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## **Vietnam**

## **Coffee Annual**

## **2012 Coffee Annual**

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**Report Highlights:**

Post estimates that coffee production in marketing year (MY) 2011/2012 will reach 21 million 60 kg-bags, or 1.26 million metric tons (MMT) of coffee beans, about an 8 percent increase over the previous year due to high yields, thanks to favorable weather in major growing areas and improved investment in production. Vietnam's coffee production for MY 2012/2013 is forecasted at 22.45 million 60 kg-bags or 1.35 MMT of coffee beans, about a 7 percent increase over the previous year due to high yields and improved investment in production. Current prices may motivate coffee growers and local traders to export most of their beans in next three months; therefore, Post expects that carry-in stock levels for MY 2012/2013 will be only about 510 thousand 60 kg-bags, or 30.6 thousand metric tons (TMT) of green bean equivalent (GBE).

**Executive Summary:**

Vietnam's coffee growing area has continued to expand despite the Government of Vietnam's (GOV) efforts to maintain it at 500 thousand hectares (ha), as good coffee prices motivate farmers and coffee growers to increase the area used. According to the GOV General Statistics Office (GSO) production area has increased 12 percent over the last 5 years to 571 thousand ha. Post has revised a production increase to 21 million 60 kilogram (kg)-bags (equivalent to 1.26 million metric tons [MMT]) due to favorable weather in the blooming and cherry development period of the coffee trees in this crop year in the major coffee growing areas in Vietnam. Post forecasts that higher yields due to good weather and better production practices will offset the drop in production from older trees and newly replaced but not yet productive areas. Vietnam's coffee production for MY 2012/2013 is forecasted at 22.45 million 60 kg-bags or 1.35 MMT of coffee beans, about 7 percent increase over the previous year due to high yields and improved investment in production.

Vietnam's green coffee bean exports for the first half of MY 2011/2012 increased by 18 percent in volume and 27 percent in value and reached records in both volume and value over the past three years thanks to high prices. Post's estimate for green coffee bean exports remains the same at 19,000 60 kg-bags (equivalent to 1.1 MMT) for MY 2011/2012.

GOV is developing policies and programs that encourage sustainable development of the agricultural production sector in general and the coffee sector in particular. GOV has selected the Public-Private Partnership (PPP) model as one of the key solutions for implementing sustainable agricultural development. Vietnam's coffee sector has been engaged in sustainable production also. Certified sustainable coffee production has been increasing among Vietnamese coffee producers, farmers, and traders.

**Commodities:**

Coffee, Green

**Production:**

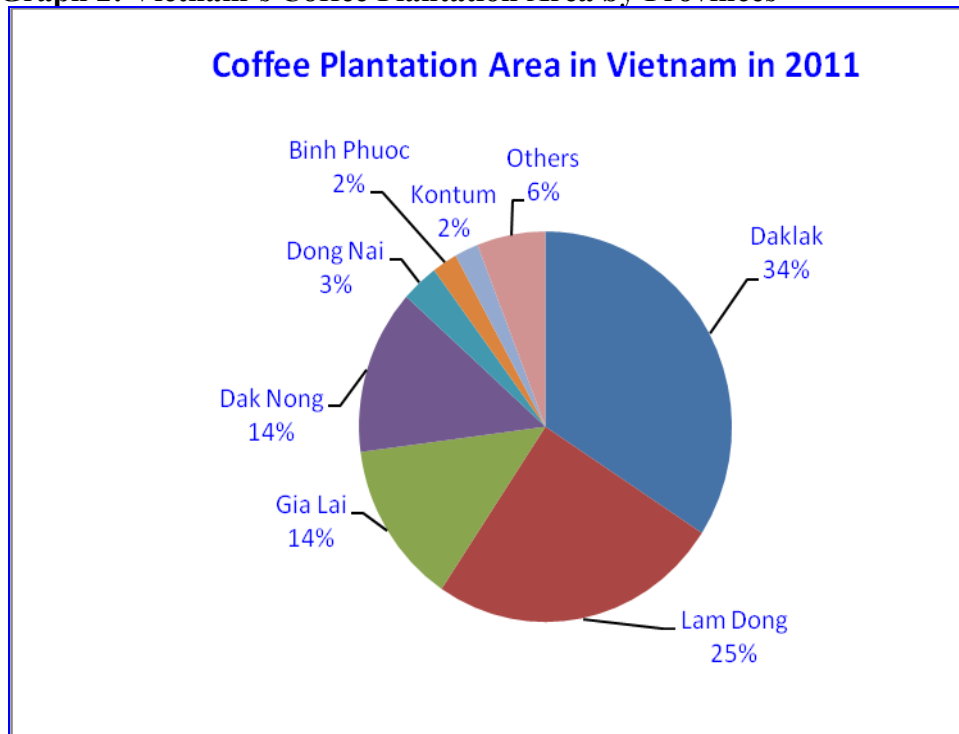
Despite the GOV's efforts to maintain the coffee growing area at 500 thousand ha, the area has continued to expand due to good coffee prices. The coffee growing area increased about 12 percent over the past five years from 509 thousand ha in 2007 to about 571 thousand ha in 2011 (see Graph 1; Graph 2). The coffee growing area statistic is from the GOV GSO and the Ministry of Agriculture and Rural Development (MARD), and has been revised upward from Post's previous report [VM1079](#). About 7 percent of the total area (estimated 40,000 ha) is Arabica coffee area. Post sees that current prices for coffee have given coffee growers the incentives to invest more in their fields, either by improving inputs, replacing old tree areas, or planting new areas.

