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COMMITTEE PRINT

COMMITTEE ON WAYS AND MEANS

U.S. HOUSE OF REPRESENTATIVES

FIFTH ANNUAL REPORT

OF THE

PRESIDENT OF THE UNITED STATES

ON THE

INTERNATIONAL COFFEE AGREEMENT

SUBMITTED TO THE

CONGRESS OF THE UNITED STATES

ON

MAY 11, 1970

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

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LETTER OF TRANSMITTAL

To the Congress of the United States:

I transmit herewith my 1969 report on the operations of the International Coffee Agreement, 1968.

This treaty, which continues in modified form the International Coffee Agreement, 1962, embodies the oft-stated concern of the United States that the developing countries dependent on the export of primary commodities be able to achieve the stability in foreign exchange income essential for economic growth. The International Coffee Agreement, which involves the most important agricultural export of the less developed world, has evolved into an effective mechanism for influencing coffee prices toward levels which are equitable for producers and reasonable for consumers. While the agreement is not designed to eliminate reasonable price fluctuations, it has been successful in 1969 as in the previous years of its existence in moderating price movements and preventing prices from reaching levels disastrously low for exporting countries or unacceptably high to the importing countries.

I am encouraged also by the progress which the agreement has made in achieving long-term equilibrium through the setting of production goals for the coffee year 1972–73 and the establishment of the coffee diversification fund designed to bring the supply of coffee in line with demand. I hope that negotiations for U.S. participation in this fund soon will be completed.

Agreement with Brazil was reached April 30, 1969, on a temporary arrangement regarding the export of soluble coffee from that country to the United States. Consultations toward a permanent solution to this problem are currently under way.

Enclosure: President's 1969 Annual Report on the International Coffee Agreement.

RICHARD NIXON.

THE WHITE HOUSE, *May 11, 1970.*

FIFTH ANNUAL REPORT
of the
PRESIDENT OF THE UNITED STATES
on the
INTERNATIONAL COFFEE AGREEMENT

Introduction

This report is submitted in accordance with the provisions of Title III, Section 305 of PL 90-634, the International Coffee Agreement Act of 1968.

The International Coffee Agreement-1968, which continues in modified form the 1962 Coffee Agreement, was signed on behalf of the United States on March 21, 1968. The Senate gave its advice and consent to this treaty on June 28, 1968. The President ratified the Agreement July 10, 1968. The treaty entered into force provisionally on October 1, 1968 and definitively on January 1, 1969. At present 41 producing countries and 21 consuming countries are members of the 1968 Agreement. United States implementing legislation, the Coffee Agreement Act of 1968, designed to allow the United States to carry out fully its obligations under the Agreement, was passed by the Senate October 7, 1968 and by the House of Representatives October 10, 1968. The President signed the bill into law on October 24, 1968.

The objectives of the International Coffee Agreement-1968 are set forth in Article 1, as follows:

1. to achieve a reasonable balance between supply and demand on a basis that 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 hardships caused by burdensome surpluses and excessive fluctuations in the prices of coffee which are harmful both to 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;

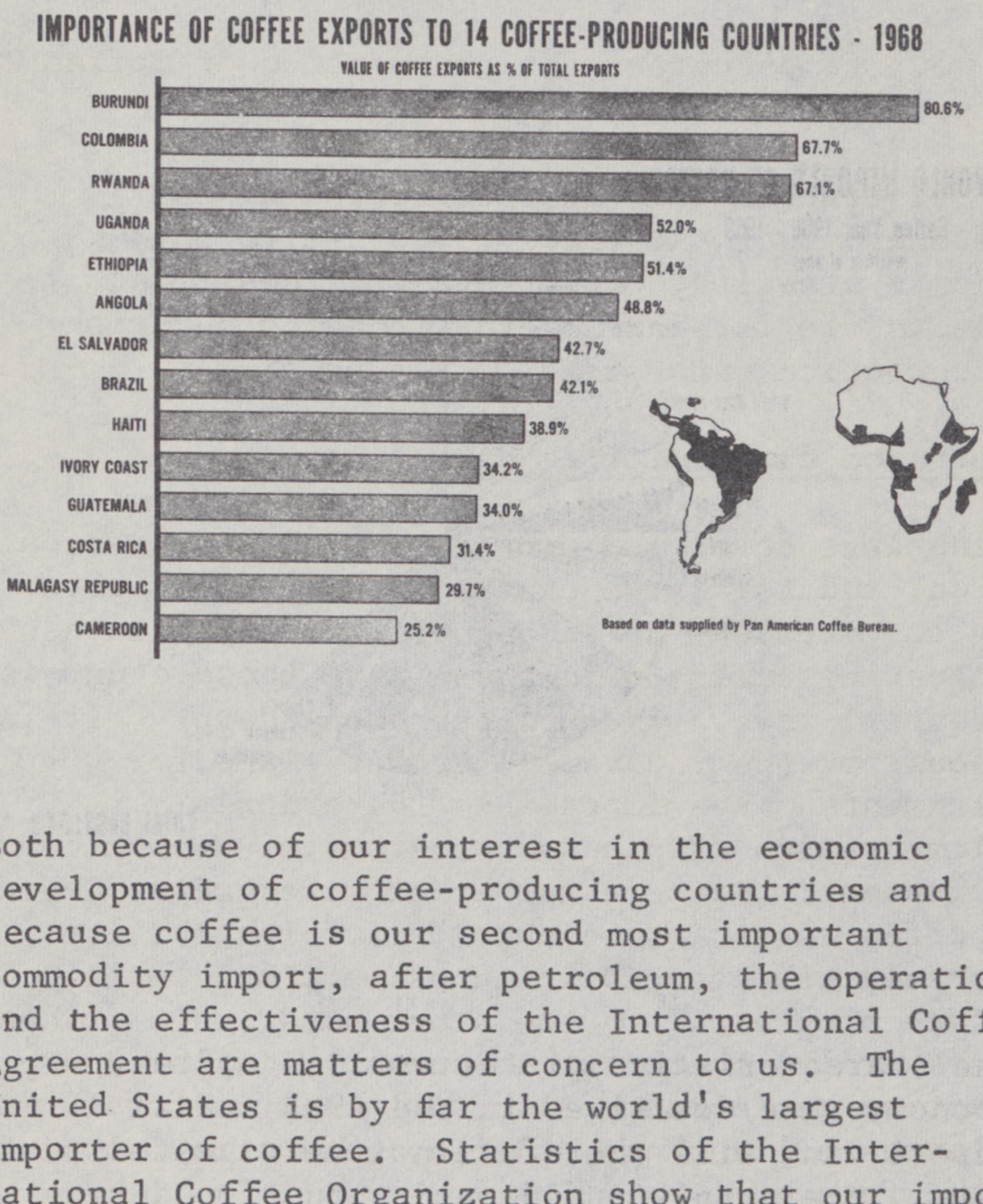
5. to encourage the consumption of coffee by every possible means; and

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 cooperation in connection with world coffee problems.

