

th Congress }
2d Session }

COMMITTEE PRINT

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COMMITTEE ON WAYS AND MEANS
U.S. HOUSE OF REPRESENTATIVESFIRST ANNUAL REPORT
OF THE
PRESIDENT OF THE UNITED STATES
ON THE
INTERNATIONAL COFFEE AGREEMENTSUBMITTED TO THE
CONGRESS OF THE UNITED STATES
ON
JANUARY 14, 1966

NOTE.—This document has been printed for informational purposes only, so as to make it generally available

U.S. GOVERNMENT PRINTING OFFICE

57-833

WASHINGTON: 1966

Y 4 W 36 : C 62/5/ 262
DOC EXP
88th Congress
2d Session
COMMITTEE ON WAYS AND MEANS
U.S. HOUSE OF REPRESENTATIVES
FIRST ANNUAL REPORT
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LETTER OF TRANSMITTAL

To the Congress of the United States:

This is the first annual report on the operation of the International Coffee Agreement required by section 5 of the International Coffee Agreement Act of 1965 (Public Law 89-23).

The International Coffee Agreement represents an important element of our foreign economic policy, especially as that policy is directed toward the problems of the less developed countries. Our participation in the agreement should help make it possible to avoid the sharp rises and falls in coffee prices that have adversely affected U.S. consumers and growers of coffee in foreign countries alike. Stability of prices will help those countries heavily dependent on coffee exports to plan for and carry out their economic development and diversification programs. The steady economic progress of these countries is, in turn, an important stimulus to a healthier and more stable political climate in each.

I believe that during 1965 the dual aims of the agreement—adequate supplies of coffee to consumers and markets for coffee to producers at equitable prices—have been met. I am also confident that the Congress will view with satisfaction the spirit of international cooperation that has increasingly come to characterize the operation of this agreement. The passage of the International Coffee Agreement Act permitted its implementation for the year that began October 1, 1965. The results to date justify our confidence that the agreement will further advance the national interest of the United States.

LYNDON B. JOHNSON.

THE WHITE HOUSE, *January 14, 1966.*

FIRST ANNUAL REPORT OF THE PRESIDENT OF THE UNITED STATES ON THE INTERNATIONAL COFFEE AGREEMENT

INTRODUCTION

This report is submitted in accordance with section 5 of the International Coffee Agreement Act of 1965.

The International Coffee Agreement was negotiated at the United Nations during July, August, and September 1962 and signed by the United States on September 28, 1962. The Senate gave its advice and consent to the ratification of the agreement on May 21, 1963, and on December 27, 1963, the United States deposited its instrument of ratification. The agreement entered into force provisionally in the summer of 1963 and definitively in December 1963. The implementing legislation—the International Coffee Agreement Act of 1965—to enable the United States to meet all its obligations under the agreement, came into effect on May 22, 1965.

The objectives of the agreement, as set out in article 1, are as follows:

- (1) to achieve a reasonable balance between supply and demand on a basis which will assure adequate supplies of coffee to consumers and markets for coffee to producers at equitable prices, and which will bring about long-term equilibrium between production and consumption;

- (2) to alleviate the serious hardship caused by burdensome surpluses and excessive fluctuations in the prices of coffee to the detriment of the interests of both producers and consumers;

- (3) to contribute to the development of productive resources and to the promotion and maintenance of employment and income in the Member countries, thereby helping to bring about fair wages, higher living standards, and better working conditions;

- (4) to assist in increasing the purchasing power of coffee-exporting countries by keeping prices at equitable levels and by increasing consumption;

