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Report Highlights:

The United States remains the top export market for Mexican coffee, including green, roasted, and soluble coffee. Mexico's coffee production is forecast at 4.1 million 60 kg/bags for marketing year (MY) 2023/24, a slight increase due to new varieties and an expansion in planted area. Post estimates a modest increase in roasted coffee consumption in Mexico, reaching 1.2 million 60 kg/bags for MY2022/23.

Production

Mexico's total production for marketing year (MY) 2023/24 (October to September) is forecast unchanged from the prior year at 4.1 million 60/kg bags. The production estimate for MY 2022/23 of 4.1 million 60/kg bags is a slight increase from MY 2021/23 production of 3.8 million 60/kg bags. This increase is driven by producers planting new disease-resistant varieties during the last few years. High international coffee prices have incentivized farmers to plant more coffee and adopt new techniques to improve yields.

Table 1: Mexico Coffee Production, Supply and Distribution (PSD)

Coffee, Green	2021/2022		2022/2023		2023/2024	
Market Begin Year	Oct 2021		Oct 2022		Oct 2023	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	17	17	57	137	0	96
Arabica Production	3650	3300	3300	3544	0	3545
Robusta Production	540	540	545	545	0	545
Other Production	0	0	0	0	0	0
Total Production	4190	3840	3845	4089	0	4090
Bean Imports	1600	1811	1600	1750	0	1700
Roast & Ground Imports	130	76	150	80	0	50
Soluble Imports	300	238	300	220	0	150
Total Imports	2030	2125	2050	2050	0	1900
Total Supply	6237	5982	5952	6276	0	6086
Bean Exports	2250	2152	1900	2200	0	2000
Rst-Grnd Exp.	168	148	230	150	0	160
Soluble Exports	1050	695	1100	880	0	900
Total Exports	3468	2995	3230	3230	0	3060
Rst,Ground Dom. Consum	1062	1150	1000	1200	0	1200
Soluble Dom. Cons.	1650	1700	1700	1750	0	1750
Domestic Consumption	2712	2850	2700	2950	0	2950
Ending Stocks	57	137	22	96	0	76
Total Distribution	6237	5982	5952	6276	0	6086

(1000 60 KG BAGS)

Although production is forecast to increase, the industry faces challenges due to a lack of government support, high input costs, and a decrease in the size of the labor force. Mexico's replanting program, a collaboration between private industry and the government of Mexico (GOM), has helped prevent the spread of coffee rust and increase productivity. However, the private-public replanting program has minimal funding from the current administration, and the private sector is no longer funding it. The private sector has shifted to funding other types of projects independently, such as administering financial support to growers or providing extension services. These programs have limited reach due to

the large number of growers comprising Mexico's coffee sector, which includes many small producers. Ninety percent of Mexico's coffee producers hold 2 ha or less.

Industry reports that producers face a shortage of available field laborers, mostly irregular workers from Central America, especially Guatemala. The GOM has significantly reduced the number of irregular immigrants entering Mexico across its southern border. In addition, Mexico's tourism industry competes for labor and pays substantially more than the agricultural industry.

