



Organización Internacional del Café
Organização Internacional do Café
Organisation Internationale du Café

ED 1957/05

1 July 2005
Original: English

E

Development of and prospects for the Vietnamese coffee industry

The Executive Director presents his compliments and, for the information of Members, attaches a report prepared by the Vietnam Coffee-Cocoa Association (Vicofa) outlining the development of the Vietnamese coffee industry and future prospects. This is being circulated at Vicofa's request to provide Members with information about the situation of the coffee industry in Vietnam.

DEVELOPMENT OF AND PROSPECTS FOR THE VIETNAMESE COFFEE INDUSTRY

I. The explosion of the Vietnamese coffee industry

In recent years, the rapid development of the Vietnamese coffee industry has been of interest to many international traders. From a country with low levels of coffee production, which was not known by many consumers, within 10-15 years Vietnam became the second largest coffee exporter in the world, after Brazil. It has approximately half a million hectares of coffee, of which 90% is traded, yielding about 800.000 tons of green coffee and as much as one million tons of green coffee in some years. The turnover of coffee exports is between US\$500-600 million. Coffee is therefore classified as one of the main agricultural products, second in importance after rice. The coffee industry also has a large workforce and has created many jobs in the countryside and rural areas.

II. Brief remarks on the development of the Vietnamese coffee industry

The coffee planted in Vietnam is mainly Robusta (*Canephora*). The main coffee growing areas are the basalt red soil areas in the Central Highlands and other provinces in the south east, such as Dong Nai, Ba Ria Vung Tau, Binh Phuoc, etc. Coffee has also spread to the North, from Khe Sanh, Quang Tri, Phu Quy, Nghe An and to Son La, Tay Bac.

Consideration should be given to a number of issues.

The world coffee crisis of over-supply caused many difficulties for the Vietnamese coffee industry. Coffee had to be sold at, or sometimes below, cost. Farmers' incomes dropped and they did not have the financial wherewithal to meet their living costs or reinvest in their plantations. The Vietnamese coffee industry has reflected on this experience and the problems which arose from the crisis, in particular:

1. The development of coffee production was outside the government's control, beyond the proposed limits, causing imbalance in production of other crops, and intensive use of water and land resources. When coffee prices rose, farmers in many provinces destroyed other kinds of trees, including forests and even rubber trees to grow coffee, and likewise, when coffee prices were low, coffee trees were neglected and even replaced by other trees. This is the biggest hindrance for the development of sustainable agriculture.

2. Intensive farming by using more fertilizer and water is a risky method. Robusta coffee grown in the Central Highlands has very high yields, between 4 to 5 tons of green coffee beans per hectare for a large area. On average, Robusta production is approximately 2 tons per hectare in the whole of the Central Highlands. In order to get higher yields, farmers have cultivated coffee intensively using the following methods:

- Cutting down shade trees to take full advantage of the sun's energy to maximize production.
- Using more chemical fertilizer. Organic fertilizer is rarely used because there is no organic fertilizer mill. A small amount of low quality micro-organic fertilizer is used instead of organic fertilizer such as cow dung, green manures and compost.
- Increasing water and using the maximum quantity in the dry season (650 litres are usually needed for each coffee tree each time, with a frequency of once every 20 to 25 days).

3. The above mentioned methods have helped to expand coffee production, and increase yields; however the land will quickly become infertile and water resources in the Central Highlands will be exhausted.

4. The production structure needs to be reviewed. Although there are many large areas in Vietnam which have favourable conditions for Arabica, these are not effectively exploited. Export production is mainly Robusta. The Government has approved a project to develop 40,000 hectares of Arabica with financial support from the AFD (Agence Française de Développement) but this project has not yet succeeded for a number of reasons.

Apart from the above-mentioned eco-technology problems, the Vietnamese coffee industry has other strategic issues which will be mentioned in the next section.

III. Orientation of the Vietnamese coffee industry development

III.1. Robusta and Arabica structure

In the last few years, Robusta coffee production has grown steadily. Climatic conditions such as high temperatures and heavy rainfall in the Central Highlands enable Robusta coffee trees to grow fast and produce high yields when watered in the dry season, when the trees produce flowers and beans.

In developing Robusta in Vietnam, the potential of the fertile basalt red land has been exploited. Labour is plentiful and weather conditions are hot with a humid tropical climate. As a matter of course, it is necessary to take into consideration the relationship between Robusta coffee areas and water capacity.

There are many large unexploited areas in the highlands in Vietnam, especially in the north west of Viet Bac where the climate is more moderate and which would be suitable for Arabica coffee. With financial support (loans) from the AFD and from provincial budgets, we have expanded Arabica coffee growing into a number of provinces, and the total area planted with Arabica is now some 20,000 hectares. Research has indicated that production of Arabica coffee should be expanded as it is highly suitable for the conditions in Vietnam.

Production of about 12 million sixty-kilogram bags (700,000 – 750,000 tons) of which Arabica would account for 15% to 20% (120,000 to 150,000 tons) could result in greater economic benefits than the current production of one million tons of Robusta.

It would not then be necessary to have half a million hectares of coffee that are wasteful of land and water, the present situation. With the above mentioned production structure, we would need at most 400,000 hectares, of which 100,000 hectares would be Arabica and the remaining 300,000 hectares would be Robusta. This is a highly feasible project.

III.2 Some key techniques

Taking into account the above mentioned shortcomings in production, the following points should be taken into consideration to build a steadily developing coffee industry.

1. Coffee production should not be increased through cutting down shade trees and using more chemical fertilizer and water.
2. Consideration should be given to environmental protection and food hygiene in processing.

In order to properly implement these requirements, the following should be done:

- Design plantations in a way that will avoid erosion.
- Plant shade trees for coffee together with diversified crops.
- Intensify production using organic fertilizer and combine breeding and plant-growing (provinces with suitable conditions can combine breeding cows which provide manure with coffee growing).
- Appropriate methods of pruning coffee trees.
- Mulch growing plants to conserve water in the dry season, irrigate moderately and effectively.
- Harvest at the right time when coffee beans are ripe; do not pick green, overripe, dry or falling beans.
- Limit environmental damage from coffee waste water treatment.

III.3 Producing high quality coffee and other goods

Attention should be paid to registering licenses and certificates required by consumers as per the Utz Kapeh scheme, organic coffee companies, the Rainforest Alliance, and also to eco-friendly production and to taking part in fair trade.

III.4 Producing value added coffee

Producing value added coffee can help to bring back higher profits for the coffee industry. It can also help to create the conditions to promote domestic coffee consumption. However, to develop this, it will be necessary to research the market and to have a good understanding of the demand and structure of coffee consumption.

III.5 Promoting domestic coffee consumption

This is a large-scale project that will require considerable time and money as the Vietnamese have developed the habit of drinking tea over many years, and it will not be easy to change to drinking coffee. It will therefore be necessary to carry out a survey of the domestic coffee market, following which a strategy can be developed, based on the results of the survey.

IV. Conclusion

The Vietnamese coffee industry, which has experienced considerable market changes, has developed a strategy for the coffee industry in Vietnam, not only for the sake of production but also for sustainable development.

Doan Trieu Nhan

Vietnam Coffee – Cocoa Association