Importance of the Coffee Agreement

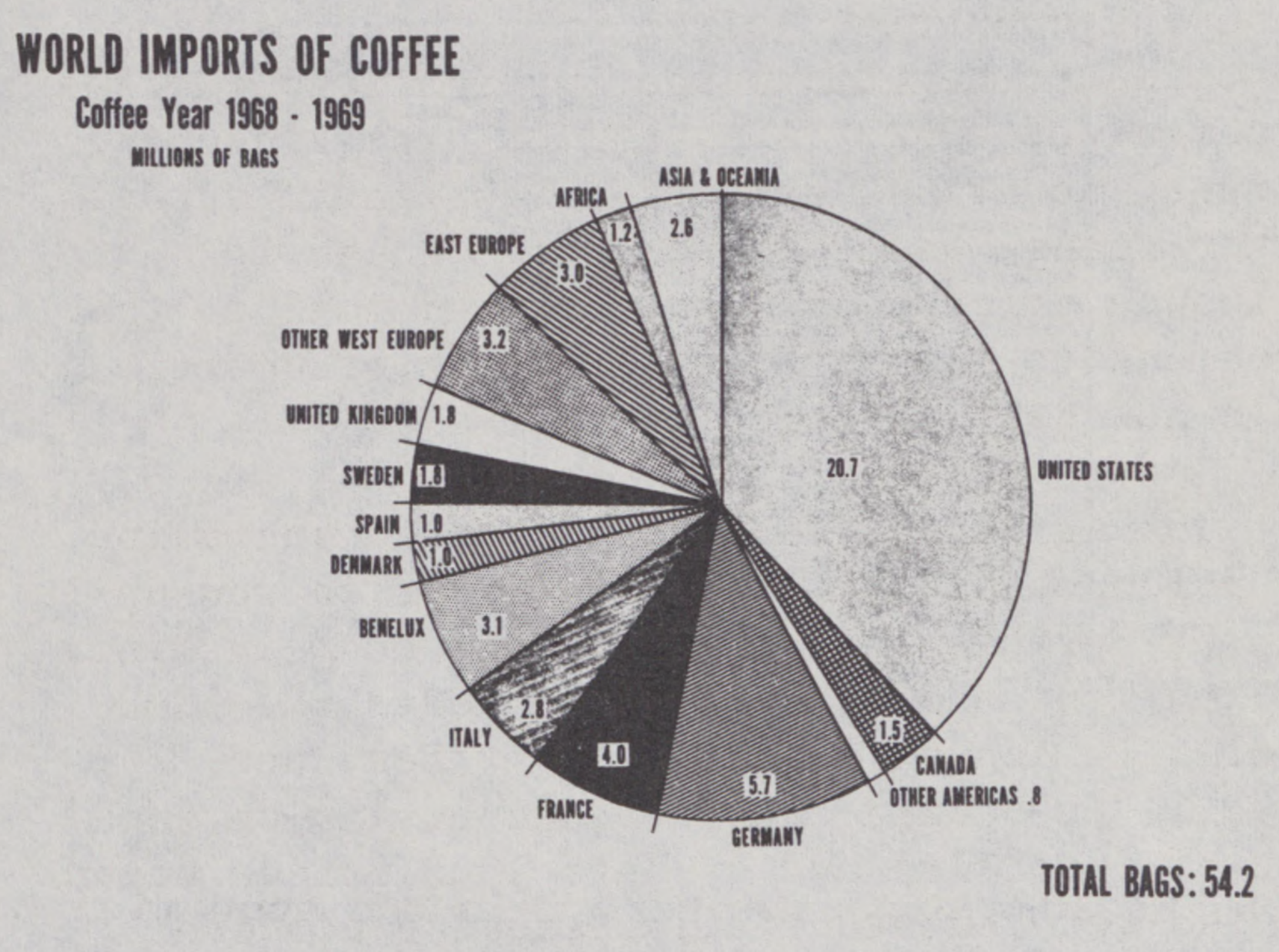
To the less developed countries of Latin America, Africa, and Asia, the export of coffee is second only to petroleum as an earner of foreign exchange. Fluctuating coffee prices can harm these countries in several ways. When prices drop sharply, it is ruinous for the individual growers, and for governments makes impossible the orderly implementation of planned programs of economic development. Since a number of governments depend on coffee taxes for revenue, price instability adversely affects public investment and social welfare programs. On the other hand, when prices rise sharply, there is an unhealthy inflationary impact on the economy, and an incentive for farmers to increase plantings, thereby generating surpluses in the future.

Since coffee is the basis of the export economies of so many developing countries, stability of foreign exchange earnings from coffee is an essential requirement in order for United States aid efforts to have maximum effect. The following chart demonstrates the importance of coffee to the fourteen developing countries most dependent on coffee.



Both because of our interest in the economic development of coffee-producing countries and because coffee is our second most important commodity import, after petroleum, the operations and the effectiveness of the International Coffee Agreement are matters of concern to us. The United States is by far the world's largest importer of coffee. Statistics of the International Coffee Organization show that our imports

over the past six coffee years have averaged over 45 percent of world trade in coffee. In 1968-69 our imports were, however, only about 39 percent, well below average. This is attributable to a liquidation of stocks during the year - stocks that had been built up during the preceding year in anticipation of a dock strike. The United States' share of world coffee imports in coffee year 1968-69 is demonstrated in the following chart:



The characteristics of the world's coffee economy were described in the 1968 annual report, and will therefore not be repeated here. The supply and demand situation during the decade of the 1950's, which was characterized by marked upward and downward price movements, was also described in earlier reports. By 1959-60 total world exportable

production had reached 66 million bags, whereas world consumption outside the producing countries was only 43 million bags. Prices moved downward in the face of the massive surplus. Coffee growers faced severe economic difficulties and the economies of many producing countries came under pressure. By 1961 it became clear that overproduction would plague the coffee trade for many years and that unless something were done quickly the bottom would drop out of the coffee market, with resulting serious problems for the economies of some 40 producing countries.

It was under these circumstances that the coffee-consuming countries joined with the producing countries to negotiate the International Coffee Agreement of 1962. A system of export quotas, designed to adjust exports of coffee to actual market needs, was the mechanism chosen to influence prices. It was a stated goal of the Agreement to insure that the price of coffee would not decline below 1962 levels.

The 1962 Agreement was successful in achieving its price objective. Save for a price run-up in 1963-64, prices have been subject to only minor fluctuations and have remained above the 1962 level. In August 1963 frosts, fires, and droughts in Brazil caused panic-buying on the part of importers and by late 1963 prices began to rise very substantially, causing concern that prices were too high. In 1964, to ease the upward pressure on prices, the International Coffee Organization increased the export quotas of producing members and prices began to decline. During 1967 and 1968, when negotiations were underway for a new Coffee Agreement, prices were very stable and fluctuated within a range of about three cents a pound. A gradual decline then set in, and by July 1969 prices of Colombian and Central American coffees had declined to levels approximately the same as those prevailing

in 1962 - before the first Agreement was negotiated. Prices of Brazilian coffee were only slightly better. This price trend was, however, quickly reversed by another severe frost that struck the principal coffee-growing area in Brazil on July 9, 1969. Developments last year are discussed in more detail in Chapter II.