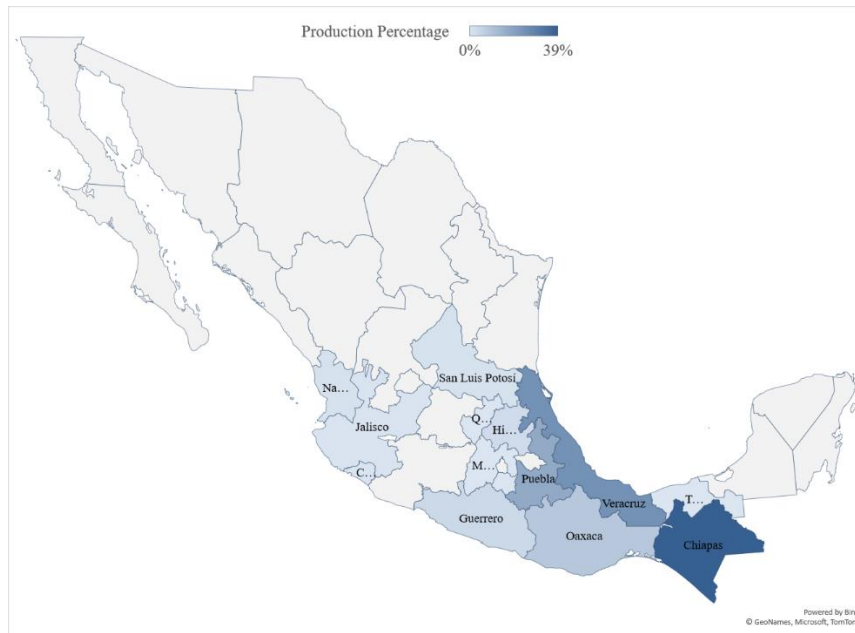
Weather also negatively impacted production this year. In May 2022, Hurricane Agatha made landfall in the state of Oaxaca. The hurricane washed out many roads in the rural highlands and damaged crops. Almost a year later, industry reports that there are still producers in the Oaxaca highlands whose roads are inaccessible by vehicle.

Coffee planted area and harvested area are forecast at 0.69 and 0.66 million hectares (ha) respectively for MY 2023/24, a 3 percent increase in harvested area compared to the previous marketing year. The Secretariat of Agriculture and Rural Development (SADER) reports that the GOM and state governments are undertaking efforts to replant existing areas with disease-resistant plants. The projects, in partnership with industry, are aimed at recovering existing coffee areas with higher-density planting of disease resistance trees, resulting in more efficient production. Planted area density with new varieties is between 3,330 and 3,500 plants per ha. Investments made in 2022 are projected to increase output in MY2023/2024.

In Mexico, arabica shade-grown coffee is the leading variety. Mexico is one of the primary producers of shade-grown coffee worldwide and a top organic coffee producer. Marketing of shade-grown coffee is carried out predominantly by cooperatives, which provide producers with technical assistance and financing. The cooperatives purchase coffee from farmers for mixing, roasting, and packaging.

Coffee is produced in 14 states, concentrated in the country's central and south, with Chiapas accounting for 39 percent of national production, followed by Veracruz and Puebla at 24 and 17 percent, respectively (Figure 1).

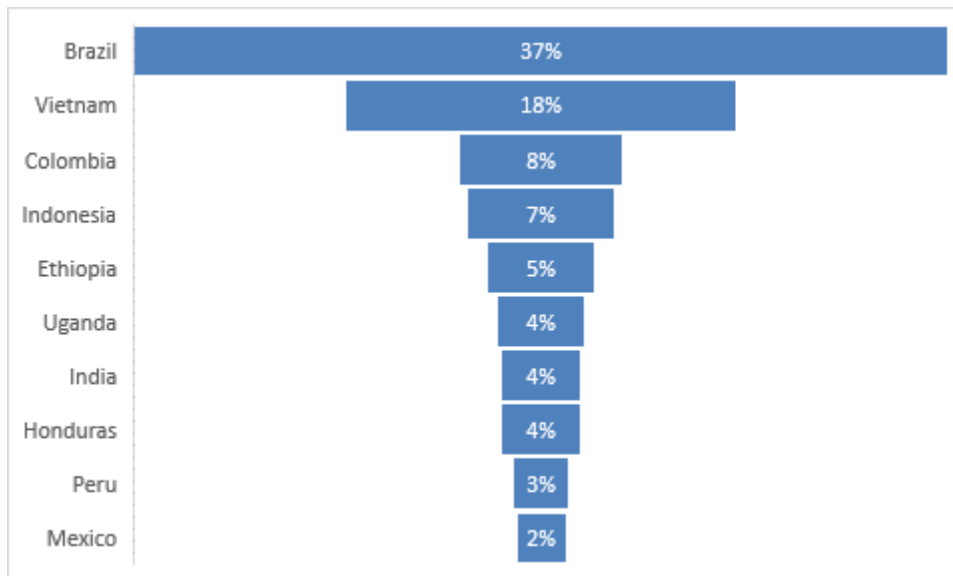
Figure 1. Production by State



Source: Agri-Food and Fisheries Information Service (SIAP/SADER)

Ten countries account for 80 percent of global coffee production. In 2023, Mexico became the number 10 coffee producer worldwide, accounting for over 2 percent of global production (Figure 2).

