



Potentials for Peruvian Specialty Coffee in Vietnam



Embassy of Peru in Vietnam | Trade Section

Market report

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Abbreviations

- ♦ HS Code: Harmonized System Code, used to classfied traded products
- ◆ CPTPP: Comprehensive and Progressive Agreement for Trans-Pacific Partnership
- ♦ VICOFA: Vietnam Coffee and Cocoa Association
- ◆ PromPerú: Commission for Export and Tourism of Peru
- ◆ ADEX Peru: Exporters' Association of Peru
- ♦ GSO: General Statistics Office
- ♦ ICO: International Coffee Organization

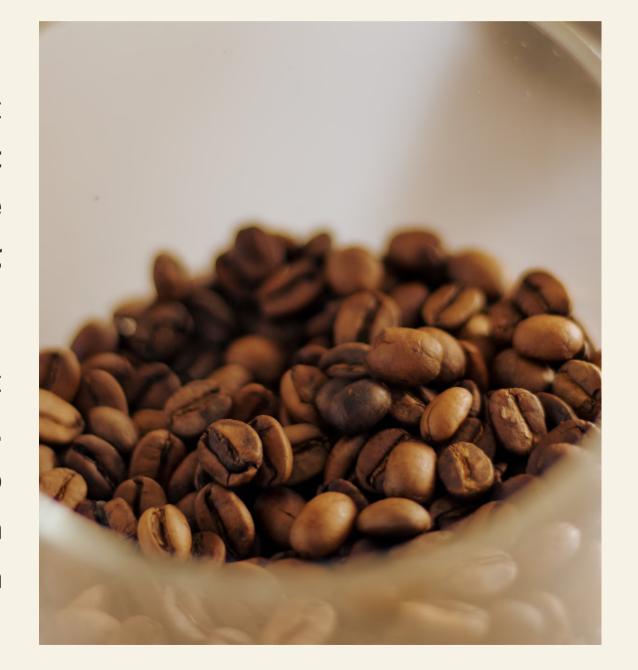
Executive Summary

Peru is one of the biggest Arabica coffee exporters in the world, highly appraised for its products' complex, well-

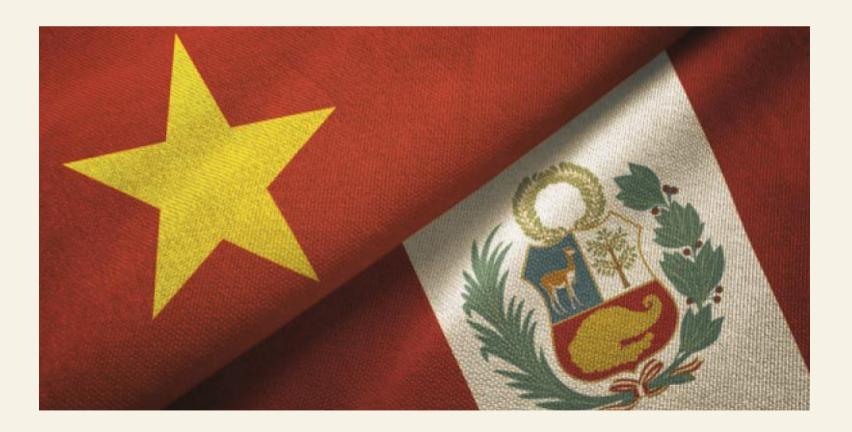
balanced flavor and attention to sustainability in production in recent years.

The coffee industry plays an important role in the Vietnamese economy. Not only does coffee export make up 3% of national GDP and keep Vietnam at the podium of world largest exporters, cafe-going is a deep-rooted culture that is constantly evolving. The 100-million-inhabitant economy of growing middle-income class presents inviting opportunities for foreign coffee.

Vietnam coffee import grows 10% annually to answer the local and export needs. Peru is newcomer to this market but is rapidly moving up in rank. However, to make its position more significant & solid, there is much more to do. This research is aims to look into the prospects for growth of Peruvian coffee import to Vietnam under HS Code 090111 (unroasted coffee), with particular focus on specialty coffee.



Specialty coffee has risen to prominence in the third-wave coffee movement. In Vietnam, Gen Z and late Millenials are early adopters while small to medium roasteries and coffee shops are trend and price setter. Most specialty coffee in the market is from African and South American coffee-producing countries, such as Colombia, Kenya, Ethiopia, Panama.



Peruvian origin coffee is highly regarded by specialty enthusiasts but scarcely seen on any accessible, public platforms. Although the promotional activities organized by the Embassy have been gradually enhancing Peruvian coffee's image, the massive lack of offerings and consumer knowledge remains a barrier.

Analyzing the current market, Peruvian coffee comes with these strengths: (1) high quality with unique flavors which are already favored by coffee lovers, (2) competitive pricing thanks to the CPTPP agreement's import tax exemption, (3) a large consumer base, albeit with little knowledge about the product, but also an experimental tendency that encourages them to try new products. Our pricing in particular is a huge advantage against other competitors, making Peru a perfect candidate for the position of Vietnam's next big coffee supplier.

To accomplish this goal, a few strategies are recommended for application.

First is to focus on importers and distributors as the stakeholders for partnership cultivation. Although roasteries and coffee shops are the main connection to end-users, distributors hold sway over the supply of Peruvian coffee to the Vietnamese market. This includes promoting the benefits of the CPTPP among distributors and implementing favorable sales policies.

Second is to **invest in the promotion of Peruvian coffee's image**. The Embassy has been hosting and participating in a variety of events in contribution to this goal, including coffee cupping workshops, expositions and trade missions. It is advisable to expand on this foundation and **collaborate with more distributors, roasteries and experts in the future**.





Introduction to the World

The most widely recognized origin of coffee dates back to the **15th century in Yemen**, where coffee seeds were recorded to be roasted and brewed in a similar way to our modern coffee use.



From there, through travel and trade, coffee gradually made it way throughout the world. Coffee reached the Americas, including Peru somewhere between the 17th and 18th century.

Coffee was first brought to Vietnam in 1857 by French missionaries. Under the French occupation in the early 20th century, coffee plantations were established in the Central Highlands, setting foundation for the Vietnamese coffee industry.

Over the years, there have been drastic transformations in the production, distribution and consumption of coffee. Coffee experts categorized these changes into "coffee waves", with the term "third-wave coffee" being coined by Trish Rothgeb in 2002.

Coffee Waves



st

Mass consumption

- Began in the early 20th century
- Coffee was mass
 produced and sold in
 supermarkets for easy
 access to a wide
 audience
- Introduction of instant coffee
- Little concern for quality

2nd

Coffee chains

- Began in the 1960s-1970s
- Emergence of big coffee chains such as Starbucks
- Diversification of coffeebased drinks
- Social coffee drinking culture developed as coffee shops multiplied

3rd

Artisan coffee

- Began in the 1990s-2000s
- Shift towards
 independent specialty
 coffee shops. Coffee
 making is considered an
 art form
- Focused on quality and experience
- Rise in sustainability awareness

4th

Coffee science

- Future trajectory of the coffee industry
- Emphasis on coffee innovation.
- New recipe and
 equipment technology
 creates the rise of in house roasting
- More attention to sustainability and inclusivity

