

Vietnam Coffee Ten Year Development

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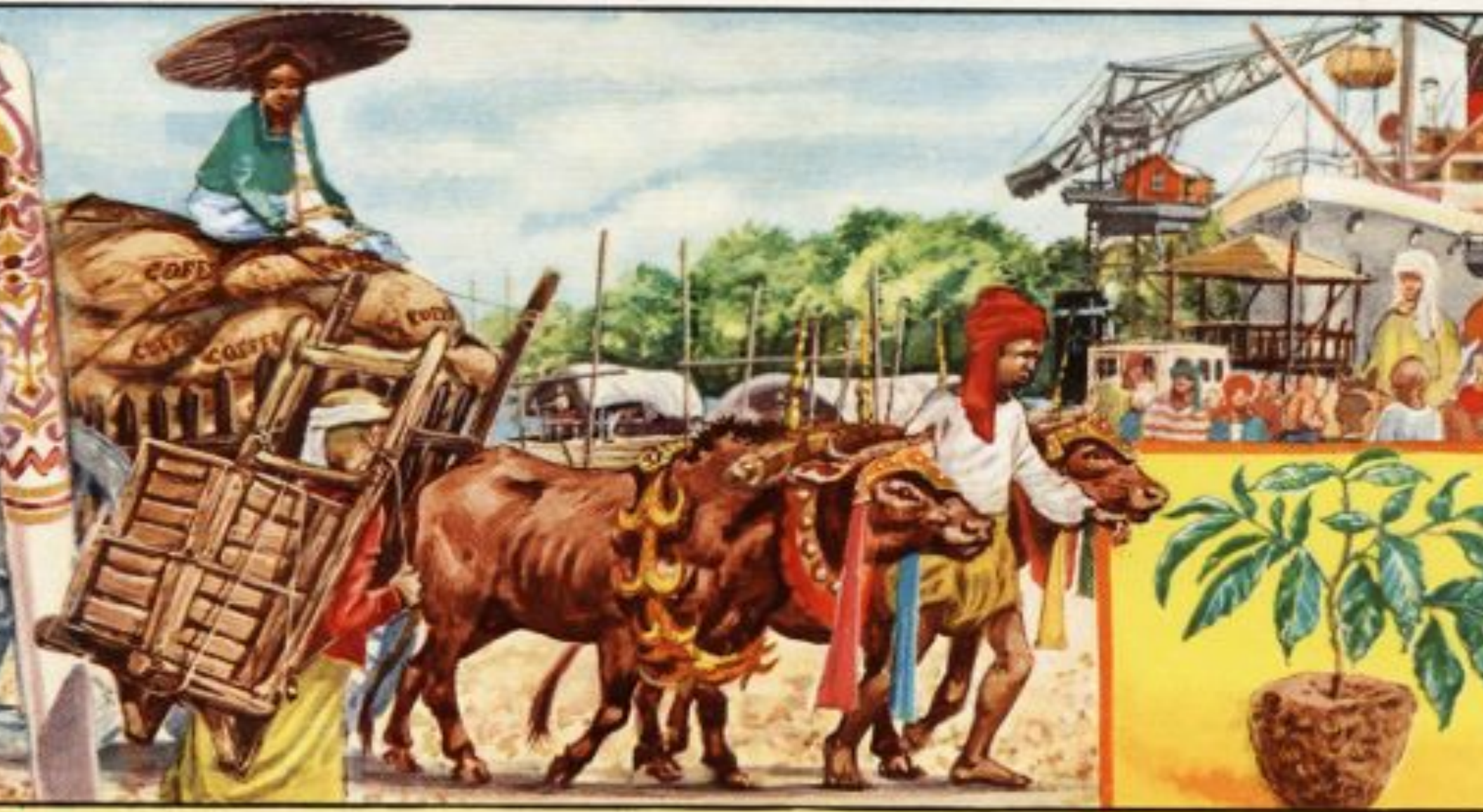
ACOM Vietnam Ltd



A member of the ECOM Coffee Group

Table of contents

- Viet Nam coffee overview
- Robusta
- Arabica
- Coffee sustainability development
- Local market consumption
- Development challenges
- Opportunity

