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# Vietnam

# Coffee Semi-annual

# NOVEMBER 2018

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**Report Highlights:**
Post revises its marketing year (MY) 2018/2019 production forecast for green bean coffee up about 2 percent compared to the USDA official number, to 30.4 million bags, green bean equivalent (GBE). Accordingly, Post revises MY18/19 exports up to 25.5 million bags of green coffee beans, compared to the USDA official number of 25.2 million bags. In MY17/18, Post revises its export estimate up to 27.9 million bags from the USDA official number of 27.7 million bags on increased buying resulting from low export prices.

**Executive Summary:**

While MY17/18 production did not increase, Post revised the estimate for Vietnam's total coffee exports, including green beans, roasted and ground, and instant coffee, up to 27.9 million bags due to low export prices.

For MY18/19, Post revises the forecast for total exports up, from about 27.9 million bags to 28.2 million bags, on predicted increased supply stemming from higher local production. Adequate water supply throughout the growing cycle has kept the coffee crop in good condition, leading to another predicted bumper crop in MY18/19.

## PRODUCTION

In MY17/18, FAS/HCMC estimates that the production of green bean coffee remained at 29.3 million bags (GBE), which includes 1.3 million bags of Arabica coffee.  For MY18/19, Post forecasts production up almost 2 percent compared to the USDA official number, due to favorable weather conditions.  It will reach 30.4 million bags, including 1.4 million bags of Arabica coffee.

During the MY18/19 production cycle, there was adequate rainfall during all stages for the coffee trees.  During the flowering stage, the rains were especially good.  At that period of time, industry estimated that production would increase by 8 percent compared to the previous year.  In the latter stages, however, there were heavy rains that caused flowers to drop early in the cherry setting stage.  At this stage, industry revised its production estimate down to 3 percent over the previous year.  But the rains prompted the trees to generate larger cherries and, together adequate inputs, this increased production to about 4 percent over the previous year.

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

| | **MY2016/17** | **MY2017/18 Estimate** | **MY2018/19 Forecast** |
|---|---|---|---|
| **Marketing year begins** | Oct. 2016 | Oct. 2017 | Oct. 2018 |
| **Production** (thousand bags) | 26,700 | 29,300 | 30,400 |
| **Average yield** (MT/ha) | 2.62 | 2.69 | 2.79* |

*Source:  Post estimates*
** based on the MY2017/18 planted area*

### Coffee Replanting Scheme and Change in Coffee Planted Area

According to Vietnam Coffee and Cocoa (VICOFA), Vietnam planned to replant 120,000 hectares (ha) of coffee from 2014-2020.  At the end of calendar year 2017, the replanted area was over 98,000 ha.  However, because young, recently replanted trees do not produce yet, the replanting scheme has suppressed overall coffee production in the short-run.

Farmers in the central highlands, the main coffee growing region, recognize that coffee will be the core crop, while other crops can help them diversify their incomes.  However, coffee, unlike other perishable agricultural products, can be stored for long periods of time while waiting for higher prices.

