COFFEE IN CENTRAL AMERICA: AN INSTITUTIONAL ANALYSIS

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ACRONYMS

CNC	Consejo Nacional del Café, Honduras
CSC	Consejo Salvadoreño del Café, El Salvador
IICA	Inter-American Institute for Cooperation in Agriculture
INTA	National Agricultural Technology Institute
SCAA	Specialty Coffee Association of the Americas

Executive Summary

The coffee sectors of Central America have been traditionally an independent and viable private sector industry. Coffee has generated wealth to finance much of the countries' economic growth and to support the public sectors' budget. Though macro measure indicators show that the aggregate of other economic sectors contributes a larger share to the national economy, coffee is key to the rural and export economy.

Private and public sector institutions continue to play a role in the coffee industry and this analysis will focus primarily on the role of principal institutions in each country:

▪ Costa Rica	ICAFE
▪ El Salvador	Consejo Salvadoreño del Café (CSC)
	PROCAFE
▪ Guatemala	ANACAFE
▪ Honduras	IHCAFE
	Consejo Nacional del Café (CNC)
▪ Nicaragua	Ministry of Agriculture

Both Guatemala and Costa Rica have strong institutions with clear strategies in the technical, social and economic scope of their programs. In Honduras and El Salvador, the role of the public institutions is well defined on paper but these institutions do not function as envisioned; in fact, the two coffee councils are non-operational. In Nicaragua, private sector associations are fragmented, with the exception of the exporters association. The country also lacks a coffee policy, plan and strategy, and the approved 2001 Nicaraguan Coffee Law has yet to be implemented.

With the exception of Honduras' Consejo Nacional del Café, each country's institutions receive the major portion of its operating budget from a tax on the value and/or volume of coffee exports. This income is subject to wide variability as prices and exports rise and fall. Institutions' participation and contribution to the coffee sector depend on the flow of coffee and incomes.

Despite differences in the nature and effectiveness of the institutions, several best practices have emerged in areas of credit, income generation, marketing and policy. Lessons learned in these areas can be adopted in future programs.

The global context has undergone important structural changes, principally in the 1990s. These changes occurred in both marketing and production and will shape the course of the coffee industry during the next decade and beyond. Within the framework of the changed structure, Central America must review its strategies and opportunities for the future, in both the international and internal markets. In turn, the coffee sectors' institutions must redefine their roles to support the industry.

I. Introduction

At one time the coffee sector generated income to finance a large part of private sector development and provided the public sector with a financial base in Central America. Since the 1970s, and especially in the 1980s and 1990s, the countries' economies have diversified and expanded to the point that coffee no longer overshadows the aggregate of other activities. No country's coffee contribution to the Gross Domestic Product (GDP) today reaches 10 percent, which suggests that coffee is no longer the lynchpin of the national economies. However, the relative decrease in coffee's economic importance did not result from a diminishing absolute value produced by the coffee sector. Indeed, the indicator reflects the varying degrees of success each country has had in diversifying its total economy. In three of the countries the sector continues to generate more than 25 percent of foreign exchange earnings and accounts for 15 percent or more of total employment.

More important, contribution to the national-level GDP fails to convey coffee's importance in the **agricultural and rural economy** of each country, which are areas of economic sectors most characterized by high unemployment and poverty rates. In that context, coffee still accounts for 20 to 40 percent of the national agricultural GDP (with the exception of Costa Rica) and 20 percent or more of agricultural employment (including Costa Rica). For the latter, in absolute terms, the rural-based coffee industry in Central America creates from 150,000 to more than 350,000 full-time jobs, including the self-employment for small growers and their family members.

The coffee industry, from production to export to roasting for the internal market, has traditionally been very much a **private sector** activity: Public sector interventions have favored private enterprise playing a dominant role to generate revenues through taxation. The coffee industry has received little of the public sector support routinely given to other agricultural activities in terms of technology generation and transfer, credit, subsidies or trade agreements. Coffee has been left to fend for itself even in times of crisis, which are periods viewed simply as mere low points in an exogenous market cycle.

The strength of the industry has provided a de facto ally for the public sector by partially assuming public sector functions and obligations in the areas of health, education, infrastructure and welfare. In coffee-producing areas, the economic independence and viability of the industry allows an overextended public sector to tacitly defer part of its responsibilities. In 2002, however, the situation is much different. National coffee industries have been heavily subjected to the forces of globalization and their ability to defend their interests is eroding.

Structural changes in the world coffee industry are pressing for changes in Central America. The public sector must reassess its passive role vis à vis the future of the national coffee industry, especially in terms of diminished coffee incomes' effect on social well-being and political stability.

This analysis, viewed within this framework, does not detail the services and activities of the major public, quasi-public and private institutions that impact the coffee sector. Rather, emphasis is placed on examining the institutional role and effectiveness within the context of private sector realities and public sector concerns. (A description of public, quasi-public and private institutions' responsibilities and actions is found in reports prepared for the Inter-American Development Bank and USAID.)

II. Institutional Structure and Functions

Long-term stability has upheld the tradition of coffee as a private sector. Even during lean years in the production-market cycles, coffee has been a profitable business. The historical self-reliance of the coffee industry is reflected in the lack of public sector institutional involvement and in the lack of consensus and capacity to act in times of crisis. An examination of public sector institutions reveals a fragmented, ill defined and poorly executed role. What is discernible, however, is that public sector intervention is often spurred not with the intent to rescue the coffee sector, but rather to minimize economic, social and political damage.

On the other hand, self-interest drives the institutional players of the private sector and the relationship among sub-sectors and within sub-sectors has been adversarial. This relationship has adjusted to accommodate demands of the specialty coffee market, however, a real alliance between producer and exporter is rare. The Central American situation is further confounded by upper echelons of the coffee industry occupying high-ranking posts in government, those of which wield much control over private industry organizations. As a result, even in time of crisis, the institutional response to the immediate problems is usually on an ad hoc basis that circumvents established, albeit dysfunctional, mechanisms.

Charts 1 to 7 in the annex summarize the organization and function of principal public, quasi-public and private sector institutions in each country, but there is often a wide gap between the role played in theory (T) and in practice (P). This disparity is qualitatively indicated in the charts according to perceived compliance with responsibilities and objectives of each institution.

To clarify, quasi-public institutions hold this particular status given that either public officials serve on their board of directors or their principal source of financing comes from government taxes.

