



PROJECT DESCRIPTION: Development investment proposal

NAME OF CLIENT	Phuc Sinh Corporation
WEBSITE CLIENT	https://phucsinh.com/
REGION	ASIA
COUNTRY	VIETNAM (Mekong Delta & highland landscape)
SECTOR	AGRICULTURE
SIGNING DATE	30 DAYS FROM PUBLICATION AT WEBSITE
TOTAL FINANCING	€367,500
FUND	GRANT FUNDING (ORIGINATION FACILITY "OF")

- **Who is our (prospective) client?**

Phuc Sinh Corporation ("Phuc Sinh", a privately-owned coffee and pepper processing and trading company, ranks among Vietnam's top 10 exporters in both markets. Renowned for their leadership in Rainforest Alliance (RA) standard farming in Vietnam, Phuc Sinh recently achieved a milestone with 10% of their total volume being RA certified. They account for 30% of all RA exported coffee from Vietnam, demonstrating their commitment to sustainability and excellence in the industry.

Established in 2001, Phuc Sinh Corporation has transformed from a trader of coffee, pepper, and other spices into a leading processor and an increasingly diversified and integrated company. Serving both B2B and B2C customers in international and domestic markets, Phuc Sinh has been processing coffee since 2009. Their commitment to quality and innovation was further demonstrated with the opening of an Arabica processing plant in Son La in 2017.

Phuc Sinh Corporation has been Rainforest Alliance (RA) certified since 2012, initially for pepper. As the number of their farmers meeting RA standards has increased, a growing share of their overall trading and processing volumes has become RA certified, reflecting their ongoing commitment to sustainability and quality.

Phuc Sinh Corporation, a limited company, is one of the largest privately-owned processing and trading companies. Founded and chaired by Phan Minh Thong, who owns 83.5% of the corporation, Phuc Sinh holds majority stakes in four trading and processing subsidiaries. Additionally, the same shareholders own Phuc Sinh Consumer Corporation, the domestic retail operation, ensuring a strong and integrated presence in both the international and domestic markets.

As global coffee consumption continues to rise, Phuc Sinh Corporation aims to leverage its strong position as a trader to a) **Capture More Value within Vietnam**: By investing in deeper processing capabilities to enhance the value of their products. b) **Diversify Markets**: Expanding their reach to include more B2C and retail markets, ensuring a broader and more integrated market presence.

- **What is the intended funding objective (type of activity)?**

The application sought approval of grant funding amounting to €367,500 and technical assistance from the DFCD to assist in financing several origination activities to prepare the business proposition for possible future DFCD investment. Phuc Sinh sponsors will contribute €134,500 towards the OF.

Key Outcomes of the Origination Project:

1. **Evaluating Expansion Areas**: Determining the suitability of areas proposed for RA standard coffee expansion.
2. **Enhancing Training Capacity**: Boosting Phuc Sinh's capacity to scale up farmer training on RA standards.
3. **Supporting New Operations**: Facilitating the initial establishment of Phuc Sinh's operations in new sourcing areas.
4. **Improving Environmental and Social Systems**: Enhancing the company's Environmental and Social Management System (ESMS) and Environmental and Social Management Plan (ESMP).

These outcomes aim to de-risk the proposed investment for future consideration by the DFCD Land Use Facility.

Expansion Plans Post-Origination Project:

1. **Robusta Growing Areas**: Expanding three coffee factories in key Robusta growing regions.
2. **Binh Duong Province**: Investing \$15 million to expand the current green bean factory and \$35 million to establish an instant coffee processing plant.
3. **Dak Nong Province**: Allocating \$15 million to develop a new green bean factory.
4. **Son La Province**: Scaling up Arabica production with a future investment of \$12 million to expand a processing plant, contingent on growing the supply chain in the province.

- **Why do we fund this project?**

The DFCD grant funding is designed to develop and de-risk Phuc Sinh's business model, making its expansion project more attractive to potential financiers. This project is highly relevant for achieving scalable impacts on biodiversity, climate adaptation, and social inclusion. Without DFCD support, Phuc Sinh would face prolonged timelines and increased risks for undertaking necessary activities, leading to a delayed, riskier, and potentially underfunded investment program. Consequently, this could result in suboptimal benefits for the company, its out-growers, and the broader community.

- **Environmental and social rationale**

A key aspect of the origination work will be to ensure environmental and social safeguards are in place. This will be done by enhancing the overall Environmental and Social Management System (ESMS) and Environmental and Social Management Plan (ESMP) and facilitating Phuc Sinh capacity to implement the ESMP and ESMS, including in new/expansion sourcing areas.

Activities to achieve this will include: capacity building; updating ESMP and ESMS to guide procedures for conducting identified 'improvement actions'; collaboration with IUCN Vietnam for continuous monitoring of biodiversity in the project areas to ensure the prevention of biodiversity loss; conducting a climate risk assessment for new/expansion sourcing areas; and conducting a deforestation risk assessment for new/expansion sourcing areas.
