

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY  
USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT  
POLICY

Required Report - public distribution

**Date:** 5/20/2019

**GAIN Report Number:** VM9020

## Vietnam

## Coffee Annual

## 2019

**Approved By:**

Megan M. Francic

**Prepared By:**

Quan Tran

**Report Highlights:**

Post forecasts Vietnam's marketing year (MY) 2019/2020 coffee production at 30.5 million bags, up slightly (about 100,000 bags) over MY18/19, due to good weather. Post forecasts MY19/20 bean exports at 25.5 million bags, consistent with the MY18/19 USDA official number. Post forecasts MY18/19 and MY19/20 ending stocks up on low prices.

**Executive Summary:**

Industry was worried about the impact of El Niño during the first four months of calendar year (CY) 2019 on coffee production in Vietnam. However, the hot weather helped coffee trees with their flowering and cherry setting, and Post expects another good harvest in MY19/20.

Due to unfavorable market prices in MY18/19, Post forecasts that a large carryover stock will be transferred to the new MY. Farmers consider coffee a reliable cash crop and are not averse to storing it in anticipation of better prices.

**Commodities:**

Coffee, Green

## Production:

### MY19/20 Crop (beginning October 2019)

Generally attributed to El Niño, the temperature in the early part of CY19 was very hot and dry, forcing farmers to use more water to support their trees during the flowering stage. However, the hot and dry weather was also beneficial, as disparate temperatures between day and night promoted blossoming and led to easier pollination.

The rainy season was slightly delayed, but adequate. Together with reservoir water, the rains were enough to supply the trees at the latter stages of coffee production. Post forecasts total MY19/20 production at 30.5 million 60 kg bags, slightly higher than 30.4 million bags estimated in MY18/19.

### Robusta Production

With black pepper prices falling continuously over the past three years, farmers are no longer moving from coffee to pepper. However, the new trend is that farmers are trying to maximize their income by inter-cropping fruit trees in coffee plantations. Coffee is still the key cash crop, but durian, passion fruit, mango, and avocado can tremendously increase farmers' income. Therefore, Post forecasts that Robusta production area will not change significantly in MY19/20.

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

	MY17/18	MY18/19 Estimate		MY19/20 Forecast	
		Old	New	Old	New
<b>Marketing year begins</b>	Oct. 2016	Oct. 2017	Oct. 2017	Oct. 2018	Oct. 2018
<b>Total area (hectare)</b>	605,000	607,000	607,000		605,000
<b>Production (thousand bags)</b>	28,000	29,00	29,000		29,100
<b>Average yield (tons/ha)</b>	2.78	2.87	2.87		2.93

Source: Post estimate

### Arabica Production

Arabica production accounts for only 4-5 percent of Vietnam's total coffee production and its planted area accounts for about 6 percent of the total area. Arabica trees can only produce good cherries if they grow at least 1,000 meters above sea level. In Vietnam, these areas are usually in remote regions with ethnic minority populations. Therefore, the expansion of Arabica production faces difficulties in terms of transportation, warehousing, and processing. Post forecasts that both Arabica production and planted area will remain steady in MY19/20 as compared to the previous year.

## Consumption:

In MY19/20, Post forecasts that domestic consumption will increase to 3.4 million bags, on the strength of roasted and ground coffee, which forecast at 3 million bags, or about 10 percent of total coffee production. The expansion is due to the continuing proliferation of coffee shops and cafes from both international franchises and local Vietnamese brands. The domestic coffee market has fierce competition with well-known foreign coffee brands such as Dunkin Donuts, Coffee Beans and Tea Leaves, Gloria Jeans, My Life Coffee, McCafe, PJ's, and Coffee Bene competing against each other and with local chains, such as Trung Nguyen, Phuc Long, Highlands, Coffee House, Coffee Factory, and

