

PRODUCTION AND MARKETING OF COFFEE IN VIETNAM

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ABSTRACT:

Vietnam's coffee industry has experienced impressive growth, positioning the country as a major player in the global market. This paper provided an overview of Vietnam's coffee production and marketing strategies. It highlighted the significant role of smallholders and large-scale plantations, as well as the country's focus on Robusta beans. The paper discussed the marketing initiatives, including trade fair participation, international trade relationships, branding, and packaging, employed to promote Vietnamese coffee. It also emphasized the emergence of specialty coffee and the importance of sustainability in production and marketing. Overall, Vietnam's coffee industry has made remarkable strides, contributing significantly to the agricultural sector and economic development of the country.

Keywords: coffee, coffee production, marketing in the coffee sector, Vietnam.

1. Introduction

According to data from the World Bank (2022), 22 years ago, Vietnam's GDP per capita was only 499 USD/person, ranking 7/11 in Southeast Asia and 173/200 in the world. However, by 2022, this number has increased and reached 4,100 USD/person, ranking 6/11 in Southeast Asia and 117th in the world, increase more than 10 times compared to 2000. Vietnam has also experienced significant shifts of employment away from agriculture toward manufacturing and services, away from household enterprises toward registered and regulated businesses, and away from state-owned enterprises toward private firms.

Analyzing data provided by the General Statistics Office (2023), contribution of Agriculture-Forestry-Fisheries (AFF) accounts to the national GDP is up to 11-13%, growing 2-3% per year (even in times of covid pandemic). In

which, GDP from agricultural and forestry products in 2022 accounts for 6.7% of AFF, reaching 24.73 billion USD, increase 3.36% compared to 2021. This area currently employs nearly half of the country's workforce.

Since the first coffee was introduced into Vietnam in 1857, the Vietnamese coffee industry has experienced many ups and downs. Today, it has affirmed its position as the tree that gives the country great benefits with an annual export value of about USD 3 billion. According to Vietnam Coffee - Cocoa Association (VICOFA), in 2022, coffee export value reached USD 3.9 billion, up 38.6%; Country's total export is equal to USD 371.85 billion, increase 10.6% (GSO, 2023). Vietnam became the second largest coffee exporter in the world and the world leader in exporting Robusta coffee. Coffee is an important part of the rural economy of Vietnam.

In the context of globalization today, Vietnamese coffee is becoming more and more widespread in the world agricultural market and is becoming an important link in the global coffee value chain. The cause of these achievements is thanks to the state policies of encouraging the development of exports and coffee production for export. The system of export, trade, credit, agricultural extension policies... has created momentum and strength for Vietnamese coffee towards sustainable development. Therefore, this paper focuses on analyzing the current coffee production and marketing in Vietnam.

2. Vietnamese agriculture at a crossroads

Vietnam's agricultural sector has made significant progress over the past 25 years, as highlighted in the East Asia Forum (2019). With a recent growth rate of 3.76% and export revenue reaching USD 40 billion, Vietnam has become one of the leading middle-income countries. Notably, the country has emerged as a top-five global exporter of key commodities such as shrimps, coffee, cashews, rice, and pepper.

However, Vietnam's performance in terms of agricultural yields, output, and exports, has been more impressive than its gains in efficiency, farmer welfare, and product quality. Vietnam lags regional peers in relation to agricultural land, labor, and water productivity and has seen its once robust growth in total factor productivity decline in recent years. A chasm is forming between farm and non-farm incomes, and income inequality is rising within rural areas. Most of Vietnam's agricultural trade is in the form of raw commodities, typically sold at prices lower than those of leading competitors due to quality or other differences.

The success of Vietnam's agricultural growth has relied heavily on increased inputs and resources, but this has come at an environmental cost. The expansion and intensification of land use, along with the extensive use of fertilizers and agro-chemicals, have resulted in adverse environmental consequences. Deforestation, depletion of fishery resources, land degradation, and water pollution are among the negative outcomes associated with Vietnam's agricultural success. In fact, Vietnam's agricultural growth has relied very heavily on

human, natural, and chemical factors of production.

Vietnam's agricultural sector is now at a turning point, facing challenges from domestic competition as urban areas, industries, and services vie for limited labor, land, and water resources. Rising labor costs hinder the sector's ability to compete as a low-cost producer in the global market. Moreover, the intensive use of inputs and natural resources has detrimental effects on both the environment and farmer profitability. Environmental issues also impact the productivity and international reputation of Vietnam's agricultural commodities.

However, amidst these challenges, Vietnam also has promising opportunities in both domestic and international markets. Success in these markets relies on delivering products reliably while ensuring quality, safety, and sustainability. It is crucial for Vietnam's agricultural sector to transition towards more sustainable and value-added practices, prioritize farmer welfare, and address environmental concerns. By investing in research and development, adopting advanced technologies, improving infrastructure, and promoting sustainable farming techniques, Vietnam can enhance its competitive position and ensure a more inclusive and sustainable agricultural sector.

3. Production of coffee in Vietnam

Vietnam is divided into 63 administrative units: five large municipalities and 58 provinces that are further subdivided into provinces. According to United Nations Population Fund (UNFPA), Vietnam had 99,528,083 citizens as of April 8, 2023, and will reach 100 million by mid-April, about 62% of whom live in rural areas (DAIDOANKET.VN, 2023). Vietnam has a total land area of 329,560 square km, about 17% of which is cultivated, more than half by irrigation. Much of the south and most coastal areas are low, flat lands with central highlands and hilly or mountainous regions in the far north and northwest.

Vietnam is one of the world's most important coffee producers. Its meteoric rise to prominence as one of the major high-volume/low-cost producers has had a singular impact on the global coffee industry as well as in its own rural areas.

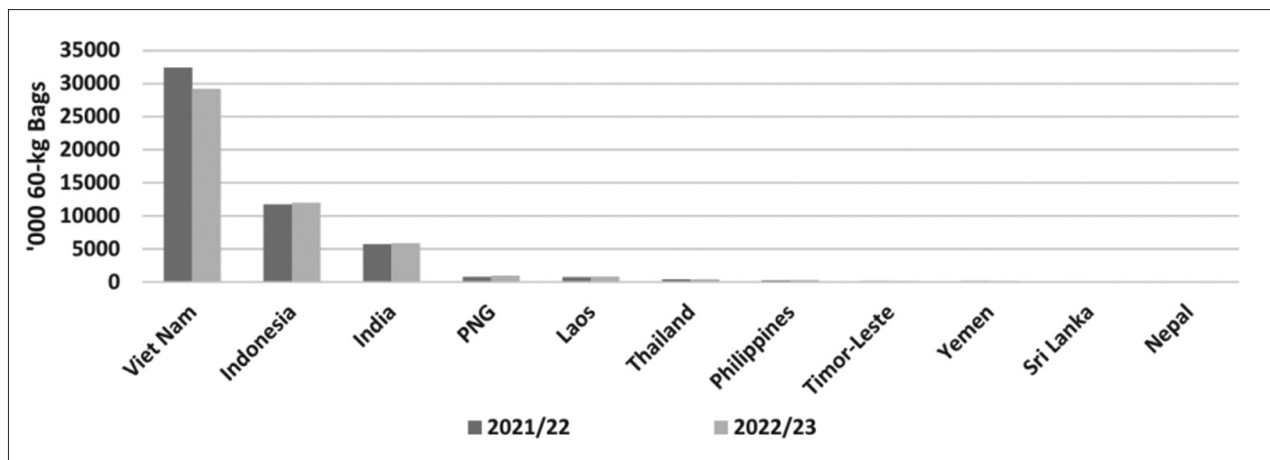
Today, coffee is the country's second most valuable agricultural export, with arable land up to 12.5 million hectares, or 37% of total land area (coffee, rubber, and tea).

