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Post: Hanoi

Report Category: Coffee

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Report Highlights:

Posts forecasts Vietnam coffee production for marketing year 2021/2022 (MY21/22) at 30.83 million bags, green bean equivalent (GBE), on improved weather conditions and irrigation that support yields. Post revised MY20/21 coffee exports down to 23.65 million bags (GBE), lower than the USDA official number based on strong competition and logistical difficulties. Post also revised MY20/21 stock up to 7.23 million bags on lower exports.

Executive Summary:

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Hydrometeorological observations confirmed that improved weather conditions during the 2021 dry season, including rainfall and temperature, helped irrigation and prevented severe droughts in the Central Highlands, Vietnam's main coffee growing area. As irrigation supported the flowering and cherry setting of coffee trees, Post forecasts MY21/22 coffee production up by 6.3 percent from the previous year, to 30.83 million bags, including 29.68 million bags of Robusta. Competition from lower priced Brazil Conilon, and the lack of available shipping containers and historically high freights, hampered Vietnam's coffee exports in MY20/21, leading to higher stock.

Commodities:
Coffee, Green

PRODUCTION

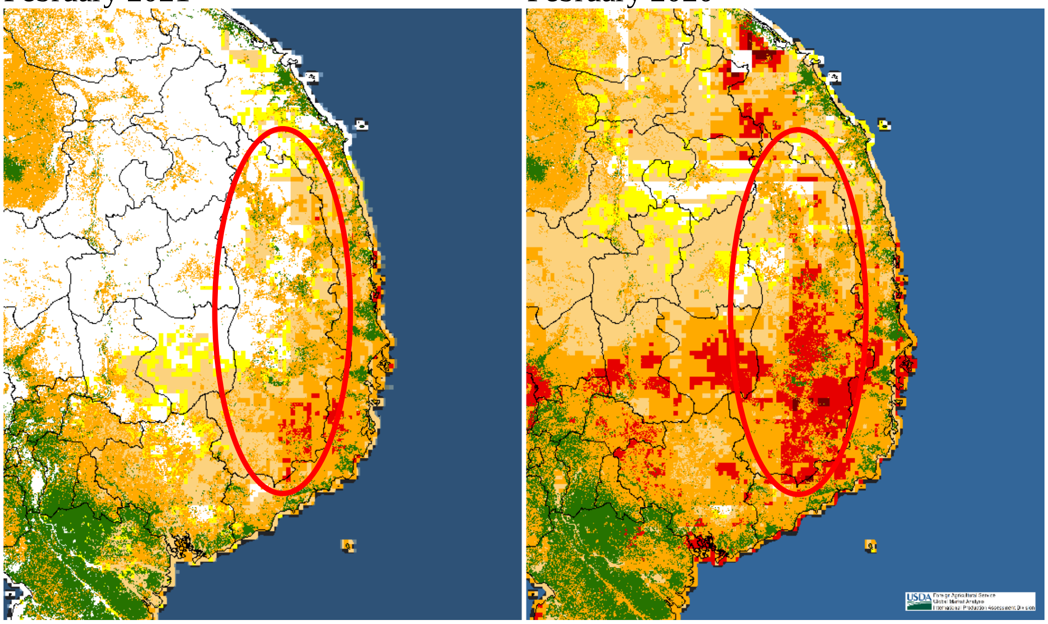
Industry contacts confirmed that improved weather conditions, including precipitation, during the 2021 dry season supported the flowering and cherry setting of coffee trees in the main coffee growing areas in the Central Highlands.


Green Coffee Cherries in Lam Dong Province

According to the National Center for Hydro-Meteorology Forecast, precipitation in the Central Highlands between January to April 2021 near or even above annual averages levels. Temperatures were also on average or below multiple-year average levels. Data from the USDA Global Agricultural and Disaster Assessment System's (GADAS) confirmed that past droughts in February 2021 were less severe in comparison with last year (Figure 1), and monthly rainfall from October 2020 to March 2021 was higher than the past three years (Figure 2).