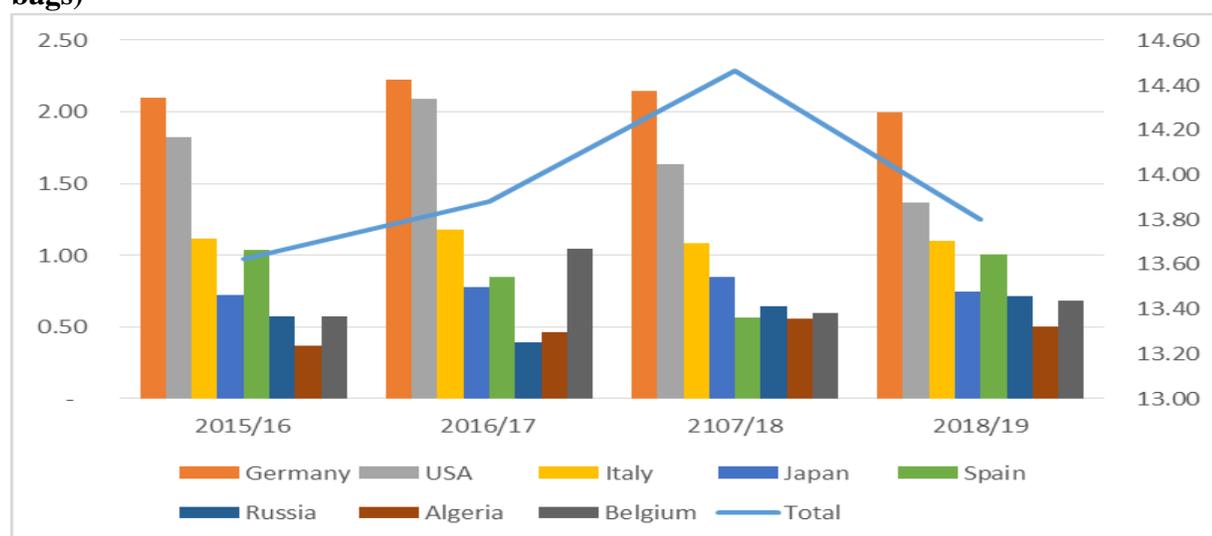
King Coffee. Vietnamese coffee drinkers prefer roasted and ground coffee for its full-bodied flavors, and many chains are developing specialty and value-added coffee products to stand out in the competitive market.

**Trade:**

Exports

Post estimates Vietnam’s MY19/20 total coffee exports, including green beans, roasted and ground, and instant coffee, at 28.3 million bags. This is due to high ending stocks, expected relatively good production, and higher green bean exports.

**Figure 1: Coffee Exports to Major Destination in the First Half of the Marketing Year (million bags)**



Source: Vietnam Customs

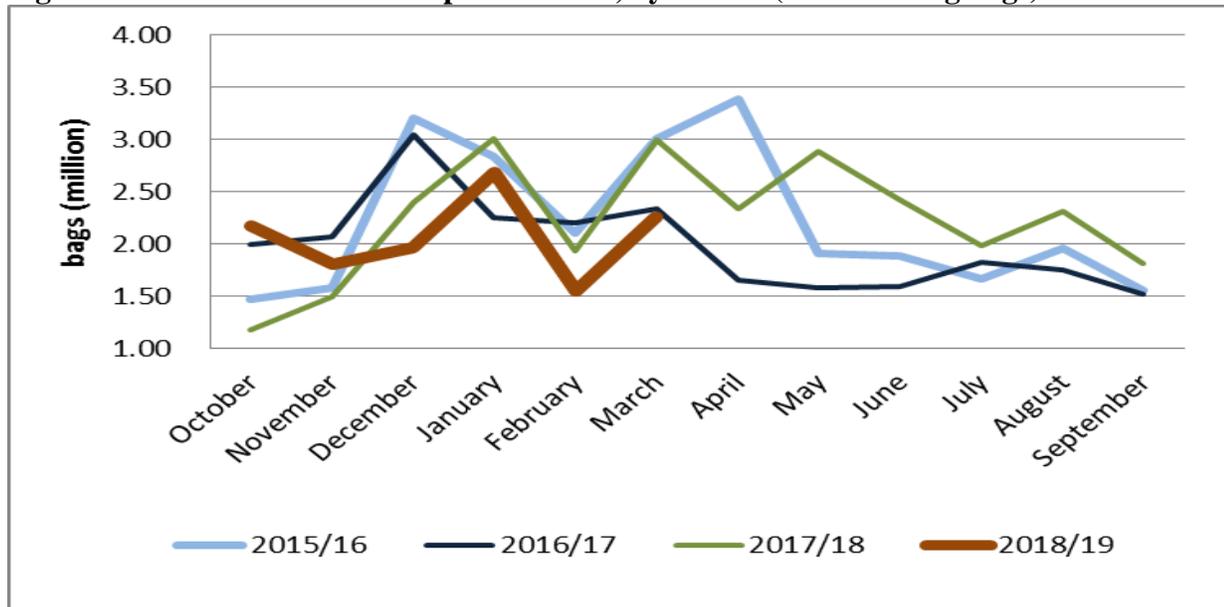
Figure 1 shows coffee exports in the first half of marketing year, from MY15/16 to MY18/19. Germany, the United States, and Italy remain the top three buyers of Vietnamese coffee. The total export volume dropped 5 percent to about 13.8 million bags in the first half of MY18/19, compared to the same period last year, mirroring a fall in export prices that discouraged farmers and local traders from selling. Instead, they are keeping stocks in anticipation of higher prices.

