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## **XUẤT KHẨU CÀ PHÊ VIỆT NAM SANG EU DƯỚI HIỆP ĐỊNH EVFTA: CƠ HỘI VÀ THÁCH THỨC**

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### **Tóm tắt**

Liên minh châu Âu (EU) là thị trường quan trọng đối với xuất khẩu cà phê Việt Nam, đặc biệt là Đức. Hiệp định Thương mại Tự do EU – Việt Nam (EVFTA) đã mang lại nhiều cơ hội, bao gồm miễn giảm thuế quan, tăng tính cạnh tranh và tạo điều kiện cho việc thâm nhập vào thị trường Đức. Tuy nhiên, doanh nghiệp xuất khẩu cà phê Việt Nam vẫn gặp phải các thách thức lớn như tuân thủ các quy định nghiêm ngặt về chất lượng, an toàn thực phẩm, và phát triển bền vững của EU. Ngoài ra, sự cạnh tranh từ các quốc gia sản xuất cà phê lớn như Brazil, Ethiopia và yêu cầu về thương hiệu và marketing cũng tạo ra rào cản. Biến động giá cả, gián đoạn chuỗi cung ứng và các tiêu chuẩn môi trường như yêu cầu chống phá rừng và dư lượng thuốc bảo vệ thực vật là các vấn đề cần giải quyết. Báo cáo này đưa ra các khuyến nghị giúp doanh nghiệp Việt Nam tận dụng tối đa lợi ích từ EVFTA, bao gồm nâng cao chất lượng sản phẩm, phát triển cà phê, tuân thủ các tiêu chuẩn bền vững và xây dựng thương hiệu mạnh tại Đức. Các giải pháp này sẽ giúp ngành cà phê Việt Nam phát triển bền vững trong dài hạn.

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**Từ khóa:** EVFTA, Việt Nam, xuất khẩu cà phê, Đức, thâm nhập thị trường

# **VIETNAM'S COFFEE EXPORTS TO GERMANY UNDER THE EUROPEAN UNION - VIETNAM FREE TRADE AGREEMENT (EVFTA): PROSPECTS AND DIFFICULTIES**

## **Abstract**

The European Union (EU) is an important market for Vietnam's coffee exports, with Germany being the leading destination. The EU-Vietnam Free Trade Agreement (EVFTA) offers many opportunities, including tariff reductions, enhanced competitiveness, and favorable conditions for market penetration in Germany. However, Vietnamese coffee exporters still face significant challenges such as complying with stringent EU regulations on quality, food safety, and sustainable development. In addition, competition from major coffee-producing countries like Brazil and Ethiopia, along with high demands for branding and marketing strategies, also creates barriers. Price fluctuations, supply chain disruptions, and environmental standards such as requirements to prevent deforestation and pesticide residue levels are issues that need to be addressed. This report provides recommendations to help Vietnamese businesses maximize the benefits of EVFTA, including improving product quality, developing processed coffee products, adhering to sustainable standards, and building strong brands in Germany. These solutions will support the sustainable development of Vietnam's coffee industry in the long term.

**Keywords:** EVFTA, Vietnam, coffee exports, Germany, market penetration

## **Introduction**

Germany is regarded as Europe's biggest market for coffee consumption. Germany consumed an average of 6.5 kilograms of coffee per person per year in 2019, which was higher than the European average of 5.2 kg per person annually, accounting for 26% of all coffee consumption in Europe, according to Eurostat. Furthermore, Germany is Europe's biggest importer of green coffee beans, commonly known as ungrounded coffee. Germany accounted for 34% of all European imports of green coffee beans in 2019, with 1.1 million tons, or 2.3 billion euros, coming from elsewhere. As of 2023, Germany remains Europe's largest coffee market, importing approximately 1.09 million tons of coffee, a slight decrease from previous

years. Vietnam continues to be a significant supplier, with Germany accounting for 12% of Vietnam's total coffee export volume in the 2022/23 marketing year (Statista, 2023).

According to the World Coffee Organization, Vietnam is the world's second-largest producer and grower of coffee, behind Brazil, with 29 million bags (60 kg/bag), or 17% of the world's total production in 2020. With an export revenue of USD 1.98 billion in 2020, Vietnam ranks fifth globally in terms of coffee exports (ITC Trademap, 2021). Vietnam's coffee exports reached a record high of \$4.24 billion in 2023, despite a 9.6% decrease in volume to 1.61 million tons (Statista, 2023). The EU-Vietnam Free Trade Agreement (EVFTA), effective since August 2020, has facilitated reduced tariffs and improved market access, benefiting Vietnamese coffee exporters.

Vietnam has long been one of Germany's largest coffee suppliers due to the benefits of its coffee production and Germany's high coffee consumption demand. The effect of the EU-Vietnam Free Trade Agreement (EVFTA) on Vietnamese coffee exports to Germany is examined in this essay. We'll look at the prospects made possible by the EVFTA, like lower tariffs and easier access to markets. We will also examine the difficulties Vietnamese coffee growers encounter, such as competition and the requirement to adhere to more stringent European standards. We can evaluate the EVFTA's actual potential for Vietnamese coffee's development in the German market by comprehending all sides of the issue.

## **1. EVFTA and its provisions**

### ***1.1. Overview of EVFTA***

Established between Vietnam and the 27 EU members, the EU-Vietnam Free Trade Agreement (EVFTA) is a new-generation free trade deal. The EVFTA is one of Vietnam's strongest commitments to trade and investment liberalization, along with the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). In addition to two protocols and seventeen chapters, the EVFTA also includes a number of understandings that outline different areas of commitment between the two parties (VCCI).

In order to get ready for the talks, both sides have started doing technical work since 2012. After over three and a half years, VN and the EU finally released the formal EVFTA agreement documents on February 1, 2016. The legal review procedure for the EVFTA was officially concluded on June 26, 2018, when the parties concerned decided to split the EVFTA into two independent agreements: the Free Trade Agreement (EVFTA) and the

Investment Protection Agreement (EVIPA). On June 30, 2019, the two parties formally decided to sign both EVIPA and EVFTA, marking a key step towards its implementation. Finally, the EVFTA Agreement came into effect on August 1, 2020, after being ratified by the two sides (VCCI). While for the EVIPA, it must still be reviewed by the parliaments of all 27 EU member states before coming into force. This paper focuses solely on the EVFTA Agreement, thereby narrowing down the analysis to this specific aspect.

Currently, Germany is one of Vietnam's leading trade partners. From an export perspective, Germany stands as Vietnam's second largest export market within the European Union and ranks seventh globally. In terms of imports, Germany is the second largest source of goods from the EU for Vietnam and the fourteenth worldwide. The trade relationship between Vietnam and Germany is characterized by a complementary product structure, minimizing direct competition between the two nations. Vietnam excels in producing consumer goods, food, and agricultural products, while Germany has a significant demand for these products. Additionally, Vietnam benefits from Germany's advanced machinery, chemicals, and high-tech products, which bolster its manufacturing and technological capabilities. This synergy not only enhances bilateral trade but also fosters economic growth and development in both countries.

In such a context, with commitments on tariff elimination, trade facilitation, and limiting non-tariff barriers, etc., the EVFTA is expected to be a highway to strongly promote trade activities between Vietnam and Germany in the near future.

#### *1.1.1. EVFTA Tariff Commitments*

Vietnam and the EU both impose mutual import tariffs on items from the other side when they cross each other's borders, which is a clear norm in international trade. The tariff reductions outlined in the EVFTA are essentially divided into four categories: items without explicit obligations, application of tariff rate quotas (TRQ), elimination of import levies immediately, and elimination according to a predetermined time frame.

#### **Tariff Commitments of the EU**

Upon the Agreement's implementation, the EU will immediately enforce preferential tariffs for imported products from Vietnam:

- The European Union will immediately eliminate import duties on 85.6% of tariff lines, covering 70.3% of Vietnam's exports turnover to the EU.
- Within seven years, by January 1, 2027, the EU will further remove import taxes on 99.2% of tariff lines, which equates to 99.7% of Vietnam's export turnover to the EU.
- For the remaining 0.3% of exports, the EU provides a TRQ with a 0% tariff rate within the quota. This represents the highest level of commitment given to Vietnam by any partner in a Free Trade Agreement (FTA). This agreement is particularly significant as the EU is one of Vietnam's top two export markets.

### **Tariff Commitments of Vietnam**

From Vietnam's side, the EVFTA preferential tariffs on imported products from the EU are as follows:

- The commitments include abolishing import duties on 48.5% of tariff lines, accounting for 64.5% of EU exports, as soon as the agreement comes into effect.
- After ten years, this will extend to 98.3% of tariff lines and 99.8% of EU exports.
- About 1.7% of remaining EU tariff lines will follow an extended tariff elimination schedule or be subject to TRQ, according to WTO commitments.

Both sides have agreed not to impose any export tariffs or fees, except in specific cases reserved by Vietnam. Under this commitment, aside from the reserved cases, neither Vietnam nor the EU will apply tariffs or fees exclusively on exports that are not applied to domestic goods, nor will they impose higher tariffs and fees on exports than on domestic goods.

#### *1.1.2. EVFTA Non-Tariff commitments*

The EVFTA includes various non-tariff commitments designed to facilitate trade and remove barriers between the EU and Vietnam.

**Technical barriers to trade in EVFTA** aim to facilitate and enhance bilateral trade in goods by preventing, identifying, and eliminating unnecessary barriers to trade within the scope of the TBT Agreement and to strengthen bilateral cooperation between the EU and Vietnam.

- **Technical regulations:** The EVFTA outlines specific requirements for the promulgation and implementation of these regulations, distinct from WTO requirements. During implementation, both parties must review technical regulations

to ensure alignment with international standards. The FTAs create a strict regulatory framework for TBT, helping to increase transparency, stability, and predictability, and to boost investment from both Vietnam and other partners.

- **Marking and labeling:** Only information that is pertinent to consumers or complies with technical standards may be required on product labels, according to the EVFTA Agreement. Furthermore, whereas Vietnamese law normally demands information regarding specific countries of origin for non-agricultural commodities (pharmacies excluded), the EVFTA permits product labeling as "Made in EU" for items originating from any EU member state. As a result, products imported from Germany, for instance, are permitted to display the "Made in EU" logo without breaking Vietnamese laws.

### **Sanitary and Phytosanitary Measures (SPS):**

Regarding SPS measures, Vietnam and the EU have agreed on several principles to facilitate trade in animal and plant products. However, the EU has a strong opinion on SPS issues and does not intend to lower these standards in FTAs, making exceptions for Vietnam unlikely.

- For plant-origin products, the exporting country must comply with the EU's SPS regulations during cultivation and production.
- Specifically, for goods imported and exported to Vietnam, the EU's management entity will be the competent authority of the respective EU member country, rather than a joint EU-level body.
- The European Commission will be responsible for general coordination, examination, and inspection of the control systems and related legal frameworks of the member countries to ensure uniform application of technical standards and regulations across the entire EU market.

### **Rule of Origin:**

Under the EVFTA, companies exporting goods from Vietnam to the EU have two compliance options. Based on their status with the Vietnamese government, exporters must either fill out a certificate of origin and origin declaration form or a specialized origin declaration form.

- **Certificate of Origin:** The Agreement indicates that Vietnam's goods exported to the EU market will be granted the certificate of origin (C/O) form EUR 1 to enjoy preferential tariffs under the EVFTA immediately after its implementation.
- **Origin Declaration:** This form was made out by any exporter or parties for consignments the total value of which is to be determined in the national legislation of Vietnam and will not exceed US\$6,600 (EUR 6000).

### **Other Non-Tariff Measures:**

The agreement includes commitments to reduce other trade barriers, such as those related to export/import licensing and customs procedures, to facilitate import and export activities between the two parties.

## **2. Vietnam's Coffee Export to Germany Assessment**

### **2.1. Prior to EVFTA Implementation**

Before the EU-Vietnam Free Trade Agreement (EVFTA) took effect in 2020, Vietnamese coffee exports to the EU were subject to different tariff rates. The Most Favored Nation (MFN) tariff, applied to imports from countries without preferential trade agreements, had an average rate of 4.15% for Vietnamese coffee beans. In contrast, under the Generalized Scheme of Preferences (GSP), which supports developing countries, Vietnamese coffee enjoyed a more favorable average tariff of 2.4%. The GSP rate helped make Vietnamese coffee more competitive in the European market compared to the higher MFN rate.

According to export value and volume from the ITC Trademap, we calculated the export price per ton as follows:

*Table I. Vietnam's Coffee export to Germany 2010-2019*

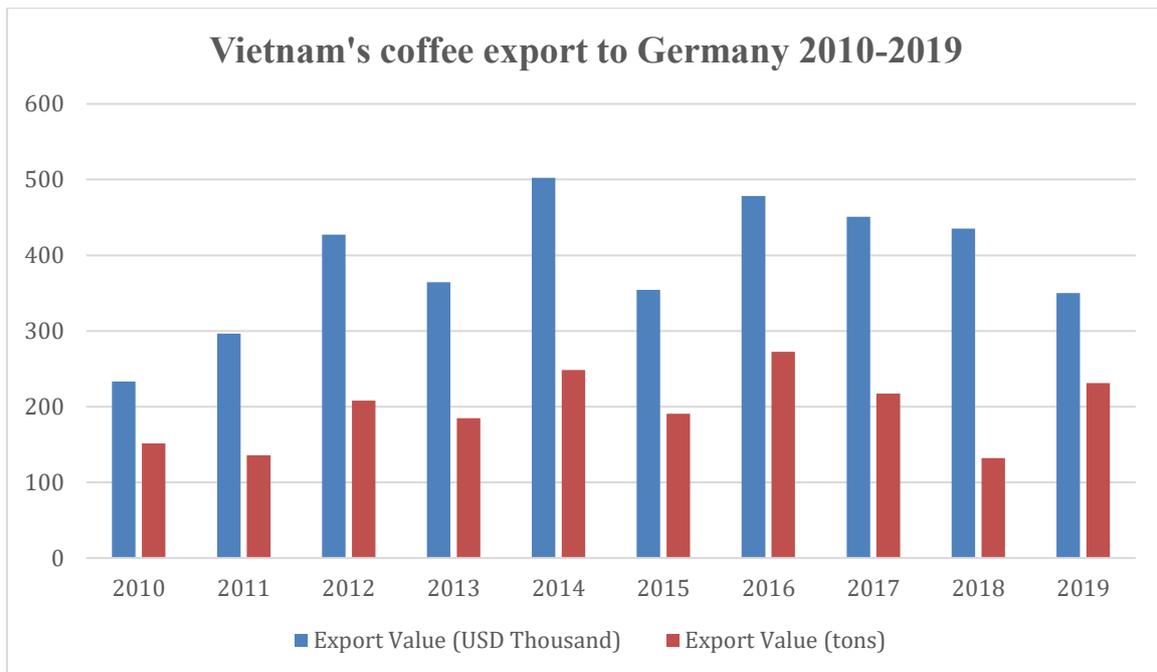
<b>Year</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
<b>Export Value (USD)</b>	232.9	296.5	427.1	364.2	502.3	354.1	478.2	450.6	435.0	350.0
	93	04	56	41	39	46	31	24	72	85

<b>Thousand)</b>										
<b>Export Volume (tons)</b>	151.368	135.910	207.966	184.832	248.531	190.698	272.330	217.256	132.168	231.080
<b>Export price per ton (USD Thousand)</b>	1.539	2.182	2.054	1.971	2.021	1.857	1.756	2.074	3.292	1.515

*Source: calculated from ITC*

Between 2010 and 2019, the export volume and value of Vietnamese coffee to Germany displayed significant fluctuations, with periods of steady growth interspersed by abrupt increases. From 2010 to 2011, the export volume decreased from 151,368 tons to 135,910 tons, while the export value increased from 232,993 thousand USD to 296,504 thousand USD. This resulted in an increase in the average export price per ton, from 1.539 USD/ton to 2.182 USD/ton.

The price of Vietnamese coffee remained relatively stable until 2014, indicating that fluctuations in export volume and value were driven by factors other than price, such as supply, demand, and broader market conditions. In 2014, the export value peaked at 502,339 thousand USD. However, from 2015 to 2019, a general decline in export value was observed, primarily attributed to a decrease in export prices. Furthermore, competition from Brazilian Conilon, the largest coffee exporter to Germany, and other global competitors, played a significant role in this downward trend.



*Source: Calculated from ITC*

In the period preceding the EU-Vietnam Free Trade Agreement (EVFTA), Vietnam's coffee exports to Germany exhibited notable fluctuations. Despite an increase in the volume of coffee exported, the value captured from these exports declined, as evidenced by a decrease in both export prices and overall export value. This trend suggests that tariffs may have compelled exporters to lower prices in order to maintain competitiveness, which, in turn, contributed to a reduction in the export value.

## **2.2. After EVFTA implementation**

### *2.2.1. Tariff-Related assessment*

In 2020, when the EVFTA came into effect, all lines of coffee were included in group A, requiring immediate tariff reduction. According to Appendices 2-A-1 (Tariff Schedule of the Union), "Customs duties on originating goods listed under staging category 'A' in a Party's Schedule shall be eliminated entirely, making such goods free of any customs duty from the date the Agreement enters into force."

*Source: Calculated from ITC*

**Table II. Tariff Schedule of the Union**

CN 2012	Description	Base rate	Category
09	CHAPTER 9 –COFFEE, TEA, MATÉ AND SPICES		
0901	- Coffee, whether or not roasted or decaffeinated; coffee husks and skins; coffee substitutes containing coffee in any proportion		
	- Coffee not roasted		
0901 11 00	- - Not decaffeinated	0	A
0901 12 00	- - Decaffeinated		
	- Coffee, roasted		
0901 21 00	- Not caffeinated	7.5	A
	- - Decaffeinated	9	A
0901 90	- Other		
0901 90 10	- Coffee husks and skins	0	A
0901 90 90	- Coffee substitutes containing coffee	11.5	A

*Source: Calculated from ITC*

**Table IIII. Vietnam's Coffee export to Germany 2020-2023**

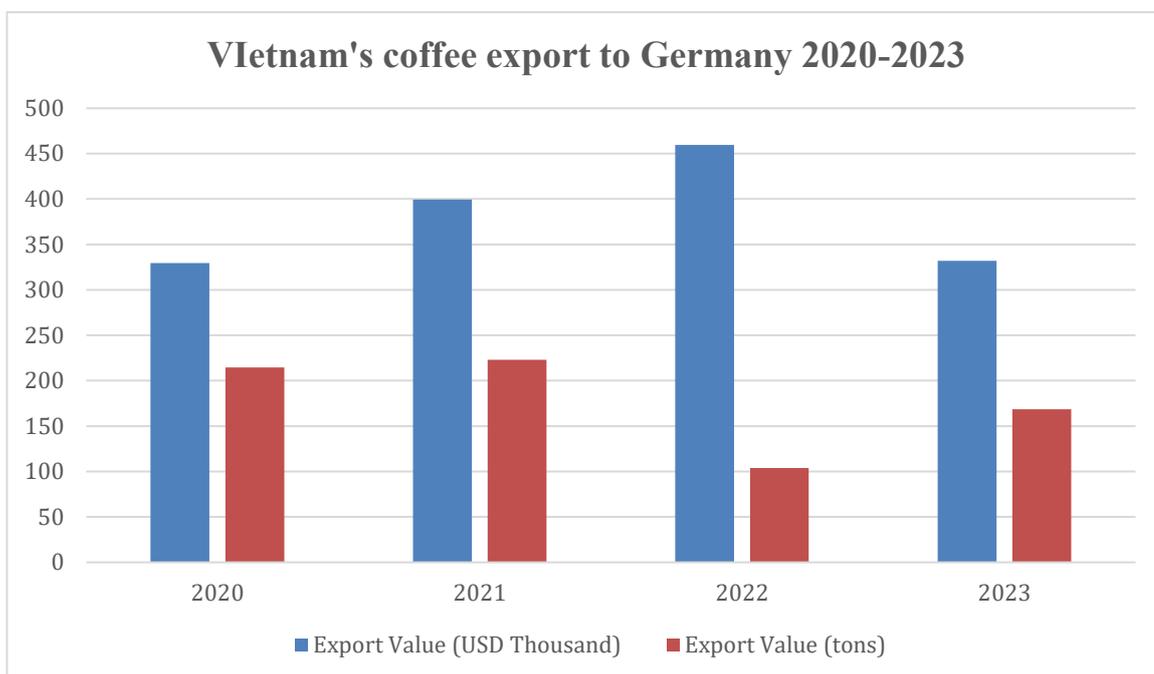
<b>Year</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
<b>Export Value (USD Thousand)</b>	329.423	399.454	459.404	332.070
<b>Export Volume (tons)</b>	214.570	222.991	103.717	168.384
<b>Export price per ton (USD Thousand)</b>	1.535	1.791	4.429	1.972

*Source: Calculated from ITC*

From 2020 to 2021, Vietnam's coffee exports to Germany demonstrated resilience amidst the global disruptions caused by the COVID-19 pandemic. The European Union-Vietnam Free Trade Agreement (EVFTA), which came into effect in 2020, played a critical role in sustaining these exports by facilitating zero-tariff access to the German market. Despite the widespread economic challenges posed by the pandemic, the export volumes of Vietnamese coffee to Germany remained relatively stable, with figures of 214,570 tons in 2020 and 222,991 tons in 2021. Although both export volume and value were lower compared to previous years, they still showed signs of growth, highlighting the significant contribution of the EVFTA in maintaining trade flow.

Following the control of the COVID-19 pandemic, the Vietnamese coffee industry experienced a notable recovery. In 2022, while export volume declined sharply by over 50% compared to 2021 (103,717 tons versus 222,991 tons), the export value saw a substantial increase, reaching 459,404 thousand USD. This surge was largely driven by a significant rise in prices, which peaked at 4.429 USD/ton. The post-pandemic period not only marked a

recovery for Vietnam's coffee exports but also resulted in new value milestones, underscoring the long-term benefits of the EVFTA.



*Source: Calculated from ITC*

In 2023, there was a noticeable decrease in the export value of Vietnamese coffee. The export volume, however, increased from 103,717 to 168,384 tons, indicating a positive recovery following the COVID-19 pandemic.

Overall, the new tariff presents numerous potential opportunities for Vietnam. However, given the country's relatively low export volume and its recent recovery from the pandemic, the full impact of these opportunities has yet to be realized.

### *2.2.2 Non-Tariff-Related Assessment*

- ***Deforestation and forest degradation***

In Chapter 13: Trade and Sustainable Development, there are statements related to the prevention of deforestation and forest degradation. As for Vietnam, the regional director of the Sustainable Trade Initiative, headquartered in the Netherlands, said that Vietnam is one of the countries considered to have very low rates of deforestation due to coffee production, with the deforestation rate for coffee production in Vietnam was only 0.1 percent (Tung Dinh - Quynh Chi, 2024). While the technical standard in Chapter 13 might not exert significant

pressure on the Vietnamese coffee farmer, there is still value in upholding stringent sustainability criteria.

- ***Sanitary and Phytosanitary (SPS)***

One of the primary challenges is complying with the EU's stringent sanitary and phytosanitary (SPS) standards, which require that coffee products are free from harmful pesticide residues, mycotoxins, and other contaminants.

### **Glyphosate, Pesticide Residues**

Particularly, MRLs (maximum residue limit) of Glyphosate on green coffee imported into Germany is 0.1 mg/kg. According to Mr. Thai Nhu Hiep, Chairman of the Board of Directors of Vinh Hiep Company Limited (Gia Lai), the MRLs of 0.1 mg/kg can be considered as zero. With such strict regulations on MRLs, Mr. Do Ha Nam, Chairman and CEO of Intimex Group, said that “Selling green coffee is now extremely difficult.”

