

Constraints to improving quality of coffee in the central highlands of Viet Nam

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Acta Horticulturae 1006: 149-154. 2013.

Abstract

Introduced by the French in the 1850's, coffee remained relatively unimportant in Viet Nam until the 1980's, when, after the failure of the International Coffee Agreement, coffee production in Viet Nam dramatically increased. Coffee is primarily grown in the highlands and mountainous areas, where soil and climatic conditions are most suitable. The coffee growing areas are the red basalt soil areas in the Central Highlands and other provinces in the South East of the country. Currently, over 500,000 hectares are planted, of which 90% are in the Central Highlands. The development of the coffee industry was initially driven by the National government who actively promoted the crop, due to suitable production conditions and a strong global price. Subsequently, many smallholder farmers took up coffee production, and the levels of production and exports dramatically increased. However, since the late 1990's, partially due to overproduction in Viet Nam, the world price of coffee has collapsed. As a result, many coffee producers in Viet Nam have experienced significant financial hardship and many have reduced the size of their coffee plantations. Vietnamese coffee farmers are dependent on the global coffee market and highly vulnerable to uncertainties and risks in the coffee supply chain. They invest in coffee when prices are high, but when prices drop, farmers cut down coffee trees and invest in other crops. This poses a major impediment to industry development. One of the major obstacles to the improvement of coffee quality in Viet Nam is the failure to harvest and process only red cherry and poor drying. Additionally, the current marketing system fails to give the right price signals to growers in terms of different prices for different quality. Other factors such as inconsistent quality due to inconsistent processing methods, the small quantities of coffee available for sale and the lack of bank finance also contribute to the problem.