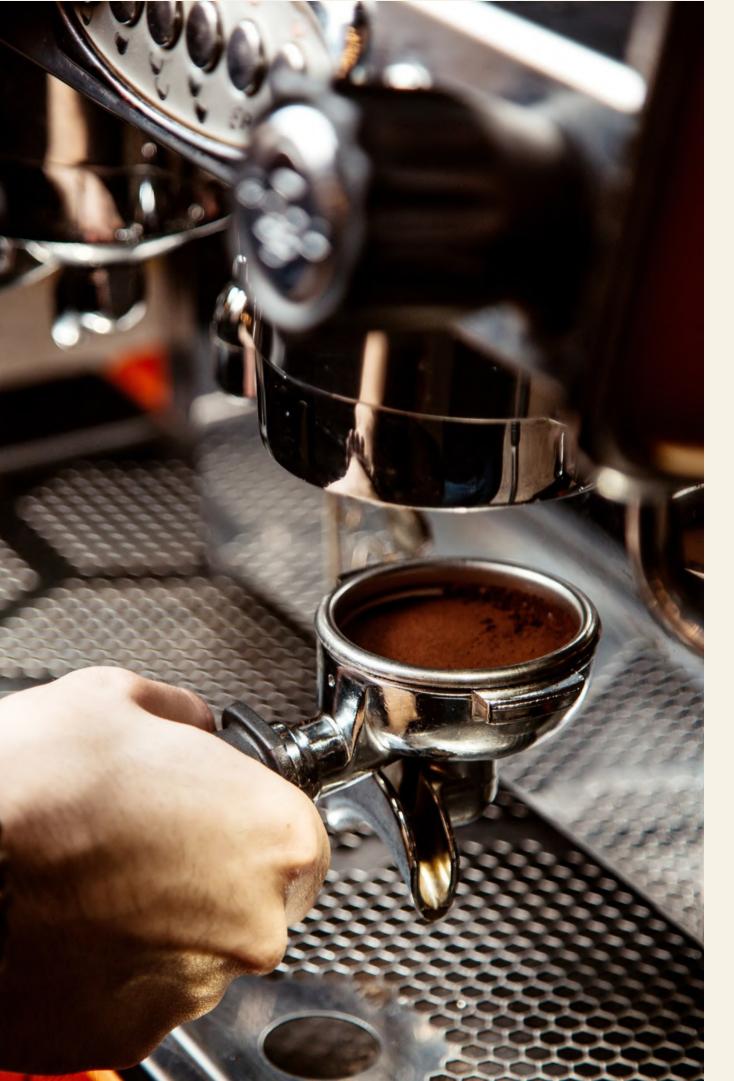
Specialty Coffee

Specialty coffee refers to coffee of premium quality.

To qualify as specialty-grade, a coffee must score at least 80 out of 100 in a grading process called "cupping" carried out by the Specialty Coffee Association (SCA).

Specialty coffee has risen to prominence in the thirdwave coffee movement.





HS Code

0901

Coffee, whether or not roasted or decaffeinated; coffee husks and skins; coffee substitutes containing coffee in any proportion

09 01 1

Unroasted coffee

09 01 11

Non-decaffeinated coffee

09 01 12

Decaffeinated coffee

09 01 2

Roasted coffee

09 01 21

Non-decaffeinated coffee

09 01 22

Decaffeinated coffee

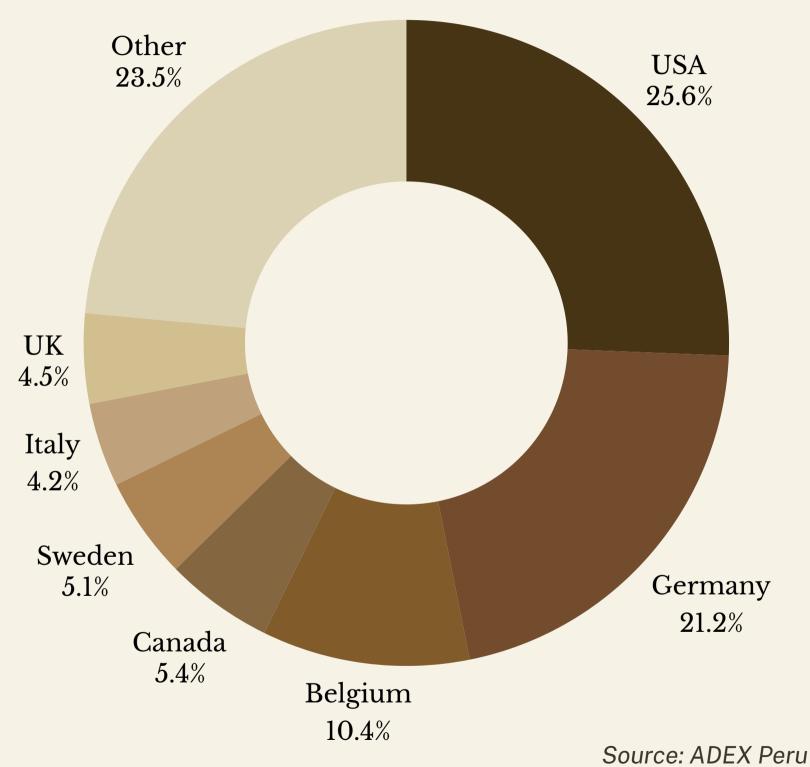


A big player

Peru is one of the world's biggest coffee producer and exporter, and the market leader in terms of organic coffee. Peruvian coffee is exported to 70 countries worldwide, with North America and Europe being their top markets.

Peru produces almost exclusively Arabica. In 2023, Peru produced a total 218,000 tons of coffee and exported 210,000 tons for 829 million USD.

Average Peruvian coffee export by destination from 2019 to 2023



Andean highlands are currently used to cultivate coffee at more than 1,000 meters above sea level (masl). 87% of all Peruvian coffee is grown in the San Martín, Cajamarca, Junín, Amazonas and Cusco regions.

The diversity in microclimates, soils, and altitudes of the Peruvian Andes brings unique character, aroma, and flavor to the coffee depending on its region.

Favorable natural conditions



Peruvian specialty coffee

Starting over three decades ago, Peruvian specialty coffee has been increasingly gaining recognition and popularity among coffee enthusiasts worldwide.

Cafés del Perú

In 2018, The Commission for Export and Tourism of Peru (PromPerú) established the national brand "Cafés del Perú" (Coffee from Peru) to highlight and promote Peruvian coffee.

Source: Cafés del Perú

Vietnamese Coffee Industry



Robusta powerhouse

Vietnam is the world's **second largest coffee producer and exporter after Brazil**, accounting for 22% of total global exports.

The central highlands Tay Nguyen of Vietnam is the main coffee-growing region. Over 90% of Vietnam's coffee output is Robusta.

Source: ICO



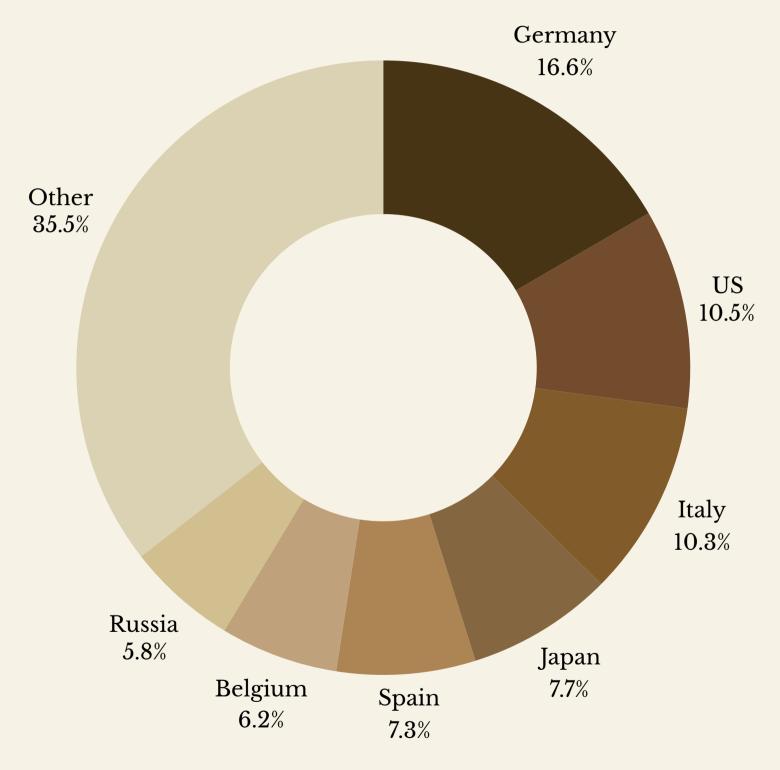
Export

In 2023, Vietnam's coffee export was 1.66 million tons, reaching **4.24 billion USD, their highest** coffee export value ever recorded.

Germany is the leading Vietnamese coffee importer, followed by **the US**, **Italy**, **Japan**, **Spain**, **Belgium and Russia**.

Coffee exports contribute 3% on average to Vietnam's total GDP. It accounts for over 10% of all Vietnamese produce exports.

