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On April 3, two weeks of International Coffee Organization (ICO) talks began in London to renew or replace the current agreement due to expire on Sept. 30. The principal agenda item was a plan to redistribute export quotas suggested by producers of mild arabica coffee. The main loser under the plan would be Brazil. At previous meetings, consumer nations have complained that the existing quota system does not adequately reflect demand for specific types of coffee. Producers of the "other mild" classes of coffee want their overall quota share to be increased from 23.55% to 26.05%, since demand for mild arabica coffee is rising at the fastest rate. Under the plan presented on April 3, Brazil producer of "un-washed" arabicas and robusta types would see its quota reduced from 30.68% to 28.56%. Meanwhile, producers of "Colombian milds" would have their shares cut from 19.87% to 19.61%. The principal barrier to progress in the talks was the two-tier market, under which some producers sell to non- member consumers at cheaper prices than those paid by ICO members. Market observers believed that the talks were unlikely to result in a complete agreement. Consequently, in the last week of March, coffee prices on the London futures market were at their lowest six-month levels. On April 4, an ICO report revealed that coffee exports by members in February were 17.3% lower than in January at 4.752 million 60-kg. bags. Cumulative exports to all destinations since the beginning of the current season in October 1988 reached 25.374 million bags, a 15% increase over the first five months of the 1987-88 season (22.04 million bags). According to ICO statistics, Colombian milds exports reached 984,000 bags in February 1989 compared to 992,000 bags in January, and 5.025 million bags in October 1988-February 1989 against 4.491 million in the same period of 1987-88. Other milds exports totaled 1.224 million bags in February relative to 1.559 millon in January, and 6.26 million bags in October 1988-February 1989 against 5.112 million over the same period in 1987-88. Brazilian and other arabicas exports in February were 1.352 million bags compared to 1.643 million in January and 6.613 million in October-February against 5.908 million for the previous year. Robustas exports were 883,000 bags in February against 1.149 million bags in January and 6.058 million bags in October-February against 5.245 million in the 1987-88 season. On April 6, Brazil's chief delegate, Jorio Dauster, said the plan presented by 11 producers of the top-grade mild arabica coffee was "totally unacceptable." Nestor Osorio, one of the Colombian negotiators, told reporters that his country also rejected the proposal. Under the plan, Colombia's quota would have remained virtually unchanged. Colombia ranks as the world's second largest coffee producer, after Brazil. Dauster and Osorio said the proposal would not resolve the two-tier coffee market problem that the US and other major consumer nations insist must be dealt with if a coffee pact is to be in effect after Sept. 30. [The two-tier market is created by consumer nations who are not members of the pact buying coffee at lower prices than members. They can do so because producers sell surplus above their quota at substantial discounts in the non-regulated market. The pact prohibits such sales.] Brazil has a 31% share of the current export quota market and Colombia 16%. Osorio said Colombia was exploring alternatives as a way out of the impasse. A senior Brazilian negotiator, Lindenberg Sette, said Brazil had no plans for any proposals on a new pact. Unidentified Brazilian trade sources told AP that their country's policy on the pact was paralyzed because of the

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upcoming presidential elections in November. The paralysis reflects, they said, differences between Brazilian exporters who oppose continuing controls through a coffee pact and growers who are support them. A proposal adopted by all 24 ICO member consumer countries was formulated by the European Economic Community. This plan calls for ending the two-tier market via exports to all countries, not just coffee pact members, to be limited by quotas from Oct. 1. Dauster said the effective result would be sharply reduced prices. He added that Brazil supported a new agreement, provided it was useful, but not at any cost. (Basic data from AFP, 04/03/89, 04/04/89; AP, Xinhua, 04/07/89)

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