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**PRICE TRANSMISSION OF VIETNAM'S  
ROBUSTA COFFEE**

A thesis presented in partial fulfilment  
of the requirements for the degree of

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New Zealand

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## **Abstract**

Coffee is important to Vietnam's economy in terms of export earnings and employment. As Vietnam carried out market reforms over the last three decades, its coffee sector has become increasingly market-driven and exposed to the fluctuations of the global market. The transmission of changes in global Robusta coffee prices to domestic farmgate prices is put under focus in this research as the knowledge of this will have important policy and welfare implications.

This research uses both linear and threshold vector error correction models to analyse price transmission as the cointegration-based approach recognises the nonstationarity of price series. The data used are daily export and farmgate prices of Robusta coffee, measured in USD per tonne, from June 1st, 2011 to December 31st, 2015. Export prices were collected in Ho Chi Minh city, the export hub for Vietnam, and farmgate prices in the largest coffee-producing province, Dak Lak.

The primary result of this research is that of a symmetric price transmission between export and farm levels for Vietnam's Robusta coffee. The two apparent asymmetries detected are considered minimal as the speed of daily adjustment is too high. In the linear model, export prices react faster to negative deviations from the long run equilibrium than to positive deviations. In the threshold model, farmgate prices respond faster to decreases than increases in export prices when the long run deviation exceeds a certain threshold. The research also confirms the importance of transaction costs and other price frictions that were mostly ignored in prior analyses for coffee. Most importantly, the finding of symmetric price transmission contradicts previous studies which found asymmetric price transmission for Robusta coffee in Vietnam and other producers in Africa. This dissimilarity may be attributable to characteristic differences of Vietnam's coffee sector, the use of high frequency data, and to the different time periods under investigation.

JEL Codes: C32, Q11, Q13, Q17

Keywords: asymmetric price transmission, Robusta coffee, Vietnam

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## List of Acronyms

APT	Asymmetric Price Transmission
BIC	Bayesian Information Criterion
FAS	Foreign Agricultural Service
GSO	General Statistics Office Of Vietnam
ICA	International Coffee Agreement
ICO	International Coffee Organization
ITC	International Trade Centre
MARD	Ministry of Agriculture and Rural Development of Vietnam
OLS	Ordinary Least Squares
SUR	Seemingly Unrelated Regression
TVECM	Threshold Vector Error Correction Model
USDA	United States Department of Agriculture
VCCB	Vietnam Coffee Coordinating Board
VECM	Vector Error Correction Model
VICOFA	Vietnam Coffee and Cocoa Association