Vietnamese coffee has recently been stuck when exported to the EU because of toxic residues. According to Mr. Thai Nhu Hiep, due to the lack of sunlight in this harvest season, it was impossible to release pesticide residues, at the same time, carbon was absorbed, producing more toxins.

### **Ochratoxin A (OTA)**

A study by Food Standards Australia New Zealand (FSANZ) analyzed instant coffee samples from Vietnam and found that the Ochratoxin A (OTA) levels in Vietnamese green coffee beans ranged from 0.64 µg/kg to 8 µg/kg. These levels are below the maximum allowable limit for soluble coffee (10 µg/kg). However, for roasted whole bean and ground coffee, some samples from Vietnam exceeded the 5 µg/kg limit for roasted whole and ground coffee, with the highest level observed at 8 µg/kg.

### **Fumonisin B2 (FB2)**

Another study in April 2015 on JSM Mycotoxins 65(1):1-6 highlighted that Vietnamese coffee beans are commonly infected with fumonisin B2 (FB2)-producing fungi, leading to occasional co-contamination with Ochratoxin A.

This poses significant challenges for ensuring the safety and quality of Vietnamese coffee, necessitating continuous monitoring, stringent quality control measures, and adherence to international safety standards to protect consumer health.

- ***Technical Barrier to Trade (TBT)***

The EU market does not have any specific technical barriers to Vietnam's coffee imports regarding bean size, roast appearance, and taste. "But to increase coffee exports to the EU, we need to meet commodity import requirements, food safety standards, and comply with plant inspections and processing monitoring. If done right, businesses can increase their coffee exports to the EU", said Le Thanh Hoa, deputy director of the DAPP.

- ***Meeting Rules of Origin to enjoy preferential tariffs***

In order to enjoy the EVFTA tariff preferences, Vietnam's export products must meet rules of origin of the Agreement. However, a lot of inputs for production of Vietnam's enterprises are still dependent on imported sources, especially from China and some other Asian countries. Therefore, meeting the EVFTA rules of origin may be a big challenge for Vietnamese businesses to grasp the opportunities from tariff elimination under the EVFTA.

### **3. Vietnam's Coffee Export to Germany: Opportunities and Challenges**

#### ***3.1. Overview of Vietnam's coffee export to Germany***

Vietnam is the second-largest coffee exporter globally, with Germany being a top destination. The European Union-Vietnam Free Trade Agreement (EVFTA), effective from August 2020, has significantly impacted coffee trade by eliminating tariffs and improving trade conditions. Vietnam mainly exports robusta coffee to Germany, accounting for over 30% of its total coffee imports from Vietnam.

#### ***3.2. Opportunities for Vietnam's Coffee exports under EVFTA***

##### ***3.2.1. Tariff reductions and competitive advantage***

Under the EVFTA, tariffs on unroasted coffee were immediately reduced to 0%, while processed coffee enjoys a gradual tariff elimination over five years. This reduction enhances Vietnam's competitive position compared to non-EU trade partners such as Brazil and Indonesia, which still face tariffs.

Prior to the agreement, Vietnamese coffee exports to Germany faced tariffs of up to 7.5% for roasted coffee and 3% for instant coffee. With these tariffs gradually eliminated, Vietnam's coffee industry gains a significant cost advantage, making its products more attractive to German importers and distributors.

Additionally, the EVFTA includes provisions that streamline customs procedures, reducing processing times and administrative costs for exporters. This efficiency boost enables Vietnamese exporters to compete more effectively in the German market, where timely delivery and quality consistency are essential.

Furthermore, the elimination of tariffs incentivizes investment in Vietnam's coffee processing sector, encouraging local producers to shift from exporting raw beans to higher-value products such as roasted and ground coffee. This transformation is crucial for Vietnam's long-term strategy to move up the coffee value chain and reduce reliance on bulk commodity exports.

To fully capitalize on these advantages, Vietnamese exporters must strengthen their logistics and distribution networks in Germany, ensuring that their products reach consumers efficiently and at competitive prices. Additionally, partnerships with German importers and coffee roasters will help reinforce Vietnam's presence in the market and create a sustainable export growth trajectory.

### *3.2.2. Expansion of Value-Added coffee products*

Vietnam's coffee exports have primarily focused on raw beans. The EVFTA facilitates increased exports of processed coffee, including instant coffee, roasted coffee, and ready-to-drink coffee, allowing Vietnam to shift towards higher value-added products and improve profit margins.

Processed coffee products generally have a higher profit margin than raw beans due to added value from roasting, grinding, and packaging. By exporting processed coffee, Vietnam can reduce its reliance on raw material exports and tap into more lucrative segments of the German market.

Moreover, Germany has a growing demand for specialty coffee, including organic and fair-trade products. Vietnamese companies can leverage this trend by introducing premium

product lines tailored to German consumer preferences. By investing in improved processing techniques and branding, Vietnam can establish itself as a supplier of high-quality coffee rather than just a bulk exporter of raw beans.

