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Raw material markets: Renewal of the coffee agreement

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Index Numbers of World Market Prices of Foodstuffs and Industrial Raw Materials

Index and commodity group	1967				1968		
	February	May	August	November	February	March 1	March 15
HWHA-Index 1 (1952-1956 = 100)	92.6	92.6	90.5	94.2	99.6	99.4	99.8
Foodstuffs	85.0	87.8	83.5	87.9	91.8	90.0	90.8
Raw materials other than foodstuffs ...	96.3	94.9	93.9	97.3	103.4	104.0	104.0
Fuels	95.2	95.0	95.3	96.5	96.4	96.4	96.4
Raw materials for consumer goods ..	92.6	91.7	89.7	89.4	92.7	92.5	93.1
Raw materials for capital goods	99.9	96.9	95.2	103.3	117.6	119.5	119.1
Reuter's Index (18. 9. 1931) = 100	432.5	438.6	420.7	456.6	510.9	510.5	516.3 ²
Moody's Index (31. 12. 1931 = 100)	369.1	372.7	367.2	362.8	361.8	360.5	367.2

¹ Index compiled by the Hamburg Institute for International Economics. ² March 14, 1968

detrimental effects on growth, a problematical consequence just for developing countries.

In the next months the continuing cyclical increase of demand in industrial countries will further stimulate their mutual trade as well as exports of developing countries. On the other hand, the United States' continuous efforts to eliminate its balance of payments deficit

contribute an important element of uncertainty to the development of world trade. This applies particularly to the proposed introduction of an import equalisation tax, which would considerably stimulate the protectionist forces in the countries involved. The international endeavours to avoid such a trade-political escalation therefore play a most significant role.

done exclusively for being able to raise individual rates (e.g. for Robusta qualities). Also Brazil's quota was raised from 17.6 to 21.5 million bags, although this country was not even able to utilise the former rate. These conference results don't, however, contribute to an improvement of the confidence among the competing coffee exporting countries. Also the agreement itself is called in question in the long run, if the needs of the market remain completely ignored.

Raw Material Markets

Renewal of the Coffee Agreement

During the last months, the international coffee markets were characterised by the negotiations about a renewal of the International Coffee Agreement expiring on September 9, 1968. Already before the end of last year, the quotations for almost all important coffee qualities began to rise, after the conference of the International Coffee Council had agreed on size and distribution of the export base quota. Thus on of the most significant obstacles could be surmounted before the conclusion of a new agreement.

In view of the high world coffee stocks, which probably exceed a year's consumption, coffee prices, without the prospect of a new

stabilisation agreement, presumably would have declined yet further than in 1967. But the danger of a contractless situation appeared on the horizon only once again, when the overcoming of the differences between the USA and Brazil lasted for several weeks, because of Brazilian exports of instant coffee. Therefore, only now a new coffee agreement has been submitted for ratification to the parliaments of the member states.

Although at present only approximately 50 million bags of coffee are consumed p.a., the future base quota was fixed at 55 million bags (the rate being valid for the current coffee year is only 47.6 million bags). This was

According to the third estimate of the US Department of Agriculture, in the season 1967/68 world coffee crops will amount to 67.3 million bags, of which 50.5 million bags should be suitable for exports. If this result, which as compared with the last season already means a strong increase, is taken as a basis for the coming years, it becomes clear that a full quota utilisation is not possible, simply for supply reasons. The gap would have to be filled by high world stocks, which is, however, impossible, because a major part of them consists of not exportable qualities. Otherwise the export quotas would approach the actual world demand via the price-quota-mechanism, under which export quotas are cut, if prices are below the fixed minimum limit.

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