

Coffee and the Mexican Agricultural Crisis

Article Summary

Agricultural Organizations Propose New Programs To Address Crisis Among Coffee Growers

(Wednesday, October 27, 2004)

Agriculture organizations and federal legislators have proposed a new legislative initiative to support Mexico's coffee growers, who are facing an extended crisis because of extremely weak international prices. The current crisis in the coffee industry dates back to 2001, when surplus production from Vietnam began to enter the market, causing a sharp downturn in prices.

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Lesson One

Before the industrial revolution, coffee was a luxury item available only to the privileged economic elite and produced only in the regions surrounding the Middle East. Shortly thereafter, coffee demand rose and it became one of the primary exports for many countries. As part of a coffee awareness campaign, a major coffee company has asked you and your two colleagues, graphic designers, to create a graphic history of coffee for the last several hundred years. Some important questions you will want to consider are: Where did coffee originate? Where was it popularized? Why did its cultivation spread? Where does it grow well? How has its cultivation affected various parts of the world economically and socially? How has coffee drinking changed over the years? Your graphic history may include a timeline, graphs, maps, pictures, images, and so forth, to make it easily understood by viewers.

Lesson One Content Links

"Wikipedia: History of Coffee"

http://en.wikipedia.org/wiki/History_of_coffee

"Timeline of Coffee"

<http://www.koffeekorner.com/koffeehistory.htm>

"Coffee History, Cultivation, Botanical Notes"

<http://sovrana.com/libstory.htm>

"About Coffee: Fundamentals"

<http://www.lucidcafe.com/fundamentals.html>

"National Geographic: Major Coffee Producers"

<http://www.nationalgeographic.com/coffee/map.html>

"Natural Resource Defense Council: Coffee, Conservation and Commerce in the Western Hemisphere"

<http://www.nrdc.org/health/farming/ccc/chap2.asp>

Lesson Two

Subsidies paid by governments to growers of agricultural goods, such as money paid by the Mexican government to Mexican coffee growers, are a common way of helping growers deal with low prices for their crops. You have recently been hired as the Deputy Assistant Secretary of Agriculture for the United States. You have been asked to prepare a chart that outlines the agricultural subsidies that are available in the US and to present it to the department. Does the US even give agricultural subsidies? On what crops? How much do they pay? Have they gone up or down in recent years? Also: Are they important to keep or should the US stop paying them? Find out as much as you can and put the information into an easily read chart(s) for the presentation.

Lesson Two Content Links

"Washington Times: Agricultural subsidies targeted"

<http://www.washtimes.com/business/20031207-114046-8545r.htm>

"Wikipedia: Agricultural Subsidy"

http://en.wikipedia.org/wiki/Agricultural_subsidy

"Speak Out: Should the Government End Agricultural Subsidies for Peanuts and Sugars?"

http://speakout.com/activism/issue_briefs/1150b-1.html

"InfoPlease: U.S. Assistance Programs"

<http://www.infoplease.com/ce6/sci/A0856509.html>

"InfoPlease: Attempts at Ending Subsidies"

<http://www.infoplease.com/ce6/sci/A0856510.html>

"PBS: Lesson Plan for Economics Classes"

<http://www.pbs.org/newshour/extra/teachers/lessonplans/world/trade.html>

Lesson Three

You and your group are farmers from the Putumayo region of Colombia. In recent years, you have all turned to the cultivation of coca plants. You know that it is risky and illegal and that the coca will be processed into cocaine for export, probably to the United States. However, as a farmer, you can make much more money growing coca than you can raising other crops, making a better life for your family. With your group, discuss what the government can do to convince you to change from growing to other crops. Compose a letter to President Uribe telling him who you are, what you do, and how his administration could help you make a successful transition to the cultivation of legal crops.

Lesson Three Content Links

"BBC: Peru's Coca Farmers Stage Protest"

<http://news.bbc.co.uk/2/hi/business/2965423.stm>

"National Geographic: An illegal cash crop sustains local farmers and a 40 year old guerilla movement in Southern Columbia"

<http://magma.nationalgeographic.com/ngm/0407/feature2/index.html>

"Food and Agriculture Organization: Offering Bolivian coca growers legal alternatives"

<http://www.fao.org/newsroom/en/field/2004/35907/>

"University of Northern Iowa: Eradication of illicit crops and alternative development "

<http://www.uni.edu/ihsmun/resources/GUIDES/Eradication.htm>

"United Nations Information Service: Sustainable elimination of illicit crops, promotion of alternative crops stressed as third committee debates drug prevention strategies"

<http://www.unis.unvienna.org/unis/pressrels/2000/shc298.html>

Agriculture Organizations Propose New Programs To Address Crisis Among Coffee Growers

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By: Carlos Navarro

Agriculture organizations and federal legislators have proposed a new legislative initiative to support Mexico's coffee growers, who are facing an extended crisis because of extremely weak international prices. The current crisis in the coffee industry dates back to 2001, when surplus production from Vietnam began to enter the market, causing a sharp downturn in prices (see SourceMex, 2001-07-25 and 2001-10-03).

The market has inched higher at times during the last three years, but prices have remained well below the levels needed for growers to even recover their cost of production. Until recently, during the past three years, prices for green coffee beans have failed to even approach the threshold of US\$85 per 100 pounds, said Fernando Celis Calleja, director of the Coordinadora Nacional de Organizaciones Cafetaleras (CNOC). The initiative would create the Ley de la Cafecultura to either supplement or replace the federal government's current price-support plan, which critics say has only helped a small portion of growers. The program would offer direct supports and loans to growers who have been unable to obtain financing.

The existing price-support plan was introduced by President Vicente Fox's administration in 2001 with the main goal of bridging the gap between the cost of production and global prices (see SourceMex, 2001-12-19). In a report published in mid-October, the Secretaria de Agricultura, Ganaderia, Desarrollo Rural, Pesca y Alimentacion (SAGARPA) said the government had distributed 4 billion pesos (US\$347 million) to 400,000 coffee producers in 12 states during the three-year life of the program. The funds have served not only to support prices but also to improve the quality of coffee and to assist growers with marketing and promotion activities. Existing program called inadequate The SAGARPA report runs contrary to the assessments of some grower organizations like the Confederacion Nacional Campesina (CNC), which contend that government supports failed to reach almost half the coffee growers in Mexico during the past three years. The CNC said the government's program is overly bureaucratic, depriving many growers of supports because they lack the appropriate paperwork required by the Consejo Mexicano del Cafe (CMC) during the marketing period. Eleuterio Gonzalez, director of the Union Nacional de Productores del Cafe (UNPC), a CNC affiliate, said a survey by his organization indicates that only about 271,000 of the 477,000 coffee growers registered with the government actually received direct SAGARPA supports, which are disbursed through the CMC.

"The coffee growers who live in the sierras and more remote regions are the ones who least benefit from the government programs," said Gonzalez. Gonzalez said coffee growers are pushing for SAGARPA and the CMC to make the support programs more equitable. "All we ask is that the government create a policy that is more integrated and which will bring a greater sense of order to the market," said the UNPC leader. The depressed coffee market has greatly reduced the ranks of small-scale coffee growers, forcing many to abandon their life-long activity to pursue other lines of work. One study by federal legislators from Veracruz indicates that more than 12,000 coffee growers in the state have abandoned their plots to emigrate to the US. "This is a very worrisome trend," said Deputy Marcelo Herrera Herbert, a member of the center-left Partido de la Revolucion Democratica (PRD). In some regions of Veracruz, such as

Tlapacoyan, the exodus has left such a gap that coffee production has disappeared altogether, said the CNOC. CNOC president Celis said, however, that expatriates from coffee-growing regions are sending funds back to their communities, which in turn are helping sustain coffee production among small-scale growers. With most of the men gone from these communities, women and children are the ones now in charge of growing and picking the coffee beans, said Celis.

The CNOC has joined the UNPC and other organizations in criticizing what they see as the government's inadequate policies. Among other things, the CNOC has taken issue with the government's production forecast of 4.5 million 60-kg bags for 2004-2005. Celis said the forecast does not reflect the poor weather conditions that affected the coffee-growing regions during the flowering stage of the crop. The CNOC leader said the overly optimistic production forecast is another example of the government's misleading assessment about the Mexican coffee industry. "It is irresponsible for the government through SAGARPA and the CMC to conceal the crisis that is affecting our sector," said Celis. New program offers direct support, loans to growers The CNOC and the UNPC have teamed up with legislators from the special committee on coffee (Comision Especial del Cafe) in the Chamber of Deputies to draft the Ley de Cafeticultura. The proposal recognizes that the government has boosted funding for coffee producers, but this funding has been unable to increase the productivity and the quality of Mexican coffee beans and has failed to raise coffee growers and their families out of poverty. The legislation would create two entities: a special agency to tend to the needs of coffee producers and a Banco del Cafe, which would provide financing to producers at low interest rates.

UNPC director Gonzalez said the main benefit of the new law is to create a legal instrument that protects coffee producers. "If we do not change our way of being, we are condemned to disappear," Gonzalez said in a meeting with members of the Chamber of Deputies and the Senate. The proponents of the law have asked the Fox administration for its support. "Approval of this law would be a giant step to boost the coffee sector and in particular the small-scale and indigenous producers, who have suffered the most from the globalization trend in the past 15 years," CNC president Heladio Ramirez Lopez said in a meeting with CMC director Roberto Giesemann. Giesemann defended the existing program implemented by the Fox government three years ago, but also acknowledged the need to take other actions to boost the Mexican coffee industry. In particular, he noted that Mexico has failed to attain the high levels of productivity, which had reached as high as 6 million 60-kg. sacks 12 years ago.

