Coffee Vietnam Intelligence

Week 2, April 15, 2011

Highlights

- ✓ Mealybugs to appear on coffee trees in Central Highlands
- ✓ In DakLak, total 100% of coffee flower in second phase to be decayed
- ✓ A decrease of 15% in coffee output against last year
- ✓ New statistics about 2010/11 supply – demand of coffee in the world
- ✓ Prices of Urea and DAP fall in almost markets
- ✓ Outlook for coffee in domestic and world markets

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AGROINFO

I. Domestic markets

1.1 Production

In Central Highlands, mealybugs to appear on coffee trees

In Central Highlands, unfavorable weather in Feb has been seriously affecting the growth of coffee trees. Prolonged cold waves in the end of Mar have slowed down the growth of coffee trees for a long period. In addition, drought and hot weather have been putting mealybugs in advantage to grow. According to many growers in DakLak Province, in almost areas without shape trees, approximately 30% - 40% of plantations had infected with bugs.

As reported, in DakLak, estimated coffee output is 15%, lower than that of last year. Total 100% of coffee flowers in the second phase have been rotten. The coming crop's output fully depends on flowers blooming in the first phase. However, this year, the side of coffee flowers is not equal. Lack of water for irrigation makes coffee cherries drop and small, directly influencing output of the next crop. "In our area, many coffee plantations were soon watered in middle of Feb then flowers blooming in Mar were suffered from rains, making them rotten and drop. In some other coffee plantations, watered in late Feb, mealybugs were put into advantages by cold waves in the end of Mar as well as hot weather in early Apr. Thus, this year, many coffee plantations witness flowers without the same side and low output in comparison with those of last year. I think that the crop is likely to be lost, with higher risk than the previous", said Phan Thanh Hai, a coffee grower in Buon Ho District, DakLak Province.

Gia Lai Province – water resource at danger level

As reported by Gia Lai Water Provision, Ltd, the level of water is falling about 10 cm per day; the current level is 1.5 m lower than that in last year. In fact, in Bien Ho pumping station I, there are only 3 m left from the surface water to pumper, the height is not enough to pump up (it takes hours to have enough water to pump up). Therefore, in the coming time, if there is no measure to protect the water resource in river A in Bien Ho, the pumper station will be useless, even the water demand of local people in Pleiku will not be met. The Province's People Committee is asking Irrigation Construction Exploitation Company to stop arbitrarily dredge canals to water coffee trees.

In DakLak, drought to damage coffee plantations

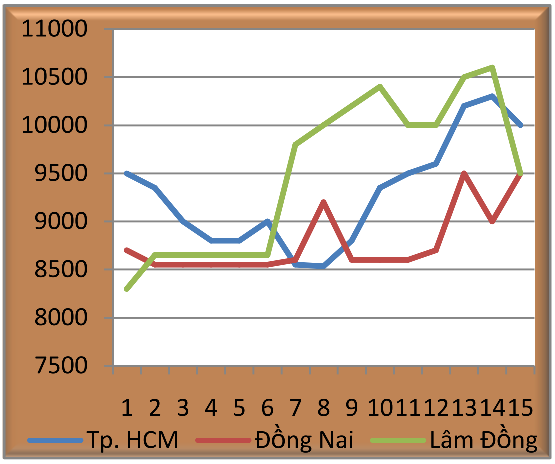
Prolonged hot weather rapidly decreases water level of rivers, springs and lakes in DakLak Province, making approximately 10,000 ha of coffee dried as well as reducing or even eliminating output in the coming crop. Especially in Krong Buk District, one of key coffee areas, there are about 3,912 ha suffering from water shortage in both two rounds of irrigation, concentrating in its seven communes.

According to local people, in precious years, they used to finish the second round of irrigation and begin the third round in this period. However, in many areas, farmers has only water the first round, and there is not enough water for the second.

(Source: GiaLainewspaper.com on Apr 13)

1.1 Input materials cost

Figure *1: Weekly price movements of Urea fertilizer in some domestic markets in 2011 (Unit: VND/kg)*



