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Problems and Perspectives Pre- and Post-NAFTA: The Case of Coffee from the Mexican State of Veracruz

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Mexico has a long history of coffee production. Mexican coffee is grown mainly in the South-Central to Southern regions of the country. Coffee from Coatepec and Veracruz is much different from Oaxacan Plumas, which are much different from the southernmost region of Chiapas bordering Guatemala. The state of Veracruz is located on the gulf side of the central mountain range and produces mostly lowland coffees, although coffees called Altura (high-grown) Coatepec have an excellent reputation. Other Veracruz coffees of note are Altura Orizaba and Altura Huatusco. Where coffee is concerned, higher always means better, and the high-grown coffees of Mexico are considered very high quality and are among the finest grown in the Americas. At one time, Mexican coffees were not among the world's greatest coffees because they often lacked quality uniformity, richness and body. Today's coffee-drinkers prefer their coffee black and like a light, acidic cup of coffee will like the best Mexican coffees. Starbucks is the largest U.S. marketer of Mexican coffee. This study examines whether the North American Free Trade Agreement (NAFTA) played a role in the change of the coffee industry.

Problems and Perspectives

With the initiation of NAFTA, agricultural strategies of the Mexican government changed. Along with the disappearance of national and international institutions supporting coffee production and an increasing international supply of the commodity, an uncertain environment for coffee producers arose. This risk impacted their technology, input use, and output production, and applied downward pressure on international and domestic prices received by these small-hectare, limited-resource coffee producers, whose major problem is rural poverty. Technical efficiencies have improved post-NAFTA as a result of higher population density, higher altitude (better coffee quality), and a higher ratio of other cash crops to coffee; these technical efficiencies could improve further with improvements in public infrastructure (transportation/distribution network, markets and trade opportunities, promotion, operating and capitalization credit, modern/new technologies, labor) which could improve quality and differentiation of the coffee product.

Table 1. Veracruz Coffee Pre- and Post-NAFTA.

	Pre-NAFTA	Post-NAFTA
Coffee production	4 th largest producing state 4 th most planted crop	2 nd largest producing state 3 rd most planted ag product
Land utilization	about 100,000 producers approximately 192,000 hectares	about 67,000 landowners over 152,000 hectares
Real price per metric ton	\$27/mt	\$14/mt (nearly 50% drop)
Production regime	agro-forest shade-grown	more intensely managed; organic niche; sustainability

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