## TRADE

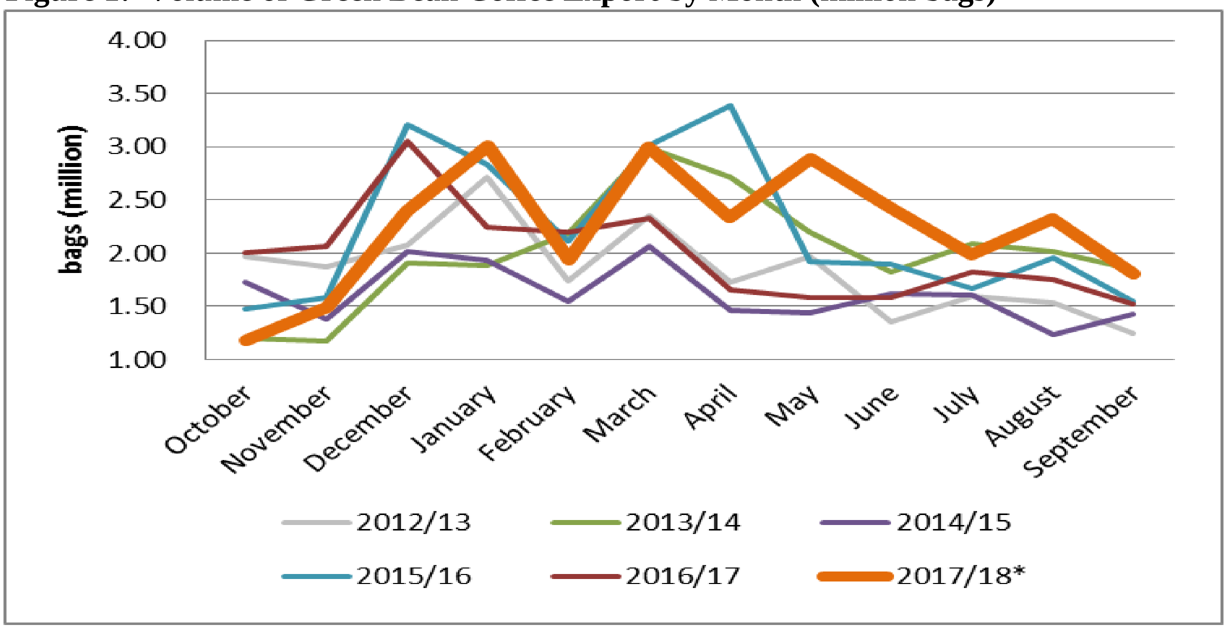
### Exports

Post revised the estimate for Vietnam's MY17/18 total coffee exports, including green beans, roasted and ground, and instant coffee, up to 27.9 million bags, from the USDA official number of 27.7 million bags on low export prices. In MY18/19, Post revises the forecast for total exports up, from about 27.9 million bags to 28.2 million bags, on predicted increased supply stemming from higher local production.

### Green Bean Exports

For MY17/18, Post revised exports of green coffee beans up to 25.3 million bags, compared to the USDA official number of 25.0 million bags. According to traders, the official Vietnamese Customs volume of total green bean exports in MY17/18 included about 1.5 million bags in bonded warehouses, which is considered as already exported. In MY18/19, Post forecasts green bean exports at 25.5 million bags, up from 25.2 million bags.