According to the International Coffee Organization (2023), Vietnam is the world's largest Robusta producer, the second largest coffee producer globally and the largest in Asia & Oceania. In the 2022/23 coffee year, Vietnam produced 29.2 million bags, marking a 9.8% (or 3.7 million bags) decrease from the previous year. This decline follows a particularly high-yielding 2021/22 season, which was the second-largest output on record, surpassed only by the 33.4 million bags produced in 2017. The production drop is attributed to prolonged rains in key coffee-growing provinces (Dak Lak, Gia Lai, and Kon Tum), reduced fertilizer use, and a shift towards cultivating more profitable crops such as durian and pepper.

dry weather caused by El Niño caused the coffee tree to become weaker and fruit bearing fruit became less.

Considering another aspect, the coffee plantation area in Vietnam has undergone significant changes and faces strong competition from other industrial crops. Preliminary statistics indicate that in 2022, Vietnam's coffee area reached approximately 710,000 hectares, with a productivity of 28.2 tons/ha, yielding over 1.84 million tons. The five Central Highlands provinces account for 91.2% of the coffee area and 93.2% of the country's coffee output. Among these provinces, Dak Lak and Lam Dong have the largest coffee-growing areas and the highest production. Notably, Lam Dong boasts the highest yield at 33.1 quintals/hectare, which is 17.1% higher than the average productivity of the five Central Highlands provinces and the national average.

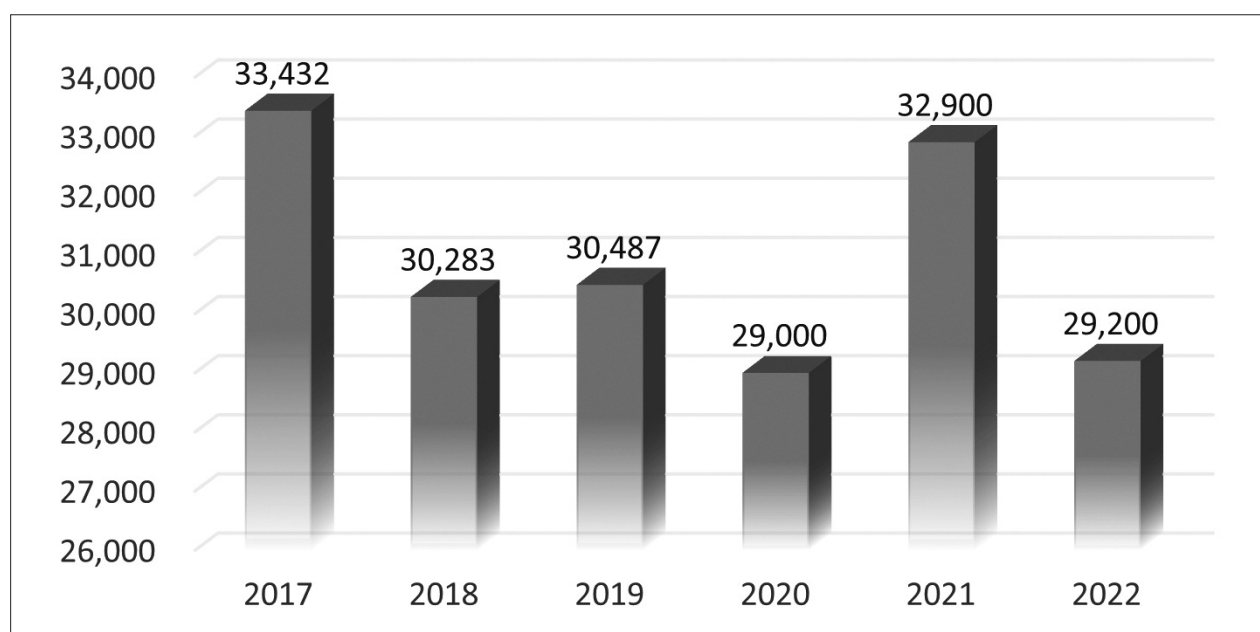
Figure 1: Coffee Production of Asia & Oceania, Million 60-kg Bags (ICO, 2023)



However, overall coffee production in Vietnam has experienced slight fluctuations in recent years (Figure 2). Coffee production, which mainly occurs in the Central Highlands (including Kon Tum, Gia Lai, Dak Lak, Dak Nong and Lam Dong province), could be hard hit by the effects of climate change on evapotranspiration, the frequency of hot days and nights, pest and disease incidence, the occurrence and intensity of droughts (all expected to increase), and the availability of irrigation water (expected to decrease in the dry season). The hot,

