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ASSESSING THE CURRENT STATUS OF VIETNAM'S COFFEE EXPORTS IN THE PERIOD 2014-2023 IN THE GLOBAL COFFEE VALUE CHAIN

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Abstract

Vietnam has favorable geographical location and weather to grow and develop robusta coffee varieties. Vietnam's production area is more than 95% of robusta coffee output out of a total planting area of 600,000 hectares. In 2022, coffee productivity will reach about 28.2 tons/1 hectare, reaching the highest level since 2005, according to Department of Crop Production data. The robusta coffee variety in Vietnam is also considered the best coffee variety in the world. Therefore, according to statistics from the Vietnam Commodity Exchange, in 2023, Vietnam will be the country with the world's highest robusta coffee export value, accounting for 36% of the total global coffee export value, followed second by Brazil with 28%. In 2021, Vietnam ranks 5th globally, with coffee exports reaching 2.35 billion USD. In 2022, Vietnam exported 1.68 million tons of coffee, but the turnover reached only about 3.9

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billion USD. Of these, 82% of Vietnam's coffee is exported raw (mainly Robusta), valued at 2.9 billion USD. In contrast, the export turnover of Arabica coffee is only 260 million USD for decaffeinated coffee. 76.9 million USD and roasted, ground-illat coffee worth 598 million USD. Colombia and Switzerland have a small amount of coffee exported, but the value is high thanks to the quality and coffee brands that the country has built. Vietnam's coffee exports set a new record with a turnover of 4.24 billion USD in 2023. Just past the beginning of the new year, Robusta coffee prices continue to record many new peaks. With this advantage, the coffee industry has a solid foundation for its export goal in 2024.

Keywords: Vietnamese Coffee, Vietnamese Coffee Exports, Global Coffee Value Chain

INTRODUCTION

The global value chain is a set of necessary activities of a product or service business process, from the research and production of the product or service to the distribution of the product or service to consumers. Thus, the value chain includes several activities, such as research, design, production, marketing, distribution, and customer service. If value chain activities occur in many countries globally, then that value chain is global. In addition, the OECD defines global value chains as the entire production process of goods, from raw materials to finished products, carried out wherever skills and raw materials are needed to produce them to be available at competitive prices and ensure finished product quality. Global value chain analysis is a valuable tool in assessing each country's level of competition, role, and position in the global value chain, thereby devising appropriate strategies to improve the global value chain, maximize the advantages of each contributing country, and reap benefits from that value chain.

According to Bamber et al., (2014), the coffee industry value chain can be divided into four main stages as follows:

- First step - Production of raw materials: This is a critical step in supporting the development of the coffee industry and is a capital- and land-intensive step. For coffee

products, raw materials play a decisive role in the quality and price of coffee beans. Sources of raw materials in the coffee industry include primary and auxiliary materials. In particular, the main raw material sources include seeds, land, and labor. Accessories include fertilizers, irrigation chemicals,...

- Second step - Cultivation: This is a capital, land, and labor-intensive link. Primary production and processing are often carried out in developing countries such as Brazil, Vietnam, Colombia, etc., because they do not require high technology, are very labor-intensive, and are suitable for industrial applications and the coffee industry value chain.

The added value of this stage in the value chain is low, only accounting for about 10% (Dieu Quan and Huong Xuan, 2017).

- The third stage - Rough processing & Roasting: This stage uses scientific techniques and knowledge. One of the notable points of this stage is the conversion from raw coffee beans to high-quality coffee beans. The central participating countries in this stage, such as the US, Germany, Belgium, Italy, etc., require advanced scientific knowledge and deep processing capabilities. This is the stage that brings average added value to the value chain.

- The fourth stage - Marketing & product distribution: This is also the knowledge-intensive stage and the stage that creates the most significant added value in the value chain. World-famous retailers such as Costa Coffee from the UK, Starbucks from the US,... These companies do not directly create products but only distribute products to final consumers, essential in orienting and improving the ability to consume coffee products.