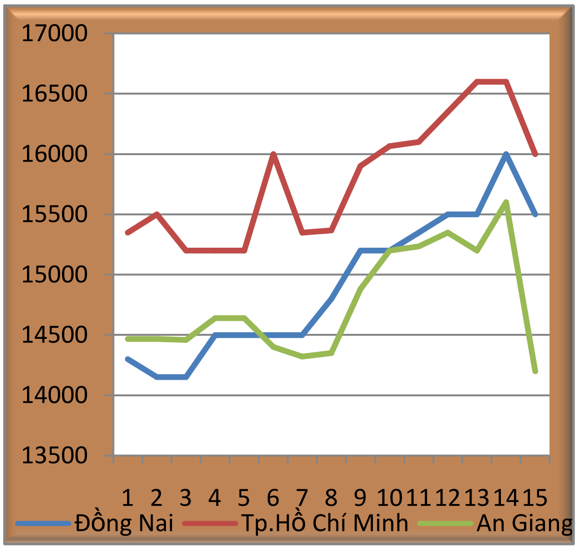
Source: AGRODATA

This week, in international markets, after a prolonged decrease the prices have rallied while the prices in domestic markets witness a contrast trend. In almost domestic markets, Urea prices experience a reduction. In HCM City, the prices reduce VND 300/kg, equal to 2.09% against those of last week. In Dong Nai and Lam Dong Provinces, the prices witness a complex movement, finishing at VND 9,500/kg.

In general, the prices in Northern markets slightly drop 2% against those of last week on average. Urea prices in the Central Provinces' markets witness a stronger reduction, about VND 300 – 500/kg, in Southern markets, the prices slightly decrease approximately VND 100 - 300/kg.

This week in global markets, the price hike likely leads to continuous increases in the coming time. Increasing fertilizer consumption in India, Thailand's declaration on raising price ceilings of fertilizers and a rapidly increasing price of plants and corn are considered impacts pushing world prices up in the future. However, in domestic fertilizer markets, abundant stockpiles make it difficult to witness the same movements with world markets.

Figure 2: *Weekly price movements of DAP fertilizer in some domestic markets (Unit: VND/kg)*

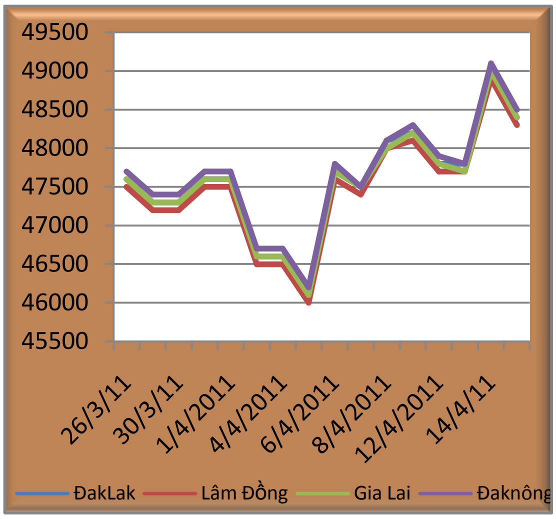


Source: AGRODATA

Similarly, in almost domestic markets, DAP prices experience a reduction after a prolonged increase during the previous weeks. In An Giang Province, the prices drop to VND 14,200/kg while in Dong Nai and HCM City, DAP witnesses a reduction of VND 500 – 600/kg, equal to 3.1% and 3.6% respectively, against last week. The reason is accounted for weak capacity of consumption as well as high stockpiles in many localities.

1.2 Domestic and export prices

Figure 3: *Daily domestic price movements of coffee in some localities (Unit: VND/kg)*



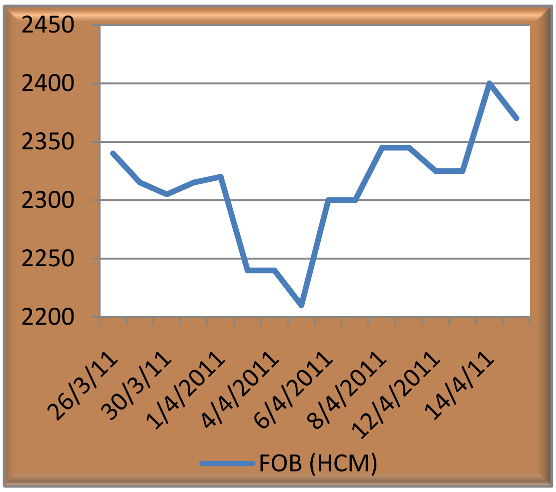
Source: AGRODATA

This week, pressure from increasing demand has strongly risen coffee prices. In early week, the prices stood still at VND 47,700 – 47,800/kg, similar to those of last week. However, due to MARD's forecast about a reduction of 2.3% in coffee exports to 1.25 million tons and a rise of USD 2,104/ton in average export prices still encourage domestic coffee prices.

On Apr 14, once again in domestic markets, coffee prices made a record high in 2010/11 crop year, jumping to VND 49 million/ton, up VND 1.2 million/ton against the price on Apr 12. The main reason is traced back to an increasing consumption aimed at compensating the shortage in many investment funds; in addition, roasters' new demand is rapidly rising in world markets.