Figure 2. Global Coffee Production



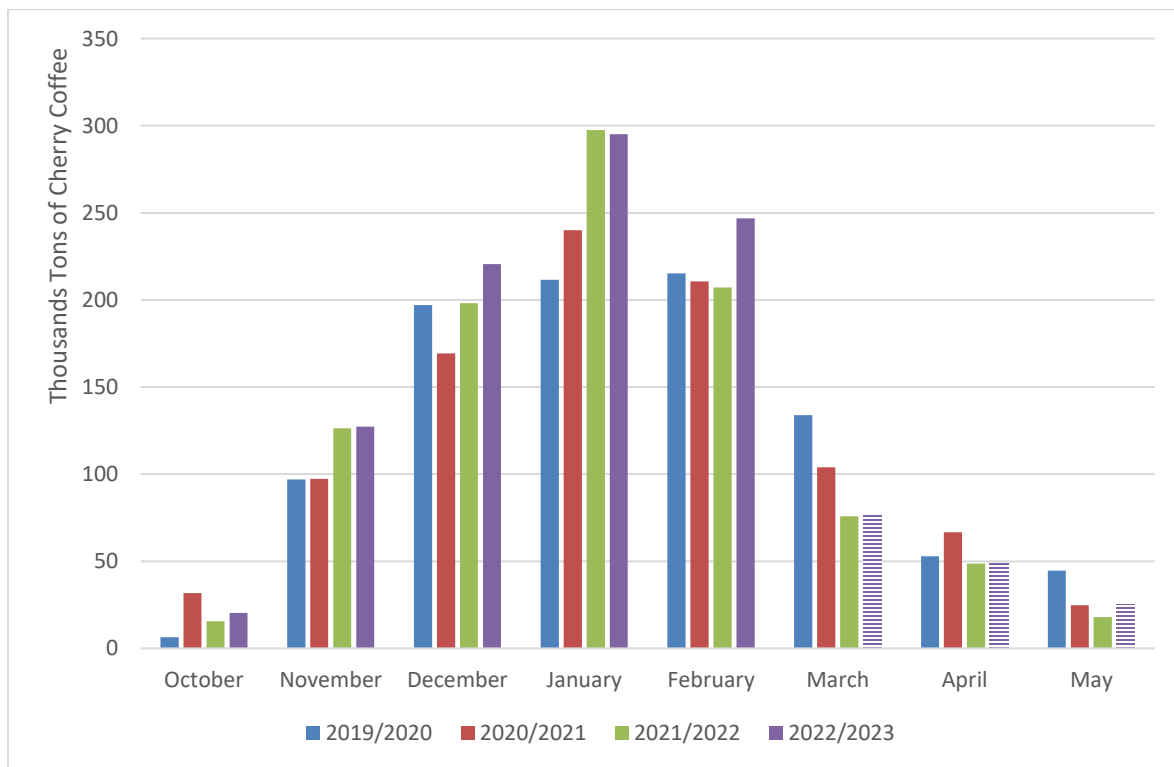
Source: Production, Supply and Distribution, USDA

According to SADER officials, approximately 35 percent of Mexico’s coffee production is high-quality, high-altitude arabica coffee cultivated at 900 meters or more above sea level. Another 43.5 percent is grown between 600 and 900 meters above sea level. Newly planted areas have been converted to more pest-resistant or specialty varieties like Oro Azteca, Catimores, and Marsellesa, although production of criollo varieties like Typica and Caturra is still growing.

In Mexico, approximately 15 percent of production is robusta coffee. The leading robusta growing state is Chiapas, followed by Oaxaca, Veracruz, and low-altitude areas of Puebla. In Chiapas, there is significant multinational investment in production facilities and programs to support farmers. Robusta can be grown at lower elevations, in full sun, is resistant to the main pests, and requires less maintenance than arabica varieties.