Green Bean Exports

In MY19/20, Post forecasts Vietnam’s exports at about 25.5 million bags of green coffee beans, consistent with the official MY18/19 USDA estimate, on large carry-over stocks and expected good bean production.

For MY18/19, Post estimates that the export volume will drop about 4 percent from the USDA official number of 25.5 million bags to 24.5 million bags, due to current weak export demand and expected better production from Brazilian conilon, which strongly competes with Vietnamese Robusta, from now until the end of marketing year. These dynamics will also increase carry-over stocks in MY18/19.

**Figure 2: Green Bean Coffee Export Volume, by Month (million 60 kg bags)**



Source: Vietnam Customs

### Soluble and Roasted Exports

Post forecasts slight growth in soluble and roasted coffee exports, at about 5 percent and 10 percent, respectively, over MY18/19. Roasted coffee is cheap to produce, and therefore is attracting more investment in Vietnam. For example, Nestle, a giant player in soluble coffee, recently introduced roasted coffee under the “Nestle Vietnam” label.

### Imports

Vietnam continues to import small quantities of green coffee beans, as well as roasted and instant coffee from Laos, Indonesia, Brazil, and the United States. Vietnam’s imports of roasted and ground coffee from the United States have increased recently due to the expanding coffee retail sector.

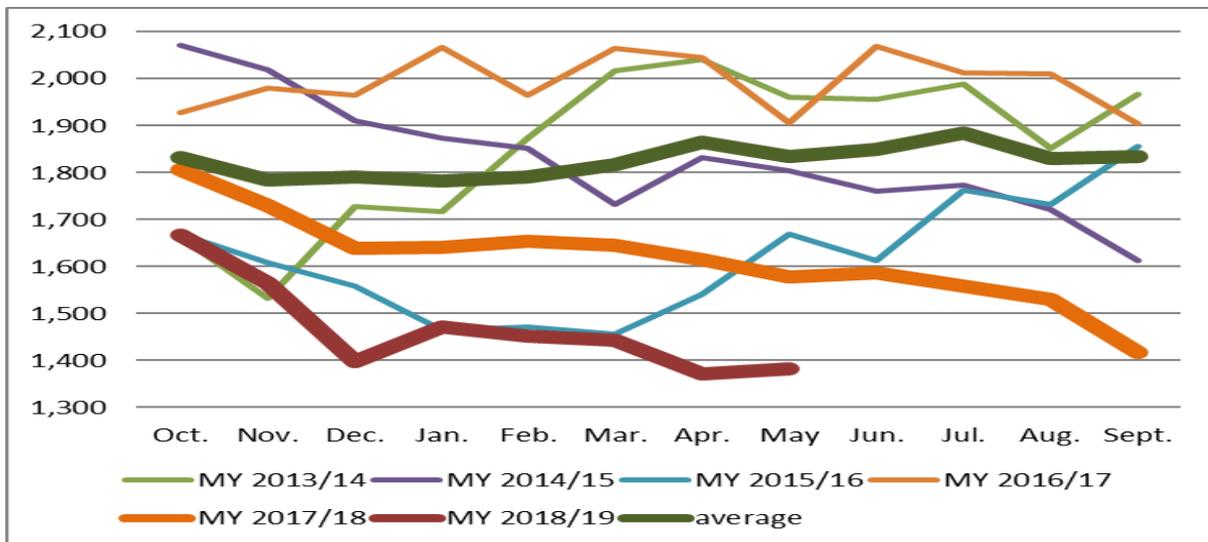
Post forecasts total coffee imports in MY19/20 up slightly, about 50,000 bags, to 1.21 million bags of Green Bean Equivalent (GBE), due to the aforementioned expansion of café and coffee shops in Vietnam. Of the total, about 160,000 bags GBE are soluble coffee, 550,000 bags GBE are roast and ground, and 500,000 bags are green bean imports.