Coffee production in Vietnam involves both smallholder farmers, who cultivate coffee on their own land, and larger-scale plantations and coffee processing companies. The combined efforts of these farmers play a crucial role in the country's coffee production. The harvesting process is labor-intensive, requiring selective picking of ripe coffee cherries to ensure the highest quality beans. After harvesting, the cherries are processed using wet methods, including pulping, fermenting, washing, and drying to extract the green coffee beans.

Figure 2: Production of Coffee in Vietnam, Million 60-kg Bags (ICO, 2023)



Vietnam's coffee production has shown adaptability to changing market demands, expanding cultivation areas and increasing production to meet the growing global demand for coffee.

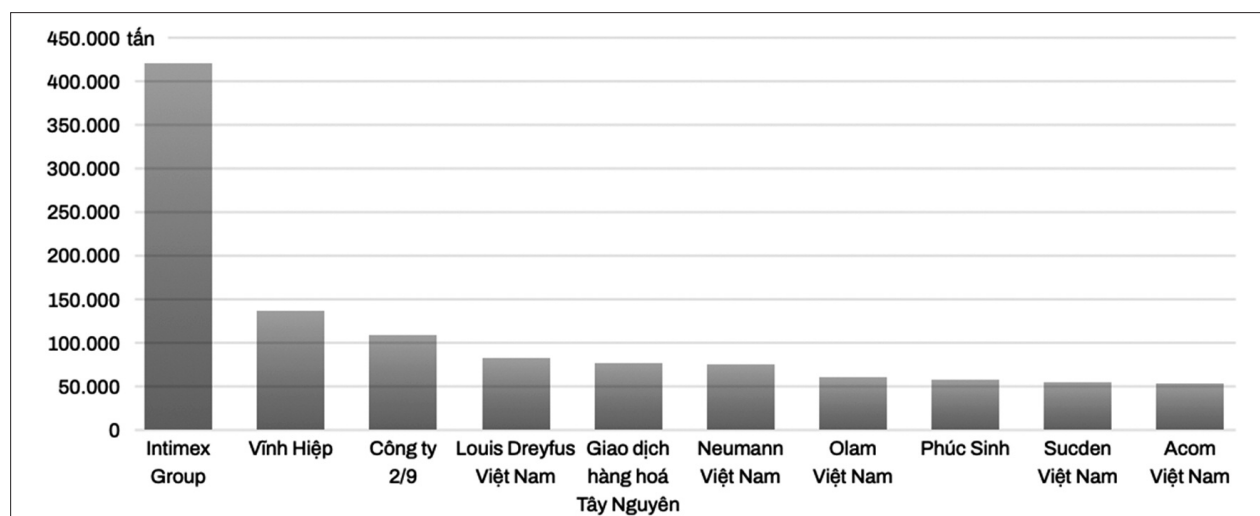
4. Marketing of coffee in Vietnam

Marketing plays a crucial role in promoting Vietnam's coffee industry and facilitating its integration into the global market. As one of the leading exporters of coffee, Vietnam relies on effective marketing strategies to reach

international consumers and maintain its competitive edge. In Vietnam, coffee is produced mainly at farms by farmers and then distributed to consumers by export companies. According to Vietnam Coffee-Cocoa Association, the top 10 Vietnam's coffee exporting enterprises in 2022 as in figure 3.