I. Operation of the International Coffee Agreement

A. Quotas

Control of the volume of exports through the allotment of quotas to each producing member is the principal means by which the Agreement influences prices. The basic quota of each producer was established during the negotiation of the International Coffee Agreement 1968, and is set out in Annex B. At least 30 days before the beginning of each coffee year the Council, by a distributed two-thirds majority vote, adopts an estimate of total world imports and exports for the following coffee year and an estimate of probable exports from non-member countries. In the light of these estimates the Council establishes a total annual quota for all producer members. The total is then prorated among the producers in proportion to their individual basic quotas. Producers which export less than 100,000 bags annually are allotted an absolute quota based on previous exports. If the market requires, the annual quota may be adjusted during the coffee year by the Council.

Immediately following the fixing of the annual quota, the Council fixes the quarterly export quota for each exporting member with the purpose of keeping supply in reasonable balance with estimated demand throughout the year. The quarterly quotas are nearly as possible 25 percent of the annual export quota of each member during the coffee year. If annual quotas are adjusted

during the coffee year, the quarterly quotas are also adjusted. If exports by a member in one quarter are less than its quota for that quarter, the shortfall is added to its quota for the following quarter of that coffee year. No carry-over of quota is permitted from one coffee year to the next.

B. Selectivity

Experience has demonstrated that supply adjustments are needed during the year. To meet this need, the Council in March 1965 established a semi-automatic system for adjusting quotas in relation to changes in the overall price level. In brief, the system provided that if the average daily price on the New York market remained above or below a 38-44 cent price bracket for 15 market days, the Executive Board was authorized within certain limits to increase or decrease export quotas in an attempt to bring supplies into better balance with demand. The average daily price was computed by taking a weighted average of eight representative coffee varieties. If the Executive Board could not agree on the amount of the increase or decrease, an automatic increase or decrease by a previously fixed amount was put into effect.

This system was an improvement, but it proved insufficiently sensitive to the market for specific types of coffee. For example, while the prices of other coffees were reasonably stable, the price of Robusta coffee varied by as much as 12 cents a pound during the 1965-66 coffee year. In order to make the system more flexible and more responsive to consumers' needs, the Council established a system of selective quota adjustment for the coffee year 1966-67. Under this system the quota of each of four different major types of coffee (Colombian Milds, Mild Arabica, Unwashed Arabica, and Robusta) could be adjusted independently of each other, reflecting market demand and consequent price movement for that type of coffee.

This required the establishment of price brackets for each of the four types. The selectivity system was continued for the subsequent coffee years with only minor modifications, and became a part of the 1968 Agreement. The price brackets for 1966-67, 1967-68, 1968-69, and 1969-70 are shown below:

(U.S. Cents Per Pound Ex-Dock New York)

Variety of Coffee	1966 1967	1967 1968	1968 1969	1969 1970
	43.50	38.75	39.25	40.75
Colombian Milds	47.50	42.75	43.25	44.75
	40.50	37.25	37.25	38.75
Other Milds	44.50	41.25	41.25	42.75
	37.50	35.25	35.25	36.75
Unwashed Arabicas	41.50	39.25	39.25	40.75
	30.50	30.50	30.50	32.00
Robustas	34.50	34.25	34.50	36.00

The selectivity system is well designed to meet the interests of the U.S. consumer by assuring an adequate supply of the various types of coffee at reasonable price levels. Depending on price movements in relation to each individual price bracket, export quotas of one or more kinds of coffee may be increased or decreased independently of each other. The price brackets are adjusted annually to reflect actual market experience during the past year.

A detailed account of the operations of the International Coffee Agreement through 1967 is contained in the Third Annual Report of the President to the Congress. The Fourth Annual Report described the negotiation of the International Coffee Agreement of 1968 and its improvements over the Agreement of 1962.

II - The International Coffee Agreement in 1969

A. Prices - Actions to Protect Consumers and Producers

During the first part of 1969 the composite price index fell to less than 35 cents a pound, the lowest level since 1963. The drop in price was attributed to a number of factors, including special long-term contracts concluded at concessional terms by Brazil, the liquidation of excessive inventories built up in 1968 in preparation for the dock strike, and efforts by some producers to circumvent a new control system. Additionally, export quotas were clearly too large in relation to market demand, despite decreases made under the selective quota system. Despite differences of opinion concerning the cause of the decline, the members of the International Coffee Organization examined the situation cooperatively in an effort to find measures which would bring prices back to a level more acceptable to producers. The ICO Executive Board decided at its June meeting to reduce market supplies by withholding export stamps equivalent to 1.2 million bags until the matter could be considered further at the August Council meeting.

The price situation changed dramatically when, on July 9, there occurred a widespread freeze in Brazil followed by a severe drought. Although the freeze has had very little effect on 1969-70 supplies, it is clear that the 1970-71 Brazilian crop will be far below normal expectations - perhaps as little as half the preceding crop. The psychological impact on the coffee trade of a prospective sharp reduction in fresh supplies in 1970 sparked a rise in coffee prices, which gained momentum as the extent of the crop damage became more apparent.

The threat of a possible runaway price increase reminiscent of 1963-64 made the setting of the

annual quota for coffee year 1969-70 in August by the ICO Council extremely difficult and hazardous. After careful analysis of recent consumption patterns, and estimation of likely demand in 1969-70, agreement was reached on a basic annual quota of 46 million bags. However, in order to dampen a possible sharp upward price spiral, provision was made for a quota reserve of 2 million bags. If coffee prices rose above an agreed level in the first quarter of the coffee year, 500,000 bags of this reserve would be automatically released to the market. If prices continued to rise, 750,000 bags would be released in each of the two following quarters. These additions to market supplies would be prorated to all producing members in relation to their initial export quotas.

In addition to the quota reserve of 2 million bags, automatic increases in market supplies were also provided by the selectivity system described above. Three selective increases were provided for each of the four groups of coffee - a total of 3,795,000 bags. Thus the August Council meeting foresaw the possibility of a run-up in prices, and endeavored to provide sufficient supplies of coffee to meet the contingency. Release of the reserve quota and the selectivity increases would add a total of 5,795,000 bags to the initial quota of 46 million bags. As this would be substantially more coffee than quota markets were capable of consuming, there was every reason to believe that adequate provision had been made to protect the interests of consumers.

