

COFFEE IN THE UNITED STATES

History of Coffee

Coffee was first discovered in Eastern Africa, in current day Ethiopia. Legend has it that a goat herder named Kaldi saw his goats eating berries from a bush and acting unusually frisky after consuming them. Kaldi was curious about this and decided to try eating the berries. He found that after eating these berries he had a renewed energy. He spread the word of these fruits, and when word made it to the monks, they chose to dry them so they could ship them to far away monasteries. These monks re-hydrated these berries in water, ate the berries, and drank the liquid to give them extra energy for extra time for praying.¹

The coffee berries were first cultivated on the Arabian peninsula, in current day Yemen. From Yemen coffee traveled to Turkey, where the coffee beans were roasted for the first time. The beans were roasted over open fires, then crushed and boiled in water, creating a rough version of what a modern day cup of coffee is today.

Coffee arrived in Europe by means of the Venetian trade merchants. Coffee fell under harsh criticism from members of the Catholic Church, because they believed it was the drink of the devil, but to their surprise the Pope was already a coffee drinker, and he declared it a Christian beverage. Coffee houses began appearing across the European landscape.²

¹ http://www.coffeeuniverse.com/university_hist.html

² http://www.coffeeuniverse.com/university_hist.html

Coffee was first introduced to the Americas in the 1700's when a French infantry captain brought one plant with him and planted it on the Caribbean Island of Martinique, which became the parent of over nineteen million coffee trees on the island within fifty years. The plant then found its way to South and Central America from Martinique. The Continental Congress of the colonized United States declared coffee the national drink, in protest of the heavy tax on tea from Britain.³

The World Coffee Scene

There are over four-hundred billion cups of coffee consumed across the world every year.⁴ Even though the United States is the largest coffee importer, it is far from having it's population drink as much coffee per capita as many other countries. Take, for example, the United State's per capita 9.7 pounds of coffee per year and compare it to the whopping 26.4 pounds of coffee per year per capita in Scandinavia.⁵ Currently the coffee industry employs over twenty million people, and ranks only second to petroleum in terms of dollars traded across the world.⁶

World Wide Coffee Production

The total world production estimates for the 2003/2004 coffee crop is 101.5 million bags, (60 kg/bag), down from the 119.74 million bags in the 2002/2003 crop year.⁷ In 2002 the United States imported 21,701,316 bags of coffee from the world.⁸

³ http://www.coffeeuniverse.com/university_hist.html

⁴ http://www.coffeeuniverse.com/university_hist.html

⁵ <http://www.realcoffee.co.uk/Article.asp?Cat=Trivia&Page=1>

⁶ http://www.coffeeuniverse.com/university_hist.html

⁷ <http://www.ico.org/>

⁸ <http://www.ico.org/frameset/priset.htm>

American Coffee Consumption

Coffee accounts for seventy-five percent of the caffeine consumed in the United States every year.⁹ The average American drinks thirty-five cups of coffee a month¹⁰. Breaking this down even further, fifty-four percent of Americans drink coffee on a daily basis, and another twenty-five percent of Americans drink coffee occasionally.¹¹ Per capita men drink almost two glasses of coffee every day, and women drink around a cup and a half every day. Per capita, Americans consume 4.4 kg (9.7 pounds) every year. But among coffee drinkers the average consumption is just over three cups of coffee per day. With over one hundred million people in the U.S. drinking coffee every day, there are more than three-hundred and fifty million cups of coffee produced in the United States every day.¹²

In 1999 there were 108,000,000 coffee consumers in the United States, and they spent over nine billion dollars on retail coffee and over eight billion dollars in the foodservice industry for coffee, which means that the average coffee drinker spends nearly one-hundred and sixty-five dollars a year on their coffee consumption.¹³ The United States is the largest coffee consumer in the world, which represents one third of coffee exports worldwide.¹⁴

American Coffee Production

While Americans are large consumers of coffee, they are not large producers of it. Hawaii is the only state in the U.S. which produces coffee and in the 2001-2002 growing

⁹ <http://www.realcoffee.co.uk/Article.asp?Cat=Trivia&Page=1>

¹⁰ <http://www.beekmanwine.com/prevtopat.htm>

¹¹ <http://www.coffeeresearch.org/market/usa.htm>

¹² <http://www.realcoffee.co.uk/Article.asp?Cat=Trivia&Page=1>

¹³ <http://www.coffeereserach.org/market/usa.htm>

¹⁴ <http://www.realcoffee.co.uk/Article.asp?Cat=Trivia&Page=1>

season produced only 7.6 million pounds¹⁵. Coffee grown in Hawaii has some of the best growing conditions in the world. The growing conditions in Hawaii produce the highest yielding Arabica beans per acre. The average coffee farm produces 500-800 pounds of coffee per acre, where as in Hawaii a coffee farm can average 2,000 pounds per acre. Coffee production is getting smaller in Hawaii because of the growing tourism market, which is stealing coffee production acres and putting them into housing.