In 2022, Vietnam's coffee export industry saw substantial growth, driven by leading enterprises such as Intimex Group, Vĩnh Hiệp and 2/9 Company. These companies are distinguished not

Figure 3: Vietnam's coffee exporting enterprises in 2022 (VietnamBiz, 2022)



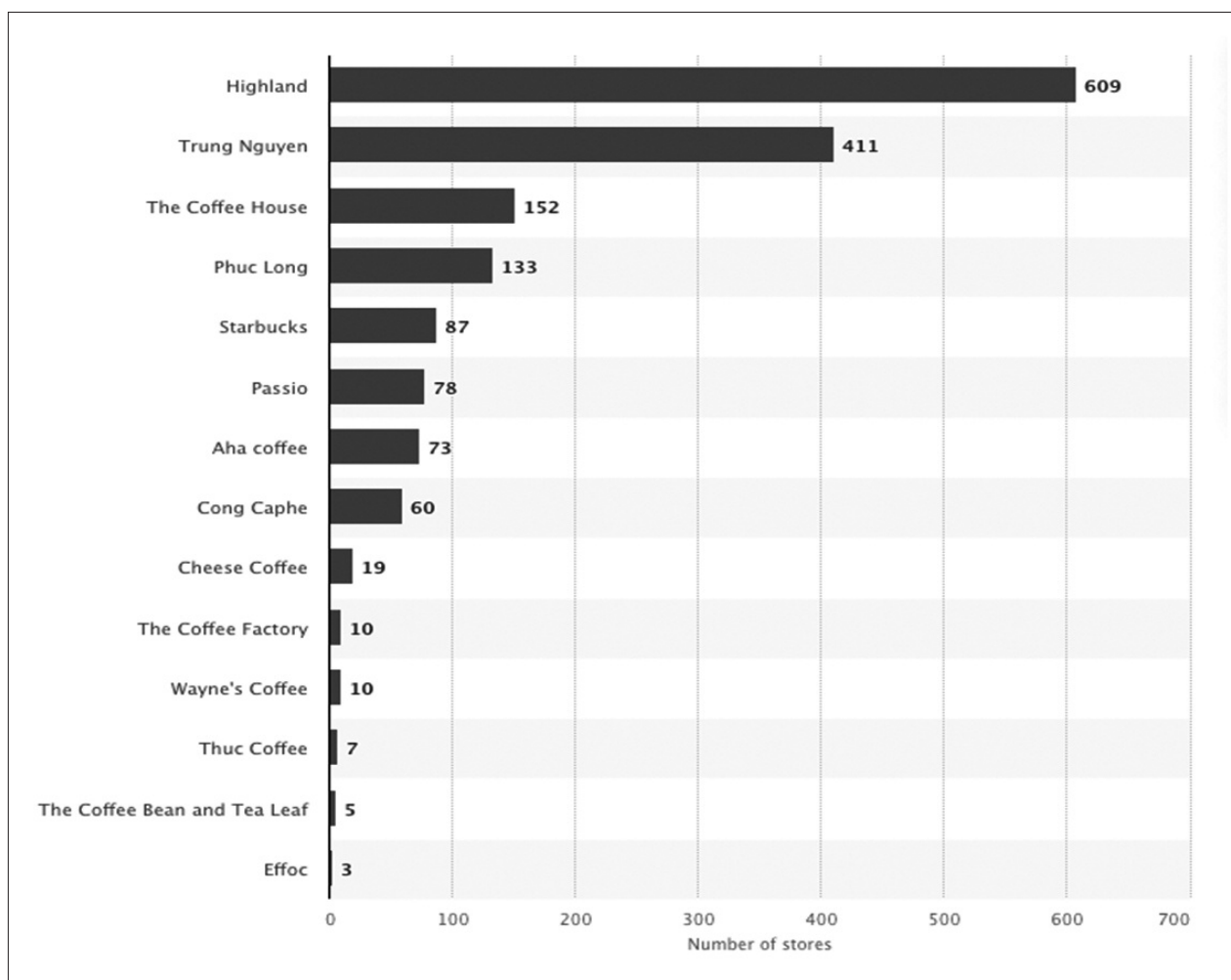
only by their large export volumes but also by the high quality of their products and extensive global distribution networks. However, the top coffee producers and consumers in Vietnam include Trung Nguễn Legend, Vinacafe Bĩn Hĩa, and Highlands Coffee. Trung Nguễn Legend is not only one of the largest producers but also the leading coffee brand in Vietnam, known for its famous coffee shop chain across the country. Vinacafe Bĩn Hĩa continues to hold a strong position in the domestic market with a diverse range of instant and roasted coffee products. Highlands Coffee, with its coffee chain model, has become a favorite destination for many coffee enthusiasts, significantly boosting domestic coffee consumption. These enterprises play a vital role in promoting the growth and sustaining the

prominence of Vietnam's coffee industry on the global stage (Vietnam Briefing, 2023).