2.1 Institutional Vision, Mandate, and Strategic Focus

While country institutions impact the coffee sector, few have a mandate to assume leadership. The other institutions perform specific functions, yet they hold no responsibility to the whole sector. Institutions considered having that mandate:

Costa Rica:	ICAFE
El Salvador:	Consejo Salvadoreño del Café (CSC)
	PROCAFE
Guatemala:	ANACAFE
Honduras:	IHCAFE
	Consejo Nacional del Café
Nicaragua:	Ministry of Agriculture (by default)

2.1.1 Costa Rica: ICAFE

Under an institutional redefinition of three years ago, ICAFE's role is now principally in **support of the private elements of the coffee sector**, rather than its previous function as a regulator. As a facilitator for the efficient functioning of the private sector ICAFE will orient its activities toward the following areas:

- Continue to level the playing field to allow the small producer a fair portion of the market price;
- Convert the small grower into a small impresario in order to gain efficiency in business, not just production;
- Focus research and investigation on increasing production and processing efficiency;
- Promote the coffee and quality image of Costa Rica in major markets;
- Work to establish closer relationships with roasters in order to share market margins and to develop long-term commitments.

Costa Rica's image as a conscientious producer plays an important part in price differential. The quality image factor is complemented by the image consuming countries hold that the quality of Costa Rican coffee corresponds to the quality of rural living standards. Such an image plays a critical role in a powerful strategy to gain value added. To that end, Costa Rica will sell the image of total quality at a premium price.

ICAFE's and Costa Rica's position is that Costa Rican coffee is among the best in the world and is, therefore, competitive at the price differentials it receives. In the face of the crisis and the myriad of schemes to withhold inferior coffees from the market, ICAFE, the producers and the exporters contend that the second level of quality in Costa Rica is equal or better than the first quality of most producing countries. Therefore, from their point of view it is not a rational strategy to uniformly restrict the percentage of each country's coffee from entry into the market. The challenge to Costa Rica's successful competition in second-level coffees is not quality, but rather cost. Thus ICAFE's strategy is not to decrease national output, but to focus on attaining efficiency in production and post-harvest activities.

To position its coffee industry for the total quality strategy, ICAFE must effectively lobby for changes in the current regulations regarding payment to producers. The system will have to be liberalized and provide incentives for growers to begin total quality control at the farm level. Currently there is no differentiation in price paid for cherry coffee delivered to the wet mill.

Therefore, there is no incentive to guarantee quality during the first step in the process. This is a situation counter to the total quality concept of ICAFE.

2.1.2 El Salvador: Consejo Salvadoreño del Café (CSC) and PROCAFE

The division of responsibility between the CSC and PROCAFE is that the CSC's mandate lies in the area of policy and PROCAFE's mandate is in technical areas.

2.1.2.1 The Consejo Salvadoreño del Café

Since 1989, principal public and private sector institutions have made up the CSC with three principal functions:

- Formulate national coffee policy;
- Monitor activities involving Salvadoran coffee in international markets;
- Provide a forum for public and private sector interaction on coffee matters and decisions.

Today the CSC is not functional owing to a lack of support from private sector members and a public sector boycott. To illustrate, the National Development Committee created a parallel mechanism to examine the coffee situation, but without the participation of the CSC. Resuscitating the CSC must begin with a restructuring to include representation of both sectors. Public sector intervention in the coffee sector is currently on an ad hoc basis through the Minister of Economy and a country representative appointed by the president.

The CSC executive director manages daily operations but without a national coffee policy or plan. Within this vacuum, CSC is limited to making known its position on issues, but holds little expectation for decision and implementation.

The CSC envisions receiving legal support to the sector, which would include the definition of quality standards for coffee export as well as regulations for export. This support is feasible in that it is basically a no-cost contribution and is a function that falls entirely within the competency of the public sector.

2.1.2.2 PROCAFE

PROCAFE's mandate should be guided by policies and strategy, however, in the absence of both, the organization acts as it deems necessary regarding coffee sector needs and determines how it contributes to the coffee sector. In the light of the changes that have taken place in Salvador and the coffee market, PROCAFE has reoriented its focus toward quality and efficiency of production. Costa Rica's ICAFE is emphasizing quality of product and farm business practices in Costa Rica, and PROCAFE likewise is looking to overcome the challenges of the current situation: loss of image in world markets, cost competitiveness in world markets, loss of productivity in coffee plantations and poor farm management.

While the current price/income crisis is of concern, PROCAFE has reoriented its program with a view to the long term. A few producing countries have taken steps to confront the changing conditions in the market, especially Brazil and Vietnam. PROCAFE predicates its future focus on the need to be competitive in product quality and cost; it envisions its role as one of adaptive research and technology transfer in response to market demands and opportunity.

2.1.3 Guatemala: ANACAFE

ANACAFE's mandate is clear: position Guatemalan coffee as advantageously as possible in the world markets. It is probably the institution that has adapted best to a role of industry and sector leader, within the radically changing conditions of the marketplace. As of 10 to 15 years ago, ANACAFE adopted a strategy of offering quality coffee to the fledgling specialty market. Since that time, it has been one of the most active and innovative producer-country participants.

While Guatemala and Costa Rica have been the two most successful entrants into the specialty market, their success comes by way of very different paths. Initially, the fame of Costa Rican coffees was a result of a few very successful individual efforts, notably La Minita and Café Britt. The recognition of the quality of Costa Rican regional coffee derived from the fact that those were the regions where the famous coffees came from. ANACAFE, in contrast, adopted regionalization as a primary strategy, and coffees sold because they were from those regions. Of course, there were famous estate coffees from Guatemala for more than 100 years, but many producers increased the value of their coffee on the coattails of the regional program.

As in the case of Costa Rica, Guatemala has adopted its own version of total quality and image as a marketing strategy. Guatemala's emphasis on the small producer, environment and social responsibility responded to those criteria as requisites for successful competition in the specialty market. ANACAFE adopted programs in several areas, including health, education and credit for small growers and employees on larger farms. ANACAFE's pioneering participation in the appellation and control of origin once again demonstrates its proactive approach to maintaining a competitive edge.

In its role as representative of the majority of producers, ANACAFE took the lead during the 1992 price crunch to alleviate debt and liquidity problems by successfully lobbying for the bond issue that provided relief to producers. (Here the focus is on the innovativeness and leadership, not necessarily the efficacy or equity of the result.) Similarly, ANACAFE has taken the lead in looking for a differentiated market for quality coffees, especially other milds, and evaluating the feasibility and wisdom of a separate market, in or apart from the New York Exchange.

2.1.4 Honduras: Consejo Nacional del Café (CNC) and IHCAFE

The Consejo Nacional del Café s focus is on establishing coffee sector policy, controls and goals; coordinating between public and private sectors; and evaluation and study of the sector's conditions. IHCAFE's mandate is to implement these.

2.1.4.1 The Consejo Nacional del Café

As seen in the case of El Salvador's CSC, the policy and coordination functions of the Honduras' Consejo Nacional del Café have yet to bear fruit. Currently, the evaluation unit is undertaking a study of the competitiveness of the sector and industry, the results of which will provide the input for the CNC to exercise its roles. The evaluation unit is apparently encountering a possible conflict between its preliminary bias toward quality and efficiency and the export sector's emphasis on volume.