Types of Coffee

There are three species of coffee trees that are commonly used for commercial production of coffee: Robusta, Arabica, and Liberica.

The robusta is a high-yielding, disease resistant variety. It is generally grown in the lower elevations in the eastern hemisphere near the equator. It generally has a relatively harsh flavor, and contains around two percent caffeine. It is used for the lower grades of coffee, generally used for instant coffees and commercial blends.¹⁶

Arabica, which is grown at 3,000 to 6,500 feet above sea level, has a slower growing process, which concentrates its flavors. It is generally grown in semitropical climates near the equator in the eastern and western hemisphere. It has only one percent caffeine, and yields less than Robusta. Specialty roasters prefer Arabica, because of its more refined flavor. It is, however, more susceptible to disease, frost, and drought than Robusta, which requires careful cultivation and ideal climate conditions.¹⁷

Liberica is similar to Robusta, being a hardy variety and grown in low altitudes. It is a small percentage of the world production, and is grown in Africa.¹⁸

¹⁵ <http://www.bizjournals.com/pacific/stories/2002/02/18/daily18.html>

¹⁶ <http://www.nwlink.com/~donclark/java/world.html>

¹⁷ <http://www.nwlink.com/~donclark/java/world.html>

¹⁸ <http://www.nwlink.com/~donclark/java/world.html>

Coffee Production

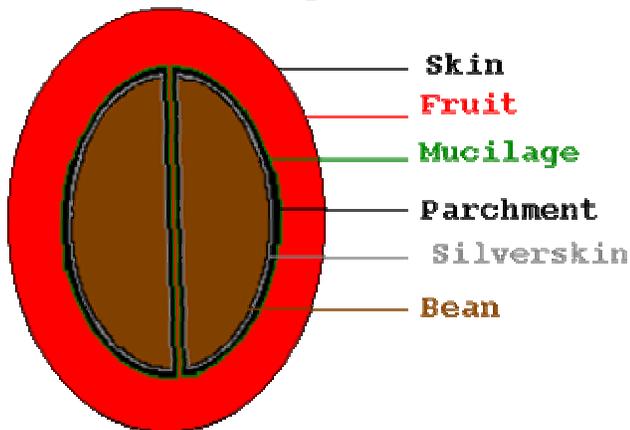
Planting coffee doesn't start on the farm, it starts in a nursery. Coffee seeds are planted in seed beds, then transplanted into individual pots, and eventually planted on the plantation or farm. Most varieties take three or four years to mature and produce fruit. Pictured to the right is a coffee tree nursery.¹⁹



Coffee beans actually come from cherries, which come from coffee trees. Coffee trees can grow to be in excess of one-hundred feet, but are kept much shorter, to make harvest easier. An average coffee tree will produce enough beans a year to create anywhere from a pound to a pound and a half of roasted coffee.²⁰ The figure to the below right shows what the coffee cherries look like while still on the coffee tree.²¹

The fruit is called the coffee cherry, and when ready to be harvested turns a bright

The Coffee Cherry



deep red color. Coffee beans are actually the pits of the coffee cherries. Coffee cherries look just like regular cherries, such as those used to make cherry pies, except that coffee cherries generally have two pits and contain less fruit pulp.²²



¹⁹ <http://www.ncausa.org/public/pages/index.cfm?pageid=69>

²⁰ <http://www.nwlink.com/~donclark/java/world.html>

²¹ <http://www.hawaiicoffeeassoc.org/questions.htm>

²² <http://www.nwlink.com/~donclark/java/world.html>

The figure above shows the structure of the coffee cherry, more of which will be discussed during the processing of the cherries.²³

Coffee is generally harvested by hand, but in a flat landscape, harvest has been mechanized. Harvest is harvested two ways: strip picked and selectively picked.

Strip picked is when the entire crop is harvested at one time, whether by hand or machine.

Selectively picked is done exclusively by hand, and is where only the ripe cherries are picked. When selectively picking, workers rotate trees every 8-10 days, picking only the cherries that are ripe. Selective harvest is more costly, and therefore generally used to only harvest the finer arabica beans.

A worker averages one to two hundred pounds of coffee cherry every day, which will produce twenty to forty pounds of coffee beans. Each worker has what they harvested that day weighed, and are paid according to how much they picked.²⁴

Coffee Processing

After harvesting the cherries, they are ready for processing. They can be processed in one of two ways, the dry or wet method.