Since Vietnam's economy reformed in the 80s until now, the coffee industry has contributed significantly to the country's development. Coffee is one of the leading export goods of our country's agriculture. According to preliminary statistics from the General Department of Customs, in 2022, coffee export output will reach 1.78 million tons, with an export value of up to 4.06 billion USD, the highest level in over a decade, accounting for nearly 18% of total agricultural export turnover. This sudden data comes mainly from the promotion of exports, when coffee prices on the market reached their highest level since 2011, combined with the US Federal Reserve (Fed) increasing interest rates by seven months and consecutive times, causing the USD/VND exchange rate to increase sharply. However, increased export demand in 2022 also causes a domestic supply shortage, affecting exports in the early stages of 2023. In 2022, Vietnam's coffee export volume

increased by nearly 14% compared to 2021, while output only increased by 9% from 1.74 million tons to 1.89 million tons (according to data from the US Department of Agriculture). Even coffee output harvested at the end of 2022 is forecast to decrease by 10% to 15% due to heavy rain affecting the harvesting process. Thus, this year's total export supply will likely be lower than last year, making it difficult for the coffee export industry to maintain the same growth rate as in 2022. Besides, the FED has gradually reduced its momentum increase interest rates in 2023, with a 25 basis point increase in the first adjustment of this year. It will likely continue to maintain this increased rate in March. After FED officials all expressed concern about the challenging point of interest rates, to bring inflation to 2%, This will cause the exchange rate difference to narrow compared to the sharp increase in interest rates in 2022, somewhat limiting the export demand of Vietnamese businesses.

RESULTS AND DISCUSSION

Situation of coffee production and export in Vietnam

According to statistics from the Vietnam Commodity Exchange (MXV), Vietnam's coffee export value in 2022 will reach 1.78 million tons, an increase of 10.26% compared to 2021 and reaching the same level as in 2016 if considered in the past ten years from 2013 to present. If calculated by export turnover, the achieved value is 4.06 billion USD, an increase of 32.25% compared to 2021 and the highest within a decade, accounting for nearly 18% of total agricultural export turnover (22.6 billion USD). This sudden data comes mainly from the promotion of exports, when coffee prices on the market reached their highest level since 2011, combined with the US Federal Reserve (Fed) increasing interest rates by seven consecutive months, causing the USD/VND exchange rate to rise sharply.

Currently, the country has 97 green coffee processing facilities with a total design capacity of 1.5 million tons/year; 160 roasting and grinding coffee processing facilities, total design capacity of 51.7 thousand tons of products/year; 8 instant coffee production facilities, total design capacity of 36.5 thousand tons of products/year; 11 mixed coffee processing facilities, total design capacity of 139.9 thousand tons of products/year. Vietnamese coffee has been exported to over 80 countries and territories, the second largest export scale in the world, accounting for 14.2% of the global green coffee export

market share. Coffee is one of 6 export products, reaching over 3 billion USD/year. Vietnam's main coffee export markets include Europe, America, Russia, Japan, and England. In the European market, Vietnam is the second largest coffee supplier after Brazil (22.2%), accounting for 16.1% market share in volume.

Although export output is large and has a high position in the world coffee export market share, the export efficiency of Vietnam's coffee industry still needs to improve. In the global value chain, Vietnam mainly focuses on cultivation and production. Meanwhile, this stage only contributes about 10% of the value chain, bringing low profit margins to the country's economy.

Vietnam has favorable geographical location and weather to grow and develop robusta coffee varieties. Vietnam's production area is more than 95% of robusta coffee output out of a total planting area of 600,000 hectares. In 2022, coffee productivity will reach about 28.2 tons/1 hectare, reaching the highest level since 2005, according to Department of Crop Production data. The robusta coffee variety in Vietnam is also considered the best coffee variety in the world. Therefore, according to statistics from the Vietnam Commodity Exchange, in 2023, Vietnam will be the country with the world's highest robusta coffee export value, accounting for 36% of the total global coffee export value. , followed second by Brazil with 28%.