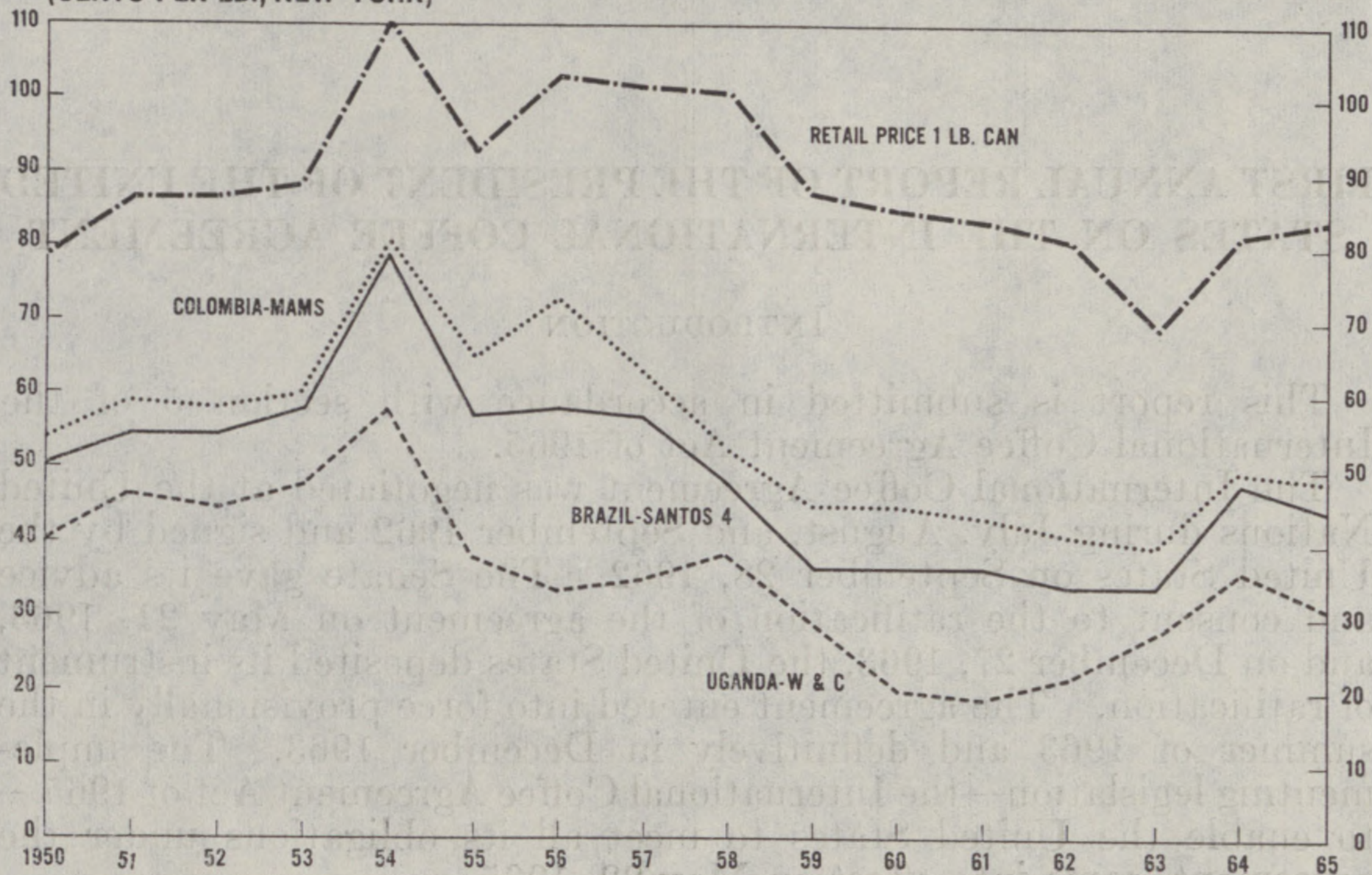
- (5) to encourage the consumption of coffee by every possible means; and

- (6) in general, in recognition of the relationship of the trade in coffee to the economic stability of markets for industrial products, to further international co-operation in connexion with world coffee problems.

The world coffee economy of the past has been aptly characterized as a "boom or bust" economy. Coffee is a tree crop; the trees start bearing about 5 years after they are planted. Thus, the response of farmers to increased demand is inevitably delayed. In practice, farmers have tended to overrespond to demand by planting more trees than needed. These factors have largely been responsible for the sharp fluctuation in coffee prices in the past 15 years as shown in the following chart.

GREEN COFFEE PRICES: ANNUAL AVERAGES, 1950-1965

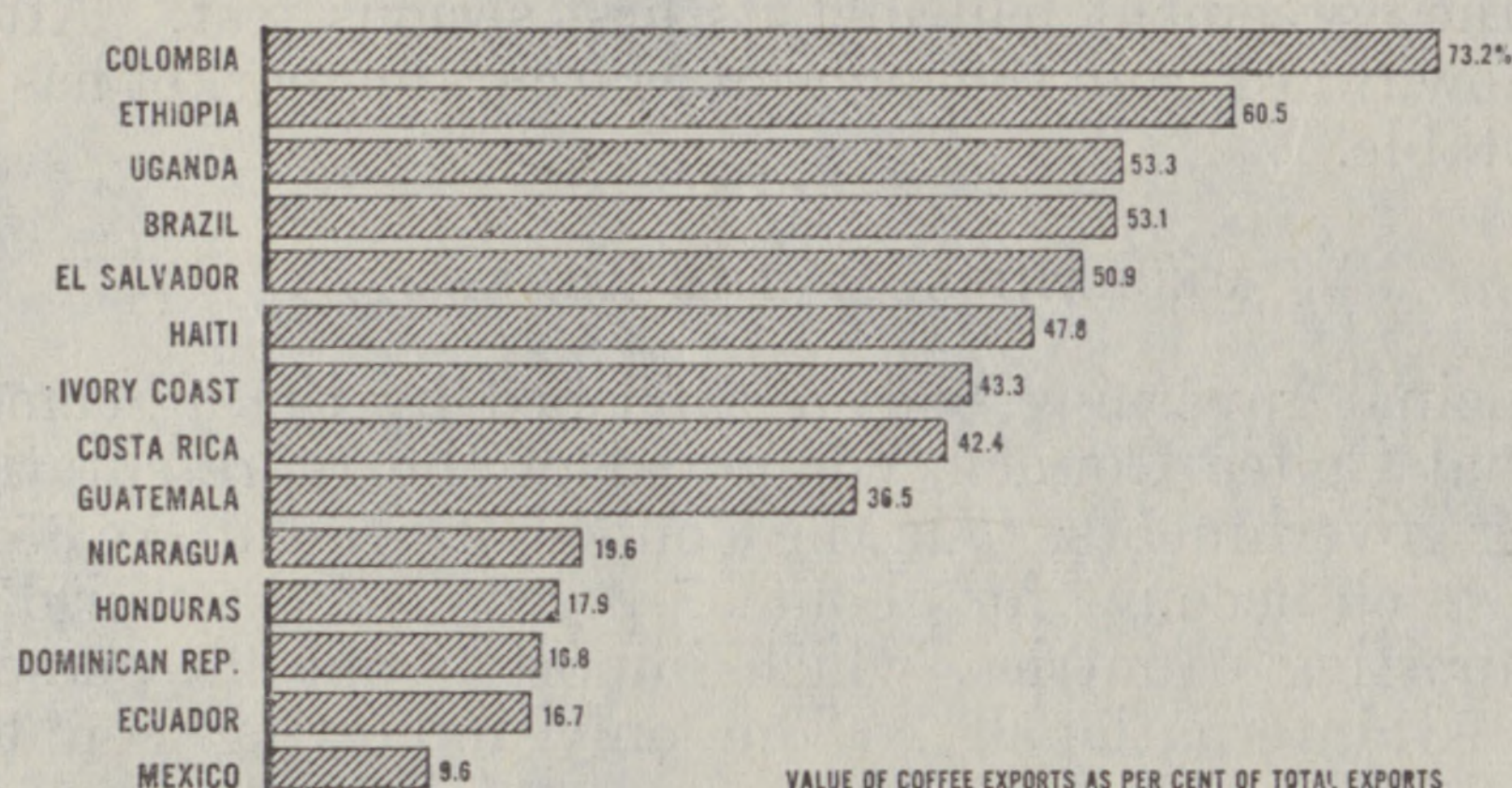
(CENTS PER LB., NEW YORK)



In the first 10 years following World War II, demand for coffee was strong and as a result there were substantial new plantings and prices rose as demand outstripped supply. A short crop and peak prices in 1954 led farmers throughout the coffee-growing world to undertake another new wave of plantings. By 1959-60, total world exportable production had reached 62 million bags (1 bag equals 132 pounds) whereas world consumption outside the producing countries was only 37 million bags. In the face of such surpluses, prices fell sharply and the prospects of any improvement in prices were dim. Coffee growers were in difficulty and the economies of major producing countries were under pressure.

Fluctuating coffee prices hurt many of the developing countries of Latin America, Africa, and Asia in two ways. First, sharp declines can be disastrous to all those connected with the coffee economy, and especially to farmers, many of whom operate small holdings. Second, because so many of the countries are heavily dependent on coffee exports for earning foreign exchange, sharp fluctuations in coffee prices can seriously disrupt economic development programs. Thus, the efforts of the United States under the Alliance for Progress and other aid programs have sometimes been upset by this traditional pattern in the trade in coffee. The following chart shows the extent to which 14 countries depend upon coffee for foreign exchange earnings.

IMPORTANCE OF COFFEE EXPORTS TO COFFEE - PRODUCING COUNTRIES...1964



A major aim of the International Coffee Agreement is to smooth out price fluctuations so as (i) to provide a steady and growing earnings base to the coffee-producing countries as world consumption rises, (ii) to maintain reasonable prices for coffee consumers, and (iii) to enlarge the role of the coffee economy in contributing to the growth of the overall economy.

I. OPERATION OF THE INTERNATIONAL COFFEE AGREEMENT

THE COFFEE SITUATION

From the negotiation of the agreement in the summer of 1962 through the summer of 1963, large surpluses overhung the market and depressed prices continued. In August 1963 prices reached a level lower than at any time since 1948, with serious strains on the economies of the producing countries.

In the autumn of 1963, the situation changed abruptly as news of severe frosts and drought in the principal growing regions of Brazil started to come in. Buyers all over the world feared that they might not be able to obtain the quantities of coffee they would need when the Brazilian crop was harvested in summer 1964. They started a scramble for coffee, first for Brazilian coffee, and then for coffee of all types in order to build up inventories. The United States feared that the wildfire price increase of 1954 might be repeated. Therefore, we moved promptly within the framework of the agreement to do all that could be done to assure buyers that adequate supplies would be available. A series of steps were taken that raised total export quotas to 49.1 million bags from the 45.7 million bag figure with which the year began and served to dampen some of the pressure on the

demand side. Producing countries, having in mind their stake in the agreement, did not try to take advantage of the situation by holding back supplies. As a result, the price rise was halted by March 1964 and the agreement had met its first serious test. After an adjustment downward from the highs of March, the market has remained generally stable.

MECHANICS OF THE AGREEMENT

The principal governing body established by the agreement is the International Coffee Council, composed of the representatives of all the member governments. On the Council at present are 35 exporting members, which account for about 97 percent of the world's exports, and 20 importing countries, which import about 90 percent of the coffee traded internationally. The only importing country which buys significant quantities and has not joined the agreement is Italy; her ratification is expected at any time.

The exporting members together hold 1,000 votes and the importing members 1,000 votes and no one member may hold more than 400 votes. The exporting members are assigned votes in proportion to their individual basic export quotas. The importing members are assigned votes in proportion to their respective imports of coffee. The United States holds 400 votes.

All major decisions under the agreement are made by the Council in its two regular annual meetings or at special sessions. Preliminary work for Council decisions is performed by a 14-member Executive Board (see annex B) in which all members are represented by delegates they have elected.

Important Council decisions are taken by a two-thirds distributed majority; that is, by a two-thirds vote of importing members and exporting members voting separately. This arrangement gives the United States, with its 400 votes, great power in the operation of the agreement.

