

MONTHLY ECONOMIC LETTER

Recife Branch

March 1966

- 1) BUSINESS CONDITIONS: Money has become tight in our market after the publication of Resolution 15 by the Central Bank with few banks open for discount operations and with the majority attempting to retrench their positions after substantial deposit losses. Discount operations dropped considerably with most banks and demand increased. Within the past two days, however, there seems to have been some slight improvement.
- 2) COTTON - The selling of cotton has stopped in the Northeast with the exception of a couple of isolated areas. While the final statistics have not yet been compiled, it is evident that the crop was nearly the same as last year, or about 140/135 thousand tons of cotton.

Planters have received the first take-down of their Banco do Brasil seasonal agricultural loans for the purchase of seed. We were informed that planting is going ahead except in Rio Grande do Norte where climatic conditions are not yet favorable. The area planted or to be planted is regarded as larger than in previous years.

The big drop in the actual size of the harvest from earlier projections of 180/170 thousand tons comes from the mediocre harvest in Ceará. Original estimates called for a crop of 100 thousand tons, but sources report that the actual size of the crop is around 65 thousand. The causes of this drop are unknown but may be the result of insects attacking the plant during its earlier stages of growth.

It appears that this overestimate of the Ceará crop gave very strong impetus to the perennial trend of speculation, thereby being at least partly responsible for the present financial problems in the Fortaleza area.

SUGAR - The internal market has improved measurably with the successful completion of large sales. The existing stock of crystal sugar is only sufficient to attend to the needs of this area until the beginning of the 1966/67 crop. The external market continues good for the shipments to American ports. As for the shipments to international ports, the market has improved but it appears that it has not yet reached producers expectations.

Last week a conference was held here between the Minister of the Interior and the President of the Instituto de Açúcar e do Alcool with their assistants with local members of the sugar industry to discuss a law recently decreed by the Federal Government.

Among other measures to help the northern producers, this law forbids the sale of sugar fabricated in the south of the country, in the northern area and vice-versa.