Although coffee is typically harvested from November to April, industry indicates that the harvest season is shifting due to climate change. During February of 2023, for example, there were several short heat waves that caused the cherries on the coffee tree to mature rapidly (punctual growth), and farmers had a difficult time finding labor for harvest on short notice.

Graph 1: Monthly Production



Source SIAP/SADER. Striped bars are post’s forecasted production.

Management to Control Coffee Pests

According to Mexico's National Service of Health, Food Safety, and Food Quality (SENASICA), the presence of the coffee berry borer (CBB, *Hypothenemus hampei*) has been significantly reduced in recent years. CBB is an insect that develops inside the fruit and results in production losses and decreased quality of taste, smell, color, and texture. In severe cases, plant mortality occurs. Currently, infestation rates are less than two percent. The severity level of coffee rust has also decreased, mainly in regions replanting rust-resistant varieties. Producers report having greater familiarity with management and prevention, reducing the risk to production.

Support Programs

The GOM has two direct cash transfer programs to benefit coffee producers. The first is the Production for Wellbeing Program that transfers cash to nearly 220,000 producers of up to 20 hectares of rainfed land or up to five irrigated hectares. For 2022 and 2023, coffee producers received 6,200 pesos (U.S. \$344) per producer per year. Producer associations report that the program has not significantly impacted the coffee sector, as it does not involve financing or technical and marketing assistance.

The second GOM support program, *Sembrando Vida* (Sowing Life), encourages farmers to use the *mila* planting system, a traditional technique that employs citrus, corn, bananas, and other crops for self-consumption. The program supports smallholder producers (2.5 ha or less) in 19 states with direct cash payments to grow fruit and timber trees. Some coffee producers (approximately 6,000) utilize this program and can receive 6,000 pesos (\$333) monthly. According to the government, the program has supported the planting of 100 million coffee plants since 2019.

Several Mexican coffee roasters have programs to support bean quality, marketing, and traceability systems.

Yield

Coffee yields vary according to field management, weather, altitude, and variety. National yield for MY 2023/24 is forecast at 6.1 60 kg/bags/ha. The states of Chiapas and Veracruz are Mexico's leading producers and have the highest planted area. Chiapas has 400 cooperatives with 178 thousand producers, 95 percent of which is composed of small producers with less than three ha.

With mostly large and medium producers, Puebla and Veracruz states lead the country in terms of yield. These two states continue to expand planted area, increase planting of pest resistant varieties, and benefit from access to fertilizer and investment financing to increase productivity. In addition, they have good highway and port infrastructure.

Oaxaca is the number three state in terms of planted area, but mostly includes small producers facing significant investment and marketing constraints.

Table 2. Post Forecast by State MY 2023/24

	Area Harvested (Ha)	Yield 60 kg/bags/ha	Production
Chiapas	241,000	6.45	1,554,450
Veracruz	140,000	7.70	1,078,000
Puebla	71,000	10.20	724,200
Oaxaca	115,000	3.00	345,000
Guerrero	40,000	3.84	153,600
Hidalgo	23,000	4.81	110,576
Nayarit	16,200	2.82	45,660
S Luis Potosí	13,000	3.34	43,453
Jalisco	3,500	5.36	18,751
Colima	2,750	4.70	12,921
México	531	3.57	1,894
Tabasco	358	4.58	1,640
Querétaro	199	2.11	421
Morelos	24	5.49	132
Total	666,562	6.14	4,090,697

Consumption

In MY 2023/24, Mexico's coffee consumption is forecast at 2.9 million 60 kg/bags. Soluble coffee accounts for approximately 60 percent of consumption, and ground coffee around 40 percent. According to SADER and industry data, the average annual coffee consumption is between 1.3 kg and 1.5 kg/per capita in Mexico. This slight increase is due to population growth, but the rate of increase is lower than the population growth due to Mexico's higher-than-normal food inflation. The MY 2022/23 consumption estimate is revised from previous estimates to 2.9 million 60/kg bags due to a complete recovery of cafes and restaurants in urban and tourist areas.

Roasting sector contacts report interest in high-quality, single-origin coffee on the part of urban coffee consumers; typically, these consumers are high-income earners. There is potential to increase consumption throughout the country, but obstacles remain. For example, there are no market regulations for quality, only for production process (i.e., organic or other certifications). Additionally, capsule coffee has gained popularity in the country in recent years and is readily available in most large cities.