The Executive Director of the Organization is selected by the Council. He is the chief administrative officer of the Organization. He directs the staff of the Secretariat and fills the important role of coordinating all the activities of the Organization. The Executive Director is Joao Oliviero Santos, an international civil servant with long years of experience in intergovernmental coffee consultations.

The Organization maintains the records of exports and imports, carries out independent studies of coffee problems, and provides staff for meetings of the Council and Board. Its annual budget for 1965-66 is \$733,519. The U.S. share is 20 percent.

Procedure for setting quotas

The heart of the Coffee Agreement is the system of export quotas for producing countries.

Confusion sometimes arises from the agreement's terminology regarding quotas. The *annual quota* is the total amount which may be shipped by all the member countries. Each country's *basic quota* represents its percentage share of the total annual quota. Although basic quotas as negotiated in annex A to the agreement are expressed in terms of numbers of bags, they represent in fact the country's percentage of the total. For example, Colombia's basic quota in

annex A of the agreement is 6,011,280 bags. The present total of all *basic quotas* is 46,504,363 bags. Thus Colombia's percentage share is 12.93 percent, and that percentage is applied to any year's *annual* quota to determine the amount Colombia may ship in that year.

In the annual determination of the amount of coffee the world needs, the consuming countries make sure that the annual quota is set at a level that will be fair to consumers while preventing sharp declines in the returns of producing countries. How quotas are set under the agreement is described in detail in section II of this report, "Summary of Actions to Protect U.S. Consumers," pages 7-9.

Enforcement measures

Under the export quota system, each coffee-producing member of the agreement is given authorization to export a certain quantity of coffee—and no more—each year. Quotas are also established for each quarter, but, to allow for seasonal variations in harvesting and consumption, some leeway is permitted in the proportion of the total which may be exported during any one quarter. A country that exports more than its allotted quota during a quarter is subject to a graduated scale of penalties, ranging from deduction of the excess from its quota during one or more succeeding quarters to expulsion from the agreement.

Within the overall limits set by the quarterly and yearly quotas, each exporting country is free to sell to any country or combination of countries. Importing countries are now free to purchase coffee from any producing country or countries.

This freedom to buy and sell permits trade under the agreement to be carried out with a minimum of interference to normal channels. As a necessary complement to the continuation of unregulated trade in coffee among countries members of the agreement, a system of certificates is employed to enable the International Coffee Organization to maintain an independent check upon possible violations of export quotas. Under this system, worked out in consultation with experts in the world coffee trade, a certificate of origin is issued by exporting countries for each shipment. The original of the certificate is sent along with the usual shipping documents, while a duplicate copy is sent by the issuing authority directly to the headquarters of the Organization. The original certificate is collected on arrival by the customs service of the importing country and sent to the Organization. Coffee reexported by a member country is covered by certificates of reexport, which are issued and processed in the same way.

Of course, an essential element in the certificate system is agreement by members not to permit the export or reexport of coffee, or the importation of coffee from another member, unless the certification procedure has been followed.

The certificate system has been brought into operation gradually over the past 2 years. It became fully operative late in 1965 after the U.S. Bureau of Customs issued regulations pursuant to the authority contained in Public Law 89-23.

The first regulations issued by the ICO soon appeared inadequate to cope with the problem presented by coffee shipped from nonmember countries. No certificates are required for imports from nonmembers, and it therefore appeared that coffee could be smuggled from member producing countries to nonmember countries and then shipped on to

member importers. In late 1965 there were widespread rumors that such movements of coffee were in fact taking place on a significant scale. Late December, the Council therefore instructed the Executive Director to issue a revised regulation under which a certificate will be required for the importation of coffee grown in a member country, regardless of whether it is imported directly or via a nonmember country. The new regulation will take effect in 1966, after technical review by customs and trade specialists from the participating countries.

As another means of assuring that the agreement can operate effectively, the Council has the power to require importing members to place a limit on their imports of coffee grown in countries that are not members of the agreement. This requirement may be essential to assure that nonmember producers will not benefit at the expense of producing members. It also helps to make certain that members will not lightly disregard their export quotas, and will not be tempted to withdraw from the agreement in order to avoid the limitations on their exports which are the heart of the agreement.

As of December 1965, the only significant coffee producers remaining outside the agreement were Honduras, Kenya, Liberia, and Guinea. The Executive Director of the ICO has been directed to discuss with these and other nonmember producers the possibility of early accession to the agreement. The Council will consider the Executive Director's report on these discussions at an early meeting and will then determine whether supplies of coffee from nonmembers are interfering with the trade of member countries to such an extent as to warrant limiting imports from nonmember producers.

MEASURES TO INCREASE CONSUMPTION

In recognition of the importance of promotional activities in increasing consumption, the producing members of the agreement make regular contributions to the World Coffee Promotion Committee established by the agreement. Major campaigns at an annual cost of nearly \$5 million are soon to begin in the principal coffee consuming countries. A broad program in the United States will concentrate on television advertising, but will include research and education in brewing a better cup of coffee. Nearly \$3.5 million will be expended this year in the United States and Canada, and programs at least this large will be carried out in future years. The president of the U.S. National Coffee Association serves as Chairman of the United States-Canadian technical committee.

Another of the important provisions of the agreement for increasing consumption is that for reducing tariff and tax barriers to consumption. Article 47 outlines procedures to be followed in working toward a reduction or elimination of these obstacles. The staff of the ICO has prepared a preliminary report reviewing the import duties and internal taxes on coffee in member countries.