As the extent of the freeze damage in Brazil became widely known, and a long drought made prospects for the 1970-71 crop appear worse, market prices of all coffees began a steady advance. Stocks of old-crop coffees in Brazil were still very large, but the coffee trade

became concerned about adequate supplies of "fresh" or "greenish" coffee being available in the latter part of 1970 and in 1971. Importers of coffee in the United States and Europe began building up inventories of coffee against prospective shortages and consequent future price increases. The upward price movement gained momentum as buyers competed for supplies, with the result that the provisions for automatic release of additional supplies became operative. Export quotas of producing members were increased in October, November, and December - a total increase of slightly over 3 million bags. Unquestionably the availability of these additional supplies had a moderating influence on the price trend. By mid-November the composite price had leveled off at 45.35 cents, almost 2 cents below the peak reached in late October. In late December, however, renewed concern about the extent of the Brazilian freeze damage prompted further buying for inventory accumulation, causing green coffee prices to resume their upward trend.

The seriousness of severe price fluctuations when they take place, for whatever reason, was made clear at the November meeting of the ICO Executive Board by the consumer countries, and acknowledged by most producers. It was emphasized that too rapid an increase in price invariably is followed by an even more rapid decline in prices. If prices rise too high, consumption can be permanently curtailed, as was the experience in 1953-54 when high prices resulted from a freeze in Brazil.

While 1969 saw an abnormally wide fluctuation of prices, the price movement might have been even greater in the absence of the Agreement. Pre-Agreement history provides some guide. During the first part of 1969 when prices were sliding, producers would probably have rushed to unload as much coffee as possible on the market, at concessional prices if necessary, thus driving

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prices down to levels disastrous for their economies. After the Brazilian freeze, it is likely that coffee prices would have skyrocketed to levels even higher than those actually experienced, since importers and roasters would have scurried to build up inventories to unreasonable levels.

These wider swings did not occur because a rational approach was developed within the ICO. Reasonable and realistic price ranges were established jointly by consumers and producers, and adequate supplies were scheduled for orderly release during the year. The discipline of the quota system had a moderating effect on the price rise. Producers had become accustomed to filling their export quotas. Also, as quotas expanded with rising prices, governments in the producing countries had an incentive to meet these quotas, not only to earn more foreign exchange but to maintain their competitive position against other exporters in future quota negotiations.

The principal defense against unreasonable price increases is the knowledge that more and more coffee will become available. When green coffee buyers yield to pressures to build up their inventories rapidly, they must always reckon with the possibility that future increases in available coffee may turn large stocks into a costly burden if prices later turn down. As a last resort, consuming countries can protect themselves from extreme price rises by not agreeing to set any export quotas for the next coffee year.

In sum, while the Agreement cannot -- and does not attempt to -- eliminate reasonable price fluctuations, particularly in periods of abnormal demand for coffee for stockpiling, it does provide the mechanism for preventing normal price movements from degenerating into the boom and bust cycles which characterized the coffee trade before the International Coffee Agreement was negotiated. For example, the decade of the 1950's saw the price of Brazilian coffee at New York rise from 49 cents to 89 cents, an increase of 82 percent, and then decline to 36 cents, a decrease of 60 percent.

The Coffee Agreement is not responsible for maintaining price stability at the wholesale or retail levels, since it has no influence on the mark-up placed by importers, roasters, wholesalers, and retailers. However, a comparison of wholesale and retail price indexes indicates that coffee continued to be a relative bargain for the U.S. consumer in 1969. Using 1957-59 as a base period the retail index for coffee declined to 87.5 by 1969 compared with a rise to 101.8 for tea; 121.8 for milk; 155.3 for cola beverages; 125.5 for all foods and 127.7 for all commodities. At the wholesale level, using the same base period, the coffee index in 1969 was 96.4 compared with 101.2 for tea; 128.5 for milk; 157.6 for cola beverages; 119.0 for all foods and 113.0 for all commodities.

B. Production Goals

Apart from the preoccupation of the ICO with moderating short-term price fluctuations during 1969, considerable effort was directed toward meeting the longer term objective of the Agreement of bringing the supply of coffee in line with demand.

The 1968 Agreement provided that each producer should adjust its production to a level not exceeding that needed for domestic consumption, permitted exports, and stocks. In March, production goals for each producer for coffee year 1972-73 were established by the International Coffee Organization. The goals were based on an estimated world demand for 1972-73 of 80 million bags, including 59 million for export and 21 million for domestic consumption. The exporting countries were required to submit to the ICO by the end of 1969 detailed plans for meeting the established production goals. Once a goal is established, the Council is required to insure that members comply with their production goals. If the Council finds a member in default in this respect, that country will not receive annual increases in quota and may eventually be forced to withdraw from the Organization. Under the 1968 Agreement, importing countries are bound not to provide financial assistance for the pursuit of production policies which do not accord with the established goals.

C. Diversification Fund

In order to assist the producing countries in adjusting their supply to demand and to achieve the production goals approved by the ICO, a Coffee Diversification Fund has been established under the auspices of the International Coffee Organization, as provided for by the 1968 Agreement. The Fund will help enable participants to switch from coffee production where it is unprofitable into more viable forms of economic activity. Regardless of the overall coffee supply situation, it is generally recognized that some areas of the world are better endowed for the production of coffee than others and that there is a need for diversification financing even in countries which may be in the process of increasing planting in order to meet their production goals.

The Fund is financed primarily by producing countries, which are required to contribute a minimum of 60 cents for each bag of coffee exported to quota markets (above a basic exemption of 100,000 bags). Other members of the Agreement may participate on a voluntary basis. In August 1969 the United States made a formal offer to lend the Fund $15 million and up to an additional $15 million to match contributions from other consumer members. Negotiations of the terms of the loan were under discussion at the end of 1969.

The Fund has two organs: (1) an Assembly, composed of all participants, whose primary function is to lay down the general criteria for operating the Fund, and (2) a 15-country Board of Directors to rule on individual loan applications. The technical and economic evaluation of individual projects will be delegated to an international financing institution such as the World Bank. Voting power in the Fund is related to the size of each member's contribution.

D. Processed Coffee

The 1968 Agreement prohibits member countries from employing governmental measures that constitute discriminatory treatment in favor of the export of processed coffee as compared to the export of green coffee. In the event of a dispute over non-compliance with this prohibition there is provision for arbitration under the auspices of the ICO. In December 1968 the United States filed a complaint against Brazil, on the grounds that the latter country's failure to levy a tax on its exports of soluble coffee, while levying a heavy tax on its exports of green coffee, constituted discriminatory treatment of the type prohibited by the Agreement.

Since Brazil did not end its discriminatory practices the United States invoked the arbitration provision of the Agreement. A majority of the Arbitration Panel concluded that an unfortunate situation existed and authorized the United States to take appropriate action to remedy the situation if Brazil failed to do so. The panel, however, did not include the extent of discrimination as it was required to do, and this has been a source of continuing difficulty in solving this problem.