The dry method is the traditional way of processing, and still used in areas where water is a limited resource. In the dry method, the cherries are spread out on surfaces to dry in the sun, and turned throughout the day, to prevent spoilage, and are covered at night to prevent them from getting wet rain. This process can take up to several weeks,

²³ <http://www.nwlink.com/~donclark/java/world.html>

²⁴ <http://www.ncausa.org/public/pages/index.cfm?pageid=69>

depending on the weather. The cherries need to drop to a moisture level of eleven percent to be ready for milling.²⁵

The wet method involves several steps. The first is sending the cherries through a pulping machine, which separates the skin and pulp from the bean. The pulp is then washed away with water, which is dried and used for mulch. The beans are then separated by weight, and then by size. They are then sent to large fermentation tanks, to remove the mucilage, which is still attached to the parchment. They will remain in the fermentation tanks for twelve to forty-eight hours. The beans will feel rough to the touch, instead of slick after going through this process. The beans are then rinsed again, and are now ready for drying. The beans need to be dried to eleven percent moisture, just as with the dry method. This is done by either sun drying, drying on large tables or floors, or machine dried in tumblers.²⁶

Coffee Milling

After the beans are dried, it's time for milling. If the coffee was wet processed, the coffee beans will have to be hulled. Machines will remove the dried husk of the dried cherries. The beans will then be polished, which is an optional process that removes any silver skin that's still on the beans after they have been hulled. Polished beans are considered to be a better bean than unpolished, but there is actual minimal difference.

After being hulled and possibly polished, the beans will be sorted by size and weight, and checked for color flaws and imperfections. The size of the beans are measured on a scale of ten to twenty. The scale represents the size of a round hole's

²⁵ <http://www.ncausa.org/public/pages/index.cfm?pageid=69>

²⁶ <http://www.ncausa.org/public/pages/index.cfm?pageid=69>

diameter in sixty-fourths of inches. For example, a number fifteen bean would measure $15/64$'s of an inch, and a number twenty bean would measure $20/64$'s (or $5/16$'s) of an inch. The beans are measured by being passed through different sized screens. After being sorted by size, defective beans are removed, either by machines or more commonly, by hand.²⁷

Green Coffee

The beans are now referred to as green coffee and are ready to be loaded up for export. The green coffee is shipped in jute or sisal bags, which are loaded into shipping containers, or shipped bulk inside plastic-lined containers. There are approximately seven million tons of green coffee produced worldwide every year.²⁸ . It takes approximately four thousand hand-picked green coffee beans to make a pound of roasted coffee.²⁹

Coffee Roasting

The green coffee now needs to be roasted, which will turn the beans into the brown beans that are sold in stores. Roasting machines have an average temperature of 550 degrees Fahrenheit. The beans are kept moving while in the roaster, to prevent them from burning. When the beans reach 400 degrees they begin to turn brown and the oil inside the beans begin to emerge. This is called pyrolysis. It is what produces the flavor and smell of coffee. After the beans are removed from the roaster they are immediately cooled by either air or water. Roasting is generally done in the country that the coffee is

²⁷ <http://www.ncausa.org/public/pages/index.cfm?pageid=69>

²⁸ <http://www.ncausa.org/public/pages/index.cfm?pageid=69>

²⁹ <http://www.nwlink.com/~donclark/java/world.html>

to be consumed in, because after they are roasted the beans need to get to the consumer as soon as possible.³⁰

Coffee Grinding

The last step before the consumption of the coffee is to grind the coffee beans. How fine or coarse coffee beans are ground will have an impact on how the coffee is to be brewed. The finer the coffee is ground, the quicker it needs to be prepared.³¹

Grading Coffee

The New York Board of Trade has a coffee and cocoa grading facility in Manhattan, the largest green coffee grading facility in the United States. The New York Board of Trade grades 11,000 lots of coffee per year, or approximately fifty-five percent of the total U.S. certified stocks. The New York Board of Trade has twenty-five active coffee graders.³² Pictured is one of the customized cupping tables at the facility.³³

Cupping coffee is a technique used by cuppers to evaluate the coffee. To prepare the samples when cupping the table is set up with six to ten cups of coffee, fashioned in a triangular pattern. At the top of the triangle there is sample of the roasted coffee and a sample of the green coffee. Then in the middle of the table there is a cup of water at room temperature, and the cupping spoons. To prepare the samples for tasting place two tablespoons of freshly roasted and freshly ground coffee in a cup, and add hot boiling water to each cup. Each cup is first evaluated for aroma, and then for taste.