2.1.4.2 IHCAFE

IHCAFE was privatized in 2000 and, in the period that followed, has not been able to assume its role as the leader of the private sector or as the implementing mechanism of the CNC. IHCAFE's vision for the future of Honduran coffee is to concentrate on quality for its competitive coffees and diversification away from coffee for its lower altitude regions. In this respect, it is the only primary institution that is actively researching, recommending and assisting in the switch out of coffee. IHCAFE is working with producer organizations to offer options for diversification in short-term crops, including ginger and pineapple, and long-term alternatives, focusing on agroforestry.

IHCAFE's steps prove to be out of sync with CNC in that IHCAFE is advocating de facto policy before the CNC has pronounced on the subject. If the CNC begins to function and ratifies IHCAFE's diversification program, the council will represent the most aggressive and explicit program to adjust national coffee output.

2.1.5 Nicaragua: Ministry of Agriculture

Nicaragua has the least developed institutional structure of the five countries. The Coffee Law of 2001 established the Consejo Nacional del Café (CONACAFE), but has yet to define its operational mechanism; therefore, CONACAFE does not exist. With the exception of the exporters association, the private sector institutions are regionally oriented, with little to no coordination at the national level (with the exception of UNAG) and highly politicized.

The Ministry of Agriculture is a major participant in policy formulation, albeit ad hoc, and a clearinghouse for coffee sector activities. With the new government that has just come to power, the Ministry supposedly will enjoy greater stability than under the previous administration. In addition, there is concern for the coffee sector among several of the mid and high-level officials in the Ministry. The government has entered into an agreement with the Inter-American Institute for Cooperation in Agriculture (IICA), under which a long-term advisor for coffee policy and programs has been recently contracted to provide guidance for the sector.

During the transition phase for the new administration, a tentative strategy for the coffee sector mapped out areas of focus and possible international allies, including USAID. These areas are believed to position Nicaragua in a competitive position in both quality and commercial coffee: infrastructure, finance, research, technology transfer and training.

The initial strategy proposed during the transition includes, as in other countries: production and certification of quality, zonification, business-oriented farm management and production efficiency. A portion of technology generation and transfer can be incorporated into the Ministry's World Bank 16-year, $180 million research activity, in which case, major responsibility would fall to the National Agricultural Technology Institute (INTA), which will have to start a coffee program from the ground up. The mood in the Ministry today is that research should fall to the public sector in order to provide continuity and an apolitical environment. In addition to agronomic interest and farm business management, the Ministry is committed to revamping the wet processing structure, the most critical point for maintaining coffee quality and for leveling the field for small producers.

2.2 Sources, Variability and Adequacy of Funding

Each national institution is dependent on a tax on exported coffee as its principal source of income. In most cases, the tax is a fixed amount per 100-pound bag. For ICAFE and ANACAFE, however, the tax is ad valorum. Thus, the annual income generated to support these institutions will always vary as export volume varies, and the ad valorum taxes will vary with price. Table 6 (annexed) indicates approximate levels and variation of institutional income between 1996 and 2000. Some of the institutions' additional funds are obtained from projects, fees for services, and return to loan capital.

While the tax-based source of funds is guaranteed, the level of funding is not. The wide fluctuations in price during the indicated period had a profound effect on the *ad valorum* revenues generated. ANACAFE enjoyed an income of more than $6 million in 1997, only to see it fall to slightly more than $4 million in 2000. The incomes corresponding to 2001 and 2002 could be even lower. As a result, ANACAFE has had to cut back its technical program and promotional activities. ICAFE may face a similar situation as taxes based on export volume may not altogether escape the effects of low prices. Those effects, however, would be reflected in future years' income, if output declines.

The institution's workload and the budget management horizon determine whether or not tax-generated funds are sufficient for institutional operations. Operations can be maintained at a constant level of funding if average levels of income are contemplated in planning, and excess income from good years is conserved to meet needs during lean times.

It is not likely that the funding levels will remain constant. In most cases, the real problem derives from a lack of focused spending, or new needs arise to confront changing situations. Research funding is of paramount concern to institutions in the absence of public sector investment and growing pressure to support marketing and social programs. ANACAFE has been somewhat successful in attracting outside funding to support marketing and social programs, and outside funding would be available to others if they were to provide greater definition to their programs.

2.3 Institutional Functions and Services

Tables 1-5 summarize the supposed and real functions and services that correspond to several institutions in each country. Section 2.1 further discusses functions and services in the context of institutional strategy and vision. This section addresses areas not previously presented plus others that merit additional consideration.

2.3.1 Research and Technology Transfer

Both the quasi-public and private sectors comment frequently about the public sector's failure to fulfill its research role. These sectors held that government should be responsible for pure research, whereas other institutions should concentrate on applied studies and validation of technology. In addition, sector members recognize that if each country embarks on a separate research program to resolve universal problems, such a program would prove redundant. Regional research programs, such as CATIE and PROMECAFE, could most efficiently coordinate regional research efforts.

The scope of the PROMECAFE program was presented in June 2001 as *Estrategias y Medidas Tecnológicas ante la Crisis Actual de la Caficultura*. The scope included many areas of investigation not easily undertaken by national programs with limited resources and technical personnel. PROMECAFE's proposal ranges from tissue culture through post-harvest product management and wet milling to promoting origin coffees. The combined capacity of the five countries to finance more sophisticated and esoteric investigation would reach a threshold level not possible in individual programs. Additionally, input from each country in determining priorities would provide a more comprehensive view of sector needs.

2.3.2 Policy Advocacy

The private sectors' vested interests coupled with the public sectors' balancing of priorities have resulted in many failed attempts at policy formulation to benefit the industry. Without intervention of an impartial third party, finding common ground on which to build a sector strategy will be difficult. As a result, ad hoc decisions will be made to address urgent questions. To illustrate, the several emergency finance programs to rescue producers, exporters and bankers do not reflect long-term strategies and the nature of the actions taken often run counter to the future viability of the coffee sector.

2.3.3 Organizational Development

Well-organized producer groups provide a balance to the usually large, well-administered processing and export companies. The development of these entities is usually within the realm of NGOs and cooperative development entities. There are some very successful producer-based organizations that have adopted the tactics of their rivals to compete for a share of the coffee price. FEDECOCAGUA in Guatemala, UCRAPROBEX in El Salvador and PRODECOOP in Nicaragua are examples of vertical integration and growth that have leveled the national playing field and gained access to large international markets.

2.3.4 Promotion

Product promotion is one of the themes most heard at all levels of the private sector. Cost is an ever-present consideration for a program to build generic recognition and image of a country's coffee, in part as a result of Colombia's massive and ongoing publicity campaign. Central American countries are somewhat intimidated by the immensity of Colombia's undertaking, often without considering less ambitious, more focused programs.

