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AmConsul SALVADOR, Brazil

August 3, 1962

Economic Summary for July, 1962

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1. Summary:

The cost of living continued rising; according to the "Coap" (Comissão de Abastecimento e Preços) the cost of living in the city of Salvador during the first six months of 1962 increased over 37%.

The money market is considered by local banking circles to be the tightest of the year with no prospect of easing until the exchange market picks up. Exports are off and little exchange is being generated. There have been numerous strikes on the local and national scenes and two "invasions" of land in suburban areas (repulsed), but the local population is undisturbed. Most of the strikes were politically oriented, and included stevedores, bank, and railway workers. The governor requested banks to finance "Tebasa" the new private telephone company. An equipment breakdown completely disrupted telephone service for a week early in the month. Local bank collections fell as total payments decreased in spite of increased bill volume.

Sr. Oscar Cordeiro, President of the Bolsa de Mercadorias da Bahis (Bahia Produce Exchange) has reported recently to the local press that the prospects for the corn and bean crops in the northeastern part

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of the State of Bahia are very good and consequently are expected to be very large. Local press reports that the dividends of the Banco da Bahia for the first semester of 1962 has reached 24 % which is considered to be the highest record ever reached by any bank in this country. The net profit of this bank during said period amounted to 367 million cruzeiros.

2. Industry and Investment:

(a) According to the local newspaper "A Tarde" issue of July 12, 1962, the Board of Directors of the Banco do Nordeste do Brasil S.A. has authorized a loan in the amount of 140 million cruzeiros to be made to the local firm Barreto de Araujo, Lavoura, Industria e Comercio S.A. for the purpose of enlarging their cocoa butter factory. Cr\$288,-286,000.00 will be the total amount to be invested in this enterprise of which Cr\$270, 913,000.00 will be used for building and technical machinery. Part of the financing will be in foreign currency (58,700 dollars) for importing new equipment from abroad. When this project is completed, this enterprise expects, in the beginning, to produce annually 5,270 metric tons of cocoa butter and 5,550 metric tons of cocoa cake.

(b) The local newspaper "A Tarde" in its issue of July 20, 1962 has reported that at a meeting held recently in Rio de Janeiro, the "Conselho Administrativo da Petrobrás" (Petrobras Administrative Council) has decided to approve the plans for the construction of an ammonium factory with a daily capacity of 200 tons at Camaçari, few miles distant from the city of Salvador.

(c) Sr. Ivan Fachinetti, local Director of the Comissão de Planejamento do Estado da Bahia (State of Bahia Planning Commission) represented the Bahia State Government at a meeting held by the Sudene Council, at which the creation of an enterprise of "economia mista" (mixed government and private company) was approved for the purpose of installing within three years in all northeast of Brazil a potential of 45,940 kilowatts in the rural zone, an investment estimated in eight billion and 489 million cruzeiros. It is reported that Bahia alone will absorb, of the above mentioned total, the sum of 3,289,372,000 cruzeiros in the installation of 102 small power plants with a potential of 19,015 kilowatts. Included in this electrification plan are about sixteen towns in the State of Bahia.

(d) Dr. Hermann Goergen, former deputy of the Federal German Republic, visited the city of Salvador recently and contacted the state authorities for the purpose of discussing the matter of granting financial assistance to this State. And it was reported that the Western German Government will initiate an aid program in the amount of 2 billion cruzeiros in Brazil and that part of this money will be used for the restoring and building hospitals and for financing small industries in the State of Bahia.

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(e) The Diario de Noticias of July 14, 1962 reported that the (usina siderurgica) iron and steel plant to be installed in Bahia, will probably be built by the Companhia Siderurgica Nacional. The SUDENE has estimated its cost at 25 billion cruzeiros. Due to the high cost of this enterprise it is believed that Petrobras will grant substantial financial aid. Official banks of credit, such as the Banco do Nordeste probably will be called on to contribute. The annual production capacity of this proposed mill will be of 125,000 tons of ingots and 100,000 tons of rolling mill plates.

(f) A hotel with 70 rooms and 6 suites will reportedly be built in the town of Ilheus, the largest cocoa region of the State of Bahia and it will cost the sum of 100 million cruzeiros.