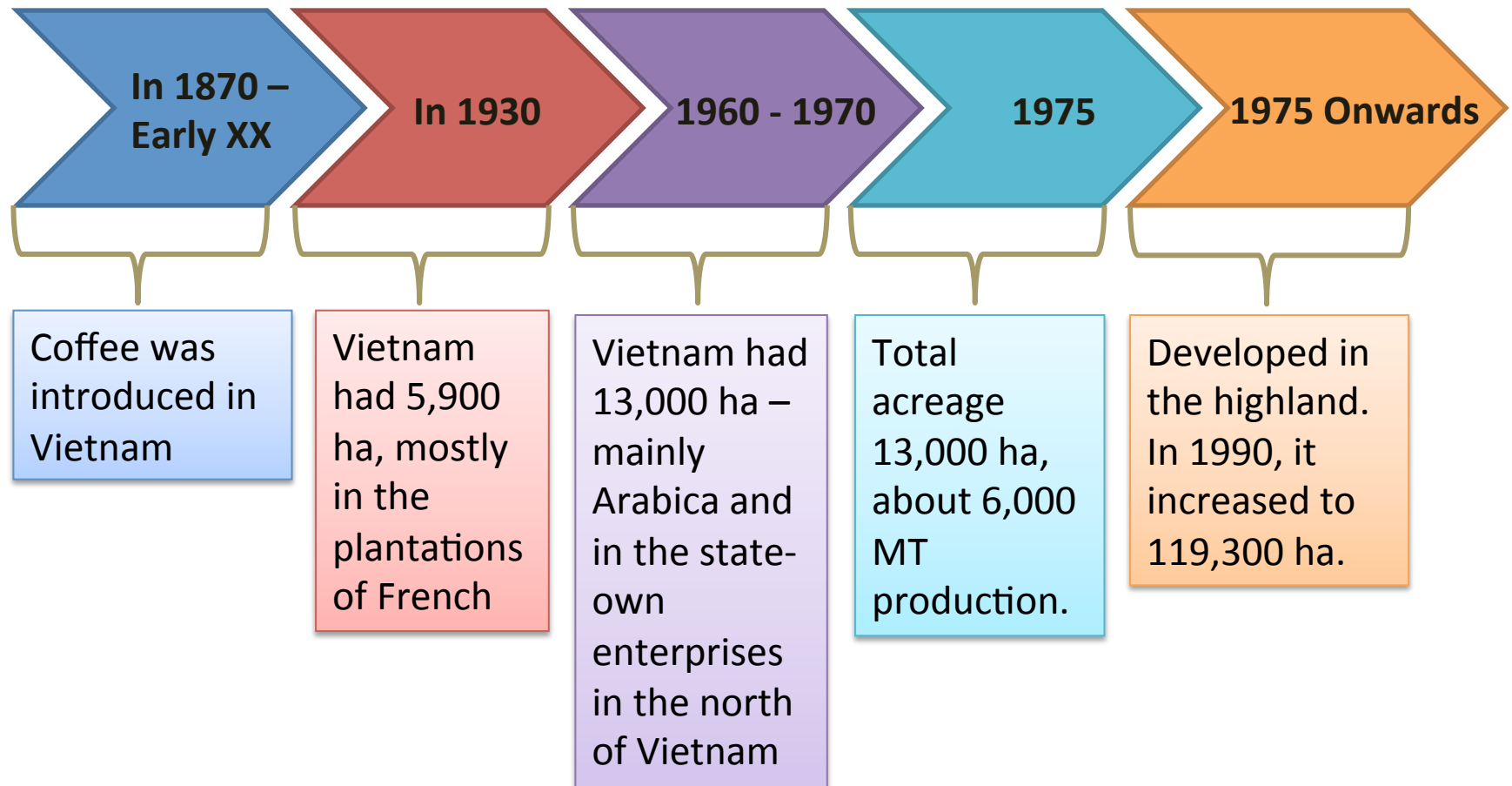


LA GRANDE STORIA D'UNA TAZZA DI CAFFÈ LAVAZZA

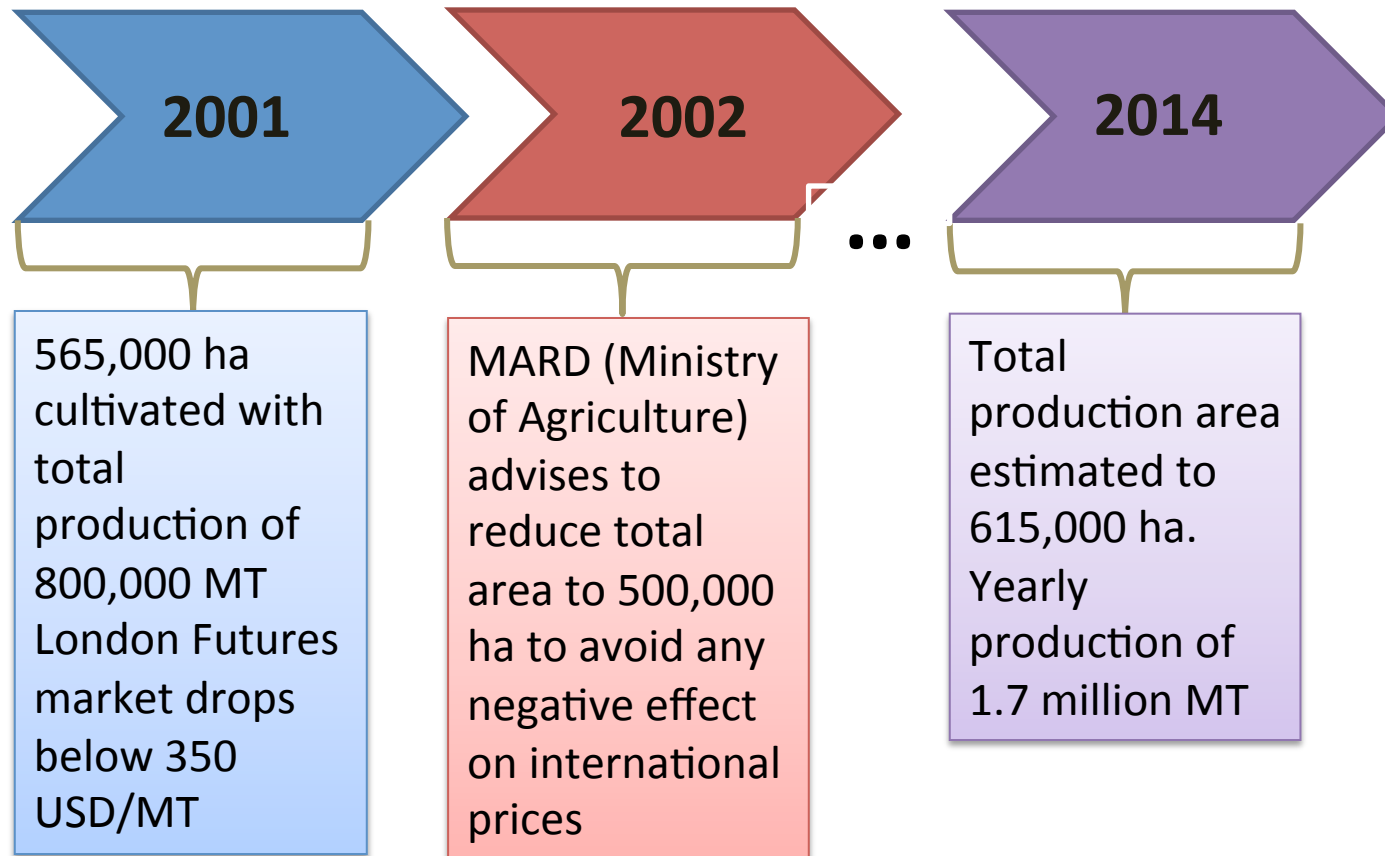
(4) - Trasporto del caffè verso l'imbarco (Indocina) - Serie 167