Guatemala and Costa Rica are the two countries that have embarked on modest, though successful, promotion programs. Guatemala initiated its national effort by promoting five regional coffees in the specialty market and now has seven official regions. Costa Rica, on the other hand, promotes its coffee as Café de Costa Rica, although it is undertaking to differentiate among seven regional coffees.

Governments must get involved if national coffees are to compete in the market. Interestingly, coffee sector members do not see the governments' role as financiers of a promotional coffee campaign. Rather, they are calling on governments to approve industry norms and standards, recognize regions and origins, and eliminate legal obstacles. These governments have significant potential for moral persuasion both at home and abroad that could provide impetus to a promotion program.

2.3.5 Market Information and Business Partnerships

Price information is no longer a scarce commodity; market information is. New York prices are available continuously at all of the major institutions; ANACAFE has that service in each of its seven regional offices. Decision making on the basis of up-to-the minute exchange prices flashing across the screen, is reactive, not proactive marketing. The seller must know the market as well or better than the buyer.

In the 1990s, institutions and associations sponsored numerous events between producing-country sellers and consuming-country buyers; however, few resulted in high-confidence business relationships. Many institutions' clients, members and participants have reached significant volumes of output and export: FEDECOGAGUA in Guatemala exports nearly 150,000 quintales; AHPROCAFE in Honduras received nearly 200,000 quintales of coffee from its members; and UCAFES in El Salvador exports more than 500,000 quintales of coffee. While these are significant numbers, these organizations are still relatively small players in large part because of limited market information, intelligence and relationships.

2.3.6 Financial Services

Tables 1-5 summarize the role of the principal coffee institutions in accessing financial services for their members and the sector in general. There is not, however, a systematic plan to finance coffee, giving access to the majority of the players. In addition, most of the financing available does not meet the needs of the producer in terms of eligible activities, loan period, guarantees and interest rates.

In the face of the crisis, each of the five country governments enacted emergency financing measures. In every case, the private sector, through their associations and institutions, lobbied hard for those funds. In reality, however, the public sectors which provided funds and/or the funding mechanism were not so much interested in financing the coffee producer, but rather, in bailing out bankers and exporters, both of whom held the debt of the producer.

IDB- and USAID-financed country reports detail various schemes; however, two important policy positions implicit in the approval of the programs have emerged:

- Loans were not made to producers on the basis of a long-range plan for the coffee industry;
- Programs introduced mechanisms for long-term financing of short-term debt, raising the question as to whether such practice fosters financial responsibility.

2.4 Strategic Alliances

Associations and institutions have developed alliances with other players in the internal and global coffee industries. These vary in purpose and focus, though all are with the intention of providing better services and, hopefully, higher incomes for their members and for the coffee industry in general.

- ANACAFE, IHCAFE and ICAFE have negotiated with financial institutions to provide technical assistance required for credit to members;

- Coffee associations have signed letters of understanding with the SCAA, which will provide producing countries an inside track and voice in the specialty industry;

- Cooperative associations have negotiated long-term contracts with roasters, guaranteeing the use of their members' coffee in the roasters' blends and brands;

- Cooperative associations have negotiated quotas for members' coffee in higher-priced alternative markets, for example, Fair Trade.

2.5 Best Practices

Following are several good ideas that have been incorporated into institutional programs. Some have already produced benefits and others offer interesting potential to do so.

2.5.1 Credit

- BMI (El Salvador) offers a line of credit to buy coffee farms. For reasons mostly related to the civil war, many Salvadoran coffee farms' owners are no longer interested in producing coffee. This line of credit mechanism will allow interested growers to acquire those farms through credit on appropriate terms. Similarly, this mechanism will allow successful growers to purchase unproductive farms and improve their competitiveness.

- BMI loan terms are tailored to meet requirements of phases of the coffee industry, for example, short-, medium- and long-term credit for production, processing and marketing. Most loans to the coffee industry, especially producers, are short term.

- BMI/FICAFE (El Salvador) controls speculation by borrowers of funds from the FICAFE trust fund by requiring them to sell a portion of their coffee in each market period defined by the New York Exchange.

2.5.2 Income

- ICAFE (Costa Rica) identified the small and medium grower as the most vulnerable player in the coffee chain. ICAFE's concern for the piece of the price that accrues to the farmer led it to fix the charges and profits allowed to the wet mill. While this distorts the free market and survival of the fittest concepts, public sector and grower associations should consider the idea of introducing equity into a system increasingly controlled by fewer and stronger players.

- ICAFE (Costa Rica) is proposing to pay growers according to the quality of the cherry coffee delivered to wet mills.

- UCAFES and UCRAPROBEX (El Salvador), FEDECOCAGUA (Guatemala) and PRODECOOP (Nicaragua) have introduced a complete vertical integration of services to members and products to clients. They have achieved economies of scale as well as market access previously available only to large commercial enterprises.

2.5.3 Marketing

- FEDECOCAGUA (Guatemala) has negotiated long-term contracts through which it sells its members' coffee pre-blended, in accordance to the clients' specifications. This allows the association to mix coffee qualities, attaining higher total income from sales in that the product is not seen as a mixture of high and low value coffees, but rather as a value added product that exactly meets the client's needs.

- ANACAFE (Guatemala) and ICAFE (Costa Rica) have as one of their market strategies presenting their coffees differentiated by region. Guatemala established its regions according to coffee quality. Costa Rica, perhaps in the interest of national harmony, designated all its growing areas as quality regions, though that may include coffees that do not merit this classification. This is an important point if the producing countries are to create an image of credibility in their perspective markets.

- ICAFE (Costa Rica) has introduced the concept of total quality into its industry, from producer to exporter.

- ICAFE (Costa Rica) regards creating image in consuming countries as a source of value added. In contrast, when value added is discussed in the other four countries, only the physical transformation of coffee is considered. Costa Rica's concept allows the amount of value added to be limited only by the success of its marketing program and expands the arena beyond national boundaries.

2.5.4 Policy and Practices

- All countries except Guatemala allow unrestricted export. Guatemala controls who can export by issuing (few) export licenses.

- Honduras imposes no export or value added tax. Coffee prices are exogenously determined and cost is the major competitive factor for commercial grades of coffee. Increased costs due to taxes will price many coffees out of the market. Considering benefits and concessions showered on the maquila industries (which leave only 20 percent of value added in the country) versus the lack of support and barriers imposed upon the coffee industry (which leaves 80 percent of value added in the country) a rethinking of incentives is in order.

- El Salvador has a presidentially-appointed Coffee Minister-at-Large (Comisionado Presidencial) to represent the country in international negotiations, thus providing a single official spokesperson.