To support this transition, Vietnamese coffee producers should focus on upgrading production facilities, adopting modern roasting techniques, and enhancing packaging and labeling to meet EU standards. Partnerships with German coffee retailers, specialty cafes, and e-commerce platforms will also be essential for expanding market reach and ensuring sustainable growth.

### *3.2.3. Encouragement of Sustainable Practices*

The agreement supports sustainable and organic farming by encouraging adherence to EU environmental and food safety standards. Certifications such as Rainforest Alliance, Fairtrade, and UTZ are critical for increasing market access and premium pricing in Germany.

Sustainability is a key factor influencing purchasing decisions in Germany, with consumers favoring ethically sourced and environmentally friendly products. Vietnamese coffee producers can capitalize on this trend by adopting sustainable farming techniques, such as reducing pesticide use, improving water conservation, and enhancing biodiversity on coffee farms.

Additionally, compliance with EU sustainability regulations will be necessary for long-term access to the German market. Implementing traceability systems to track the production process from farm to cup will help Vietnamese exporters meet strict European requirements and build consumer trust.

Furthermore, engaging in corporate social responsibility (CSR) initiatives, such as supporting farmer cooperatives and community development projects, can enhance the reputation of Vietnamese coffee brands in Germany. Investing in training programs for farmers to adopt sustainable practices will also strengthen Vietnam's competitive position in the global coffee market.

## **3.3. Challenges and difficulties**

### *3.3.1. Compliance with EU regulations and standards*

The EU has stringent regulations regarding pesticide residues, sustainability practices, and traceability. Over 70% of Vietnamese coffee farmers are smallholders who may struggle to meet these standards due to limited resources and lack of awareness.

In addition to pesticide and chemical restrictions, EU regulations require detailed documentation on production methods, sourcing, and environmental impact. Meeting these standards involves significant investment in certification processes, laboratory testing, and supply chain management. Exporters must also ensure compliance with evolving EU directives on deforestation-free supply chains, which may necessitate further operational adjustments.

Training programs and government support are crucial to helping Vietnamese coffee producers adapt to these requirements and maintain market access in Germany.

### 3.3.2. Market competition

Vietnamese coffee faces stiff competition from well-established brands such as Lavazza (Italy), Tchibo (Germany), and Nestlé (Switzerland), which dominate the European market. Additionally, Ethiopian and Colombian coffee are perceived as premium products, often fetching higher prices.

Furthermore, Vietnam’s robusta coffee competes directly with Brazil and Honduras - 2 among top coffee exporters to Germany, those have well-developed production capabilities and strong market penetration strategies . While Vietnamese robusta is known for its strong flavor profile, it is often used in blending rather than being marketed as a specialty coffee.

- **Brazil**

Brazil is Germany’s largest coffee producer and exporter, has sustained its dominant position in the EU market by systematically aligning its production and export systems with EU regulatory standards

**Table IV. Brazil's coffee export to Germany 2022-2024**

<b>Year</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
<b>Export Volume (Tons)</b>	403,871	304,954	440,665

<b>Export Value</b>	1,678,060	1,071,011	1,805,411
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*Source: Calculated from ITC*

To meet EU sanitary and phytosanitary (SPS) regulations and environmental requirements, Brazil has long implemented traceability systems, enabling exporters to comply with Maximum Residue Limits (MRLs) and deforestation-free supply chain laws. Building on this foundation, Brazil is the first country in the world to adopt forensic science for origin verification, which allows for the forensic verification of Brazilian coffee’s origin—both at the national and regional level—at any stage of the supply chain. This guarantees compliance with EU anti-deforestation regulations and combats issues like food fraud and unethical labor practices (Oritain, 2023). Additionally, Brazil actively participates in regulatory dialogues with the EU to anticipate policy shifts. Institutions like EMBRAPA and CECAFÉ provide support for exporters to comply with EU technical barriers to trade (TBT) through Good Agricultural Practices (GAP) and quality certifications (Langenbahn, 2024).

- **Honduras**

Honduras - one of the top five coffee exporters to Germany, though smaller in scale, has built a strong EU presence by emphasizing sustainability certification, direct trade, and preferential access under trade agreements. The country is also now taking significant steps to ensure compliance with the EU's Deforestation Regulation (EUDR), demonstrating its commitment to maintaining market access while protecting the environment.

**Table V. Honduras's coffee export to Germany 2023-2024**

<b>Year</b>	<b>2023</b>	<b>2024</b>
<b>Export Volume (Tons)</b>	67,086	54,679
<b>Export Value</b>	314,986	237,822

*Source: Calculated from ITC*

Honduras has taken proactive measures to comply with the EU Deforestation Regulation (EUDR), which came into effect in 2023. Honduras has partnered with JDE Peet’s and Enveritas to verify that its coffee is grown on land that was not deforested after 2020,

ensuring the country's coffee industry adheres to the EU's anti-deforestation requirements. This partnership uses advanced technologies, including satellite imagery and machine learning, to assess coffee-growing regions and confirm compliance with environmental standards (Morrell, 2024).