In recent years, production has averaged only about 4 million sacks annually, with exports bringing about US\$250 million annually. In contrast, coffee-export revenues were reported at US\$450 million in 1990-1991 (see SourceMex, 1991-06-05). Coffee exports in 2003-2004 are estimated at 2.42 million sacks, the lowest level in 25 years. Celis said this projected level of exports is a significant decline from levels even four years ago, when exports reached 5.3 million sacks. Deputy Jorge Baldemar Utrilla Robles, who chairs the special coffee committee in the lower house, blamed the decline in exports in part on the unwillingness of the government to promote Mexican coffee more aggressively. During the 1980s and into the 1990s, coffee exports were one of the principal sources of revenue for Mexico, said Utrilla, a member of the former governing Partido Revolucionario Institucional (PRI). Utrilla Robles said the new coffee law would promote domestic consumption, which could absorb a significant percentage of the Mexican-grown coffee beans. He said Brazilians consume 4.4 kg of coffee per capita, compared with only about 700 g per capita in Mexico. "If we could raise domestic consumption by about 1.5 kg per person each year, our total domestic sales of coffee beans would rise to about 3 million bags," said Utrilla.

Domestic consumption has increased slightly in recent years because of the arrival of specialty coffee shops like Starbucks, Coffee Station, and The Coffee Factory (see SourceMex, 2002-09-25). Growers criticize Nestle, others for buying policies Some organizations say the government and multinational companies can do more to help increase demand for Mexican coffee. One protest in mid-October targeted

Swiss-based multinational company Nestle for the low prices the company pays growers for its domestic purchases. The protest, held outside the Mexico City headquarters of Nestle, said the company imports lower-quality beans to use in its instant coffee to avoid paying growers in Mexico a fair price for their beans. "Nestle got preferential treatment under NAFTA, allowing it to exercise a near monopoly over instant coffee in Mexico," the protest organizers wrote in a leaflet.

Some small-scale growers and cooperatives in Mexico have been able to turn their fortunes around by catering to the growing demand for organic fair-trade coffee in the US and Europe. Many of these growers reside in impoverished states like Oaxaca, Guerrero, and Chiapas. Some communities in the region controlled by the Ejercito Zapatista de Liberacion Nacional (EZLN) use sales of organic coffee to earn income (see SourceMex, 2004-09-15). The trend toward organic coffee has also drawn some multinational companies like Starbucks and Coffee Company International. These companies have teamed with organizations like Conservation International (CI) to promote production and marketing of organic coffee. Some small-scale growers, however, have resisted the involvement of Starbucks in the organic-coffee movement and have refused to sell their beans to the multinational company. Sixto Cruz, a spokesman for the Triunfo Verde cooperative in Chiapas, accused Starbucks and others of engaging in "trade imperialism." Other nongovernmental organizations (NGOs) that have been involved in the organic fair-trade coffee movement agree with that assessment.

"If Starbucks and CI were really serious about creating a more sustainable industry, they would be talking about reinstating the global controls on coffee prices," said Ronnie Cummins, director of the Minnesota-based Organic Consumers Association (OCA), in an interview with United Press International.

"Starbucks is also bypassing well-established international three-party certification standards for organic and fair-trade in favor of using their own version of the terms." [Note: Peso-dollar conversions in this article are based on the Interbank rate in effect on Oct. 27, reported at 11.51 pesos per US\$1.00]

(Sources: Agence France-Presse, 01/08/04; United Press International, 09/28/04; El Universal, 10/04/04; Associated Press, 10/11/04; Notimex, 05/16/04, 06/10/04, 10/12/04; The Herald-Mexico City, 10/12/04; Agencia de noticias Proceso, 06/07/04, 10/18/04; La Jornada, 05/12/04, 06/04/04, 10/04/04, 10/22/04)

Standards

National Standards (McREL) <http://www.mcrel.org/>

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 - Understands the concept of prices and the interaction of supply and demand in a market economy
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 - Understands basic features of market structures and exchanges
- ***Economics Standard 10***
 - Understands basic concepts about international economics
- ***Geography Standard 2***
 - Knows the location of places, geographic features, and patterns of the environment
- ***Geography Standard 11***
 - Understands the patterns and networks of economic interdependence on Earth's surface
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 - Understands and knows how to analyze chronological relationships and patterns
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 - Understands major global trends from 1750 to 1914
- ***World History Standard 42***
 - Understands major global trends from 1900 to the end of World War II
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 - Uses grammatical and mechanical conventions in written compositions
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