- Fondo Cafetalero (Honduras) has a price stabilization program that automatically withholds a part of the export price in years of high prices and distributes it back to producers in times of low prices. This operates much the same way the Colombian Coffee Federation program does.

III. Global Structural Changes

In the coffee business, the cause of the present crisis **is not** low prices, over supply, or Vietnam. All of the foregoing are, in fact, result of the structural changes that occurred in the coffee industry during the 1990s. The title of the companion IDB effort investigating the current international coffee crisis is "Competitive Transition for Central American Coffee," in which the operative word is **transition**; transition from the present to the future and, more importantly, from the old to a new structure of the global coffee industry.

3.1 Changes in the Market

Concentration of exporters and roasters: The five largest international exporters and roasters control more than 60 percent of the world coffee trade in their respective areas. This trend also applies to the specialty industry. Pioneer specialty companies are being bought by the mega-roasters (Millstone by P&G) and are forming strategic alliances (Nestlé and Starbuck's).

- **Specialty Coffee:** The U.S. market is not the monolithic bad-quality coffee of old and, with the advent of differentiation by quality, the options in selling coffee have increased exponentially from the previous U.S. vs. Europe options.

- **Coffee-Based Preparations and Drinks:** Flavored coffees, frappés, lattés, and so forth, now account for 15 to 20 percent of sales in the specialty market. These coffee-based drinks do not require the same characteristics of coffee found in a straight cup of coffee.
- **Quality:** Consumers are aware of differences in coffee quality and the option to buy is theirs.
- **Robusta–Arabica Substitution:** Robusta coffee now constitutes nearly 50 percent of some commercial blends in Germany and more than 80 percent in some U.S. blends.
- **Alternative Markets:** A small segment of the market is willing to pay for coffees meeting certain social, economic and environmental conditions in producing countries.
- **Japan:** Aside from Japan's coffee consumption, which has been steady at more than 6 million quintales annually, its entry into the market represents the first non-producing Asian country to become a major consumer. The coffee tradition in Japan was created practically overnight.
- **Market Share:** At the end of the 1980s, the share ratio of the retail price accruing in the consuming and producing countries was 5:1; today it is 11:1.

3.2 Changes in Producing Countries

- **New Producing Countries:** In the last 10 years, Vietnam's annual exports of robusta coffee grew from under 1 million to more than 11 million quintales. Vietnam has been cast as a villain and blamed for historically low prices. But the reality is that if Vietnam can become a principal player in 10 years, any country can and has the right to do so: At the heart of the issue is cost competitiveness, and perhaps subsidy.
- **Relocation of Brazil's Coffee Production:** Brazil has moved a large portion of its coffee to areas safe from frost and less threatened by drought.
- **Economic Diversification:** The successful diversification of Brazil and Costa Rica's national economies have placed them in a strong position to withstand the fluctuations of the coffee market.

IV. Central America in the Total Market

4.1 Existing Markets

Specialty coffee in the United States accounts for about 40 percent of retail value, but about 17 percent of retail volume, or under 5 million quintales. Central America is not the only origin vying for U.S. niche markets and similar markets in Europe and Asia. Central America has two broad classes of coffee: high altitude (more than 1,200 meters) and everything else. These coffee classes define the market potential and strategies for Central America's total coffee output. Fortunately, high altitude coffees suitable for production are in limited supply; unfortunately, lower altitude coffees are not. Central America's production of coffee over 1,200 meters is about 6 million quintales, out of a total of around 15 million quintales. (See Table 7)

The dramatic increases in the specialty coffee market largely point to the 40 percent of retail value in the United States, 90 percent of which is derived from value added generated and retained there. Yet the primary strategy of institutions and associations in Central America is aimed at increasing exports to the specialty market. In light of the structural changes in the marketplace, such strategy seems futile.

This does not mean that Central America should abandon the business of producing for the specialty coffee industry. However, the countries must realistically identify and protect the share of the global specialty market for Central American milds and formulate other strategies to sell the rest. Those strategies should keep in mind the following:

- Coffee consumption is projected to reach around 140 million quintales by 2020;
- Specialty coffee is currently 17 percent by volume of the U.S. market, commercial coffee makes up the other 83 percent;
- Central American milds constitute 15 to 25 percent of blends because of their flavor and acidity;
- Nestlé, for example, uses 15 to 20 percent SHB (high altitude), **even in its instant coffees**.

One reason Central America lost its opportunity to insert itself more solidly into the specialty revolution was its insistence on keeping prices and differentials extremely high. Perhaps the prices asked did not seem high in relation to retail prices in consuming countries, but they were high in relation to production costs and, certainly, to the price of competitor coffees.

This insistence on maintaining higher prices continues today. In a time of historically low prices, the alternative market's (Fair Trade) sustained price is three times the market price. This may be justifiable on social grounds, but it is rationalized in terms of the additional cost to the consumer of only about $0.02 per cup. Though the consumer's cost is small, it is the roaster and not the consumer who buys 20 million quintales a year of green export coffee. The additional cost of buying 1 million quintales of Fair Trade-priced coffee is more than $70 million—the figure that is factored into the decision to buy or not to buy Fair Trade.

Colombia has learned from the experience of the 1990s and markets its coffee differentially, according to the deal it can negotiate. Colombia understands that sometimes the only difference between specialty and commercial coffee is demand, not the quality of the coffee itself. The country is willing to sacrifice price, to some extent, in favor of long-term, guaranteed contracts that will keep the image of Juan Valdez in the public view and Juan Valdez in the public's cup.

Roasters view long-term contracts as a means of stabilizing price, but it is not attractive to the roaster to **always** pay above the market price. Similarly, Central American producers need to look at their 15 million quintales, not just the 6 million strictly hard beans (SHBs), and think in terms of total income and market stability when designing market strategies and negotiating market relationships.

4.2 New Markets

4.2.1 International Markets

The traditional North American and European market exhibits a long-term annual growth rate of between 1.5 and 2.0 percent. If more Vietnams enter the marketplace and Brazil shifts to low-risk growing areas to increase output, the supply-demand surplus could well worsen. The lesson from Japan's entry as a major player in today's market (about 5 percent) should not be lost on producing countries. Part of a marketing strategy could well include developing new markets, in addition to fighting over the slow-growing historical markets.

4.2.2 Internal Markets

Latin American coffee-producing countries have a tradition of consuming coffee, however, the level of consumption pales when compared to the principal importing countries. The following data for Central America and Mexico indicate consumption in kg/capita in the year 2000:

• Costa Rica	4.13
• Honduras	2.13
• Guatemala	1.58
• Nicaragua	1.55
• El Salvador	1.47
• Mexico	.83

A major reason for these low levels of consumption, compared to an overall average of 6.0 kg/capita in Europe, is the poor quality of coffee available in local markets and tariff barriers for roasted coffees in regional markets. Central America has a combined population of more than 30 million and Mexico's population is more than 100 million; the potential to increase consumption is obvious.

