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Low World Coffee Prices Threaten Small Producers

by Carlos Navarro
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Another sharp decline in international coffee prices during January was a reminder to small-scale Mexican coffee producers how vulnerable they are to the world market. Coffee prices on the New York spot market declined to as low as US$56 per 100 pounds during the week of Jan. 25-29 down from US$80 per 100 pounds the previous week. The plunge was blamed on speculative selling in the futures market. Jose Mendieta, a spokesperson for the National Coordinator of Coffee Organizations (Coordinadora Nacional de Organizadoras Cafetaleras, CNOC) said the low world prices represent just one more problem for small coffee producers, who are already beset by tight credit, high fertilizer costs and inadequate technology. According to CNOC calculations, at the prevailing international prices in late January, Mexican producers would receive about US$6.00 per 100 pounds, or slightly more than half of the US$11.40 received prior to the price plunge. Mendieta said world prices would need to rise to at least US$86 per 100 pounds if producers are even to recover production costs. Recent projections by the Agriculture Ministry (Secretaria de Agricultura y Recursos Hidraulicos, SARH) indicate that more than 30,000 small-scale Mexican coffee growers are expected to abandon the crop in 1993, possibly affecting up to 90,000 ha. of coffee. By Feb. 1, coffee prices did recover somewhat, growing to US$64 per 100 pounds. According to coffee industry analysts in London one of the world’s top coffee futures markets further recovery is expected in the long term, but the immediate prospects are uncertain. The main problem is the lack of agreement between producer nations (mainly in Latin America and Africa) and consumer nations (mainly the US and Europe) over production quotas. Prices plummeted in 1989 after the price-setting and quota agreement established by the International Coffee Organization (ICO) collapsed. The coffee producing nations have scheduled a meeting for Feb. 25-27 in Mexico City to discuss a negotiating strategy for the next ICO meeting in London on March 22-31. (Sources: Journal of Commerce, 02/01/93; Notimex, 02/05/93; Inter-Press Service, 02/06/93; El Financiero International, 02/08/93)

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