**Implications for Vietnam:** Exporters can enhance its traceability and certification systems, develop processed coffee exports, and strengthen its branding strategy by drawing on Brazil's experience in navigating EU regulations and market preferences. Additionally, Vietnam could focus on sustainability certification, diversifying its coffee offerings, and leveraging EVFTA provisions, taking inspiration from Honduras's niche market and ethical branding strategy.

### *3.3.3. Price volatility and supply chain issues*

Vietnam's coffee exports are highly susceptible to price fluctuations caused by global supply-demand dynamics, climate change, and geopolitical factors. The logistics sector also faces disruptions due to fluctuating shipping costs and port congestion, affecting export efficiency.

Additionally, unpredictable weather patterns, including droughts and excessive rainfall, impact coffee yield and quality, leading to unstable export volumes. The dependence on bulk shipping further exacerbates cost uncertainties, particularly when freight prices rise.

To mitigate these challenges, exporters should explore alternative shipping routes, invest in storage and logistics infrastructure, and consider hedging strategies to stabilize pricing. Strengthening cooperation with logistics firms and adopting technology for supply chain transparency can also improve resilience against market volatility.

### *3.3.4. Need for branding and marketing strategies*

Vietnamese coffee lacks strong branding in Germany compared to Colombian or Ethiopian coffee, which benefits from government-backed promotional campaigns. A lack of marketing initiatives hinders consumer recognition and differentiation in the premium coffee segment.

German consumers value transparency and storytelling in their coffee choices, making it essential for Vietnamese brands to highlight aspects such as unique regional flavors, ethical sourcing, and direct trade partnerships with farmers. Participation in international coffee expos, influencer collaborations, and social media marketing can enhance brand visibility.

Additionally, developing attractive packaging and establishing partnerships with specialty coffee retailers in Germany can improve brand perception and foster consumer loyalty. Vietnamese exporters should also leverage e-commerce platforms and direct-to-consumer models to tap into Germany's growing online coffee market.

#### **4. Recommendations for strengthening Vietnam's coffee exports**

##### ***4.1. Enhancing quality control and certification***

To leverage EVFTA benefits, Vietnamese exporters should invest in training farmers, implementing sustainable farming practices, and obtaining EU-recognized certifications to meet safety and quality standards. Compliance with EU regulations such as the Maximum Residue Levels (MRLs) for pesticides and adherence to sustainability certifications like Fairtrade, UTZ, and Rainforest Alliance are crucial for market access.

Furthermore, establishing standardized quality control processes and traceability systems will enhance consumer confidence in Vietnamese coffee. Investing in modern processing technology to reduce defects, ensure consistent bean quality, and improve storage conditions will further strengthen Vietnam's position in the German market.

##### ***4.2. Strengthening market penetration strategies***

Collaborations with German retailers, participation in international coffee exhibitions (e.g., Berlin Coffee Festival), and direct trade with specialty coffee roasters can enhance market penetration. Establishing long-term partnerships with German distributors and supermarket chains will ensure stable sales channels for Vietnamese coffee.

Additionally, developing targeted marketing campaigns that emphasize Vietnam's unique coffee heritage, sustainable production methods, and high-quality robusta can help improve brand recognition. Utilizing digital platforms and e-commerce channels to sell directly to consumers can also expand Vietnam's market reach and cater to Germany's increasing demand for online coffee purchases.

##### ***4.3. Diversifying coffee products***

Focusing on premium product lines such as single-origin coffee, organic coffee, and ready-to-drink formats can help Vietnamese exporters capture new market segments and command higher prices. The demand for organic and specialty coffee in Germany is growing, and

Vietnam can take advantage of this trend by developing high-quality, sustainably sourced products.

In addition, exploring innovative coffee formats, such as cold brew, nitro coffee, and specialty blends, can attract younger consumers in Germany. Developing attractive, eco-friendly packaging and branding strategies tailored to the German market will further strengthen Vietnam's competitive edge.

#### ***4.4. Government and Industry Support***

The Vietnamese government should increase investment in trade promotion programs, provide financial incentives for sustainable production, and support exporters in navigating EU regulatory requirements to enhance competitiveness. Establishing export assistance programs that provide training on EU market regulations, quality standards, and business networking opportunities will benefit coffee producers.

Moreover, public-private partnerships between government agencies, coffee associations, and businesses can facilitate knowledge sharing and improve industry-wide competitiveness. Expanding research and development (R&D) efforts to improve coffee varieties, enhance processing techniques, and increase productivity will also contribute to Vietnam's long-term success in the German market.

### **5. Conclusion**

The EVFTA presents a major opportunity for Vietnam to expand its coffee exports to Germany. However, challenges such as compliance with EU regulations, strong market competition, and branding issues must be addressed. By investing in quality improvement, marketing, and value addition, Vietnam can solidify its position as a leading coffee supplier to Germany.

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