**Figure 1: Volume of Green Bean Coffee Export by Month (million bags)**



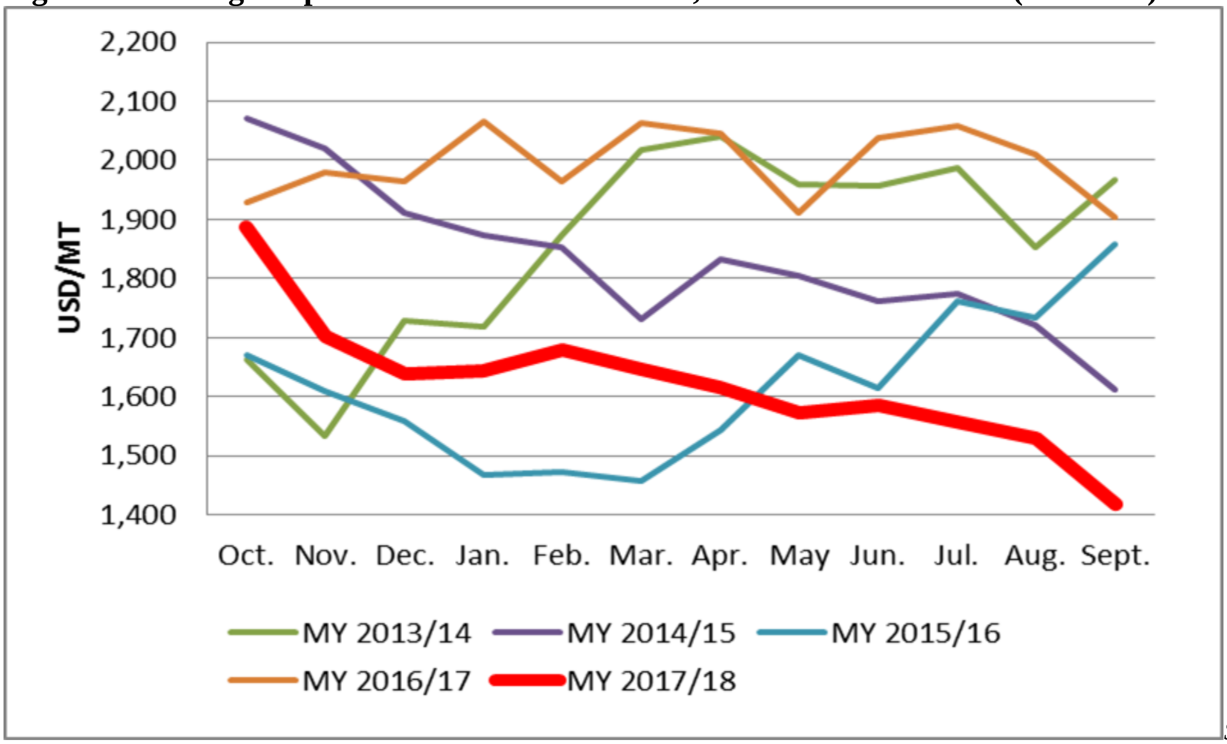

*Source: Vietnam Customs, Traders*

**PRICES**

**Export Prices**

Export prices fell from nearly $1,900/metric ton (MT) in October 2017 (the beginning of MY17/18), to slightly over $1,400/MT by September 2018 (see Figure 2).

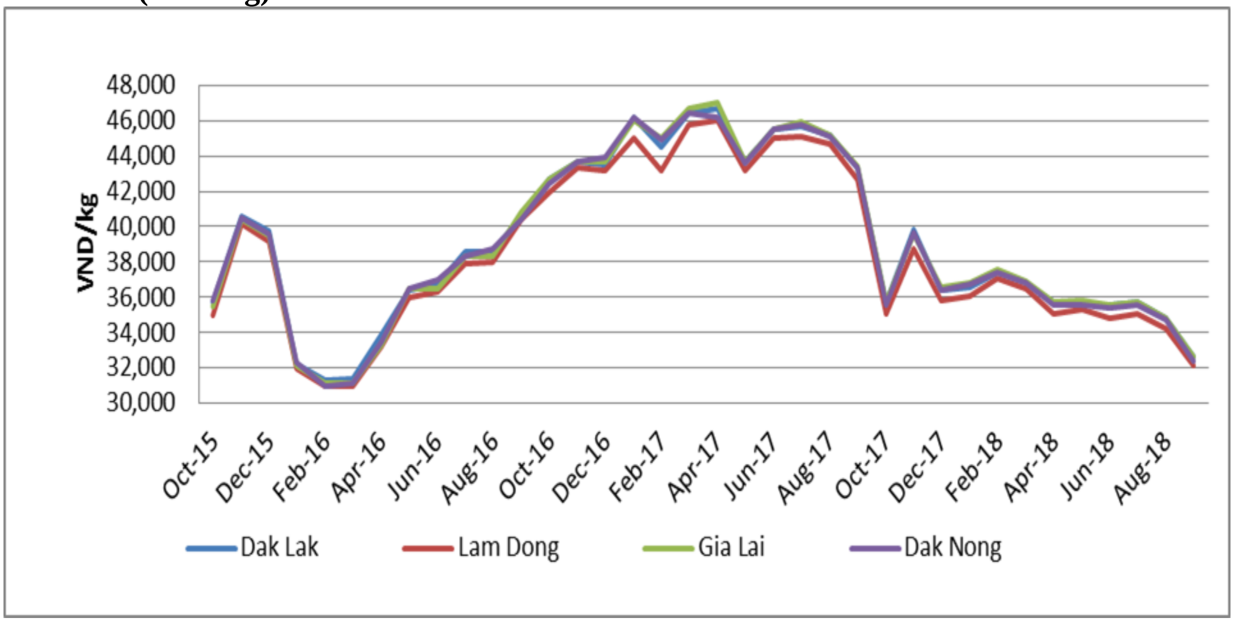
**Figure 2: Average Export Prices for Green Coffee, MY13/14 to MY17/18 (USD/MT)**