Average Vietnamese coffee export by destination from 2019 to 2022



Source: Vietnam Customs, Trade Map

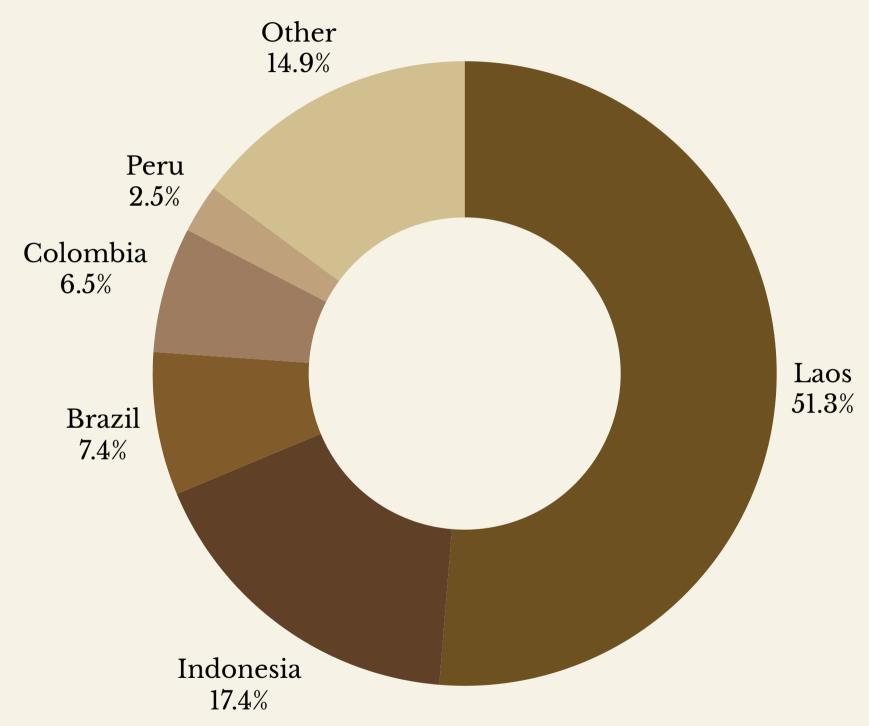
Import

Despite being a major producer country, Vietnam still imports a large amount of coffee, the majority of which are raw materials for further production and subsequential export.

In coffee year 2022/2023, Vietnam imported 102,100 tons of coffee, amounting to 300 million USD, of which 98,600 tons were unroasted coffee, and the remaining 3,500 tons were roasted coffee.

Vietnam favors sourcing from Laos for affordable prices.

Average Vietnamese coffee import by destination in 2022



Source: VICOFA, Trade Map



Consumer Behaviour

01 Large market size

Vietnam is the 15th most populated country in the world, 3rd in South East Asia, with a population of over 100 million people, of which 62.2% are within the 15-to-59-year-old age range. Vietnam holds great economic potentials in terms of both production and consumption thanks to this population structure.

The Vietnamese middle class currently makes up 13% of total population and is expected to grow to 23.2 million people in 2030.

Source: Vietnam GSO, iPOS Vietnam

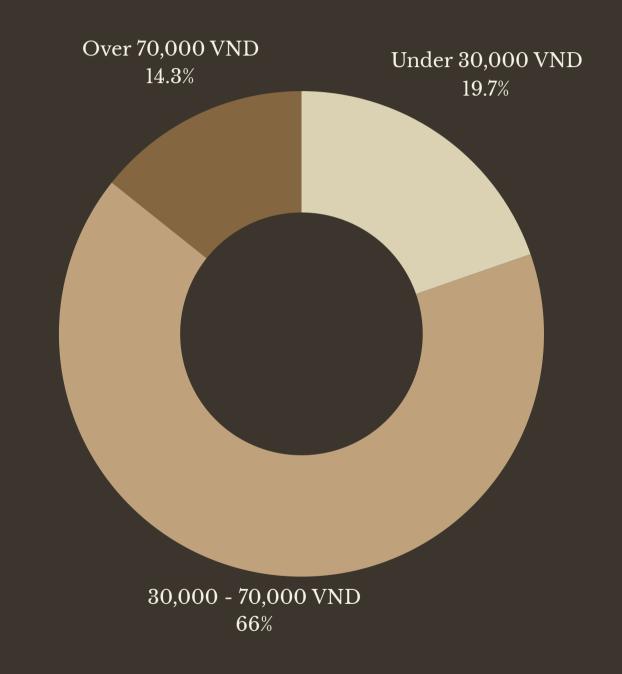
02 Increasing domestic consumption

In 2023, gross revenue of the Vietnamese F&B sector grew 11% compared to 2022, despite the difficult economic conditions.

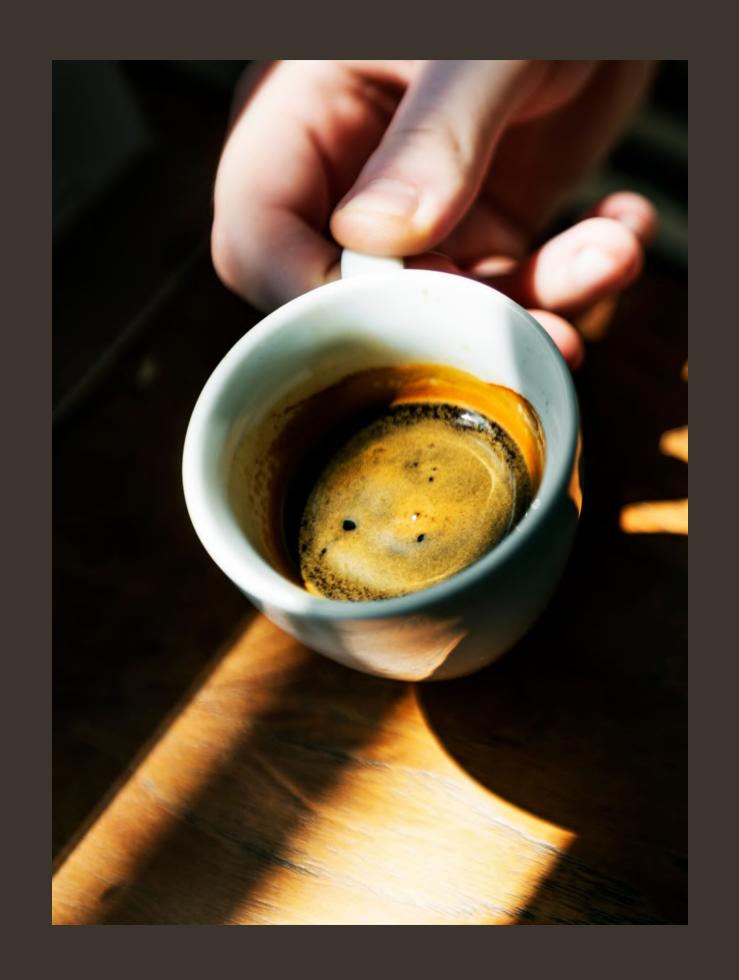
According to the Vietnam Coffee and Cocoa Association (VICOFA), in 2022, the average coffee consumption of a Vietnamese person was 2.2 kg per year. This rate is forecast to go up 6.6% on average every year during the period between 2025 and 2030.

66.1% of consumers is willing to pay 30,000 - 70,000 VND (aprox. 1.2 - 2.75 USD) for a drink at the cafe, while 14.3% opt for the high-end section (paying over 70,000 VND).

Vietnamese consumers' willingness to pay for one drink at acafe (surveyed 2023)



Source: VICOFA, iPOS Vietnam



03 The rise of coffee shops

The number of coffee shops and restaurants in Vietnam has been on an upward trend. In 2023, Vietnam had 317,000 coffee shops and restaurants of all scales, of which 23.3% are based in Hanoi and 28% in Ho Chi Minh City. 94.8% of all coffee shops and restaurants are independent, while only 5.2% are branded chains.

Source: iPOS Vietnam

04 Distinct coffee-drinking culture

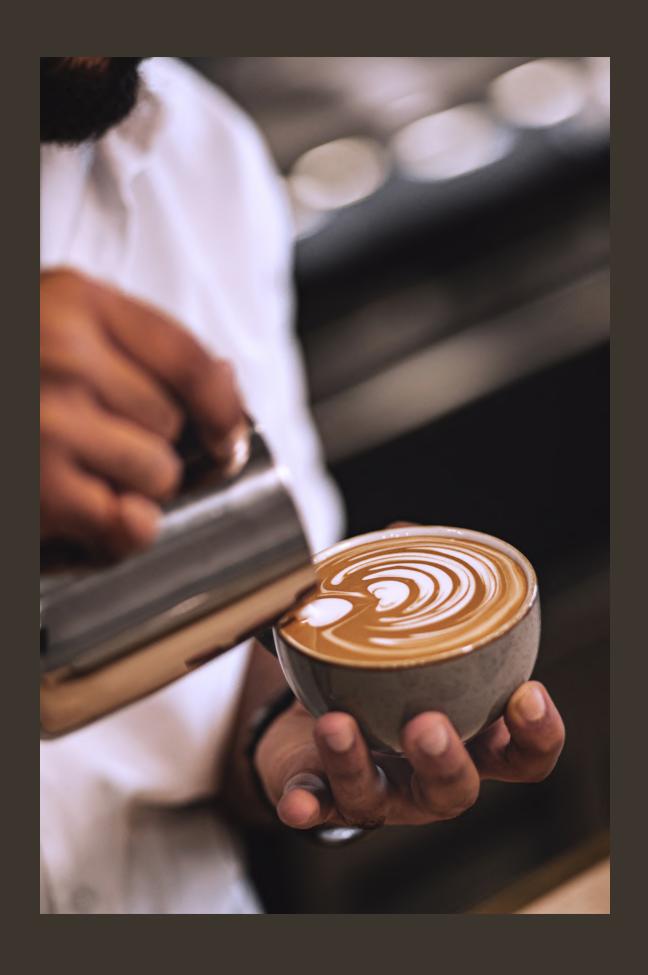
In Vietnam, coffee drinking is considered a social activity. Coffee drinks used to be sold by street vendors or in plain, homespun small coffee shops that could be quickly set up. People often sat in open-air spaces to enjoy a coffee and observe the surrounding environment, while chatting with fellow coffee drinkers. Nowadays, that culture has not died out, only evolved. People still highly value the social value of coffee drinking, while paying more attention to other aspects of the experience, such as venues and facilities, especially the quality of the drinks.

Novelty is an important factor in Vietnamese people's consumption. Every 2 out of 3 Vietnamese



people are influenced by F&B trends when considering their options for consumption. Social media further enhances the virality of the items and encourages consumers to try new experiences.

Source: iPOS Vietnam



05 Growing interest in specialty coffee

Despite the persisting dominance of commercial coffee in the wider market, the interest in specialty coffee is on an upward trend. Along with the rise in the number of restaurants and cafes nationwide, artisanal coffee shops and roasteries pop up more and more, especially in big cities such as Hanoi and Ho Chi Minh City. Consumers often choose specialty coffee a special treat for a moment of relaxation and indulgence after a working week.

Gen Z and late Millenials are early adopters of the specialty coffee movement in Vietnam.

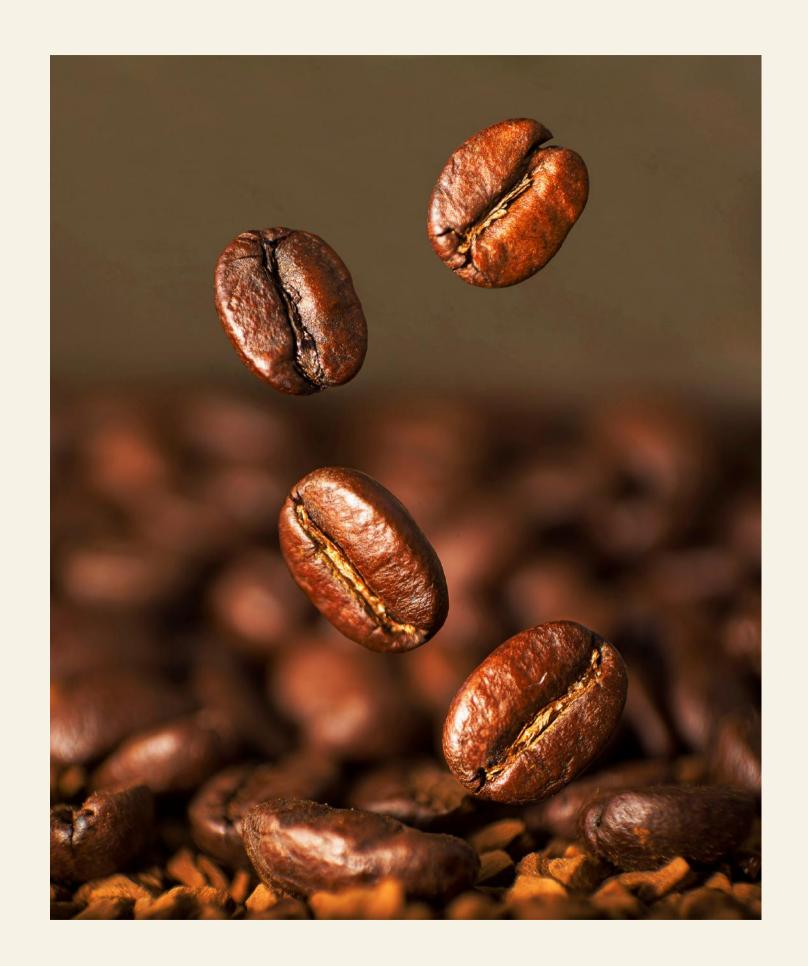
It should be noted that in the current Vietnamese specialty coffee scene, there is not yet an emphasis on the SCA score of the coffee, which differs from the international view. Although many roasteries still source officially specialty-grade coffee, some implement the display of origin and flavor profile (originally seen in the specialty scene) as a marketing ploy.

Pricing

Vietnamese coffee price reached a new record of 70,000 VND (almost 3 USD) per kilogram of green beans in 2023 and continued to climb upward in 2024. From January to June 2024, Vietnamese coffee price mostly stayed within the 90,000 - 120,000 VND (3.5 - 4.7 USD) range.

In 2023, global coffee price as per the ICO Composite Indicator Price I-CIP recorded by the International Coffee Organization (ICO) was 165.1 cents/lb, or 3.64 USD/kg. The average I-CIP for the first 5 months of 2024 was 194.02 cents/lb, or 4.27 USD/kg.

Low global supply pushes coffee price to surge drastically and continually. For Vietnam, VICOFA estimates a drop of 10% in national coffee yield for coffee year 2023/2024.



Price range and average price of imported green beans by origin from 2020 to 2023 (USD per kg)

Country of Origin	Price range	Average price
Peru	3.8 - 45	10.65
Ethiopia	1.2 - 14	5.27
Kenya	2.3 - 16.33	7.11
Brazil	1.3 - 18	3.76
Colombia	2.5 - 12.5	5.32
Costa Rica	2.9 - 12.9	6.35
Guatemala	3.0 - 7.6	5.19
Panama	5 - 150	86

Calculations based on customs & other trade data

Price comparison

To examine the price competitiveness Vietnam's coffee suppliers, the price of coffee from Peru and that of a few Latin American and African countries are compared, including import price, distribution price and retail price.

Import price

Brazilian coffee price is the most affordable, while Panamanian coffee is the most expensive overall, due to the high price of famous Panamanian coffee varieties such as Geisha.

Some shipments of small quantity yet premium coffee from a Vietnamese artisan coffee roastery lead to a relatively high average price for Peruvian coffee.

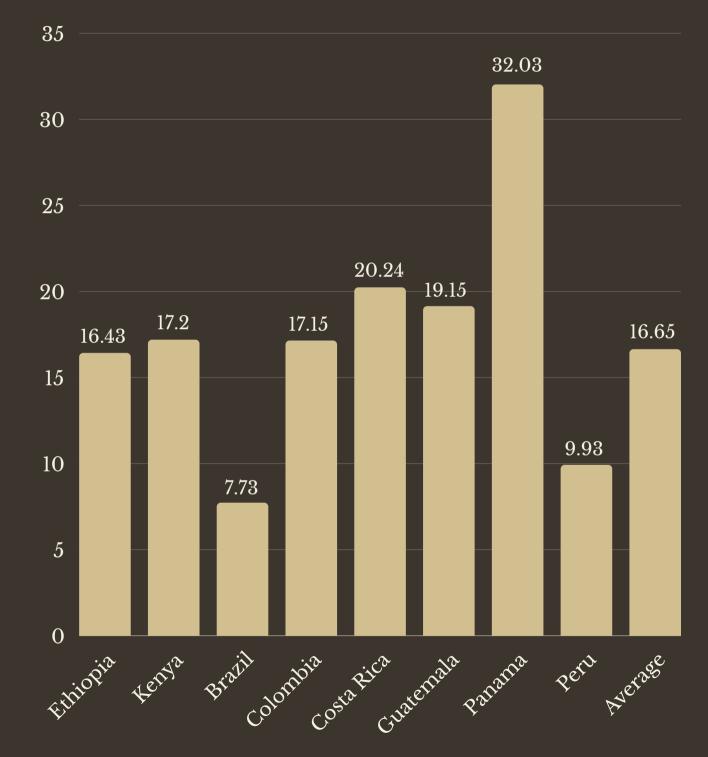
Wholesale distribution price

The average wholesale price of coffee in Vietnam is 16.65 USD per kg for a bag of 30 kg.