V. The Institutional Role: Recommendations for the Future

The current crisis will pass and prices will rise again, but the world of coffee will not return to what it was in years past. What should be done to provide institutional support to the coffee sector is readily apparent; in reality, what can be done is not so easily achieved. Measures taken will reflect a combination of political resolve, social priorities and economic capacity.

5.1 Policy Areas

- Coffee as a profitable, competitive activity
  - Allow noncompetitive players to disappear, or
  - Subsidize noncompetitive players
- Differentiate between policies, strategies and programs based on economic versus social criteria and priorities
- Clarify functions and responsibilities of government agencies

5.2 Direct Government Actions

- Include coffee in trade negotiations (especially in new markets and internal Latin American markets)
- Coordinate and direct donor activity in coffee sector to conform to policy agenda
- Align tariffs, taxes to be consistent and complementary to policy agenda
- Legalize and support market-defined norms and standards of quality
- Legalize and support market-defined regions and origins
- Support and complement credit activity with legal action, for example, a centralized loan guarantee registry

5.3 Economic Areas

- Establish an appropriate credit mechanism to support the activities implicit in the coffee policy, and specify the who, what and how much of the program
- Support the consolidation and integration of the coffee industry, especially with respect to small and medium producers, enabling them to achieve economies of scale, adequate volume and improved quality control
- Diversification of the coffee plantation (associated crops) or away from coffee; in the case of the latter, consider vertical integration of the chosen alternatives to achieve value added and increase competitiveness

5.4 Market Areas

- Promote the use of market risk-management strategies such as hedging
- Aggressively investigate, identify and pursue new markets
- Develop internal markets
- Develop mechanisms for market information and, more importantly, market intelligence
- Develop and promote quality commercial coffee markets

5.5 Technical Areas

- Evaluate the feasibility of a coordinated regional research program, preferably contracting private sector resources
- Evaluate the feasibility of creating a credible, impartial and independent system to certify coffee quality that responds to market requirements
- Investigate coffee varieties for cup quality, yield and resistance
- Incorporate greater use of tissue culture technology for identifying and propagating replacement trees
- Incorporate enterprise management and cost criteria into research and extension guidelines

5.6 Implementation

The use of the international donor as a broker can be a valuable tool when adversarial participants are at the table. The trade-off, collaboration for resources, is an effective strategy for program implementation.

- Incorporate the use of neutral third parties to mediate between public and private sector players
- Use international agencies, especially donors, to ensure compliance among all participants
- Avoid sweeping, sector-wide interventions impossible to implement; focus on targeted programs that intervene at critical points

ANNEXES

Table 1: COSTA RICA

PRINCIPAL COFFEE INSTITUTIONS: COMPOSITION and PRIMARY FUNCTIONS

Institution	Status	Composition	Principal Functions: Both in Theory and Practice**				
			Policy	**Technology Generation**	**Marketing and Promotion**	**Finance**	**Servi**
Instituto del Café (ICAFE) (Financed by a 1.5% tax on export value)	Public	Board of Directors: 9 members representing major coffee sectors constituted as follows: 1 Executive branch of gov't 5 Coffee producers, by regions 1 Processors 1 Exporters. 1 Roasters	Limit charges and profits of processors to guarantee fair return to producers (P)	1. Research which focuses on the agronomic aspects of coffee production (P) 2. Quality control in dry processing (P) 3. Management of wastes from wet processing (P)	1. Identification of coffee zones by cup characteristics (P) 2. Verification of measures for harvest* (P) 3. Define promotion program (T/P) 4. Represent Costa Rica in international fairs (P) 5. Promote quality coffee in the domestic market (T/P) 6. Program to differentiate origin and quality coffees, and to pay producers accordingly (T) 7. Elimination of the 5% lowest quality coffee (P)		1. Chemical analy water and coffee 2. Sale of improv 3. Technical assis growers, farmer g technical bulletins 4. Supervision of export sales: qua and payment (P)
Fondo Nacional de Estabilización Cafetalera (FONECAFE)	Public					Stabilize prices paid to growers by withholding part of the market price in high price years and compensating them in years when prices are below costs (P)	
Sector Organizations: 1. Federación de Cooperativas de Caficultores (FEDECOOP) 2. Cámara de Cafecultores 3. Cámara de Beneficadores 4. Cámara de Exportadores 5. Cámara de Torrefactores	Private	Representatives of specific coffee subsectors 1. Producers 2. Producers 3. Processors 4. Exporters 5. Roasters				Exporters are a primary source of both production and harvest financing	1. Lobby in the in particular sub-sec represents (T/P) 2. Producer orga particularly active financing for their
Specialty Coffee Assoc. and SINTERCAFE	Private	Members from the various sub-sectors (primarily processors and exporters)	1. Promote quality and specialty coffee (P) 2. Ally with the SCAA for promoting Costa Rican coffee (P)		1. SINTERCAFE: host annual fair and conference as meeting place for quality coffee buyers and sellers (P)		
Ministry of Agriculture	Public			Alternatives for diversification of agricultural production, which coincidentally are valid for replacing or inter-planting with coffee (T/P)			

* Cherry coffee measured and sold to mills by volume
** (T) Stated functions and activities
** (P) Activities and functions realized in practice

