



Highlights

- ✓ **Coffee production in Dak Nong: increasing cost in pesticide**
- ✓ **Many growers in Gia Lai is cutting down coffee trees to grow pepper trees**
- ✓ **Prices of fertilizers will increase in the coming time**
- ✓ **Prices of Arabica make a record high for the last 34 years**
- ✓ **The focus on world supply – demand this week**
- ✓ **Outlook for world and domestic markets**

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I. Domestic markets

1.1 Production

In Dak Nong, coffee production sees increasing cost in pesticide

In Central Highlands, coffee trees are bearing immature cherries. Growers said that recent favorable weather with rains has partially reduced mealybugs and pink fungus on coffee trees.

This year, according to growers in Dak Nong, drought has put white bugs, mealybugs and pink fungus into advantages to grow, making cherries drop and damaging trees in large scale. Therefore, growers have to raise expense not only in irrigation and but also in pesticide.

“This year, cost in growing coffee sharply increases, on average, expense for irrigation rise VND 500,000/ha/1 round while expense for pesticide rise VND 1,200,000/ha”, said Le Van Thu – a coffee grower in Kien Duc Commune – Dak Nong Province

In Gia Lai Province: Cutting down coffee trees to grow pepper trees – effects of increasing pepper prices

This year, pepper witnesses a price hike, leading to a domino effect that a part of growers cut down coffee trees to grow pepper trees. Accordingly, dozens of farmers in Bau Can Commune (Chu Prong District, Gia Lai) are expanding pepper-growing areas by cutting down coffee trees in large scale. In Bau Can, on average, each household cut down from 200 to 500 coffee trees in their plantations. As observed, devastated coffee areas have not come into the end period of exploitation yet, farmers just want to achieve further benefit from pepper trees.

Nguyen Quan, a farmer in La Mua village said that: “The reason making us devastate coffee plantations in small scale is lack of capital for growing pepper massively. If we have enough cash, we will carry out in further large scale”. Pepper plantation of Ho Thi Hoi (Bau Can village) has 100 trees, harvesting estimated 300 kg of pepper. With current prices, her pepper plantation can bright about VND 30 million. She thinks that it is much easier to grow, harvest and preserve pepper than coffee. Now, she is expanding pepper-growing area on devastated coffee area. Similarly, Tran Van Phuc, another grower, is now rapidly cutting down fruit trees such as jackfruit, avocado and a large scale of coffee trees to expand pepper area. Phuc said that: “If I knew in advance that pepper prices will increase, I should have devastated total coffee plantations to grow pepper trees”.

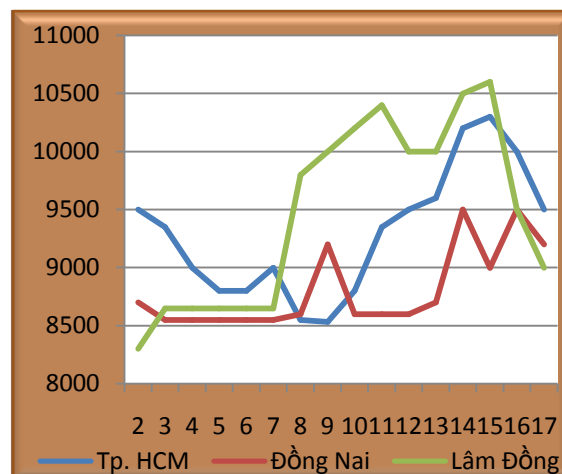
Although soil for cultivation is getting scarce, farmers still massively widen pepper area. As estimated, it takes VND 300 million of capital

to grow one ha of pepper. It now makes difficult for farmers to widen pepper areas.