(Vedi a te)

Vietnam Coffee Development History



Vietnam Coffee Development 2001 - 2012





Overview of Vietnam Coffee

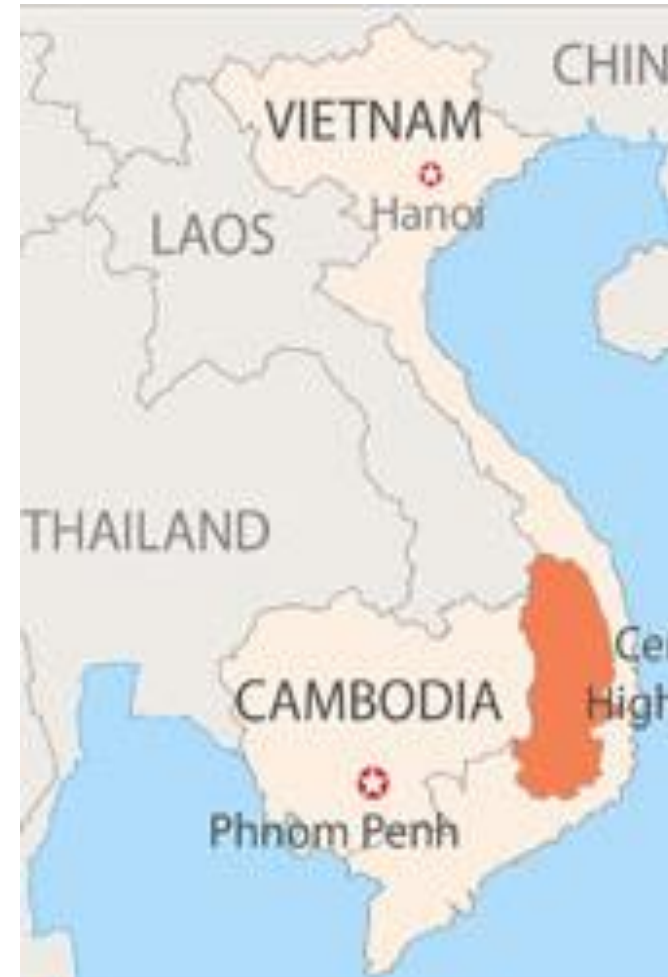
70% Robusta, 5% Arabica

Major production areas in 5 Central Highland provinces; Dak Lak, Dak Nong, Lam Dong, Gia Lai and Kon Tum

Exported coffee is mainly classified by Vietnamese standard TCVN 4193:93

Many coffee gardens are aged 20 - 25 years, need replant

Small farm size dominance with 90% less than 2



Production growth in period 2002 - 2012

Coffee production has been increased
substantially in last ten years

Weather sometimes has showed negative
impacts, but could not change the growth

Quality has been improved since new
varieties come into production and
infrastructure improvement.

Processing technology improved

Supply - chain strengthen



Key acreage & production growth

(ha)

01/02	03/04	05/06	07/08	09/10	11/12
532,000	509,000	502,000	530,000	554,800	619,440

on (mt)

01/02	03/04	05/06	07/08	09/10	11/12
790,000	925,000	825,000	1,026,000	1,177,682	1,441,924

~16% acreage expanded in last 10 years ...
... but >50% increased in production!

Coffee production support

Coffee profit margin was high in comparison to other crops

Varieties: New varieties, grafting, seedling production and management

Fertilizer improvement

Creage expansion, yield improve

Density management: 3x3, grafting, replanting, farm-caring

Government supports: Research Institutions, National AAEC, Central Plant Protection

