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LADB Staff

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Central American coffee producers are facing world market prices so severely depressed that some experts are predicting the crop could disappear in some countries as an export commodity. A Salvadoran broker said, "The price producers receive for...[the best] coffee from a company like Starbucks is equivalent to what they were getting for regular-quality coffee in better times."

Oversupply, in part a result of increased exports from Asia, as well as high overhead costs, have brought many producers to ruin in Central America and Mexico (see SourceMex, 2001-05-16). Vietnam replaced Colombia as the second-biggest producer after Brazil, with a harvest of 11 million bags in 2000, compared to Colombia's 9.5 million bags. The market has been erratic in recent years but generally on a downward trend.

Prices in the early 1990s fell below US$100 per quintal (46 kg), then recovered in 1997 to US$270, only to collapse again in 1998. The world price in late May hit US$56.87 per quintal, the lowest price quoted in the last seven years at the New York Board of Trade. At that price, producers cannot recover costs. Ricardo Espitia, head of the Consejo Salvadorena de Cafe (CSC), told Inter Press Service that the slump had forced coffee farmers to diversify, while the government proposed a credit program to help them get out of the coffee business. Reducing supply has not worked Last year the Association of Coffee Producing Countries (ACPC) attempted to stabilize prices by withholding 20% of the crop for two years. The association is planning a further 5% reduction in output. But not all producing countries belong to the ACPC, and Brazil decided to increase output in the current harvest season.

The slump could be particularly disastrous for El Salvador, already reeling from a series of earthquakes that began in January. The loss of export earnings from this year's crop could cost the country 40,000 jobs or one-third of the industry's labor force.

In Honduras, Juan Jose Osoro of the Instituo Hondureno de Cafe predicted that, with an estimated loss of US$160 million affecting 100,000 families this year, the coffee industry could disappear in Honduras. In Nicaragua, losses in convertible currencies caused by the low prices are estimated at US$90 million this year. Nicaraguan producers complained that a government assistance proposal was insufficient and held protest marches to call for "real" solutions.

The government proposed to loan producers US$25 at 9% interest for each quintal of coffee they exported. The funds would come from the Fondo Nicaraguense de Inversiones (FNI) and the Fondo de Credito Rural (FCR). Small producers, already burdened with debt, said the plan was no solution to the crisis. During a protest march in May, growers asked the government for financial help and demanded the suspension of all bank foreclosures and immediate refinancing of the coffee growers' combined debt of US$100 million.

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In Guatemala, the coffee crisis is unfolding against a background of economic stagnation and a government push to raise taxes. The economic costs of the price slump are extensive throughout all levels of production. Guatemala has only 213 large producers with an average output of 6,000 quintals, but there are another 80,000 producers, most of whom have an output of less than 100 quintals.

An editorial in the daily La Prensa posed the political dilemma facing the administration of President Alfonso Portillo. "If it's valid for the regime to have helped banks belonging to a financier and friend of President Portillo...it will be interesting to see what pretext the administration will give for abandoning thousands of small and medium-size producers to their fate," said the editorial.

However, Congress president Efrain Rios Montt proposed an emergency finance program to support producers. He said that the government would begin in June to disburse US$50 million in direct aid to small producers and another US$25 million for them to purchase fertilizers. He did not say where the money would come from, but there are calls for declaring a state of emergency and going to the Banco de Guatemala for the funds. At the same time, growers are hoping that Congress approves a US$500 million Eurobond issue to keep the industry afloat. Aside from direct support for producers, the funds would help them switch to other crops.

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