³⁰ <http://www.ncausa.org/public.pages/index.cfm?pageid=69>

³¹ <http://www.ncausa.org/public.page/index.cfm?pageid=69>

³² <http://www.nybot.com/gradingroom/>

³³ <http://www.nybot.com>

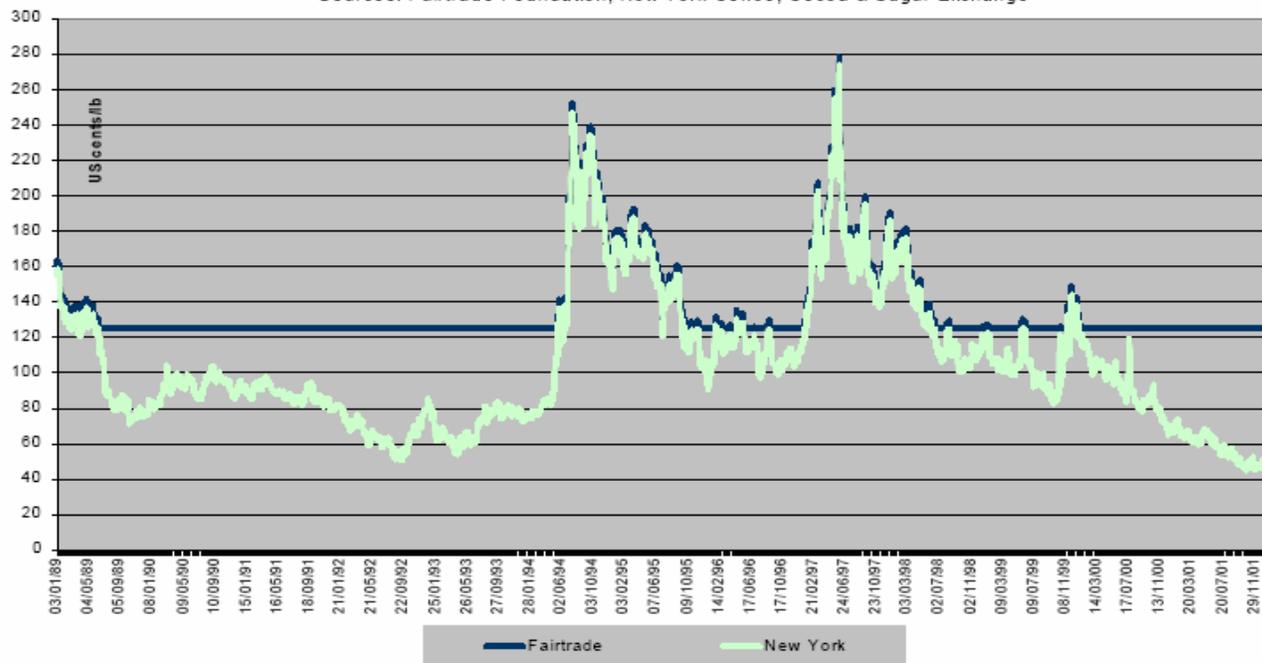
Fair Trade Coffee

With over fifteen billion pounds of coffee produced annually world-wide, and only twelve billion pounds of coffee being consumed annually, coffee prices are being forced to low levels, often below the cost of production.

Fair trade items are products put on the market, which ensures that the farmer receives a fair compensation for producing their commodity. In the case of Fair Trade coffee, producers can sell their beans for a minimum of \$1.26 a pound, well more than the going price on the New York Coffee Exchange. Currently, fair trade coffee is a relatively small part of the world market, accounting for only .8 percent of total world coffee sales. Fair trade coffee costs consumers about twenty-five percent more than regular brands of coffee. With producers demanding \$1.26 a pound, the farmer pockets between ninety cents and a dollar a pound, whereas farmers who only receive market price for their coffee get only eighteen to twenty-five cents per pound. Production costs, however, range anywhere from fifty to eighty cents per pound, forcing many farmers' crops to rot on the bush. In 2003 fair trade coffee producers received three times the international price for robustas and twice the price for arabicas.³⁴

³⁴ http://www.fairtrade.org.uk/food_coffee.htm

Fig. 4 Arabica Coffee: Fairtrade and New York prices 1989-2002
Sources: Fairtrade Foundation; New York Coffee, Cocoa & Sugar Exchange



As illustrated in the figure above³⁵, farmers producing under fair trade always receive more than those taking the price from the New York Coffee Exchange, sometimes in upwards of sixty cents per pound.

Small scale farmers in Mexico often end up with less than thirty cents per pound of coffee, less than a third of coffee production costs, and few small scale coffee producers make more than \$600 a year. Out of the 411 Mexican municipalities that produce coffee, farmers in 350 of them live in extreme poverty. Chiapas, which is Mexico's leading coffee producer, is the nation's poorest state. At one time producers only had the option of selling their coffee to coyotes, which were people who would come around in trucks at harvest time, and tell the producer that the coffee was poor quality, and give less than the coffee was worth, and the producer had no options. The coyotes would then sell the beans to exporters.