Figure 1: Drought Monitoring in the Central Highlands

February 2021 February 2020

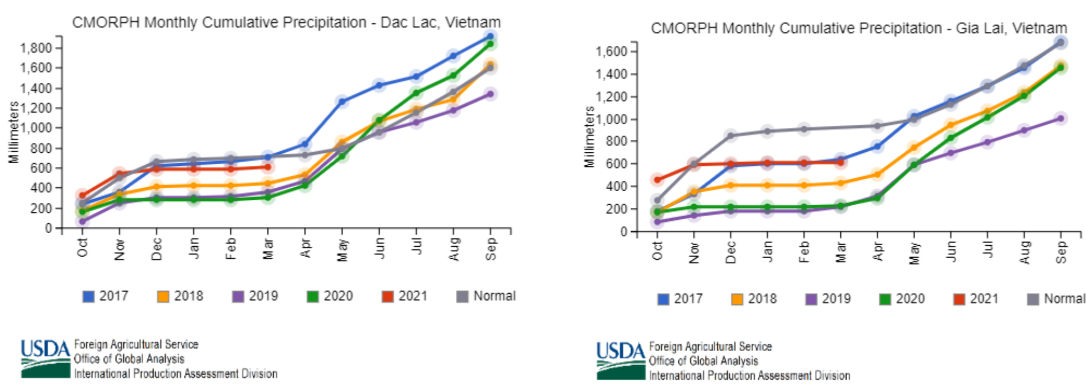


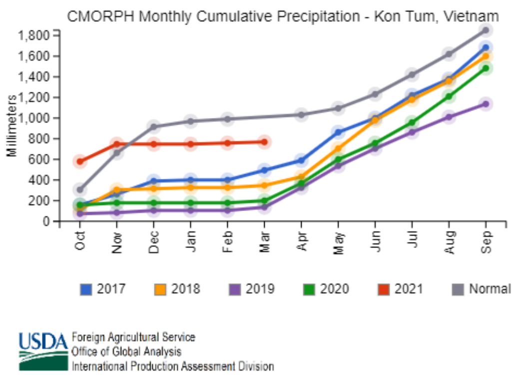
Drought Severity (CHIRPS 2-Month)

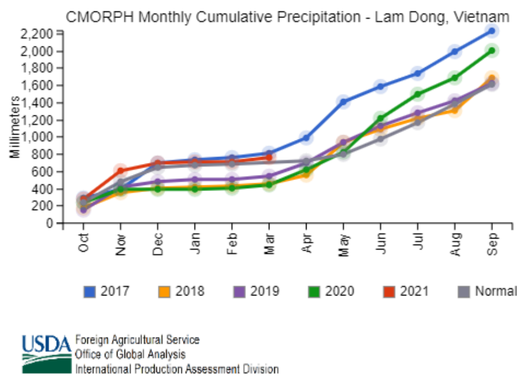
- Other (>-0.5)
- D0: Mild Dryness (-0.7 to -0.5)
- D1: Moderate (-1.2 to -0.7)
- D2: Severe (-1.5 to -1.2)
- D3: Extreme (-2.0 to -1.5)
- D4: Exceptional (<= -2.0)

Source: USDA's GADAS

Figure 2: Monthly Accumulative Precipitation in the Main Coffee Growing Provinces







Source: GADAS

The coffee growing area continued to expand in the provinces of Lam Dong and Dak Nong, offsetting a contraction in Dak Lak Province. To cope with an ongoing downtrend in coffee prices, farmers are intercropping coffee with fruits, such as avocado and durian, to increase their incomes.


