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Brazil & Colombia Reach Agreement On Proposal To Boost World Market Coffee Prices

by Barbara Khol

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On Dec. 2 in Cartagena (Colombia) at the Rio Group summit, Brazilian President Fernando Collor de Mello and Colombian counterpart Cesar Gaviria agreed on a joint proposal on raising world market coffee prices to be presented at a meeting of the International Coffee Organization (ICO) in London this week. Several months ago the Colombian government proposed that ICO producer nations reduce exports by 10% in order to force intermediaries to deplete inventories accumulated since the collapse of the International Coffee Agreement (ICA) in July 1989. The proposal was supported by Brazil and Central American coffee producers, but ICO members turned it down at a meeting in September. ICO producer and consumer nations number 73. A more recent plan developed by Colombian officials and supported by Brazil is based on a combination of retention of stocks and export quotas. The global coffee surplus would be calculated to determine how much product should be withheld from the market. In a later phase, quotas could be applied to the supply of coffee exports. African coffee producer nations are proposing a flexible export quota system which would reportedly avoid the problems that provoked the collapse of the ICA. In brief, the previous quota system allowed for inadequate supplies of high demand coffee varieties, and ICO members were selling surplus output to non-member countries. The latter represented about 15% of world consumption. On Dec. 4 in London, Colombia formally introduced its proposal to raise world market prices at the ICO plenary session. In contrast to Bogota's program submitted in September, the new one does not contain a fixed proportion of coffee exports all producers would be required to withhold from the market. The proposal specifies determination of two reference prices one for robusta, and another for "other mild" varieties. The new coffee pact would enter into effect on Oct. 1, 1992. In the event ICO members act quickly to adopt retention and output mechanisms, however, the program could be implemented as early as April next year. Coffee prices on Tuesday averaged around 593 pounds per metric ton. In September, prices dropped to 480 pounds a tonne, a 16-year low. (Basic data from Agence France-Presse, 11/30/91, 12/02/91; Spanish news service EFE, 12/02/91, 12/04/91)

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