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Leaders of Mexican coffee producer organizations have offered mixed signals as to whether Mexico should join a coffee supply management scheme devised by other countries in Latin America in order to stabilize global coffee prices. On July 14, the Coordinadora Nacional de Organizaciones Cafetaleras (CNOC) made a formal request to the government asking that President Ernesto Zedillo's administration support a scheme drafted by six Latin American nations asking that global coffee producers withhold 20% of their total export crop in order to help boost global coffee prices. That scheme supported by Brazil, Colombia, Costa Rica, El Salvador, Honduras, and Nicaragua was announced on July 10 (see NotiSur, 07/13/95).

The Zedillo administration did not have an immediate response to the CNOC request. However, another coffee producers organization, the Confederacion Mexicana de Productores de Cafe (CMPC), ruled out participation in the scheme. In an interview with the German news agency Deutsche Press Agentur (DPA), CMPC president Juan Pablo Albin Gutierrez said Mexican coffee production had not recovered sufficiently to allow producers "to take such a step at the moment." Albin did not offer an explanation for his position. However, in an interview with the daily newspaper La Jornada in July of last year, Albin said low global prices since 1989 had forced many Mexican coffee growers to default on their loans to commercial banks. As a result, many of those producers either abandoned their coffee plantations or switched to more profitable alternative crops (see SourceMex, 08/03/94).

According to the UN's Food and Agriculture Organization, Mexico's coffee production is expected to total 260,000 metric tons during the 1995-1996 crop year, only a small increase from the 250,000 MT projected for 1994-1995. The differing philosophy on whether Mexico should join the coffee retention scheme this year is just one of the issues facing the Mexican coffee sector this year. The CNOC has also been pushing strongly for Mexico to join the 33- member Association of Coffee Producing Countries (ACPC), which was created in 1993, in response to a sharp decline in global coffee prices. At that time, the administration of former president Carlos Salinas de Gortari decided that Mexico would not join the ACPC to avoid jeopardizing ratification of the North American Free Trade Agreement (NAFTA), since 90% of Mexico's coffee exports are sold in the US and Canadian markets. Instead, Mexico opted to attend ACPC conferences as an "observer" (see SourceMex, 12/01/93).

In its request on July 14 for the Zedillo administration to support the coffee retention scheme, the CNOC renewed its request that Mexico join the ACPC. Additionally, the CNOC asked for a formal review of the global coffee marketplace that would include the participation of all coffee producing organizations as well as representatives of the Agriculture Secretariat, SAGDR), the Mexican Coffee Council (CMC), and the Trade Secretariat (Secofi). The CNOC expressed concern that by not participating in the ACPC which includes 10 countries in Latin America Mexico was missing an

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opportunity to provide input as to the direction of the coffee market. The ACPC is scheduled to hold a meeting at the end of July. According to CNOC officials, if prices remain at their current level, Mexico's coffee export revenues during 1995- 1996 will amount to only US$650 million, and not the US$1 billion previously anticipated.

Meantime, a strong concern for Albin and the CMPC is to help coffee producers increase their productivity from current levels of eight to nine quintals per hectare. (Each quintal is equivalent to a 100 pound bag of coffee). "We must reach a productivity level of 20 or 25 quintals per hectare if we are to compete at the international level," Albin said at an international coffee symposium attended by coffee industry representatives from Colombia, El Salvador, Guatemala, and Mexico in May of this year.

At the symposium, which took place in Puebla, Albin said the Mexican government must show the same commitment to supporting coffee growers as the Colombian government, which provides assistance from the production to the marketing levels. Albin said the Zedillo administration could go a long way to support the coffee sector by devising programs to help producers restructure overdue debt, which would help producers obtain new loans to purchase pesticides, fertilizers, and other inputs. According to some estimates, the coffee sector owes about US$50 million in overdue debt to Mexican banks. Because of the general increase in interest rates following the devaluation of the peso in December, agricultural producers are having to choose between interest payments as high as 60% on their loans or default.

The Zedillo administration has already take some steps to help Mexican coffee growers deal with their massive debt problems. For example, earlier this year the Agriculture Secretariat (SAGDR) announced the allocation of US$80 million to assist 230,000 small-scale coffee producers in eight states in the cultivation of 477,000 ha. of land. The vast majority of the producers targeted for this assistance cultivate five or fewer ha. For his part, Mexican Coffee Council president Ruben Castillo Fregoso told the daily newspaper La Jornada that the government's rural lender (Banco Nacional de Credito Rural, Banrural) has allocated the equivalent of 1,000 nuevo pesos (US$165) per ha. during the 1995-1996 cycle for such purposes as pest and disease control, purchase of fertilizers, and other tree maintenance functions. Additionally, Castillo said the CMC was continuing negotiations with the Mexican Bankers Association (ABM) to accept the upcoming coffee harvest as collateral for new loans.

"This would open up the flow of new resources to coffee producers," said Castillo.

Castillo said the CMC was working on the premise that the ABM would view Mexican coffee as a valuable commodity. "We hope they see the coffee price of US$172 per 100 pounds as the equivalent of 10 barrels of crude oil," he said in May. Another government agency that recently changed regulations to support small-scale producers is the national foreign trade bank (Banco Nacional de Comercio Exterior, Bancomext). Bancomext has eliminated certain prerequisites on yields and location before funds are provided for producers wishing to market their crops overseas. [Note: Peso-dollar conversions in this article are based on the Interbank rate in effect on July 18, reported at 6.06 pesos per US$1.00] (Sources: Inter Press Service, 04/26/95, 05/04/95; Notimex, 07/11/95; Reuter, 07/14/95; Deutsche Press Agentur, 07/17/95; La Jornada, 05/04/95, 05/05/95, 06/05/95, 07/12/95, 07/18/95)

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