³⁵ <http://www.fairtrade.org.uk/downloads/pdf/spilling.pdf>

In the early 1980's, things began to change. Small scale farmers began to band together with their neighbors to form co-operatives. In 1988 when the price for coffee beans plunged by more than fifty percent the Dutch-based not for profit Max Havelaar began putting a label on fair-trade coffee so consumers could identify it. The prices had plunged even lower by 1992 and TransFair USA, a US fair trade certifier formed in 1995.

In 1997 the fair trade movement had a big boost when the Fair Trade Labeling Organization was formed. The FLO currently has a registry of two-hundred certified coffee co-ops, which represent 500,000 farmers in eighteen countries. In 1999 the FLO certified twenty-five million pounds of fair-trade coffee.³⁶

New York Coffee Exchange

The New York Coffee Exchange coffee contracts are 37,500 pounds, and of class 3 quality. Class three is considered exchange grade. There are five classes of coffee, with class one being specialty coffee and class five being off grade. Classes one and two demand a premium to class three prices and classes four and five demand discounts from the exchange price.³⁷

Coffee traded on the New York Coffee Exchange can be delivered to either the Port of New York District on par with the exchange price, or to the Port of New Orleans, the Port of Bremen/Hamburg, the Port of Antwerp, or the Port of Miami for a discount of one and a quarter cents per pound.³⁸

Conclusion

Coffee is something that people rarely think about, other than drinking their daily cup or cups of java. From the nursery to the cup there are many unseen steps and unseen

³⁶ http://www.americas.org/index.php?cp=item&item_id=119

³⁷ <http://www.coffeeresearch.org/market/coffeemarket.htm>

³⁸ <http://www.nybot.com/specs/kc.htm>

people contributing to your caffeine boost for the day. So, the next time you are enjoying your morning pick-me-up, remember the people that are ensuring the quality of that coffee, from the nursery worker to the hand-harvester to the cuppers in New York City.

OVERVIEW OF MEXICAN COFFEE PRODUCTION

Coffee was introduced into Mexico around the end of the eighteenth century from Cuba. It was not, however, produced and exported in large quantities until the 1870's.

In 1970 coffee was grown on only three-hundred and fifty thousand hectares in Mexico. By 1992 that number was up to over seven-hundred and sixty thousand hectares, but in 2001 was down to just over seven-hundred thousand.¹

The number of producers has also increased rapidly, from just under one-hundred thousand in 1970, up to over two-hundred and eighty thousand in 1992, increasing yet again to over four-hundred thousand in 2001.²

The average farm size, however, has decreased from the nearly four hectares in 1970, to less than two in 2001.³

From 1991 to 1995 Mexico was the fourth largest coffee producer in the world, behind only Brazil, Colombia, and Indonesia. Vietnam, however, increased its production enough to overtake Mexico, pushing Mexico to fifth place in terms of world-wide coffee production.⁴

¹ Beneficial Impacts of Ecolabeled Mexican Coffee: Organic, Fair Trade, Rainforest Alliance, Bird Friendly

² Beneficial Impacts of Ecolabeled Mexican Coffee: Organic, Fair Trade, Rainforest Alliance, Bird Friendly

³ Beneficial Impacts of Ecolabeled Mexican Coffee: Organic, Fair Trade, Rainforest Alliance, Bird Friendly

⁴ Measuring Consumer Interest in Mexican Shade-grown Coffee: An assessment of the Canadian, Mexican and US Markets

The Face of Mexican Coffee Producers

There are hundreds of thousands of farmers raising coffee in Mexico, sixty-five percent of which are members of indigenous communities. The average farm size is a mere 1.92 hectares, or 4.74 acres. Coffee is produced on over seven-hundred thousand hectares, or one-million seven-hundred and thirty thousand acres, in twelve states, four-hundred towns and three-thousand five-hundred communities.⁵

Seventy percent of Mexican coffee comes from Veracruz and Chiapas, with another ten percent coming from Puebla, with the remainder coming from other states.⁶



Armando Lorenzo Dominguez Rodriguez is one of these small coffee producers. Rodriguez farms five acres near Ejido Agustin de Iturbide, north of Tapachula. For the past three years, Rodriguez and his neighbors have made no profit, being forced to sell it for half of his production costs.⁷

Rodriguez and his neighbors are not alone. In the past three years coffee farmers incomes in Mexico have fallen by seventy percent. It is due to circumstances much as these that many coffee farmers are choosing to abandon their crops and find other jobs, a large portion of these choose to head for the U.S. border. Of the fourteen immigrants who perished attempting to cross the Arizona desert near Yuma on May 24, 2001, twelve of them had been coffee farmers.⁸

For the small coffee farmer it is becoming a necessity for them to be members of cooperatives, which are able to handle large amounts of coffee to niche markets, and