In addition, as mentioned previously, Vietnam's main consumer market is the export market, with only about 10% of coffee production consumed domestically. Therefore, the company's coffee marketing activities are built for each target market separately.

- In the export markets, the marketing of the company often focuses on participating in domestic and foreign trade fairs. In addition, companies focus on direct marketing activities, such as internet marketing, mail, catalogs, etc. However, an important cause for success in this segment of the market is the Government's activities and policies. For example, the participation in international trade associations and organizations

Figure 4: The leading coffee shop chains in Vietnam as of March 2023 (Statista, 2023)



such as the ICO, WTO, etc. has helped to broaden export markets for domestic companies. The promulgation of the Commercial Law in 2005, mechanism of the commodity exchange including forward contracts and option contracts, decree on trading goods through the commodity exchange creates a legal corridor for Vietnamese coffee enterprises to participate in the LIFFE futures market. In addition, the promulgation of policies to support and regulate exports... have helped create a legal corridor and support the coffee export activities of enterprise.

- In the domestic market, the competition is quite fierce among domestic companies, joint ventures, or companies with 100% foreign capital. Companies are not only competing with similar products with flexible pricing policies, but also compete in signing exclusive distributions with wholesalers and retailers. In addition, companies often offer promotions and advertisements on mass media. For example, the policy of building supermarket chain "G7 Mart" of Trung Nguyen Group; Coffee shop chain targeting high-end customers of "Highlands Coffee"...

Thus, in terms of macro product policy, Vietnam has two types of coffee exports are Robusta and Arabica, and export products are mainly in the form of coffee beans. In particular, Arabica is of higher economic value but accounts for a small proportion of total export value of Vietnam. As a result, Arabica and the increase in the proportion of processed products in total export value are receiving much interest from many coffee exporters. Actually, there are many kinds of coffee produced by businesses, such as 3 in 1 instant coffee, 2 in 1 instant coffee... with famous brands such as Trung Nguyen, Vinacafe, Nestle...

Branding and packaging play a pivotal role in the marketing of Vietnamese coffee. Companies and cooperatives strive to create distinctive brand identities that represent the quality and unique characteristics of their coffee products. Packaging designs often incorporate elements that highlight Vietnam's cultural heritage and natural landscapes, aiming to attract consumers and convey a sense of origin and authenticity.

In recent years, Vietnam has seen a growing emphasis on specialty coffee in its marketing efforts. Specialty coffee refers to high-quality beans that are meticulously cultivated, processed, and brewed to produce exceptional flavors and aromas. Vietnamese specialty coffee is gaining recognition for its distinctive characteristics, and marketing campaigns now focus on highlighting the unique flavor profiles and premium qualities of these specialty beans.

Digital marketing and e-commerce have also played a significant role in promoting Vietnamese coffee. Online platforms and social media channels offer opportunities for coffee companies to reach a broader audience and directly engage with consumers. Through these digital platforms, companies can share information about their coffee production methods, sustainability practices, and unique selling points, creating brand awareness and fostering consumer loyalty.

Sustainable and ethical marketing practices are becoming increasingly important in the coffee industry, and Vietnam is no exception. Coffee producers in Vietnam emphasize their commitment to environmentally friendly farming practices, fair trade principles, and social responsibility. Marketing efforts now highlight the positive impact of supporting Vietnamese coffee, such as contributing to the livelihoods of local farmers and promoting sustainable agriculture.

In conclusion, marketing plays a vital role in promoting Vietnam's coffee industry and maintaining its position as a significant player in the global market. Through effective branding, international trade relationships, participation in industry events, and digital marketing, Vietnam successfully promotes its coffee products to a wide range of consumers. As the industry continues to evolve, there is an increasing focus on specialty coffee, sustainable practices, and ethical marketing to ensure that Vietnamese coffee remains competitive and appeals to the discerning preferences of global coffee enthusiasts.

