

10-16-2003

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Recommended Citation

LADB Staff. "Guatemala Coffee Strategies." (2003). <https://digitalrepository.unm.edu/noticen/9141>

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Guatemala Coffee Strategies

by LADB Staff

Category/Department: Guatemala

Published: 2003-10-16

Guatemala's 2002-2003 coffee year has ended with the Asociacion Nacional del Cafe (Anacafe) confirming total production of 4.5 million quintals (60-kg bags). The figure is 600 fewer bags than last year. Anacafe vice president Jose Angel Lopez said that preliminary data indicate the country earned US\$304 million on sales of 5.2 million bags. More coffee was sold than produced for the year because stocks from the previous year's harvest were sold during this coffee year, ending Sept. 30. The previous year, exports were valued at US\$248.3 million, US\$55.7 million less than this year.

Lopez said that the lower production figure for the year just ending represents a new balance point for the industry, and that, from now on, production will tend to average between 4 million and 4.5 million quintals. He also said that the coffee crisis (see NotiCen, 2003-01-03) is not over. Lopez told that Guatemalan daily Prensa Libre that Anacafe would follow a strategy of improving quality, seeking new markets, and taking advantage of the shift toward gourmet coffees in international markets. "In our strategy, we note that consumption of high-quality coffee keeps growing in the United States, giving us an advantage."

The advantage is that Guatemala and Central America grow a high percentage of the world output of these higher-demand, limited-supply, coffees. Lopez said that these market-growth characteristics apply to Japan and Europe as well. He said he sees enormous potential in these trends. Lopez said there are also encouraging signs of emerging markets in China, Russia, and Eastern Europe, where new consumers will reduce the current imbalance between supply and demand. But, while the medium-term outlook for producers of these preferred coffees is good, they still confront near-term financial problems. The Guatemalan Congress authorized a US\$100 million bailout last year, but still has not funded it for lack of money.

Despite its recent downward price trajectory, coffee continues to be Guatemala's principal export product, according to Banco de Guatemala (Banguat) figures. The Central Bank's statistics are slightly different from those of Anacafe and show that coffee brought in US\$317 this year. This is US\$59.4 million more than last year. Coffee out-earned second-ranked sugar, which earned US\$306 million, US\$73.9 million more than last year. Third place goes to maquila clothing exports, at US\$271.7, up US\$94.2 million. Bananas were fourth, contributing US\$205.1 million to the country's coffers, an increase of US\$31.8 million. These increases have reversed a two-year decline in Guatemala's export income.

As of Oct. 2, total figures stand at US\$2.14 billion, an increase of US\$554.9 million over the same period last year. The commercial deficit was reduced and stands at US\$1.1 billion. New US law increases uncertainty, could increase costs. Marginal improvements in the export picture for coffee could be offset by the implementation of US legislation against bioterrorism.

Lucrecia Rodriquez, Anacafe's acting director, bemoaned the lack of certainty surrounding the change in export regulations. "The problem is that the rules regulating everything concerning the import of goods [into the US] still haven't been published," said Rodriguez. "As far as we know, it will be next week before we will know for sure what the conditions will be." The situation is not simply a matter of waiting a few days and changing a few things, said Rodriguez. "In addition to the increase in costs for lack of information about the [new] procedures, the time of delivery of the product could be longer than that contracted for, which could lead to noncompliance, which could result in importers' claims against us," she said. "It isn't very clear what will be the role of the exporter because the process of registration implies the assumption of responsibility for the shipment." Rodriguez said the current ambiguous climate prevents Anacafe from fulfilling its obligations to member producers or exporters.

Under the old procedures, an Anacafe official took a sample of a given lot to the port, where the shipping company affixed its seal, and the cargo could then be shipped to its destination. But now, there will be a problem upon entry to the US because, said Rodriguez, the coffee runs the risk of being held up in the port of entry at the discretion of the customs supervisor. During that time, "many things could happen that could cause damage to the coffee," she said. The exporters and producers would be liable both for the delay and for the damages.

Not only Guatemala faces these uncertainties. Neighboring countries also are looking for ways to minimize the effects of the changes. Some governments have already undertaken measures. Costa Rica has already provided four forums for personnel of the approximately 700 companies that export to the US. They will follow up by setting up assistance centers around the country to help the affected businesses with filling out new forms and with other changes in the rules. They are also providing these businesses with a toll-free number for an Internet connection.

In El Salvador, the government information agency Infocentrex has published several bulletins containing what details they have, as well as Internet links to relevant sites. Nicaragua's director general of the Asociacion de Productores y Exportadores de Productos no Tradicionales (Apenn) said he thinks the new US law could constitute a nontariff trade barrier if it allows discretion to US officials to decide that a shipment can be denied entry on suspicion of anomalies. The government is nevertheless preparing seminars for local producers and exporters so they will know how to follow the new rules, as soon as the information is available, said Humberto Arguello, technical secretary of the Comision Nacional de Promocion de Exportaciones (CNPE).

Mexico has already begun, through the Secretaria de Fomento Agropecuario (SFA), to offer seminars explaining the new rules. Authorities there have expressed concern for small and medium-sized businesses that lack in-house technical and technological capacity to keep up and comply.

Coffee is source of pride to growers

Back in Guatemala, the producers have more to do than wait to find out which party's policies will help or hinder them during the next administration or what will happen to their product when it reaches US docks. In the little village of San Gaspar Ixchil, Colotenango, in the mountains of Huehuetenango, Arturo Godinez says the coffee grown there is their greatest treasure, despite

changing rules, changing governments, or falling prices. "These are difficult times, above all for us, who are poor," he told a reporter. "Never mind the crisis; this coffee is good, and I'm going to keep on harvesting." With unmistakable pride, he says of his plantings, "I don't let them get full of weeds and I fertilize them every six months. But what lets them grow healthy is this climate." Godinez has reason for his pride. "We know that the Italians like our coffee," he said, and he has this on good authority.

An Italian nongovernmental organization (NGO), Mais, which looks for particularly good coffees and markets them in Italy, told him so. Godinez is one of more than 5,000 producers from the region who are trying to sell five containers of coffee to Italy annually, according to Jose Galicia of the Agencia de Servicios y Desarrollo Economico y Social de Huehuetenango (Asdesh). He said that Italian companies have researched the local product, sent samples to Italy for trial in the best restaurants, and they have made sales. He said that the Doge hotel organization "has made the first taste tests, and now not only are they going to buy our coffee, but they will give an incentive for each cup sold." He said Doge sells a cup of coffee for from US\$5 to US\$12. Galicia said they have had similar success with at least 20 other fine restaurants in Italy.

They have also made sales at international fairs from Milan to Boston. "Our product has had great acceptance internationally, which has forced us to start a strong promotion campaign," said Galicia. The producers have organized into several marketing groups: the Cooperativa San Pedro Necta, the Asociaciones de Desarrollo, and the Cooperativa Esquipulas. Each group selects its best 25 samples with which it will fill a container for shipment to Italy. Godinez cleans, trims, and irrigates his plantation for harvest in January. "If it is the will of God, the beans will come out well, and I will be able to sell." He plans to make "a tidy sum to buy more land to plant more coffee." This small but sophisticated operation is going about its business in the highlands, improving crops, finding new markets, and waiting for the latest word from the governments.

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