⁵ http://www.consumerscouncil.org/coffee/mexico_appendix2.html

⁶ <http://www.koffeekorner.com/mexican.htm>

⁷ http://www.organicconsumers.org/organic/fair_trade.cfm

⁸ http://www.organicconsumers.org/organic/fair_trade.cfm

demand higher prices. These co-ops often specialize in sectors of the coffee market, including organic, shade grown, and fair trade. These markets hold the most promise for small farmers, but also require certification, marketing, and product differentiation.⁹

Organic Coffee Production

Organic coffee production requires shade friendly be planted. Any chemically dependent, full-sun, or GMO varieties are prohibited from being marketed as certified organic coffee. Coffee producers that grow certified organic coffee receive a premium, generally around forty cents above the market, which allows them to turn a profit while traditional farmers sometimes can not.¹⁰

Organic coffee producers also have the added benefit of having less expenses, due to the fact they are not using chemicals on their crops. These savings can be quite significant, since farmers often spend up to thirty-five percent of their revenues on agricultural chemicals.¹¹

Out of the over seven-hundred thousand hectares of coffee production in Mexico, as of January 2003, just over seventy thousand hectares were operating under certified organic, just two percent of the coffee production area in Mexico. Those seventy thousand hectares were divided by twenty-eight thousand producers, which is four percent of Mexico's coffee producers.¹²

Organic coffee farmers in Mexico receive between twenty-five and seventy-seven cents more per pound than conventional coffee producers. Mexican organic coffee

⁹ http://www.consumerscouncil.org/coffee/mexico_appendix2.html

¹⁰ <http://www.taylormaidfarms.com/home/columns.html>

¹¹ Beneficial Impacts of Ecolabeled Mexican Coffee: Organic, Fair Trade, Rainforest Alliance, Bird Friendly

¹² Beneficial Impacts of Ecolabeled Mexican Coffee: Organic, Fair Trade, Rainforest Alliance, Bird Friendly

producers were offered forty-five percent higher prices in 2000 and sixty-two percent higher in 2001 versus the prices conventional coffee producers were offered.¹³

It is estimated that sixty-five percent of coffee producers are organic in Mexico, not by choice, but because they don't have the resources to pay for chemicals.

One obstacle that many producers face is the cost to become certified. OCIA, which is the largest organic certification organization in the world, charges two-hundred and fifty dollars a year, and another four to five-hundred dollars per inspection visit.¹⁴

Shade Grown Coffee Production

The terms shade grown and bird friendly are used interchangeably. Coffee grown under these conditions is grown under a canopy of shade to protect the cherries from the sun. The canopy is multi-layered and provides habitat for different types of animals and plants.

When farmers began using full sun varieties of coffee, the shade trees were gotten rid of, which caused major deforestation of coffee producing areas, and a significant fall in the population of birds and other wildlife.¹⁵

Shade grown coffee provides many environmental benefits. In certain areas of Mexico, coffee production is the only areas in which forested areas remain on mountainsides. Since certain types of coffee grow on mountain slopes, this provides protection from soil erosion. The majority of shade grown coffee also doesn't use pesticides because it is, for the most part, organically grown.¹⁶

¹³ Beneficial Impacts of Ecolabeled Mexican Coffee: Organic, Fair Trade, Rainforest Alliance, Bird Friendly

¹⁴ Beneficial Impacts of Ecolabeled Mexican Coffee: Organic, Fair Trade, Rainforest Alliance, Bird Friendly

¹⁵ <http://www.taylormaidfarms.com/home/columns.html>

¹⁶ Measuring Consumer Interest in Mexican Shade-Grown Coffee: An Assessment of the Canadian, Mexican, and US Markets

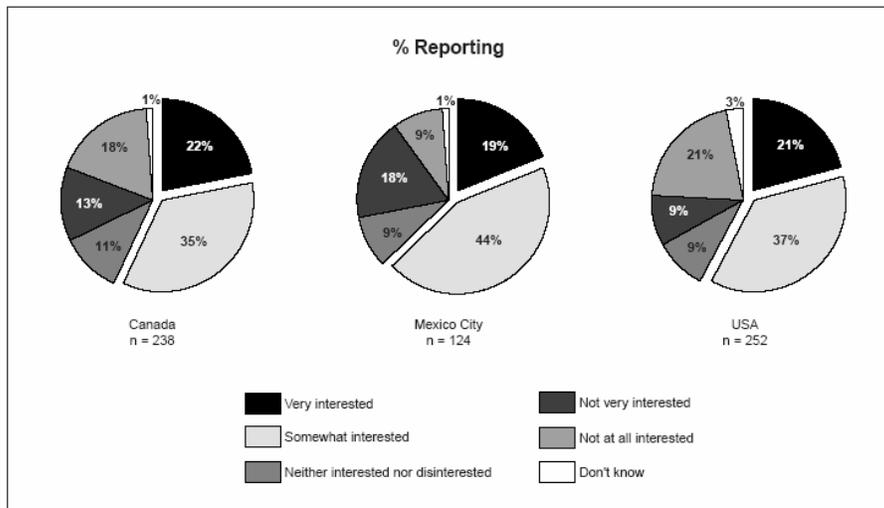
There was a study done in 1999 to see consumers' feelings about shade grown coffee in the U.S., Canada, and Mexico.