In 2021, Vietnam ranks 5th globally, with coffee exports reaching 2.35 billion USD. In 2022, Vietnam exported 1.68 million tons of coffee, but the turnover reached only about 3.9 billion USD. Of these, 82% of Vietnam's coffee is exported raw (mainly Robusta), valued at 2.9 billion USD. In contrast, the export turnover of Arabica coffee is only 260 million USD for decaffeinated coffee. 76.9 million USD and roasted, ground-illat coffee worth 598 million USD. Colombia and Switzerland have a small amount of coffee exported, but the value is high thanks to the quality and coffee brands that the country has built. Vietnam's coffee exports set a new record with a turnover of 4.24 billion USD in 2023. Just past the beginning of the new year, Robusta coffee prices continue to record many new peaks. With this advantage, the coffee industry has a solid foundation for its export goal in 2024.

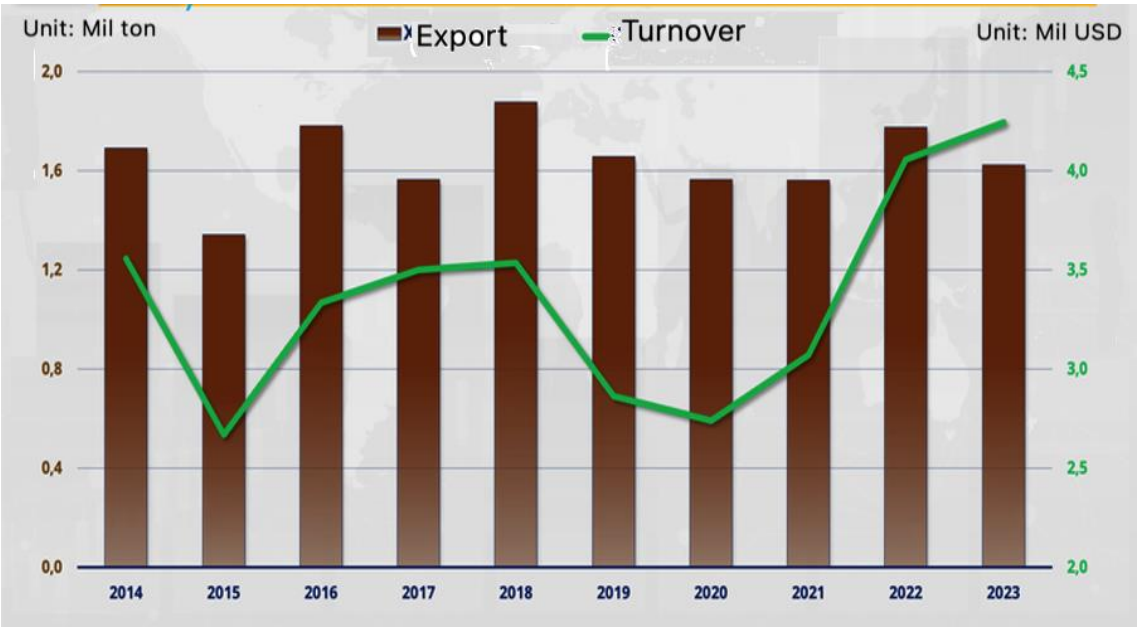


Figure 1: Vietnam Coffee export turnover.

In the export report at the end of 2023, the General Department of Customs said that Vietnam's coffee export turnover reached 4.24 billion USD, an increase of 4.6% compared to 2022 and the highest level ever. This is also the second consecutive year that our country's coffee export value exceeded 4 billion USD.

Although turnover reached a record, last year Vietnam only exported 1.62 million tons of coffee (equivalent to 27.05 million bags), down 8.7% compared to the previous year. Therefore, this result is due to the high prices of Robusta and domestic coffee worldwide.