Further negotiations between the United States and Brazil followed the arbitration, and on April 30 the two Governments exchanged notes (Annex E) calling for 1) a Brazilian export tax of 13 cents per pound on soluble exports by May 1, 1969; and 2) joint review of the situation in early 1970 to consider further measures to be taken with respect to soluble coffee exports from Brazil.

III - Shipping

During 1969 no complaints of discrimination against United States-flag vessels by exporting members of

the International Coffee Organization were filed by interested parties, pursuant to the International Coffee Act of 1968. However, the year 1969 was not a satisfactory one for United States-flag carriers operating in the U.S.-Brazil trade.

During the last half of the year, in particular, the northbound coffee carryings in United States vessels declined sharply. This evidently resulted from large-scale rate-cutting (rebating) on coffee cargoes by other members of the Inter-American Freight Conference (IAFC), which the U.S. carriers were unable to match without violating U.S. law. Various efforts were made to halt these malpractices, without success. Hearings still being conducted by the Federal Maritime Commission have failed to provide legal evidence that rebating has been taking place, although in early 1970 an FMC Hearing Examiner concluded that "something is fundamentally wrong with the trade." To fight back, the U.S. lines sought open rates on coffee in mid-1969 but failed to obtain agreement of the IAFC. In early 1970 they planned a second effort, coupled with a threat to withdraw from the Conference.

Meanwhile, efforts were underway to solve the problems in the coffee traffic as well as in the southbound trade through the adoption of pooling arrangements. As early as 1967, pooling arrangements in the coffee and cocoa trade had been signed by the IAFC members, in some cases under duress; and when an FMC Hearing Examiner rendered an initial decision disapproving these agreements in June 1969, this action appeared to exacerbate the rebating situation. As the position of the U.S. lines worsened, the FMC Examiner agreed to reopen hearings on the pooling agreement covering the Brazil-Atlantic Coast traffic. The case was still pending as of March 1970 when, with an assist from the U.S. and Brazilian maritime authorities, all of the lines in the IAFC were making a renewed effort to resolve the problem through negotiation of revised pooling arrangements.

ANNEX A

INTERNATIONAL COFFEE ORGANIZATION
Executive Board
4 - 6 February 1970
London, England

EB-838/69 (E) Rev. 1
3 February 1970
English only

COMPOSITION AND VOTING OF THE EXECUTIVE BOARD FOR 1969/70[1]

Exporting Countries	Votes	Representing[2]	
Brazil	405	Brazil	(400)
		Paraguay	(5)
Colombia	216	Colombia	(188)
		Kenya	(28)
		Tanzania	(-)
Congo (D.R.)	77	Burundi	(-)
		Congo (D.R.)	(-)
		Ethiopia	(-)
		Portugal	(77)
		Rwanda	(-)
Costa Rica	58	Bolivia	(-)
		Costa Rica	(34)
		Ecuador	(-)
		Nicaragua	(19)
		Panama	(5)
		Peru	(-)
Guatemala	68	El Salvador	(-)
		Guatemala	(52)
		India	(16)
Mexico	26	Dominican Republic	(-)
		Honduras	(16)
		Jamaica	(5)
		Mexico	(-)
		Trinidad and Tobago	(5)
		Venezuela	(-)
OAMCAF	90	OAMCAF	(90)
Uganda	60	Ghana	(5)
		Guinea	(-)
		Indonesia	(40)
		Liberia	(5)
		Nigeria	(5)
		Sierra Leone	(5)
		Uganda	(-)
TOTAL	1,000		(1,000)

ANNEX A

Importing Countries	Votes	Representing 2/	
Australia	85	Australia	(9)
		Canada	(38)
		Israel	(8)
		Japan	(23)
		New Zealand	(7)
Belgium	73	Belgium 3/	(31)
		Netherlands	(42)
Federal Republic of Germany	116	Federal Republic of Germany	(116)
Finland	69	Denmark	(26)
		Finland	(24)
		Norway	(19)
France	94	France	(94)
Sweden	66	Sweden	(45)
		Switzerland	(21)
United Kingdom	97	Austria	(12)
		Cyprus	(5)
		Czechoslovakia	(10)
		Spain	(24)
		United Kingdom	(46)
United States	400	United States	(400)
TOTAL	1,000		(1,000)

1/ As a consequence of document ICC-15-14 Rev. 3.

2/ Bolivia, Burundi, Cameroon, Central African Republic, Congo (D.R.), Dominican Republic, Ecuador, El Salvador, Ethiopia, Guinea, Haiti, Italy, Malagasy Republic, Mexico, Peru, Rwanda, Tanzania, Uganda and Venezuela have had their voting rights suspended.

3/ Includes Luxembourg.

ANNEX B

EXPORTING COUNTRIES: REDISTRIBUTION OF VOTES
(March 10, 1970)

Exporting Country	Basic Quota	Percent	Votes			Percent of 2,000 Votes
			Basic	Prop.	Total	
TOTAL	53,401,000	100.00	145	855	1,000	50.00
Bolivia 1/	-	-	-	-	-	-
Brazil	20,926,000	39.19	5	335	340	17.00
Burundi	233,000	0.44	5	4	9	0.45
Colombia	7,000,000	13.11	5	112	117	5.85
Congo (D.R.) 1/	(1,000,000)	-	-	-	-	-
Costa Rica	1,100,000	2.06	5	18	23	1.15
Dominican Republic	520,000	0.97	5	8	13	0.65
Ecuador	750,000	1.40	5	12	17	0.85
El Salvador	1,900,000	3.56	5	30	35	1.75
Ethiopia	1,494,000	2.80	5	24	29	1.45
Ghana	-	-	5	-	5	0.25
Guatemala	1,800,000	3.37	5	29	34	1.70
Guinea 2/	(180,000)	-	-	-	-	-
Haiti 1/2/3/	(490,000)	-	-	-	-	-
Honduras	425,000	0.80	5	7	12	0.60
India	423,000	0.79	5	7	12	0.60
Indonesia	1,357,000	2.54	5	22	27	1.35
Jamaica	-	-	5	-	5	0.25
Kenya	860,000	1.61	5	14	19	0.95
Liberia	-	-	5	-	5	0.25
Mexico	1,760,000	3.30	5	28	33	1.65
Nicaragua	550,000	1.03	5	9	14	0.70
Nigeria	-	-	5	-	5	0.25
OAMCAF	5,383,000	10.08	5	86	91	4.55
OAMCAF	-	-	(5)	(0)	(5)	(0.25)
Cameroon	(1,000,000	(1.87)	-	(16)	(16)	(0.80)
C. African Rep.	(200,000)	(0.38)	-	(2)	(2)	(0.10)
Congo (B)	-	-	-	(1)	(1)	(0.05)
Dahomey	-	-	-	(1)	(1)	(0.05)
Gabon	-	-	-	(1)	(1)	(0.05)
Ivory Coast	(3,073,000	(5.75)	-	(49)	(49)	(2.45)
Malagasy Republic	(910,000)	(1.70)	-	(14)	(14)	(0.70)
Togo	(200,000)	(0.38)	-	(2)	(2)	(0.10)
Panama	-	-	5	-	5	0.25
Paraguay	-	-	5	-	5	0.25
Peru	740,000	1.38	5	12	17	0.85
Portugal	2,776,000	5.20	5	44	49	2.45
Rwanda 2/	(150,000)	-	-	-	-	-
Sierra Leone	-	-	5	-	5	0.25
Tanzania	700,000	1.31	5	11	16	0.80
Trinidad & Tobago	-	-	5	-	5	0.25
Uganda	2,379,000	4.45	5	38	43	2.15
Venezuela	325,000	0.61	5	5	10	0.50