Trade

Exports for MY 2023/24 are forecast at 3 million 60/kg bags. The United States continues to be Mexico's top market for green, roasted, and soluble coffee. According to the Trade Data

MY 2023/24 imports are forecast at 1.9 million 60kg/bags, a decrease of 8 percent from the previous year.

The Secretariat of Economy manages a Sectorial Production Program (PROSEC) that provides a preferential tariff on imports for further processing. PROSEC mainly covers robusta demand, primarily for green coffee from Brazil. Coffee products under the following harmonized system (HS) codes are included: 0901.12 (Not Roasted, Decaffeinated), 0901.21 (Roasted, Not Decaffeinated), 0901.22 (Roasted, Decaffeinated), and 2101.11.99 (instant coffee without essences). Coffee imported under this program is classified under HS number 9802.0022 – “Import of goods via special operations of the Industry of Coffee.” However, all types of coffee (beans, roasted, and soluble) are classified together, masking the actual kind of coffee imported. This regulation will remain in effect until September 30, 2024 (See Mexico Coffee Import Programs [MX2021-0016](#)).

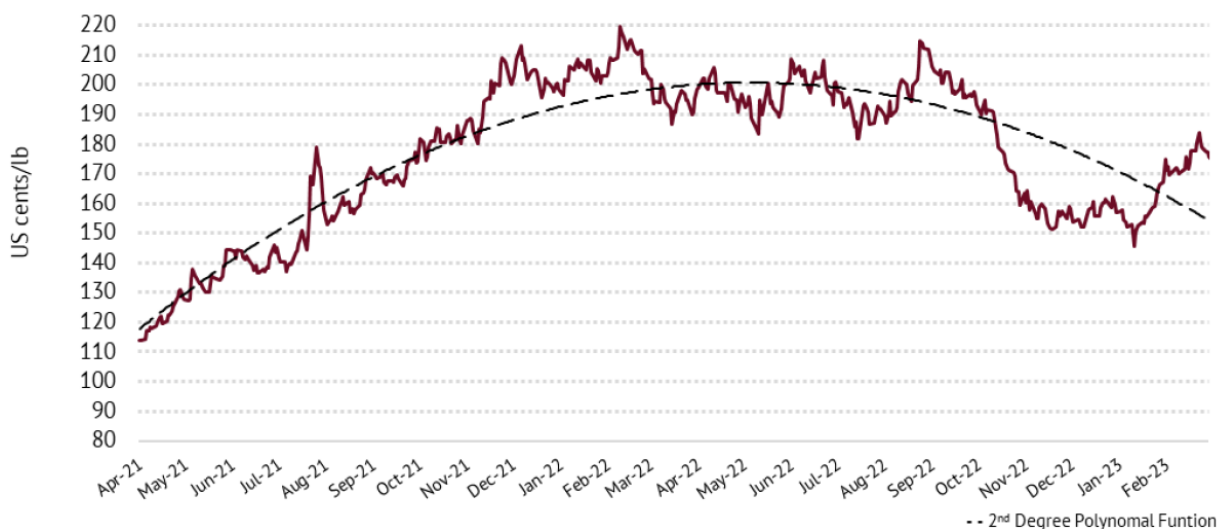
Stocks

Forecast MY 2023/24 ending stocks are 76,000 60 kg/bags. MY 2022/23 stocks are revised to 96,000 60 kg/bags.

Prices

Although international prices for coffee have come down from a high of US \$ 2.2 per lb in February 2022, prices have remained strong at around 1.80 lb throughout 2023. According to the International Coffee Organization (ICO), the Composite Indicator Price (I-CIP) lost 2.7% from February 2023 to March 2023, averaging 170.03 US cents/lb for the latter while posting a median value of 170.11 US cents/lb. In March 2023, the I-CIP fluctuated between 164.36 and 175.93 US cents/lb.

Graph 2: ICO Composite Indicator Price



Source: ICO Market Report March 2023

Attachments:

No Attachments