According to the Vietnam Commodity Exchange (MXV), as of December 31, 2023, Robusta price on the European Intercontinental Exchange (ICE-EU) was at 3,046 USD/ton, an increase of 63% compared to the last 2022 (Sóng, 2023). In particular, Robusta prices from the previous year reached their highest level in 28 years on December 21, 2023, at 3,179 USD/ton. The website giacaphe.com said that the price of green coffee in 2023 in our country reached a historic peak on December 29, reaching 69,900 VND/kg.

Supply shortage, especially scarcity of goods in Vietnam, is one of the leading factors driving price increases. In 2022, Vietnam exported a record amount of coffee while the harvest output decreased by 10-15% compared to the previous crop, so the amount of coffee available for export in 2023 is low. Meanwhile, demand for Robusta increased

sharply when consumers tightened spending because of rising interest rates and a gloomy economy, pushing prices up even more.

Right from the beginning of 2024, Vietnamese coffee has had an advantage.

In the early days of 2024, coffee prices continue to increase, which is an advantage for exporting countries like Vietnam. According to records from MXV, the January contract Robusta price ended on January 16 at 3,435 USD/ton, setting a new peak in 28 years. The cost of green coffee in Vietnam also set a record, now exceeding 72,000 VND/kg.

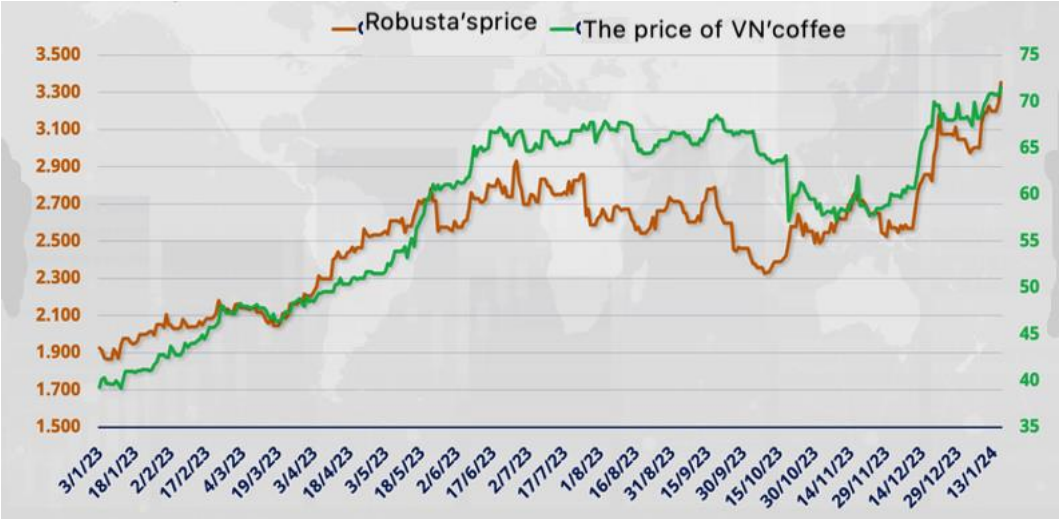


Figure 2: Vietnam coffee price developments

The ability to meet enough supply in the market is the key factor helping coffee prices reach new peak areas. The tense situation in the Red Sea is causing the cost of transporting Robusta coffee from Asian countries to consumer markets such as the US and Europe to increase by about 56% compared to pre-conflict times, and shipping times are also being reduced. In this context, experts say that coffee exports in the first quarter of 2024 from major producing countries in Asia, such as Vietnam, Indonesia, and India, may decrease by 36% compared to expected.

Meanwhile, concerns about supply shortages are always lurking in the long term in the Robusta market. The Vietnam Coffee and Cocoa Association (VICOFA) estimates that Vietnam's 2023/24 coffee production will continue to decrease by 10% compared to the previous crop. The US Department of Agriculture (USDA) also forecasts that output in

two other major supplying countries, Brazil and Indonesia, will decrease by 6.2% and 8%, respectively, compared to the 2022/23 crop year (Kemper et al., 2023).