1/ Non-payment of contributions to the Promotion Fund
2/ Non-payment of contribution to the Diversification Fund
3/ Non-payment of contribution to the Administrative Budget

ANNEX B

IMPORTING COUNTRIES: REDISTRIBUTION OF VOTES
(March 10, 1970)

Importing Country	Average Imports 1966-68	Percent	Adj. Percent	Votes Basic	Votes Prop.	Votes Total	Percent of 2,000 Votes
TOTAL	45,339,767	100.00	100.00	100	900	1,000	50.00
Australia	197,172	0.43	0.90	5	4	9	0.45
Austria	291,430	0.64	1.33	5	7	12	0.60
Belgium*	1,111,940	2.45	5.08	5	26	31	1.55
Canada	1,418,694	3.13	6.48	5	33	38	1.90
Cyprus	22,872	0.05	0.10	5	0	5	0.25
Czechoslovakia	197,865	0.44	0.90	5	5	10	0.50
Denmark	920,891	2.03	4.20	5	21	26	1.30
F.R. Germany	4,818,359	10.63	22.00	5	111	116	5.80
Finland	813,866	1.80	3.72	5	19	24	1.20
France	3,880,199	8.56	17.71	5	89	94	4.70
Israel	121,634	0.27	0.56	5	3	8	0.40
Italy 1/	(2,339,248)	-	-	-	-	-	-
Japan	800,430	1.77	3.65	5	18	23	1.15
Netherlands	1,613,525	3.56	7.37	5	37	42	2.10
New Zealand	68,526	0.15	0.31	5	2	7	0.35
Norway	591,424	1.30	2.70	5	14	19	0.95
Spain	839,965	1.85	3.83	5	19	24	1.20
Sweden	1,720,541	3.79	7.85	5	40	45	2.25
Switzerland	701,863	1.55	3.20	5	16	21	1.05
United Kingdom	1,775,894	3.92	8.11	5	41	46	2.30
United States of America	23,432,677	51.68	-	5	395	400	20.00

* Includes Luxembourg
1/ Non-payment of contribution to Administrative Budget

ANNEX C

GREEN COFFEE: World total harvested production for the marketing year 1969-70, with comparisons 1/

Continent and country	Average 1960/61-1964/65	1966-67	1967-68	1968-69	4th estimate 1969-70
	1,000 bags 2/	1,000 bags 2/	1,000 bags 2/	1,000 bags 2/	1,000 bags 2/
North America:					
Costa Rica	1,056	1,215	1,350	1,260	1,200
Cuba	645	450	450	500	500
Dominican Republic	607	505	635	540	635
El Salvador	1,812	1,960	2,400	1,900	2,400
Guatemala	1,704	1,670	1,850	1,740	1,750
Haiti	564	465	500	480	450
Honduras	379	340	480	400	500
Mexico	2,431	2,650	2,800	2,850	3,100
Nicaragua	491	480	550	560	600
Other 3/	505	433	552	482	511
Total North America	10,194	10,168	11,567	10,712	11,646
South America:					
Brazil	25,840	20,000	23,000	16,500	19,000
Colombia	7,760	7,600	8,000	7,900	7,900
Ecuador 4/	751	975	1,175	1,000	700
Peru	700	875	880	860	940
Venezuela	821	725	700	750	750
Other 5/	114	121	136	172	242
Total South America	35,986	30,296	33,891	27,182	29,532
Africa:					
Angola	2,910	3,300	3,400	3,100	3,300
Burundi	180	240	315	275	225
Cameroon	801	1,000	1,100	1,100	1,100
Central African Republic	147	140	175	160	150
Congo (Kinshasa)	990	900	1,000	1,000	1,100
Ethiopia	1,490	1,750	1,750	2,045	2,000
Guinea	195	120	170	180	200
Ivory Coast	3,185	2,200	4,500	3,400	4,100
Kenya	624	935	650	800	835
Malagasy Republic	923	865	1,100	900	830
Rwanda	115	155	190	200	145
Sierra Leone	79	65	80	95	75
Tanzania	497	990	740	950	800
Togo	186	90	175	280	250
Uganda	2,429	2,450	2,700	3,150	2,750
Other 6/	326	369	374	390	389
Total Africa	15,077	15,569	18,419	18,025	18,249
Asia and Oceania:					
India	1,045	1,395	1,050	1,300	1,150
Indonesia	2,016	1,850	2,150	2,000	2,000
Philippines	631	740	700	750	800
Other 7/	390	559	627	639	634
Total Asia and Oceania	4,082	4,544	4,527	4,689	4,584
World total production	65,339	60,577	68,404	60,608	64,011

1/ Coffee marketing year begins about July in some countries and in others about October. Exportable production represents total harvested production minus estimated domestic consumption. 2/ Of 60 kilograms each. 3/ Includes Guadeloupe, Hawaii (USA), Jamaica, Martinique, Panama, Puerto Rico, and Trinidad and Tobago. 4/ As indicated in footnote 1, the coffee marketing year begins in some countries as early as July. Ecuador is one of these countries. Hence, the crop harvested principally during June-October 1967 in that country is shown as production for the 1967-68 marketing year. In Ecuador, however, this is referred to as the 1966-67 crop. 5/ Includes Bolivia, Guyana, Paraguay, and Surinam. 6/ Includes Cape Verde, Comoro Islands, Congo (Brazzaville), Dahomey, Gabon, Ghana, Liberia, Nigeria, Sao Tome and Principe, and Spanish Guinea. 7/ Includes Malaysia, New Caledonia, New Hebrides, Papua and New Guinea, Portuguese Timor, South Vietnam, and Yemen.

Foreign Agricultural Service. Prepared or estimated on the basis of official statistics of foreign governments, other foreign source materials, reports of Agricultural Attaches and Foreign Service Officers, results of office research and related information.

