

Case Study of the Coffee Sector in Mexico

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This is a study of the coffee sector in Mexico, with special reference to that sector in the state of Chiapas. We offer a macro-economic and general analytic framework, and complement that with family-level case study exemplary details. Our intention is (1) to provide a profile of the social conditions, and the organisational initiatives of the peasant coffee producers in Chiapas, (2) to identify the national and international economic and political forces that impact on the lives of the small producers, and (3) to delineate policy recommendations originating particularly in the small-producer coffee organisations.

1. Overview

In the study of Mexico's coffee sector, one finds the key components of the national search for an economic model and the great themes associated with the social integration of the modern nation-state. Agrarian exports – whether indigo, meat, or fruits and vegetables – have been a fundamental aspect of economic growth since the Colonial period and coffee first achieved prominence in the late 18th Century, with the center of production in the states of Veracruz and Oaxaca. By the middle of the 19th Century, German and Italian farmers, many with previous experience in Guatemala, established themselves along the Pacific Coast plateau of Chiapas, introducing plantation-style coffee farms which depended on the cheap contracted labor of Mayan Indians whose families lived in the traditional communities of the Chiapas Highlands.

If Mexico's economic history is one of seeking – and finding – release from dependence on agriculture, its social history is marked by the (still elusive) equitable incorporation of the largely Indian peasantry into the national body politic. This is a framework for appreciating many of the landmarks of Mexican history. With the liberal reform of the mid-19th Century, the government wrested control of large tracts of land from the Catholic Church, on the one hand, and from collectively-franchised Indian communities, on the other. Then, as payment for their crucial role in the Mexican Revolution (1910-1920), peasants were rewarded with the return or new entitlement of lands, in an agrarian reform programme which broke up many of the large haciendas. Indeed, it was with the take-over by peasants of the Veracruz and Oaxaca coffee plantations that smallholder coffee production began in Mexico (Hernández, 1996).¹

¹ At the global level, coffee has become increasingly a strategy of small farmers. In the 1970-80s, the FAO estimated that 12% of coffee consumed was bought from smallholders; more recently that figure has jumped to 40% (largely due to increases in coffee production in the African nations). (Renard 1999: 187)

The post-revolutionary land reform was based on a concept of “social property”, distinct both from private property and public lands. Traditional Indian territories were restored as “*comunero*” lands and newly-awarded peasant (usually Indian) lands came in the form of “*ejidos*”. These were non-alienable collective landholdings, which in practice came to include commons and individually-controlled house plots and fields. It was not until the latter part of the 20th Century that Chiapas followed the national example of land redistribution, combining the break-up of *latifundia* with the opening, or “colonization”, of national lands – particularly at the expanses of the Lacandon Jungle and Cañadas region in the eastern part of the state. The hired hands on the coffee *fincas* brought coffee beans back in their pockets, planted them at home, in the Highlands and northern part of the state (when the altitude was not too high), and carried the coffee with them when they migrated to the lowland-mountain rainforests of the Cañadas. (Ordóñez; Pérez-Grovas, 1998)

Mexico’s industrial take-off (mid 1940s – 1970s) was funded in large measure by redirected surplus value from the agricultural sector. As a result of these unfavorable internal terms of trade, the proportion of the population in the rural sector was in steady decline, arriving at something over a third of the total population by the end of that period (and a quarter, by the end of the century). With the discovery of massive oil reserves in the 1970s, and attempting to curtail increasingly militant social discontent, including among the peasantry, the government increased spending in rural social programs and opened or expanded state-run agricultural initiatives in the 1970s and 1980s.

One of the most successful of these initiatives was that of the Mexican Coffee Institute (Instituto Mexicano del Café, or INMECAFE)². The crop made sense, as coffee was ideal for mountainous zones – a characteristic of the traditional Indian refuge zones – and required small capital investment. Offering plants and forward financing, technical assistance, and a guaranteed market, INMECAFE promoted very strong peasant entry into the coffee sector. The land area devoted to coffee spread dramatically.³ Of the total production in Mexico in the 1990s, 66% came from producers with holdings of less than 10 hectares, and 45% from those with less than five hectares. In the Mexican Southeast⁴, 82% of the farmland planted in coffee was owned by those with less than five hectares in total, and 69% were peasants with less than two hectares of land. (Celis, 2000; Sagar, 1999)

It should be noted that, until 1990, coffee was the third greatest source of foreign exchange (after petroleum and automobiles), representing 3% of total exports, and 42% of total

² INMECAFE was a federal government program created in 1971 with the mandate to promote and control coffee production and sales, through investigation, technical assistance, financing, industrial processing, and export. INMECAFE was phased out from 1989 to 1992. INMECAFE was the culminating moment of government intervention in the sector, which began with the creation of the National Coffee Commission (Comisión Nacional del Café) in 1949. (Santoyo, et al., 1994)

³ In Chiapas, for example, coffee was produced on 17,000 hectares in 1977, and on 50,000 in 1988. (Instituto Maya, *Gran Visión*, 1999) Needless to say, this included expansion into lowland areas entirely inadequate for the production of high-quality coffee.

⁴ This is the southern horn of México, including Oaxaca, Yucatán, and the states in between. The largest Indian and the largest peasant populations reside in the Southeast.

agricultural exports. In recent years, coffee has brought in some US\$800,000,000 in foreign exchange annually.

This “golden era” of coffee was due in no small measure to the international market controls agreed by producer and buying countries and administered by the London-based International Coffee Organisation (ICO). During the years of this quota system (1962-1989), INMECAFE was by far the principal buyer and exporter in Mexico (compared to private national and international agents). (Renard, 1999) However, the ICO accords broke down in 1989, largely as a result of the liberal-principled withdrawal of the United States and other large consuming countries; with enormous world stocks, coffee prices duly fell, even by more than half – to US\$0.50/pound, at one point in 1992 –, and never to recuperate to previous levels. Meanwhile the Mexican government, consistent with its own overall neo-liberal economic policy, determined to curtail state intervention in the sector, and sold off INMECAFE’s tangible holdings, including, most prominently, the industrial processing plants (*beneficios secos*).

This sudden collapse of the state-controlled, production-processing-marketing pyramid exposed small producers to the vagaries and easy exploitation common in other commodity markets. Without transport, without processing facilities, without financing, and without knowledge of markets, a Mexican peasant coffee producer did well to sell his green coffee bean harvest (the pulp broken down and sun-dried, at his house) to the intermediary (*coyote*, in local parlance) – or the first of the chain of intermediaries – who had a vehicle and could pay cash. The negotiations tended to be one-sided. (Even the scales were unjust, according to many peasants’ first-hand experience.)

On the other hand, for the intermediaries (all those between the producers and the consumers) rather spectacular profits were to be had. The retail price of coffee has not declined. Rather, promotional costs rise, corresponding to greater brand competition. And the market has segmented, with quality and other characteristics opening niches, in which, too, providence of the product has taken on markedly increased importance. What was once a market with such simple distinctions as ground beans/instant/decaffeinated now includes gourmet/organic/fair trade/denomination of origin.

Naturally, coffee lost its previous importance as an export product. By 1993, it represented only 0.55% of export earnings, and 14.55% of agricultural earnings. Roughly 280,000 families still depended on its production for income. But, without the means to purchase inputs (fertilizers, pesticides, renewal of plantations), productivity per hectare slumped (from 12 to 6.3 “*quintal*”⁵ sacks, from 1989 to 1993), and indeed, farmers left off harvesting altogether (of the 760,000 hectares planted in coffee, 560,000 were harvested in 1993), simply because it didn’t pay, when prices were under a dollar a pound. (Renard 1999, 267).

⁵ The international conventions for weighing coffee are complicated. A quintal is 100 pounds (46 kilos) of green coffee. If the coffee is not fully processed (and therefore in the “green coffee” state), it may be in the form of semi-processed “parchment” coffee, or in unprocessed “cherry” form. A quintal of parchment coffee is equal to 57.5 kilos, being the quantity of parchment coffee that, once processed would be equal to the 46 kilos of green coffee. A quintal of coffee cherries is equal to 250 kilos. Thus the weight of a quintal depends on the form in which the coffee is found.

During this transition, the agro-industrial marketing and processing chain suffered modifications which transferred advantages to the larger international corporations. National operators were hampered by their limited access to credit while the great international trading companies – quickly taking over their bankrupt smaller cousins – were recipients of vast loans. (In 1989, E.D.&F. Man obtained a credit of US\$250,000,000, from a consortium of 23 banks.⁶) The transformation industry (toasted, dehydrated or “instant”, or decaffeinated coffee) moved toward oligopoly, dominated by Philip Morris, Nestlé, Sara Lee and Proctor & Gamble.⁷ By the end of the century, four international corporations handled 70% of the coffee industry in the OECD countries.⁸ Of course, the liberalised international coffee market has reinforced the buying and sale of futures and hedging; the increasingly speculative nature of the market has increased the insecurity of small producers and, in high markets, has reduced the proportion of profit destined to that (initial) link in the chain.

Remarkably, in repeated instances, particularly in the states of Oaxaca, Chiapas, Guerrero y Veracruz, many peasant producers, together with a handful of committed agronomists and other professionals, responded to the crisis provoked by INMECAFE’s demise by creating grassroots organisations, cooperatives and other types of producer-owned or “social” enterprises. These social organisations of small-scale coffee producers evolved a menu of strategies – the collective purchase and running of processing plants and ware houses, technical assistance, some financing, collective sales of their product even eventually exporting directly – and a tiered network, operating independently of the government (though, of course, establishing relations, lobbying for policies favourable to the small producers, and sometimes receiving funding under various programmes).

The National Coordinator of Coffee Organisations (Coordinadora Nacional de Organizaciones Cafetaleras, CNOC), formed in 1989, represents interests of the independent coffee sector in negotiations with the government and provides information and coordinates strategies, at the national level, of over 25 independent coffee organisations in the country. It thus represented almost 70,000 small-scale coffee producers (about 35% of the national total) in the states of Chiapas, Veracruz, Oaxaca, Guerrero, Puebla, Hidalgo and San Luis Potosí. CNOC attempted, in two initiatives, to facilitate the marketing of members’ coffee, in order for small producers to obtain greater profits. The *Promotora de Cafés Suaves Mexicanos*, employing the marketing information service of Reuters, offered constantly-updated pricing, volume and other information on the international market to member organisations attempting to gain entrance into the export market. It also attempted to facilitate contracts directly with international buyers. The second CNOC enterprise, Aztec Harvests Coffee Company, exported and wholesaled coffee from four CNOC member organisations (from Chiapas, Guerrero, and Veracruz) through its California, United States-based office. Aztec Harvests suffered from a lack of assured, quality

⁶ Renard 1999: 147.

⁷ Consumers in developed countries have seen steady prices – or at most a reduction of 10%, while producers have seen their selling price of the raw material decline by half, since 1989. The Mexican government did open an investigation, in 2000, regarding “disloyal” competition on the part of major exporters in the country. Two of the cases are still pending. (Roberto Juárez, 2001)

⁸ *Ibid.*: 151.

product, under-financing, and organisational struggles, and closed its doors in 1995. The experience also taught CNOC of the complexity of a third-tier social organisation, obliged to respond to a diverse membership, trying to act in a timely fashion in the commodities market. Not easy.

CNOC affiliates have developed with impressive success various state-level second-tier organisations. CEPSCO, in Oaxaca, is doubtless the most consolidated. And COOPCAFE, in Chiapas – allied, for reasons of their similar paths, with CEPSCO – is among the most dynamic state-level CNOC affiliates. Belonging to COOPCAFE are 32 local coffee organisations of various sizes and level of consolidation, with a conglomerated total of some 15,000 small-producer beneficiaries.

The coffee market has been marked by great volatility since the demise of the international coffee accord, and by a distinct trend toward declining prices. The causes for this are found on both the demand and supply sides of the equation. Worldwide, the consumption of coffee is not growing significantly; technical innovations have permitted processors to reduce their need of the raw material per toasted, milled pound of coffee; and innovations in communications give distributors the advantage of buying quantities on a short-term “just-in-time” basis. At the same time, in addition to large existing stocks, world production is increasing – particularly with the strong entry of Vietnam into the market. Voluntary controls on the part of producers have proved unsustainable. Mexican coffee consistently suffers a 5 to 10 point discount on the New York market due to the uneven quality of Mexican coffee in general.⁹ Prices rose in 1994, but dropped precipitously again in 1998, and have remained at historic lows for most of the period since. Lamentably, Mexican small-scale producers have actually sold coffee at prices lower than their costs, both in much of the period of 1989-1993 and 1999 to the present.¹⁰ It is widely projected that coffee prices could remain in this slump until 2003-2005.

Coffee-exporting countries have recommended a price of US\$1.20/pound to cover costs and a reasonable profit and it was recommended (in the Second General Assembly of Producers in 1992) that organic coffee receive a US\$0.15/pound premium. (Renard 1999: 196)

Various small-producer organisations – particularly among the Indian populations in Oaxaca and Chiapas – have developed innovative strategies, including the niche markets of organic coffee, fair trade, and to a lesser extent denomination of origin.¹¹ Less developed are strategies to diversify out of coffee, though some coffee organisations are experimenting with this in various ways.

⁹ The end of international regulations and quotas has permitted processors to more finely select the type and quality of coffee they need and, as a result, the price differentials according to quality have greatly increased since the end of the International Coffee Accord. Whereas before the price range averaged some 50% (a high quality receiving half again the price of the poor-to-average stuff), now a sought-after product might achieve a price from 100% to 700% higher than the lower quality coffee. (Renard 1999:140)

¹⁰In section 1.2. below, the coffee prices are analyzed.

¹¹ Thirty-five coffee organisations are recognized by the Fair Trade Labeling Organisation (FLO), though not all sell organic coffee, and some sell only small quantities.

General Characteristics of the Coffee Market

“Arabica” and “robusto” are the two types of coffee sold on the international market. Latin America is principally a producer of arabica (though robusto is found in Brazil and Ecuador) while Africa is principally a producer of robusto. Robusto has more caffeine and a sharper taste, and sells for roughly half the price of arabica. Depending on the manner of processing, arabica is classed as “washed” or “un-washed”, the former using water to remove the pulpy fruit from the bean. Mexican coffee is washed, and is known as an “otro suave” (contrasting to the “Colombian suave” – which has its own market niche).

In the world, some 100 million sacks of coffee beans (of 100 lbs. or 60 kilos) are produced yearly. Brazil is the major producer – with the distinction of suffering highly variable weather and not-infrequent frost and drought. Colombia, Indonesia, Vietnam and Mexico follow. In contrast to the unpredictability of the Brazilian climate, other production factors – the non-perishable nature of the product and the long-term investment required¹² – keep the total offer of coffee relatively constant, in the short term.

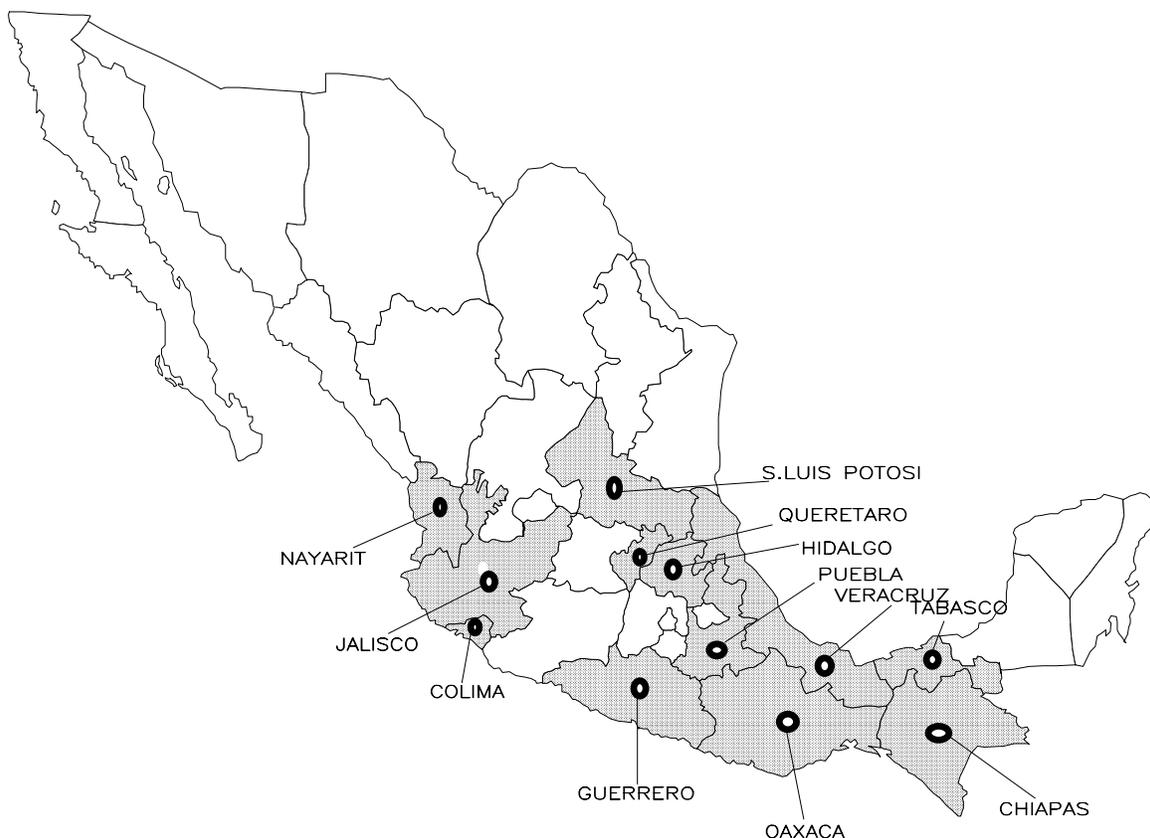
Consumption of coffee is also quite inelastic to price change – though it does vary according to changing cultural patterns. If the United States was the principal buyer of coffee on the world market (45% in 1965), it is now down to 25%; Europe is up to 40%; and Japan is at 7% and increasing its consumption per capita.

These qualities made coffee a relatively easy market to regulate during the years of the International Coffee Organisation. But the secular increase in world production led to a collapse of the price when that lid was removed. And the already-mentioned climatic variables of the few, largest producers have created a volatile market indeed in recent years.

Major producing regions

Coffee production is found in 12 of the 32 states of Mexico, five of which are major coffee producers: Chiapas, Oaxaca, Veracruz, Puebla and Guerrero. In general geograph-environmental terms, we can speak of two mega-regions: (a) the Pacific Slope (including all of Chiapas), which is responsible for 75% of the production and (b) the Gulf of Mexico slope for 25%, as represented in the map below.

¹² The coffee tree only becomes fully productive in its sixth year. Therefore, producers do not easily move in or out of the market.



Production data are presented in the following charts.

Area of coffee cultivation (in hectares)

State	1990	1991	1992	1993	1994	1995	1996	1997
Chiapas	165,000	266,790	231,329	231,329	231,328	231,328	231,329	231,329
Oaxaca	186,752	189,300	189,500	180,500	180,575	180,374	183,106	180,239
Veracruz	132,093	149,057	140,887	141,887	152,438	152,438	152,993	150,187
Puebla	64,752	72,440	65,240	70,176	63,357	67,390	67,825	67,825
Guerrero	38,515	35,818	39,658	38,783	39,230	40,366	39,040	39,584
Otros	113,322	72,496	110,617	94,784	92,974	95,995	93,216	91,808
Nacional	700,444	785,901	776,925	757,423	759,902	767,891	767,509	760,972

(from Centro de Estadística Agropecuaria. Claridades Agropecuarias: SAGAR 1999)

Today there are approximately 780,000 hectares planted in coffee. There are some 250,000 small-scale coffee producers, 185,000 of whom are Indian (principally in the states of Chiapas, Oaxaca, Puebla and Guerrero).

Coffee production, 1997-98 (in 60 kilo sacks)

State	Production	Percentage of national production
Chiapas	1,573,390	32.8
Veracruz	1,392,381	29.0
Puebla	820,247	17.1
Oaxaca	490,220	10.2
Guerrero	202,747	4.2
Other 7 states	321,915	6.7
Total	4,800,900	100

from Centro de Estadística Agropecuaria. Claridades Agropecuarias. SAGAR 1999

Fully three-quarters of Mexican coffee is “*prima lavado*” (prime washed), grown at an altitude of 600-900 meters, and considered of medium-to-lower medium quality in international markets, normally selling at a discount of 5-10 points. The rest, *café de altura* (highland coffee), is grown at 900-1,200 meters and receives a better-than-average price on the international markets. The same may be said of coffee from regions recognized for the high quality of their production, such as Pluma Hidalgo in Oaxaca and Cuxtepec in Chiapas.

On the Gulf of Mexico slope, lack of sun requires growers to transport the coffee cherry to be hulled and dried from the plantations to the processing plants; this is, on average, 50 kilometres. On the Pacific slope, on the other hand, the “wet hulling” is done in small mills and dried on patios at the family household level. The dried bean can be used directly, as a natural coffee, also known as “*café capulín*”. For better quality, it must be finished at a drying plant, or “*beneficio seco*”, which are usually within about 30 kilometres from the plantations.

The majority of the *beneficio seco* processing plants are owned by the 10 largest companies (controlling 63% of total exports), while 197 smaller enterprises – including smallholder-owned cooperatives – control the remaining 37% of total exports. (SAGAR 1999)

Coffee is exported either by sea or land. The major ports are Veracruz and Salina Cruz, Oaxaca, destined for Europe, the United States or Japan. The distance from processing plants to the ports is, on average, 250 kilometres. Coffee also enters the United States via Nuevo Laredo, Tamaulipas, transported, by rail or truck, on average, 1,200 kilometres, from the point of departure of the processing plants.

Mexico is the world’s largest producer of organic coffee: some 90,000 60-kilo sacks, or 20% of the total market. It was the private farm, “Irlanda”, in the Soconusco zone of Chiapas which first obtained organic certification in Mexico, in 1967. Other private coffee-producers followed, but the strategy was principally picked up by peasant organisations and associated non-governmental organisations – initially linked to the Catholic Church. The Unión de Comunidades de la Región del Istmo (UCIRI) in Oaxaca first consolidated an

alternative organic coffee production and marketing strategy; the Chiapanec organisation, Indígenas de la Sierra Madre de Motozintla (ISMAM) followed; and the strategy was subsequently reproduced by a broad array of coffee organisations. The premium from organic coffee varies greatly depending on the price for conventionally-grown coffee, and may be on average at least 10% over the regular price of coffee. Much of this coffee is now also marketed through fair-trade schemes, which perhaps averages an additional 3% premium over the regular cost of coffee. (Instituto Maya 1999)

Importance of the coffee sector in national and regional economies

Coffee has been, until recently, the most important agricultural source of foreign exchange in Mexico, though it is fifth in terms of area cultivated (after corn, beans, wheat and sorghum). In 1999, coffee exports brought the country some US\$800,000,000, which was 17.71% of the total of agricultural exports (versus 26.51% represented by fresh vegetables). The coffee harvest generates 500,000 jobs, and it is estimated that some 3,000,000 persons are employed in activities related to coffee production, processing and sales – which is approximately 6% of the economically-active population of Mexico – and close to a quarter of the economically-active rural population. It is estimated that in the southern coffee-producing states, coffee offers some 52% of the rural economically-active population employment. (Pérez-Grovas 1998; Instituto Maya, *Gran Visión*, 1999)

In the state of Chiapas, some 500,000 persons find work in the coffee sector. Coffee is only second to corn in terms of agricultural production measured in area. It is the principal export crop of the state, and the major source of income for almost 25% of the economically-active population. (*Plan de Gobierno 2000-2006. Eje Desarrollo Económico de Chiapas*)

Export destination

Mexico exported coffee to 58 countries in the 1997-98 harvest, with the greatest part – some three-quarters – going to the United States. Turning to the 1994-95 harvest, the distribution was the following:

Country	Sacks (60 kilos)
United States	2,773,826
Germany	259,028
South Korea	97,858
Canada	79,049
Japan	54,981
Belgium	43,234
Israel	24,176
Other countries	353,222
TOTAL	3,685,476

FONAES 1996, with information from the *Consejo Mexicano del Café*

The United States' is a natural market for Mexican coffee – virtually all of it exported in the form of green coffee.¹³ Land transport is cheaper than transport by sea. The US market seeks the “other milds” quality more than the European market (which buys more of the “Colombian milds”).¹⁴ Nevertheless, upon eliminating its tariffs on Mexican coffee, exports to Europe have grown impressively – from 16% of the 1995-96 harvest to 22% of the 1997-98 harvest. Germany, France, Holland and Belgium doubled their level of imports from one year to the next! This is evidence of the high quality of the Mexican product being more widely recognised. In sum, Mexican coffee is better positioned now than in any period since 1989. Europe is evidently opening up, and, with regard to the United States, the decline in coffee consumption appears to have bottomed out, while consumption of speciality coffees is increasing pronouncedly, reaching levels similar to that in Europe.¹⁵ (Instituto Maya 1999; 57)

Following is a breakdown of the types of coffee exported (1997-98):

Type	Volume (60 kilo sacks)	Value (US\$ thousands)
Prime washed	2,357,751	461,375
Altura	587,721	121,422
Prime washed decaffeinated	194,125	42,759
Instant	182,061	31,944
Prime washed organic	131,286	27,339
Altura organic	94,991	22,087
Well washed decaffeinated	75,010	15,846
Desmanche	63,147	7,469
Extra prime washed	42,665	8,431
Altura decaffeinated	42,027	10,216
Robusta washed	21,646	3,034
Toasted and ground	15,286	4,395
Robusta washed, decaffeinated	11,578	1,740
Well washed	11,183	1,881
Other naturales	10,852	1,538
Natural Atoyac	8,986	1,431
Instant decaffeinated	7,719	2,102
Altura Marago	5,314	1,393
Toasted, ground, decaffeinated	4,551	1,617
Others	14,162	2,734
Total	3,882,121	770,753

SAGAR, 1999, Consejo Mexicano del Cafe. Claridades Agropecuarias

In 2001, five major exporting companies are responsible for half of the total volume of coffee exported, while the other half is in the hands of some 30 medium-sized companies.

¹³ Indeed 95% of the coffee exported from Mexico is in the form of green coffee. And only 4-5% of the instant coffee processed in the country is for export. (Perez-Grovas; Roberto Juarez, interview, July 2001)

¹⁴ The three most important US buyers are: General Foods (Philip Morris), Folger's (Procter and Gamble) and Nestle.

¹⁵ In 1997, there were 80 million consumers of espresso, latte, cappuccino or iced/cold coffees in the US (35% of the population). In 1998, this number jumped to 108 million. (Rice and McLean, 1999, 19 SAGAR, 1999, Consejo Mexicano del Cafe. Claridades Agropecuarias, 19)

It should be noted that producer organisations compete with the buyers of transnational companies for the purchase of coffee, and at a disadvantage. That is, the private buyers normally have the capacity to pay the full amount at the moment they obtain the coffee, while the cooperatives often pay a first instalment upon receiving the coffee, and only conclude payment upon receipt of funds from the final buyer (usually in a foreign country). It is easy to see why short-term credit is crucial to the organisations' functioning in this regard.

Domestic consumption of coffee and basic features of the national market

Among coffee-producing countries, Mexico has one of the lowest rates of domestic consumption. Between 900,000 and 1,000,000 60-kilo sacks, or about 15% of the national production, is purchased domestically -- with no significant tendency of growth in the last eight years. Consumption is now between 650 and 730 grams per person per year.¹⁶ (Van der Balk 1992; FONAES 1996; SAGAR 1999)

Atypically to much of the rest of the world, consumption of instant, or soluble, coffee in Mexico continued to rise in the last two decades of the last century, and now accounts for more than 70% of the coffee consumed. Regarding toasted coffee, only 26% is truly pure, and the rest contains some degree of substitutes. Some 30% of the instant coffee sold is decaffeinated, as well. Nestle sells 80% of the instant coffee consumed in Mexico. General Foods is the distant second wholesaler. (Van der Balk, 1991; Sontaoyo et al., 1994; Instituto Maya 1999, 61)

Unfortunately, it's reported that almost three-quarters of the rest of the coffee – toasted and ground – sold in Mexico is actually a mix of coffee with sugar (El Marino being the chief brand of this “*café mezclado*”). The *Ley de Torrefacción* (legislation of coffee) allows a product with up to 30% of substitutes to still be labeled “100% pure”.

And yet, surely, the statistics do not capture fully what is an evident boom (not dissimilar to that in the United States) of gourmet coffee, often sold locally by small-scale retailers, and frequently promoting organic and fair-trade aspects (features which are discussed below).

Coffee imports

There was virtually no importation of coffee into Mexico during the years in which INMECAFE regulated the market, in general. Mexican exporters were obliged to supply the local market first. Imports have risen from 260,000 sacks in 1998-99 to 350,000 in 1999-2000 – which is almost 8% of Mexican exports!

The greatest part of this imported coffee is of the “*robusta*” class. Normally, 30% of the mix that goes into the making of instant coffee is *robusta*. The largest importer of coffee

¹⁶ Compare with per-person consumption in the Scandinavian countries, 10 kilos; with US-Canada, 4-5 kilos; or even with Brazil and Colombia, 2 kilos.

into Mexico is Nestlé, which uses the primary material for its instant coffee. Nevertheless, there are concerns on the part of the Mexican coffee organisations that some of this imported coffee is making its way into the domestic market. (CEPCO 2000)

The importation of this coffee is also of questionable legality for its additional reliance on a new – and technically nonsensical – category, “semi-toasted coffee”, recently added to Mexican import regulations. Imported coffee has contributed to a decline in producer-received prices.

Processing activities at local level

Coffee processing procedures vary according to climatic factors. On the Gulf of Mexico slope, where undependable sunlight does not permit open-air drying, the farmer sends his product, still in the form of the coffee cherry – the seed still embedded within the pulpy fruit – to the processing plants. On the Pacific slope and the state of Chiapas, depulping, or “wet processing”, normally occurs at the household level, with the seeds dried by spreading them over open-air patios or on the flat roof tops.¹⁷ This “parchment coffee” – so-called because of the vellum-like covering still on the seed – is sent to drying plants.

“Wet processing” has the following steps:

- depulping: usually sending the cherry through a hand-operating mill;
- fermenting: whereby the seeds are left to ferment in wood or cement tanks;
- washing: when the seeds are rinsed in collateral tanks or in rivers nearby;
- drying: when the seeds are left to dry on concrete or on fiber or synthetic mats spread on the ground.

We may speak of four types of wet-processing units:

- family household installations: with a capacity up to six quintals a day, this type only accounts for 2.5% of the total coffee processed in Mexico;
- rural installations: with a capacity of up to 90 quintals per day, this type represents 19.7% of the national total;
- semi-industrial installations: with a capacity of up to 360 quintals per day, it represents 13.8 of the national total;
- industrial installations: with a capacity above 360 quintals per day, this type represents 63.9% of the total wet-processing capacity of the country (found principally in Veracruz and Chiapas).

(SAGAR 1999: 12)

The dry processing – in which the vellum-like cover is removed – may occur (a) in plants close to the production units, particularly when they are owned by small-scale producer cooperatives, or (b) in plants close to the ports or large cities, particularly when they are owned by the large transnational companies. The product of this processing is green coffee, known as “café oro”, or “café verde”. The most desirable dry processing plants

¹⁷ It is also possible to simply leave the coffee cherry to decompose and expose the bean, in a very low-technology fashion employed to produce not more than 10% of the coffee harvested in Mexico. That is, 90% is wet-processed, as described.

have electronic selectors able to separate out the high-quality beans (in size). Such selection is also done by rows of women (virtually always) along a conveyor belt. It is only with this quality control that producers can differentiate their product toward making a greater profit.

The roasting and grinding of coffee should be done close to the time of purchase and consumption of the product. Thus there are toasters throughout Mexico and, of course, in the consumer countries.

Mexico also has three processing plants to make soluble, or instant, coffee, none in hands of the small-producer organisations.

Types of coffee produced and production methods

In general, we speak of arabica and robusta coffees. Further, within the arabica coffee, there is the distinction between washed and un-washed. Further still, within the washed arabica one finds: “mild Colombians” (produced in Colombia, Kenya and Tanzania), and “other milds” (produced in Central America, New Guinea, Ruanda and Burundi – and of which Mexico is a prime producer). “Mild Colombians” receive higher prices than “other milds” on the international market.

Only 3% of Mexican coffee is “robusta” (the *C. canephora* species). Of the arabica varieties, Mexican producers specialize in the following:

- a) Typica (33%)
- b) Caturra (26%)
- c) Bourbon (17%)
- d) Mundo Novo (10%)
- e) Garnica (6%)
- f) Catuaí (3%)
- g) Catimor (2%).

86% of Mexican coffee is “washed” (arabica; depulped and washed). Some 11% is “natural” (arabica; sun-dried and sent through dry processing).

Typica was the variety originally introduced into Mexico, some 200 years ago (and is still considered to produce the highest quality of coffee). Beginning in 1950, the National Coffee Commission (and later the Mexican Coffee Institute) experimented with the other varieties mentioned above. The lower-growing trees (Bourbon and Mundo Novo) were of initial interest; by 1960 the lower-growing Caturra became of special interest. Then, beginning in 1980, the medium-growing varieties (Catuaí and Garnica) were privileged. (Escamilla 1993; Santoyo et al. 1994)

The largest coffee plantations tend to be intensively planted in the lower-growing varieties, capable of withstanding direct sun, and with high productivity. In Chiapas and Puebla, peasant coffee producers have also advanced significantly in the substitution of Typica for Bourbon and Mundo Novo. Nevertheless, small-scale producers today are showing keen

interest in returning to the Typica variety, for two reasons: (1) It is a highly acclimated plant, suited to organic production, more resistant to competition from other plants, more resistant to drought, with a greater capacity to absorb the nutrients of the soil, and (2) the beans are larger and longer, with an open division and a bluish color – all characteristics valued in the marketplace. (Pérez-Grovas 1998; Sosa y González 1995)

Qualities of tree stock

Some 40% of Mexican coffee is more than 15 years old. (Instituto Maya, *Gran Visión*, 1999) This is quite logical, considering that INMECAFE engaged in an intensive campaign to introduce coffee to, or renovate the plantations of, small-scale farmers between 1973 and 1988. There was a second important governmental initiative to renovate coffee trees – as part of *Alianza para el Campo* – between 1998 and 2000. Committed to the goal of increasing national production by 7,000,000 sacks a year, the government promoted the intensification of production on the same amount of land, using lower-growing varieties.

Approximately 37% of the nation's coffee plots are found below an altitude of 600 meters above sea-level.

Some 34% of the area planted in coffee suffers from the “*royo*” plague, and another 18% that of “*broca*”. Of course these figures have risen in consequence of the reduced investment made by producers. Three-quarters of coffee producers do not invest in pest control (chemical or natural), 71% do not fertilise, and 40% limit their investment to a quick weeding at the beginning of the rains. (Instituto Maya, *Gran Visión*, 1999; 54)

Number and characteristics of small-holders

As of 1992, when INMECAFE took for the last time a census, there were a total of 282,629 coffee producers in Mexico, 92% of whom were peasant, or small-scale producers, of less than five hectares. Some 69% of the total held less than two hectares (and on average 1.3 hectares). In absolute figures, there are some 270 large coffee plantations (above 50 hectares)¹⁸ and some 138,000 peasant producers with, on average, 1.5 hectares. There is a large difference in productivity – some 6 quintales/hectare for peasant producers contrasted to 30 quintales/hectare for the large producers.¹⁹ (Instituto Maya, *Gran Visión*, 1999, 43)

Over half of the 52 Indian ethnic groups in Mexico are involved in coffee production.

Those producers with less than two hectares of coffee generally do not need to look beyond the family for their labour needs. Maintenance of the coffee plot is usually – but not always – in the hands of the men. Women often take charge of the drying process at the household level, and sometimes participate in the picking. These producer families usually have a

¹⁸ These large-holders are principally found in the Soconusco (Pacific Coastal) area of Chiapas and in Xicotepec de Juárez, Puebla.

¹⁹ Note that small-scale organic production averages around 10 quintales/hectare in general, and is as high as 17 qq/ha among producers in Majomut, Chiapas.

subsistence economy; they depend on a diversified agricultural strategy, including the traditional cornfield (*milpa*), often banana or other fruit trees serving as shade-cover for the coffee plants. When coffee is the principal source of income, the coffee-cultivation culture is deep. Care includes: weeding, fertilizing, pruning, controlling the shade, and plagues, and renewing tree stock. Yields can sore.

When holdings rise to 2-5 hectares, it is common for the producer to hire day-labour, particularly during some part of the harvest months (November to February). When holdings are above five hectares regular contract-labour is common. However, one finds a range of investment strategies, from those committing the resources to maximise results, to those limiting their efforts to an occasional weeding, satisfied with the modest, low-cost income yielded, and employing their time in other pursuits.

It is also important to note the ineluctable slide toward ever-smaller holdings due to population increase. Mitigating factors here include: emigration from traditional Indian peasant communities, and the search for alternative income-generating activities. Indeed, it may be said that the normal boom-bust price cycle of coffee (and perhaps other agricultural products) appears to be undergoing a transformation, with shorter, lower booms and longer, deeper busts, in terms of the prices received by the growers, with the result that peasants long committed to coffee production are increasingly abandoning the strategy as inadequate to their minimum needs. Luís Hernández, one of the major analysts of the peasant coffee sector, reports that Veracruz has exported 800,000 people from coffee-growing areas between 1999 and 2001.²⁰ Needless to say, it is frequently the man of the family who emigrates, with the consequent deterioration of the family and community fabric.

What's more, many analysts – including anthropologist George Collier in his simply-argued and persuasive *Basta! Land and the Zapatista Rebellion in Chiapas* – charge that the coffee crisis, and the agricultural crisis in general, have been a major cause of the peasant Indian rebellion and resistance movement. Collier mentions the social disruption due to the secular decline of agriculture since 1965 and the crowning blow of plummeting prices after 1989.²¹

As a result of this emigration pattern, women and children are increasingly recruited within the family to tend the coffee plots.

One may speak of six production models present in Mexico:

1. Rustic: a low-maintenance, and low-yield, system, where coffee is maintained beneath the natural forest (particularly in Guerrero)

²⁰ Personal communication cited by Simon Ticehurst (23 August 2001)

²¹ “During this oil-led boom, Mexican agriculture declined as the country experienced symptoms of what development economists refer to as the oil syndrome, or Dutch disease. This concept refers to how export booms undermine other sectors of a country's economy, a phenomenon that economists nicknamed Dutch disease in their analyses of the negative impact of the North Sea gas development on Dutch manufacturing.... Economists explained that the export boom tended to overvalue the exporting country's currency and caused labor and other resources to shift into oil production or sectors producing non-tradeables such construction and infrastructure. In Mexico's case, while industry expanded from 26 percent of the gross domestic product (GDP) in 1965 to 34 percent in 1982, the contribution of agriculture to GDP fell by half, from 14 percent to just 7 percent. (Collier; 1994; 91)

2. Traditional policulture: coffee associated with productive shade-producing trees (extensive among Indian producers)
3. Commercial policulture: coffee associated with other commercial crops: macademia trees, citric trees, avocado trees, etc. (originally in Veracruz)
4. Specialised production: coffee is the unique product of interest, is planted intensively (1,200/ha), with shade trees like Chalahuite, Pioche, Primavera, etc.
5. Sun-grown coffee: super-intensive (5,000/ha) specialised coffee plants requiring high doses of agro-chemicals (Soconusco and Puebla, and only 1% of total)
6. Organic: intensive (up to 2,500/ha), with diversified shade, employing compost and organic pest control, terracing, etc. (Oaxaca, Chiapas, and Guerrero).

Care in picking – and investment decisions in how much to spend on labour – are important to the quality of the final product. It is customary practice among low-income producers to limit the moments of picking to two during the harvest season. This is problematic as it induces a mix of mature and greener cherries and an uneven product being offered for sale.

Women producers

Women are assuming a growing role in rural, and including agricultural, productive activities in Mexico. This is a direct consequence of the burgeoning out-migration, particularly of men, looking for work in the cities and, even more, in the United States. According to national census information, women make up some 11% of the heads of family in the rural sector, in general and 10% of agricultural workers (probably understood as their primary work activity). (*Instituto Nacional de Estadística, Geografía e Informática*, INEGI, 1996, 1045-52)

As a rule, women do not inherit property in rural Mexico; women formal landholders are therefore usually widows or only-daughters.

In Chiapas the process of out-migration is less advanced – in absolute numbers, though possibly not in the proportion of families today in which men leave the homestead. As an example, women coffee-producers number only 50 of the 1,400 total in the Majomut cooperative organisation.

Type of labour used

As already mentioned, in landholdings of less than two hectares, the family provides the labour force, working in particular during the harvest period (October to March). Women frequently participate in the depulping, washing and drying of the coffee beans, which are usually activities carried out at or near the house.

The large coffee plantations employ seasonal labour. In the Soconusco area of Chiapas (the Pacific coast), these plantations traditionally employed thousands (cumulatively) of Highland Indian peasants at the time of harvest. Since the 1980s – and the period of severe

civil war in Guatemala – Guatemalan peasants have largely taken over as the low-paid workforce of the Chiapanec plantations.

In a good year – for the market crisis has led to lower investment and lower productivity in recent years – a day-labourer can cut 40-60 kilos per day and earn the equivalent of US\$6-10 a day.

As mentioned above, some 3,000,000 persons work for some part of the year in the coffee sector. Around 80% of the seasonal labour force is Indian. (Martínez Veloz, 2001)

Size of farms, and share of total production of small-holders

Data on the coffee sector was of high quality until 1989. In the early 1990s, almost half of Mexican coffee production came from holdings of less than five hectares (see chart below) and there are reasons to suppose that that portion has increased in the last decade. First, there is a natural tendency toward the fracturing of holdings as male heirs assume control of family lands. In the state of Chiapas (the principal producer of coffee), there was a spurt of land reform, affecting holdings of 50 hectares and larger, as in an attempt by the state government to respond to demands generated by the Zapatista rebellion (1994). Finally, the collapse of coffee prices in the last decade and a half has resulted in declining investment in plantation upkeep in general, and probably in a proportionally greater scale for middle (20 hectare) and large-scale producers.

Mexican coffee production according to size of holdings, 1990-91

Size of plantation	Total area		Production	
	Hectares	%	Thousands of quintals	%
Up to 2 hectares	203,192	71.3	1,511	25.3
2 to 5 ha.s	157,967	20.6	1,177	19.7
5 to 10 ha.s	90,724	16.2	1,272	21.3
10 to 20 ha.s	48,203	8.6	675	11.3
20 to 50 ha.s	20,161	3.6	532	8.9
More than 50 ha.s	39,744	7.1	806	13.5
Total	560,343	100	5,973	100

Santoyo, et al. 1994, based on information from INMECAFE, 1991 and the Mexican Coffee Council, 1994

Impact of coffee production on the environment

Coffee – particularly shade-grown coffee – has been much-heralded as an environmentally benign agricultural system; and so it is. As it permits an unperturbed semi-forested area, coffee supports greater biodiversity than virtually any alternative agricultural system. Biologists have determined that coffee grown under shade is conducive to maintaining biodiversity and ornithologists in particular have identified coffee as a “bird-friendly” agricultural production system. (Idesmac, 1998)

For the same reasons, coffee permits natural “environmental services” at the watershed level, regulating precipitation and retention of rain waters and mitigating the effects of hurricanes, flooding, drought and other natural disasters.

As a perennial crop, coffee causes much less erosion, and promotes better absorption of water into the subsoil, than *milpa* (corn and associated crops) agriculture – the most likely alternative among peasant farmers. While a one hectare coffee field loses on average only about 800 kilo of topsoil a year, a cornfield of the same size may loose as much as 20 tonnes. The greater the slope, the worse is the erosion. Inclined areas planted in coffee, on the other hand, can result in the formation of topsoil at an average rate of nine tonnes per year. (Pérez-Grovas 1998; Rice, et al. 1996)

Major private players

What was once a competitive world of Mexican national exporters (numbering 1,100 in 1989) moved toward oligopoly with the end of the international accord (national exporters number 103 in 1992).

As a consequence of the collapse of that system, and the quality control thereby implied, the major coffee conglomerates – Phillip Morris, Nestlé, Sara Lee, et al. – moved buying and processing operations increasingly to the producer countries.²² In that manner, they assumed responsibility for obtaining the precise mix of characteristic and quality they required, and reduced the quantities needed to be warehoused in favour of just-in-time purchases. The great reduction in number, and agglomeration, of the transnationals, combined with their new presence in-country, made price-fixing easier.

Nestlé is the largest private buyer and toaster of Mexican coffee. Nestlé, worldwide, processes approximately 10% of the coffee sold (9,500,000 sacks per year) and, in Mexico, it sells 84% of the instant coffee consumed. (Van der Valk 1991; Santoyo, et al. 1994). The other important transnationals operating in México are: Far-Man, J. Aron, Onnicafé, Becafisa, TIASA, and Rotphos. Together, they account for 67% of the coffee exported from Mexico.

Major other players

The federal and state governments, and the Consejo Mexicano del Café, are major actors, which, along with the second- and third-tier coffee organisations, are key to defining public policy in the coffee sector. (See section 1.4. on public policy, below.) The Consejo (or Mexican Coffee Council) brings together the following major players in the field for discussion on coffee policy:

²² Names of some of the local affiliates of the internationals are: Becafisa S.A., Atlantic Coffee, Newman Gruppe, Onnicafé, and Volcafé.

- Representatives of federal agencies (secretariats of agriculture, commerce, social development and treasury)
- Representatives of states governments (Chiapas, Oaxaca, Veracruz, Puebla and a fifth rotating member)
- Representatives of producer organisations (Confederación Nacional Campesina, Coordinadora Nacional de Organizaciones Cafetaleras, Central Independiente de Obreros Agrícolas y Campesinos, Confederación Nacional de Propietarios Rurales and Confederación Mexicana de Productores de Café)
- Representatives of exporters (Asociación Mexicana de Exportadores de Café)

The federal government agencies retain effective hegemony over the Consejo.

The small-scale coffee producer organisations mirror political distinctions in the country generally. The largest conglomeration continues to be that belonging to the corporativist-clientalist structures of the long-ruling Institutional Revolutionary Party (ousted in elections in 2000), though the second largest third-tier federation is made up of expressly non-PRI “independent” organisations.

In the late 1980s-early 1990s, several of these organisations (CEPCO, UCIRI, ISMAM, COOPCAFE, among others) achieved impressive consolidation, offering an array of services – from technical assistance, processing and marketing, to associated credit unions and other financial services, and even including health and other social services. Needless to say, the organisations also serve as important political interlocutors and, depending on inclination, channels of political patronage.

Membership in the principal coffee-producer organisations, 1993

ORGANISATION	Number of members	Percentage of total
Unión Nacional de Productores de Café (CNC) ²³	87,915	46.4
Coord. Nal. De Organizaciones Cafetaleras CNOC ²⁴	60,398	31.9
Central Ind. De Obreros Agrícolas y Campesinos	13,960	7.4
Central Campesina Cardenista	6,658	3.5
Confederación Mexicana de Productores de Café	5,679	3.0
Unión General Obrero Campesino y Popular	4,542	2.4
Unión General Obrero Campesino Mexicana	3,607	1.9
Confederación Mexicana de Propietarios Rurales	2,688	1.4
Confederación Agrarista Mexicana	1,333	0.7
CODUC	1,123	0.6
Movimiento Nacional de los 400 Pueblos	914	0.5
Central Campesina Independiente	706	0.4
Total	189,523	100

Santoyo, et al, 1994

²³ It should be noted that the inflated number of members of the CNC is due to its historic relationship with the PRI and its clientalist strategies of controlling politic participation. Indeed, up until 1989, many of the coffee producers receiving services from INMECAFE were enrolled automatically in the CNC:

²⁴ CNOC is recognised as a strong player independent of government. This national organisation is made up of regional-level organisations.

In addition, there are important regional independent small-scale coffee producers' organisations, such as:

- Coordinadora Estatal de Productores de Café de Oaxaca (CEPCO)²⁵
- Unión de Comunidades Indígenas de la Región del Istmo or UCIRI (Oaxaca)²⁶
- Coordinadora de Pequeños Productores de Café de Chiapas
- Unión Regional de Productores de Café de Huatusco (Oaxaca)
- ARIC Veracruz
- Indígenas de la Sierra Madre de Motozintla, or ISMAM (Chiapas)
- Unión de Ejidos Majomut (Chiapas)²⁷
- Unión de Ejidos San Fernando (Chiapas)²⁸
- Unión de Ejidos de la Selva (Chiapas)
- Soc. Coop. Tosepan Titetaniske (Guerrero)
- Federación de Indígenas Ecológicos de Chiapas.

These organisations seek short-term credit between the time of purchases during harvest and receipt of payments upon sale of the processed coffee. Several have banded together in the Fideicomiso del Café (FIDECAFE, or Trust Fund for Coffee), having obtained resources from the parastatal Fideicomiso para la Regulación del Café (FIFREC).

Of course a great many of Mexico's coffee producers are not affiliated to any organisation.²⁹

1.2 Price and profitability information

International price for Mexico's exports

There was a quantum shift in the pricing of coffee between 1975 and 1976, upon institution of the International Coffee Organisation quota system, raising prices by as much as 100-200%. Following are prices received on the New York market between 19976 and 2001.

Price of Mexican (Santos 4) coffee in New York market

Year	US cents/lb	Year	US cents/lb
no definido			

²⁵ CEPCO has some 23,000 coffee-producer members and sells on average 60,000 quintals of coffee per year.

²⁶ UCIRI is a pioneer in organic coffee and the development of fair-trade markets. The same may be said for ISMAM, of Chiapas, mentioned below.

²⁷ Majomut has developed innovative research and dissemination methodologies for ecological farming among the Indian peasantry.

²⁸ San Fernando is noteworthy for its innovation in new areas. The cooperative has sponsored a clothes manufacturing *maquiladora* for its women and men members, an ecological farm for learning, an organic fertilizer plant, and basic-needs retail stores in its area of influence.

²⁹ If we take the example of the Chiapas Highlands, with more than 5,000 coffee producers, the main independent organisation, Majomut, represents something over one-fifth of the total. (Instituto Maya, *Chiapas*; 89)

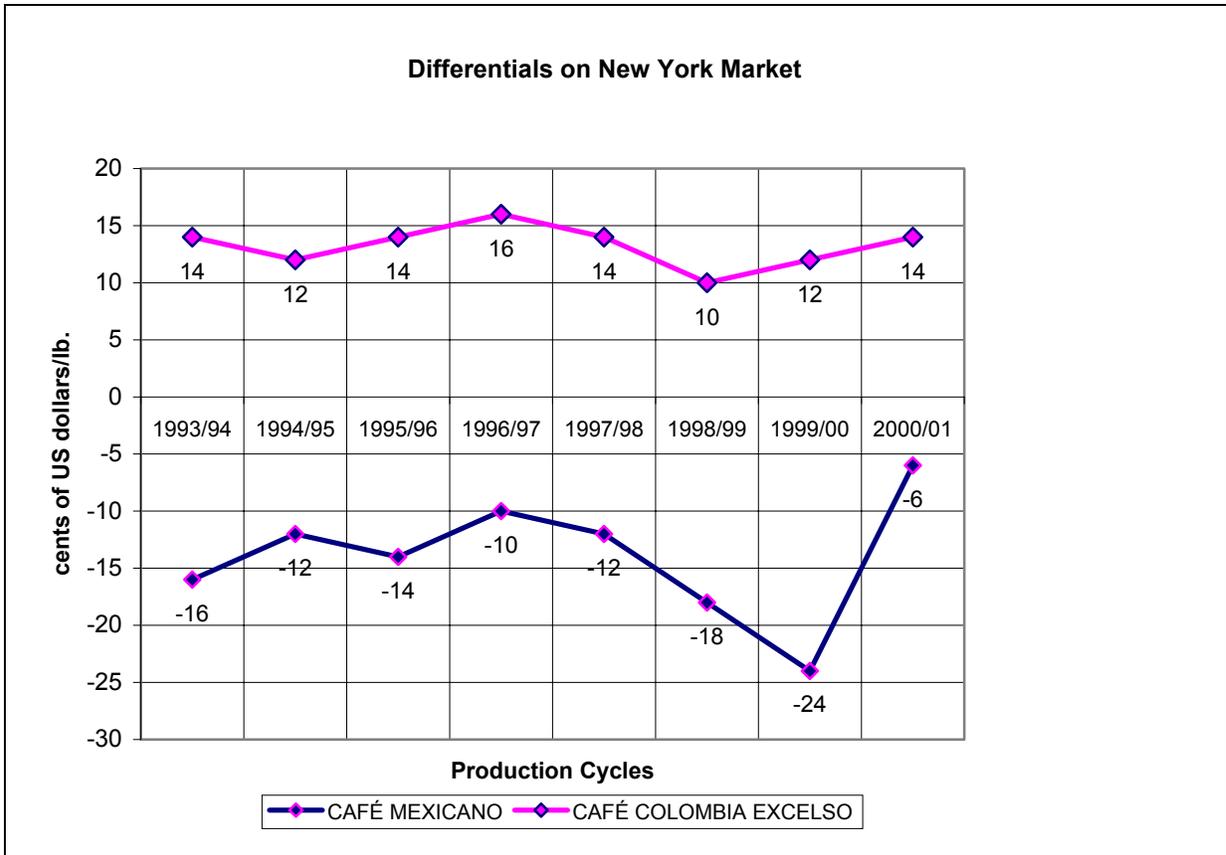
1976	234.67	1991	84.97
1977	162.82	1992	64.22
1978	173.53	1993	69.91
1979	154.20	1994	148.53
1980	N/A	1995	149.30
1981	127.92	1996	119.89
1982	139.87	1997	185.02
1983	131.69	1998	132.25
1984	144.24	1999	101.54
1985	145.56	2000	85.09
1986	192.74	2001 ³⁰	65.89
1987	112.32		
1988	135.10		
1989	106.96		
1990	89.15		

ICO, composite indicator prices

Mexican coffee is “punished” on the international market for past – one hopes not continuing – mistakes, commonly receiving a 5-10 point discount. Mexico’s image problem includes a reputation for exporting coffee of erratic quality; tasters are asked to dip into the product as much as eight times in a container, rather than the customary two. Indeed, the punishing differential grew – to as much as 25 points – in 1998-99. It is clear that this reflects a markedly growing power to fix prices on the part of the oligopoly of transnational buyers. (Instituto Maya 1999; 58, 118)

The differential that Mexican coffee prompts on the New York market varies, as indicated below. The negative differential is further compared to the premium received by the Colombian Excelso coffee:

³⁰ Average (January – May 2001); in July 2001, the price dropped to under 55 cents/lb.



CNOOC, Bulletin of Twin Trading, 1993-2001

Producer prices

The following table shows the prices that Mexican producers have received, on average, between 1994 and 2000, quoted in cents-of-US dollars per pound of coffee.

1994	1995	1996	1997	1998	1999	2000
149.2	123.59	135.46	133.63	100.11	91.97	46.58

Retail prices of coffee produced for domestic market

Specialty, organic coffee sells for approximately US\$10 per kilo, in Mexico. Instant coffee, at the other extreme, retails for less than US\$7 per kilo.

Retail prices in San Cristóbal, Chiapas

Types (organic, roasted, Arabicas)	peso/kg
Platchuela	80
Perla de la Selva	104
Los Altos	110
Unión de la Selva	118
Sierra Madre	102
Las Cañadas	148
Mezcla de la Selva	128
Lacandona Express	124
average:	114.25
Ecoselva (decaffeinated)	182
Nescafé Clásico (instant)	162

Yields

A study in the 1980s by INMECAFE during six production cycles, holding constant the density (1,666 plants /hectare) and uniformly about 1,200 meters above sea level, offers information regarding yields, according to the variety of the coffee plant, as shown in the chart below.

Production yields (coffee cherries)

Variety	Production per coffee tree (kg)	Production (Qq/ha/yr)	Comparison with Typica
Typica	4.8	32.6	100.0
Bourbón	5.1	34.7	106.3
Caturra	4.9	33.3	102.1
Mundo Novo	5.4	36.7	112.5
Garnica	6.5	44.2	135.4
Catimor	5.2	35.5	108.8

Santoyo, et al, 1994

The following chart compares yields before and after the collapse of the international coffee accords.

Average yields of coffee, by quintals (of coffee cherries) per hectare, before and after crisis period of 1988-1993

Region	Before	After
Xicotepec, Puebla (1)	45	25
Cuetzalan, Puebla (2)	27	10
Zona central de Veracruz (3)	28	16
Soconusco, Chiapas (4)	30	18
Oaxaca, Zona del Istmo de Tehuantepec (5)	16	8
Oaxaca, Valle Nacional y Jalapa de Díaz (6)	33	23

(Sontoyo, et al., 1994)

Notes:

1. Region of large plantations, sun-grown and high-density planting.
2. Region of peasant Indian producers, with a semi-intensive production scheme.
3. Region of medium-sized producers (5-10 has).
4. Region of large- and medium-sized producers.
5. Region of small-scale producers employing traditional shade-grown production methods.
6. Region of larger-sized producers (10-20 has) in intensive production.

Naturally, yields decline – by approximately half – when, for lack of profitability, cared-for plantations pass into “rustic” or “natural” coffee-producing plots (largely untended and without applied inputs). This phenomenon is widespread. It should be noted that, the crisis provoked large producers to invest more in high-input/high-yield production schemes, while many small-scale producers invested in organic production, with consequently improved yields, too. (Perez-Grovas 1998, Nigh 1992, Comision de Cooperacion Ambiental 2000)

Latin America in general experienced a major trend from shade-grown to sun-grown coffee during the 1980s-2000. The Smithsonian Migratory Bird Center reports the conversion of over 1.1 million hectares to sun-grown coffee. (Rice and McLean, 1999, 21)

Production costs

As a rule of thumb world-wide, producers of coffee will tend to break even when the international price of coffee is at US\$100/lb. Costs of production, and particularly labour costs, vary considerably by region, in Mexico. We compare, below, the costs of a medium- to large-sized producer with a peasant producer of coffee. In the first chart, costs over the first five years of a coffee plantation are shown for producers, with more than five hectares in intensive production. In the second chart, costs are estimated for a peasant producer (less than five hectares) of organic coffee. The organic producers have lower costs – and as an additional benefit, the wages of labour tend to remain within the family.

(In both charts, yields are of approximately 20 quintals per hectare. In the intensive production model there are some 2,500 plants per hectare; in the organic model there are

some 1,600 plants per hectare. A day's labour is estimated at US\$3.00 per day. All prices are quoted in US dollars.)

Production costs for middle- and large-scale producers in Veracruz

CONCEPT	Year 1	Year 2	Year 3	Year 4	Year 5 ³¹
Labour					
Initial weeding	60	0	0	0	0
Clearing	80	0	0	0	0
Control of root system	240	48	24	24	24
Planting/replanting	80	12	6	6	6
Clearing (with machete)	45	60	60	60	60
Applying herbicides	18	18	18	18	18
Fertilising	12	24	24	24	24
Pruning and removing sures from plants	0	30	24	24	24
Control of shade	24	12	12	12	12
Harvest	0	0	60	300	500
Subtotal	559	204	228	468	668
Materials					
Plants	700	50	25	25	25
Fertiliser	40	100	100	100	100
Herbicides	20	20	20	20	20
Subtotal	760	170	145	145	145
Other costs					
Transport of materials	40	100	100	100	100
Transport of plants	80	10	10	10	10
Transport of coffee	0	0	10	40	60
Miscellaneous (5%)	72	20	20	30	40
Subtotal	192	130	140	180	210
Grand Total	1,512	504	513	793	1,023

Santoyo et al. 1994, 55/updated in 2001

Production costs for small-scale organic producers in Chiapas³²

CONCEPT	Days of work	Total in US\$
Control of shade	6	18
Pruning	6	18
Control of roots	3	9
Elimination of unproductive plants	5	15
Fertiliser preparation	6	18

³¹ This refers to Year 5, and subsequent years.

³² Organic-farming inputs include lime, copper sulphate, plastic bags, plants, etc.

Soil conservation activities	6	18
Opening rotos	2	6
Re-planting	2	6
Clearing	16	48
Application of compost	12	36
Pest control	3	9
Harvest	80	240
“Wet” processing of cherries	15	45
Transport	0	5
Inputs (a)	0	10
Total	162	501

Isamam 1990/ and updated by authors in 2001

Profitability indicators for alternative crops

Coffee, in the peasant production system (including production for consumption and for sale), is usually one of several activities. Rarely will the peasant producers leave the sector completely, and indeed there is evidence that following the onset of the coffee crisis, Chiapas peasants actually increased the area of their coffee plots and the level of their investment (over that for cattle-raising, which also experienced depressed prices). (Martinez Quezada 1995) However the more frequent strategy of the small-scale producers is to seek to combine coffee with other income-generating crops, a variety of which are indicated below, with their respective profitability indicators.

Annual earnings for a multi-crop system in Veracruz

Production system	Earnings (Mexican pesos)	
	No family ³³	With family ³⁴
Specialised coffee	277.2	892.2
Coffee/fronds (for adornment)	2,577.4	4,002.4
Coffee/Guanabana	1,853.0	2,573.0
Coffee/lemon	3,363.0	4,113.0
Coffee/Macademia	16,675.0	17,695.0
Coffee/banana/orange	4,352.5	5,477.5
Coffee/banana	2,624.0	3,494.0
Coffee/tepejilote	917.4	1,757.4
Coffee/avacado	4,913.5	5,768.5

Rodriguez, 1994, 125

Poverty indicators in major producing regions

³³ Wages of family members are not considered in the calculation.

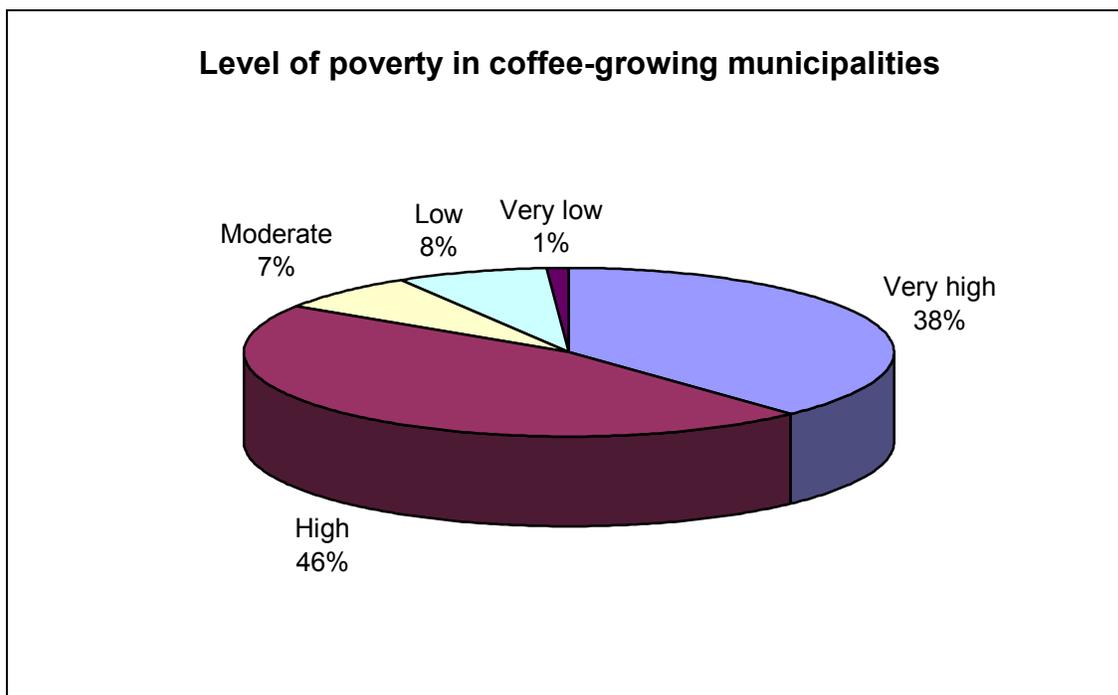
³⁴ Wages, including of family members, are included in the calculation.

The major producing areas are mountainous, with poor communications infrastructure, and some 84% of the communities in which coffee is a primary agricultural activity have high, or very high, poverty indicators, based on health, housing and education.

Levels of poverty in coffee-growing municipalities in México

State	Very high	High	Moderate	Low	Very low	TOTAL
Colima				3	2	5
Chiapas	29	40	5	2		76
Guerrero	5	2	3	2		12
Hidalgo	12	11				23
Jalisco		3	1	5		9
Nayarit		1		7	1	9
Oaxaca	58	59	3	1		121
Puebla	24	23	1			48
Querétaro		1				1
San Luis Potosí	2	7				9
Tabasco			1	1		2
Veracruz	20	36	14	9	1	80
TOTAL	150	183	28	30	4	395
%	38.0	46.3	7.1	7.6	1.0	100.0

Hernández N., Luis y Teresa Ejea. 1996



Hernández N., Luis and Teresa Ejea, 1996

1.3 Value Chain

The proportion of the consumers' over-the-counter sales price going to the producer varies according to various conditions, including:

- h) *The current international market price (in New York, or Hamburg/Bremen)*
- i) *The differential applied to Mexican coffee on international markets*
The negative differential of Mexican coffee on the New York Coffee Exchange fluctuates over time and by buyer, but is frequently at 5-10 points, and has gone as high as 30 points.
- j) *Currency markets (particularly of US dollars and Mexican pesos in this case)*
The variation in the exchange rate has a significant impact on the price going to producers. In 2001, the Mexican peso is probably overvalued, by as much as 30%, which reflects in a decline in purchasing power by the producers in a similar proportion.
- k) *Participation in a cooperative organisation*
Member-producers in the more consolidated cooperative organisations may sell their product for prices up to 20% higher than those unorganised small-scale producers selling to intermediaries. If the cooperative exports directly – and still better if to fair trade and/or organic markets – members may receive further premiums of up to 15%.
- l) *Geographic location*
Producer received prices tend to vary according to accessibility too. Buyers usually pay less to producers living in more distant communities.

The following table shows the value chain with reference to the retail price (in US dollars) of one kilo of roasted, ground and packaged Mexican coffee sold in Europe.

Expenses	Amount	%
Producer	1.20	16.0
Wet-processing	0.21	2.8
Dry-processing and export	0.41	5.5
Shipping and customs	0.37	4.9
Roasting and packaging	1.35	18.0
Public relations and promotion	1.35	18.0
Marketing	1.29	17.2
Retailer and taxes	1.32	17.6
Total	7.50	100.0

(Santoyo, 1994; with figures from Sallé, 1992)

It should be noted that, when the roasting and latter steps in the production-marketing chain occur in the consumer country, more than 70% of the final price also remains within the consumer country.³⁵

³⁵ For the sake of comparison, we present two additional calculations. The value chain calculated for African coffee sold in France in 1993 follows (Daviron and Fousse, cited in Renard 1999: 158):

Raw material	7 franks
Processing	2 franks
Packaging	2 franks
Transport	1 frank
Subtotal	12 franks
Publicity and promotion	6 franks
Investigation/marketing	6 franks

Costs for producing a quintal of (conventional export-quality) coffee, on the part of a small-producer cooperative, follow.

Costs	US \$ / Qq	%
Collection of the coffee	1.80	11.6
Dry-processing	0.84	5.4
Administration	4.83	31.2
Marketing	6.80	44.0
Financial	1.20	7.8
Total	\$15.47	100.0

(Majomut cooperative, Chiapas;
2000-2001 harvest)³⁶

Other (financing, etc.)	3 franks
Profit	3 franks
Subtotal	18 franks
AVERAGE PRICE/Kilo	30 franks

Rice and McLean (1999, 22) carried out research in Central America and offer the following paying prices and margins for washed Arabica coffee:

Small farmer	US\$0.20-0.40
Local buyer	0.60
Exporter	0.85
Importer	1.05
Roaster/wholesaler	4.00-6.00
Retailer	7.00-12.00
Consumer	12.00

³⁶ The following tables present a detailed description of all expenses by a Mexican producer cooperative (Union Majomut):

Collection of the Coffee		
Concept	Pesos/Qq	%
payment to the recipient	6.64	39.41
Transport	3.40	20.18
Insurance	2.65	15.73
Packaging	0.70	4.15
Electricity, Gas and Water	1.17	6.94
Labour	0.33	1.96
Maintenance of warehouse	0.94	5.58
Maintenance of vehicles	0.38	2.26
Repairs	0.64	3.80
Total	16.85	100.00

Dry-Processing		
Concept	Pesos/Qq	%
Electricity	2.53	31.98
Gratification	0.19	2.40
Labour	3.90	49.30
Maintenance of Roaster	0.01	0.13
Inputs	0.42	5.31
Miscellaneous	0.06	0.76
Packaging	0.80	10.11
Total	7.91	100.00

	Pesos/Qq	%
Administration		
Salaries and Wages	17.49	38.51
Electricity	0.06	0.13
Telephone	2.85	6.27
Accessories	1.49	3.28
Maintenance of vehicles	1.24	2.73
Paper and Office Equipment	0.60	1.32

Using the price of coffee on the New York market on 31 May 2001, of 59.1 cents/lb, the coffee producer would receive almost of 41 cents per pound of coffee sold, as shown in the following calculation (all prices in US cents):

Purchase price	59.10
Differential (10%)	(6.17)
Transformation and handling costs	(12.21) ³⁷
Price of raw material going to producer	40.72

This means that a small producer within a Mexican cooperative receives approximately only US\$0.41 for one pound of (parchment) coffee. (In comparison, a peasant producer outside of a cooperative would receive approximately US\$0.23/lb. This is based on the fact that intermediary buyers usually retain some 30 points of the New York price to cover transport and other costs, as well as profit.)

Major players

The following actors are important in the value chain:

- Producers and producers' organisations
- Large scale producers and private owners of drying plants, etc.
- Local buyers
- Transnational corporations (toasters, distributors, retailers)

It is worth observing that, with reference to the chart in the section above, the middle-moments in the production-to-sales process tend to increasing consolidation, while those at the production and the retail extremes tend to be more diversified and decentralised. The brokerage houses, major players from the end of the 19th Century until the middle of the 20th Century, were displaced in part by INMECAFE. With the privatisation of INMECAFE after 1992, the part of the national production that had been marketed by the Institute –

miscellaneous	0.26	0.57
mailing	2.33	5.13
Other inputs	0.25	0.55
Insurance	1.50	3.30
Gas and Water	7.00	15.41
Maintenance of office Equipment	0.33	0.73
membership fees	1.39	3.06
Transportation	6.66	14.66
Consultants	1.08	2.38
Building maintenance	0.02	0.04
bank commissions	0.57	1.25
ISR	0.30	0.66
Total	45.42	100.00

³⁷ Cooperative cost = \$15.47 /quintal (or \$12.21/lb) . One quintal equals 57.5 kilograms, or 126.65 lbs.

between 33 and 44% between 1970-1985 – largely fell into the hands of the large transnationals, since the national brokerage houses were unable to compete for the additional market. If the latter were undercapitalised, the transnationals were beneficiaries of international finance. For example, E.D. & F. Man was able to operate in Mexico thanks to a credit for US\$250 million obtained from a consortium of 23 banks in the 1990s. Transnationals, such as Volcafe and Atlantic Coffee/Omnicafe, have penetrated even into the regional and local Mexican markets, having a distinct competitive advantage, with annual interest rates of 8-11%, over the national brokers, with annual interest rates of 34% to 54%. (Célis et al. 1991; Renard 1999)

Transnational companies and their local affiliates are often active in buying coffee directly from producers (principally those not members of organisations). With the advantage of access to international financial markets and consolidated efficient operations, they are able to offer competitive prices, and even engage in “dumping”, in order to eliminate the competition of cooperatives and producers’ organisations in general.

Often small-scale producers commit themselves to sell to local intermediaries in exchange for up-front credit – at usurious rates. They also fall prey to fraudulent practices such as the rigging of scales or the application of penalties.

Obstacles to increasing the farmers’ share

INMECAFE, early in its existence, decided to set up Specialized Units for Coffee Production (*Unidades Especializadas de Producción de Café*, UEPC) – which often functioned as competition to the independent small-scale producer organisations. When INMECAFE was disbanded, the smallholders grouped in UEPCs were without experience in looking for their own technical assistance, financing, collective marketing, and other of the strategies of increasing the participation in profits on the part of the smallholders. Even the cooperatives that had existed and now survive – some of which were able to acquire infrastructure from INMECAFE and others of which have their own³⁸ – continue to record problems in terms of the poor quality, or obsolescence, of their dry-processing plants, poor quality of roads (particularly in Chiapas, Oaxaca and Guerrero), lack of lines of credit that would have allowed the cooperatives to compete with the transnationals, lack of information on the workings of the international markets, lack of information of contemporary production methodologies.

Obstacles to export of processed products to consumer countries (tariff, non-tariff, other)

Several of the consolidated small-producer organisations are preparing themselves to compete directly in international markets with final products, such as instant coffee or packaged roasted coffee. There are no tariff obstacles to export. Of course, consumers

³⁸ By the time of its privatisation in 1989-90, INMECAFE had some 12% of the national operational infrastructure, including 12 dry-processing plants, and 31 warehouses. (Celis et al, 1991)

have varying tastes, particularly as to the type of roasting preferred, which creates a challenge for those coffee organisations which would like to export their finished product.

Selected examples of successful projects helping farmers capture a higher share of export and retail price

Successful projects of small-producer coffee organisations include:

- CEPCO, Majomut, La Selva, ISMAM, UCIRI and other organisations participate in the system of Fair-Trade Labeling Organisations (FLOs), whereby farmers are guaranteed US\$1.26/lb, or \$0.05 above the market price if that price is superior to \$1.26.
- UCIRI, ISMAM, Majomut and other organisations are producing and selling organic coffee. That production system cuts costs, in the long run, and improved yields. In general one may expect a 15% premium in the organic coffee market.
- Producers in El Triunfo, Chiapas and others area producing and selling shade-grown coffee in parks and protected areas of the country. Starbucks has purchased this product at up to US\$40/100 pounds above market price.
- ISMAM y others are experimenting with the marketing of ground roasted coffee, in both domestic and international markets.
- UCIRI³⁹ is producing instant coffee for national and international markets, with sales, in 2001, of some two tonnes per month.
- CNOC, La Selva, Unión de Ejidos San Fernando, COOPCAF, CEPCO and others are entering specialty retail markets in México City and elsewhere in the country. Profits are minimal to date but the prospects are considered good.
- UCIRI, CEPCO, FIECH, Majomut, San Fernando, ISMAM, Luz de la Montaña, Tiemelonlá Nich Klum, Unión de Cooperatives de Chiapas, and others are marketing their own specialty brands of coffee at the local and regional levels.

As an example of the difference that fair trade markets can make, Unión Majomut in Chiapas records, in the disastrous 2000-2001 harvest year, that their members obtained US\$1.25/kilo of natural parchment coffee (and \$1.90/kilo of organic parchment), while those selling to local intermediaries received \$0.70/kilo of parchment coffee – an increase of 71-157%.

1.4. Public Policy

Impact of structural adjustment and liberalization of the coffee sector

³⁹ A profile of the UCIRI (*Unión de Comunidades Indígenas de la Región del Istmo*) project is found in Laure Waridel's *Un café por la causa*. UCIRI has also developed a school, receiving some 25 peasant coffee growers interested in specialising in organic coffee for a course of one year's duration.

As part of the grand liberalization of the Mexican economy (a policy beginning in 1982 and continuing to the present day), INMECAFE (charged in its heyday with providing technical support, financing, investigation, and direct marketing) was phased out and the State has drastically reduced expenditures intended to support the coffee sector. The *Aseguradora Nacional Agrícola y Ganadera* – offering insurance against natural disasters – was closed and the *Banco Nacional de Crédito Rural* -- offering credit – was drastically cut back. (Pérez-Grovas 1998; Celis 1999) Subsidization also ended of fertilizers and pesticides in terms of the price charged to the producers, as well as the warehousing of the product as a government services.

Mexico (together with all of Central America except Nicaragua) followed the United States' position, ending the market controls of the ICO. They argued the injustice of the controls system, since "other milds" enjoyed a far greater demand than the Brazilian *arábica* and was cheaper than the "Colombian milds". Mexico in particular, as the fourth largest producer of coffee in the world, was assigned 4.1% of the market, thus restricting its exports to only 42% of its total production. Once the Accord was trashed, producer nations emptied their inventories onto the market. The price fell from US\$1.10/lb. in June 1989 to \$0.70 in October 1989; the price continued to plummet, bottoming out at \$0.48/lb. in September 1992. This process produced the following effects:

- In the international market coffee was selling for less than 80% of its production costs.
- The market was in the hands of the buyers.
- Many brokers and exporters were ruined. (Of the 1,100 exporters registered in 1985, only 103 were operating in 1995.)
- Public programmes offering credit, training, technical assistance, and research and development were cut.
- Small-scale producers were squeezed by low prices, reducing investment in their plots and therefore obtaining lower yields, with the result that Mexican peasant producers lost market share to large producers.
- Internationally, Mexico lost market share to Vietnam and other producer countries. Between 1989 and 1995 production declined by 6.6%.
- Social effects were many. Out-migration from peasant coffee-producing areas increased. School-aged children had to look for work. (Celis et al, 1991; Renard 1999)

Agrarian policies relevant to the sector (including: rural infrastructure policy and credit and input-subsidy schemes)

In earlier sections of this paper, we have reflected on the importance of coffee as one of the axes of Mexican government agrarian policy since the Second World War, and how privatisation of the coffee sector has been the driving vision of policy-making in the sector since at least 1992.

With that vision firmly established, it is nevertheless also true that government programmes designed to aid the coffee sector have continued until the present. They have undergone partial decentralisation, to the state level. Programmes for small-producers have been

partially transferred from the agricultural secretariat to the compensatory structures of “social development”. But if price guarantees, and processing and marketing parastatals, passed into history, some credit and technical assistance have persisted in government programming, as have some other protective features.

Following years of heavy investment in infrastructure, principally through INMECAFE, the government implemented a policy of divestment, usually in favour of small-producer organisations, from 1990 to 1994. Various cooperatives received warehouses and processing plants at reduced prices, payable over ten years. (Celis 2000) The 1992 reform of the agrarian law, in addition to opening the door to privatisation of the Mexican *ejido*, established that individuals may own no more than 300 hectares of land planted in perennial crops (such as coffee).⁴⁰

In 1993-94, the newly designed Mexican social investment fund, Programa Nacional de Solidaridad (PRONASOL, or Solidardiad), working with the Instituto Nacional Indigenista (INI), offered an extensive – if shallow – non-collateral credit programme for small-scale coffee producers.⁴¹ Depressed prices led to wide-scale default.

Responding to social unrest, in 1994 the INI implemented a subsidy programme to coffee producers (direct payments of M\$700/ha. to small-scale farmers). In lieu of INMECAFE, and respecting the decisions dictated by the neo-liberal model, the government had promoted the creation of a multi-sectoral policy advisory body. In this Mexican Coffee Council (Consejo Mexicano del Café) governmental programmes in particular are discussed and reviewed. The Council consists of representatives of: federal agencies (secretariats of agriculture, commerce, social development and the treasury), coffee-producing state agencies (permanent members from Chiapas, Oaxaca, Veracruz and Puebla, and one rotating additional state government), the principal producers’ organisations (see chart in “other actors” section, above), and the private-sector Mexican Association of Exporters of Coffee (Asociación Mexicana de Exportadores de Café).

In addition there are state-level advisory councils, or *Consejos Estatales*, which also have non-governmental representation.

The Mexican Coffee Council is dominated, in practice, by the federal government representatives sitting on that body. Consequently, the independent coffee-grower organisations, and CNOC in particular, have opted for public pressure, and especially state-level and national demonstrations and the temporary take-over of office buildings. These pressures have been fundamental in maintaining a commitment to the sector on the part of the government, and in defining emphases of those programmes, particularly including lines of credit.

⁴⁰ A revision of landholding is underway. In Chiapas, plantations of up to 1,000 hectares are still found. In most of these cases various family members hold title in a manner that formally complies with the law while allowing the large coffee plantations to persist. In sum, it is doubtful that small-holders will receive land through future land reform in Mexico.

⁴¹ The programme gave some M\$223,000,000 to 203,650 farmers with 345,271 hectares (average 1.7 ha/farmer), so that 45% of the coffee plots of the country were covered – when, previously, credit was only available in significant quantities to middle-sized farms (15 hectares). (Instituto Maya 1999; 81)

The agriculture secretariat's Programa de Alianza para el Campo (ProCampo) has offered, since 1994, funding for the construction and rehabilitation of warehouses and for small-scale investment – principally, the wet-processing infrastructure, such as cement patios, depulping machines, and washing and fermentation tanks. But ProCampo's central functions became normative and promotional in nature, while distribution of the greatest part of the financial resources oriented toward the coffee sector was devolved to the state governors and the state councils.⁴² (The Empleo Temporal programme has complemented income transfers to small-scale coffee producers.)