With this situation, the supply shortage and tension in the Red Sea will create significant momentum for coffee prices in 2024—specifically, Robusta prices on the world market in general and Vietnamese coffee prices. In particular, there is still room to maintain high prices, at least in the first half of 2024.

Price advantage creates a solid foundation for the new stage

Overcoming the challenge of low output, coffee export turnover in 2023 still sets a record level. In 2024, the market context will be similar to the previous year when Vietnam's coffee output and exports are not expected to improve significantly. However, currently, we have a considerable price advantage (Vo et al., 2024).

Compared to the beginning of 2023, the domestic coffee price as of January 17 is nearly double the price of 39,000 VND/kg. Moreover, Robusta prices on the world market also increased by about 80% compared to when the price reached 1,900 USD/ton at the beginning of last year. Coffee prices in the first half of 2024 are expected to stay at a high level, which is a relatively good stepping stone for the target of coffee export value exceeding 4 billion USD for the third consecutive year.



Figure 3: Estimated coffee production of 3 countries

Besides the price advantage, the ability to master the coffee export market, especially Robusta, in the first months of 2024 will lead to a dual advantage in increasing export value. Indonesia is still expected to narrow its export activities. At the same time,

the surplus for Brazil's coffee supply in the first half of 2024 will gradually decrease after massive sales in the second half of 2023. Meanwhile, Vietnamese coffee is at the most abundant supply of the year when harvesting activities are expected to end around January 2024.

Thus, the goal of increasing coffee export value this year is being built on a good foundation. However, businesses need careful export strategies to maximize existing advantages and maintain long-term results. At the same time, develop current advantages to retain people with coffee trees in the context of invading new tree varieties such as durian or passion fruit.

Advantages and disadvantages of Vietnam in exporting coffee

Disadvantages of Vietnam in exporting coffee

Shortage of supply: Vietnam's difficulties in promoting coffee exports in 2023 continue beyond supply challenges but are also issues with coffee quality and origin.

Coffee quality and origin: At the end of 2022, the European Union (EU) issued a decree prohibiting coffee imports related to deforestation, causing concerns about the amount of Vietnamese coffee available that can be exported to this market and posing the problem of developing coffee more sustainably. In Vietnam, burning pine and eucalyptus stumps to occupy coffee-growing land is no longer strange and was once a top concern for the development of the coffee industry. The new European decree not only brings strictness to coffee exports but is also a factor that can promote the more sustainable development of the coffee industry by focusing on opening Expand the area to increase output and paying more attention to productivity issues. Furthermore, the EU's tightening of pesticide residue regulations for beans, including coffee at 0.1 mg/kg, is also a difficulty, requiring farmers to adjust production methods to meet new export activity standards.

Advantages of Vietnam in exporting coffee

World growth recovery: China is actively opening its economy after the Covid-19 pandemic. This will not only promote China's economic recovery but also contribute to the overall development of the world as it is currently the country with the second largest economic scale in the world and is the leading trading partner of many countries such as the US, Vietnam,... Thanks to this openness, the International Monetary Fund (IMF) has

adjusted global economic growth in 2023. Accordingly, the world economic growth rate is adjusted from 2.7% to 2.0%. .9%. Large economies such as the US and the European common currency area also improved from 1.0% to 1.4% and 0.5% to 0.7%, respectively (Divergences, 2023). The return to growth helps the market expect people's spending to ease, and demand for coffee, a product that depends heavily on the economic health of countries, will improve.

The price difference between Arabica and Robusta coffee: In the context of concerns about economic recession, people tend to switch from consuming Arabica to Robusta to minimize costs but still be able to use coffee. Demand may weaken, but it needs to focus more on Robusta, which is still positive news for Robusta coffee. According to forecasts of the Vietnam Commodity Exchange (MXV), Vietnam will continue to be the world's largest coffee producer and exporter from 2023-2033.