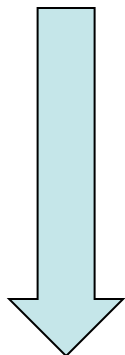


Robusta cost of production in 2012/13

SMS survey

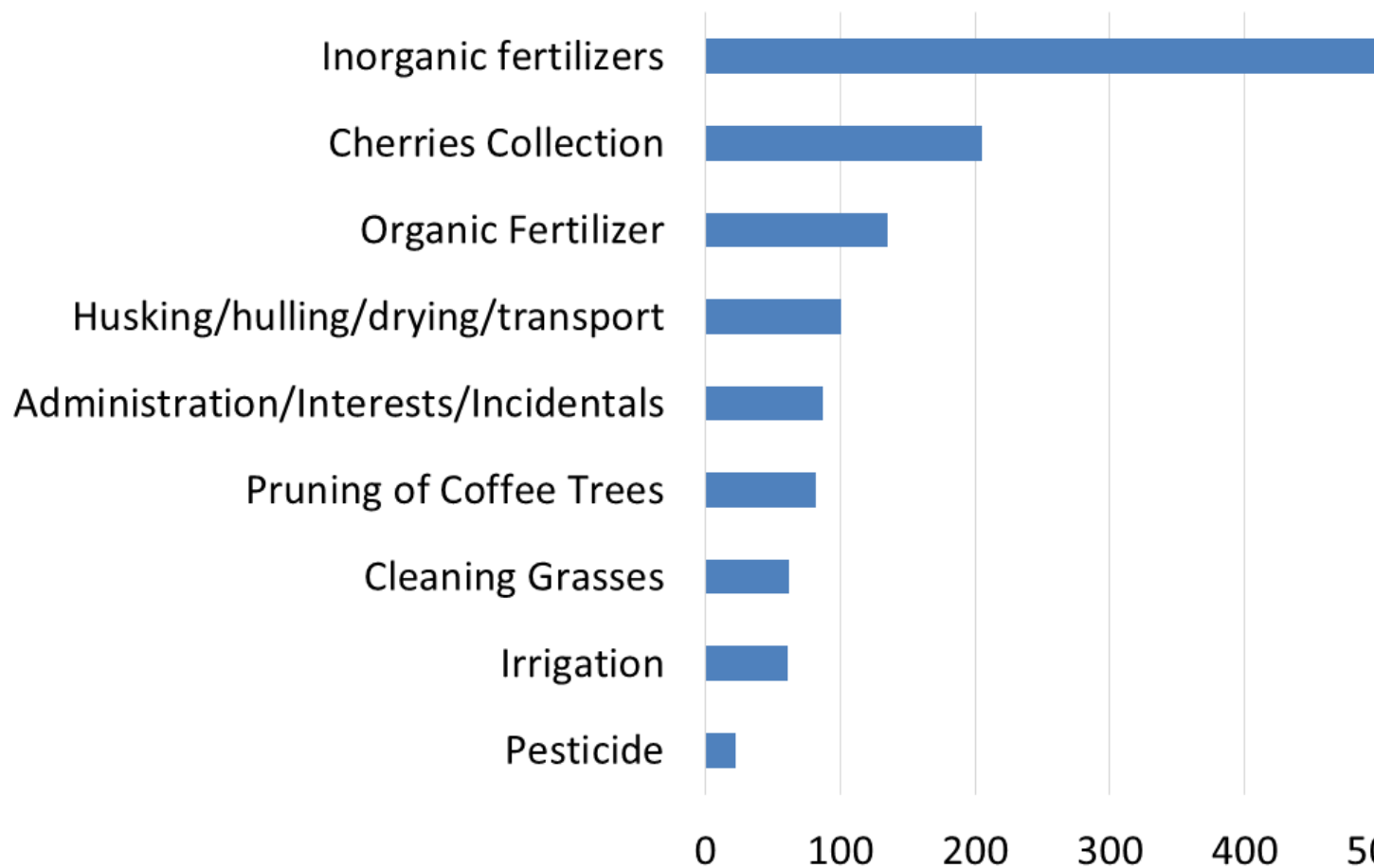
Cost of production: 1,299 USD/mt

Farm gate price: 1,640 USD/mt

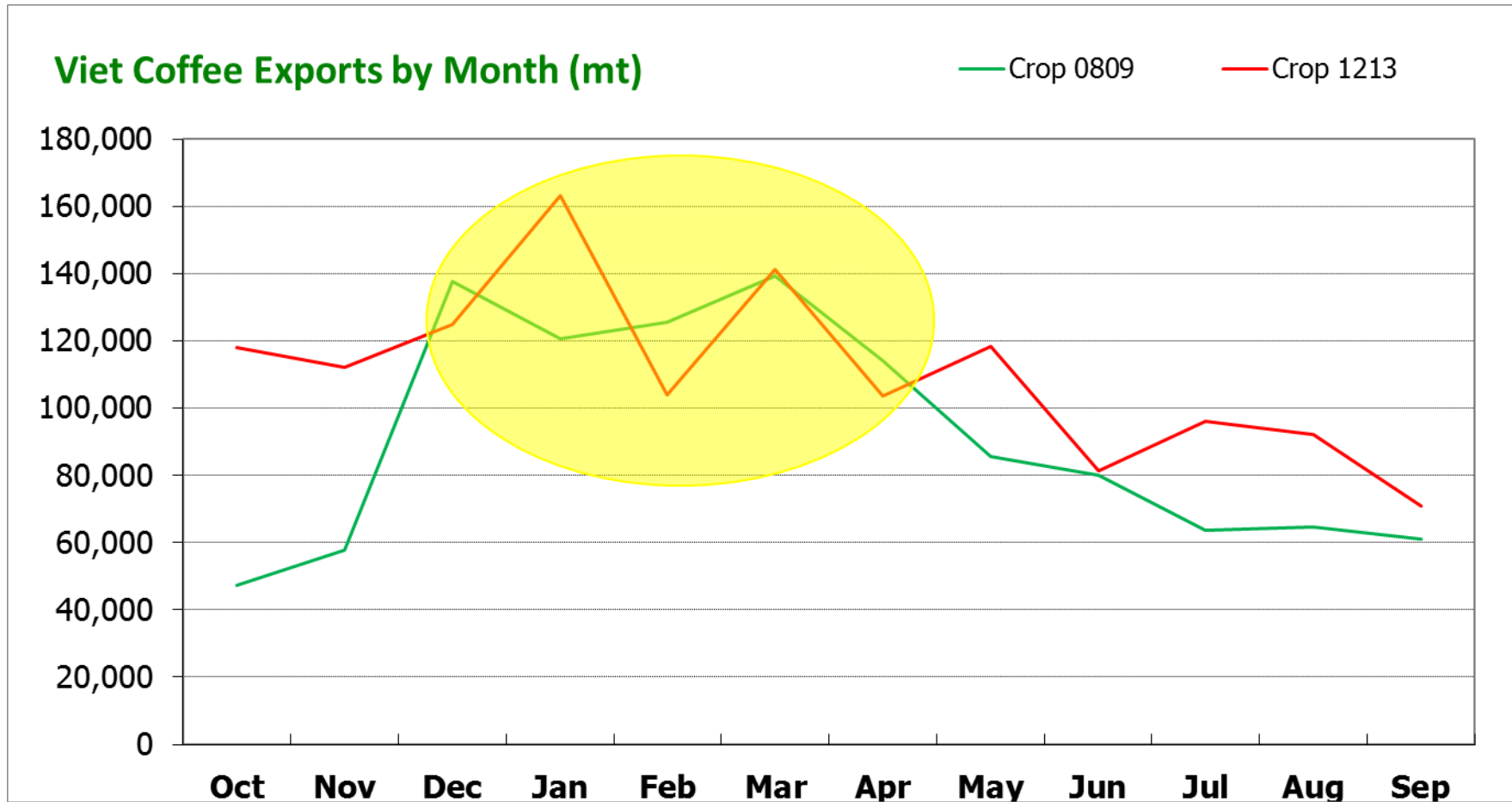


Low export when LIFFE
price close to farm gate
price in 9-10/2013

Viet Robusta cost of production (usd/mt)



