MEXICO

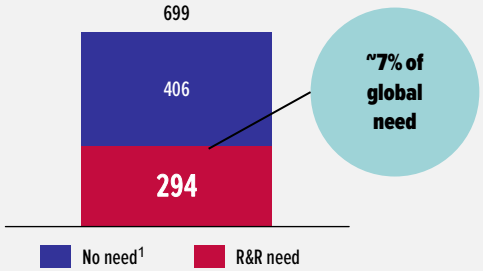
Mexico is a major Arabica producer with high R&R need due to ageing trees and exposure to La Roya

Quick facts: Mexico is an important global producer

Production	Production share	Coffee land	Varieties
'000 tons, 2014	*Global & region*	*'000 hectares, 2014*	*Arabica-Robusta*
215	**11th in world** **1st in North America**	**699**	**~ 95% A** **~ 5%R**

R&R need: ~40% of land is in need of R&R

SHF land in R&R need out of all land
'000 hectares

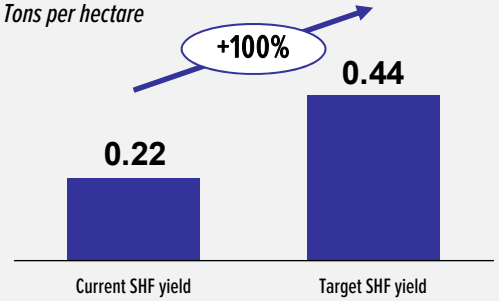


Drivers of R&R need:

Need is driven by the age of trees and exposure to disease (~15% of coffee land was affected by La Roya), and to a lesser extent by climate change

Uplift potential: Significant uplift potential given low current SHF yields

Current SHF yield & potential uplift1
Tons per hectare



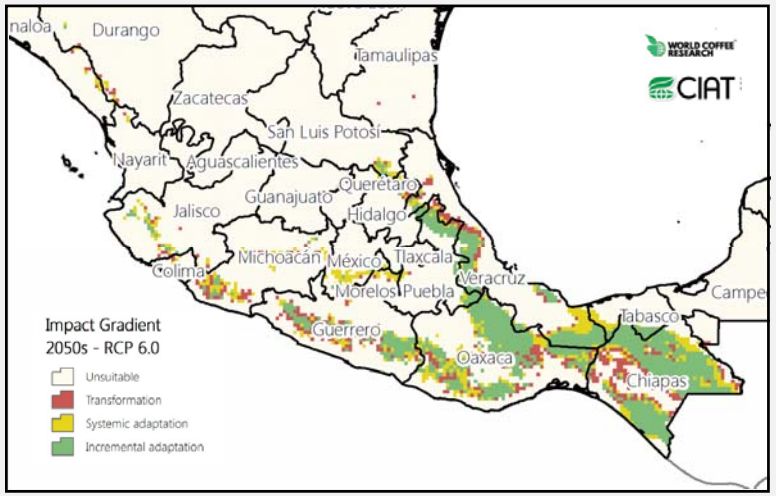
Potential increase in supply

~5-15%

Total national supply could increase ~5-15% if R&R and GAP is implemented on all SHF land in need of R&R2

Viability: Mexican production is partially exposed to climate change

Suitability map



- Four out of five major coffee producing states, Chiapas, Veracruz, Oaxaca, Guerrero, could be increasingly exposed to climate change risk
- Chiapas is forecasted to be severely affected in low land coffee growing areas

Other viability considerations

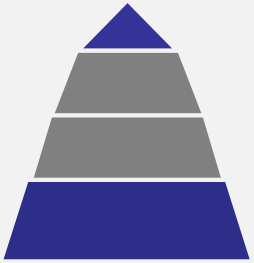
- Circa 70% of SHFs are considered poor. Coffee regions suffer from high poverty rates, and are underserved by basic infrastructure
- A minority of SHFs practice intercropping. The majority rely exclusively on coffee
- Most SHFs produce coffee unmechanized

Notes: (1) The current yield is calculated on the basis of SHF production divided by SHF land area, the potential yield uplift is based on an internal estimate based on other mixed countries and current yields. (2) Rounded to the nearest 5%, estimate assumes that R&R and GAP increase yields with 86%, and the range reflects a 25-100% R&R success rate Sources: FAO Statistics database; ICO statistics; Hector Manuel Robles Berlanga, Los Productores de Café en Mexico: Problematica y Ejercicion del Presupuesto, Mexican Rural Development Research Reports, 2011; SAGARPA, Plan Integral de Atencion al Café (PIAC), 2015; FIRA, Panorama Agroalimentario, 2016; Dalberg interviews

MEXICO

Most Mexican SHFs are not organized in SHF organizations, though several R&R programs have been implemented in the country

Farmer segmentation: Most SHFs are at the bottom of the pyramid



National production is split between large and medium farmers and SHFs

More than 85% of farmers are SHFs, but they own less than 50% of the coffee growing areas. They are typically disconnected

# SHFs *'000*	**230** – *~2.5% of global SHFs1*
SHF land *'000 hectares*	**420** *(~60% of national land) – farm size typically ~0.5 hectares*
SHF production *'000 tons*	**85** *(~40% of national production)*
Assessment of SHF orgs.	Coops usually have low capacity to provide TA - ~25% of SHFs are in a coop
Links to market	A majority of SHFs are linked to the market through "coyotes", lenders that charge extremely high interest rates

Enabling environment for R&R: improving political environment

Political environment

- Coffee share of GDP: N/A [Coffee share of exports: 0.1% (2015)]
- Mexico does not have dedicated coffee institutions. The coffee policy is managed by the Secretary of Agriculture (SAGARPA)
- Since 2015, SAGARPA has been leading a significant plan (integrated program for Coffee) to support and reshape the coffee sector. Coffee has become a national priority

Availability of inputs

- In 2015, SAGARPA led a seed inventory analysis and acknowledged the lack of locally supplied seeds
- PIAC provides support to private nursery and certification institutions, with the purpose of reaching commercial volumes of locally produced seeds

Availability of finance

- SHFs are highly credit constrained. In 2011, about 4% of the SHFs had access to credit
- The Trust Fund for Rural Development (FIRA) lends specific credit lines to local finance institutions to increase the volume of loans they provide to SHFs

Knowledge availability

- Coops have little capacity to provide TA
- SAGARPA works with a network of 400 agronomists who speak indigenous languages and visit SHFs. Yet, coverage of public extension services remain insufficient

Examples of R&R programs: Past R&R programs have focused on renovating areas affected by La Roya

- **SAGARPA – Integrated Program for Coffee, PIAC** (2015 – 2019) – R&R is one of the PIAC components. PIAC aims to develop certified nurseries to supply producers with quality disease-resistant plants, to renovate coffee plantations, and to provide maintenance and rehabilitation of existing crops
- **Root Capital – Coffee Farmer Resilience Initiative** (since 2013): Root Capital lent USD 1.1 million to farmer organizations in Mexico and trained them to deliver loans to their members
- **Neumann Kaffee Gruppe – Por Mas Café** (since 2014) – NKG's exporting company in Mexico partners with a local bank to provide loans for renovation to farmers in its supply chain

Notes: (1) Assuming a global SHF population of 20 million – estimates of farmers are high-level only and vary significantly. Sources: FAO Statistics database; ICO statistics; Hector Manuel Robles Berlanga, Los Productores de Café en Mexico: Problematica y Ejercicion del Presupuesto, Mexican Rural Development Research Reports, 2011; SAGARPA, Plan Integral de Atencion al Café (PIAC), 2015; FIRA, Panorama Agroalimentario, 2016; Dalberg interviews