Average wholesale price for imported Peruvian coffee is 9.93 USD, higher only to Brazilian coffee.

Coffee from Ethiopia, Kenya, Colombia, Costa Rica, Guatemala are around the average mark. Panamanian coffee remains the most expensive.

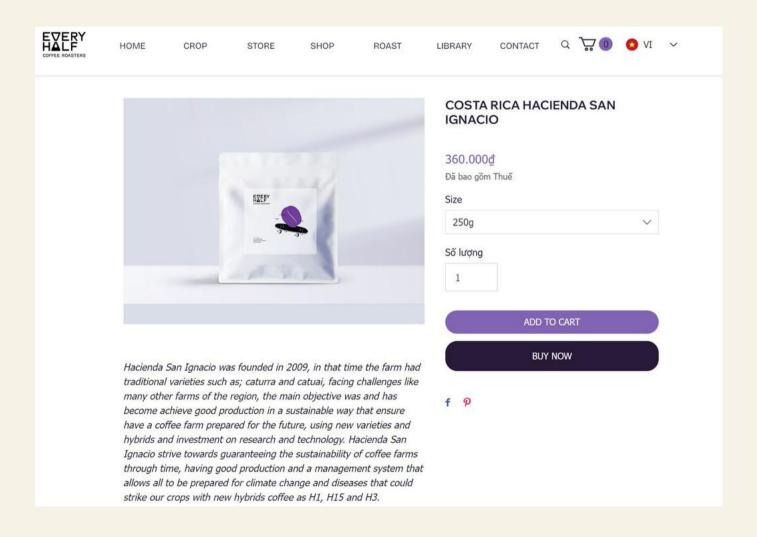
Wholesale price of green beans by origin in Vietnam in 2023-2024 (USD per kg for bag of 30kgs)



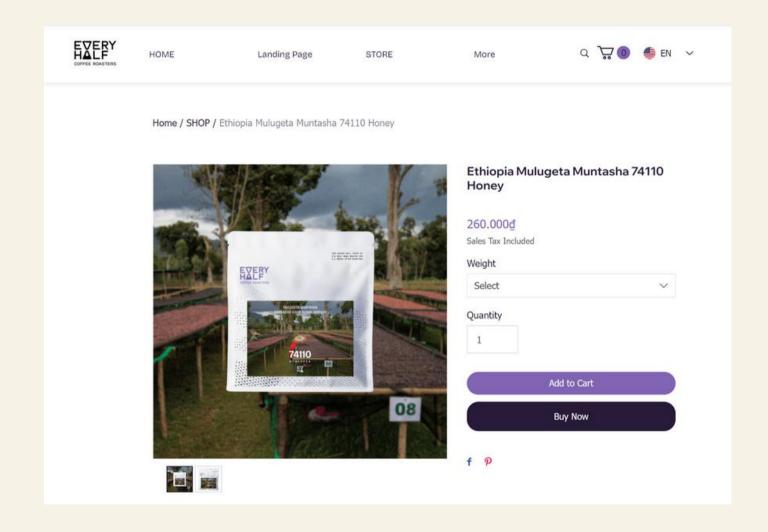
Data calculated based on Vietnamese coffee distributors' price quotes

Retail price

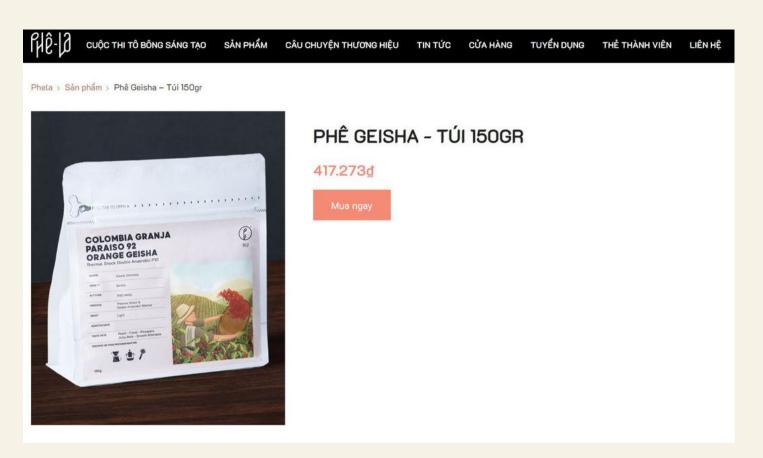
Unlike commercial coffee whose prices are determined mostly by supply & demand dynamics, specialty coffee price in the Vietnamese market doesn't follow any pattern. The price varies depending on the quality of the coffee and on the decision making of the roastery. Premium quality also leads to a less significant presence among major retailers such as supermarkets and convenience stores, instead primarily remaining in the F&B service sector (cafes & restaurants).



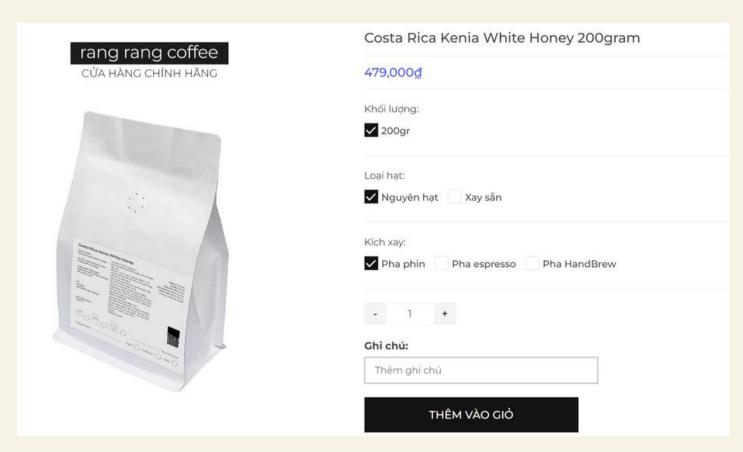
Costa Rican coffee sold at Every Half Coffee Roasters



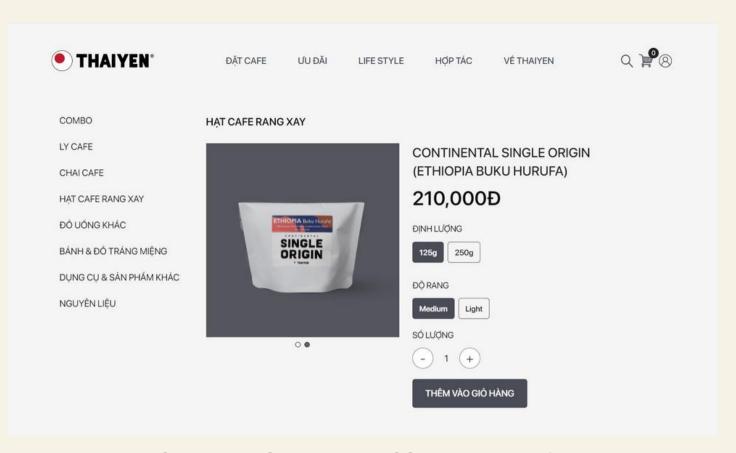
Ethiopian coffee sold at Every Half Coffee Roasters