During the week, in world markets, number of outright contracts due to supermarkets' demand has accelerated despite limited supplies of high-quality coffee. In the end of week, the prices slightly reduced to VND 48,300 – 48,500/kg.

Figure *4 :Price movement of coffee export in HCM City (Unit: USD/ton)*



Source: AGRODATA

Being influenced by world prices, in domestic markets, the prices also witnessed a significant hike. Average FOB prices in HCM port raised USD 74, equal to 3.25% against those of last week. As forecast by MARD, this month, coffee export would gain 75,000 tons; according to buying agents, despite high prices, growers are still keeping their coffee waiting for a further hike when prolonged drought made cherries to drop. Early appearance of mealybugs in Central Highlands' coffee plantations and especially increasing production costs in this crop year also encouraged farmers to keep their coffee. In many agents, amount of coffee sold by farmers is not significant. Partially, it reflects a trend of price increase in coffee export in the coming time.

II.World markets

2.1 Production

New statistics about world supply – demand for coffee in 2010/11 crop year.

Supply of Mexico – the country ranks fourth in producing Arabica coffee in the world – will reduce at least 16% in quarter II of 2011.

"Increasing prices make suppliers keep their coffee, waiting for a higher rise while our coffee output is lower than that of last year, leading to an estimated reduction of at least 16% in export in quarter III in comparison with the same period last year. Stockpiles and tightened supplies cannot slow down the price hike. I totally believe that the prices will increase in the coming time", said Rodolfo Trampe, leader of Mexico's National Coffee Association.

Mexico also expects that its output would gain 4 million bags in 2010/11 crop year. The main reason reducing output against last crop is accounted for off-season rains and cold fog.

This crop year, coffee yield in Tanzania rises 20,000 tons against the last crop.

Tanzania forecast that its 2010/11 output would be 56,000 tons, up 20.000 tons against the last.

Brazil's harvest in May is expected to gain from 41.9 to 44.7 million bags.

In Brazil, coffee harvest, which is hoped to improve its output thanks to rains that bring about favorable weather for coffee growth, will be started in mid May.

"The effervescent of world coffee markets encourages us to have no mistake in the coming crop, which will begin in middle of May. We expect to meet one third of total world demand, we also forecast that this crop's output would be about 41.9 – 44.7 million bags (60kg/bag), lower than the output (48.1 million bags) last year", said leader of Brazil's National Coffee Association.

In Tanzania, the country ranks fourth in producing coffee in Africa, coffee supplies seem to be exhausted.

In early this week, Tanzania's coffee prices sharply fell in many transactions. According to brokers, the reason is traced back to low quality of many coffee bags and shortage of stockpiles while Tanzania is coming to the end of the crop. There were no coffee bags brought into transactions, supplies of high quality coffee is increasingly exhausted. "We have to purchase lower quality coffee with the same prices with high quality coffee. Coffee in Eastern Africa is usually packed in 60kg bags, but recently, we can only buy 50kg bags with the same prices", said a trader.

Uganda predicts to gain 3.1 million bags of coffee in 2010/2011 crop.

Coffee harvest in Uganda will come in early Oct to Sep, which has been predicted to export 3.1 million bags this crop year. However, on Apr 12, coffee association of this country has reduced estimated number to 2.76 million bags; and the reason is accounted for serious impact of prolonged drought during the last 4 months.

Switzerland is increasing its coffee imports.

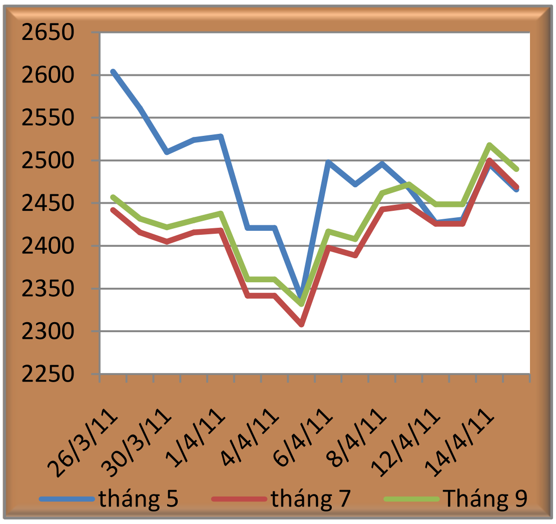
Nestle Coffee Company in Switzerland has been making an effort to become a leading soluble coffee provider in the world; this country is importing from 900,000 to 900,000 bags of coffee, especially Robusta. "The country's coffee industry is rapidly increasing due to the demand on this kind of coffee, our annual consumption is about 1.8 million of 60kg bags", said Trample – leader of the country's coffee association.