GREEN COFFEE: World exportable production for the marketing year 1969-70, with comparisons 1/

Continent and country	Average 1960/61-1964/65	1966-67	1967-68	1968-69	4th estimate 1969-70
	1,000 bags 2/	1,000 bags 2/	1,000 bags 2/	1,000 bags 2/	1,000 bags 2/
North America:					
Costa Rica	937	1,080	1,210	1,115	1,050
Cuba	70	---	---	---	---
Dominican Republic	461	340	465	365	450
El Salvador	1,702	1,825	2,260	1,755	2,250
Guatemala	1,500	1,450	1,625	1,505	1,510
Haiti	395	290	320	295	265
Honduras	308	250	390	305	400
Mexico	1,521	1,350	1,550	1,400	1,600
Nicaragua	446	420	490	495	530
Other 3/	161	96	102	92	99
Total North America	7,501	7,101	8,412	7,327	8,154
South America:					
Brazil	18,840	12,000	14,745	8,000	10,250
Colombia	6,800	6,350	6,700	6,570	6,530
Ecuador 4/	555	780	975	795	490
Peru	540	675	670	645	720
Venezuela	355	175	130	160	160
Other 5/	62	53	67	90	75
Total South America	27,152	20,033	23,287	16,260	18,225
Africa:					
Angola	2,859	3,240	3,340	3,040	3,240
Burundi	175	235	310	270	220
Cameroon	780	970	1,070	1,070	1,070
Central African Republic	142	135	170	155	145
Congo (Kinshasa)	940	850	950	950	1,050
Ethiopia	1,152	1,385	1,380	1,420	1,375
Guinea	181	105	155	175	190
Ivory Coast	3,135	2,145	4,445	3,350	4,050
Kenya	605	915	630	780	815
Malagasy Republic	825	760	990	785	710
Rwanda	110	150	180	190	135
Sierra Leone	69	55	70	85	65
Tanzania	484	975	725	935	785
Togo	183	85	170	275	245
Uganda	2,416	2,435	2,685	3,135	2,735
Other 6/	301	345	350	345	343
Total Africa	14,357	14,785	17,620	16,960	17,173
Asia and Oceania:					
India	462	700	350	560	390
Indonesia	1,756	1,490	1,650	1,500	1,500
Philippines	---	---	---	---	---
Other 7/	225	334	402	408	403
Total Asia and Oceania	2,443	2,524	2,402	2,468	2,293
World exportable production	51,453	44,443	51,721	43,015	45,845

1/ Coffee marketing year begins about July in some countries and in others about October. Exportable production represents total harvested production minus estimated domestic consumption. 2/ Of 60 kilograms each. 3/ Includes Guadeloupe, Hawaii (USA), Jamaica, Martinique, Panama, Puerto Rico and Trinidad and Tobago. 4/ As indicated in footnote 1, the coffee marketing year begins in some countries as early as July. Ecuador is one of these countries. Hence, the crop harvested principally during June-October 1967 in that country is shown as production for the 1967-68 marketing year. In Ecuador, however, this is referred to as the 1966-67 crop. 5/ Includes Bolivia, Guyana, Paraguay, and Surinam. 6/ Includes Cape Verde, Comoro Islands, Congo (Brazzaville), Dahomey, Gabon, Ghana, Liberia, Nigeria, Sao Tome and Principe, and Spanish Guinea. 7/ Includes Malaysia, New Caledonia, New Hebrides, Papua and New Guinea, Portuguese Timor, South Vietnam, and Yemen.

Foreign Agricultural Service. Prepared or estimated on the basis of official statistics of foreign governments, other foreign source materials, reports of Agricultural Attaches and Foreign Service Officers, results of office research and related information.

COFFEE YEAR 1969/70 ANNEX D

CUMULATIVE QUARTERLY DISTRIBUTION OF ANNUAL EXPORT QUOTAS
AS AT 23 JANUARY 1970

(60-kilo bags)

Exporting Country	October - December	October - March	October - June	October - September
TOTAL	14,894,431	28,745,572	39,870,017	51,010,700
Colombian Milds	2,256,707	4,334,963	6,085,323	7,770,625
Colombia	1,809,481	3,493,886	4,924,186	6,354,486
Kenya	243,394	457,363	640,114	780,692
Tanzania	203,832	383,714	521,023	635,447
Other Milds	3,205,543	6,264,743	8,265,263	10,289,295
Burundi 2/	73,200	115,800	199,800	259,800
Costa Rica	284,348	638,945	818,754	998,563
Dominican Republic	155,670	302,048	387,049	472,049
Ecuador	218,392	411,123	539,850	680,837
El Salvador 3/	562,175	1,090,400	1,394,365	1,698,328
Guatemala	524,142	986,698	1,295,643	1,634,011
Haiti	142,682	268,600	352,702	444,813
Honduras	75,125	226,023	298,968	385,808
India	109,344	190,387	294,104	383,992
Jamaica	7,908	15,269	21,519	27,769
Mexico	526,879	993,540	1,281,235	1,597,699
Nicaragua	160,155	301,492	395,892	499,282
Panama	8,697	16,793	23,668	30,543
Peru	221,528	429,834	550,797	671,759
Rwanda 2/	41,000	96,500	176,500	216,500
Venezuela 2/	94,298	181,291	234,417	287,542
Unwashed Arabicas	5,883,887	11,340,020	15,903,474	20,491,348
Bolivia	17,396	33,589	47,339	61,089
Brazil	5,409,315	10,444,725	14,720,505	18,996,284
Ethiopia	435,037	818,958	1,075,382	1,356,227
Paraguay	22,139	42,748	60,248	77,748
Robustas	3,548,294	6,805,846	9,615,957	12,459,432
Congo (D.R.) 2/	291,041	555,840	794,398	1,032,956
Ghana 4/	18,028	33,708	43,529	54,473
Guinea	46,531	89,844	126,623	163,402
Indonesia	350,781	677,315	954,589	1,231,862
Liberia	22,854	43,606	58,786	73,306
Nigeria	19,046	36,956	47,356	57,756
OAMCAF	1,418,532	2,739,012	3,860,288	4,981,563
Portugal	717,589	1,385,576	1,952,792	2,520,008
Sierra Leone	24,921	46,066	77,636	100,186
Trinidad & Tobago	24,005	49,387	65,326	84,301
Uganda	614,966	1,148,536	1,634,634	2,159,619

Footnotes to Annex 2 apply also to this Annex.

ANNEX E

AVERAGE QUARTERLY RETAIL PRICES OF COFFEE*

	Regular Vacuum Can	Regular Bag	Instant 6 oz. Jar
1964			
1st quarter	74.8	61.3	99.3
2nd quarter	82.4	71.6	109.2
3rd quarter	84.7	72.8	110.1
4th quarter	84.8	72.2	108.0
1965			
1st quarter	84.2	72.3	104.0
2nd quarter	83.4	71.6	91.4
3rd quarter	83.1	71.1	93.3
4th quarter	82.3	69.8	92.2
1966			
1st quarter	82.3	69.7	89.9
2nd quarter	83.0	69.7	91.7
3rd quarter	83.1	69.6	92.4
4th quarter	80.8	68.2	89.7
1967			
1st quarter	80.0	67.6	90.5
2nd quarter	78.0	65.7	89.7
3rd quarter	76.6	64.6	88.1
4th quarter	76.0	62.9	87.7
1968			
1st quarter	75.9	62.4	88.0
2nd quarter	76.5	62.6	88.9
3rd quarter	76.7	62.7	89.7
4th quarter	76.4	62.8	91.0
1969			
1st quarter	76.1	63.4	90.7
2nd quarter	75.9	62.8	93.2
3rd quarter	75.7	62.8	93.9
4th quarter	78.2	65.8	96.0

* Source: Bureau of Labor Statistics, U.S. Department of Labor -- Prices represent averages of mid-month quotations in leading cities of U.S.