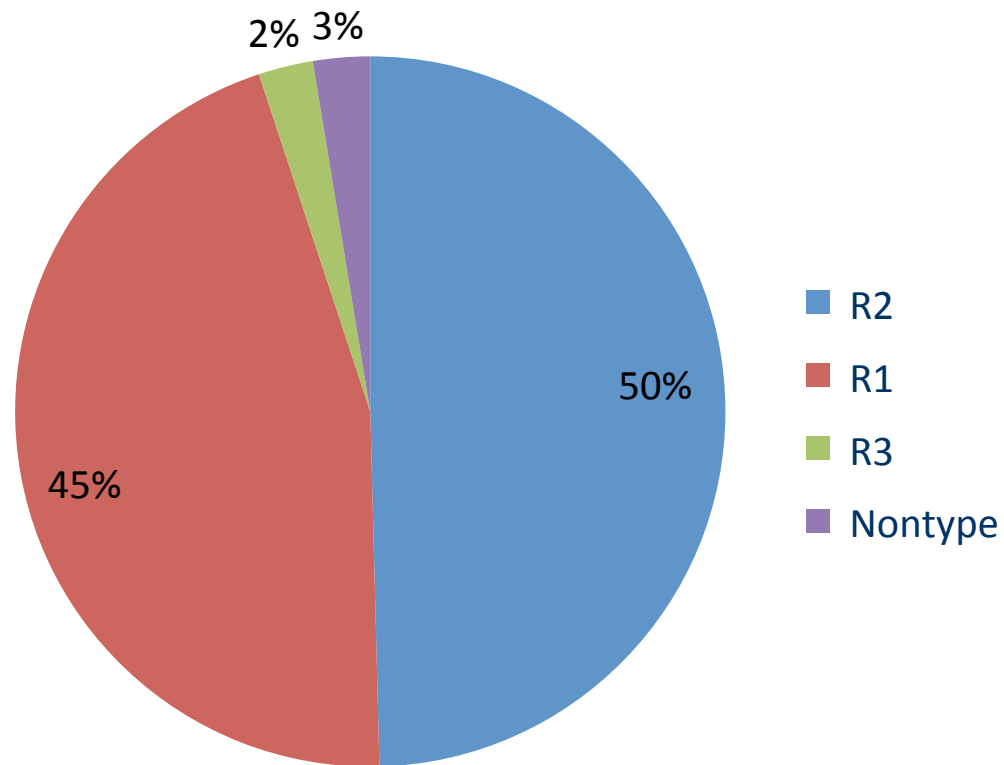
Vietnam coffee export track



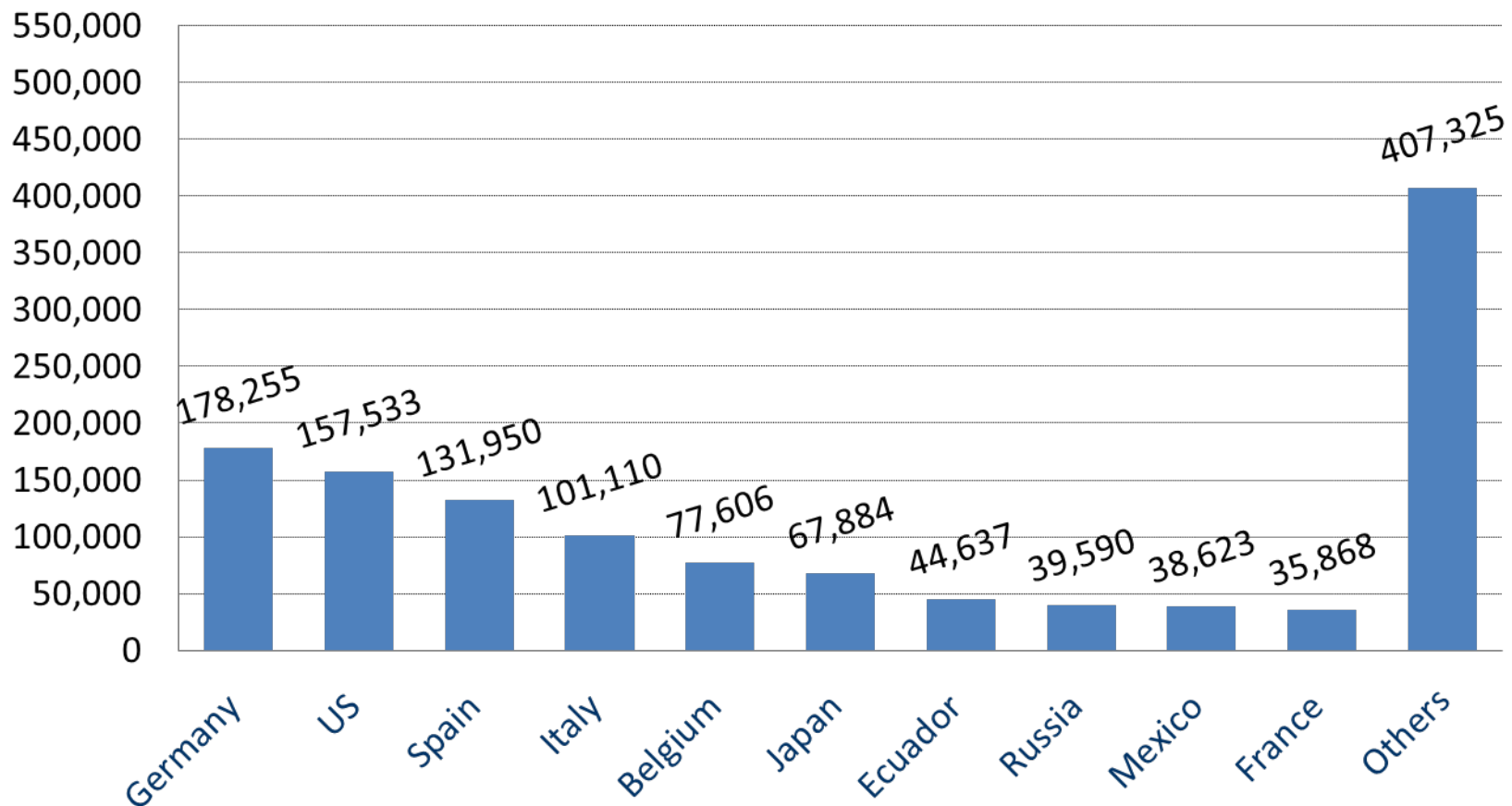
Peak: Jan – May; Valley: Jul - Sep

Robusta Coffee Quality in Crop 2013

Total export 2012/13 :
1,410,000 MT



Robusta Coffee Export Destination in Crop 2012/13

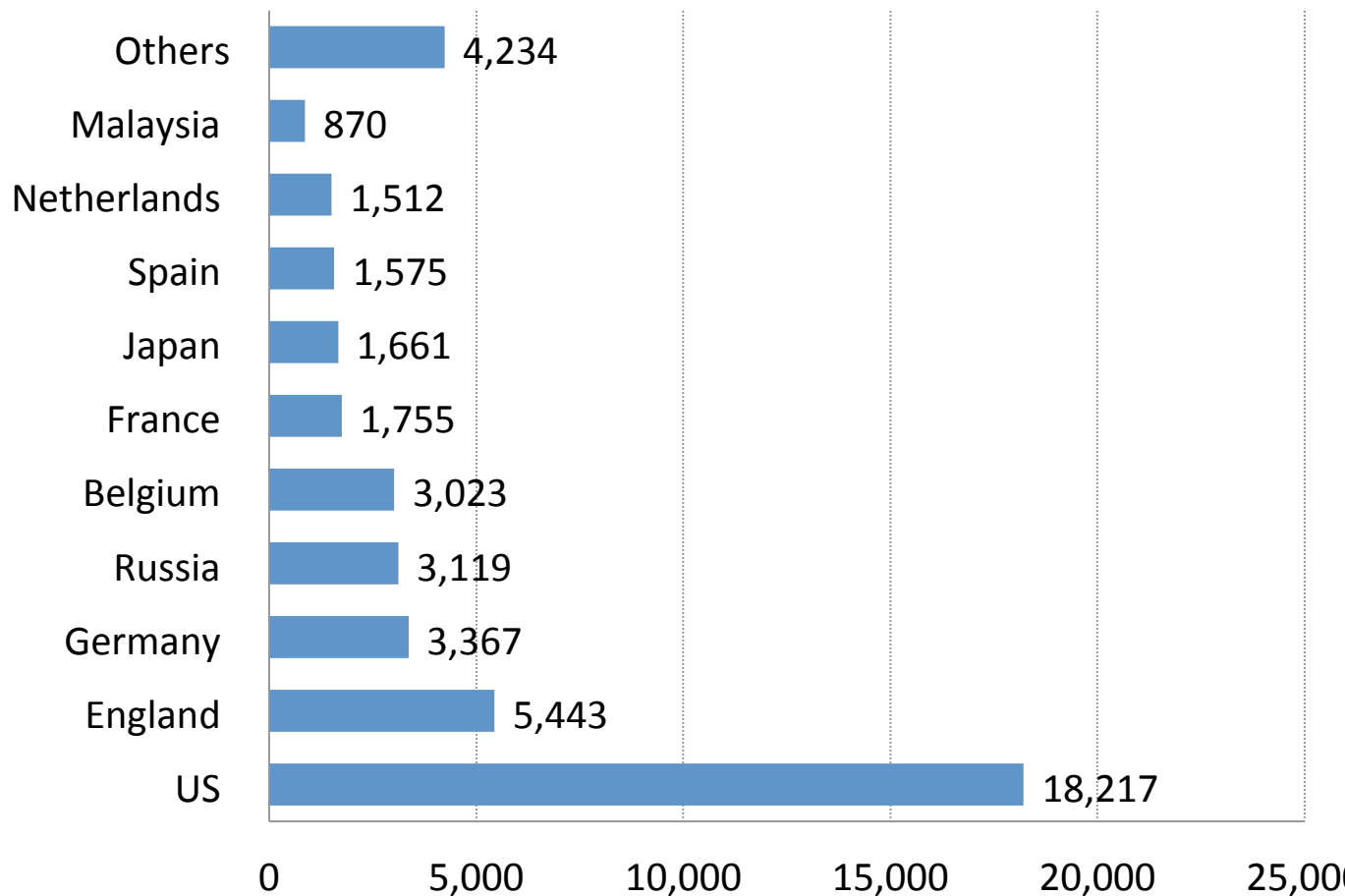


Vietnam Robusta coffee export to 70 countries with key roasters.

Arabica crop 2012/13

increased from 30,000 mt to
more than 60,000 mt in last
n years
production reach to potential,
rdly to increase
medium quality
et processing product
minance

Vietnam Arabica Destination, Crop 2012/13



Vietnam Coffee New Crop 2013/14

about 2 weeks earlier compare to last crop, in harvesting now.