(Source: *gialainewspaper.com* on Apr 19)

1.2 Input material prices

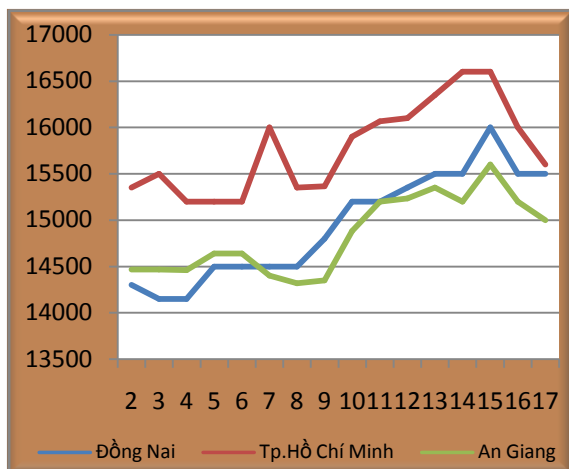
Figure1: Weekly price movements of Urea in some domestic markets in 2011 (Unit: VND/kg)



Source: AGROINFO

Differing from increasing prices of Urea in world markets, domestic markets witnessed a sharp reduction, down from VND 300 – 500/kg. The most decreasing price is in HCM City's markets with VND 500/kg. The reason is tracked back to local low consumption. In the North, demand in fertilizers for Winter-Spring crop is decreasing, mainly leading to a price fall of Urea in these markets. However, in the South, due to the fact that main crop is coming in early May, it seems that Urea prices would rally.

Figure2: Weekly price movements of DAP fertilizer in some domestic markets in 2011 (Unit: VND/kg)



Source: AGROINFO

This week, on average, DAP price fell VND 400/kg against that of last week. The reduction during the last two week is accounted for high stockpiles in many localities.

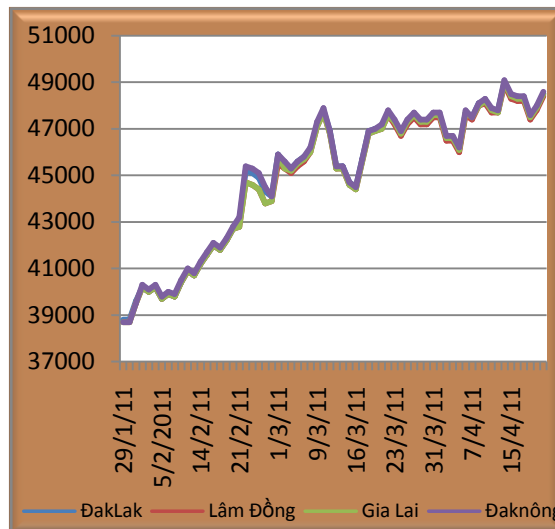
Although, fertilizer prices have been decreasing for recent weeks, it is believed that the prices would recover in the coming time as Vietnam National Chemistry Group announces to raise fertilizer prices in summer - fall crop.

“If only accounting for the influences of 5 input factors namely foreign exchange rate, electricity, gas and oil, rubber and sulfur without adding an increase of coals, our production cost in 2011 raises estimated VND 2,400 billion, equal to 8.2% of total 2010 revenue of the Group. Therefore, we intend to raise 18% of Urea fertilizer and 7% of DAP fertilizer”, said Bui The Chuyen – Head of

Business Planning of Vietnam National Chemistry Group.

1.3 Domestic and export coffee prices

Figure3: Daily price movements of domestic coffee in some localities (Unit: VND/kg)



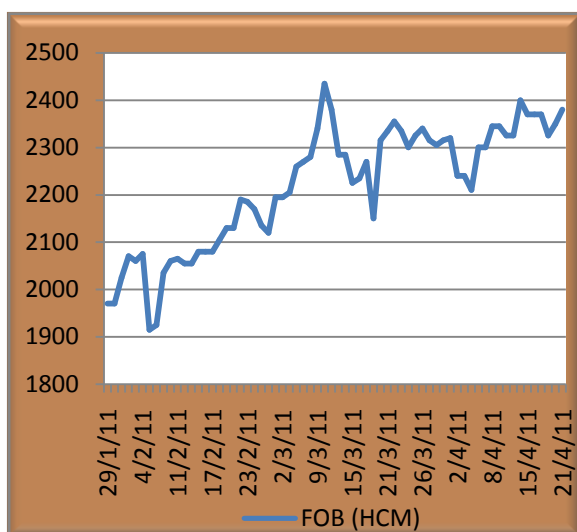
Source: AGROINFO

Increasing supplies in many key countries, which are coming to harvest time, slightly reduced coffee prices in early week; domestic prices fell VND 800/kg on average, equal to 1.65% against those of last week. In addition, increasing dollar value attracting investors also makes commodity prices slightly decrease, including coffee.