Columbia predicts an increase of 40% in export despite the damage by fungous diseases.

"Roya fungus is threatening coffee leaves; however, this year, the country still raise the exports up 40%, equal to 2.38 million bags against the same period last year", said Juan Camilo Restrepo, Minister of Columbian Ministry of Agriculture and Rural Development on Wednesday, Apr 13, 2011.

2.2 World coffee prices

Figure 5: *Futures price movements of Robusta coffee at London exchanges. (Unit: USD/ton)*

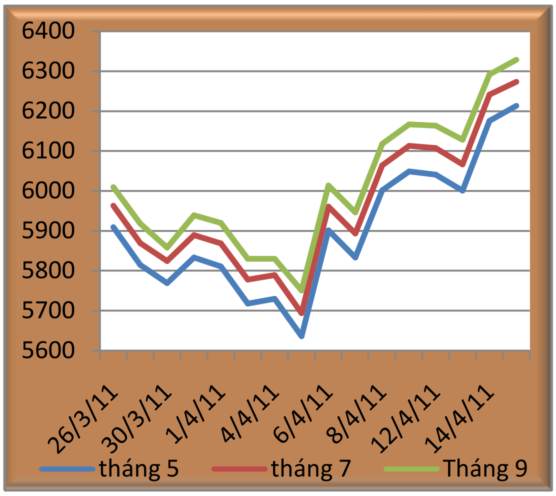


Source: AGRODATA

This week, Robusta coffee prices rose USD 12.4 against those of last week but fell USD 27.48/ton against average prices of the previous month. The prices made a record high after the session on Apr 14, up USD 69/ton on average; July futures price witnessed the most rapid increase with USD 74/ton.

In Robusta markets, the prices see many positive signs when Vietnam – world leading country in Robusta production – is now facing with unfavorable weather. The output is predicted to drop from 10% to 15% against the last crop year. In addition, coffee growing regions in Indonesia experience many rains during recent months, leading to a decrease in both quality and quantity. Indonesia's Ministry of Agriculture also believes that its coffee yield will fall 25% this year. These are considered key impacts increasing Robusta coffee prices in the coming times.

Figure 6: *Futures price movements of Arabica coffee at New York exchanges (Unit: USD/ton)*



Source: AGRODATA

At New York exchanges, prices of Arabica coffee sharply fell in two sessions in early week, then rapidly rose in the middle of week. Arabica coffee for May delivery finished the session on Apr 14 at USD 6175.4/ton, up USD 174.9/ton equal to 2.9%. Sep futures for Arabica coffee delivery also significantly increased to USD 6328.3/ton, up USD 163.9/ton. It is thought that speculators pushed up the prices but information about import demand of Switzerland and key coffee roasters in the world has strongly influenced coffee prices this week in fact.

Although Arabica coffee sees some positive signs when Colombia and India raise their exports, and harvest in Brazil, key country in producing coffee in the world, will begin within the next four weeks, many experts believe that coffee prices in short-run might slightly fall but they will increase in long-run due to low supplies and the weakening dollar, which will impact Arabica coffee prices in long term.

III. Outlook for the market

3.1 World markets

Recently, Nestle Company in Switzerland has announced its demand on importing about 800.000 - 900.000 tons in the coming time. In addition, some countries like Mexico, Tanzania, Uganda, etc, have informed a decrease in their output. However, positive information about coffee supplies in Brazil and an increase in exports of such countries as Colombia will make world coffee prices difficult to get over the record high in this week as predicted.

3.2 Domestic markets

In domestic markets, the prices are high but amount of coffee for exchanges is sparse. Although Robusta coffee prices in the world are encouraged by increasing demand, likely abundant supplies in Brazil, Colombia and Indonesia will raise supplies; high prices will make farmers sell their coffee right after they harvest. Therefore, it is predicted that Robusta coffee prices might slightly fall in the coming time and thus domestic prices experience the same trend.