Table 2: EL SALVADOR

PRINCIPAL COFFEE INSTITUTIONS: COMPOSITION and PRIMARY FUNCTIONS

Institution	Status	Composition	Principal Functions: Both in Theory and Practice*				
			Policy	Technology Generation	Marketing and Promotion	Finance	Services
Consejo Salvadoreño de Café (CSC) (Financed by a $0.35 tax on each *quintal* exported)	Public	Board of Directors: 8 members representing major coffee sectors 4 Executive branch of gov't (Agriculture, Finance, Hacienda, Central Bank) 1 Private producer cooperatives 1 Agrarian reform producer cooperatives 1 Association of individual producers 1 Association of processors and exporters	1. Formulate and direct national coffee policy (T) 2. Provide a forum for public and private sectors to inter-act (T)		1. Promote Savadorean coffee through activities coordinated with embassies (T/P) 2. Support regionalization (T) 3. Establish quality standards (T)		1. Promote fair prices to producers (T)
Fundación Salvadoreña para Investigaciones del Café (PROCAFE) (Financed by a $1.00 tax on each *quintal* exported)	Quasi-Public	1. Contracted by the CSC 2. Board of directors comprised of representatives of each lobby organization on the CSC board and the Ministry of Agriculture		1. Lower production costs through improved practices and varieties (P) 2. Improved varieties (P) 3. Adapative research (P) 4. Improved management (?) 5. Colaboration, not research, with MAG/IICA fruit and diversification program (?)	1. Variety development and promotion in accordance with market requirements (T/P)		1. Training in technology transfer (P) 2. Training in farm manage-ment (P) 3. Technical assistance to extent processors (P) 4. Technical support to recipients of refinancing loans (P)
Presidential Commisioner	Public	1 Presidential appointee	Salvador's representative in international forums, e.g. ICO, where, because of personal involvement in coffee and his backing of the President, recommends policy and makes de facto policy decisions through his actions in those forums, e.g. Salvador's position on the 5% plan (P)				
Multisector Investment Bank (BMI)	Public					1. Provide second story financing of current debt affecting producers, processors, exporters and banks (P) 2. New financing for renovation, diversification, production and harvesting (P)	
Sector Organizations 1. Asociación Cafetalera 2. Asoc. de Exportadores y Beneficadores (ABECAFE) 3. Unión de Cooperativas de Cafetaleros (UCAFES) 4. Unión de Cooperativas de la Reforma Agraria (UCRAPROBEX)	Private	Representatives of specific coffee subsectors 1. Producers 2. Processors and exporters 3. Private producer cooperatives 4. Agrarian reform producer cooperatives			1. Roasting and exporting coffee (P) 2. Administrative support to member cooperatives (P)	Exporters are a primary source of both production and harvest financing	1. Roasting and exporting coffee 2. Obtain certification for organic coffees (P) 3. Obtain financing for members 4. Promote cooperative develop (P)

* (T) Stated functions and activities
* (P) Activities and functions realized in practice

Table 3: GUATEMALA

PRINCIPAL COFFEE INSTITUTIONS: COMPOSITION and PRIMARY FUNCTIONS

Institution	Status	Composition	Principal Functions: Both in Theory and Practice*				
			Policy	Technology Generation	Marketing and Promotion	Finance	Services
Asociación Nacional de Café (ANACAFE) (Financed by a 1% tax on value of coffee exports, and Q 0.25 per bag exported)	Quasi-Public	Board of Directors: 20 members representing major coffee sectors 4 Executive branch of gov't 4 Cooperative coffee producers 12 Individual coffee producers, by region	1. Represents producer sector in National Policy Committee (P) 2. De facto leader in establishing and implementing coffee policy, in consultation with ADEC, the exporters association (P) 3. Issues export licenses (P)	1. Research which focuses on quality, productivity and costs in coffee production (P) 2. TA and quality control in wet processing (P)	1. Identification of coffee zones and promotion of those zones (P) 2. Pilot project on appelation and control of origin coffee (P) 3. Representation in international fairs and events (P) 4. Pioneer producing country in establishing nexos with SCAA and specialty industry (P)	1. Promoter for emergency financing in "crisis" market, e.g. 1992 bond issue. 2. Administrator of small farmer and other trust funds (P) 3. Successful negotiation with government for $150M trust fund for debt relief in reaction to current price crisis	1. Chemical analyses of soil water and coffee (P) 2. Sale of improved seed (P) 3. Technical assistance to growers, farmer groups and technical publications (P) 4. Cupping lab for quality control and evaluation (P) 5. FUNRURAL provides sup to coffee communities in hea and education (P)
Ministry of Agriculture	Public			1. Options for diversification or associations for loser altitude coffee areas (T/P)			
Banrural	Private					Bank selected by government to manage and lend the $100M emergency loan trust fund.	
FEDECOCAGUA	Private	Member cooperatives			1. Markets members' coffee in normal and alternative markets (P) 2. Exports blended green coffee for specific brand sales (P) 3. Establishing long term market relations (P)	Intermediates funding for affiliated cooperatives and their members (P)	1. Coffee processing (P) 2. Marketing and export (P) 3. Technical assistance (P)
AGEXPRONT	Private			1. Market studies for alternatives for diversification and association crops, primarily fruits (P)			

* (T) Stated functions and activities
* (P) Activities and functions realized in practice

Table 4: HONDURAS

PRINCIPAL COFFEE INSTITUTIONS: COMPOSITION and PRIMARY FUNCTIONS

Institution	Status	Composition	Principal Functions: Both in Theory and Practice*				
			Policy	**Technology Generation**	**Marketing and Promotion**	**Finance**	**Servic**
Consejo Nacional del Café	Public	Board of Directors: 15 members representing major coffee sectors 4 Executive branch of gov't 4 Individual producers (APROCAFE) 2 Individual producers (ANACAFEH) 1 Cooperative producers (UNIOCOOP) 1 Cooperative producers (CCCH) 1 Exporters (ADECAFEH) 1 Roasters (TOSCAFEH) 1 IHCAFE	1. Formulate national coffee policy (T) 2. Support studies for policy decisions (T/P)				
Instituto Hondureño del Café (IHCAFE) (Financed 40% by government and 60% by producers through a $1.00/*quintal* tax on exported coffee)	Quasi-Public	Board of Directors: 12 members representing major coffee sectors 2 Executive branch of gov't 4 Individual producers (APROCAFE) 2 Individual producers (ANACAFEH) 1 Cooperative producers (UNIOCOOP) 1 Cooperative producers (CCCH) 1 Exporters (ADECAFEH) 1 Roasters (TOSCAFEH)	1. Implement policy formulated by the Consejo Nacional (T)	1. Research which focuses on the agronomic aspects of coffee production, especially low input and biological controls (P) 2. Diversificafion/replacement options for lower altitudes (P)	1. Promotes specialty coffee (P) 2. Establish differentiated coffee production and oirgin zones (T)		1. Cupping and coffe evaluation (P) 2. Technical assistar growers, farmer grou technical bulletins (P
Fondo Cafetero (Financed by a $1.75/*quintal* tax on exported coffee; $.35 of which go to the major producer organizations)	Quasi-Public	Same as IHCAFE	1. Implement policy formulated by the Consejo Nacional (T)			Conduit for emergency "crisis" funding to producers (P)	Maintanence of feed market roads servinç coffee areas (P)
Fondo Nacional para Producción y Vivienda (FONAPROVI)	Public	Dependency of Finance Ministry				Second story financial institution channeling funds from IDB and World Bank to the coffee sector (among others) (P)	
Sector Organizations 1. APROCAFE 2. ANACAFEH 3. UNIOCOOP 4. CCCH 5. ADECAFEH 6. TOSCAFEH	Private	Representatives of specific subsectors 1. Producer association 2. Producer association 3. Cooperative association 4. Cooperative association 5. Exporter association 6. Roaster association			1. Establish links to alternative market options (P) 2. Consolidate and sell members' coffee (P)	1. Intermediate financing for members for production and marketing (P) Exporters are a primary source of both production and harvest financing	1. Export members' (2. Support mini roast 3. Social services for groups and cooperat 4. Mill members' coff deliver it to dry mills exporters (P) 5. Lobby for specific

