

# Coffee and the Brazilian Economy in 1955-56

## A Summary of Regulations, Stocks And Production for the New Crop

The following is a reprint of portions of a Foreign Service Despatch prepared by Leslie A. Squires, Commercial Policy Officer, American Embassy, Rio de Janeiro, Brazil.

**R**EGULATIONS covering the new coffee crop have now largely been completed. The Bank of Brazil set the first part of the new 1955-56 pattern by fixing the loan basis for Santos type 4 at ports at Cr\$1,950 per 60-kilo bag, with discounts for other grades and locations. This new loan basis was Cr\$200 below that in effect in the past season and equivalent to US\$40 per pound.

According to the press, certain sectors of the coffee trade did not look with favor on a reduction in the level of financing for the new crop season. The *Diario de Noticias* for example, has quoted Jose Lavoisier Isteves, president of the Coffee Trade Center in Rio, as stating that the new policy would only serve to decrease coffee prices paid to the growers. In general, however, the trade appeared to consider the rate set as about the best that could be expected under existing crop and market conditions.

### 1955-56 Crop Regulations

On June 30, the Brazilian Coffee Institute announced 1955-56 marketing regulations covering movement to ports of 17.4 million bags of coffee. The regulations established monthly and semi-annual quotas for each growing area and port, specifying the share of the crop of each region to be shipped to each of the coffee ports. As a concession to those demanding greater flexibility in coffee marketing, the new regulations established a special quota of 1.12 million bags, divided between the various ports and growing areas, which can be shipped at any time after July 1. This special quota is expected to assist the trade in meeting special demands which may arise at various times at the leading ports.

The shipping regulations follow the pattern set in previous years, with a system of registration and liberation established for all coffee. Special treatment is granted washed and preferential coffee.

The rules are, in general, con-

sidered to be more liberal than in the past. One regulation especially recommended by local coffee shippers is an article permitting the substitution of one type of unliberated coffee for an equal amount of liberated coffee from another area. The coffee trade sees this rule as a distinct improvement since it will permit shippers to meet demands for specific types of coffee. In the past, shippers had no choice but to direct buyers to other ports if liberated stocks of the required types or grade were not available in a given port. In the future, a shipper may meet the demand for a type of coffee not immediately available in the liberated stock at his port by giving a "promissory note" in the form of an equal stock of liberated coffee of another type or grade.

### Ends 45-Day Guarantee

On July 5, the Superintendency of Money and Credit (SUMOC) added another element to the 1955-56 coffee pattern by eliminating the guarantee of the coffee export bonus rate established by SUMOC Instruction No. 114 of February 5, 1955. The effect of this action was to end the guarantee given overseas buyers that, in the event the coffee export bonus rate was increased within 45 days of an overseas sale, the buyer would receive the benefit of any resulting difference in foreign currency. In evaluating this step, the local coffee trade generally concluded that it could only preface a change in the bonus rate for export coffee.

On July 13, the Central de Brazil railway, a primary agent in forwarding coffee to the ports, set one of the final parts of the 1955-56 coffee regulations by releasing rules covering rail shipment of coffee from growing areas to ports.

Regulations for the new crop season, as of the date of this report, August 3, contain no provision for direct price support or for government purchase of coffee stocks. While the financing level of Cr\$1,950 represents a price peg, it is not a price-support mechanism. Should the price fall below the loan level, delivery of the coffee to the Bank of Brazil does

not settle the debt, any balance between the value of the coffee and the amount of the loan being for the account of the borrower. The financing mechanism, as a result, cannot be considered as establishing a floor beyond which coffee prices cannot fall.

### 1955-56 Production

With the end of the crop year on June 30, a final report on the size of 1954-55 crop is available. This shows registration of 14,496,378 bags during the year, of which 14,432,280 bags were liberated as of July 1, 1955. The 14.4 million crop level represents a figure one million bags higher than that forecast by the Brazilian Coffee Institute earlier in the season and 500,000 bags above that predicted by the Embassy. This increase was due primarily to registration in the last crop year of virtually all stocks of coffee available. Faced with uncertainty as to the pattern of coffee policies in the new crop year, growers cleared their shelves prior to July 1, thus increasing the stocks of coffee registered under the 1954-55 crop.

On June 30, the Brazilian Coffee Institute released its new estimate on the 1955-56 crop. This showed a total of 17.7 million bags, including 7.4 million bags for Sao Paulo, approximately equal to the current year, and 3.6 million bags for Minas Gerais, one half million bags above the current level. The largest increase, however, assigned Parana a 1955-56 level of 4.38 million bags, compared to actual registrations in the 1954-55 crop year of 1,336,544 bags. Other areas, as summarized below, show relatively minor fluctuations between registrations in the past year and anticipated production in 1955-56.

### Question Crop Estimates

While the present estimate of the Brazilian Coffee Institute for the new crop year is considered to be more accurate than some of its recent crop guesses, most trade circles consider that it may be slightly too low. In general, the trade sets the level of the new crop at approximately 18 million bags of registered coffee.

Actual registrations in the 1954-55 crop year and the latest estimates of the Brazilian Coffee Institute for the new season are summarized in the accompanying chart for the various growing areas: