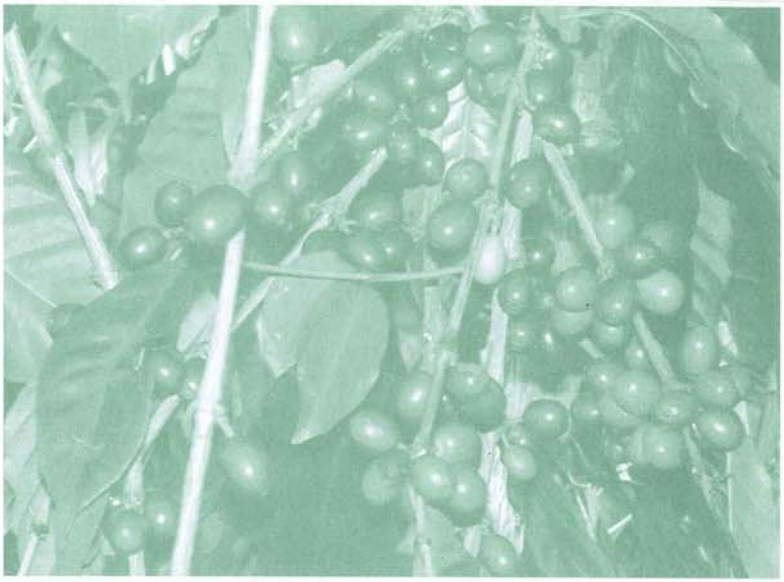
Measures to Enhance Processing Capacity of Coffee Business

by LỮ BÁ VĂN



In Vietnam, coffee is a farm product that is second only to rice in earning foreign exchange and contributes a lot to the agricultural development.

Coffee is grown in many provinces in the North, Eastern South and Western Highlands, and the last is the biggest supplier of high-quality coffee appreciated by both local and foreign consumers because natural conditions of this zone are suitable for coffee planting.

1. Coffee processing and preservation

At present, the first stage of coffee bean processing is usually carried out at home by small planters with small drying yards and simple tools with the result that the quality is poor, the humidity and the proportion of black and broken bean is high. The industrial processing produces no better result because of poor facilities, therefore the price of coffee for export is not high although the coffee is of good strains.

The wet processing method is applied only by some state coffee plantations where necessary facilities are available. It is usually used for arabica coffee because this kind of bean has thick skin and good flavor that could be damaged when being dried too long in the sun.

The dry processing method is more common. Small planters use simple machine to remove the skin. Capacity of such a machine varies from 100 to 120 tonnes a year; and they process the best part of privately-grown coffee.

At the medium scale, a threshing machine can process from 300 to 1,000 tonnes a year (15% of finished coffee bean is processed without drying). The total capacity of this kind of machines in Vietnam is about 22,000 tonnes per year.

At the large scale, a threshing machine can process over 3,000 tonnes per year. However, they aren't fully used. For example, the capacity factor of the plant sold by Factory 331 to Vinacafe Nha Trang Company is 70%, and processing factory of Việt Đức Company only 20%. The latter is a very good factory imported from Germany intended to serve coffee output from all plantations around the Việt Đức Central Plantation. When they are divided into six independent plantations, this plant is only used for processing coffee from the Việt Đức Plantation with the result that its capacity factor is low.

The Coffee Processing Factory in Thuận An, Bình Dương Province, has an installed capacity of 5,000 tonnes per year. After coming into operation in 1999, it has usually operated at full capacity and exported the best part of its output. Sometimes, however, it suffers shortage of raw materials. Another factory of the same capacity in Dak Lak is obsolete, its capacity factor is very low, around 19.5%.

There are some other coffee processing plants with capacity of some 1,000 tonnes a year in Eapok State Plantation (Dak Lak) and Eatul (run by Vinacafe) built by French companies but they are so old that they couldn't produce goods of export standards.

At present, the coffee processing business, especially in two coffee-intensive growing zones, Western Highlands and Eastern South, has experienced good progress but they still fall short of expectations. Some international giants in coffee trading, such as Neumann and Ecom, have imported processing and classifying machines into Vietnam with a view to processing and exporting coffee from Vietnam.

Dried coffee bean processing business in Vietnam is very small. The most remarkable concern is the Biên

Hòa Instant Coffee Plant with a capacity of 1,600 tonnes a year. Its products include instant black coffee, instant milk coffee and roasted bean. In addition, there are numerous coffee roasting concerns run by private persons that produce various kinds of coffee, with or without brand names, and they supply some 10,000 tonnes of roasted coffee to the market. Some famous brand names from these private concerns are Trung Nguyên, Phúc Ban Mê and Da Vàng.

At present when the processing stage is carried out mainly at home by small planters by drying it in the sun, the facilities are of great importance. In many districts, planters have only small yards around their houses while their warehouses are usually part of their rooms. And as a result, bags of dried coffee bean are not stored in well-ventilated places. The quality of coffee will certainly be reduced if it is stored from a rather long time in such places.

According to approved standards, 100 hectares of coffee require one hectare of drying yard while statistics show that in Vietnam there is only 0.8 hectare of yard for 100 hectares of coffee. Moreover, the better yield of coffee per hectare demands a bigger area of drying yard. The shortage of drying yard leads to a higher humidity in coffee after harvest. Preservation and storage of coffee involve higher loss of quality when the harvest takes place in rainy days.

In such a situation, the coffee planters have tries their best to improve their product quality in recent years although it can't stand comparison with its counterparts from other countries. Vietnamese standard called TCVN 4193:1993, although not appropriate to methods of classifying employed by foreign buyers, has not been adjusted for a long time with the result that it failed to encourage improvements in the product quality. It also leads to a situation in which coffee companies sell their products according to agreement with buyers instead of the official standards of quality.

The standard TCVN4193:2001 about classification of coffee based on methods of finding fault applied since 2001 has improved the situation to a certain extent but the practice of trading the coffee based on agreement is still common because lack of compulsory regulations.

2. Measures to improve the coffee preservation and processing

Processing and preservation constitute the last stage of the coffee production so it plays a decisive role in determining the product quality. After this stage, basic elements of the coffee quality, flavor and fragrance, are fixed. This stage can repair damage caused by previous stages to a certain extent, and of course, a poor processing stage will destroy all quality preserved by the previous ones.

Network of warehouses and preserving methods among individual planters are also a worrying matter because they may cause damage to the product quality when the storing area increases much slower than the coffee output; and warehouses and preserving methods are not up to standards. Some planters even store coffee along with chemicals or water, which makes the humidity go high or coffee affected by chemicals.

Local agricultural authorities should carry out regular programs to disseminate knowledge of seed selection, farming techniques, and preservation and processing methods among small planters in order to help them improve the product quality thereby enhancing their income.

It's inevitable to increase the area of drying yard when the coffee output rises. Small planters find it difficult for them to enlarge their drying yard because the shortage of fund and land stock. Instead of building new cement drying yard, planters can dry coffee on nets being spread on the ground. This solution is feasible because nets are cheap and usable for many years, and they could prevent coffee from being mixed with dirt.

Robusta coffee from Vietnam is appreciated by many foreign traders. After importing coffee bean from Vietnam, however, they have to make it cleaner and separate bad beans from good ones. This means that many

planters or exporters have added old or bad beans to the output before selling; or they have done nothing to remove bad beans.

The coffee output has increased in recent years and export of coffee in large quantities becomes possible. The question is how to export finished, or well-processed, coffee instead of raw coffee bean. Robusta whose quality is second to Arabica coffee bean is usually used as raw materials for making instant coffee. Vietnam is the world second largest coffee exporter but it couldn't turn all of the output into instant coffee. The solution is to export the coffee bean.

Most of the coffee output is processed after drying. This means that all small planters could process their produce to a certain extent employing labor from their own families or neighborhoods. Most coffee processing machines are cheap because they are made in Vietnam. Low initial investment and cheap labor ensure a low production cost. Until recently, the more demanding foreign markets have forced local producers to replace their old machines and adopt technical innovations. The replacement rate, however, is still slow in comparison with increases in the coffee output. In addition, small planters couldn't afford a processing line that is worth hundreds of thousand dollars. The agricultural authorities had better take measures to deal with this difficulty.

Knowledge of technical matters and crop protection should be disseminated among planters and applied properly in order to protect the environment and product quality.

An army of technicians who have enough expertise and experience to transfer them to planters is very necessary. The authorities had better educate planters in methods of harvesting needed for ensuring the coffee quality and build modern warehouses to store the dried coffee after harvests.

If all stages of the coffee production, from selecting strains, farming, harvesting and processing, are carried out properly and scientifically, the average yield will be higher and competitiveness of Vietnam's coffee will be improved. However, many shortcomings still exist and make the product quality less stable. To improve the situation, full attention must be paid to the task of supplying technical assistance and new knowledge with a view to helping planters change their farming practices and adopt technical advances.

At present, this task receives considerable attention from local authorities. A network of agricultural expansion agencies have reached all communes and received great support from foreign agencies but it hasn't produced intended results. Most planters tend to exchange experience among themselves instead of engaging in new experiments suggested by technicians because of their shortage of fund and lack of trust in officials from local authorities. This means that the most important factor in the success of this task is the army of technicians. They should be equipped with expertise in coffee farming and processing; and know how to persuade small planters to adopt new techniques, and help them become good producers and managers.

Without technical assistance and knowledge, planters tend to abuse fertilizer and chemicals with the result that the production cost is higher and the soil is damaged. Providing them with messages or information through mass media seems less effective and unable to change their awareness and habits. Technicians had better gather feedback and opinions from planters before working out programs to change planters' habits and help them improve their productivity.

In my opinion, the agricultural expansion activities should aim at supplying information directly to individual planters instead of doing it through the mass media. Regular talks at villages and communes could be held in order to provide planters with necessary documents and information about new results from their counterparts in other provinces. The more exact and specific the information is, the better the results will be.

As for processing plants and exporters, they need information about potential buyers, rivals from other coffee exporting countries, political and social life in these countries, rules and regulations affecting the import of coffee of different countries, changes in climatic conditions of coffee exporting countries. Most of this information could be gathered from foreign press agencies, related websites and other sources. The market and business information, however, should be selected with a view to concentrating on target markets for Vietnam's coffee: the U.S., the EU and Japan. They are demanding markets and could buy coffee in large quantities. Trade authorities should make plans to enter into other markets and save exporters from selling their products to middlepersons because they have no ability to make direct contact with potential buyers.

In short, the coffee production and export in Vietnam is still facing many shortcomings: the capacity of the coffee processing business is still lower than the output; high-quality product accounts for only a small share in the volume of exported coffee; processing plants are not well located in regions specializing in coffee production. To deal with them, a series of measures should be worked out with a view reducing exporters' dependence on requirements posed by foreign importers while promoting the export business ■