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Coffee Producers Seek Moratorium on Imports of Green Coffee Beans

by LADB Staff

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The Confederacion Mexicana de Productores del Cafe (CMPC) has asked the government to revise its policies allowing duty-free imports of green coffee beans. The imports are intended to compensate for a shortage of domestic beans and primarily benefit processors like Nestle Mexico. CMPC president Alfredo Moises Ceja said his organization has urged President Ernesto Zedillo to impose a moratorium on these imports, which would allow producers and processors to renegotiate import levels for the rest of the year.

Under a three-year program implemented in 1997, Mexico has imported about 45,000 60-kg bags of green coffee beans so far this year. Imports of green coffee beans totaled 153,000 bags in 1997 and 180,000 bags in 1998. These imports have been a source of friction between the government and coffee producers each of the last two years (see SourceMex, 1997-07-23, 1998-08-19). "This is one of those cases where authorities are promoting imports of cheaper products to keep inflation low in the domestic market," said Moises Ceja. "But these imports are detrimental to the agricultural sector."

By suspending imports, said Moises Ceja, the government would allow Mexican growers to find a market for some of the 500,000 bags of coffee beans currently stored in warehouses. Most beans imported by Nestle and other processors originate in Brazil, Colombia, and Indonesia and are used to produce soluble or instant coffee, the type preferred by Mexican consumers. In contrast, the majority of the coffee beans grown in Mexico are intended for the export market. But the CMPC said the export market is not very beneficial to small-scale producers, since exports are controlled by a handful of large corporations.

Moises Ceja said the situation has worsened this year because of a global surplus and low prices, which have reduced export income for coffee producers. Coffee prices plunged to a five-year low of US\$0.84 per pound in early September, as the market reacted to a lack of frost damage in Brazil this winter.

Major processor opposes import restrictions

But Nestle, which accounts for 80% of all instant-coffee sales in Mexico, opposes any major import restrictions, since this would reduce access for certain varieties of coffee beans not available in Mexico. "We have to import robusta beans to complement our blends," said Felix Martinez Cabrera, export-import director at Nestle-Mexico. "There is a deficit of robusta."

Meanwhile, domestic supplies are expected to increase because of a recovery in Mexico's coffee crop. The Consejo Mexicano del Cafe (CMC) has projected record production of 6 million 60-kg bags for the 1999-2000 cycle, which could depress domestic prices even further. The CMC projection would be a huge increase from the 4.75 million bags forecast for 1998-1999. But Martinez said his

company's projections for 1999-2000 are much smaller than those presented by the CMC. "The harvest is going very well in the current cycle," Martinez told Reuters news service. "Production could recover to between 4.8 million and 5 million bags."

However, estimates by Nestle and the CMC are often far apart. The company forecast production for 1998-1999 at 4.3 million bags, 450,000 bags lower than the CMC projections. In addition to the request to control imports, the CMPC and other organizations have asked the government to immediately release promised assistance for small-scale coffee growers under the Alianza para El Campo.

Moises Ceja said the assistance, which the government has failed to deliver in a timely manner, could help producers in impoverished coffee areas of Chiapas, Oaxaca, and Veracruz states recover most of their cost of production, complete their harvest, and bring their beans to market. The delay in the disbursement of funds under this program has been blamed in part on disagreements between the federal and state governments on how these resources will be managed. "I want to ask authorities what they are going to do if they suddenly have to deal with social unrest in the nation's coffee-producing areas," said Moises Ceja. (Sources: El Universal, 07/26/99; Reuters, El Economista, 09/02/99; La Jornada, 09/03/99)

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