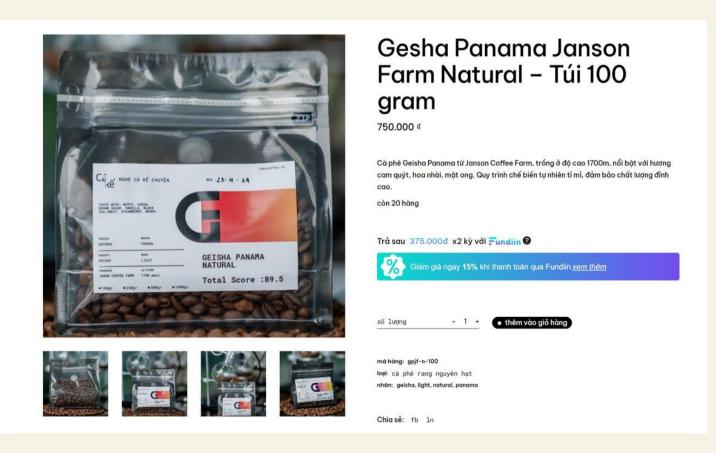
Colombian Geisha sold at Phê La



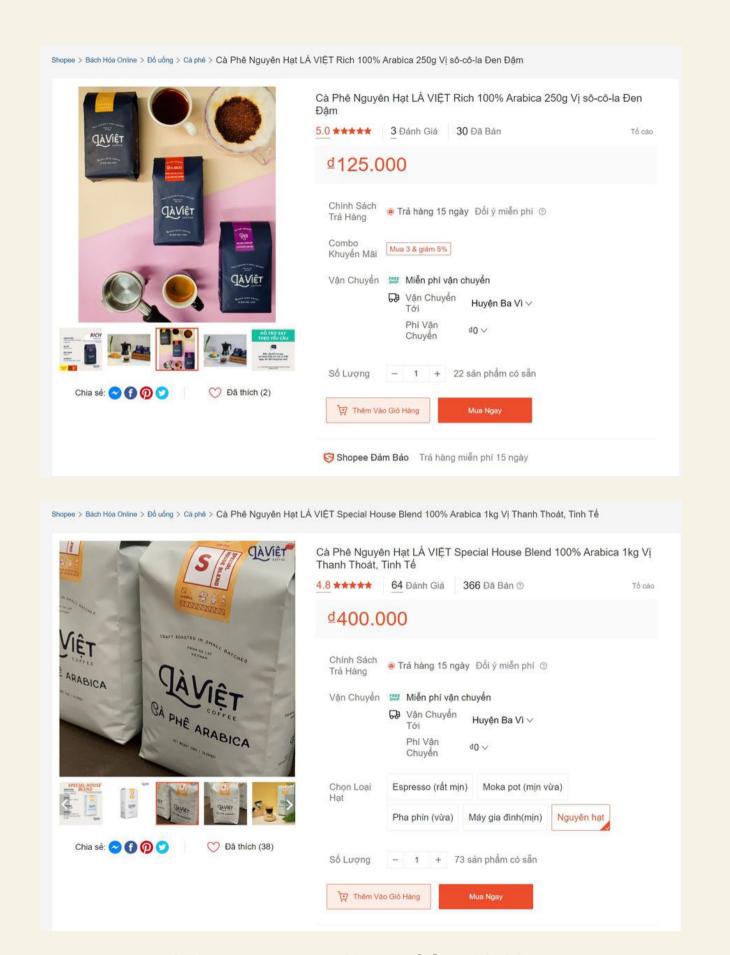
Costa Rican Kenia White sold at Rang Rang Coffee



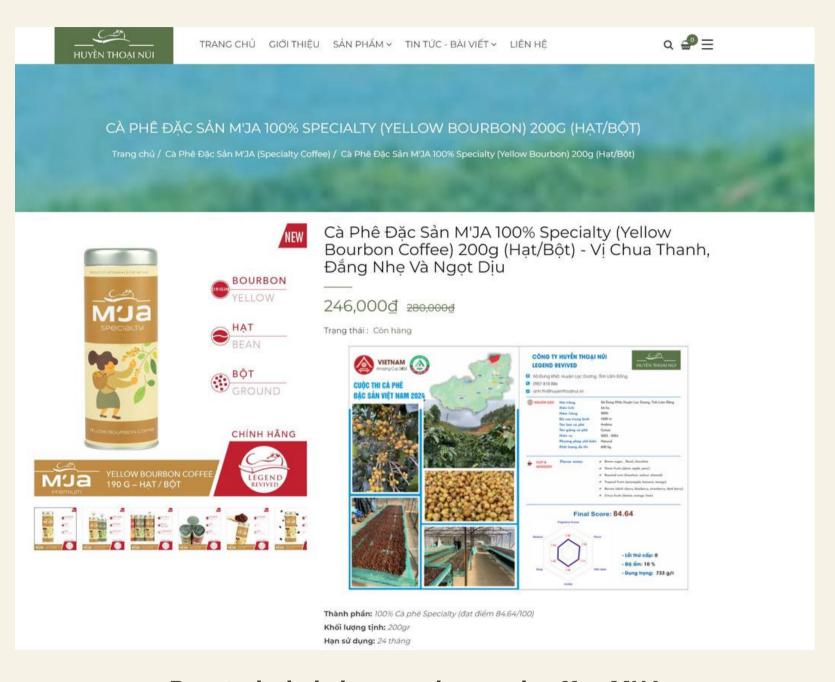
Ethiopian Buku Hurufa sold at THAIYEN Cafe



Panamanian Geisha sold at Cakecoffee



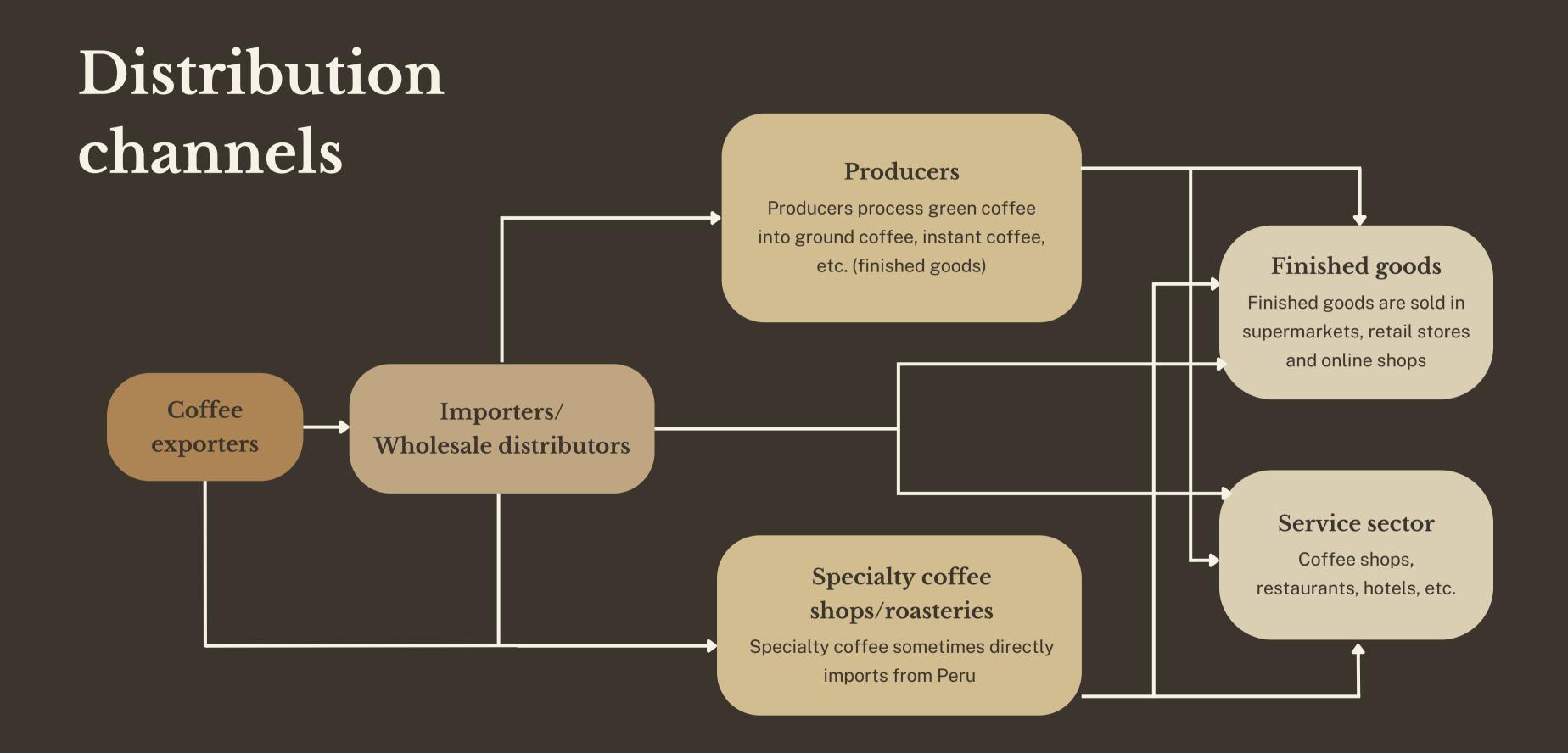
Vietnamese coffee sold at Là Việt



Roasted whole bean and ground coffee M'JA



Coffee section at Annam Gourmet (a high-end chain store in Vietnam)



Prominent brands

Established juggernauts

Trung Nguyen, Highlands Coffee and Phuc Long are the three highest-earning cafe chains in Vietnam.