However, the price hike only lasted within one day; then it followed the increasing trend of Robusta coffee at London exchanges. In many localities, the prices equally raised VND 400/kg, up 8.4%. The trend continued to rise after Arabica made a record high for the last 34 years in last month with USD 302.5/lb for Sep delivery. The prices experienced a significant increase with VND 600/kg.

Estimated by brokers in Vietnam markets, about 34% of stockpiles have not been sold out; however, increasing number of long-run coffee contracts at New York and London exchanges make sellers keep their coffee and waiting for a rise of domestic prices to VND 50,000/kg.

Figure4 : Price movements of coffee in HCM City (Unit: USD/ton)



Source: AGROINFO

This week, export prices were encouraged by increasing number of long-run contracts in world markets; however, on average, they still fell USD 3.83/ton against those of last week due to two sharp reductions in early week and weekend (down USD 45/ton).

In Vietnam, export price is considered favorable as it is lower than those in world markets. Prospects of Arabica prices are likely to increase, pushing Robusta prices in Vietnam and world markets in short-run.

II. World markets

2.1 Production

Tightening supplies in Arabica coffee markets.

Despite of high demand in Arabica coffee, stokers and roasters are still keeping their coffee due to positive signs of price hike in short-run at New York exchanges. A stokers said: "At many exchanges, there are few contracts offering Brazil's coffee although this country is coming to harvest; sellers are waiting for a higher price increase". A trader purchasing coffee in London said: "while world coffee supplies is rising, high quality coffee, Arabica, is still scarce due to lower coffee yield than average in Columbia; investors always expect long-run contracts but amount of coffee offered in markets is low."

Robusta supplies from Indonesia is low

This week, roasters have not their demand in Robusta met. They said that Indonesia's crop is not enough to meet the demand; in addition, it is difficult for us to find contracts from Vietnam, Indonesia and Brazil. Rains bring about early harvest in Indonesia without quantities and equality. In Indonesia, growers said that their harvest would not concentrate in one or two months, it would be last during year. Therefore, supplies are not likely to increase suddenly at the beginning of harvest. Although the country has begun its harvest, the supplies do not experience a high increase as farmers need time to dry coffee.

In Vietnam, output of 2011/12 crop rises 10%.

According to coffeenetwork: Vietnam's output in 2011/12 crop is expected to gain 22 million tons, up 10% against the previous crop. Investors should raise purchased volume as price hike might be controlled due to increasing output in Vietnam in the coming crop.

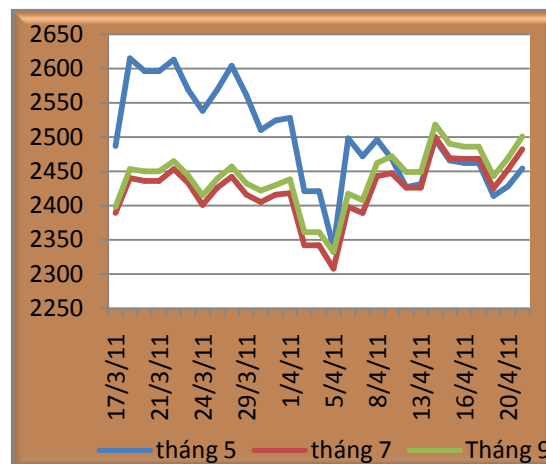
As estimated, coffee prices of Vietnam have increased 56% over last year. Traders in Vietnam said that among Oct to Mar, Vietnam exported about 13.32 million bags, equal to 67% of total output in 2010/2011 crop, there is about 34% of last crop's yield has not been sold out.

Vietnam coffee might witness a price fall in the coming time.

