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African Coffee Producers Agree To Support Latin American Initiative To Retain Coffee Exports

by Erika Harding

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On Aug. 17, leaders from the Inter-Africa Coffee Organization (IACO) accepted a proposal by Latin American coffee producing countries to retain 20% of exports after Oct. 1 to drive up international coffee prices. In July, Brazil, Colombia, and the Central American nations which together account for about 60% of annual worldwide coffee production agreed to stockpile 20% of their coffee produce in the 1992/1993 harvest, which begins in October. Those countries, which pulled together in a new Latin American Coffee Organization (Organizacion Latinoamericana del Cafe, OLC), also proposed to meet with the 25-member IACO and Asian coffee producers in Uganda Aug. 16-17 to discuss their support for the initiative (see Chronicle 08/12/93). At the Uganda meeting, the IACO immediately agreed to the OLC's proposal for all producer nations to retain 20% of exports in October, although Indonesia the world's third largest coffee producer which also attended must yet announce its position. The IACO's decision marks the first step toward creation of an Association of Coffee Producing Countries. The Association which the OLC and IACO agreed to establish at the Uganda conference is aimed at controlling the world coffee supply to maintain minimum market prices in the medium to long term. "We have accepted to retain 20% of our exports in line with demands from our friends from Latin America," said Guy Alain Emmanuel Gauze, the Commodities Minister for the Ivory Coast and chairman of the IACO. "Our objective is to attain realistic prices for coffee," added Antonio Lodder, Brazil's Commerce Minister. Producers at the Uganda conference say that combined annual coffee earnings among the producer nations dropped by 50% since 1989, when the quota system agreed on by the International Coffee Organization (ICO) collapsed. In the 1991/1992 harvest, coffee producing nations earned a total of US\$5.6 billion worldwide, compared to US\$11 billion before collapse of the ICO pact. Producers say that income has dropped even more this year. Brazil, for example the world's largest producer earned just US\$424 million for coffee exports in the first seven months of 1993, a 33.5% drop in earnings compared to the same time period in 1992. The new export retention agreement should help push prices up after October. Immediately following the Uganda conference, for example, coffee for December delivery rose by 1.35 cents per pound to 75.35 cents on the New York Coffee, Sugar, and Cocoa exchange. Nevertheless, prices may decline somewhat before October, since many producer nations will likely attempt to sell off reserves before the accord takes effect. Indeed, although coffee prices climbed to their highest levels in more than a year in July after the OLC was formed, since early August, coffee for September delivery began to drop again. According to the Costa Rican Coffee Institute which tracks prices per quintal on Aug. 12, September coffee closed at US\$70.10 per quintal, down from a high two weeks earlier of US\$74.95. (Sources: Inter Press Service, Notimex, 08/12/93; New York Times, 08/17-19/93)

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