**Graph 1: Vietnam's Coffee Growing Area and Production (calendar year)**



Source: General Statistics Office (GSO) and MARD

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



Source: MARD

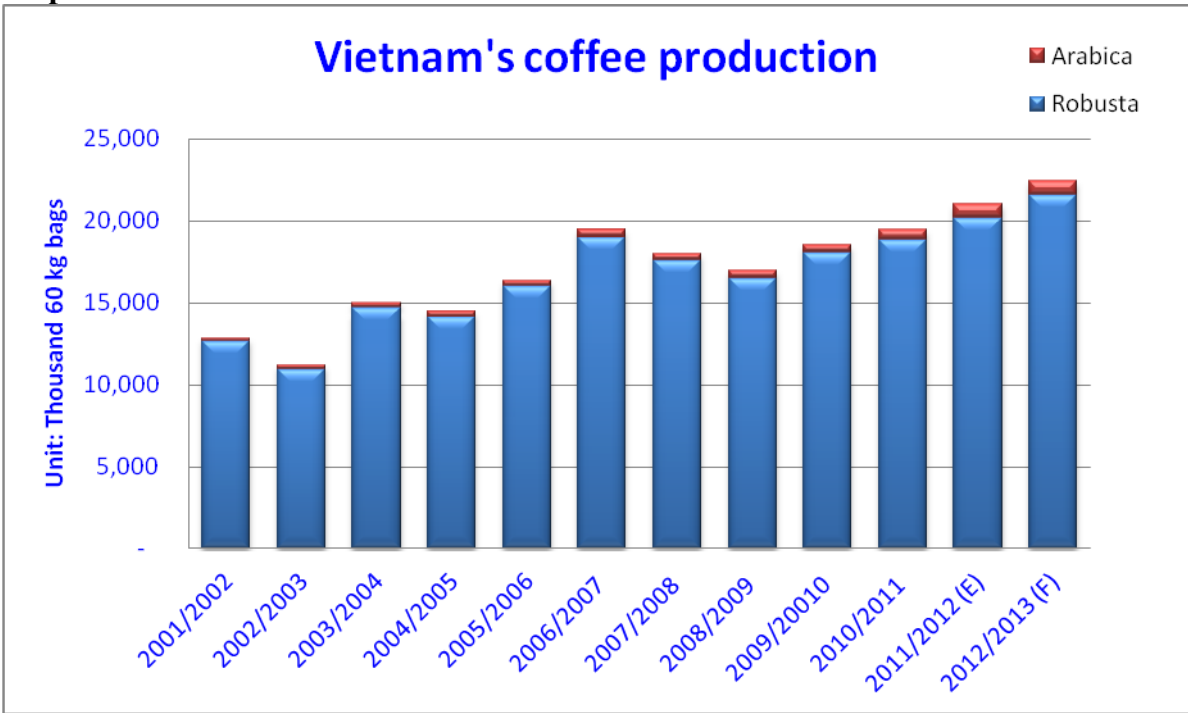
According to local growers and traders, favorable weather in the crop year 2011/2012 starting in October 2011, especially early rains in February and March 2012, have helped coffee growers save on

the cost of irrigation during the coffee trees' blossom period. Coffee fields in major coffee growing areas show good signs of cherry development so far. Yields should be good if the weather in June and July remains favorable.

Post estimates a production increase for marketing year (MY) 2011/2012 to 21 million 60 kilogram (kg)-bags (equivalent to 1.26 million metric tons [MMT]). This is about an 8 percent increase over the previous marketing year, due to favorable weather in Vietnam's main coffee growing areas and additional output from young coffee trees in new and replanted production areas.

Local coffee growers estimate that Arabica production will likely be about 800 thousand 60 kg-bags, or about 48 TMT in MY 2011/2012. Production is centered in the provinces of Lam Dong, Son La, and Quang Tri. Although Arabica coffee production has been increasing in recent years due to the expansion in growing area and yield improvement, it still accounts for only 4 percent of the total coffee production in Vietnam (see Graph 3). Post does not expect Arabica production to surpass the 5 percent threshold in the next three years.

**Graph 3: Vietnam's Coffee Production**



Source: USDA, Post estimates

Post forecasts for MY 2012/2013 coffee production is 22.45 million 60 kg-bags or 1.35 MMT, about a 7 percent increase over MY 2011/2012. Recent favorable weather conditions and the current market price for coffee beans have supported farmer's incomes and given them a confidence to make greater investments in their next crop. In recent years, coffee growers have gradually improved the precision of field irrigation and fertilizer application enhancing yields.

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

	2010/2011	2011/2012	2012/2013
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			estimate		forecast
Marketing year begins	10/2010	10/2010	10/2011	10/2011	10/2012
	Old	New	Old	New	
Production (green bean, thousand tons)	1,126	1,168	1,236	1,260	1,347
Average coffee yield (tons/ha)	2.1	2.12	2.2	2.21	2.3

*Source: Post estimates*

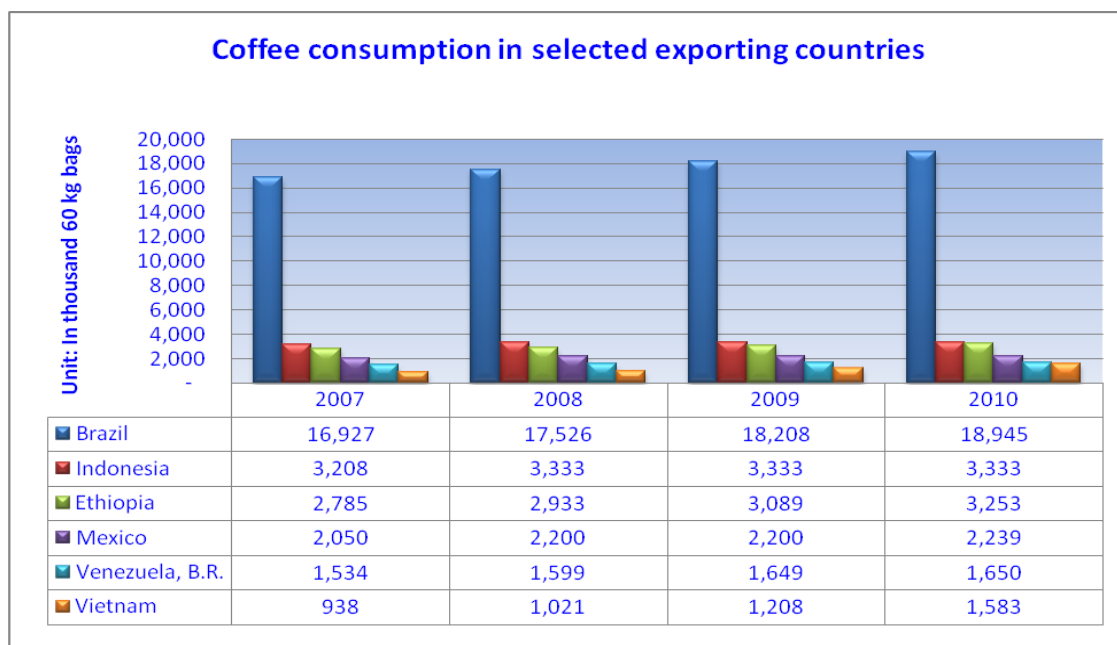
Exporters and local coffee experts hope that the old and low yield coffee tree areas will be replaced in the near future. According to the Vietnam Coffee & Cocoa Association (Vicofa), in Vietnam's Central Highlands, about 137,000 ha of old and low-quality coffee trees need to be replaced over the next five years. These older trees represent about 25 percent of the total current production area. GOV hopes that current prices and increased farm income levels will encourage investment in replacing old trees areas. There are no official data for replacing old tree areas in Vietnam so far. Replacing old trees could temporarily reduce production by up to 15 percent. On the other hand, favorable weather, improved inputs, better irrigation and fertilizer application practices, and more productive coffee areas could increase production up to 22-25 percent. Post predicts that the increase will offset the drop in production from new and replanting areas and will make the overall increase in total production in MY 2012/2013 about 7 percent.