Participants were given the following question to answer, and then asked to give their opinion:

“Shade-grown coffee is coffee that is grown slower, at higher elevations, by small growers who achieve quality and consistency without heavy chemicals. Shade-grown coffee offers natural taste and unique flavor without the use of heavy pesticides of large-scale coffee-growing operations. Based on this description, would you be very interested, somewhat interested, neither interested nor disinterested, not very interested or not at all interested in purchasing shade-grown coffee?”

The findings found that Canadians preferred the shade-grown varieties to other blends, and that US consumers found the tastes to be equal or below sun-grown varieties. All in all, most consumers found the two varieties to be equal in taste. The survey found the findings on interest in purchasing the product in the charts below.¹⁷

Figure 1. Interest in shade-grown coffee: Slow-grown, no heavy chemical use



¹⁷ Measuring Consumer Interest in Mexican Shade-grown Coffee: An Assessment of the Canadian, Mexican, and US Markets

As evident by the pie charts, nearly one in five coffee drinkers across North America expressed a strong interest in purchasing shade-grown coffee. Disinterest, however, was highest in the United States, which is disappointing to Mexican coffee producers, since that is where the majority of their coffee is exported to.¹⁸

Fair Trade Coffee Production

The first three coffee cooperatives were established in Mexico in 1989. Currently there are thirty-two coffee cooperatives on the FLO Registry.¹⁹

Fair trade coffee deals with the price coffee producers receive for their product. Fair trade coffee ensures a floor price for the producer of \$1.26 for conventional coffee and \$1.41 for certified organic coffee. Fair trade is limited to cooperatives which are run in accordance to TransFair USA standards. Conventional fair trade coffee doesn't deal with issues such as environmental concerns, biodiversity, species preservation, or controversy surrounding GMO's.²⁰

There are four basic fundamental concepts of fair trade. The first is that producers can sell their coffee at a fair price directly to cooperatives that they are members to. Second, producers are guaranteed a floor price (currently \$1.26 for conventional washed Arabica coffee). Third, producers can receive advance credit to help cover harvest costs. Fourth, relationships are established between cooperatives and importers.²¹

¹⁸ Measuring Consumer Interest in Mexican Shade-grown Coffee: An Assessment of the Canadian, Mexican, and US Markets

¹⁹ Beneficial Impacts of Ecolabeled Mexican Coffee: Organic, Fair Trade, Rainforest Alliance, Bird Friendly

²⁰ <http://www.taylormaidfarms.com/home/columns.html>

²¹ Beneficial Impacts of Ecolabeled Mexican Coffee: Organic, Fair Trade, Rainforest Alliance, Bird Friendly

As mentioned before, TransFair USA certifies fair trade coffee into the U.S. According to TransFair statistics, fair trade coffee grew by an astounding ninety-one percent in 2003. In 2002 TransFair USA certified 9.8 million pounds of coffee in 2002 and increased to 18.7 million pounds in 2003. That is still only a drop in the bucket compared to the amount of coffee imported into the U.S. every year though. The 18.7 million pounds of fair trade coffee imported in 2003 was a mere .7 percent of the 2.8 billion pounds of coffee imported into the U.S. Fair trade coffee is, however, expected to increase in the future. Transfair reported that it had signed agreements with companies such as Dunkin' Donuts and Procter & Gamble to sell fair trade coffee.²²



Certified Rainforest Alliance

Certified Rainforest Alliance implements nine practices: ecosystem conservation, wildlife conservation, fair and correct treatment of workers, community relations, integrated crop management, integrated waste management, conservation of water resources, soil conservation, and planning & monitoring. As of January 2003, there was only one estate farm in Mexico, Santa Elena (267 hectares), certified, but four more were in the process of being certified.²³

Who does Mexico sell coffee to?