*Sources: Daktip, Vicofa, BCEC, Local Exporters*

**Domestic Prices**
Domestic prices for Robusta common ungraded coffee beans followed a similar trend. Prices went up to nearly VND 40,000/kilogram (kg) in October 2017, but then dropped to VND 32,000/kg by September 2018 (see Figure 3).

**Figure 3: Local prices for Robusta Beans in Major Coffee Growing Provinces, MY15/16 - MY17/18 (VND/kg)**




*Sources: Daktip, Vicofa, BCEC, Local Exporters*

## STOCKS

For MY17/18, Post revised the estimated ending stocks down to about 763 thousand bags, compared to the USDA official number of 1,013 thousand bags. These stock are low; however, the coffee actually remaining in Vietnam is higher, since it is in bonded warehouses. For MY18/19 ending stocks, Post forecasts 1.13 million bags, compared to the USDA official number of 1,183 million bags. Increased production in MY18/19 will help rebuild stocks.

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

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

| **Coffee, Green** | **2016/2017** | | **2017/2018** | | **2018/2019** | |
|---|---|---|---|---|---|---|
| **Market Begin Year** | **Oct 2016** | | **Oct 2017** | | **Oct 2018** | |
| **Vietnam** | **USDA Official** | **New Post** | **USDA Official** | **New Post** | **USDA Official** | **New Post** |
| **Area Planted** | 0 | 0 | 0 | 0 | 0 | 0 |
| **Area Harvested** | 0 | 0 | 0 | 0 | 0 | 0 |
| **Bearing Trees** | 0 | 0 | 0 | 0 | 0 | 0 |
| **Non-Bearing Trees** | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total Tree Population** | 0 | 0 | 0 | 0 | 0 | 0 |
| **Beginning Stocks** | 3803 | 3803 | 1183 | 1183 | 1013 | 763 |
| **Arabica Production** | 1100 | 1100 | 1300 | 1300 | 1400 | 1400 |
| **Robusta Production** | 25600 | 25600 | 28000 | 28000 | 28500 | 29000 |
| **Other Production** | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total Production** | 26700 | 26700 | 29300 | 29300 | 29900 | 30400 |
| **Bean Imports** | 500 | 500 | 500 | 500 | 500 | 500 |
| **Roast & Ground Imports** | 340 | 340 | 400 | 400 | 500 | 500 |
| **Soluble Imports** | 160 | 160 | 160 | 160 | 160 | 160 |
| **Total Imports** | 1000 | 1000 | 1060 | 1060 | 1160 | 1160 |
| **Total Supply** | 31503 | 31503 | 31543 | 31543 | 32073 | 32323 |
| **Bean Exports** | 25000 | 25000 | 25000 | 25250 | 25200 | 25500 |
| **Rst-Grnd Exp.** | 550 | 550 | 550 | 550 | 550 | 550 |
| **Soluble Exports** | 2000 | 2000 | 2100 | 2100 | 2150 | 2150 |
| **Total Exports** | 27550 | 27550 | 27650 | 27900 | 27900 | 28200 |
| **Rst,Ground Dom. Consum** | 2400 | 2400 | 2500 | 2500 | 2600 | 2600 |
| **Soluble Dom. Cons.** | 370 | 370 | 380 | 380 | 390 | 390 |
| **Domestic Consumption** | 2770 | 2770 | 2880 | 2880 | 2990 | 2990 |
| **Ending Stocks** | 1183 | 1183 | 1013 | 763 | 1183 | 1133 |
| **Total Distribution** | 31503 | 31503 | 31543 | 31543 | 32073 | 32323 |
| | | | | | | |
| (1000 HA), (MILLION TREES), (1000 60 KG BAGS) | | | | | | |