Vietnam is the world’s most productive coffee producing nation and has little need for R&R given its strong sector institutions.

Quick facts: Vietnam is the world’s second biggest producer

<table>
<thead>
<tr>
<th>Production '000 tons, 2014</th>
<th>Production share Global &amp; region</th>
<th>Coffee land '000 hectares, 2014</th>
<th>Varieties Arabica-Robusta</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,406</td>
<td>2nd in world</td>
<td>589</td>
<td>~10% A</td>
</tr>
<tr>
<td></td>
<td>1st in Asia</td>
<td></td>
<td>~90% R</td>
</tr>
</tbody>
</table>

R&R need: ~30% of total land is in need of R&R

SHF land in R&R need out of all land '000 hectares

- 589 hectares
- 421 hectares
- 168 hectares

~4% of global need

Drivers of R&R need:

- The primary threat to Vietnamese trees are pests such as Nematodes. Trees are relatively young given a recent/ongoing national renovation effort. Farmers generally make use of GAP.

Uplift potential: Vietnam already has high yields

Current SHF yield & potential uplift:

<table>
<thead>
<tr>
<th>Tons per hectare</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current SHF yield</td>
</tr>
<tr>
<td>Target SHF yield</td>
</tr>
</tbody>
</table>

Potential increase in supply <5%

Total national supply could increase ~1.2% if R&R and GAP is implemented on all SHF land in need of R&R2

Viability: Continued high viability of coffee in Vietnam

- Arabica production in Vietnam could potentially be affected by Climate change – especially in the areas in the South and West of the country
- However, Arabica is currently only making up 10% of total production, why national supply is likely to be less affected

Other viability considerations

- ~90% of farmers have coffee as their main crop – less than 10% are intercropping
- Increase in intercropping with pepper since price of pepper is increasing, which gives an increased incentive to grow pepper when coffee is aged
- There is strong government support for coffee in Vietnam, and coffee production has reduced tax burden to help make the sector grow
- Farmers receive a high portion of the export price, with farmer share around 95%, making Vietnam the most cost-efficient coffee supply chain in the world3

Notes: (1) The current yield is calculated on the basis of SHF production divided by SHF land area, the potential yield uplift comes from the GCP study on Vietnam. GCP, Vietnam: GCP: Economic Viability of Coffee farming, 2017; (2) Estimate assumes that R&R and GAP increase yields with 10%, and the range reflects a 25-100% R&R success rate; (3) See the GCP source listed in (1) for more detail on this. Sources: FAOstat, Coffee production and land under coffee, 2014; ICO production statistics; Dalberg interviews.
Vietnam is dominated by some of the world’s most productive SHFs with stable links to market and good availability of inputs

**Farmer segmentation: SHFs have strong links to market**

- **National production is dominated by SHFs**
  - The vast majority of SHFs are in tight value chains with close and stable links to market. There is a high degree of competition among collectors and exporters creating stable links for SHFs

- **SHF land ‘000 hectares**
  - 560 (~95% of national land – average farm size: ~1 hectare)

- **SHF production ‘000 tons**
  - 1,125 (~80% of national production)

- **Assessment of SHF orgs.**
  - Only 10% of SHFs are organized in coops, which have not been successful so far

- **Links to market**
  - Strong links to market through a competitive sector

**Enabling environment for R&R: Strong, but access to finance could be improved**

- **Political environment**
  - Coffee share of GDP: ~3% (2013)
  - Government has been, and is, supportive of R&R efforts, having covered extensive TA programs for replanting and financing for replanting

- **Availability of inputs**
  - Government is increasingly involved in ensuring quality and verification of seedlings of local nurseries
  - There is a high availability of inputs, though some farmers reportedly tend to over-fertilize their land

- **Availability of finance**
  - Limited access to finance for most SHFs – commercial banks have little interest
  - Collectors can provide access to finance, but do so at high interest rates and require SHFs to commit future sales
  - Government has financed R&R

- **Knowledge availability**
  - Farmers already make use of GAP, though there is potential for cost savings from correct application of fertilizer and irrigation systems

**Examples of R&R programs: The Vietnamese government is the main actor in supporting farmers**

- **Government of Vietnam and world Bank - VnSAT – Rejuvenation in the Central Highlands (2014-2020):** Government led program, supported by the world Bank, to replant 90,000 hectares and transplant 30,000 hectares in 5 regions in the Central Highlands. The cost of the project is estimated at USD 314 million.

- **Nestlé – Coffee replanting (2013):** Nestle partnered with the Western Highlands Agro-Forestry Scientific and Technical Institute (WASI) to distribute free seedlings to replant 270 hectares

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Notes: (1) Assuming a global SHF population of 20 million; (2) The sector was previously controlled by a national (monopolistic) coffee cooperative.

Sources: FAOstat, Coffee production and land under coffee, 2014; ICO production statistics; Dalberg interviews