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Brazil: No Short-term Solution To Coffee Market Crisis

by John Neagle

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On Oct. 3 in London, Jorio Dauster, head of the Brazilian Coffee Institute (IBC), told journalists that he sees no possibility of returning to a system of coffee export quotas aimed at supporting world prices. "The main reason why we cannot bring back quotas in the near future is because there are no more controls in importing countries," he said. The IBC is a parastatal enterprise responsible for regulating and organizing the coffee export trade. Dauster arrived in London on Oct. 2 to attend the current meeting of the International Coffee Organization. Dauster also said it would take several months to reintroduce necessary legislation to ensure quota application. According to AFP, his remarks sent prices plummeting on the London futures market. Coffee was trading at 708 pounds per tonne for January delivery in early afternoon, the lowest price in 14 years. Prior to Oct. 2, the collapse of the ICO export quota system on July 4 triggered a nearly 40% price decline. The two-week ICO meeting is scheduled to end Oct. 6. Despite the condition of world market prices, Brazil continues to be strongly opposed to any reduction in its market share. Dauster said, "We are increasing production and we need to sell. We cannot concede any of our market share. Nine million people depend on coffee in Brazil." According to the IBC official, Brazil exported 5.3 million 60-kg. bags of coffee in the July-September quarter, compared to a total 7.6 million bags in the first two quarters, and could export another 5 million in the last quarter. Dauster added, however, that Brazil is supportive of a new quota agreement: "Brazil does not need the Agreement to sell, but it is obvious that an increased volume of sales does not compensate for a 40% price decline." On Sept. 28 in Brasilia, Dauster made similar statements during a meeting with coffee growers from southern Brazil. As a result of suspending the ICO system, the IBC estimates that coffee producers' incomes will decline by 30%. President of the National Coffee Council (CNC), Jaime Miranda, said that the earliest possible date setting up a new quota system would be October 1990. He added that this does not imply Brazil will accept a reduced market share. Producers estimate that output for the 1990-91 season will surpass 35 million bags. Under the quota system suspended in July, Brazil's quota totaled 18 million bags. President Jose Sarney has said that Brazil will not and cannot accept a quota reduction because domestic producers have already "contributed," given that they could export much more than the old quota amount. In 1988, Brazil's coffee exports totaled 17.1 million bags, valued at $2.214 billion. (Basic data from Notimex, 09/29/89; AFP, 10/03/89)

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