In 1999 Mexico produced over six million sixty kilogram bags of coffee, and exported seventy percent of those bags. Over eighty percent of the coffee that Mexico

²² <http://www.globalexchange.org/campaigns/fairtrade/coffee/1679.html.pf>

²³ Beneficial Impacts of Ecolabeled Mexican Coffee: Organic, Fair Trade, Rainforest Alliance, Bird Friendly

exports is sent to the United States.²⁴ Mexico is the largest source of U.S. Coffee imports.²⁵

Problems with Mexican Coffee Markets

Coffee growers in Mexico are unable to compete with coffee imports from places such as Vietnam, which are priced up to fifty percent below Mexican production costs. Coffee from Vietnam is priced at a mere sixty cents per pound, making Mexican competition virtually impossible.²⁶

Another problem that troubles not only Mexican coffee farmers, but worldwide coffee farmers is the fact that they have no power over conglomerates such as Sara Lee, Kraft, Nestle, and Procter & Gamble.²⁷

Despite the fact that coffee is primarily produced in South American countries, the prices are determined on exchanges in New York and London. This leads to speculation, which can lead to large price fluctuations.²⁸

Perhaps the largest problem currently facing coffee farmers is the fact that globally there is more coffee produced than is consumed, allowing prices to continue to fall. When Vietnam entered the market with such heavy production, it made a large impact on worldwide production and prices. The producers' share of a cup of \$1.50 cup

²⁴ <http://www.sweetmarias.com/coffeenews6.98.html>

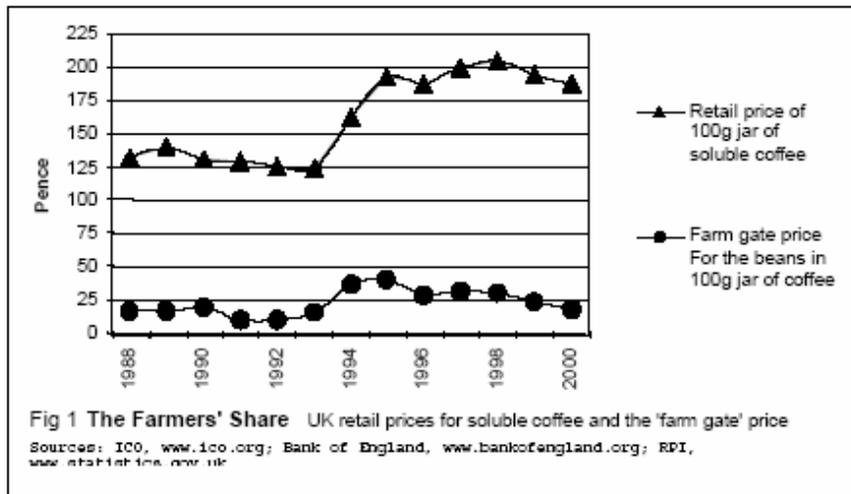
²⁵ <http://www.aboutcoffee.org/growing.html>

²⁶ Mexican Coffee Growers Lose Ground to Imports

²⁷ Beneficial Impacts of Ecolabeled Mexican Coffee: Organic, Fair Trade, Rainforest Alliance, Bird Friendly

²⁸ http://www.canintrad.com/NouvellesAndArchives/Coffee_bulletin_february_03.htm

of coffee in a coffee shop in the U.S. is only a penny.²⁹



As seen in the figure above³⁰, it is evident that while the cost of coffee to the consumer continues to rise, the amount the farmer receives continues to decline. This trend seems to be continuing. This is evident as on April 12, 2004 Folgers made an announcement that prices for their coffee will be increased by six percent for foodservice coffee and four percent for other products.³¹

What is Mexico doing to help itself?

In recent years Mexican coffee has been gaining more recognition as being a specialty and gourmet quality. The Mexican Coffee Council is attempting to capitalize on this recognition. In 2002 they introduced a logo for Mexican coffee, attempting to promote Mexican coffee to consumers. One goal of the new program is to increase coffee consumption inside Mexico. The current consumption is 1.3 million bags, and the goal is to increase that to 2.6 million bags within four years. Mexicans have the highest

²⁹ A Brewing Disaster in Mexico

³⁰ <http://www.fairtrade.org.uk/downloads/pdf/spilling.pdf>

³¹ <http://money.cnn.com/2004/04/12/news/fortune500/folgers.reut/index.htm>

per-capita consumers of soft drinks worldwide, but have one of the lowest per-capita consumption rates of coffee.³²

Mexico in the International Markets

Mexico leads the world in terms of organic and shade-grown coffee, holding just over twenty percent of the market share for organic grown coffee. Traditionally, Mexican coffee has been thought of as being poor quality, due to the absence of large scale investment in use of hybrid coffees and intensive coffee production methods. It is actually these attributes that are helping Mexico change their image. Because they are not relying on full-sun hybrid coffee, which relies heavily on pesticide and other agricultural chemicals, they are receiving premiums for their crops.³³

Conclusion

As evident throughout this paper, Mexican coffee production is currently in a critical transition phase. Producers not attempting to make a place for themselves in a niche market, are finding that it is becoming not just a premium to the price they receive for their product, but a necessity for their livelihood.

³² Mexico: actively promoting its coffee

³³ Measuring Consumer Interest in Mexican Shade-Grown Coffee: An Assessment of the Canadian, Mexican, and US Markets