Vietnam's coffee sector is becoming more engaged in sustainable production. GOV is developing policies and programs that encourage sustainable development of the agricultural production sector in general and the coffee sector in particular. GOV has selected the Public-Private Partnership (PPP) model as one of the key solutions for implementing sustainable agricultural development. Vietnam certified sustainable coffee production has been increasing among coffee producers, farmers, and traders. This includes certification programs such as UTZ Certified, 4C Association, and Rainforest Alliance. According to statistics provided by the Nedcoffee Vietnam Company, Vietnam's total certified coffee production of all programs reached about 115 thousand MT of coffee beans in 2011. Post believes that the certified coffee production output will continue to increase in the next few years.

### **Consumption:**

According to local coffee producers, Vietnam's domestic consumption has grown significantly in recent years. Vietnam's current per capita coffee consumption, while increasing, is only about 1.15 kg/person, still considerably lower than other producing and importing countries such as Brazil's 5.8 kg/person, Honduras's 3.6 kg/person, Canada's 5.9 kg/person and the United States' 4 kg/person. Post increases its estimate for domestic consumption in MY 2011/2012 to 1.67 million 60 kg-bags, or 100 thousand metric tons (TMT) green bean equivalent (GBE), a level equal to about 8 percent of total production.

### **Graph 4: Coffee consumption in selected exporting countries (Calendar Year 2007-2010)**



Source: *International Coffee Organization*

Domestic marketers have been continuing to court domestic consumers by selling a wide range of roasted, ground, and instant coffee products in wholesale supermarkets, retail supermarkets, and convenience shops (Photos 1 & 2). Stylish coffee chains have opened all over the country; popular cafes include Trung Nguyen Café, Highlands Coffee, Lee's Coffee, and Gloria Jean's. Many bookstore cafes and internet cafes are opening in new urban areas and in big cities which have become more popular with young people (18-25 years old) and businesspeople alike. Young consumers in both urban and rural areas are the fastest growing market segment for coffee consumption away from home. In addition, coffee consumption at home continues to increase.

Vietnam's annual average population growth rate of about 1 percent per year (equal to about one million people) also contributes to the continuous increase in domestic coffee consumption. Post projects the domestic consumption for MY 2012/2013 to increase by 10 percent to 1.83 million 60 kg-bags, or 110 TMT-GBE. However, no official data exists for Vietnam's domestic coffee consumption, and no reasonable surveys or market research are available.

**Photos 1 & 2: Instant coffee products available in supermarkets in Hanoi**





Source: FAS Vietnam

## Trade:

### Exports:

According to trade data from the General Customs Office, Vietnam exported 11.85 million 60 kg-bags or 711 TMT-GBE in the first six months of MY 2011/2012 (Oct.– Mar.), an 18 percent increase over the same period of MY 2010/2011 (see Table 2). The export value in the first half of the MY 2011/2012 reached a record of \$1.5 billion, an increase of 27 percent over the same period of the previous marketing year thanks to near record global prices.

**Table 2: Vietnam's Green Coffee Exports, MY 2009/2010 – MY 2011/2012**

Month	2009/2010		2010/2011*		2011/2012*		% Change MY 2011/2012 over MY 2010/2011	
	Volume (TMT)	Value (\$ million)	Volume (TMT)	Value (\$ million)	Volume (TMT)	Value (\$ million)	Volume	Value
Oct.	52	74	49	85	25	57	-49%	-33%
Nov.	70	100	62	109	64	138	3%	27%
Dec.	114	160	113	203	148	308	31%	52%
Jan.	112	158	136	267	102	206	-25%	-23%
Feb.	64	92	94	197	185	378	97%	92%
Mar.	104	142	147	333	187	427	27%	28%
<b>Sub- total</b>	<b>516</b>	<b>726</b>	<b>601</b>	<b>1,194</b>	<b>711</b>	<b>1,514</b>	<b>18%</b>	<b>27%</b>
April	102	137	100	240				
May	78	111	77	188				
June	79	114	53	124				
July	81	124	40	95				
Aug.	69	110	31	71				
Sept.	65	106	18	41				

<b>Grand Total</b>	<b>990</b>	<b>1,428</b>	<b>920</b>	<b>1,953</b>				
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Source: Global Trade Atlas; \*Vicofa and General Customs Office

In the first six months of MY 2011/2012, Vietnam exported coffee beans to 78 countries worldwide. The top fourteen markets accounted for about 71 percent of total Vietnamese coffee bean exports. Germany is the largest importer of Vietnamese green coffee beans, and the United States is second (see Table 3 & Table 4). Vietnam's coffee bean exports to Indonesia, Japan, Algeria, Mexico, United Kingdom, and the Philippines grew significantly in the first half of MY 2011/2012 compared with the same period of the previous marketing year (see Table 3).