production volume forecast: 10% increase from last crop: ~29mil bag (1.7 billion mt)

high stock carry forward from last crop 2012/13: 150,000 mt

smaller bean size due to little drought March, April

policy change in Value Added Tax reimbursement caused delay export



Viet Nam Coffee Analysis

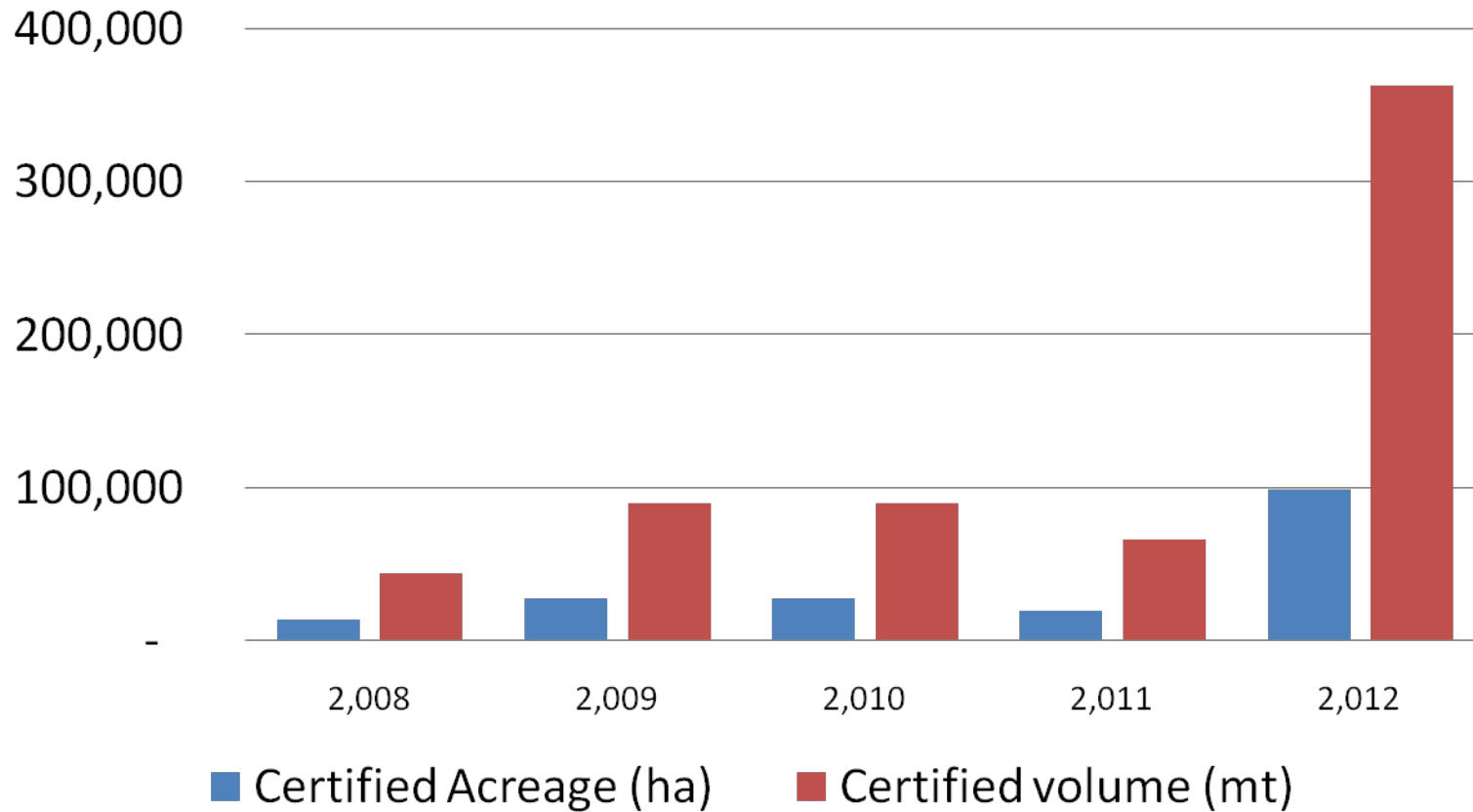
	PROS	CONS
Arabica	<ul style="list-style-type: none">• More competitive price than Robusta• Medium quality• Harvesting earlier	<ul style="list-style-type: none">• Complicated harvesting & processing• Difficulty of farm practices• Low capacity of pest & disease resistance• Limited planting acreage
Robusta	<ul style="list-style-type: none">• Medium quality• Good varieties & yield• Acceptable farming practices• Value chain setup	<ul style="list-style-type: none">• Small farm size dominance• Weather change, more drought threat• Old tree, soil degradation, pest & disease threat• Shortage of labor

“ Treat the Earth well.

**It was not given to you by your parents
It was loaned to you by your children.”**

Kenyan Proverb

Sustainability Coffee Development



ACOM/SMS contribution to Vietnam certified coffee in crop 2012/13: 11%

Sustainability Coffee Development

COM / SMS activities :

TC (Farmer Training Center)

Technical hub of coffee farmers, fertilizer & pesticide demos, farming practices and training

Bridge certified coffee to traders and roasters

Linkage coffee stakeholders to supply chain

Two farmer training centers in key coffee production provinces

10,000 farmers trained; 40,000 mt certified coffee (Utz, 4C, Rain Forest Alliance and Café Practices)



Sustainability Coffee Development

Organize farmers in certified coffee production group. 50-60 farmers each group

Training of Trainer & Training of Farmers: 4 training for farmers per year following coffee crop cycle.