5. Conclusions

Coffee is one of Vietnam's major agro-export agricultural products. However, further development of the industry will depend upon the

country's ability to serve the market's demand better than its competitors at the international market. In addition, it will also depend upon the ability of Vietnamese coffee producers to deliver big volumes of high-quality products at low prices. Therefore, safety, environmental and sustainability considerations to receive due attention at national and local levels.

In conclusion, Vietnam's coffee production and marketing have played a vital role in positioning the country as a major player in the global coffee industry. The favorable climate, particularly in the Central Highlands region, combined with the dedication of smallholder farmers and larger-scale plantations, has driven significant growth in coffee production.

Vietnam's focus on Robusta coffee has established its reputation as a leading exporter of this variety, renowned for its bold flavor and blending versatility. The country's success in coffee production can be attributed to extensive cultivation areas, the adoption of sustainable farming practices, and ongoing improvements in post-harvest techniques.

Effective marketing strategies have been instrumental in promoting Vietnamese coffee to international consumers. Through participation in trade fairs, the establishment of strong relationships with global buyers and distributors, and a focus on branding and packaging, Vietnam has successfully showcased its coffee products to a diverse range of customers. The affordability, distinctive flavor profiles, and cultural authenticity associated with

Vietnamese coffee have contributed to its appeal in the global market.

Furthermore, the emergence of specialty coffee has provided new opportunities for Vietnam to diversify its offerings and cater to the preferences of discerning consumers. The country's specialty coffee sector is gaining recognition for its unique flavors and premium qualities, and marketing efforts have been dedicated to highlighting these distinct characteristics.

Sustainability and ethical practices have become increasingly important in both coffee production and marketing. Vietnamese coffee producers have embraced environmentally friendly farming methods and emphasized fair trade principles, addressing growing consumer concerns about sustainability and social responsibility.

To ensure continued success, Vietnam's coffee industry must address challenges such as climate change, pests, and diseases that can impact coffee production. Continued investment in research and development, technology adoption, and value-added processing will further enhance the competitiveness and sustainability of Vietnam's coffee sector.

Overall, the production and marketing of coffee in Vietnam have transformed the country into a global coffee powerhouse. Through its production of quality beans, diverse product offerings, and effective marketing strategies, Vietnam has solidified its position as a major coffee exporter, making significant contributions to the country's agricultural sector and economic development ■

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Received date: March 15, 2024

Reviewed date: April 1, 2024

Accepted date: April 10, 2024

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SẢN XUẤT VÀ TIẾP THỊ CÀ PHÊ TẠI VIỆT NAM

● **TS. PHAN VĂN THANH**

Đại học Bách Khoa Hà Nội

TÓM TẮT:

Ngành cà phê Việt Nam đã có sự tăng trưởng ấn tượng, khẳng định vị thế của Việt Nam trên thị trường cà phê toàn cầu. Bài viết này nhằm cung cấp cái nhìn tổng quan về chiến lược tiếp thị và sản xuất cà phê của Việt Nam. Qua đó, nhấn mạnh vai trò quan trọng của các hộ sản xuất nhỏ, các đồn điền quy mô lớn, cũng như sự tập trung của ngành cà phê Việt Nam vào sản xuất cà phê Robusta. Bài viết thảo luận về các hoạt động tiếp thị, bao gồm việc tham gia hội chợ thương mại, quan hệ thương mại quốc tế, xây dựng thương hiệu và đóng gói, được sử dụng để quảng bá cà phê Việt Nam. Bài viết cũng nhấn mạnh sự xuất hiện của cà phê đặc sản và tầm quan trọng của tính bền vững trong hoạt động sản xuất và quảng bá cà phê. Nhìn chung, ngành cà phê Việt Nam đã có những bước phát triển vượt bậc, đóng góp đáng kể vào ngành nông nghiệp và phát triển kinh tế đất nước.

Từ khóa: cà phê, sản xuất cà phê, tiếp thị cà phê, Việt Nam.