DESCRIPTION OF THE POLICIES APPLIED AND IMPACT OF CREDIT ON THE AGRO CHAIN FOOD OF CONVENTIONAL COFFEE IN COSTA RICAN DURING THE PERIODS: 1998-1999 AND 2000- 2001.

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ABSTRACT

The collapse of international agreements, brought as consequence disequilibrium in the international production and with it came a shortage of coffee supply, increasing International price until middles of 90?s. Costa Rica along with others Latina American countries have reacted to low supply and high coffee price, helping farmers to increase coffee production, the result from this effort was reflecting in the market only 4 years later due coffee has a particularly characteristics in it elasticity which is low in the long and short run in the supply side. Costa Rica banks doesn t have special interest rate for credits to coffee production Moreover interest rate has similarly values than industrial and service sector, may be due the strong position of coffee as commodity with high internal rate of return. National institutions looking forward to diminish the cost of transaction involve credits access that is why government allow processors to grant loan to producers, the principal guarantee that processors ask from producers is in behalf of their future coffee production, therefore this credits allow coffee producers to utilize the maximum inputs and factors of production in order to achieve high quality coffee production.

PAM model help to describe how was the impact of agricultural politics in the production of coffee during the periods of production 1998 to 2001, showing the behaviour of the coffee agro chain, the data obtained for these evaluation came directly from ICAFE and the rest of information was asked directly to a different participant in the chain producers, processor, exporters and toasters.

PAM analysis interpreted factor capital as factor of production without markets distortion and is not easy to calculate the low cost of transaction involve in loan granted by processors to producers to be include in the PAM model. But may be this transaction cost represented by the time involved in the all process of

loan lease, processor do not face opportunity cost, because the direct grand of loan to producers, because they can set the same interest rate as commercial bank which is around 24%, the interest rate comprise from loan granted to harvest season around 7%.

PAM analysis from farmers to exporters show clear inputs subsidy, that is reflected in inputs transfers indicator **(J)** due 10% fix quota policy on coffee for national consume, also this coffe. tied to quota has national internal prices around 50 % low than international markets prices, this price add to the quota is reflected in PAM model as a income forgone, this lost is reflected in the outputs transfers **(I)** and price cost ratio index **(PCR)**. The same situation is present in the valuation of PAM for the agro chain from farmers to toasters.

Land factor was evaluated in PAM in both system of the agro chain; farmers to exporters and farmers to toasters, show that factor land, behave as constraint due the high markets prices and it is difficult for producers to expand their plantations. PAM model describe the rent of one hectare for coffee plantations as tax for coffee system, because is not present a marginal benefits from each hectare acquired, as it is show in the positive value of factors transfers **(K)** where the values for all four years were positive. The Subsidy Ration to Producers **(SPR)** explain that, from farmers to exports a high market distortion for coffee system, in average is - 0.23 from 1998 to 2000 and -0.69 in 2001, this distortion, could be caused by speculation in land value and this speculation based upon uncertainty in future prices of coffee, which means asymmetric price transmission. PAM model from farmers to toasters show also the higher taxation in the system of coffee and the distortion of **(SRP)** around 11% in 1998 and 1998 PAM model allow to analysis hypothetical scenarios. The first scenario was including an economic social valuation for land, taking as a value the income forgone for growth conventional coffee besides fair trade coffee, as result, the **(SPR)** diminished it values to -0.02 from 1998 to 2000, and -0.01 in 2001. The second scenario comprises the mentioned land valuation and hypothetical scenario, which assume that all farmers were involved in fair trade coffee. The result was a positive profitability and comparative advantage in the first two year likewise **(SPR)** index behave equal to the first scenario and **(DCR)** show a clear comparative advantage, due values are below one. Even when the next two years the indicators show a loss in profitability and comparative advantage, it is easy to recover this mislaid with a small increment in the output prices or a small adjustment to diminish cost of tradable inputs.