**Table 3: Key Markets for Vietnamese Green Coffee Exports in the first half of MY 2009/2010 and MY 2011/2012**

Rank	Export Destinations	MY 2009/2010 (Oct.2009-Mar.2010)		MY 2010/2011 (Oct.2010-Mar.2011)		MY 2011/2012 (Oct.2011-Mar.2012)		% Change MY 2011/2012 over MY 2010/2011	
		Vol. (TMT)	Value (\$000)	Vol. (TMT)	Value (\$000)	Vol. (TMT)	Value (\$000)	Vol. (TMT)	Value (\$000)
1	Germany	81	116,008	74	151,440	113	231,383	53%	53%
2	United States of America	74	116,455	97	208,803	95	227,977	-2%	9%
3	Italy	34	47,265	57	109,283	45	92,276	-21%	-16%
4	Spain	34	46,077	42	81,150	37	75,479	-12%	-7%
5	Indonesia	19	25,725	4	7,954	34	66,846	750%	740%
6	Japan	25	38,935	22	51,133	33	75,277	50%	47%
7	Belgium	25	34,428	74	143,267	25	52,221	-66%	-64%
8	Algeria	12	16,899	13	24,643	21	40,602	62%	65%
9	Mexico	5	6,728	7	12,280	18	35,101	157%	186%
10	United Kingdom	19	24,640	15	30,955	18	35,054	20%	13%
11	Switzerland	18	23,245	15	30,475	17	32,824	13%	8%
12	Russia	15	19,620	14	25,925	17	34,271	21%	32%
13	Philippines	9	11,198	8	15,468	17	33,005	113%	113%
14	South Korea	15	20,977	18	32,699	15	30,697	-17%	-6%
15	Others	130	177,201	141	268,708	206	450,987	46%	68%
	<b>Total</b>	<b>515</b>	<b>725,401</b>	<b>601</b>	<b>1,194,184</b>	<b>711</b>	<b>1,514,000</b>	<b>18%</b>	<b>27%</b>



Source: Vicofa; General Customs Office

**Table 4: U.S. Coffee Imports from Vietnam**

Product	MY 2010 (Oct. 09-Sept. 10)		MY 2011 (Oct.10-Sept. 11)		MY 2012 (Oct.11-Mar. 12)	
	Value ('000 \$)	Qty (MT)	Value ('000 \$)	Qty (MT)	Value ('000 \$)	Qty (MT)
Coffee, Not Roasted (HS code 090111)	319,936	211,377	443,934	194,736	225,493	108,740
Coffee, Not roasted Def (HS code 090112)	7,070	3,940	25,524	8,454	14,474	4,243
Coffee, Roasted (HS code-090121)	2,033	644	3,338	894	1,945	593
Coffee, Roasted, Def (HS code 090122)	1,130	394	5,386	1,694	2,363	863
Coffee Husks and skins (HS code 090190)	7	1.7	11	2.2	17	3.7
Coffee Extracts, Instant coffee (HS code 210111)	784	175	884	202	439	82
Coffee Extracts and Preparations (HS code 210112)	1,888	581	2,317	377	1,899	638

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

According to Vietnam's GSO, Vietnam exported 904 TMT of coffee of all types including green coffee beans, roasted and ground coffee and instant coffee products, valued at \$1.93 billion, in first seven months of MY 2011/2012. This was a 3 percent decrease in volume and 2 percent increase in value to compare with the same period of the previous market year (see Table 5).

**Table 5: Vietnam's Coffee Product Exports (all forms of coffee),  
MY 2009/2010 – MY 2011/2012**

Month	2009/2010 (Begin: Oct. 2009)		2010/2011 (Begin: Oct. 2010)		2011/2012 (Begin: Oct. 2011)		% Change MY 2011/12 over MY 2010/11	
	Volume (TMT)	Value (\$ million)	Volume (TMT)	Value (\$ million)	Volume (TMT)	Value (\$ million)	Volume	Value
Oct.	55	79	57	97	32	72	-44%	-26%
Nov.	82	115	69	120	71	150	3%	25%
Dec.	145	202	164	292	150	315	-9%	8%
Jan.	141	198	215	414	112	227	-48%	-45%
Feb.	77	110	144	303	202	414	40%	37%
Mar.	123	168	161	365	187	427	16%	17%
April	117	159	126	302	150	320	19%	6%
<b>Sub- total</b>	<b>740</b>	<b>1,031</b>	<b>936</b>	<b>1,893</b>	<b>904</b>	<b>1,925</b>	<b>-3%</b>	<b>2%</b>
May	100	141	110	270				
June	95	137	67	157				
July	89	138	53	124				
Aug.	78	123	36	83				
Sep.	58	93	27	61				
<b>Grand Total</b>	<b>1,160</b>	<b>1,663</b>	<b>1,229</b>	<b>2,588</b>				

Source: GSO

According to GOV trade data, in the first half of MY 2011/2012, Vietnam exported ground, roasted, and soluble coffee products with a value of over \$92 million, about 10 percent increase over the same period of the previous marketing year. Vicofa stated that Vietnam should invest more in the production of more value-added coffee products, such as instant coffee, to fulfill growing demand in the local market as well as in regional countries like China and in the Association of Southeast Asia Nations (ASEAN).

#### **Imports:**

Vietnam continues to import small quantities of green coffee, as well as roasted and instant coffees. According to trade data from Vicofa, the General Customs Office, and Global Trade Atlas (GTA), total green bean coffee imports for the first half of MY 2011/2012 were 94.5 thousand 60 kg-bags, or 5.7 TMT-GBE, a 24 percent decrease from the same period of the previous marketing year, mainly from Thailand, Laos, Cote d'Ivoire, Uganda, and Indonesia. The total value reached \$14 million.

According to GTA, Vietnam imported small quantities of roasted and instant coffee products during the first six months of MY 2011/2012. Vietnam imported roasted coffee products mainly from Italy and Thailand with a value of \$216 thousand, a decrease of 40 percent from the same period of the previous year, while Vietnam's instant coffee imports were mainly from Thailand, Indonesia, and Malaysia, with a value of \$16 million, an increase of 60 percent over the same period the year before.

