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## **Mexican Coffee Production Expected to Drop Sharply this Year**

*by LADB Staff*

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Damage from hurricanes in 1997, followed by severe drought in early 1998, are expected to cause significant reductions in Mexico's coffee production for the 1997-1998 season. Separate reports published by the Asociacion Nacional de la Industria del Cafe (ANIC) and the Asociacion Mexicana de Exportadores del Cafe (AMEC) say production is expected to decline significantly from last year's crop. The ANIC has forecast production for this year at 4.8 million 60-kg bags, compared with 5.5 million 60-kg bags produced in 1997. AMEC has projected output at 3.2 million 70-kg bags, which is close to the ANIC's estimate. The two organizations said damage to coffee plantations from heavy rain caused by Hurricane Pauline in October 1997 reduced production (see SourceMex, 10/22/97).

The damage caused by the hurricanes early in the growing season was followed by severe drought in Chiapas and other major producing states early in 1998, which cut production by about 10% to 12% (see SourceMex, 05/20/98 and 08/05/98). AMEC said weak prices for coffee on the global market was also a disincentive for Mexican producers. But despite the low global prices, the coffee industry disagrees on whether Mexico should join the Association of Coffee Producing Countries (ACPC), which attempts to manage global coffee supplies to boost export prices.

The Coordinadora Nacional de Organizaciones Cafetaleras (CNOC), which represents producer groups and cooperatives, has lobbied President Ernesto Zedillo's administration for Mexico to join the ACPC. The CNOC contends Mexico must do its part to help boost global coffee prices, even if this means withholding some exports. But AMEC has rejected membership in the ACPC on the premise that Mexico cannot afford to hold back 20% of its coffee exports as required by the global coffee-producers organization.

Additionally, AMEC has accused the ACPC of being "too inefficient and corrupt," since coffee-producing countries frequently violate export quotas established by the organization. AMEC's concern about reduced coffee-export revenues is highlighted by the decline in the coffee crop for the past season. According to Juarez Carrejo, coffee-export revenues this year will only total US \$600 million because of lower production, compared with recent annual average revenues of US\$800 million.

### ***Green-coffee imports again a concern this year***

The reduced coffee production has also raised some concerns that the federal government will again allow coffee processors to import inferior-quality coffee beans to supply the domestic market. In 1997, coffee roasters such as Nestle were allowed to import coffee beans from Indonesia and other countries because of concerns that increased exports would tighten domestic coffee supplies. The move caused an outcry from Mexican coffee producers, who said last year's production was more than adequate to meet domestic demand (see SourceMex, 07/23/97).

ANIC president Juan Martinez del Campo said this year's production shortfall might require Mexico to import a small amount of coffee beans from Brazil or Ecuador to ensure an adequate supply for the domestic market. A US Agriculture Department (USDA) report said Nestle and other roasters have promised to import only small amounts, if any, for domestic needs. AMEC's Juarez Carrejo noted that imports are not justified because Mexican consumption is so small, compared with the US and the European Union (EU).

Juarez Carrejo predicted that coffee production would recover slightly during the 1998-1999 season, which begins in October. However, he said AMEC was keeping that projected increase at only 15% from this year's level, depending on the performance of the global coffee market. (Sources: El Financiero International, 07/27/98, 08/03/98; El Nacional, El Universal, 08/10/98; Notimex, 08/11/98; El Economista, 08/12/98)

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