Under article 47, members are committed to investigate ways and means by which obstacles to increased consumption of coffee can be progressively reduced and eventually eliminated. Since the agreement came into force, France has abandoned its quantitative controls on coffee imports. Several countries, among them Finland, Sweden, and the Federal Republic of Germany have reduced tariffs and/or

internal fiscal taxes. Since tariffs and internal taxes on coffee are still an import obstacle to the expansion of coffee consumption in many European countries, they are kept under regular review by the Coffee Council to maintain pressure for reductions.

With the removal of the U.S. tariff on imports of soluble coffee, all imports of pure coffee in any form now enter the United States duty free.

II. SUMMARY OF ACTIONS TO PROTECT CONSUMERS

The drafters of the Coffee Agreement recognized that it could function effectively only if it provided advantages to consumers as well as producers. To date, the operation of the agreement has been characterized by effective cooperation between producing countries and consuming countries so that adequate supplies of coffee have been available at reasonable and stable prices. The consuming countries have extensive power to assure that this situation continues.

The principal instrument in the agreement for protecting consumers is the mechanism for setting the level of annual and quarterly export quotas, which, of course, directly affects the world prices of coffee. Under the provisions of the agreement, the decision on the annual export quota is taken by a distributed two-thirds majority vote; that is, a two-thirds majority vote of the importers and exporters groups voting separately. Since the United States has 400 votes, and may veto any decision with the support of only one other country, we have a most powerful voice in setting quotas. Indeed, unless the United States concurs in the annual quota decision, the entire quota mechanism would not be operative for that year.

When the annual quota for the period October 1, 1964, to September 30, 1965, was set in August 1964, prices were still under upward pressure as a result of the weather damage to Brazil's 1964 crop, and it was generally feared that prices would continue to rise unless consumers could be assured that supplies would be adequate. For this reason, and despite the objections of the producing countries, the annual quota for the year October 1, 1964, to September 30, 1965, was set at 47.5 million bags, with a provision for a further 1 million bags if needed. After the coffee year began in October 1964, however, it soon became clear that this quota level was much larger than the market required. By December, the price of Uganda Washed and Cleaned, one of the principal African Robusta varieties, had fallen to 28 cents per pound (spot New York) from the 33.5-cent average in August. The United States therefore agreed to a Coffee Council resolution effective March 5, 1965, under which quotas were reduced to 45.57 million bags. As a safeguard to the consumer, the resolution provided that if the price of Brazilian coffee remained at or above 45 cents per pound f.o.b. Brazilian ports (approximately 47 cents per pound delivered in New York) for 10 days, the annual quota would be restored to 47.5 million bags. This safeguard was not used. In fact, prices continued to fall despite the decrease in quotas.

When the Council began its first regular session for 1965 on March 10 it was faced with two problems—the need to review the size of the 1964–65 quota and the need to devise a procedure under which quotas could be adjusted—upward or downward—to meet changes in market conditions.

The member countries had not been able to agree to put a specified price range into the agreement when it was negotiated in 1962. While the level of the annual quota, of course, affected price, there was no procedure for changing quotas during the year without formal action by the entire Council. By 1965, our experience with the agreement had developed so satisfactorily that it seemed desirable to change the focus and provide for faster response to the needs of consumers. Various working groups of the Council had for several years been considering proposals for a more automatic link between quotas and market needs. After thorough study and consultation with the U.S. coffee industry, the U.S. delegation announced its support of a semi-automatic quota adjustment system based on changes in price levels.

This system was adopted by the Council. The comprehensive description made in the Pan American Coffee Bureau's "Annual Coffee Statistics 1964" is an excellent explanation of the arrangement:

The resolution establishing the new device—

1. Fixes an indicator price range of U.S. 38 cents to 44 cents;
2. Specifies that coffee of all origins be assigned, for the purpose of calculating an average price for comparison with the indicator-price range, to one of the three categories—namely, mild or washed *arabicas*, unwashed *arabicas* and *robustas*;
3. Specifies that to determine the average daily price the Executive Director will first calculate, using New York exdock prices for prompt shipment;
 - a. the arithmetic mean of the prices of Salvadoran Central Standard, Guatemalan Prime Washed, and Mexican Prime Washed taken together and the Colombian MAMS, all of which are mild *arabicas*;
 - b. the price of Santos 4 (New York), an unwashed *arabica*;
 - c. the arithmetic mean of the prices of Angolan Ambriz 2AA, Ivory Coast Superior 2, and Uganda Native Standard, all of which are unwashed *robustas*;
 and then calculate the arithmetic mean of the products of a, b, and c above, which will be the single average daily price;
4. Assign the coffees of exporting members to the three categories stated above as follows:
 - a. *Mild arabicas*: Burundi, Colombia, Costa Rica, Cuba, Dominican Republic, Ecuador, El Salvador, Guatemala, Haiti, Honduras, India, Kenya, Mexico, Nicaragua, Panama, Peru, Rwanda, Tanzania, Venezuela;
 - b. *Unwashed arabicas*: Bolivia, Brazil, Ethiopia;
 - c. *Robustas*: Democratic Republic of Congo, Ghana, Indonesia, Nigeria, OAMCAF (Cameroon, Central African Republic, Congo-Brazzaville, Ivory Coast, Dahomey, Madagascar, Togo, Gabon), Portugal, Sierra Leone, Trinidad, and Tobago, Uganda.