Nestlé and Vinacafé specialize in producing processed coffee for sale in retail stores, while Highlands Coffee, Starbucks and Phúc Long focus on providing F&B services at their chain.

Trung Nguyen is the only brand which balances both processed coffee production and coffee shop operation.



Trung Nguyên Coffee



Highlands Coffee



Nestlé



Starbucks



Vinacafé



Phúc Long

Rising stars







The Coffee House

Cộng Cà Phê

Phê La

- The Coffee House is the fourth biggest coffee shop chain in Vietnam. They are a leader in the new-wave coffee scene.
- Cộng Cà Phê became famous for their distinct retro Vietnamese branding and aesthetic. Cong Ca Phe targets not only the Vietnamese market but also international coffee drinkers, with shops in Canada, Korea and Malaysia.
- Debuted in 2021, Phê La is very young but incredibly well-loved by the Vietnamese for the quality of their products. Despite being better known for their bubble tea, Phê La also ventures into imported specialty coffee.

Specialty coffee shops and roasteries



Là Việt Coffee



Lacaph



Oriberry Coffee



Rang Rang Coffee



Soul Specialty Coffee Roastery



43 Factory Coffee Roaster



Every Half Coffee Roasters



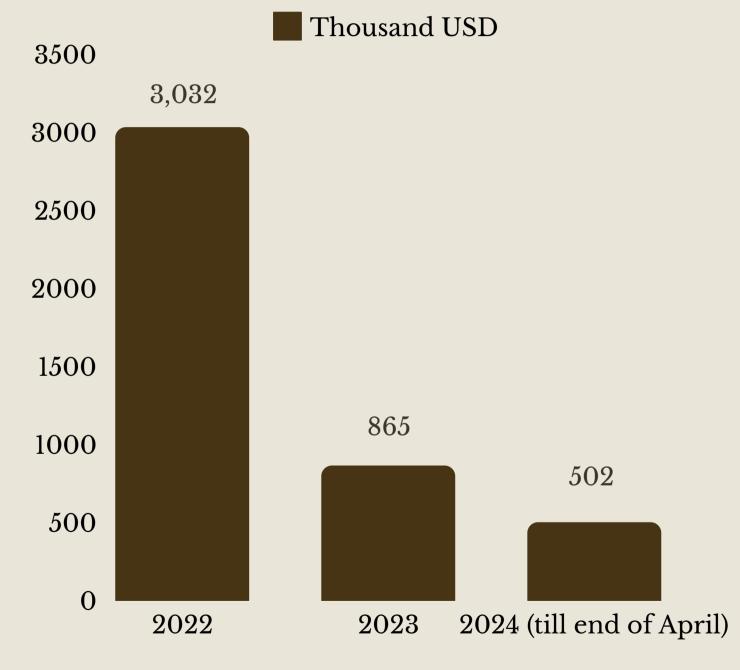
Okkio Caffe



THAIYEN Cafe



Peruvian coffee export to Vietnam from 2022 to 2024



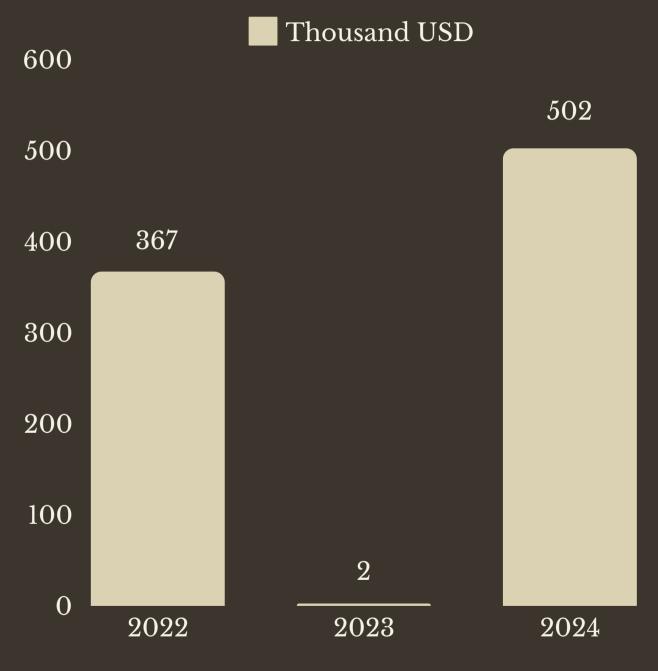
Source: ADEX Peru

Export potential

Peru has been exporting coffee directly to Vietnam only since 2022. Despite being the first year in the market, in 2022, Vietnam imported 3,032,000 USD worth of coffee from Peru, making Peru its 7th biggest supplier that year.

In 2023, due to the global economic slowdown, Peruvian coffee export to Vietnam plummeted to 865,000 USD.

Peruvian coffee export to Vietnam in January to April from 2022 to 2024



Source: ADEX Peru

Export potential

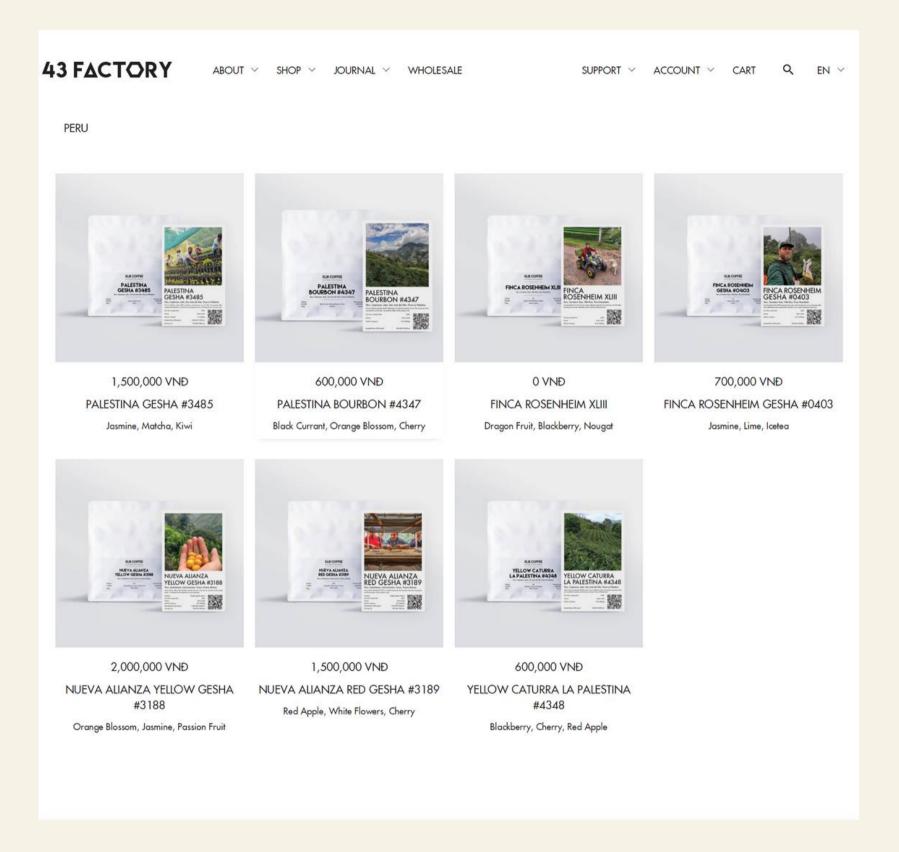
However, 2024 is seeing an impressive recovery of this indicator. Comparing the beginning four months from 2022 to 2024, Vietnam's import of Peruvian coffee in 2024 has reached 502,000 USD, exceeding the original rate of 2022 by 37%.

It is expected that this rate will grow even more strongly at the end of the year after harvest season (May - September).