Supply from other major exporting countries, such as Brazil and Indonesia, shows signs of shrinking, allowing Vietnam to expand its export market share. According to the Brazilian Institute of Geography and Statistics, the country's Robusta coffee output in 2023 will likely decrease by nearly 9% compared to last year. Volcafe predicts Indonesia's production will drop to its lowest level in almost a decade.

Some policy suggestions for Vietnam

First, Vietnam needs a solution to participate more strongly in marketing and product distribution in the global value supply chain. In Vietnam, when mentioning coffee, most consumers will first think of the Trung Nguyen coffee brand. In addition, this is the only domestic brand that can compete directly. For a country with strengths in Robusta coffee varieties, the failure to create a national brand for Robusta coffee needs to be taken seriously. State agencies must vigorously promote it in the media and international relationships.

Second, developed countries' import standards for agricultural and forestry products are very high and strict. Typically, indicators of pesticide residues or the problem of deforestation for farming must be researched by scientific agencies, and governments at all levels must have long-term sustainable plans and solutions to help. People should improve their understanding and awareness of the sustainable development of coffee trees.

Third, Vietnam has a significant advantage in growing and developing Robusta coffee varieties. Although the coffee variety is not classified as high-end, the price is very suitable for customer segments with a reasonably average income. Furthermore, Vietnamese Robusta coffee beans are considered to have the most delicious flavor in the world. Therefore, it is necessary to have a strategy to attack more suitable customer segments globally.

Fourth, Regarding production and processing, it is necessary to promote effective restructuring of the Coffee industry, such as building concentrated and specialized growing areas associated with the development of the processing industry, applying high technology advances, Promoting linkages between raw material areas and deep processing facilities and factories to create a source of goods that ensures stability in quality and quantity, meeting market requirements; have solutions to overcome difficulties and support farmers and businesses in attracting investment; Apply science and technology, improve the quality of human resources. At the same time, it is also necessary to encourage and strengthen links and cooperation in coffee production and business to stabilize exports and maintain and expand markets.

Fifth, in parallel with improving product quality, branding work must be given more attention. Currently, the work of building and developing brands has not been fully recognized and implemented effectively by businesses, which is a reason why consumers around the world do not recognize Vietnamese agricultural products in general and coffee in particular. known to the world, the position in international trade of goods is therefore also lower than that of competitors. Businesses must survey market needs regarding market share, tastes, quality, and price. From there, determine the processing density of different products (what % of semi-processed products; % of refined products) to orient development and build promotion, marketing, and brand positioning strategies appropriate to the market capacity. The State will support businesses to build and develop brands through communication campaigns and image promotion, training and guidance programs to improve design and product format capabilities, and how to create and promote brands.

Sixth, Regarding trade promotion, Vietnamese coffee exporters need to focus on recruiting and training staff with foreign language and professional qualifications and actively participate in trade promotion programs and activities oriented by the Ministry of Industry and Trade and organized by ministries, branches, and associations. Not only that,

it is also necessary to attend international fairs and exhibitions both at home and abroad to introduce products and find customers; Build a separate research and data channel on export markets through the support of Vietnam's trade representative agencies in other countries to update information to adjust production and business activities promptly with market signals.

CONCLUSION

Vietnam has favorable geographical location and weather to grow and develop robusta coffee varieties. Vietnam's production area is more than 95% of robusta coffee output out of a total planting area of 600,000 hectares. In 2022, coffee productivity will reach about 28.2 tons/1 hectare, reaching the highest level since 2005. Robusta coffee variety in Vietnam is also considered the best coffee variety in the world. Therefore, according to statistics from the Vietnam Commodity Exchange, in 2024, Vietnam will be the country with the world's highest robusta coffee export value, accounting for 36% of the total global coffee export value. , followed second by Brazil with 28%. With such weather and climate characteristics, Vietnam must brand Robusta professionally and carefully to create a national brand. When mentioning Robusta coffee, we mention Vietnam. More importantly, it is to vigorously attack the distribution segment as a brand, telling stories that attract customers to create maximum added physical and mental value for customers to use.

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