According to coffeenetwork: in the next crop year, Vietnam would raise its output due to high prices, bring about an expansion of coffee area; however, a coffee broker from Hong Kong said, "it is a pity for Vietnamese farmers to keep their coffee at this period if the information of increasing output is believable. The price of coffee is at unreasonable height in comparison with real condition. I believe that volume of reduction will be at least USD 120 -140/ton in future".

2.2 World coffee price

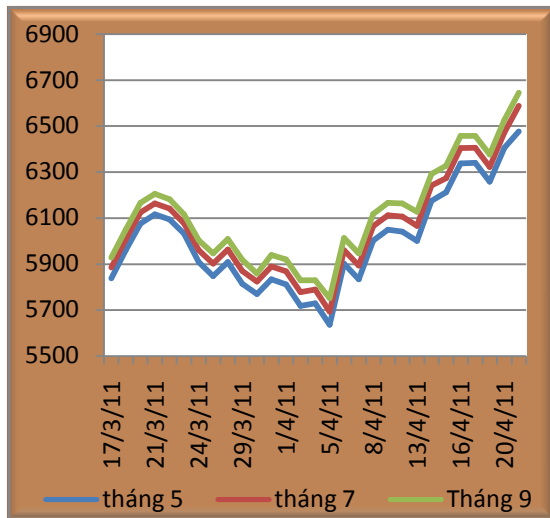
Figure5: Price movements in futures markets of Robusta coffee at London exchanges (Unit: USD/ton)



Source: AGROINFO

In early week, brokers tried to sell their coffee to gain benefit and prevent from risk, leading to a slight price fall. Prices of Robusta at London exchanges fell USD 43/ton on average; prices for May delivery witnessed most decrease with USD 48/ton. It is accounted for the recovery of dollar value in comparison with euro after the serious public debt in Europe. Increasing euro value usually reduces commodity prices, including coffee. However, in middle of the week, dollar experienced continual reductions, making a record low, changing price fall trend. Price of Robusta coffee rapidly increased following the same trend of Arabica, making a record high at USD 2,501/ton for Sep delivery. Based on this positive trend of Arabica, it is analyzed that Robusta price would continue to accelerate in short-run due to low dollar value and increasing shortage of Arabica.

Figure6: Price movements in futures markets of Arabica at New York exchanges (Unit: USD/ton)



Source: AGROINFO

After a slightly reduction in early week, Arabica prices saw a rapid rise, which was encouraged by increasing demand in high quality coffee of roasters in world markets. Arabica prices finished the session on Apr 20 at USD 302.05/lb for Sep delivery, making a record high for the last 34 years, up 6.85 cents/lb, equal to 2.4% over the prices on Apr 19. It is considered the highest since Mar 19 and the record high of Arabica price in 2011 (up 15% within 2 weeks). As forecast, Arabica prices would continually rise in short-run, coming to USD 4/lb.

III. Market Outlook

3.1 World markets

This week, information in world markets shows increasing demand as supplies of Arabica has not seen any signs of recovery. It is continually forecast that the price hike in coffee markets would last in long term as stockers are looking for supplies but amount of coffee purchased in markets is lower and lower.

3.2 Domestic markets

Due to the information about rising output, domestic coffee market is under pressure to reduce the prices; however, differing from forecast about 10% of output increase in this crop year, growth of coffee trees in Central Highlands– that makes up 80% of total coffee area in Vietnam – witness many difficulties due to drought and pest. According to local people, coffee output in this crop year is difficult to be higher than that of last crop. In addition, recently in Gia Lai, many growers have tended to replace coffee trees by pepper trees due to prices of pepper in markets. This information will soon influence and raising the domestic prices

IV. Appendix

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

Week	ĐakLak	Lam Dong	Gia Lai	Daknong
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	27500
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
16/4/11	48300	48200	48300	48400
18/4/11	48300	48200	48300	48400
19/4/11	47500	47400	47500	47600
20/4/11	47900	47800	47900	48000
21/4/11	48500	48400	48500	48600
22/4/11	47800	47700	47800	47800