If the average daily price falls below the floor price, 38 cents, or rises above the ceiling price, 44 cents, the Executive Director counts, beginning with that day, 15 consecutive market days and with the daily prices calculates the average price for the 15 days. If this average is outside the price range, he immediately convenes a meeting of the Executive Board to consider the situation. The Board may then adjust *pro rata* the annual export quotas, raising the quotas if the daily average price has been above the ceiling and lowering them if the price has been below the floor. Limits on any quota adjustment are these: 6.0 percent of the annual quotas if the adjustment is applied to the first quarter of the coffee year, 4.5 percent if applied to the second quarter, 3.0 percent if applied to the third quarter, 1.5 percent if applied to the fourth quarter.

If the Executive Board does not make a decision to adjust quotas within 6 calendar days following the end of the 15-day period, or within 72 hours of the commencement of its meeting, whichever is earlier, the Executive Director shall adjust the quotas by one-third of the adjustment limits permitted to the Board. Notwithstanding any reductions in quotas that could result from the application of the terms of the resolution, provision is made for the honoring of contracts signed prior to any such reduction.

Consumers are protected under this arrangement by the fact that if their demand for coffee caused the average price to rise above the ceiling, additional quantities of coffee will be available.¹

The semiautomatic quota adjustment system was fairly soon given a test. The price of Robusta coffee continued to decline and was as low as 21 cents in May compared with 33.5 cents in August 1964. By April 28, the daily average price for all coffees had fallen below the floor. In view of the continued weakness in prices, the Executive Board on May 21 made the maximum cut possible under the system and reduced the annual quota for the year to 43.7 million bags.

Prices improved somewhat as a result of this action, and the average daily indicator price was about 42 cents when the Council next met in August to set the annual quota for the coffee year October 1, 1965, to September 30, 1966. Since the previous 2 years had been so unusual because of the Brazilian crop failure and the resultant wide swings in consumers' inventories, there was considerable doubt as to what the proper level of annual quotas for the succeeding year should be. Given this uncertainty, the Council decided that there were sound reasons for setting the quota for 1965-66 either at 43.7 million bags or 45.2 million bags, and it decided to adopt a formula that took both figures into consideration. The Council therefore set the initial annual quota at 43.7 million bags but provided for an automatic increase in this level to a rate of 45.2 million bags if the market demonstrated a need for additional coffee. Thus, consumers were assured of supplies at reasonable prices.

In December 1965, and without prejudice to the provision for an automatic increase in all quotas, the Council increased available supplies from 14 countries producing the particular kinds of coffee that have been in strongest demand. This increase resulted from special waivers that permit these countries to exceed their quotas by 1,357,000 bags. In addition, 180,000 bags were added to the available supplies when previously assigned penalties were suspended.

The United States will seek in coming years to maintain and broaden flexibility in the operation of the agreement so that it can promptly adjust to the needs of consumers. Even though it is a new venture in international economic cooperation, the agreement has, in its short history, given evidence of its usefulness. The average retail price of a 1-pound can of roasted coffee is well below the average of the years since 1945 and is about 2 cents below the figure of a year ago. Moreover, this lower average price has not been accompanied by the sharp price fluctuations we have seen in the past.

III. PROBLEMS AND PROSPECTS

REVISION OF BASIC QUOTAS

All the producing member countries recognize the need for exercising mutual restraint in holding surplus coffee if they are to achieve stability in the coffee market. Nonetheless, each country will wish to sell as much of its crop as it can. For this reason, the country basic

¹ In addition, as a further safeguard in the first year of this arrangement, the U.S. delegation insisted the new resolution stipulate that if the f.o.b. price of Santos 4 Brazilian grade coffee were to remain at or above 45 cents a pound for 10 consecutive marketing days during the balance of the 1964-65 coffee year, the level of annual quotas would again be returned to the 47.5 million bag level set at the beginning of the year.

export quotas were negotiated with great difficulty in 1962, and only on the understanding that they would be reviewed in 1965 and revised if possible. The Council tried at two meetings in 1965 to reach agreement on changes, but was unable to do so. It is scheduled to meet again in May 1966 to deal with this important question.

PRODUCTION GOALS

The Coffee Agreement clearly recognizes that over the long term that production must be brought into balance with long-range demand. Articles 48 and 49 established a procedure under which the Council is to recommend production goals for each member and for the world as a whole.

The Council has done extensive preparatory work for setting these goals. The staff of the Organization, assisted by experts from other international organizations, drew up a tentative world projection of probable supply and demand during the next decade. These projections set out in the following table show the need for production restraints.

Estimated world total production, domestic consumption, and import requirements of coffee for the period 1965-66 and 1974-75¹

[Thousands of 60-kilogram bags]

	1965-66	1966-67	1968-69	1969-70	1970-71	1971-72	1972-73	1973-74	1974-75
Total production.....	77,650	75,250	79,800	86,400	83,100	83,100	83,100	83,100	83,100
Domestic consumption.....	15,878	16,545	17,964	18,718	19,490	20,306	21,155	22,044	22,981
Exportable production.....	61,772	58,705	61,836	67,682	63,610	62,794	61,945	61,056	60,119
Export market.....	48,200	49,395	51,876	53,162	54,500	55,873	57,281	58,724	60,204
Difference:									
Annual.....	13,572	9,310	9,960	14,520	9,110	6,921	4,664	2,332	-85
Cumulative.....		22,882	46,582	61,102	70,212	77,133	81,797	84,129	84,044

¹ 1967-68 not included.

