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## Central American Coffee Producers Debate 10% Voluntary Output Retention

by Deborah Tyroler

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On Aug. 27, Guatemalan and Colombian officials met to discuss coffee supply reduction measures in an attempt to raise world market prices. At present, the average price is about \$0.90 per kg. The global export quota system, administered by the International Coffee Organization (ICO), collapsed in July 1989. The Colombian government has proposed that exporter nations retain 10% of respective annual output. Officials in Colombia, Brazil, Guatemala, Costa Rica, Honduras and El Salvador are considering the proposal. According to the Brazilian daily business newspaper *Gazeta Mercantil*, the six countries represent 60% of world coffee production. Some of Guatemala's largest producers, however, oppose the voluntary reduction idea. Alfredo Chinchilla, president of the National Coffee Association (ANACAFE), said, "Since the quota system was abolished, Guatemala can export all its coffee production without any obstacle, and consumers can choose and purchase the quantity and quality that they freely wish." ANACAFE says the 1989-90 harvest, the largest in Guatemalan history, produced 3.162 million sacks for export, putting Guatemala in fifth place among ICO exporters. Despite low prices, Guatemala sold more and earned more revenue than in the previous coffee cycle. ANACAFE executive director James McSweeney said, "The free market [also] avoids the problem of spending on warehousing coffee, and makes it possible to use those credit lines on other productive activities in Guatemala." Guatemalan and Colombian economists report that since July 1989, coffee producer nations have lost approximately \$5.2 billion due to price deterioration. According to a report by the Institute of Economic and Social Research at the University of San Carlos in Guatemala City (IIES), coffee exporters were forced in 1990 to increase export volume by 60% to maintain the previous year's income. The Guatemalan delegation was interested in learning how to combine the retention proposed by Colombia and the income increment generated by the eventual suspension of tariffs on Central American products by the European Community. Colombia, Bolivia, Ecuador and Peru, are already beneficiaries of EC tariff suspension. Since 1990, Bogota has channeled the resulting income increment to an environmental recovery program focused on coffee-producing areas. Colombian officials have suggested that Central American nations could follow the same model. (Basic data from Inter Press Service, 08/27/91)

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