ANNEX F

DEPARTMENT OF STATE
FOR THE PRESS

APRIL 30, 1969 NO. 97

AGREEMENT WITH BRAZIL ON SOLUBLE COFFEE

The United States and Brazil exchanged diplomatic notes in Rio de Janeiro today dealing with soluble coffee exports to the U.S. The notes were signed by William Belton, Charge d'Affaires ad interim, for the United States and by Jose de Maghaes Pinto, Minister of Foreign Affairs, for Brazil. The texts of the notes follow:

United States Note

April 30, 1969

Excellency:

I have the honor to refer to the recent discussions between representatives of the Governments of the United States and Brazil concerning the results of the recent arbitration on soluble coffee carried out under Article 44 of the International Coffee Agreement, 1968.

It is the understanding of the Government of the United States that the following steps are agreed to by the Government of Brazil:

(a) As a first step, the Government of Brazil will impose by May 1, 1969 a tax of 13 United States cents per pound on exports to the United States of soluble coffee whether such coffee is shipped directly or indirectly to the United States.

(b) Both Governments agree to meet on or about January 15, 1970, to consult on developments in the soluble coffee markets and to seek agreement on further measures to be taken with respect to soluble coffee exports from Brazil. Such discussion will be concluded not later than March 1, 1970.

(c) The Government of Brazil will not introduce new governmental measures or alter existing measures that would offset the effects of this new tax.

In the event that no agreement is reached on these further measures by March 1, 1970, the United States reserves its right to impose measures it deems appropriate to correct the present undesirable situation. In the view of the United States Government, this would involve taking steps to insure that a total tax burden of 30 cents per pound is levied on Brazilian soluble coffee by May 1, 1970.

Accept, Excellency, the renewed assurances of my highest consideration.

William Belton

PR 97

Brazilian Note

April 30, 1969

Excellency:

I have the honor to acknowledge receipt of your Excellency's note of April 30 as follows:

(text of U.S. note)

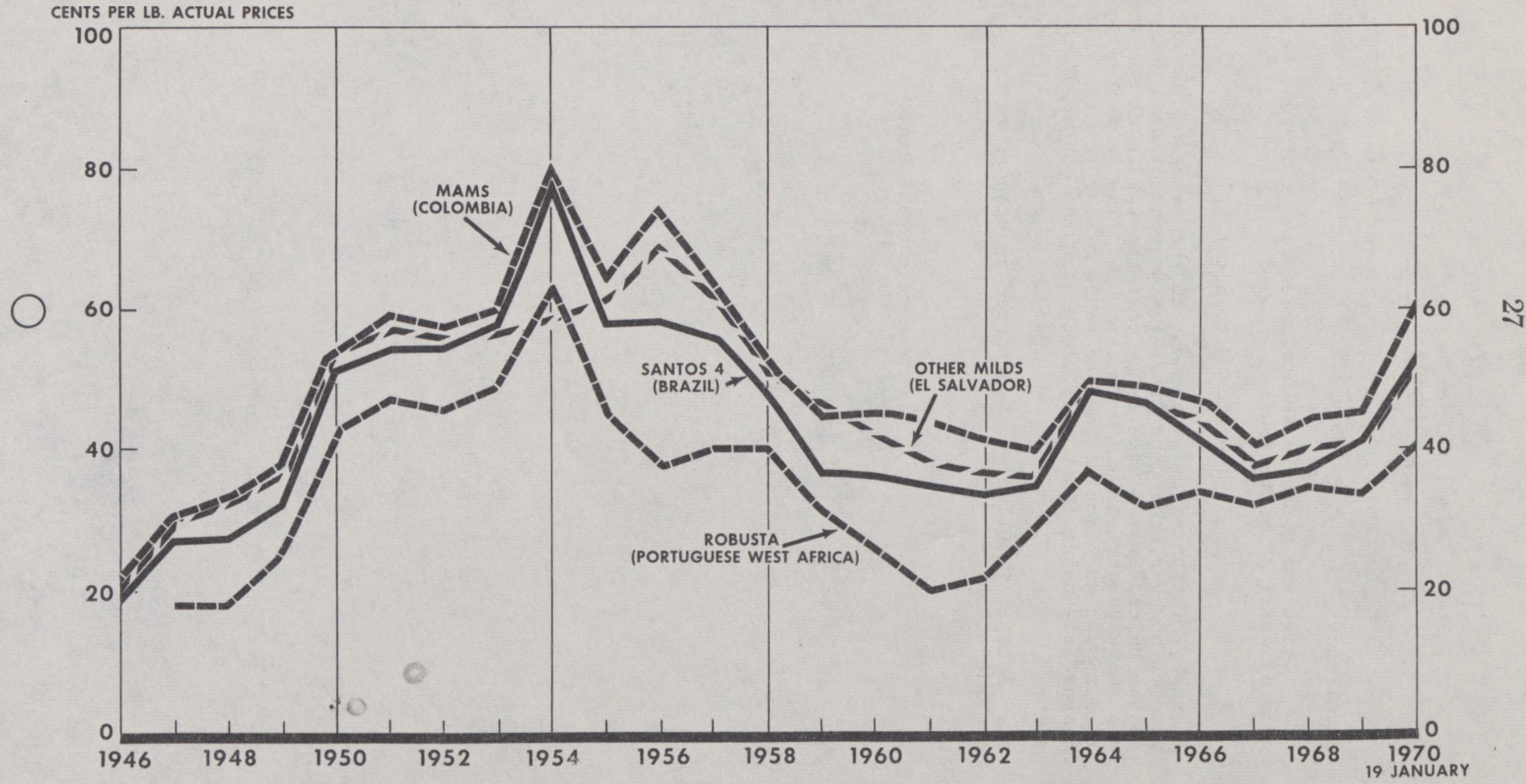
In reply, I transmit my agreement to the terms of the above note, except, however, that the Brazilian Government does not guarantee to the United States Government that the tax level mentioned in the above paragraph will be acceptable. The Brazilian Government is disposed to negotiate on the basis of the results which the measure now being taken will produce in the course of the current year.

Accept, Excellency, the renewed assurances of my highest consideration.

Jose de Maghaes Pinto

ANNEX G

COFFEE - SPOT PRICES, NEW YORK, BY TYPES
POST-WAR-1946 ONWARDS




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