## PRICES

### Export prices:

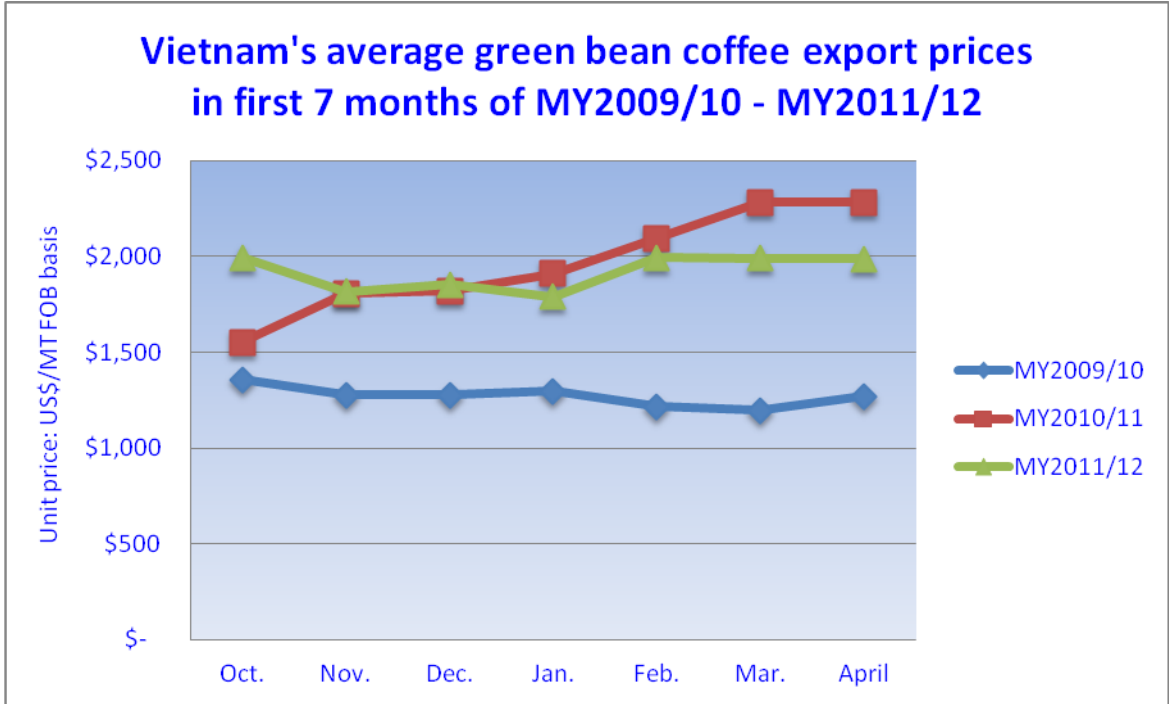
The average export price of Vietnam's Robusta coffee beans for the first seven months of MY 2011/2012 was \$1,918/MT (FOB Ho Chi Minh City basis), which is a 3 percent decrease from over the same period of the previous marketing year (\$1,981/MT) (see Table 6, Graph 4). The export prices in April 2012 dropped 15 percent from the high prices in April 2011. On May 24, 2012, \$2,150/MT (FOB Ho Chi Minh City basis) was quoted for ungraded Robusta green beans, according to the local coffee industry. This price is much lower than the record price of \$2,658 in MY 1994/1995.

**Table 6: Average Export Prices for Vietnamese Green Coffee, MY 2009/2010 – MY 2011/2012**

FOB (Ho Chi Minh City) basis price for common ungraded coffee beans (US\$/MT)	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	Average price for 7 months
MY 2009/2010	\$1,357	\$1,278	\$1,277	\$1,297	\$1,218	\$1,198	\$1,271	<b>\$1,271</b>
MY 2010/2011*	\$1,625	\$1,806	\$1,821	\$1,910	\$2,093	\$2,281	\$2,328	<b>\$1,981</b>
MY 2011/2012*	\$1,993	\$1,818	\$1,853	\$1,790	\$1,993	\$1,992	\$1,988	<b>\$1,918</b>
% change MY2011/2012 over MY2010/2011	23%	1%	2%	-6%	-5%	-13%	-15%	<b>-3%</b>

Source: Dak Lak Trade, Investment & Tourism Promotion Center (Daktip), Vicofa, and Buon Ma Thuot Coffee Exchange Center (BCEC)

**Graph 5: Average Export Prices for Vietnamese Green Coffee in first 7 months of MY2009/2010- MY2011/2012**



Source: Daktip, Vicofa, and BCEC

**Graph 6: Average Export Prices for Vietnamese Green Coffee**



**Domestic prices:**

Vietnam's average domestic coffee price for Robusta common ungraded coffee beans in the first seven months of MY 2011/2012 in Dak Lak province, the largest coffee growing area in Vietnam, was VND 39,242/kg (\$1.88), almost the same price as in the same period of the previous marketing year (see Table 7, Table 8), although the export price dropped by 3 percent.

However, the price of VND 42,100 (\$2.02) was recently quoted for common ungraded Robusta coffee beans in Dak Lak province, a drop from VND 50,000 (\$2.40) at this time last year, but higher than the first six months in this crop year. According to local traders, this domestic price was caused by Vietnamese coffee growers storing coffee beans in their houses or warehouses and selling at various intervals in hopes of getting higher prices. Coffee growers hope they will be able to sell their coffee beans at higher prices during the second half of the current marketing year.