IV. Appendix

4.1. Weekly prices of green coffee in some domestic markets (Unit: VND 1000/kg)

Date	ĐakLak	Lam Dong	Gia Lai	Đaknông
26/3/11	47600	47500	47600	47700
29/3/11	47300	47200	47300	47400
30/3/11	47300	47200	47300	47400
31/3/11	47600	47500	47600	47700
1/4/2011	47600	47500	47600	47700
2/4/2011	46600	46500	46600	46700
4/4/2011	46600	46500	46600	46700
5/4/2011	46100	46000	46100	46200
6/4/2011	47700	47600	47700	47800
7/4/2011	47500	47400	47500	47500
8/4/2011	48100	48000	48000	48100
9/4/2011	48200	48100	48200	48300
12/4/2011	47800	47700	47800	47900
13/4/11	47800	47700	47700	47800
14/4/11	49000	48900	49000	49100
15/4/11	48400	48300	48400	48500

Source: AGRODATA

4.2. Daily prices of coffee exports in HCM City (Unit: USD/ton)

Date	7/4/2011	8/4/2011	9/4/2011	12/4/2011	13/4/11	14/4/11	15/4/11
FOB (HCM)	2300	2345	2345	2325	2325	2400	2370

Source: AGRODATA

4.3 Robusta coffee futures at London exchanges (Unit: USD/ton)

Date	May	July	September
26/3/11	2604	2442	2457
29/3/11	2561	2416	2432
30/3/11	2510	2405	2422
31/3/11	2524	2416	2430
1/4/11	2528	2418	2438
2/4/11	2421	2342	2361
4/4/11	2421	2342	2361
5/4/11	2339	2308	2332
6/4/11	2498	2398	2417
7/4/11	2472	2389	2408
8/4/11	2496	2443	2462
9/4/11	2468	2447	2472
12/4/11	2427	2426	2449
13/4/11	2431	2426	2449
14/4/11	2496	2500	2518
15/4/11	2466	2469	2490

Source: AGRODATA

4.4 Arabica coffee futures at New York exchanges (Unit: USD/ton)

Date	May	July	September
26/3/11	5909	5963	6009
29/3/11	5815	5870	5918
30/3/11	5770	5825	5859
31/3/11	5833	5889	5939
4/1/2011	5811	5869	5920
4/2/2011	5718	5778	5830
4/4/2011	5730	5789	5830
4/5/2011	5636	5694	5751
4/6/2011	5902	5961	6014
4/7/2011	5833	5894	5947
4/8/2011	6002	6064	6118
4/9/2011	6049	6113	6167
4/12/2011	6041	6107	6163
13/4/11	6001	6067	6128
14/4/11	6175	6241	6292
15/4/11	6213	6273	6328

Source: AGRODATA

4.5 Robusta coffee prices in the U.S. and Europe markets (Unit: USD/ton)

Date	USA	Europe
1/04/2011	2620	2491
4/04/2011	2537	2429
5/04/2011	2697	2577
6/04/2011	2682	2566
7/04/2011	2704	2586
8/04/2011	2677	2565
11/04/2011	2636	2536
12/04/2011	2642	2514
13/04/2011	2708	2598

Source: AGRODATA

4.6 Prices of Colombia Milds in the U.S. and Europe markets (Unit: USD/ton)

Date	USA	Europe
1/04/2011	6523	6362
4/04/2011	6446	6327
5/04/2011	6694	6504
6/04/2011	6650	6480
7/04/2011	6793	6643
8/04/2011	6776	6657
11/04/2011	6743	6690
12/04/2011	6749	6654
13/04/2011	6903	6802

Source: AGRODATA

4.7 Foreign exchange rates

Date	USD --> VNĐ	EUR --> VNĐ
4/9/2011	20790	30012
4/10/2011	20765	30012
4/11/2011	20874	30125
4/12/2011	20806	30125
4/13/2011	21009	30340
4/14/2011	20763	30079

Source: AGRODATA

4.6 Weekly DAP prices on average in some localities (Unit: VND 1000/kg)

Week	Dong Nai	HCM City	An Giang
2	14300	15350	14467
3	14150	15500	14467
4	14150	15200	14460
5	14500	15200	14640
6	14500	15200	14640
7	14500	16000	14400
8	14500	15350	14320
9	14800	15367	14350
10	15200	15900	14880
11	15200	16067	15200
12	15350	16100	15233
13	15500	16350	15350
14	15500	16600	15200
15	16000	16600	15600
16	15500	16000	14200

Source: AGRODATA

4.7 Weekly Urea prices on average in some localities (Unit: VND 1000/kg)

Week	HCM City	Dong Nai	Lam Dong
2	9500	8700	8300
3	9350	8550	8650
4	9000	8550	8650
5	8800	8550	8650
6	8800	8550	8650
7	9000	8550	8650
8	8550	8600	9800
9	8533	9200	10000
10	8800	8600	10200
11	9350	8600	10400
12	9500	8600	10000
13	9600	8700	10000
14	10200	9500	10500
15	10300	9000	10600
16	10000	9500	9500

Source: AGRODATA