### **Prices**

#### Export Prices

Monthly export prices of common ungraded green bean Robusta (FOB HCMC) in the first 8 months of MY18/19 fell continuously and were not at favorable levels. Prices averaged nearly \$1,700 per ton in October 2018 (the beginning of MY18/19) then continued to fall to some of the lowest rates as seen in the past five years. Industry has cited the depreciation of the Brazilian real and report of a good conilon crop harvest as the main reasons for the drop.

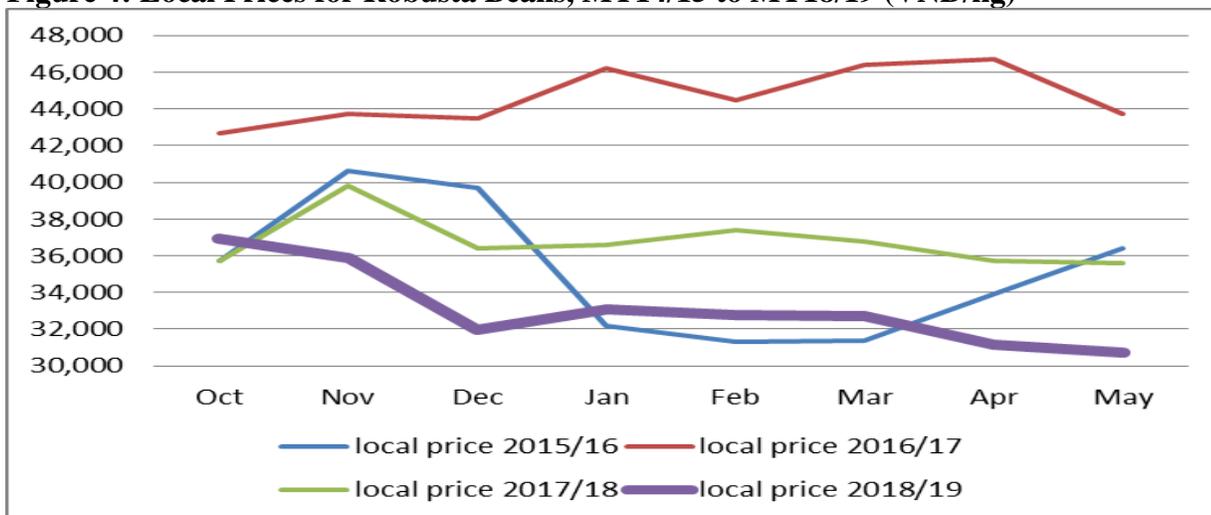
**Figure 3: Monthly Ave. Export Prices for Green Coffee, MY13/14 to MY18/19 (\$/MT)**