**Table 7: Average Prices for Robusta Beans in Major Coffee Growing Provinces in MY 2011/2012**

[illegible]

Province	42,255	38,114	39,095	37,242	38,569	39,270	39,500	
Dak Nong Province	42,340	38,214	39,200	37,342	38,669	39,370	39,543	<b>39,240</b>

Source: BCEC

Exchange rate as of May 24, 2012: US\$1 = VND 20,880 (Source: Vietcombank)

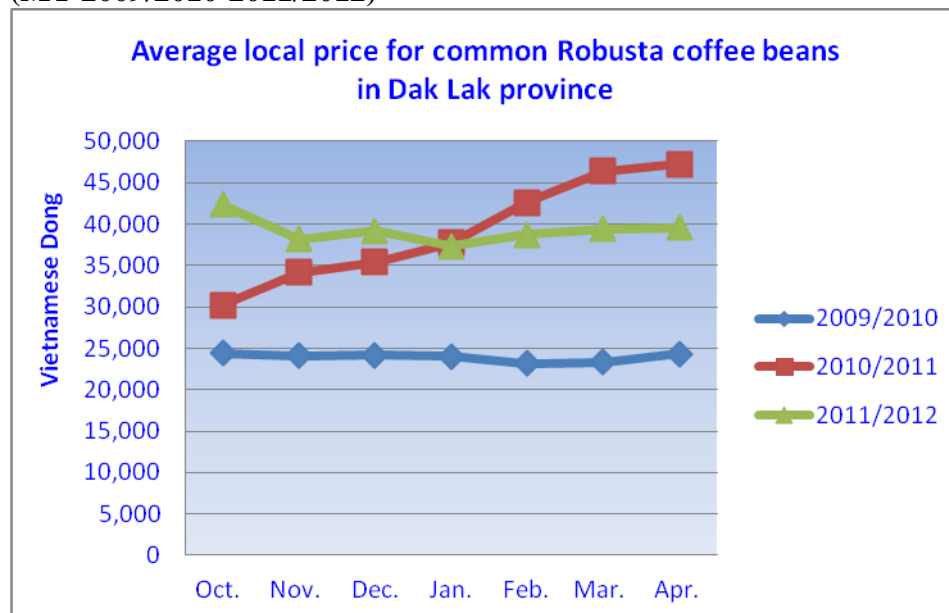
**Table 8: Average Prices for Robusta Beans in Dak Lak Province  
(MY 2009/2010-2011/2012)**

Month	Common Coffee Bean			
	MY 2009/2010 (VND)	MY 2010/2011* (VND)	MY 2011/2012** (VND)	Changes MY 2011/2012 over MY 2010/2011 (%)
October	24,400	30,210	42,355	40%
November	24,100	34,190	38,214	12%
December	24,200	35,390	39,200	11%
January	24,000	37,730	37,342	-1%
February	23,200	42,630	38,669	-9%
March	23,300	46,410	39,370	-15%
April	24,300	47,220	39,543	-16%
<b>Average price for 7 months</b>	<b>23,929</b>	<b>39,111</b>	<b>39,242</b>	<b>0%</b>
May	24,300	49,960		
June	26,000	49,730		
July	29,400	48,370		
August	29,300	48,470		
September	29,200	46,230		

Source: Daktip, \*Vicofa, \*\*BCEC



**Graph 7: Average Prices for Robusta Beans in Dak Lak Province  
(MY 2009/2010-2011/2012)**



Source: Daktip, Vicofa, BCEC

### Stocks:

No official data for coffee stocks are available. Stocks are specified in 3 categories: on-farm stocks (grower's stocks), trader's warehouse stocks, and bonded warehouse stocks. According to local coffee growers, processors, and traders, as of the end of April, the coffee growers are currently holding about 20-25 percent of total coffee production (about 250-320 TMT of coffee beans). Trader's warehouse stocks were best estimated at 100 TMT, and bonded warehouse stocks were approximately 100 TMT.

Bonded warehouse stocks, however, are the volume at the warehouse, have not been shipped to any destination, but have been cleared by customs and considered as exported volume. This therefore is not considered as in-country stocks.

Up to April 2012, due to favorable weather, coffee growers in major growing regions did not have to sell all of their coffee beans to invest in irrigation, and are currently holding larger stocks at their houses to expect higher prices compared with the same period of the previous crop year. However, some local traders project that an abundant supply of coffee from harvests in Brazil and Indonesia, which will be available soon in the global market, will make coffee prices decrease by 10-12 percent by the end of this crop year. Then, the local traders feel that the coffee growers may consider selling their coffee beans sooner. Current prices may motivate coffee growers and local traders to export most of their beans in next three months.

Post's estimate for MY 2012/2013 coffee carry-in stocks is 510 thousand 60 kg-bags, or 30.6 TMT-GBE, a 53 percent over the previous marketing year.

### Policy:

### **Master Plan for development of the agricultural production sector until the year of 2020 with a vision to the year 2030 approved by GOV**

Earlier this year, the Prime Minister approved the master plan for development of the agricultural production sector until the year of 2020 with a vision to the year 2030. In this plan, the target set for 2020 is about 500 thousand ha of allocated land area, of which the Arabica coffee growing area is about 60 thousand ha; with major areas in Central Highlands, South East and North Central Coast. In the coffee processing sector, targets set for coffee processing at the industrial scale are starting from 20 percent of output in 2010, increasing to 40 percent by 2015 and 70 percent in 2020. This increase in industrial scale processing will happen by economic cooperation between enterprises and farmers. The plan targets reductions in the rate of processing of raw coffee in households scale from 80 percent to 60 percent in 2015 and 30 percent in 2020. The plan also targets an increase in the rate of wet-processed coffee from 10 percent of output in 2010 to 20 percent by 2015 and 30 percent in 2020. The plan also targets an expansion in the processing scale and capacity of roast, ground, and instant coffee from 10,000 MT in 2010 to 20,000 MT in 2015 and 30,000 MT in 2020.

### **MARD approved the proposal on crop production development up to 2020, vision to 2030**

According to MARD, GOV recently approved the proposal on crop production development up to 2020, with a vision to 2030. This proposal is aimed at: developing crop production in the direction of modernization and sustainable development; large scale goods production in the directions of enhancement of quality and productivity; competitive capacity and long-term national food security assurance to meet the diversified domestic and export demands, improvement of utilization of water, land, labor, and capital resources; and income raising for people and living standards. For perennial industrial crops, stable area for coffee shall be reduced to 550,000 ha by 2015, intensive cultivation measures will be applied to increase its yield up to 2.18 MT/ha, yield reaching 1.12 million tons, in which 950,000 MT are for export. The People's Committees of cities and provinces will be responsible for reviewing and completing the planning for key crop development in their area up to 2020, with a vision to 2030 fitting with the general planning of the country. They also are responsible for the planning of processing bases associated with their local material crop area.

