



PROJECT FOR PRODUCTION DIVERSIFICATION OF MARGINAL COFFEE AREAS IN THE STATE OF VERACRUZ, MEXICO



Presented by:
Marco Miguel Muñoz, MCJ
Chairman of the Veracruz Agriculture Trade Commission

and:
Víctor A. Arredondo, Ph. D.
President of the University of Veracruz

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I. Fundamentals

Reasons

- As a consequence of overproduction in coffee, prices collapsed since 1998 and that has originated a new world crisis.
- This is a crisis different from previous ones, fundamental factors are:
 - International oversupply originating fluctuations and price instability
 - Creation of new production areas
 - Movement of production areas to places with climatic advantages
- Impact on Mexican market, especially in Veracruz:
 - Large-value losses in coffee activity
 - Extreme poverty of producers in marginal coffee farms
 - Coffee farms abandonment and increasing migration
 - Risk of production of non legal crops

II. Organization and management background

- The Mexican Government and specially the Government of Veracruz State, with their coffee production policy, promote different programs and actions to support coffee farmers and face the present crisis:
 - Implementation of Quality Improvement Program
 - Harvesting Program
 - Coffee Stabilization Fund
 - Denomination of Origin "Café Veracruz", Mexican Official Standard and Café Veracruz Regulatory Council, A.C. (Non-profit organization)

II. Organization and management background

Origin: Promotion of the quality over quantity policy and consumption

Project for production diversification of marginal coffee areas in the state of Veracruz

- Presentation of the Draft of the Pilot Project to the Executive Board and to the Council of ICO, May 2002.
- Presentation to the United Nations Conference on Trade and Development (UNCTAD) with the purpose of implementing actions for diversification to help countries depending in single commodities, June 2002.

II. Organization and management background

Creation of a working group integrated by directors from Veracruz State's public university, coffee producers' associations and organizations, and state and federal government offices to design, operate, execute and supervise the pilot project, August 2002.

- Unprecedented and innovative multi-institutional work.
- Based upon University of Veracruz's national and international recognition for:
 - Its labour on the extension and outreach areas
 - Its academic, research and technology transfer strengths
- Approach of comprehensive transfer: technological, social, economical and managerial to achieve the self-sustainability of the small producers involved.

II. Organization and management background

- Presentation of the project to the ICO, September 2002.
- Consideration and analysis of the recommendations made by the ICO, January 2003
- Preparation of this proposal, May 2003

Project

This project will benefit, in the first stage, over 1,600 coffee growers in marginal areas of Veracruz State growing coffee under 600 meters above the sea level in an area of 4,000 ha.

III. Objectives

- To increase the yield of marginal coffee farms.
- To diversify production, whether with timber forest products; non-timber forest products (foliage, orchids, ornamental plants); associated crops (vanilla, tropical fruits); small livestock; honey production; or community's diversified nurseries.
- To increase internal coffee consumption through promotion campaigns and through development of new regional markets.
- To generate environmental benefits by improving and maintaining the agro-forestry system.
- To encourage coffee farmers to stay in their regions.

IV. Stages

Realization of micro region studies based upon the 4,000 ha selected: analysis of the coffee farmers situation and the alternatives for diversification.

To include for diversification of production:

- Timber and non-timber forest resources
- Production system of forest plants and alternative crops with quality control

To integrate productive chains to generate added value, to establish micro businesses and to promote the participation of women.

V. Actions taken

• Studies to determine the pilot area. From an initial total of 47,000 ha located under 600 meters above sea level, 4,000 were chosen.

• Selection of 4 areas based upon the selected 4,000 ha, divided into combined parameters to secure success.

• Agreements with small producers' organizations.

• Participation of private sector.

- Paper producer: restoration of hydrological basins
- Timber producer: marketing
- Agro forest producers: marketing

VI. Selected areas

In addition to timber forest resources, the following alternative crops are proposed:

ZOZOCOLCO Indigenous population
Main alternative products: Vanilla, foliage and tropical fruits.

EMILIANO ZAPATA Indigenous and mestizo population
Main alternative products: Tropical fruits.

TEZONAPA Indigenous and mestizo population
Main alternative products: Tropical fruits and foliage.

LOS TUXTLAS Indigenous and mestizo population
Main alternative products: Palm trees, orchids and fern.

VII. Added values of the project integration process

- Improvement of hydrological basins
- Generation of environmental services:
 - CO₂ (to uptake)
 - Soil conservation
 - Promotion of agro tourism
 - Conservation of native flora and fauna

To boost self-sustained community development and self-management through:

- the establishment of micro businesses and integrator businesses to add value to the products obtained,
- the strengthening of the local capacities to face the challenges brought by globalization.

VII. Added values of the project integration process

To boost self-sustained community development and self-management through:

- the establishment of micro businesses and integrator businesses to add value to the products obtained,
- the strengthening of the local capacities to face the challenges brought by globalization.

IX. Participants

Veracruz State Government

Veracruz Agriculture Trade Commission (COVECA)
Veracruz Institute for Rural Development (INVEDER)
Veracruz Coffee Council
Secretariat of Regional Development

Federal Government

Mexican Coffee Council
National Commission of Forestry (CONAFOR)
Secretariat of the Environment and Natural Resources (SEMARNAT)
National Institute of Ecology (INE)
Ministry of Defence (SEDENA)

IX. Participants

University of Veracruz

University of Veracruz Foundation
Direction of the Academic Area of Biological-Agricultural and Livestock Sciences
Outreach General Direction
Fund Raising Institutional Coordination

Audit Committees

Superior Audit Committee of the State of Veracruz (ORFIS)
University of Veracruz Controller's Office
Independent Auditing Firm

Non-profit organizations

Coatepec Coffee Regional Council
"Café Veracruz" Regulatory Council *Denomination of origin*
Produce Foundation (Fundación Produce)

XI. Contributions from the University of Veracruz

- It has prepared an administrative model.
- It has generated a commitment and trust environment among producers' organizations, key factor for the project's success.
- It has realized the preliminary field studies to select the 4,000 ha to be used as pilot area.
- It has devised sustainability indicators (environmental impact, improvement of quality of life and poverty reduction.)
- It contributes with its technology platform, which allows the University to have coverage in nearly every corner of Veracruz State.
- It will prepare the social training for coffee farmers through the National Council of Education for Life and Employment
- It will offer its experience in management of protected areas
- It will contribute with its academic structure for training, service and generation of technology through the areas of Biology-Agriculture and Livestock and Economy-Business Management, the Outreach General Direction and the Business Services University Centre.

XII. Financial summary

| SOURCE | AMOUNT |
|---|-------------------------|
| Common Fund for Commodities (CFC) | USD 4'000,000 |
| Mexican Government (via CONAFOR, INVEDER, and some others) | USD 4'121,384 |
| University of Veracruz (Technical Assistance) | USD 700,000 |
| Other contributions in kind | <i>Not quantifiable</i> |
| TOTAL | USD 8'821,384 |

XIII. Final considerations

- Project focused on the adequate management of coffee growing in the selected marginal areas with the purpose of maintaining consistency in the quality of the product and avoiding monocrop farming.
- It is aimed to offer a development and production alternative to coffee farmers of marginal areas in the State of Veracruz.
- It seeks to keep the environmental balance of agro systems associated to coffee farming through forestry management and crop diversification.
- Economic globalization requires the development of local self-management capacities, to improve the quality of life and therefore, to encourage coffee farmers to stay in marginal areas.
- Veracruz is a state rich in natural resources; 56% of its economically active population is devoted to the agricultural and livestock sector.

XIII. Final considerations

- Innovation and multi-institutional and multi-sector cooperation through strategic alliances is an essential requirement for the success of projects to benefit the poorest people, so far excluded from the benefits of globalization.
- Latin-American public universities have the obligation to act as agencies for social distribution of knowledge, especially for marginal and traditionally unattended groups.
- Financial support from the Common Fund for Commodities and third-parties under the supervision of the International Coffee Organization can make this innovative project a replicable example of regional development.

Note: It is worth mentioning that this presentation responds to the recommendations made by the International Coffee Organization