

By Vu Trong Khanh

HANOI--Vietnam's robusta coffee output is forecast to fall 10% in the 2015-16 crop year beginning October 1, as low prices have forced farmers to cut fertilizer use, an official with the Vietnam Coffee and Cocoa Association said Wednesday.

Vietnam is the world's largest grower of robusta coffee, a variety used mainly in instant-coffee blends because of its more bitter taste. The harvest season of the 2015-16 crop year begins this month and is expected to peak from the end of November.

"Domestic coffee prices are now below production cost and if prices don't recover, it's likely that farmers will abandon their farms, or even cut down the trees to grow other crops, such as pepper or macadamia," Luong Van Tu, chairman of the association, told The Wall Street Journal.

He said an increase in the land area taken up by aging coffee trees which are more than 20 years old and which have low productivity has also had an adverse impact on the country's coffee output. The El Nino weather phenomenon currently sweeping across south east Asia is also harming crops due to the dry weather it has brought.

Domestic coffee prices currently average VND35,500 (\$1.57) per kilogram, down from VND40,000 at the beginning of this year.

Low prices have prompted local coffee growers and traders, mostly in the Central Highlands provinces, to hold their beans from the previous crop year to wait for better prices. Traders estimate that the stockpiles left over from the previous crop year total 400,000-500,000 tons.

Mr. Tu said the association has asked the government to provide financial support, including low-interest loans, to coffee growers so that they can decide the best timing for their sales.

Vietnam exported 1.25 million tons of coffee in the 2014-15 crop year, down 21.9% from the previous crop year, Mr. Tu said. Export revenue fell 22% in the period, he added.

Write to Vu Trong Khanh at trong-khanh.vu@wsj.com

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By Kira Brecht

ICE December coffee futures climbed modestly higher in early trading Wednesday. The market has stabilized in the wake of a recent selloff phase and is consolidating above contract low support. The longer-term, multimonth trend is bearish, but in the short-term coffee has found a minor floor just above the contract low from Sept. 24 at \$1.1455 a pound.

ICE December coffee recently traded up 95 points at \$1.1825 a pound.

The bears controlled short-term trading action over the last two weeks as December coffee tumbled from its Oct 12 peak at \$1.3760 into the Oct. 26 low at \$1.1630. The coffee market stabilized just above the contract low at \$1.1455. Daily momentum is showing a minor bullish turn, with the 14-day relative strength index pointing higher at 39% on Wednesday, from 37% on Tuesday.

Since mid-October, coffee prices tumbled quickly without a pause for consolidation or counter-trend correction. The \$1.1630 zone now stands as short-term support and as long as that holds firm, December coffee is vulnerable to sideways consolidation or modest upside probing following the recent selling phase.

Bigger picture, the long-term downtrend for coffee remains intact. In the short-term, December coffee is attempting to stake out a "higher" daily low at \$1.1630, versus the contract low at \$1.1455.

Hourly momentum indicators have turned higher from oversold levels and support short-term bullish probing. Minor hourly resistance lies at \$1.1895, \$1.1945 and then \$1.2080. On the upside on the daily chart, the 20-day moving average line stands as stronger resistance at \$1.2553.

On the downside, if the \$1.1630 zone cracks it would open the door to a quick test of the contract low at \$1.1455.

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