### **MARD's restructure of agricultural sector core mission in 2012**

According to MARD, together with the national goals on renovating the growth model and restructuring the economy from substantially extensive development that increases output to a more reasonable combination between extensive and intensive development to increase both output and quality, MARD has determined its core mission in 2012 is to implement a restructuring of the agricultural sector toward higher added value and sustainable development. MARD states that restructuring should focus on core issues in order to reach higher growth and not waste national resources. According to MARD's proposal for restructuring to be submitted to GOV, three intervention groups shall be implemented:

- Investment structural shifting, renovation of state owned enterprises
- Development of economic sectors
- Continue the renovation of policy and institution relating to agriculture and rural development

In this restructuring proposal, the Public-Private Partnership (PPP) model is selected as one of the key solutions serving for sustainable agricultural development.

### **Prime Minister approved the program for science and technology serving new rural development in the period of 2011-2015**

In early 2012, GOV approved the program for science and technology serving new rural development in the period of 2011-2015 with a total implementation budget of about VND 1,500 billion (about \$72 million). In cooperation with the Ministry of Science and Technology (MOST), Ministry of Finance (MOF), Ministry of Industry and Trade (MOIT), Ministry of Natural Resources and Environment (MONRE), Central Economic Management (CEM), Vietnam Farmer Union, and the People's Committees of provinces and cities, MARD will execute this program. Objectives of the program are to conduct studies, propose new policies and scientific and technological interventions for new rural development, which will be applied for the National Target Program on New Rural Development in the period of 2010-2020. Some new rural development models will be built based on results of scientific and technological studies of this program and shall be reviewed and evaluated in order to scale up nationally. The program will provide training and foster technology transfer to 10,000 targeted beneficiaries such as farmers, producers, and processors, etc., in rural areas.

### **Sustainable Development Strategy of Vietnam for 2011-2020 approved by GVN with core sector of agriculture and rural development**

According to MARD, in April 2012, GOV approved the Sustainable Development Strategy of Vietnam for 2011-2020. Objectives of the program are: to stabilize the macro-economy; to stabilize food security, energy security, and financial security; to transform the growth modality to harmonization development among green growth and low carbon economic development; and effective and economic use of all resources. Among the above objectives, GOV focuses on: food security assurance; transformation of agricultural structure in the direction of industrialization; develop and strengthen the comparative advantages of the rural areas, and a greater appreciation of the linkage between urban and rural areas.

### **MARD National Agricultural Extension Center carries out its sustainable coffee production in Central Highlands**

In the period from 2012-2014, the National Agricultural Extension Center (NAEC) will implement its sustainable coffee production project in five provinces of the Central Highlands: Dak Nong, Dak Lak, Gia Lai, Lam Dong and Kontum, funded by GOV with budget of VND 9 billion (about \$430 thousand). The objective of this project is to develop 450 ha of the sustainable coffee production, certified by 4C, UTZ certified, Rainforest and the VietGap with an expected yield of 2.5-3 MT/ha in three years.

### **State Bank of Vietnam enacts changes to the interest rate for short-term loans, affected sectors include agriculture**

On May 4, 2012, the State Bank of Vietnam (SBV) issued Circular 14/2012/TT-NHNN, imposing a 15 percent cap on the lending interest rates for four priority sectors, agriculture, exports, supply, and small and medium-sized industries. The maximum interest rate for short-term loans from one month to 12 months in Vietnamese dong will be equal to the current maximum deposit interest rate of 12 percent plus three percentage points per year. Borrowers in the preferential sectors must meet the specific conditions stipulated by the SBV and the lending institutions. This new policy could have a positive impact on the coffee sector, especially for coffee growers and local coffee exporters as they may be able to borrow money from local commercial banks at a lower rate compared with several years ago.

### **Marketing:**

### **INDUSTRY ACTIVITIES**

### **Sustainable coffee production in Vietnam**

Certified coffee production standards for quality and sustainability, such as UTZ Certified, the Common Code for the Coffee Community (4C) Association, and Rainforest Alliance, are applied to a portion of Vietnam's coffee production. Many international coffee buyers have recently become involved in activities to improve Vietnam's coffee quality and sustainable coffee production. Some of them have become key players in those activities.

In order to deal with the challenges of implementing sustainability practices in the Vietnamese coffee sector, the 4C Association is seeking to unite all coffee stakeholders, which includes the producers, traders, industry, civil society organizations, governmental, research, and standard organizations. This effort is to improve the economic, social, and environmental conditions of coffee production and processing to build a thriving, sustainable coffee sector. According to 4C Association Manager Mr. Do Ngoc Sy in Vietnam, one of the benefits of the 4C system is that it encourages small farmers to organize themselves in groups (referred to as 4C Units). This facilitates farmers' access to important services such as credit, advanced technology, and marketing instruments. Furthermore, with its baseline approach, the 4C Code of Conduct represents a first step for coffee farmers to apply sustainable production practices. Once they have implemented the 4C principles, it is easier for them to comply with more demanding sustainability standards and certifications, such as the Sustainable Agricultural Standard (SAN) of the Rainforest Alliance or UTZ Certified. Currently approximately 10 percent of the total coffee production area in Vietnam is cultivated under these standards (4C, Rainforest Alliance and UTZ Certified), representing about 14 percent of the total coffee production output level. Out of this, 33,252 ha are cultivated under the 4C sustainability principles, with a total output of 1.9 million bags (60 kg) of 4C Compliant Coffee and engaging 19,018 coffee farmers.

