

# TELEGRAM

OUTGOING

Foreign Service of the  
United States of America

INCO COFFEE

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Beginning of every coffee marketing year (July-June) and after crop size surveys have been made (January-March and April prior to the marketing year) the Brazilian Coffee Institute sets the coffee marketing regulations according to size and quality of crop.

The regulations are accompanied by a financial plan for crop. Program specifies support price for exportable coffees to producer (this price is revised throughout the year depending upon inflationary pressures and world prices and marketing conditions), and a support price for non-exportable coffees. The coffee producer, during the whole year, has the complete option to sell his coffee to IBC, to exporters or hold it until the next crop.

The Financial Program also establishes and whenever necessary revises minimum export prices for every type of coffee for each port of shipment, in accordance with world market prices and world supply situation.

The following indicates relationship between minimum

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returns to producers and exporters for Type 5 and better coffees from July 1963 to present - values are cruzeiros per bag of 60 Kg.

Producer 9,900; 13,750; 15,810; 17,390

Exporter 13,800; 15,285; 16,935; 22,763

The producers have received eighty percent of the support price as a loan from the Bank of Brazil and are in an excellent position to hold their coffee and negotiate with the exporter and receive considerable more than the established minimum price on any given date. Investigations show the coffee producer sharing in the returns from increased world coffee prices.

Minimum return in cruzeiros to exporters has been calculated after deduction of a contribution quota of around 18 dollars per bag of coffee exported. This contribution will be used to finance GERCA program, to purchase surplus production in bumper years, to maintain stocks and warehouses. Coffee export proceeds have a special exchange system which is 600 cruzeiros per dollar for sales at the minimum export price and 600 cruzeiros plus a bonus of 420 cruzeiros per

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dollar for registrations above the minimum export price.

GORDON



Drafted by:  
F.M. Milam:ibr  
3-5-64

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COMMUNICATIONS SECTION  
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