Example of a new coffee plantation in Lam Dong Province


Example of intercropping coffee with pepper and durian

Post forecasts Vietnam MY21/22 coffee production up by 6.3 percent from the previous year, to 30.83 million bags, green bean equivalent (GBE), including 29.68 million bags of Robusta (Table 1), based on improved weather conditions and irrigation that supported the flowering and cherry setting in the Central Highlands. Increased Arabica production, mainly in the Northern region, offset a contraction in the low-grown areas of Lam Dong province as farmers switched to Robusta and other crops, leading to higher Arabica production totally at 1.15 million bags in MY21/22.

Table 1: Robusta Green Bean Coffee Production MY19/20-21/22

	MY19/20 Estimate	MY20/21 Estimate	MY21/22 Forecast
Marketing year begins	Oct. 2019	Oct. 2020	Oct. 2021
Cultivation area (hectare)	620,000	620,000	620,000
Production (thousand bags)	30,200	28,000	29,680
Average yield (MT/HA)	2.92	2.71	2.87

Source: Post estimates

CONSUMPTION

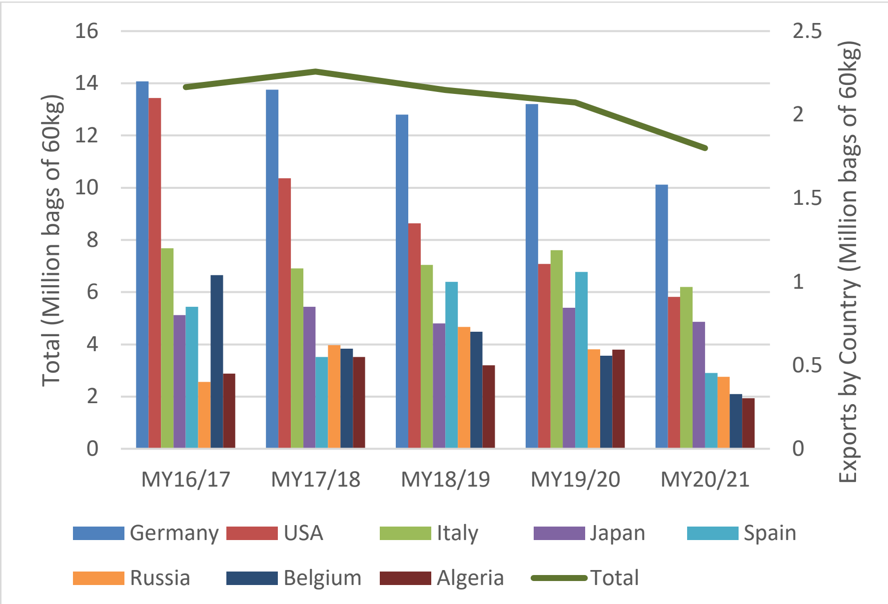
Post revised MY20/21 domestic consumption down to 3.15 million bags, lower than the USDA official number but higher than the previous year, and forecasts that MY21/22 domestic consumption will increase to 3.22 million bags. Domestic consumption was supported by the expansion of both local and international coffee chains, and new cafes which has offset a contraction in demand in the hotel sector due to COVID-19 travel restrictions. Café Amazon, a Thai coffee chain, entered the market last October with four shops in southern Vietnam. Local media reported that the second largest local coffee chain - The Coffee House - opened 24 new locations during the first quarter of 2021, with plans to open additional 50 shops to reach a total of 230 shops by the end of this year. Post also observed the emergence of specialty coffee trends with more cafes serving local high-quality Arabica or imported coffee from Columbia, Ethiopia, Kenya, Indonesia etc. E-commerce supporting online food and beverage delivery appeared to be an efficient modern retail channel, especially during regular COVID-19 outbreaks when most traditional stores faced reduced walk-ins.