Below are some recent key players' activities:

-Nestlé Vietnam implements its Public-Private Partnership (PPP) sustainable coffee development project in Vietnam. The objective of the project is to promote sustainable coffee agricultural practices, especially to enhance quality, productivity, environmental sustainability, and farmer economic sustainability within the coffee sector in Vietnam. The partners are from private sector including international and national companies such as Nestlé Vietnam, Yara, Sygenta, Bayer, Dakman, Sara Lee, Cisco and EDE Consulting; associations such as 4C, Rainforest Alliance, UTZ Certified, VICOFA; coffee growers/farmers and farmers associations; and public sector including government agencies such as the Crop Production Department of MARD, NAEC, Institute of Policy and Strategy for Agriculture and Rural Development (IPSARD), Western Agricultural Science Institute (WASI), and local authorities such as Dak Lak and Lam Dong Department of Agricultural and Rural Development (DARD); financial institutions such as the United Nation's International Fund for Agricultural Development (IFAD), the Sustainable Trade Initiative (IDH), and the World Bank's International Finance Corporation (IFC).

-Nedcoffee Vietnam is increasing its certified coffee production of all types from 4,272 MT of coffee beans in the crop year 2010/2011 to 5,572 MT in the crop year 2011/2012, of which 2,072 MT will be certified by the 4C Association, 1,300 MT will be certified by the Rainforest Alliance and 2,200 MT will be certified by UTZ Certified. Nedcoffee Vietnam started its factory operation in 2009 in Buon Ma

Thuot, Dak Lak province, which is the major coffee production area in Vietnam. Nedcoffee Vietnam plans to build a second factory in Vietnam during the period 2013-2015.

**Photo 3: Nedcoffee Vietnam Plant in Dak Lak Province**



*Photo: Nedcoffee Vietnam*

**Nestlé Vietnam (NVL) boosted by new investment in Vietnam**

Nestlé has invested \$270 million in a new coffee factory in Vietnam, located in Bien Hoa, Dong Nai province and is expected to be fully operational by 2013. This factory will produce coffee products under the Nescafé brand for both domestic consumption and export. When this plant is at full operation, Nestlé aims to produce 32,500 MT of coffee products per year, consisting of about 12,500 MT of coffee powder and 20,000 MT of decaffeinated coffee beans, consuming 48,000 MT of raw coffee beans per year in the production process.

**Photos 4 & 5: Nestlé Vietnam Plant in Dong Nai Province**



Photos: Nestlé Vietnam

### Masan Group Subsidiary Masan Consumer Acquires 50.11 Percent of Vinacafe Shares, laying foundation for its beverage strategy

In late 2011, Masan Group subsidiary Masan Consumer acquired 50.11 percent of the shares of the Vinacafe. Vinacafe is the leading instant coffee company in Vietnam with a 40 percent market share. Masan Group is one of Vietnam's largest private sector business groups and Mr. Truong Cong Thang, CEO of Masan Consumer, noted at the time of the acquisition: "Coffee is a core consumer product in Vietnam and requires a deep understanding of consumer behavior. We are committed to assisting Vinacafe Bien Hoa accelerate its growth strategy by leveraging our branding, research and distribution platform."

### Production, Supply and Demand Data Statistics:

Table 9: Vietnam's Coffee Production, Supply and Demand (PSD)

Coffee, Green Vietnam	2010/2011		2011/2012		2012/2013	
1000 HA, MILLION TREES, 1000 60 KG BAGS	Market Year Begin: Oct 2010		Market Year Begin: Oct 2011		Market Year Begin: Oct 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	0	0	0	0		0
Area Harvested	0	0	0	0		0
Bearing Trees	0	0	0	0		0
Non-Bearing Trees	0	0	0	0		0
Total Tree Population	0	0	0	0		0
Beginning Stocks	1,012	1,012	755	334		510
Arabica Production	585	600	750	800		850
Robusta Production	18,150	18,867	19,850	20,200		21,600
Other Production	0	0	0	0		0
Total Production	18,735	19,467	20,600	21,000		22,450
Bean Imports	175	175	185	167		150
Roast & Ground Imports	0	1	0	1		1
Soluble Imports	25	25	25	25		25
Total Imports	200	201	210	193		176
Total Supply	19,947	20,680	21,565	21,527		23,136
Bean Exports	17,545	18,783	19,000	19,000		20,000
Rst-Grnd Exp.	50	50	50	50		60



Soluble Exports	272	180	300	300		400
Total Exports	17,867	19,013	19,350	19,350		20,460
Rst,Ground Dom. Consum	1,200	1,198	1,300	1,482		1,633
Soluble Dom. Cons.	125	135	175	185		200
Domestic Use	1,325	1,333	1,475	1,667		1,833
Ending Stocks	755	334	740	510		843
Total Distribution	19,947	20,680	21,565	21,527		23,136

Source: USDA/FAS

**Table 10: Vietnam's Coffee Export Trade Matrix for MY2010/2011-MY2011/2012 (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>2011</b>			<b>2012</b>
U.S.	96,547		U.S.	95,012
Others			Others	
	Germany	74,411	Germany	112,847
	Belgium	74,338	Italy	45,380
	Italy	56,692	Spain	36,552
	Spain	42,122	Indonesia	34,029
	Netherlands	24,722	Japan	33,021
	Japan	22,339	Algeria	20,703
	South Korea	18,364	Mexico	18,074
	Singapore	16,054	United Kingdom	17,893
	Switzerland	15,245	Switzerland	17,060
	United Kingdom	15,197	Russian Federation	16,996
<b>Total for Others</b>	<b>359,484</b>			<b>352,555</b>
Others not Listed	145,855			263,433

<b>Grand Total</b>	<b>601,886</b>		<b>711,000</b>
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*Sources: Vicofa, General Customs Office*

**Table 11: Green Coffee Import Trade Matrix for MY2010/2011-MY2011/2012 (Oct.-Mar.)**

<b>Country</b>	Vietnam		
<b>Commodity</b>	Coffee, Green		
<b>Time Period</b>	Oct.-Mar.	<b>Units:</b>	MT
<b>Imports for:</b>	<b>2011</b>		<b>2012</b>
U.S.	0	U.S.	190
Others		Others	
Laos	5,292	Thailand	1,741
Indonesia	1,541	Cote d'Ivoire (Ivory Coast)	1,238
		Laos	979
		Uganda	669
		Indonesia	307
Total for Others	6,833		5,336
Others not Listed	627		544
<b>Grand Total</b>	<b>7,460</b>		<b>5,668</b>

*Sources: Vicofa; General Customs Office; GTA*