Indonesia	307	Uganda	514
		Brazil	96
<b>Total for Others</b>	<b>5,336</b>		<b>10,323</b>
Others not Listed	544		462
<b>Grand Total</b>	<b>5,668</b>		<b>10,785</b>

Sources: Vicofa; GCO; GTA