



Vietnam's Coffee Exports: Big Efforts Still Needed for a Higher Position in the World

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Coffee has become one of key agricultural exports of Vietnam, bringing to the country billions of dollars each year. But profit from exports has been much lower than the potential and export quantity, requiring big efforts in order to attain higher position among consumers all over the world.

Vietnam coffee is exported now to more than 80 countries around the world. In 2016, Vietnam exported nearly 1.8 million metric tons of coffee, accounting for 15% of the global market share. At the moment, Vietnam is the world's biggest coffee producer and ranks second among coffee bean exports in the world.

However, while export quantity was about 27,500 bags (60kg/bags) in 2016, only after Brazil (45,400 bags), Vietnam's export value was much lower, and even lower than that of Colombia, which exported only 12,500 bags last year.

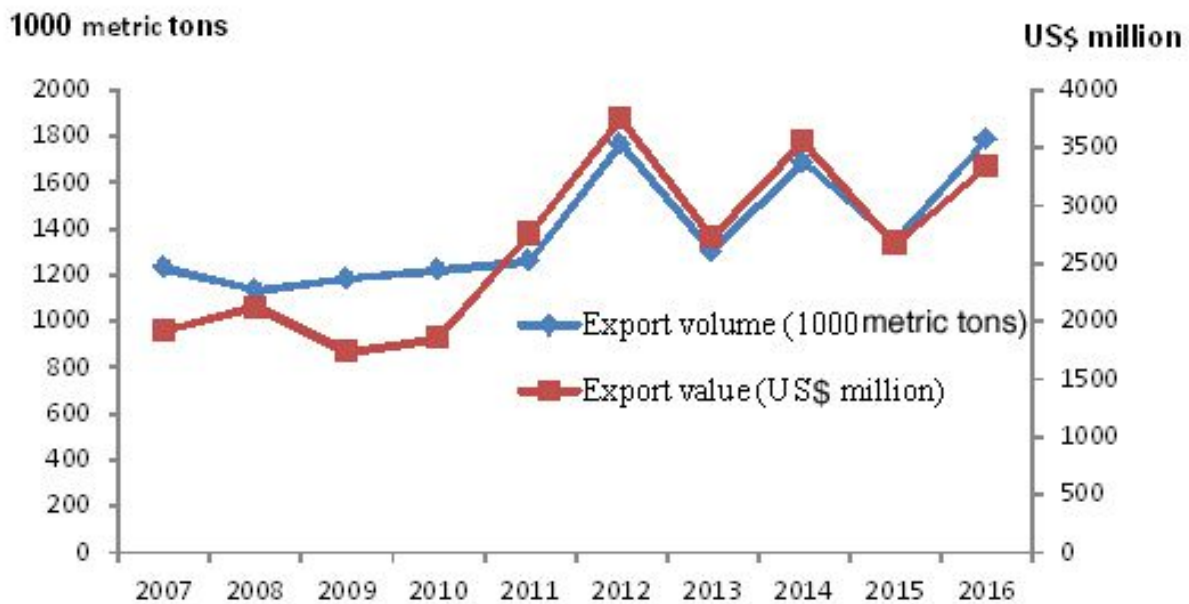


Fig. 1. Vietnam coffee export (2007-2016)

Source: General Customs office of Vietnam (GSO)

According to the Vietnam Coffee and Cacao Association (VICOFA), exporting beans has been one of main reasons for the low competitiveness and low profit of the coffee industry in recent years. Most Vietnamese companies have to sell to 26 intermediaries and foreign companies to export their products, instead of trading directly with big coffee roasters. Deep coffee processing system in Vietnam is still underdeveloped. This is contradictory with Germany and Switzerland who are bean coffee importers but are the top two biggest processed coffee exporters in the world. Germany and USA continued to be the biggest importers of coffee bean from Vietnam but the export has grown strongly to Belgium, UK and Algeria.

Shortage of brand name is also a limitation of the Vietnam coffee industry. Only a few local companies have started to build their own brand name due to financial shortage and insufficient promotion of their brands to the international market.

Bright spots to be seen

New statistics from the General Customs office of Vietnam shows that the country exported totally 680,000 metric tons of coffee (US\$648 millions) in the first two months of 2017, decreased 2.6% in volume but increased 28.8% in value in comparison with the same period last year. Average export price went up by 30.2% to 2,257 US\$/metric tons in the same period. Experts explained that change by the product structure analysis.

Processed coffee tends to increase its share in the total export quantity and value. G7, a brand of Trung Nguyen coffee company meets now strict requirements of Walmart to be sold in this group's supermarket systems in Chile, Brazil, Mexico and China. In 2016, Vinacafe shipped 2,000 metric tons of instant coffee to 70 countries and territories. A Thai coffee company exported more than 2,000 metric tons of refined coffee.

In Dak Lak- the largest coffee province of Vietnam, about 28,000 metric tons of coffee were deeply processed in 2016, including 23,000 metric tons of coffee powder and 5000 tons of instant coffee. With 4,520 metric tons was exported in 2016, instant coffee accounted for 7.5% of the total coffee exported value of the province. Dak Lak set target to increase the deeply processing rate to 15% of the total coffee bean quantity by 2020, and to 30% by 2030.

More efforts are needed

Along with the strong wave of investments in coffee processing and business in Vietnam, coffee export is predicted to grow in the future. Nestlé group funded nearly US\$300 million in instant coffee processing in Dong Nai province. Local companies like Trung Nguyen, Me Trang, Vinacafe and some others are expanding their production scale to catch up with opportunities from high quality and instant products segments.

In addition to this trend, bilateral and multilateral free trade agreements (FTAs) of which Vietnam is a member are promising to enhance the processed coffee exports of Vietnam. In fact, before FTAs, only coffee beans from Vietnam benefited from the 0% import tariff while processed products suffered higher tariff of 15-20%. Now the tariff is reduced to 0-5% for all processed Vietnam' coffee when being imported into FTAs' members.

The coffee industry in Vietnam is undergoing restructuring to have higher value added and sustainable development. Some important targets reflecting this direction include the 30 % processed coffee by 2020, with annual export value ranging from US\$3.8 to 4.2.

To maintain the high position in export market and improve the name of Vietnamese coffee in the world, Vietnam needs to improve its production and distribution system. In addition, the quality and food safety control should also be implemented efficiently in all steps of the supply chain, so that only good quality coffee is distributed to consumers.

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