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Salinas Government to Provide Assistance to Coffee Growers

by LADB Staff

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Amid projections that this year will be the worst ever for the Mexican coffee sector, President Carlos Salinas de Gortari on Feb. 10 announced a 10-point program to provide US\$350 million in assistance a combination of direct support and loans to 259,000 small-scale coffee producers. Many of the small-scale producers are Indians who live in Chiapas, Puebla, and Veracruz states. Among other things, the assistance includes US\$107 million in grants to producers, US\$32 million to restructure overdue loans, and a new line of credit of US\$200 million to support coffee export activities.

The loan restructuring funds will be channeled through the National Rural Credit Bank (Banco Nacional de Credito Rural, Banrural), while the loans will be provided through the National Foreign Trade Bank (Banco Nacional de Comercio Exterior, Bancomext). The National Coordinator of Coffee Organizations (Coordinadora Nacional de Organizaciones Cafetaleras, CNOC) welcomed the announcement and urged President Salinas to make the assistance available as soon as possible.

The CNOC also called for direct coordination between all cabinet secretariats and agencies involved in providing the assistance in order to expedite the process. "The assistance announced is just a first step and should be complemented by other measures that would help producers to really overcome the crisis," said a CNOC statement issued on Feb. 12. The CNOC also called on the government to strengthen its links to the Association of Coffee Producing Countries (Asociacion de Paises Productores de Cafe, APPC).

Mexico refrained from joining the APPC at a meeting held in September 1993 in order to avoid jeopardizing ratification of the North American Free Trade Agreement (NAFTA). About 90% of Mexico's coffee exports are sold in the US and Canadian markets. Instead, Mexico opted to attend APPC conferences as an "observer" (see Chronicle of Latin American Economic Affairs, 10/07/93). The assistance comes in the wake of a report by the National Agricultural Program (Programa Nacional Agricola, PNA) which forecast coffee production to decline to just 2.2 million bags this year, compared with 4.3 million bags harvested in 1993.

The PNA, affiliated with the Agriculture Secretariat (Secretaria de Agricultura y Recursos Hidraulicos, SARH), reported that many producers have abandoned their fields because domestic and international prices for coffee are not high enough to meet the costs of production. Other problems have also affected coffee production, such as disease and insect infestations, and the conflict in Chiapas which has disrupted field activities for most coffee farmers in that state.

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