Sources: Daktip, Vicofa, BCEC, and Local Exporters

### Domestic Prices

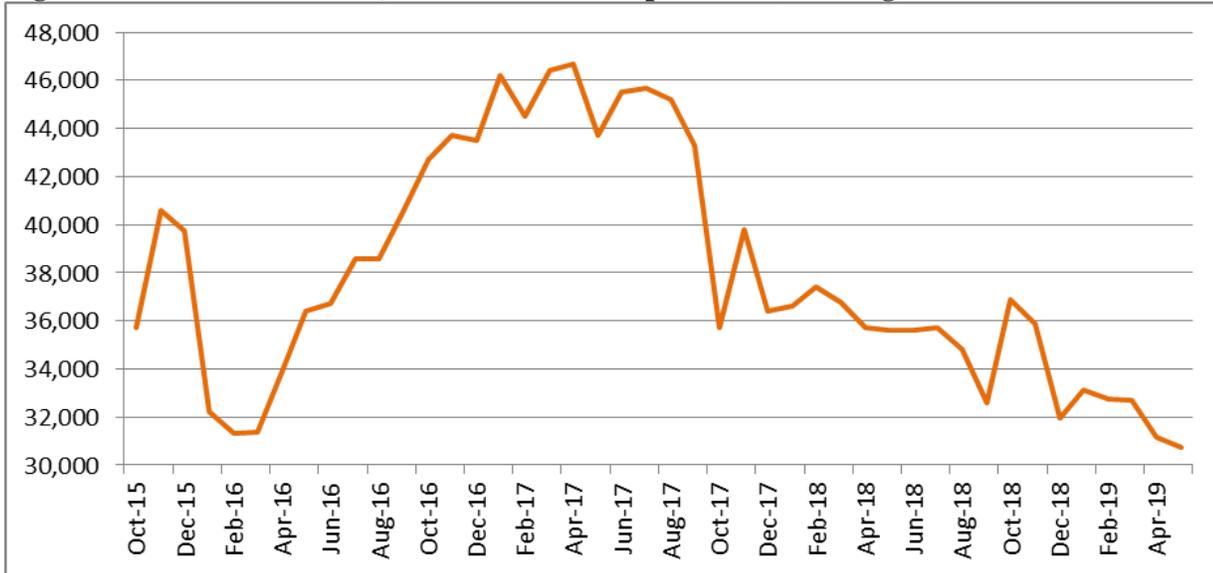
**Figure 4: Local Prices for Robusta Beans, MY14/15 to MY18/19 (VND/kg)**



Sources: Daktip, Vicofa, BCEC, and Local Exporters

Domestic prices for Robusta common ungraded coffee beans were at their highest levels of the year in October 2018, but began to fall quickly until December. Local prices then rose from December 2018 to March 2019, and fell further to approximately VND 30,000 per kilo in May (see Figure 4).

**Figure 5: Local Price Series, October 2015 to April 2019 (VND/kg)**



Sources: Daktip, Vicofa, BCEC, and Local Exporters

Figure 5 shows the local price performance for Robusta coffee over the past five years. Previously, the lowest price was in February 2016; however, local prices fell to even lower levels in April 2019, contributing to the high coffee stocks.

### Stocks

According to traders, by the end of March 2019, overall coffee stocks were already higher than in MY17/18. With Post’s lower estimated export volume in MY18/19, the available stocks will be very high, or about three times higher, than MY17/18. Post forecasts that MY19/20 ending stocks will be also at high levels due to increased carryover stock from MY18/19 and expected good production. Farmers have noted that they expect prices will recover in the coming crop, though industry again cites the Brazilian conilon crop as a variable.

**Statistical Tables:  
Production, Supply and Demand Data Statistics:**

**Vietnam's Coffee Production, Supply and Demand (PSD)**

Coffee, Green	2017/2018		2018/2019		2019/2020	
Market Begin Year	Oct 2017		Oct 2018		Oct 2019	
Vietnam	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	1183	1183	763	763	0	2133
Arabica Production	1300	1300	1400	1400	0	1400
Robusta Production	28000	28000	29000	29000	0	29100
Other Production	0	0	0	0	0	0
Total Production	29300	29300	30400	30400	0	30500
Bean Imports	500	500	500	500	0	500
Roast & Ground Imports	400	400	500	500	0	550
Soluble Imports	160	160	160	160	0	160
Total Imports	1060	1060	1160	1160	0	1210
Total Supply	31543	31543	32323	32323	0	33843
Bean Exports	25250	25250	25500	24500	0	25500
Rst-Grnd Exp.	550	550	550	550	0	600
Soluble Exports	2100	2100	2150	2150	0	2200
Total Exports	27900	27900	28200	27200	0	28300
Rst, Ground Dom. Consum	2500	2500	2600	2600	0	3000
Soluble Dom. Cons.	380	380	390	390	0	400
Domestic Consumption	2880	2880	2990	2990	0	3400
Ending Stocks	763	763	1133	2133	0	2143
Total Distribution	31543	31543	32323	32323	0	33843

(1000 HA), (Million trees), (1000 60 KG BAGS)