3. Agricultural Development and Policy:

(a) Cocoa Beans: The Bahia cocoa mid-crop is still estimated at between 600,000 and 800,000 bags of 60 kilograms each and weather conditions are reported to be favorable in many cocoa sections. Figures just released by the Bahia Cocoa Trade Commission reveal that ~~that~~ up to June 30, 1962, 55,098 bags of cocoa beans were sold to foreign markets (excluding United States) and that cocoa by-products equivalent to 50,362 bags have been sold to all foreign markets. Up to the present date no sales of cocoa beans have been made to the United States. Small sales of cocoa beans have been to such marginal markets as the smaller iron curtain countries and some Latin American areas, at prices around 19-3/8 cents per pound FOB Ilheus. London and New York market prices at 18.50 cents per pound were considered too low by CACEX which has not authorized sales below 19 cents per pound until July 18 when it approved 18 cents. The reduced crop is reaching the exporters gradually.

(b) Castorseed: The castorseed harvest has been so delayed that larger factories will not be able to reopen before September. Local bean prices of Cr\$30.00 per kilogram, factory-Salvador, would only enable the industry to break even if sold at the current New York price of 13.50 cents per pound C&F, No. 1 Grade. In spite of a slight shortage, the New York market shows no sign of improving until disposition of United States stockpile is clarified. While the total volume of oil the government will put on the market annually is fixed, the grades, lot sizes and schedule of releases are unknown.

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(c) Tobacco Leaf: Due to the recent drought, this year's tobacco crop reportedly requires additional fermentation which has delayed seasonal mid-July shipments. The local newspaper Diario de Noticias of July 11th has reported that the firm Agro Comercial Fumageira S.A. of Salvador, Bahia, which is associated with the Suerdieck cigar factory, has planted this year about one million tobacco plants, Sumatra type, at Cruz das Almas, in the State of Bahia. It is reported that there is a good possibility for the use of the total crop of Sumatra type tobacco and that it will constitute both in quantity and quality the largest and best crop in recent years of national tobacco wrapper. The same press further reports that Suerdieck has signed recently a substantial contract in the value of about 10 million cruzeiros for exporting cigars to the United States during the second half of 1962.

(d) Sisal Fiber: A fair amount of sisal fiber is said to be ready for export but stevedores costs have delayed shipment.

(e) Piçava Fiber: It is reported that São Paulo buyers, apparently caught with low stocks, are stocking most of the limited supply at a high price which has prompted CACEX to establish a minimum export price above current world prices. By September local production should be too big for São Paulo to consume entirely and exports should be resumed on a fair scale.

4. Petroleum:

Petrobrás is reportedly recruiting technicians abroad. The two year old well fire at Mapele is expected to be extinguished within the month. According to the local newspaper "A Tarde" issue of July 13, 1962, there is a possibility that sometime next month Bahia will begin to export lubricating oils and paraffin wax. The Mataripe refinery which was not working for a long time due to a defect in its equipment has resumed operations.

5. Transportation:

(a) The Brazilian ship "Ludmar" owned by the Empresa Brasilia of Rio de Janeiro, loaded with machinery and equipment for building

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the new Ilheus port went on the rocks and wrecked at the entrance of the port of Ilheus on June 28th. The losses are estimated at over 30 million cruzeiros.

6. Labor:

(a) Commercial employees of Ilheus, Bahia are demanding an increase of 80% in their salaries.

(b) Metal workers (metalurgicos) of Santo Amaro, State of Bahia are demanding an increase in their salaries of 60%.

(c) Local bakery workers are demanding ~~an~~ an increase in their salaries of 100%.

(d) Due to its bad financial situation, the Bahia State Government is still unable to grant a raise in the salaries of its employees. State authorities are studying a formula for granting a bonus of 50% for those who are earning up to Cr\$20,000.00 monthly and 30% for those who are earning over that amount.

7. Finance:

According to the State Internal Revenue Department Cr\$1,591,211,-806,10 were collected during the first seven months of 1962 (up to July 21, 1962) which constitutes an increase of Cr\$508,302,256.50 over the same period of 1961.

8. East-West Trade:

Exports to Soviet Bloc countries during the month of July, 1962 were as follows: 1,286 metric tons of cocoa beans to Poland and 100 metric tons of sisal fiber to Yugoslavia.

cc: Rio

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