Source: International Coffee Organization.

Unless steps are taken now to cut down production, surpluses will grow and resources will be wasted. If a comprehensive plan of production controls were adopted now, it would be possible to bring production into balance with demand in the next decade.

The United States made clear throughout the discussions preceding the establishment of the Coffee Agreement and during its operation, that long-term equilibrium in the coffee economy depends on effective measures to bring production into line with demand. The benefits of the agreement to producing countries will be vitiated if these countries continue to overproduce and then pay the cost of storing surplus coffee. The United States is hopeful that genuine progress toward lasting production controls will be made during 1966.

DIVERSIFICATION FUND

The agreement provides that the Council may establish an International Coffee Fund based on voluntary contributions and designed to further the objective of limiting production. Until recently, discussion of this subject concentrated on measures to assist countries to store surplus stocks and not on the basic problem of controlling production.

At the August 1965 session of the Council, the Brazilian delegate proposed a new World Coffee Diversification Fund. This Fund would be financed by producing countries and used to assist countries in diversifying out of surplus coffee production by helping them to devote the land, labor, and other resources to more productive uses. The Council at its December meeting instructed the Executive Director of the Organization to prepare a draft proposal along these lines. He is working in cooperation with international financial institutions such as the International Bank for Reconstruction and Development and the Inter-American Development Bank.

The United States believes that a diversification fund administered by a recognized international institution would be valuable in bringing world coffee production into line with demand and in promoting a more effective use of world agricultural resources. The diversification fund proposal is to be considered in detail at the first session of the Council in 1966.

Moves in the direction of diversification will be assisted by a joint economic study of the world coffee problem by the Food and Agricultural Organization (FAO), the IBRD, and the Coffee Organization. This study was initiated on November 29, 1965, and is scheduled for completion within 18 months. One of the objectives of this study is to identify specific projects and alternative uses for the resources now wasted in surplus coffee production.

These promising developments point to a broad effort to deal constructively with the problem of chronic oversupply which constantly threatens the coffee economy. Moreover, agricultural diversification and the more effective use of agricultural resources is particularly important in view of the growing food deficits in many developing countries. To build a stimulus for this kind of diversification into the Coffee Agreement would be a new departure for such agreements and a major achievement. It could provide the basis for resolving the fundamental problem in the coffee economy that gave rise to the agreement and at the same time make the agreement an effective instrument for promoting economic growth.

ANNEX A

*Composition and voting of the Executive Board for 1965-66*¹MEMBERS FOR EXPORTING COUNTRIES²

	Votes		Votes
Brazil.....	348	Ecuador.....	92
Colombia.....	120		
Congo (Democratic Republic).....	78	El Salvador.....	32
		Mexico.....	34
Congo (Democratic Republic).....	18	Panama.....	6
Portugal.....	47	Trinidad and Tobago.....	6
Nigeria.....	5	Venezuela.....	14
Rwanda.....	8	OAMCAF.....	87
		Uganda.....	111
Costa Rica.....	81		
		Burundi.....	9
Costa Rica.....	23	Cuba.....	9
Ecuador.....	16	Ghana.....	6
Haiti.....	13	Ethiopia.....	27
Nicaragua.....	13	Sierra Leone.....	6
Peru.....	16	Tanzania.....	13
		Uganda.....	41
		Total.....	917

MEMBERS FOR IMPORTING COUNTRIES³

Denmark.....	138	Netherlands.....	71
Denmark.....	28	Belgium ⁴	32
Finland.....	25	Netherlands.....	39
Norway.....	20		
Sweden.....	45	United Kingdom.....	90
Switzerland.....	20		
		Austria.....	12
Federal Republic of Germany.....	116	Spain.....	21
France.....	108	United Kingdom.....	39
Japan.....	69	U.S.S.R.....	18
Australia.....	9	United States.....	400
Canada.....	40		
Japan.....	14	Total.....	992
New Zealand.....	6		

¹ As a consequence of document ICC-7-50 Rev. 4.² Dominican Republic (13 votes), Guatemala (31 votes), India (12 votes), and Indonesia (27 votes) have not yet assigned their votes.³ Argentina and Tunisia have lost their voting rights. Czechoslovakia (8 votes) has not yet assigned its votes.⁴ Includes Luxembourg.

ANNEX B

Officers of the Organization, 1965-66

Chairman of Council: Roger Mukasa, Uganda.
 First Vice Chairman: Alejandro del Carmen, Nicaragua.
 Second Vice Chairman: Niels Borge Hansen, Denmark.
 Third Vice Chairman: A. de Bloeme, Netherlands.
 Chairman of Board: Pierre Staner, Belgium.
 Executive Director: Joao Oliviero Santos.

