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On April 16, after over two weeks of talks in London, delegates from 74 producer and consumer nation members of the International Coffee Organization failed to agree on whether to renew or replace the existing agreement which expires at the end of September. The delegates agreed to meet once again in June. The ICO agreement establishes quotas for producer nation exports to importing members. The quotas can be adjusted up or down during the annual coffee cycle toward maintaining prices within a predetermined range. Brazil, the world's largest coffee exporter, wants to maintain the status quo, refusing to accept a reduction in its 30% market share. Producers of mild arabica coffee want a quota adjustment in their favor. Producers of "other milds" reject any proposal which would result in a reduction of export quotas. Central American countries predominate in the first grouping, while the second includes Central America, Mexico, Peru, Ecuador, Dominican Republic, India and Papua New Guinea. Consumer members are concerned by the growth of cut price coffee sales to non-member consumers, which is illegal under the ICO agreement. To combat this problem consumers propose a bigger, universal, export quota for each producer, to cover and regulate sales to members and non-members. Most producers reportedly fear that such a system will depress prices with the better-paying member market flooded by the increased quotas. Mild arabica producers argue that the market distortions created by the current quota system will be exacerbated by a universal quota system, serving only to reinforce the incentive for illegal shipments. The Colombian delegation proposed two separate quotas, one for member export and another for non-member export. US support for this plan depends on strict guarantees that the agreement would be temporary, moving to a universal quota system after one year. Next, the Colombian proposal assumes the existing quota distribution, making it unacceptable to mild arabica producers. Brazil is not expected to accept any proposal which would require a current or future shift to a universal quota system. African producers of lower quality robusta coffee are also opposed to a universal quota system. On April 16, Jose Gamas Torruco, director of the Mexican Coffee Institute (Inmacafe), told reporters that Mexico will reject any proposal that damages its coffee export interests. (Basic data from AFP, 04/14/89; Notimex, 04/16/89)

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