Agricultural extension: Farm visit and consultation

Editing and certification granting: every year

Marketing

Research & development

Varieties Demo

Demo for fertilizers, farm practices

Shade and wind-break tree provision

Special sites



Sustainability Coffee Development

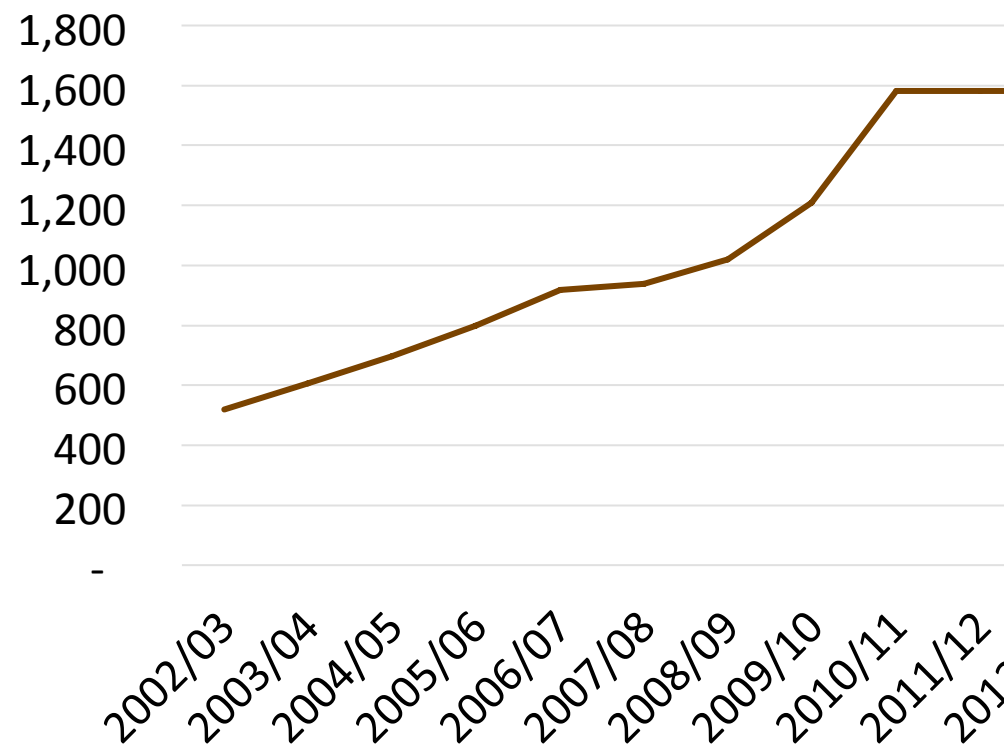
Drip irrigation demo farm



Vietnam domestic coffee consumption market

Used to be tea dominance in drinking list
Consumption has increase 4 times after
10 years, at 1.15 kg/person/year &
continue growth
famous international brands has come:
Nestle, Starbucks
local brands strong growth: Trung
Nguyen, Highlands Coffee
Domestic consumption : 110,000 MT

Vietnam domestic coffee consumption





Vietnam Coffee Development Challenges going forward

Soils in Vietnam are among the most acidic in the world.

- This is due to heavy usage of fertilizers and not because of farmers inefficiency.
- Fertilizers used are not necessarily adapted leading to soil acidification and creating soil phyto-toxicity.
- Fertilizers used are not correctly applied (no soil analysis), creating soils imbalance.



Vietnam Coffee Development Challenges going forward

Average farm size is small (around 0.5 ha) and does not allow economy of scale.

In spite of important yield (up to 3mt/ ha), robusta farmers net income does not exceed 1000 usd/year and does not encourage them to grow coffee on the longer term.

Farmers will constantly assess profitability of coffee over other commodities and will continue to grow the most profitable one.



Vietnam Coffee Development Challenges going forward

Average age of producing trees is very high (between 20 - 25 years old).

When trees are replaced, it is not uprooted but simply cut and a young tree is planted. High risk of disease (nematode)

No incentive for farmers to improve quality.

Quality standards are very low and focus is on quantity only. Will the roasters/ final consumers always accept such low quality?



Vietnam Coffee Development Challenges going forward

Legislation issues (biased competition).

- Foreign companies cannot buy coffee directly from farmers but through middlemen only.
- Farmers face difficulty to access to pre-financing
 - Because of no collateral to pledge the loans
 - Because of bad banking industry structure

⇒ Price of coffee unevenly distributed, with middlemen catching part of it, with close to no added-value.

Other issues

- Relatively small country, with limited land available to expand production area
- Rural depopulation



Any opportunities ?

=> Farmers must receive an incentive big enough so they see a benefit in continuing to grow coffee and similarly once they retire, their children will consider to take over the business.

Any opportunities ?

This is the essence of our sustainability programs:

Decreasing input:

- Better usage of fertilizers (adequate product at the right time)
- Usage of shade trees (additional income such as fruit trees) and reduction of water usage



Any opportunities ?

Increasing output:

- Quality improvement, through better post harvest practices.
- Better selection of new varieties, through set-up of nurseries of best performing varieties.
- Rejuvenation of plantations.



Any opportunities ?

Trying to impact the behavior of the community we are working with:

- Teaching the farmers better farming practices that are more environment friendly.
- Showing them that better care for their community and for their surrounding environment improve their life as well.



FTC **MỘT SỐ SÂU BỆNH HẠI CHÍNH THƯỜNG GẶP TRÊN CÂY CÀ PHÊ ROBUSTA**
COMMON PESTS AND DISEASES ON ROBUSTA

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HƯỚNG ĐẾN NỀN NÔNG NGHIỆP BỀN VỮNG FOR SUSTAINABLE AGRICULTURE

*** Phòng bệnh:**
- Thường xuyên thăm vườn để phát hiện sâu, bệnh kịp thời, và anh đồng ruộng luân tác, thu gom và tiêu hủy các cành cây bị sâu, bệnh.
- Áp dụng các biện pháp thực hành nông nghiệp tốt (GAP) giúp cây cà phê phát triển khỏe mạnh và chống sâu bệnh.
- Hạn chế sử dụng thuốc trừ sâu phân hóa học.
- Trồng các giống kháng bệnh: TM, TH, TH11...
- Bảo vệ các loài thiên địch.

*** Trừ sâu:**
- Sử dụng thuốc BVTV được xem như là biện pháp cuối cùng để quản lý sâu bệnh.
- Sử dụng thuốc gốc sinh học (Dùng thuốc, dùng nhũ tương, dùng lực và dùng các...)
- Ưu tiên chú trọng sử dụng thuốc BVTV phân mạng để bảo họ lao động để đảm bảo an toàn.

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Any opportunities ?

ough yields are already high in
tnam, we think there is more
ential if:

The entire coffee community adopts a more
sustainable approach

LIFFE remains above 1600 usd/mt ?

Demand for Robusta increases in emerging
countries, while staying stable in US or
Europe.

en we could see a production of
mio MT out of Vietnam!



Thank you !



Further contact :

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