

TELEGRAM

Foreign Service of the
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SUBJECT

INCOMING

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AMEMBASSY RIO

INCO COFFEE

JUN 3 2 22 PM '67

AMERICAN EMBASSY
BRASILIA, BRAZIL

UNCLASSIFIED

Classification

Control: 082

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OFFICE Brasilia
ATTENTION TAKEN

ACTION:
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R 020453Z JUN 67
FM SECSTATE WASHDC
TO RUESUA/AMEMBASSY RIO DE JANEIRO 5822
INFO RUDSC/AMEMBASSY LONDON 8800
STATE GRNC.
BT
UNCLAS STATE 206178

SUBJ: SOLUBLE COFFEE

File

1. PATON'S COMPLETE COFFEE COVERAGE MAY 31 CONTAINS FOLLOWING REPORT MCKIERNAN INTERVIEW WITH REUTER'S CORRESPONDENT:
2. JOHN F. MCKIERNAN, PRESIDENT OF THE NCA, PRIOR TO HIS DEPARTURE FOR THE ICO MEETINGS IN LONDON, CITED FOREIGN GOVERNMENT SUBSIDIES FOR LOCALLY PRODUCED SOLUBLE COFFEE AS ONE OF VIOLATIONS OF INTERNATIONAL COFFEE AGREEMENT WHICH HAVE ANTAGONIZED US COFFEE TRADE AND PRODUCED WIDESPREAD ANTI-PATHY TO AGREEMENT IN US COFFEE CIRCLES. MCKIERNAN NOTED THAT IMPORTS OF FOREIGN GOVERNMENT SUBSIDIZED SOLUBLE COFFEE INTO THE US ARE RUNNING CLOSE TO ANNUAL RATE OF ABOUT 16 PER CENT OF US TOTAL SOLUBLE COFFEE CONSUMPTION. HE SAID TRADE ESTIMATES INDICATE THAT BY END OF 1967 THIS FIGURE SHOULD BE UP TO 25 PER CENT IF THIS TREND CONTINUES, AND, IF UNCHECKED, COULD REACH 50 PER CENT OF TOTAL US SOLUBLE CONSUMPTION IN THE FUTURE. MCKIERNAN SAID THAT BRAZIL SO FAR IS LEADING SELLER OF SOLUBLE COFFEE TO US. RIGHT NOW, HE ADDED, PRODUCTION CAPABILITY IN BRAZIL REPRESENTS MORE THAN 25 PER CENT OF THE TOTAL US SOLUBLE CONSUMPTION AND UNLESS CORRECTIVE MEASURES ARE TAKEN SOON, IT WILL NOT BE LONG UNTIL 50 PER CENT OF ALL SOLUBLE COFFEE CONSUMED IN THE US WILL BE MANUFACTURED OFF-SHORE. MCKIERNAN SAID WE ARE NOT AFRAID OF EQUAL COMPETITION BUT WE OBJECT TO GOVERNMENT SUBSIDY OF SUCH INDUSTRY. HE ADDED THAT BY NOT IMPOSING THE EXCHANGE CONTRIBUTIONS WHICH ARE PRESCRIBED FOR EXPORTABLE GREEN COFFEE AND WHICH AMOUNT TO ABOUT \$25 PER BAG, THE BRAZILIAN GOVERNMENT IS GIVING EXPORTERS OF SOLUBLE THERE AN UNEQUAL PRICE ADVANTAGE. MCKIERNAN ALSO SAID THAT THE COFFEE AGREEMENT HAS BEEN OF BENEFIT, PARTICULARLY DURING THE LAST SIX MONTHS, THAT IS HAD INTRODUCED A MEASURE OF STABILITY INTO THE MARKET, AND HAS BEEN OF VALUE TO THE ECONOMIES OF COFFEE PRODUCING NATIONS, MAINLY DEVELOPING NATIONS. HE ADDED THAT THE US COFFEE TRADE WILL TOLERATE THE AGREEMENT AS A TEMPORARY MEASURE BUT IS NOT PREPARED TO ACCEPT IT AS A PERMANENT WAY OF COMMERCIAL LIFE. HE SAID THAT WHILE THERE IS AN AGREEMENT ALL PARTIES MUST HONOR IT.

RUSK