Source: AGROINFO

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

Date	16/4/11	18/4/11	19/4/11	20/4/11	21/4/11	22/4/11
Fob prices- TP. HCM	2370	2370	2325	2350	2380	2335

Source: AGROINFO

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

Date	May	July	September
17/3/2011	2487	2389	2398
18/3/2011	2615	2440	2453
19/3/2011	2596	2436	2450
21/3/2011	2596	2436	2450
22/3/2011	2613	2453	2465
23/3/2011	2569	2433	2444
24/3/2011	2538	2401	2415
25/3/2011	2569	2426	2439
26/3/2011	2604	2442	2457
29/3/2011	2561	2416	2432
30/3/2011	2510	2405	2422
31/3/2011	2524	2416	2430
4/1/2011	2528	2418	2438
4/2/2011	2421	2342	2361
4/4/2011	2421	2342	2361
4/5/2011	2339	2308	2332
4/6/2011	2498	2398	2417
4/7/2011	2472	2389	2408
4/8/2011	2496	2443	2462
4/9/2011	2468	2447	2472
4/12/2011	2427	2426	2449
13/4/2011	2431	2426	2449
14/4/2011	2496	2500	2518
15/4/2011	2466	2469	2490
16/4/2011	2462	2468	2486
18/4/2011	2462	2468	2486
19/4/2011	2414	2425	2443
20/4/2011	2428	2452	2469
21/4/2011	2454	2482	2501
22/4/2011	2408	2435	2456

Source: AGROINFO

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

Date	May	July	September
17/3/11	5838	5885	5928
18/3/11	5960	6008	6049
19/3/11	6076	6125	6167
21/3/11	6116	6164	6205
22/3/11	6094	6141	6182
23/3/11	6032	6078	6116
24/3/11	5909	5961	6004
25/3/11	5848	5902	5947
26/3/11	5909	5963	6009
29/3/11	5815	5870	5918
30/3/11	5770	5825	5859
31/3/11	5833	5889	5939
1/4/11	5811	5869	5920
2/4/11	5718	5778	5830
4/4/11	5730	5789	5830
5/4/11	5636	5694	5751
6/4/11	5902	5961	6014
7/4/11	5833	5894	5947
8/4/11	6002	6064	6118
9/4/11	6049	6113	6167
12/4/11	6041	6107	6163
13/4/11	6001	6067	6128
14/4/11	6175	6241	6292
15/4/11	6213	6273	6328
16/4/11	6338	6404	6458
18/4/11	6340	6406	6458
19/4/11	6258	6323	6377
20/4/11	6406	6474	6527
21/4/11	6477	6588	6645
22/4/11	6409	6480	6540

Source: AGROINFO

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

Date	USA	Europe
1/4/2011	2620	2491
4/4/2011	2537	2429
5/4/2011	2697	2577
6/4/2011	2682	2566
7/4/2011	2704	2586
8/4/2011	2677	2565
11/4/2011	2636	2536
12/4/2011	2642	2514
13/4/2011	2708	2598
14/4/2011	2675	2572
15/4/2011	2664	2555
18/4/2011	2614	2516
19/4/2011	2631	2562
20/4/2011	2695	2580

Source: AGROINFO

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

Date	USA	Europe
1/4/2011	6523	6362
4/4/2011	6446	6327
5/4/2011	6694	6504
6/4/2011	6650	6480
7/4/2011	6793	6643
8/4/2011	6776	6657
11/4/2011	6743	6690
12/4/2011	6749	6654
13/4/2011	6903	6802
14/4/2011	6980	6827
15/4/2011	7084	6941
18/4/2011	7051	6903
19/4/2011	7178	7042
20/4/2011	7293	7200

Source: AGROINFO

4.7 Foreign exchange rates

Date	USD --> VNĐ	EUR --> VNĐ
4/16/2011	20927	30197
4/17/2011	20945	30197
4/18/2011	20994	29870
4/19/2011	20845	29875
4/20/2011	20922	30386
4/21/2011	21016	30581

Source: AGROINFO

4.8 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
17	15500	15600	15200

Source: AGROINFO

4.9 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
17	9500	9200	9000

Source: AGROINFO