TRADE

Exports

Vietnam coffee exports in the first six months of MY20/21 fell by approximately 13 percent to 11 million bags, the lowest level in the past ten years, according to trade contacts. The top three export markets of Germany, Italy, and the United States saw significant drops of 23.3, 18.5, and 17.9 percent respectively from the previous year (Figure 3). Vietnam lower exports were attributed to strong competition from other origins, a continuing shortage of available shipping containers, rocketing sea freights, and port congestion at destinations in the United States and Europe in the recent months. Industry contacts note that there are no signs of improvement in the coming months that could ease the container supply and freight situation, while harvests in the two major competitors of Brazil and Indonesia are expected to start. Therefore, Post revised MY20/21 total coffee exports down to 23.65 million bags, lower than the USDA official number, and forecasts MY21/22 exports at 25.85 million bags.

Figure 3: Coffee Exports to Major Destinations in the First Half of MY16/17-MY20/21

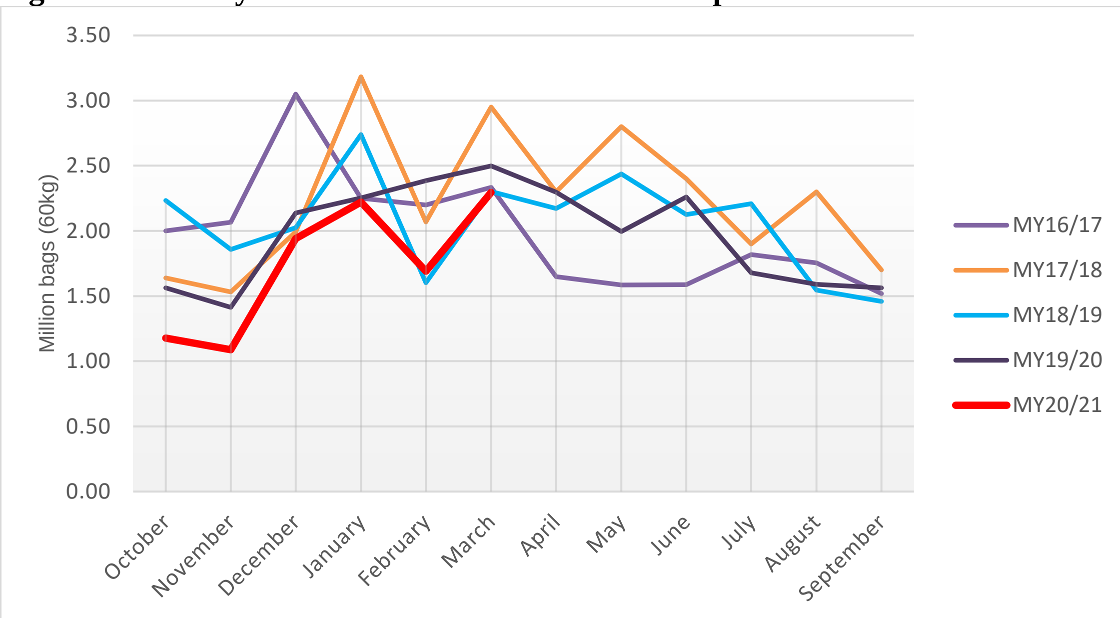


Source: Vietnam Customs, Trade

<u>Green Bean Exports</u>

Vietnam green bean exports dropped by approximately 15 percent to 10.4 million bags in the first half of MY20/21 (Figure 4). Industry reported that the unprecedented lack of containers and rocketing sea freights have prompted exporters and traders to either delay shipments or accept spot rate alternatives which has raised transportation costs. Industry sources confirmed that freights from Asia to Europe and the United States rose multiple times to historical record highs in the past six months, with excessive demand outweighing available containers. Additionally, the temporary blockage that occurred in the Suez Canal in March 2021 exacerbated the freight situation, while U.S. port congestions remain complicated, prompting many carriers to cancel sailings. On the price front, Vietnam Robusta finds it hard to compete with Brazil Conilon which is selling at a good discount and is expected to have a strong harvest. Therefore, Post revised MY20/21 green bean exports down to 21 million bags, lower than USDA official number, and forecasts that MY21/22 green bean exports will increase to 23 million bags.

