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Mexico Agrees To Participate In Plan To Manage Coffee Supplies

by LADB Staff
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The Mexican government, after years of resisting proposals to regulate coffee supplies, has agreed to a plan presented by Latin America's major producers to boost prices. In a summit held in early May, representatives from Brazil, Colombia, Mexico, and five Central American countries agreed on a Brazilian plan to reduce exports by about 7 million 60-kg sacks, effective with the 2001-2002 harvest. Proponents said the plan is expected to succeed because of the participation of Mexico and Guatemala, two countries that in the past have resisted the coffee-retention schemes proposed by the global coffee-producers cartel (Asociacion de Paises Productores de Cafe, APPC). "We have many reasons to feel optimistic because of the support from Mexico and Guatemala," said Celio Osorio, director of the Instituto Hondureno del Cafe. "We congratulate them for their decision to join this initiative." The Latin American coffee-producing countries proposed the plan as a means to halt the plunge in coffee prices, which have fallen about 30% to 40% since December 1999. The supply-management plan has taken on additional importance for Mexico this year because production is expected to increase by as much as 1.2 million bags in the 1999-2000 season (see SourceMex, February 16, 2000). Low coffee prices prompted Mexican producers to organize a massive demonstration in Mexico City in late March to demand that the government take steps to boost prices and regulate imports of green coffee beans (see SourceMex, March 22, 2000). Analysts said Mexico was persuaded to participate because the Brazilian plan does not require producers to withdraw a large supply of coffee beans at one time. Instead, the plan seeks a more orderly marketing of the harvest.

Mexico forges alliance with Central American producers

Mexico's intention to participate became apparent in early April, when President Ernesto Zedillo's administration forged an alliance with Costa Rica, El Salvador, Nicaragua, Guatemala, and Honduras to coordinate coffee-marketing. The six countries then created a united bloc during discussions with Brazil and Colombia on the Brazilian plan. The plan essentially gives each participating country options to develop their own plan to regulate coffee supplies, said Brazilian agriculture official Paulo Cezar Samico. In the case of Mexico, the Secretaria de Agricultura, Ganaderia, y Desarrollo Rural (SAGAR) has decided to increase storage subsidies, which allow coffee beans to be sold throughout the year rather than saturating the market shortly after the harvest. "We will have to support production with such mechanisms as certificates of deposit and adequate financing in such a way that these will not affect international coffee prices," said deputy agriculture secretary Jose Antonio Mendoza Zazueta. The government storage subsidies are essential for the plan to work because Mexico lacks a sufficient number of certified warehouses to support stockpiling.
Key coffee-producing organizations endorse plan

The plan also won endorsement from two key coffee-industry organizations, the Confederacion Mexicana de Productores de Cafe (CMPC) and the Asociacion Mexicana de Exportadores de Cafe (AMEC). The CMPC has been the principal opponent of any APPC proposals to withhold large amounts of beans from the market at one time. "All the Central American nations, Mexico, Colombia, and Brazil have agreed on a mechanism to regulate the market," said CMPC president Alfredo Moises Ceja. "This is a significant step because we are all now in agreement." The AMEC also had been skeptical about the earlier retention schemes proposed by the APPC. "We do not want to enter a retention plan that pushes up the price so that any producing country, to take advantage of this, can violate it and throw all it's coffee on the market," AMEC president Genaro Hernandez said in April when Mexico was first considering the plan. Still, AMEC remains concerned that the Brazilian plan may not be sufficient to bring down the global surplus of about 10 million 60-kg bags. "If we ground up the inferior beans and used the grounds to improve the soil around the trees, we would have a more balanced supply and demand," Hernandez said in a recent interview with the daily business newspaper El Financiero. "This would boost prices and also improve productivity." Mexico's coffee exports are running far ahead of last year, contributing to the large global supply.

Statistics released by the Consejo Mexicano del Cafe (CMC) showed Mexican exports in the first six months of the 1999-2000 marketing year, which began in October, totaled 2.94 million. This was more than 30% higher than in the same October-March period during the 1998-1999 season. SAGAR officials expect to implement the supply-management plan in conjunction with efforts to increase demand both within Mexico and in other countries. Mendoza Zazueta said there is strong potential to boost coffee consumption in Mexico, one of the lowest in the world at 400 grams per capita. The Mexican industry believes domestic consumption could double in three or four years if enough resources are invested in promotion. Mexico and other coffee-producing countries are also expected to boost promotion in China, Russia, and Eastern European countries, considered strong potential markets, the SAGAR official said. (Sources: Associated Press, 04/05/00; Reuters, 04/05/00, 04/10/00; El Financiero, 04/06/00, 04/12/00; La Jornada, 04/27/00; Notimex, 05/01/00; El Economista, 04/06/00, 04/11/00, 04/12/00, 05/02/00; Excelsior, 04/07/00, 04/11/00, 04/12/00, 05/03/00, 05/09/00)

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