The agricultural secretariat (SAGAR) and the Mexican Coffee Council did sign off on an ambitious programme to position Mexico competitively against Colombia and Brazil in the market, announcing a goal of increasing production from 4,500,000 sacks to 7-10,000,000 (including an additional 750,000 hectares of coffee plantation) between 1995 and 2000. The inspiration was the Costa Rican model: low-stature Caturra plants, 3,000-5,000 per hectare, with little or no sun, heavy fertiliser use, and 50 quintals/hectare yield. Saplings, technical assistance and subsidies were channelled through the state councils. The programme's results are unspectacular (achieving between 10-30% of expected increases in yields). Worse, the programme did not respond to the peasant Indian reality of most Mexican producers, living in mountainous zones, uncommitted to renovating their plots with a new variety, with an uncondusive technology, and inadequate financial and other support. In any event, last-minute decisions to divert funds to marginal coffee-producing areas with large peasant populations voting in crucial 2000 elections, left the plan unfulfilled.

Thanks to lobbying and mass demonstrations organised by producer organisations, in 1995 a special programme provided credit in dollars for production; in 1998, the budget for the sector was increased; and in 1999 the government agreed to a special programme to support the sector during the 2000-2001 harvest year.

Alternative marketing strategies

Mexican coffee producers participate in two alternative marketing strategies: (a) cooperatives taking over functions that lessen dependence on intermediaries and (b) obtaining premiums thanks to specific qualities of the coffee, or of the producers themselves (in “sustainable” and “fair trade” markets).

The principal of vertical integration is well established, with far greater value added accruing to the small-producer cooperatives the closer they come to retail sales. As described above, coffee cooperatives made a break-through in this respect in the 1980s and

⁴² Decentralisation has weakened the negotiating powers of the national-level coffee-grower organisations, probably politicising decision-making still more, in the best clientalist fashion. One notes regional differences. Oaxaca, for example, has permitted significant participation in policy-making by local organisations during the period of Governor Diodoro Carrasco and CEPCO Coordinator Isaac Rodríguez (1994-1999). (Instituto Maya 1999; 87) Under the governorship of Pablo Salazar Mendaguichea (2001-), Chiapas has experienced an opening for more participation in policy-making by social organisations.

1990s when various of them were able to (a) acquire sophisticated transformation plants (*beneficios secos*) and warehouses and (b) export directly, particularly into sustainable-coffee international markets.

The traditional producer-to-consumer “ladder” consists of the following “rungs”:

- Consumer
- Retailer
- Toaster
- Distributor
- Exporter/importer
- Drying industry
- Regional intermediary
- Local (“*coyote*”) intermediary
- Producer.

The consolidated coffee cooperatives can absorb the entire (five-rung) process from producer-to-exporter, or even (six-rung) producer-to-distributor. By capturing additional value-added, the cooperative has the potential to offer a better price to the producer (compared to that offered by the traditional *coyote*). But experience indicates that interesting premiums (as much as double the price paid for conventional coffee) only consistently accrue to the producer when the cooperative functions in an “alternative” market, which realises 5-20% additional sales revenues when niche-marketed to meet consumer demand for sustainable and/or fair-trade products.⁴³

Both locally and internationally, many coffee cooperatives have invested in brand development, presenting their own labels, and usually projecting sustainability, though only sometimes relying on certification (of organic and fair-trade products). “Café La Selva”, from Chiapas, is the best-known and most successful of these certification-based retailing initiatives – with over a dozen coffee shops operating with the La Selva name. A recent example of employment of a similar strategy in the international market is the agreement between the consolidated peasant organisation ISMAM (based in Tapachula, Chiapas) and the COR International company of the United States, whereby the latter will lend US\$9,000,000 to the former in a joint venture to develop a new “Maya Magic” coffee label to be marketed in the United States.⁴⁴ This is a regional effort (in nine US states) in the same vein, and competing with, earlier initiatives on the part of US-based retailers to sell Mexican coffee.

The impetus for various of these initiatives is natural resource conservation; and they suggest the possibilities for inter-sectorial, sometimes even odd, alliances among private and public sector. For example, the Smithsonian Migratory Bird Center (SMBC), in Washington, D.C., sponsored an international conference on shade coffee and biodiversity in 1996, attended by academic, governmental, private and social sector actors, and since

⁴³ Figures vary widely. Seattle’s Best Coffee claims to pay 30 to 150 percent more for shade coffee than sun-grown coffee. (Wille, 1994, 84)

⁴⁴ The US company is owned by a latino, Carlos Olamendi. Marketing will include a pitch to that target clientele. The effort was promoted by the Fox government and, reputedly, the Agency for International Development of the US government. (Cuarto Poder, 1 July 2001, p 24)

then has engaged in research and policy work to promote shade coffee as a means to further safeguarding biodiversity. Hardly alone in manifesting concern for North American migratory birds and the role of Mexican agro-forestry, the Smithsonian is one among the following governmental and inter- and non-governmental actors working on issues related to Mexican shade coffee: the US Department of the Interior (and its Breeding Bird Survey), US Fish and Wildlife Services, Inter-American Foundation (US-government funded), National Audubon Society, Conservation International, Specialty Coffee Association Of America, Commission for Environmental Cooperation (an agency of the North American Free Trade Agreement), and the Global Environmental Fund (associated with the World Bank). Moving beyond general investigation and promotional activities, Starbucks (worldwide retailer, roaster and brand of speciality coffee, worth \$2 billion) gave Conservation International in 1998 US\$150,000 to promote natural, shade coffee in *El Triunfo* reserve in Chiapas, and in 2000 gave another \$600,000, over three years, for the Conservation Coffee programme which operates in Central America and southern Mexico. Based on this programme and the association with CI (which we might call a “quasi-certification”), Starbucks launched its “Shade Grown Mexico” brand of coffee, which is considered a success by CEO Orin Smith. (Sosnowchik, 2000)

In a manner representative of the overlap often found, Starbucks was also accepting approaches from the “fair-trade coffee movement”, in 1999, according to the Wall Street Journal. TransFair USA certifies products originating with producer organisations and passing through intermediaries, all of whom are committed to maximising the producers’ share in the value chain. This niche market – somewhat deprecatingly called “cause” labels – is less developed in the United States than in Europe, though it is growing in the former. The giant roasters are sceptical. A Maxwell House spokeswoman spoke of the supply of fair trade coffee as “tricky”, due to limited supply and other uncertainties. A Nestlé spokeswoman insisted that “Price and quality are our two determinants. We have no relationship with coffee growers.” Nevertheless, TransFair considers viable a goal of reaching 5% of the \$18 billion US coffee market by the year 2005. Most of this coffee would come from Central America and Mexico. (Carlton, *The Wall Street Journal*, 23 November 1999; and Wille, 1994)

Coffee export taxes, licensing fees, etc.

Mexican coffee faced import restrictions in the European market until 1997. Until that time, there was a 4% tariff imposed by the EU, based on the fact that Mexico was part of the OECD. Central American “other milds”, for example did not face this surcharge. Consequently, Mexican coffee has been directed primarily to the United States market.

Import taxes on inputs

Since the signing of the North American Free Trade Agreement (NAFTA), agricultural inputs are free of tariffs. Nevertheless, inputs have gone up in price. Among the reasons for this are the additional charges for storage and distribution, since these are no longer services provided by the government.

Technical assistance

Mexican large-scale producers have long sought their own technical assistance, focussed on conventional chemical-based technology principally for the newer species of low-growing and high-yield coffee trees. Small-scale producers relied on INMECAFE from 1983 to 1989 for a similar technological package of chemical inputs. Furthermore, INMECAFE assumed an important function – beyond technical assistance, properly – by selling almost half of small-scale producers’ exports (Celis 2000).

With the demise of INMECAFE, technical assistance to small-scale coffee producers shrank greatly, except in the case of those belonging to cooperative organisations. The latter came to focus their assistance programmes on organic coffee production. (Pérez.Grovas, et al, 1997)

Governmental assistance in marketing directed to these coffee organisations was very little, and came about as a result of donations from international funders. Marketing expertise was gained from hard-earned experience. Losses were heavy from 1989 to 1994. As mentioned above, CNOC established its own marketing enterprise, “Promotora Comercial de Cafés Suaves Mexicanos”. After five years, the Promotora closed; the member organisations had learned to market their product directly and there was no longer sufficient volume to warrant its existence. Nevertheless, marketing never stopped being a problem area, and in 1998 the governmental programme, Fondo Nacional de Empresas de Solidaridad (FONAES), freed funds for coffee cooperatives to seek and pay marketing consultants on an individual basis.

Diversification of production

Since the crisis in the coffee sector first surfaced more than a decade ago, coffee farmers understood that diversification of their economies was desirable. However, the investment in such diversification is major, and, with reference to the small-scale coffee producer organisations diversification also brought with it a risk of weakening the organisation itself (as the role of the organisation would become more diffused). Over time, and with additional negative, long-term factors becoming manifest (including the entry of Vietnam into the market), the commitment to diversification has strengthened. This is also true of government policy-making bodies.

Monitoring of quality of production and exports

Because of the absence of national quality-control mechanisms in production and export, Mexican coffee is subject to the pronouncements of the international professional tasters. The Universidad Autónoma Chapingo – the public agricultural school – is presently promoting a project to establish a Mexican export quality-certification entity, confident that this would reduce the penalty differential that Mexican coffee now suffers on the international market. This is the Certificadora Mexicana de Productos y Procesos

Ecológicos (Mexican Certifier of Ecological products and Processes), CERTIMEX. To date, CERTIMEX has developed a manual to determine the quality of green coffee and criteria for the certification of cupping laboratories. CERTIMEX is already offering training courses and expects to begin formal certification processes for the 2001-2002 harvest.

Environmental policies

Organic coffee received a boost from the Consejo Estatal del Café in Oaxaca en 1997, followed by a similar support programme in Chiapas in 2001. Sustainable and shade coffee found a greater market in the United States following an international conference in 1996.

However, the ProCampo programme to increase coffee production in the country in general does not take into account issues of over-production nor change of land-use.

It should be noted that there are environmental concerns regarding coffee processing. The wet-processing in Mexico consumes an enormous amount of water – as much as 15,000,000 cubic metres per harvest year (Instituto Maya 1999; 55) – and the waste does affect adversely water quality in the rivers to which this resource is usually returned.

Positive environmental effects include the limitation of erosion (considering annual agricultural practices as the likely alternative use of the land) and the carbon sequestered by the coffee trees. In fact, it is estimated that the coffee plantations in Mexico sequester the equivalent of five times the amount of carbon dioxide emitted in Mexico City.⁴⁵

International assistance

Although Mexico is not a prime recipient of private international assistance, the peasant coffee sector has figured in the strategies of various international funders active in the country, and particularly those with a sustainable development focus, as exemplified below.

- a) Chiapas' COOPCAFE has received support from Oxfam Holland (Novib) since 1995 to promote and train in organic coffee production. Some 7,000 producers have benefited from the funds, with average US\$40,000 a year.
- b) The MacArthur Foundation supported the training of organic agricultural producers in Chiapas, from 1996 to 1999.
- c) The Rockefeller Foundation made grants for research and dissemination of agroecological technologies, available from 1993 to 1998.
- d) The Ford Foundation supported exchanges between practitioners in organic agriculture in Chiapas in 1997-98.

⁴⁵ This is claimed in a policy document of eight governors from coffee-producing states, alerting the nation to the ecological disaster pending if the coffee sector is abandoned. (*La Jornada*, 18 July 2001; 43)

- e) The Inter-American Foundation (with US government funds) implemented a multi-grant programme of support to the peasant organic coffee movement during the first half of the 1990s, supporting CNOC, and member organisations, to improve training capacities, capitalise marketing initiatives, and other activities.
- f) The Global Environment Fund, coordinated by the World Bank, supports a project to grow and sell “sustainable coffee” in environmentally-protected areas of Chiapas, at a rate of US\$200,000 a year. The same “GEF” is starting to implement the Mesoamerican Biological Corridors project, which will probably contain a modest sum in support of organic coffee production in Chiapas and other parts of southeastern Mexico.
- g) The Inter-American Development Bank (IDB) has subsidized investment loans to peasant coffee production, through its small-projects facility, in Oaxaca (CEPCO) and Chiapas (SSS Tzijib B’abi and FIECH).
- h) The International Coffee Organisation supports the Common Fund for Commodities which offers, until 2003, marketing-oriented credits to cooperatives.
- i) The Environmental Cooperation Commission supported promotional activities and the development of concepts and norms in sustainable coffee production in Chiapas, Oaxaca and Guerrero from 1996 to 1999.

Representation of small farmers’ interests in policy-making bodies

Representation of the small-scale coffee producers in public policy formulation, through the second- and third-tier independent coffee organisations, is considerable. (See section 1.1.) Prime movers in this area are CNOC and the “Foro Cafetalero”, including the Unión Nacional de Productores de Café of the (PRI-based) Confederación Nacional Campesina, the Confederación Nacional de Propietarios Rurales (CNPR), the Confederación Mexicana de Productores de Café (CMPC), and the Coordinadora Nacional de Organizaciones Cafetaleras (CNOCA).⁴⁶ As noted above, the small farmers’ organisations participate in the Consejo Mexicano del Café, although the governmental participants maintain hegemony in that primary body for the formulation of policy toward the sector.

⁴⁶ The policy options defined in Section 3, below, are based principally on the proposals of CNOC and the Foro Cafetalero.

2. Community-level Findings

UN DÍA EN LA VIDA DE UN PRODUCTOR DE CAFÉ ORGÁNICO EN CHIAPAS

Vicente Vázquez Pérez, productor orgánico de la comunidad de Naranjatik Alto, Municipio de Chenalhó Chiapas, pertenece a la etnia tzotzil y habla esa lengua, él tiene 34 años.

El cómo socio de la Unión Majomut, programa todas sus actividades durante el año en la producción de café orgánico. Cada trabajo lo realiza conforme la época y las necesidades de las parcelas con que cuenta, conforme a los requisitos de la producción orgánica y cumpliendo las normas que se requieren para la certificación:

Un ejemplo de un día específico en su vida es el siguiente:

Para realizar los diferentes trabajos, el productor prepara un día antes los diferentes materiales a utilizar para cada tipo de trabajo que llevar a cabo (el machete, azadón, la lima para afilar, etc.). Llegando el día de trabajo se levanta a las 4:00 a.m., se lava, y ensilla su caballo. Una hora después ya preparado toma el desayuno (una taza de café, pozol, frijoles y tortillas), y lleva su dotación de alimento para poder consumirlo al medio día.

Terminando el desayuno, se dispone a partir hacia la parcela (por lo general las parcelas se encuentra de 30 a 50 minutos de distancia y dispersas), y poder estar a las 6 de la mañana en la parcela e iniciar su trabajo ese día (para su traslado camina a través de veredas generalmente) y empezar a realizar su actividad programada.

Después de un buen rato de actividad, dando las 12:00 del día el productor busca alguna sombra y come los alimentos que su mujer le ha preparado. Los alimentos consisten o pueden ser unos tacos (tortillas de maíz con frijoles o algunas verduras y su pozol, que es una masa de maíz que tiene que desbaratar mezclado con agua como una bebida, esto es parte de la costumbre de los productores y de la familia campesina indígena en la región), para poder aguantar hasta terminar con su jornada de trabajo, entre las 2 ó 2 y media de la tarde.

Aprovechando el día, el socio acostumbra traer de regreso a su casa una carga de leña (madera combustible) para que la mujer prepare los alimentos para la familia y para el siguiente día, el regreso es a las 3 de la tarde.

Al llegar a la casa, el productor llega a bañarse, posteriormente, se dispone a comer a las cuatro de la tarde y a convivir con su familia, la comida consiste en frijoles, huevos o verduras, tortillas y pozol. Si el tiempo favorece y no está lloviendo, sale a pasear al centro de la comunidad, a informarse con sus compañeros de lo nuevo que acontece en el pueblo o a practicar deporte (generalmente el basquetbol), después del recorrido regresa a su casa (entre 7 y 8 de la noche), y se dispone a cenar con su familia, alimentos que consisten en un café con pan o galletas, tamal de maíz, unas verduras. Después de la cena se dispone a descansar para la actividad del siguiente día.