Figure 4: Monthly Volume of Green Bean Coffee Exports



Source: Vietnam Customs, Trade

<u>Soluble and Roasted Exports</u>

Post revised MY20/21 soluble and roasted coffee exports down to 2.65 million bags, lower than USDA official numbers, also on competition and logistics difficulties, and forecasts that MY21/22 soluble and roasted coffee exports will increase to 2.85 million bags.

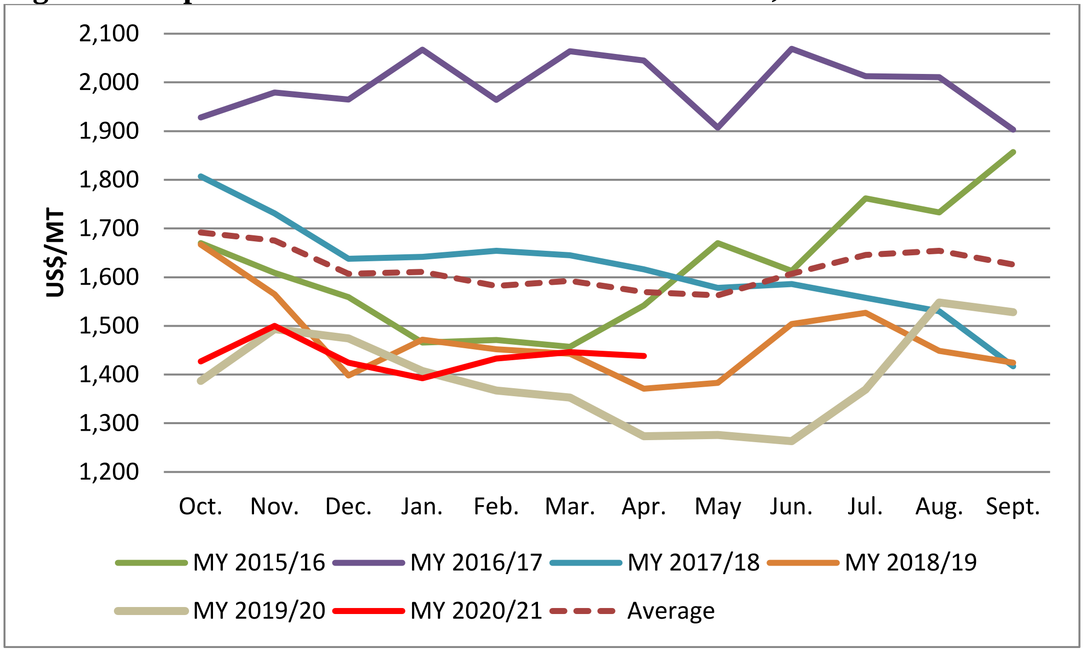
<u>Imports</u>

As detailed in the "Consumption" section, the expansion of both local and international coffee chains, new cafes, and emerging demand for specialty coffee have supported imports of high-quality Arabica beans from Columbia, Indonesia, Ethiopia etc., and processed products from Europe and other countries. Post forecasts MY21/22 coffee imports at 0.6 million bags, higher than MY20/21.