ANNEX C

Green coffee: World exportable production for the marketing year 1965-66, with comparisons¹

Continent and country	Average, 1955-56 to 1959-60	1962-63	1963-64	1964-65	3d esti- mate, 1965- 66
	<i>Thousand bags²</i>	<i>Thousand bags²</i>	<i>Thousand bags²</i>	<i>Thousand bags²</i>	<i>Thousand bags²</i>
North America:					
Costa Rica.....	658	930	970	685	855
Cuba.....	207	50			
Dominican Republic.....	421	420	540	525	545
El Salvador.....	1,327	1,540	1,885	1,880	1,970
Guatemala.....	1,158	1,700	1,580	1,390	1,785
Haiti.....	435	425	365	385	420
Honduras.....	262	335	320	365	405
Mexico.....	1,369	1,250	1,855	1,630	1,850
Nicaragua.....	334	460	405	525	495
Panama.....	³ 10	19	26	25	30
Trinidad and Tobago.....	37	53	68	65	60
Other ⁴	171	122	55	59	64
Total, North America.....	6,389	7,304	8,069	7,534	8,479
South America:					
Brazil.....	23,360	20,000	21,200	3,000	26,800
Colombia.....	6,550	6,500	7,200	6,900	6,800
Ecuador.....	422	630	525	715	710
Peru.....	251	605	630	670	675
Venezuela.....	472	370	395	290	305
Other ⁵	44	73	77	72	72
Total, South America.....	31,099	28,178	30,027	11,647	35,362
Africa:					
Angola.....	1,427	3,050	2,750	3,145	3,040
Burundi ⁶	(⁷)	105	245	195	220
Cameroon ⁸	396	805	775	870	920
Central African Republic.....	³ 37	100	205	145	170
Congo (Léopoldville).....	1,164	1,050	1,050	750	950
Ethiopia.....	850	1,150	1,250	1,200	1,215
Guinea.....	⁹ 105	200	160	155	155
Ivory Coast.....	2,063	3,300	4,300	3,450	4,750
Kenya.....	399	615	720	655	780
Malagasy Republic.....	812	900	735	950	785
Rwanda ⁶	(⁷)	80	140	150	160
Tanzania ¹⁰	369	455	530	560	575
Togo.....	121	175	225	195	220
Uganda.....	1,454	2,930	2,885	2,585	2,785
Other ¹¹	308	367	396	398	405
Total, Africa.....	9,505	15,282	16,366	15,403	17,130
Asia and Oceania:					
India.....	223	365	620	460	500
Indonesia.....	1,120	2,080	1,600	1,850	1,650
Philippines.....					
Yemen.....	74	72	70	80	90
Other ¹²	63	135	139	147	147
Total, Asia and Oceania.....	1,480	2,652	2,429	2,537	2,387
World exportable production.....	48,473	53,416	56,891	37,121	63,358

¹ The coffee marketing season begins during the 2d half of the calendar year starting in some countries like Brazil as early as July 1 and in other countries about Oct. 1. Exportable production represents total production minus consumption, except for Brazil prior to 1959-60 which was based on "registrations" of current crop minus port consumption and coastwise shipments.

² 132.276 pounds each.

³ 2-year average.

⁴ Includes Guadeloupe, Hawaii, Jamaica, and Puerto Rico.

⁵ Includes Bolivia, British Guiana, Paraguay, and Surinam.

⁶ Prior to 1962-63, was shown as Ruanda-Urundi.

⁷ Shown in Congo (Léopoldville) prior to 1959-60. Combined exports for Rwanda and Burundi in 1959-60 totaled 160,000 bags.

⁸ Beginning with 1961-62 includes West Cameroon. Prior to 1961-62 this area was identified as Southern Cameroon and its production was included with Nigeria.

⁹ 3-year average.

¹⁰ Prior to 1964-65 year was shown as Tanganyika. Now includes Zanzibar as well.

¹¹ Includes Cape Verde, Comoro Islands, Dahomey, Gabon, Ghana, Liberia, Nigeria, Congo (Brazzaville), São Tome and Príncipe, Sierra Leone, and Spanish Guinea.

¹² Includes Malaysia, New Caledonia, New Hebrides, Papua and New Guinea, Portuguese Timor, and Vietnam.

Source: U.S. Department of Agriculture, Foreign Agricultural Service. Prepared or estimated on the basis of official statistics of foreign governments, other foreign source materials, reports of agricultural attachés and Foreign Service officers, results of office research and related information.



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Country	1970	1971	1972	1973	1974
Algeria	1.0	1.0	1.0	1.0	1.0
Argentina	1.0	1.0	1.0	1.0	1.0
Australia	1.0	1.0	1.0	1.0	1.0
Austria	1.0	1.0	1.0	1.0	1.0
Belgium	1.0	1.0	1.0	1.0	1.0
Canada	1.0	1.0	1.0	1.0	1.0
France	1.0	1.0	1.0	1.0	1.0
Germany	1.0	1.0	1.0	1.0	1.0
Greece	1.0	1.0	1.0	1.0	1.0
India	1.0	1.0	1.0	1.0	1.0
Italy	1.0	1.0	1.0	1.0	1.0
Japan	1.0	1.0	1.0	1.0	1.0
South Korea	1.0	1.0	1.0	1.0	1.0
Spain	1.0	1.0	1.0	1.0	1.0
Sweden	1.0	1.0	1.0	1.0	1.0
Switzerland	1.0	1.0	1.0	1.0	1.0
Taiwan	1.0	1.0	1.0	1.0	1.0
United Kingdom	1.0	1.0	1.0	1.0	1.0
United States	1.0	1.0	1.0	1.0	1.0
USSR	1.0	1.0	1.0	1.0	1.0
Yugoslavia	1.0	1.0	1.0	1.0	1.0