En lo que respecta a la esposa de Vicente, que se llama Carmela Hernández que tiene 24 años, también tiene sus obligaciones o actividades como ama de casa, la señora se encarga de preparar los alimentos de su esposo y de toda la familia para la actividad del siguiente día.

A las 6 de la tarde cuece su nixtamal y los alimentos para solo tener que calentarlos al siguiente día, después se disponen a descansar; muy de madrugada se levanta a las 3 de la mañana y se pone a hacer su fogón para recalentar los alimentos, moler el maíz para el nixtamal, prepara las tortillas y el pozol, posteriormente le da de comer a su esposo y preparar el almuerzo para el medio día. Después que se ha ido su marido al campo a las 7 de la mañana, la mujer se dispone a bañar a su niño que se llama Alexander y tiene 3 años de edad, dándole de desayunar un poco de tortilla y frijol.

Después se dedica a realizar trabajos de la casa como lavar la ropa, barrer la casa y preparar la comida para la tarde (a las 3 de la tarde), a esa hora hace presencia el marido y le da de comer o si es que no salió a la parcela de trabajo, posteriormente lava los trastes, en seguida se dedica a coser y bordar su ropa que prepara para el nacimiento de su segundo hijo que espera para el mes de noviembre. Por la mañana y por la tarde la señora le da alimentos a sus aves de corral, ya entrando la noche se dispone a preparar el alimento para el siguiente día (6 de la tarde) después de esto descansa.

Por lo general en el momento de la cosecha las actividades las realizan todos (hombre y mujer y en las familias donde hay hijos mayores éstos también participan). Esto con la finalidad de economizar gastos para el corte del grano, y el despulpado lo realizan todos, e incluyendo el secado.

Si la familia pertenece a un grupo de hortalizas orgánicas es otra actividad para ellos como complemento alimenticio de la familia, para las actividades de estos cultivos también son programados conforme a las necesidades del cultivo y entre ellos y ellas se reparten sus actividades

En el lugar donde viven el clima es templado, generalmente a medio día hace bastante calor (hasta 28-32° C) y por las tardes llueve en los meses de mayo hasta enero del siguiente año, ya que es una zona con mucha lluvia durante todo el ciclo.

Familia cafetalera no organizada

Mi nombre es Pedro Guzmán López, soy originario de la comunidad de Majosik, Municipio de Tenejapa, Chiapas. Tengo 46 años. Tengo 7 hijos.

Este año el Coyote pagó a 7 pesos el kilos. El ciclo pasado (99) empezó pagando 10 y acabó en 7 pesos el kilo. Este año vendí 4 bultos (60K) a 7 pesos el kilo (420 pesos por bulto), 1,680 pesos por toda mi cosecha de una hectárea de café. El dinero del café fue escaso, sólo me alcanzó para comprar un poquito de comida. Sólo compré un poco de maíz y frijol, ya no ajustó para comprar ropa. No sobró nada de dinero para guardar, para

después gastarlo en lo que va comiendo la familia. No rindió casi nada el trabajo de mi familia en el cafetal

Tuve que pedir prestado dinero, porque el café no resultó. Pedí 2,000 pesos al 5% mensual (100 pesos mensuales de intereses). Pedí el dinero en el mes de mayo, porque el dinero del café se acabó y ya no tenía para comprar comida: mi frijol y mi maíz. Pagaré el préstamo hasta la próxima cosecha de café. Si el precio del café baja, no sé que voy a hacer con esa deuda.

Dos de mis hijos salieron a buscar trabajo a la ciudad de México. Tienen 15 y 16 años, uno acababa de terminar la secundaria. Tal vez si encontraron trabajo, pero no han mandado dinero, parece que están bien. El año pasado no tuvieron que salir a trabajar fuera de Majosik. Quedaban aquí a ayudar a hacer los trabajos del cafetal. Fue hasta este año que salieron. Hasta que vieron que no había precio para el café, y que no salía para la paga de la comida, entonces decidieron irse.

De la comunidad este año han salido como 20 muchachos, desde hace tres meses, hacia diferentes lugares: México, Cancún, Villahermosa, hasta Estados Unidos. Antes esto no se veía en la comunidad, es este año que han empezado a irse a buscar el trabajo los jóvenes. Las muchachas también están saliendo a trabajar fuera, pero no muy lejos, van a Jovel (San Cristóbal Las Casas) a trabajar de sirvientas. Ellas si pueden regresar de vez en cuando a visitar a sus familias. Los muchachos quién sabe si regresen.

Voy a volver a conseguir dinero: 1,000 pesos al mismo interés. El dinero es para comprar maíz, porque el que cosecho es insuficiente. Tengo una parcela de media hectárea donde siembro maíz, en dos ciclos de cultivo (Bahol y Ja'wil c'altic). De ahí salen 2 bultos (160 Kilos), por cada ciclo. Frijol no siembro. Todo el frijol se compra.

Cuando estaba a 15 o 16 pesos el kilo de café sí alcanzaba para comprar ropa, también herramientas para el trabajo. Después cuando el precio del kilo del café estuvo a 10 pesos (el ciclo pasado) sólo alcanzaba bien para comprar mi maíz y frijol. Pero para comprar ropa tenía que buscar mi trabajito, aparte de mi cafetal; limpiando el cultivo del café o del maíz, aquí en la comunidad. De media hectárea de limpia son 100 pesos. Esta año nadie de mi familia se compró ropa. Ni limas para afilar el machete de mi trabajo, ni nada compré.

Mi nombre es Lucía Girón Guzmán. Soy originaria de la comunidad de Majosik, Municipio de Tenejapa, Chiapas. Nací creo que en los años 60, creo que tengo cuarenta años. Mi esposo es Pedro Guzmán López. Tengo 7 hijos.

Trabajo en el cafetal junto con mis esposo y mis hijos, toda la familia trabajamos. En tiempo de limpia, se utiliza el azadón y el machete para hacer la limpia. Y donde están viejas las matas las tumbamos. Si el cafetal tiene muchos hijuelos se deshija, para que salgan ramas nuevas y de mejor café. La tapizca (cosecha) también lo trabajamos entre toda la familia. Luego se hace el despulpado y lavado y después lo ponemos a secar en el patio para tener café pergamino.

Ahorita estoy regresando de la limpia del café. Tuvimos que hacerlo sólo mis dos hijos chicos, yo y mi esposo, porque los otros dos muchachos que nos ayudaban en el cafetal ya se fueron a buscar trabajo a la ciudad de México. Es más trabajo para nosotros, pero no queda alternativa, ojalá el café suba de precio.

Para este ciclo del cafetal a lo mejor salen dos o tres bultos (60 Kilos cada bulto). Estamos esperando a que mejore el precio. Si baja más a dos o tres pesos, no sé que vamos a hacer. Da pena pues todo el trabajo que no se paga, si baja aún más el precio. Cuando es la tapizca (cosecha) nos levantamos a las dos de la mañana para salir a tapiscar a las 6 en el día, pues como está retirada la parcela salimos a las cinco para llegar a las seis a la tapizca.

Ahorita no resulta nada del café, no me compro ni mi vestido, ni mi ropa, ni mis zapatos, ni mi maíz. Salgo a buscar mi trabajo: limpia de la milpa, limpia del café o cargar leña. Busco mi trabajo para tener dinero, para comprar un poco de comida para la familia. Me pagan el día igual que mi esposo, a 15 pesos el día.

Tenía enfermedad, pero como no hay dinero, me tuve que aguantar. No hay como se pueda tener la paga de la medicina. Tuve un poco de dolor del cuerpo. Me iba enferma a trabajar. La clínica de la comunidad ayuda un poco, pero no da buenas medicinas.

Del dinero que pedimos prestado compramos leña, maíz, frijol. De frijol se come un kilo diario. Comemos cuatro personas. De maíz diario se lleva la comida como cuatro kilos. El kilo de frijol cuesta 7 pesos. El maíz cuesta 2 pesos el kilo. De leña compramos una tarea (un metro cúbico) a 45 o 50 pesos. Esa tarea alcanza para hacer la comida para una semana. De mi cafetal junto las ramas de “chalum” para leña, pero no me alcanza. Todo está muy caro. Ahorita Solo tengo 3 pollos. No como huevo de mis pollos. Mi familia come carne de mis pollos, sólo cada dos o tres meses. Comimos carne de toro cuando hubo un poquito de dinero del cafetal, después ya no.

Mis hijos que salieron de la comunidad estaban trabajando el cafetal junto con nosotros. No sé si van a regresar los muchachos. Uno tiene la primaria terminada y otro la secundaria. Tienen 15 y 16 años los muchachos. Si va a seguir bajando el precio, van a salir más muchachos de la comunidad. La tierra va a ser para los chiquitos. Ya los muchachos se fueron.

Seguimos trabajando el café porque de ahí siempre sale un poco para comprar la comida de mi familia, de ahí compramos un poco de mi maíz para el pozol, para la tortilla...

3. Policy Options

Coffee policy carries important political as well as economic consequences in Mexico. Coffee-producers are numerous, particularly in the Southeast, where peasant unrest is endemic and where natural resources (water, forest, biodiversity) are richest. The present, spiking out-migration is a strain on the rest of the economy. Coffee is by far the most environmentally benign, widespread peasant agricultural strategy, and there are no very convincing short-term and quickly-reproducible diversification strategies. The small-scale coffee producer sector is remarkably well organized, in comparison to other peasant sub-sectors. For these reasons, the policy debate around coffee counts.⁴⁷

Policy options are hardly limited to Mexico, as the problem is one of an international market in which a handful of doubtlessly colluding buyers is taking advantage of a real, very large supply surplus.⁴⁸ Options, then, include: (a) collective action among producer countries to limit supply (in practice, not able to be sustained, so far); and (b) negotiation between producing- and consuming-countries based on common interest in a sustainable productive model, and in the name of decency (considering the extreme privation radical liberalisation of the market has created in small-scale producers' lives).

But the future will not be a simple return to the regulated market of the ICO; it will be more closely based on comparative advantage and niche marketing. Mexico's climate, geography, collective know-how and contacts dictates a strong continuing role in the coffee market, with a better-quality, better-recognised product.

In sum, the crisis of plunging coffee prices in 2001, in the context of the dramatic and draconian cutting of price supports and other services to the agricultural sector as a consequence of NAFTA, clearly is spawning a grassroots movement in which the coffee producers play a lead role in terms of mass mobilisation and also in terms of the development of policy considerations.

Supply management, or retention, initiatives

As signatory of the North American Free Trade Agreement, the Mexican government is committed to non-interference in international markets. Nevertheless, the history of

⁴⁷ By July 2001 the price of coffee had descended to US\$53/100 lb sack, the governors of eight states (Chiapas, Oaxaca, Veracruz, Puebla, Guerrero, Hidalgo, Nayarit, and San Luis Potosí) banned together, calling the crisis a matter of "national security" – in reference to the economic disaster suffered by potentially rebellious masses of poor peasants, and called for an emergency fund to be created to compensate coffee-growers for their losses. It is interesting to note that the justification for expenditure of public funds to alleviate the coffee-sector crisis includes an "historic debt", with reference to the fact that for 60 years coffee brought in foreign exchange permitting the nation to industrialize. (*La Jornada*, 18 July 2001; 43)

⁴⁸ The great differential between the consistently high consumer prices and the (still-declining) producer prices suggests collusion, of course. The Mexican government reportedly has been investigating collusion among major exporters, with two cases concluded without indictment and two cases pending. (Juárez interview, 12 July 2001)

Mexico's participation in the international coffee retention plan demonstrates that the small-scale coffee sector is sufficiently strong to challenge this basic governmental policy.

Indeed, the Coordinadora Nacional de Productores Cafetaleros (CNOC) provisionally convinced the Mexican government to support the Retention Plan of the world's producer organisations. CNOC organized a national demonstration of coffee producers on 15 March 2000 in Mexico City. In April of the same year, CNOC and the CNC participated, as representatives of civil society, in a meeting of Latin American producer organisations, in Costa Rica; the Mexican government was convinced to speak in support of measures to control the volatile coffee market, and even assumed the role of hosting the subsequent meeting of the group at the end of April 2000. In the interim, a debate took place within Mexico. Small-scale producer groups supported the retention plan, but large-scale producer groups preferred a proposal that the government buy and destroy low-grade coffee – that, principally, of the large exporters – and as a result the Mexican government left off open support of the retention plan. On May 19th, the retention plan was approved at the London meeting of the Association of Coffee Producing Countries (APPC) and – thanks to the pressure applied by the small-scale coffee producer groups – Mexico signed on.

Mexico agreed that in the 2000-2001 harvest it would (a) retain 350,000 60-kilo sacks, according to the APPC plan, (b) increase consumption by 200,000 sacks, and (c) postpone placement on the market of 450,000 sacks until the end of the harvest season. This plan would have affected approximately 1,000,000 sacks of coffee, or 20% of the national harvest. As luck would have it, climatic conditions that year reduced the Mexican harvest, by natural means, and the plan was never carried out.

Other forces opposing market manipulation were:

- 1) The Banco de Crédito Rural (Rural Credit Bank, Banrural) declared it would not participate in the financing of the plan,
- 2) The large-scale producers and exporters announced they would not comply with first-phase commitments (alleging that Brazil and Colombia were also in non-compliance).

Finally, the change of federal government on 1 December 2001 left this and many other government programmes in a provisional non-compliance.

As of February 2001, the Foro Cafetalero has presented a consensus position, including elements of voluntary retention and paid-for destruction of excess and low-quality beans, which was presented to the agriculture secretary, Javier Usabiaga Arroyo, and consists of the following elements:

- 1) affirm Mexican participation in the APPC retention plan (reducing world supply on the market by 20%, followed by an additional 5%, approximately, in three further harvest years),
- 2) retention of 200,000 sacks by Mexico,
- 3) destroy 100,000 sacks of poor-quality coffee, paid for by the government.

Recently, in July 2001, CNOC has proposed a still more far-reaching plan, whereby 250,000 sacks of low-quality coffee would be purchased (for some M\$61,000,000) and destroyed.⁴⁹

Production management at country level

The quality of Mexican coffee will be improved with programmes to improve tree stock. Small-scale producer organisations support the gradual elimination of coffee plantations at below 600 meters altitude (above sea level) and the continuing conversion to organic production. Starting in 2001, governmental funds were only available for coffee producers farming above 600 meters altitude. This left between 15 and 20 percent of the national production disqualified.

Additionally, there is support for the introduction of mixed-crop coffee plots, with the inclusion of fruit trees and other associated crops.

The Coordinadora de Pequeños Productores de Café de Chiapas (COOPCAFE) received funds in 2001 from Oxfam International and the State government to investigate possibilities for diversification out of coffee for farmers at low altitudes. Results of the study are not yet available.

In order to control competition during the extraordinary crisis of 2001, coffee producer organisations and the governors of eight coffee-producing states, recommend that the temporary imports of processors with plants in Mexico be limited to a period of 60 days and that the importation of green coffee be prohibited entirely. Furthermore, they recommend the strict phytosanitary control of coffee imports – particularly from Asia. (*La Jornada*, 18 July 2001; 43)

Mainstreaming of sustainable coffee⁵⁰ and fair trade practices

Sustainable, or ecologically-grown and -marketed coffee, is an important initiative among the coffee cooperatives and small-scale producer organisations, though – with the exception of some technical assistance from FONAES and the Sistema Integral de Desarrollo Rural (SINDER) – the Mexican government has not invested in this strategy. International funders have been crucial to the independent attempts, and significant advances, in this direction (as mentioned in Section 1.4., International Assistance, above). This ecologically-grown coffee is usually associated with fair trade niche marketing (mentioned above, and in the section below). It should be emphasised that sustainable and fair trade practices are

⁴⁹ Estimating the yield of the average peasant producer at 11.5 sacks of coffee, this would mean that some 21,700 producers were affected. In other words, almost 13% of the 280,000 Mexican producers do not offer a quality of coffee that will permit them to compete successfully in the long run.

⁵⁰ Though the term “sustainable coffee” remains loosely defined, the efforts of diverse actors – from the Smithsonian Migratory Bird Center, to Oxfam America, Conservation International, Equal Exchange and peasant organisations from the South – have made consistent efforts, since 1993, and crescendoing in the 1996 Sustainable Coffee Congress in Washington D.C., to arrive at consensus strategies. (Rice and McLean, *ibid*, 113 ff., 137)

priority strategies for most of the small-producer coffee cooperatives, particularly among the Indian producers of the Mexican Southeast.