* (T) Stated functions and activities
* (P) Activities and functions realized in practice

Table 5: NICARAGUA

PRINCIPAL COFFEE INSTITUTIONS: COMPOSITION and PRIMARY FUNCTIONS

Institution	Status	Composition	Principal Functions: Both in Theory and Practice*				
			Policy	Technology Generation	Marketing and Promotion	Finance	Serv
Ministry of Agriculture (MAGFOR)	Public		A principal participant in formulating *de facto* agricultural policy (P)	$180M, 16-year research and technology project. In light of current need it is comtemplated that MAGFOR direct efforts to the coffee sector (T)			
Ministry of Development, Industry and Commerce (MIFIC)	Public		1. Grades and standards (T/P) 2. Conduit for ICO assistance for improving wet milling (P)				Certification of ex
Consejo Nacional del Café (CONACAFE) [Inoperative] (Financed by $0.50/quintal tax, which is pending enactment of the Coffee Law of 2001)	Public	Board of Directors: 13 members representing major sectors 2 Executive branch of gov't 8 Coffee producers, by regions 1 Processors 1 Exporters. 1 UNICAFE					
Unión Nicaraguense de Cafetaleros (UNICAFE) (Operating through donor financed projects)	Private	Principal producer associations		1. Adaptive research focusing on the agronomic aspects of coffee production (P) 2. Agroecological coffee zonification project (P) 3. Management of wastes from wet processing (P)	1. Identification of coffee zones 2. Verification of measures for harvest*		1. Chemical analy water and coffee 2. Sale of improve 3. Technical assis growers, farmer g technical bulletins
Fondo Nacional de Inversión (FNI)	Public					Second story financial entity to channel public and, especially, donor funds through private banks (P)	
Fondo de Crédito Rural (FCR)	Public					Conduit for government and, especially, donor funds principally to small producers (P)	
Sector Organizations	Private	Representatives of specific subsectors 1. A range of cooperative organizations 2. EXCAN - exporters association 3. COOPDENORTE - dry millers assoc. 4. Specialty Coffee Association			Members of these organizations individually or collectively are the primary marketing agents of Nicaraguan coffee. Recently the cooperative organizations have made important inroads into the marketing function previously the exclusive turf of the exporters.(P)	Exporters are a primary source of both production and harvest financing	1. Export member 2. Access alternat 3. Social services groups and coope 4. Mill members' deliver it to dry mi exporters (P) 5. Lobby for spec

* (T) Stated functions and activities
* (P) Activities and functions realized in practice

Table 6: Institutional Income Derived From Export Quotas

Country	Institution	Basis of Quota: Unit	Basis of Quota: Amt.	Basis of Quota: Source	Year: 1996 Volume 1,000qq	1996 Value $1M	1996 Institutional Income $1,000	1997 Volume 1000qq	1997 Value $1M	1997 Institutional Income $1000	1998 Volume 1000qq	1998 Value $1M	1998 Institutional Income $1000	1999 Volume 1000qq	1999 Value $1M	1999 Institutio Incom $1000
Costa Rica	ICAFE	%	1.50	FOB Export Value	3,469.4	383.8	5,757.0	2,833.6	416.9	6,253.5	2,173.6	409.6	6,144.0	2,835.8	288.7	4,33
El Salvador	Consejo Nacional	$	0.35	Per qq exported	3,062.4	338.9	1,071.8	3,643.2	517.8	1,275.1	2,213.2	321.7	774.6	2,499.2	244.4	87
	PROCAFE	$	1.00	Per qq exported			3,062.4			3,643.2			2,213.2			2,49
Guatemala	ANACAFE	%	1.00	FOB Export Value	5,277.8	469.9	4,699.0	3,643.2	517.8	5,178.0	4,670.6	584.3	5,843.0	5,904.8	560.8	5,60
	ANACAFE	$*	0.03	Per qq exported			167.0			115.3			147.8			18
Honduras	IHCAFE	$	1.00	Per qq exported	2,290.2	229.0	2,290.2	2,175.8	289.5	2,175.8	2,725.8	395.4	2,725.8	2,534.4	251.6	2,53
	Fondo Cafetalero**	$	1.45	Per qq exported			3,320.8			3,154.9			3,952.4			3,67
	Grower Organizations**	$	0.35	Per qq exported			801.6			761.5			954.0			88
Nicaragua***	CONACAFE	$	0.50	Per qq exported	1,168.2	123.7	584.1	875.6	121.3	437.8	1,383.8	136.2	691.9	1,267.2	134.2	63

* The quota is Q. 0.25/qq exported, which at an exchange rate of US$1.00 = Q. 7.90 is about US$0.032.
** The quota for the Fondo Cafetalero is US$1.75, of which 20% is distributed among four producer organizations.
*** This is the quota provided for in the Coffee Law of 2001, but it has not been implemented as yet.

Source: SIECA

TABLE 7: CHARACTERISTICS OF THE COFFEE SECTOR IN CENTRAL AMERICA

Country and Relative Farm Size	Distribution of Production Area %	Growers %	Output %	Yield qq/mz	Production by Altitude (%) Low <800m	Medium 8-1200m	High >1200m	Cost FOB Port $/qq	Minimum Wage $/day
Costa Rica	0.0	100.0	100.0	32.8	27.4	33.4	39.2	77.00	7.95
Small	N/A	90.2	38.2						
Medium	N/A	9.3	38.8						
Large	N/A	0.5	23.0						
El Salvador	100.0	100.0	100.0	10.8	29.7	37.5	32.8	71.35	2.47
Micro	4.8	49.9	3.4	7.5					
Small	20.7	37.6	18.1	9.1					
Medium	30.9	9.2	32.2	11.0					
Large	43.6	3.3	46.3	11.6					
Guatemala	100.0	100.0	100.0	17.02	20.5	12.7	66.8	72.00	3.24
Micro	21.0	79.8	10.0	6.5					
Small	25.6	14.5	30.0	9.6					
Medium	34.9	5.3	30.0	16.1					
Large	18.5	0.4	30.0	28.9					
Honduras	100.0	100.0	100.0	18.0	14.0	67.0	19.0	63.80	2.70
Small	82.6	97.3	62.7	13.0					
Medium	14.3	2.5	23.3	29.0					
Large	3.1	0.2	14.0	22.0					
Nicaragua	100.0	100.0	100.0	19.3	10.0	40.0	50.0	66.85	1.37
Micro	25.8	79.7	3.3	1.3					
Small	31.6	14.9	21.0	6.9					
Medium	31.8	4.9	39.3	13.3					
Large	10.8	0.5	36.4	34.5					

* *Manzana* (Mz) = 0.7 hectares

** *quintal* (qq) = 100 pounds