PRICES

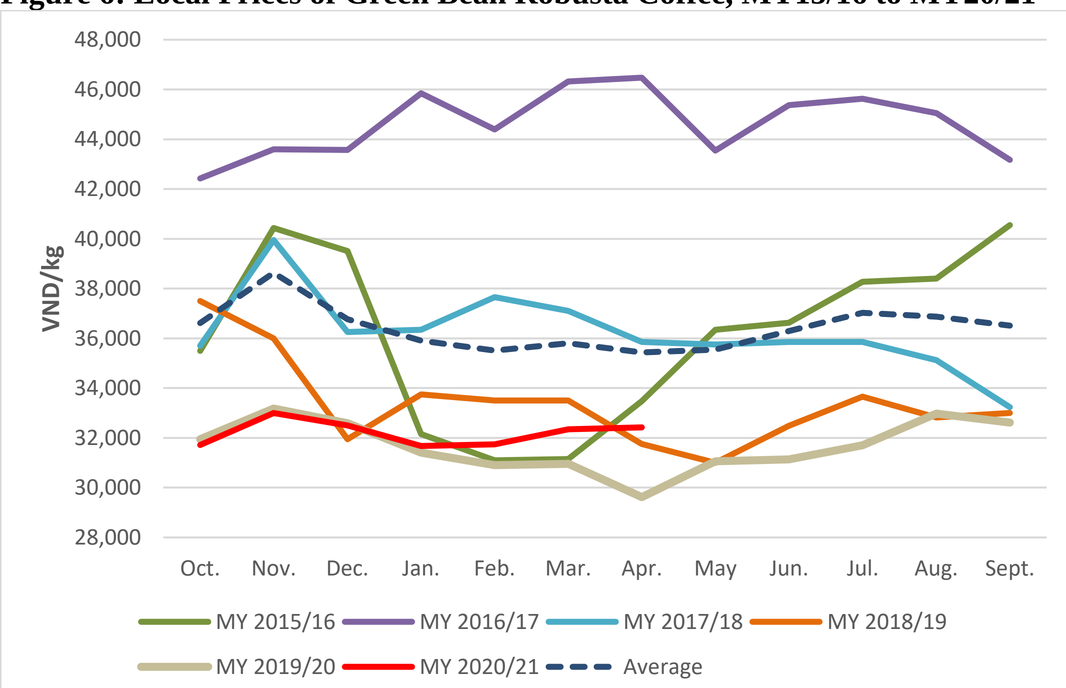
As export prices in the first half of MY20/21 were generally higher than the previous year, Vietnam Robusta became less competitive than Brazil Conilon, leading to lower exports (Figure 5). Local prices were quite stable in the first half of MY20/21, ranging between VND31,600/kg and VND33,000/kg, generally higher than the previous year (Figure 6).

Figure 5: Export Prices for Green Bean Robusta Coffee, MY15/16 to MY20/21



Source: Trade

Figure 6: Local Prices of Green Bean Robusta Coffee, MY15/16 to MY20/21



Source: Trade

STOCKS

Due to low exports, stocks at traders and local exporters' warehouses grew in the first quarter of 2021 and were higher than last year's levels. Post revised MY20/21 stocks up to 7.23 million bags, much higher than the USDA official number, on lower exports. Post forecasts that MY21/22 stock will rise to 9.59 million bags on higher production.

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

Coffee, Green	2019/2020		2020/2021		2021/2022	
Market Begin Year	Oct 2019		Oct 2020		Oct 2021	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	1983	1983	4483	4483	0	7233
Arabica Production	1100	1100	1000	1000	0	1150
Robusta Production	30200	30200	28000	28000	0	29680
Other Production	0	0	0	0	0	0
Total Production	31300	31300	29000	29000	0	30830
Bean Imports	300	300	250	250	0	300
Roast & Ground Imports	300	300	200	200	0	200
Soluble Imports	100	100	100	100	0	100
Total Imports	700	700	550	550	0	600
Total Supply	33983	33983	34033	34033	0	38663
Bean Exports	23600	23600	23800	21000	0	23000
Rst-Grnd Exp.	550	550	550	550	0	550
Soluble Exports	2250	2250	2300	2100	0	2300
Total Exports	26400	26400	26650	23650	0	25850
Rst,Ground Dom. Consum	2600	2600	2700	2630	0	2660
Soluble Dom. Cons.	500	500	550	520	0	540
Domestic Consumption	3100	3100	3250	3150	0	3220
Ending Stocks	4483	4483	4133	7233	0	9593
Total Distribution	33983	33983	34033	34033	0	38663
Exportable Production	28200	28200	25750	25850	0	27610

(1000 60 KG Bag)

Attachments:

No Attachments