“Sustainable coffee” – featuring organic coffee, shade-grown⁵¹, bird-friendly⁵², and peasant-grown coffee – is a growth market. The expanding organic foods market in general – showing a tendency in the United States of increasing by 20% per year during the last ten years – is the basis for optimism.⁵³ Market research in the United States suggests significant prospects for fair trade practices, too. Market research in 1999 showed that more than three-quarters of consumers said they would be more likely to buy a product that is associated with a cause about which they care; almost one-third said that, after price and quality, responsible business practice shapes their purchasing decisions; and 20% said they had bought a product or service in the past years associated with a cause or issue. (“1999 Cone/Rope Cause Related Trends Report: The Evolution of Cause Branding”, cited in Rice and McLean, 1999, 34, 62).

Progress has been made in inverting the image of small farmer-grown coffee as of lower quality to the recognition of shade-grown (small producer-grown and usually of the older varieties, such as Bourbon and Typical) coffee as of superior taste. If quality is less an issue, the consistency of supplies and their timeliness continue to be concerns of importers, particularly when buying from cooperatives. Of course, any scandal belying the certification of organic coffee is a threat, and has been a reality in the past. Finally, with competition growing among specialty importers, margins are declining. Financial risk, however, is growing as considerable inventory is necessary while the volatility of the coffee market is legend. These are secondary, limiting factors on the expansion of the sustainable coffee market. (Rice and McLean, 1999, 26)

Certification is a necessary added cost involved in marketing – whether it be destined for the organic or fair trade markets.⁵⁴ With regard to the organic market, when small farmers organise to contract a large-scale group inspection (over 1.500 132-pound bags), the unit cost of certification is US\$0.03-0.05/lb. (With organic premiums averaging \$0.15-0.20/lb., the cost is clearly justified. Nevertheless, organic producer organisations have a long-

⁵¹ “Shade-grown” coffee is a term of loose definition, as it may be paired with organic processes (as in the SMBC initiative) or with integrated pest management – which does permit moderate use of chemical pesticides and fertilizers – as in the Eco-OK initiative. While mass-marketing efforts have focused on the beneficial effects to birds and/or forests, shade-grown coffee can also claim benefits in farm diversification, local species diversity, farm ecology, landscape security and carbon sequestration. (Rice and McLean, 1999, 73-74)

⁵² It should be noted that the “Bird-Friendly” seal awarded by the Smithsonian Institution, in the US, and marketed by the National Audubon Society was short-lived in 1997. The Audubon Society declared itself unsatisfied with the early results of the initiative – which was supposed to net the Society US\$0.25 for every pound sold. Nevertheless, SMBC still reported efforts on-going by three importers and 10 roasters in the country. (Rice and McLean, 1999, 70)

⁵³ It is commonly stated that certified organic coffee makes up 5% of the specialty coffee market in the United States; estimated organic coffee retail sales are US\$150 million annually. (Rice and McLean, 1999, 62)

⁵⁴ The International Federation of Organic Agriculture Movements (IFOAM), with headquarters in Thorley-Theley, Germany, issued guidelines for organic coffee in 1995; the same year it issued “Guidelines for Social Rights and Fair Trade”. In Mexico, Comercio Justo México, A.C. is a civil society organisation dedicated to promoting fair trade within the country and promoting Mexican products in fair trade markets internationally. Guidelines for the certification of a fair trade product have also been developed by Comercio Justo México.

standing demand that international certifiers cooperate more in respecting the results of each other's work. In particular, there is lack of reciprocity between the United States and Europe, with neither side automatically accepting the certification of the other.⁵⁵ More important still, certification by local agencies should be respected. (Rice and McLean, 1999, 25) In Mexico, Certimex is a Oaxaca-based certifying agency supported by small-scale cooperative organisations. It has direct contracts from European sellers and its costs are approximately half of what it costs for an international certifier to carry out the same service. The cost of certification by Certimex is equivalent to approximately 10% of the organic premium.

The prospect has been raised that coffee be included, for certification and marketing purposes, as a non-timber forest product (NTFP), like nuts, fronds, and other products privileged by SmartWood and the Forest Stewardship Council – whose interest is agroforestry. However, as coffee is not a native species and usually grown in a rather intensive fashion, it appears unlikely that these certifiers will award coffee the full NTFP category.

In an effort to amplify the fair trade concept, there is an initiative – with a Guatemalan focus – to certify minimum wage and working conditions for estate-grown coffee, based on a Code of Conduct promoted by the European Fair Trade Association and various Dutch agencies, principally the Max Havelaar Foundation. (Rice and McLean, 1999, 83) This strategy has not yet found an echo in Mexico, though large-scale coffee producing plantations merit the attention.

The expansion of environmental and social criteria in the field of sustainable coffees has led to consideration of the benefits and risks of multiple certifications. On the one hand, all available research suggests that consumers in the gourmet, environmental and social responsibility markets are not price-sensitive and do pay the extra 10-20% for their pound of coffee. On the other hand, each certification process does represent an increase in costs – though a composite “super seal” would limit that increase – and retailers are concerned about the growing competitiveness in the specialty market. Certainly, “risk sharing”, or spreading the cost of certification and promotion of sustainable coffee through the transaction chain, is highly desirable for the expansion of this strategy.⁵⁶ But, as Rice and McLean succinctly put it: “We found no compelling evidence to support the hypothesis that ‘seal proliferation’ is leading to confusion and ‘label fatigue’ among consumers.” (Rice and McLean, 1999, 89, 122)

Additional issues of interest include:

- Ought markets or standards to come first? (The proliferation of claims – bird-friendly, shade-grown and the rest – go largely uncertified now. Ought the

⁵⁵ Within the United States itself, the US Department of Agriculture National Organic Program is debating whether to oblige certifiers within the country to respect each other's work, unless there was the claim to “meet and exceed” the national standard. (Rice and McLean, 1999, 66)

⁵⁶ Let it not go unheeded that the World Trade Organisation's “Production and Process Methods” (PPMs) considerations may represent a challenge to the sustainable coffee strategy, as it suggests that only the physical characteristics of a product – not the procedures by which it was made – ought to be considered in product differentiation. (Rice and McLean, 1999, 95)

standards to come first or ought the market to lead the way? Said in other terms, ought business or no-profits lead the way?

- In the certification procedures, ought there to be absolute standards or a point system? (Also, can “sustainable coffee” include integrated pest management procedures which allow some use of agro-chemicals?)
- Could a Code of Conduct be developed for the sector, at the international level?
- Ought there to be more attention to sustainability issues and labelling initiatives in the consumer countries (regarding waste reduction and energy conservation in roasting and retailing)?
- Education and communication are key, including: consumer awareness-raising; roaster and retailer education as to labelling and sustainability; information networks such as a common data pool (including on production research and on labelling initiatives) and a policy watch would inform NGO, producer, marketing, and governmental interested parties.

(Rice and McLean, *ibid*, 105 ff.)

Increase domestic demand

Producer organisations have long recognised the opportunity to improve the income of their members by increasing the local demand for coffee. As stated above, Mexico currently has a very low consumption of coffee, and it tends to be low-quality coffee, whether in low-income homes (with a noted preference for a heavily-sugared Nescafé) or in even high-end restaurants. Knowing how Brazil raised consumption from 9,100,000 to 12,100,000 sacks a year in the short period between 1994 and 1999, the dynamic Mexican economy doubtlessly should be able to raise its own domestic demand.

In 2001, the agricultural secretariat initiated a publicity campaign, with newspaper advertisements, to raise consciousness of the pleasures of the brew.

The gourmet market is now highly visible in middle-class and prosperous sections of Mexico City and other cities. Chiapas’ Union de Ejidos de la Selva was the pioneer in entering the gourmet retail market, including coffee shops. There are now a dozen such La Selva cafés in Mexico City, and various other cities. And other coffee organisations, in Chiapas, Oaxaca, and elsewhere have entered the market. Indicators suggest that the strategy is modestly profitable. At the same time, it should be noted that product differentiation and brand-name development are strategies that may function better regionally and locally than nationally and internationally. The plethora of name brands may rather create confusion outside of the zone of production, and conglomerate second-tier differentiation – particularly around fair trade and organic criteria – is an idea in development, as noted below.

The national government included organic production in agricultural guidelines developed in the early 1990s; however the policy discussion concerning accreditation/certification, as well as brand-name policy and even intellectual property rights, are all issues still under

active consideration, which will eventually establish a framework for more active development of local markets in sustainable coffee..⁵⁷

The concept of fair trade – extensive in Europe and growing in the United States and Canada – is also figuring as a marketing strategy for the Mexican market – as well as for export. Various civil society organisations, including prominently coffee-producer grassroots organisations, banded together and, in 2001, established a national organisation, Comercio Justo México, A.C., and a “Mexican seal of fair trade”, with the strategy of raising consciousness locally and assuring the quality and providence of the certified products for both national and international markets. “Agro-mercados” is an associated marketing enterprise committed to promoting fair trade of peasant-produced products.

Environmental considerations in production

Agroecological practice has been promoted through two governmental programmes: Fondo Nacional de Empresas en Solidaridad (FONAES) offers support for technical assistance in organic coffee, and the Sistema Integral de Desarrollo Rural (SINDER) also offers resources to pay professional services in organic agriculture.

But it is the coffee-producer organisations – aided in part by international funders – which have committed important resources to creating an environmentally friendly system of coffee production. Independent coffee organisations formed a local certifying body, CERTIMEX, to pre-inspect production in agroecology, commissioned by international inspectors such as Naturland and the OCIA. CERTIMEX is able to certify European ISO norms.

There are advances in the reducing negative environmental impacts. Mobile washing stations (“*beneficios húmidos*”) can de-pulp coffee with very little water and can be moved to the coffee plots themselves. A closed-loop processing system will protect water sources from contamination. Pulp composting is a method for reducing contamination. The solar coffee dryer, reducing air pollution and energy use, are the subject of experimentation in Central America. (Rice and McLean, 1999, 92)

Gender considerations

As a result of the decline in importance of coffee to the family economy, and of the increased emigration of men in search of work, women are assuming greater responsibilities for coffee production. This has not been fully incorporated into the functioning of the family or coffee organisations, nor certainly by policy-makers. It was found, for an example in an area of higher emigration, in the Unión de Ejidos General Lázaro Cárdenas del Río, in Cacahoatán, Chiapas, over 33% of the producers were women. (Velasco, *Ecofronteras*, October 2000)

⁵⁷ECO-OK, the Rainforest Alliance’s coffee certification programme, has provided assistance in the refinement of standards in Mexico. (Rice and McLean, 1999, 51)

Development of processing capacity

The call for vertical integration and capturing added value through participation in the transformation process has been the dominant strategy among independent coffee-producer organisations (together with assuming marketing functions) since the late 1980s. At present, with many organisations in possession of their own processing plants, the emphasis falls on the improvement of the efficiency of those plants (particularly with electronic bean-selectors), and also on extending the wet-processing capacity within producer families and communities. Of particular concern is inadequate fermenting and drying, in the moment of “wet-processing”, which reduces significantly the quality of the final product. Certainly when confronting the low-investment practice of drying coffee in nylon sacks (where differences in temperature at the edges and deep within the sacks produces a poor-quality drying process), coffee organisations look to the construction of cement washing tanks.

ProCampo offers limited funds for the latter; in 2001, there are funds for the construction of a mere 4,000 such facilities in the state of Chiapas.

Increase access to credit and capital

If small-producer cooperatives are to expand their role in the coffee economy, they must access working capital to purchase the product in sufficient quantities to supply international toasters directly, thus cutting out the intermediaries whose principal attraction has been their capacity to pay upon receipt. Even medium- and large-scale producers find, with the historically low prices of 2001, that they have no access to commercial bank loans.

The coffee sector is united in demanding governmental intervention to provide access to capital for investment, diversification, and, in terms of the emergency, for survival. Past loans must be restructured, since many coffee-producers are unable to service them in the present situation of net out-flow. The Banco Nacional de Comercio Exterior (National Export Bank, BANCOMEXT) and Bank of Mexico’s Fideicomisos Instituidos en Relación con la Agricultura (Trust Funds Related to Agriculture, FIRA) should be capitalised to offer long-term loans when seen as viable.

An emergency fund, operated by the agricultural ministry, should be established to compensate coffee producers for the extraordinary losses of the 2000-2001 harvest. It is calculated that a fund of M\$3,000 million (some US\$333 million) would cover 10% of the projected losses in 2001 of producers in the sector. Thereafter, a stabilisation fund is proposed into which capital would be transferred in years in which coffee received better prices and out of which capital would go to producers to compensate for poor years. The World Bank has been identified as an appropriate source for seed money for this stabilisation fund (in the name of justice, because it was World Bank policy to make

Vietnam a major coffee exporter, thus contributing in an important way to the present crisis).⁵⁸

It is interesting that organic coffee production has influenced the thinking regarding financing of the sector and, as an adjunct argument, producer organisations have mentioned the demand for payment for environmental services, recognising that shade-grown coffee figures in the sequestration of carbon, the support of biodiversity, and other environmental services.

Policies and market regulation in support of small producers

Technical assistance in production is costly when individualised by small-producer. Yet the state has maintained a neo-liberal hands-off policy respecting this crucial service; the independent organisation have taken on the task of providing these services.

Lamentably, the Mexican government allows a product with up to 30% non-coffee ingredients (sugar, etc.) to legally claim to be “100% pure coffee”. This policy keeps prices low, particularly in the countryside where this adulterated product finds its greatest market.

The Foro Cafetalero (in its letter of 8 February 2001) argues that the government should:

- 1) review and limit import licensing for coffee,
- 2) promote more aggressively the internal consumption of coffee,
- 3) review the Ley de Torrefacción and the norms guiding the marketing of coffee within the country.

Policies to improve Mexico’s world position

The government is not willing to make a significant investment nor has a policy regarding improving Mexico’s world position in coffee at this time.

There is a bind. At this point, Mexican coffee is predominantly sold in the United States, country with which Mexico has a free trade agreement and proximity, as competitive advantages. However, projections for demand in the United States are less sanguine than for Europe – with which Mexico also has a free trade agreement – but is not as competitively located. Although consumption is also increasing in Japan, Mexico does not have notable competitive advantages in that market either.

Indeed, Mexico’s profit margin is narrower than that of Brazil or Colombia (though not of Central America). (Instituto Maya 1999; 75)

Labour standards on plantations

⁵⁸ These proposals are part of the Puebla meeting of governors from coffee-producing states, on 17 July 2001. (*La Jornada*, 18 July 2001; 43)

The labour needs of Soconusco plantations, particularly heavy during the harvesting of coffee (November to February) are filled almost entirely by Guatemalans, many of whom now receive permission from the National Migration Institute to remain in the country for up to a year. A study by the academic institution, Colegio de la Frontera Sur (Ecosur) starting in 1997 found that for every 10 men, there was one woman migrant worker registered, but that 26% of the men were “accompanied” by women and children – the great majority of whom certainly constitutes an unregistered, and under-protected, additional workforce. Some 32% of these agricultural workers are illiterate. Of the 67,633 migrants who registered with the Mexican government in 1997, 76% had the paperwork involved in receiving their permission taken care of by profession “*contratista*” labour intermediaries. (Ángeles, *ECOfronteras*, 2000)

Greater monitoring of Mexican law (in the Constitution and the labour Law) is needed to guarantee minimum health and labour standards on the coffee plantations. This involves on-site review of practice and increasing penalties for non-compliance of the law.

Diversification within, and out of, coffee

Economic policy dictates diversification of risk, regardless of the level of activity of the actor. With reference to the peasant family, policy-makers must lend special attention to an over-reliance on coffee as an income-generating strategy when many economists forecast a continuing secular downward trend in coffee prices. Cooperatives and small-producer organisations have identified this problem for some years. In particular, those committed to organic coffee have invested some resources in exploring and promoting the extension of organic practice to other agricultural products. There is an ever-present seldom-dominant movement to reinforce agricultural activity for self-consumption (and thus improvement in the supply of basic needs). There has also been an emphasis in working with the women associated with the coffee organisations. In the case of CEPCO, in Oaxaca, in particular, a successful women’s savings and loan programme is in place, as well as a project to train women in microenterprise activity.

More radically, it is also true that coffee grown in inhospitable circumstances (in particular, below 600 meters altitude) produces a quality of bean that is unlikely to find a market in the future.

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