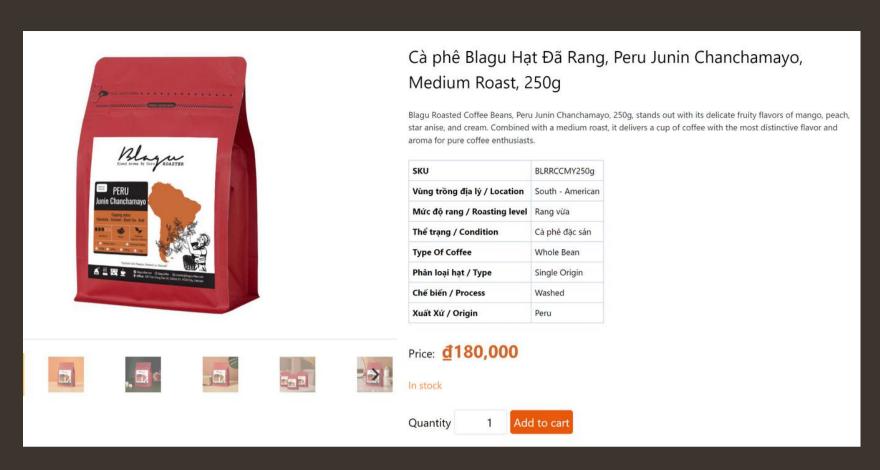
Consumer perception

As a "newbie" in the Vietnamese market, Peruvian coffee is still a relatively obscure name for the masses. It is difficult to find Peruvian coffee in accessible, widespread channels such as supermarkets or big coffeehouse chains. However, Peruvian coffee has been highly regarded in the Vietnamese specialty coffee community and can be founded at artisanal coffee retailers.

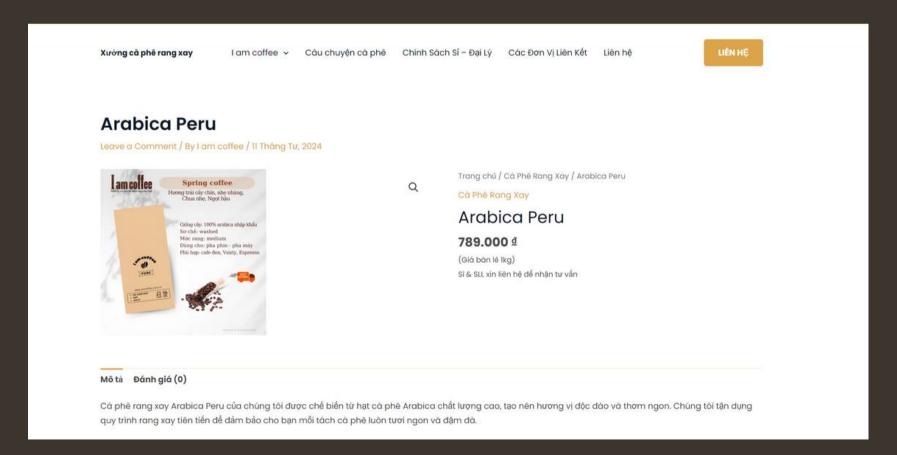
The showcasing of Peruvian coffee in coffee expositions and cupping/sampling events has boosted recognition among the wider public.



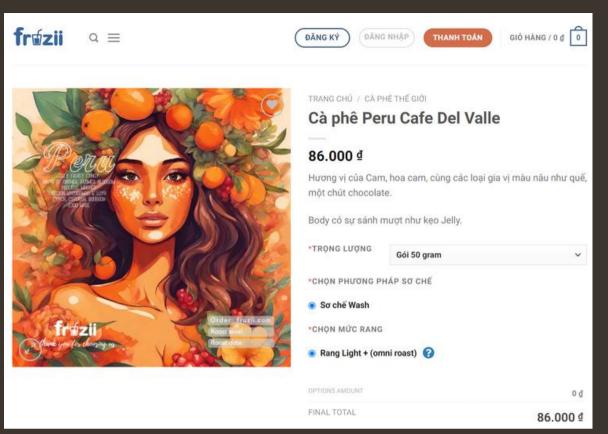
Peruvian coffee sold at 43 Factory Coffee Roaster



Coffee from Junin, Chanchamayo sold at Sieuthicaphe.vn



Peruvian Arabica sold at lamcoffee



Cafe del Valle sold at Fruzii Coffee Roaster



Flor del Norte coffee sold at 1864 Cafe

Market Access

Coffee import procedure

The documentation required for **green bean import** includes:

- Import license
- Plant quarantine
- Customs clearance

01 Import license

- Import license request form
- Certificate of Free Sale
- Product declaration
- Product label, if any
- Plant quarantine declaration
- Business license with sector of operations including coffee import and trading

02 Plant quarantine

- Plant quarantine registration
- Phytosanitary certificate issued by the competent governmental agency of the exporting country

03 Customs clearance

- Customs declaration
- Phytosanitary certificate
- Food safety certificate
- Certificate of origin
- Sales contract
- Commercial invoice
- Packing slips
- Bill of lading



For **roasted coffee or other ready-to-consume coffee products**, the importer shall complete a **product declaration process** and follow the **packaging and labelling requirements**, outlined in Decree 43/2017/ND-CP with amendments made in Decree 111/2021/ND-CP.

Tax policies

Import tax and VAT are required for coffee imports to Vietnam. Under The Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), Peruvian green bean coffees are not subjected to import tax, giving Peru a great competitive pricing advantage. Unroasted coffee is not subjected to VAT, while roasted coffee or other ready-to-consume coffee products must bear VAT. The standard rate of VAT is 10%, but the Vietnamese government has decided to set a new rate of 8%, which is valid until June 30, 2024.

Opportunities



Large potential consumer base

Being a highly populated country with a growing middle class, Vietnam is a great prospective market. The increasing demand for consumption and experience can be met with the supply of quality Peruvian coffee.



Competitive pricing

Thanks to the CPTPP agreement, Peruvian coffee is exempt from import tax, keeping the price appealing to consumers. The new megaport of Chancay, expected to be completed at the end of 2024, will also help reduce costs.



Fewer regulatory barriers

Peru is one of the only two South American countries permitted to export plant products into Vietnam.



Growing interest

Consumption trends appear to be gravitating towards the unique, well-balanced flavors of Peruvian coffee.

The current lack of knowledge about Peruvian coffee may actually be a relative advantage. The experimental Vietnamese consumers are attracted by novelty and can potentially create "virality" around specialty coffee, especially that of Peruvian origin.

▶ Price competition with Vietnamese specialty coffee

Peruvian coffee has the price advantage against other Latin American and African coffee, however, Vietnam is still a coffee producing country. Consumers who want artisanal coffee at an affordable price might opt for Vietnamese coffee over Peruvian varieties.

▶ Little interest in sustainability

Although Peru is the biggest organic Arabica producer in the world and well-known for the transparency and sustainability in their production practices, the Vietnamese market at large doesn't pay much attention to this aspect. Thus, it might be difficult to market this as a selling point.

Quality control issues

In talk with professionals in the industry, there is some concern about the consistency in the quality due to small scale/independent production, lack of internal systematic quality control.

Challenges

Recommended Market Positioning for Peruvian Coffee

Define target market

The target end-users are Gen Z and Millenial individuals of middle class, with interest in specialty coffee, or demand for quality F&B service experience.



Establish strong partnerships with coffee distributors

Despite the fact that roasters of a certain size are the main touchpoint for end-users, commercial and promotional efforts should be focused primarily on importers and distributors at the front of the introduction of Peruvian coffee.

With the leverage of the CPTPP agreement, our products can be positioned as premium

quality at a great price point. Coffee exporters should promote the benefits of CPTPP to Vietnamese distributors, in addition to preferential sales policies.

Organize and participate in promotional events

With the help of various collaborators, The Embassy of Peru in Vietnam has hosted a specialty coffee cupping, as well as a trade mission with great success.

Coffee importers, specialty roasteries and other coffee experts can partner up to distribute and promote Peruvian coffee to the wider public.

Furthermore, the presence of Peruvian coffee in industry fairs and expositions both in Vietnam and Asia bring great exposure and partnership opportunities.





Peruvian coffee cupping hosted by The Embassy of Peru in Vietnam



CafeShow 2024



Peru - Vietnam
Trade Mission
2024



CafeShow 2022





Major coffee importers in Vietnam

- ♦ OLAM Vietnam
- **♦** SUFICANA Vietnam
- **♦ TATA Coffee Vietnam**
- ♦ Nestlé Vietnam
- **♦** Cà Phê OUTSPAN Vietnam
- **→** AMBER HSU
- ♦ Neumann Gruppe Vietnam
- ♦ Cà Phê Ngon
- Com Co Trading
- **♦** An Lam Holdings
- **♦ COFFEIN Compagnie Vietnam**





National coffee events

CafeShow Vietnam

Coffee Expo Vietnam

Food and Hotel Vietnam

Vietnam Foodexpo

National and regional coffee associations

Vietnam Coffee and Cocoa Association

Buon Ma Thuot Coffee Association

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