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National coffee policy of Viet Nam

**Statement by H.E Mr Le Quoc Doanh, Vice Minister
Ministry of Agriculture and Rural Development
at the 125th Session of the International
Coffee Council on 26 September 2019**

Mr. José Sette, Executive Director of International Coffee Organization,

Ladies and Gentlemen,

It is my pleasure, on behalf of the Ministry of Agriculture and Rural Development of Viet Nam, to attend and officiate the opening of the 125th ICO Council Meeting in London Viet Nam.

Viet Nam is the 2nd biggest coffee exporting country in the world. In recent years, Viet Nam's coffee has been exported to over 80 countries and territories. Viet Nam coffee exports worth more than 3.5 billion USD in 2018, accounting for 17.4% in volume and 9.5% in world coffee export. Coffee is one of the 13 national key agricultural products, with strong comparative advantages especially in the uplands of Viet Nam. These are the areas, where most of the ethnic minorities and low income people are living. In fact, coffee industry has created jobs and stable incomes for more than 600,000 farmer households¹, contributing to socio-economic development, poverty reduction in the uplands of Viet Nam.

Ladies and Gentlemen,

The world coffee industry is now facing serious challenges due to the sharp decline in green coffee prices, fierce resource competition of alternative crops, low income and low motivation for producers of sustainable coffee in the context of unpredictable climate change.

¹ *Agrocensus 2016, the total number of coffee households (with coffee cultivated land) was 692,953*

In international markets, world coffee prices have dropped by over 50% since 2011. In Viet Nam, the 2018/2019 coffee prices declined by 40% compared to the highest price in the crop year 2010/2011. The current coffee price has dipped nearly so low that could drive many coffee growers into difficulties. The income from coffee production of most coffee farmers is extremely low and not enough to cover their family's living expenses.

At the current price of robusta green beans of 1,330 USD/ton in London market, up to 40% of small-scale coffee farmer households with less than 0.5 ha are at risk of falling back into poverty. Income from coffee of those households is now less than 30 USD/person/month, below the national poverty line in rural areas of 40 USD/person/month.

To sustain their living, the young labor force had to leave coffee gardens to find jobs in industrial parks and urban areas. This has led to labour shortages, hence increasing the labor cost of coffee production. At the same time, most businesses have removed premium for sustainably certified and/or verified coffee. These have seriously threatened the adoption of sustainable practices in coffee production.

Even Viet Nam has to face with difficulties caused by unstable coffee supply because farmers seek to increase income by intercropping fruits and pepper in the coffee cultivation area (about 30%). However, the yield of intercropping coffee farms is often lower than that of monocrop ones.

While green-bean coffee prices have declined sharply, retail prices of roasted and soluble coffee in importing countries do not follow this trend. In 2018, retail prices of roasted coffee continued to increase to almost 4 times higher, on average, than green bean coffee in the global markets, the highest difference since 2013. Abundant supply has benefited global coffee roasters while making coffee growers poorer.

In order to relieve the difficulties for coffee growers, the Ministry of Agriculture and Rural Development of Viet Nam (MARD) and local authorities have synchronously implemented programs/projects to increase value-addition and develop sustainable coffee industry through the following solutions: Maintaining and reducing coffee growing area; Promoting sustainable coffee production, improving coffee quality; Increasing coffee processing and developing a national brand for Vietnamese coffee products.

In addition, Viet Nam also focuses on promoting domestic coffee consumption which only accounts for about 10% of annual coffee output. Viet Nam Coffee Strategy set the objectives to increase domestic consumption by 25% of total coffee output by 2030, and encourage domestic businesses to increase the ratio of processed coffee to 30% - 40% of total coffee output in order to reduce risks from global market uncertainty.

Ladies and Gentlemen,

On behalf of the Government and the Ministry of Agriculture and Rural Development of Viet Nam, I would like to extend our sincere appreciation for the cooperation of the ICO over the past years. Taking this opportunity, I would like to propose to ICO some specific recommendations, as follows:

Firstly, to cope with challenges of price falling and their negative impacts on coffee farmers, together with pressures of climate change and crop diseases, we recommend ICO as the coordinating agency of the global coffee industry to make concrete actions to fulfil your mandate as well as the objectives of Sustainable Development Goals (SDGs). I highly appreciate the efforts of ICO and big global coffee roasters to address the problems of price crisis. In this aspect, I highly request ICC (International Coffee Council) to work with global coffee roasters and relevant partners to set up and effectively operate price sharing mechanism, risk sharing mechanism as well as the Global Coffee Stabilization Scheme.

Secondly, Viet Nam wishes to share our intention to revise the International Coffee Agreement signed in 2007. It is necessary to combine financial contributions from ICO members and other funds to reallocate to countries on the basis of the number of coffee growers, focusing on livelihoods support, R&D support, and sustainable practices, similar to what has been done by Fair Trade coffee.

Ladies and Gentlemen,

On this special occasion, let me wish the delegates good health and productive meeting. I wish the 125th ICO Council Meeting a great success.

Thank you for your attention!