

FOR IMMEDIATE RELEASE

April 5, 1976

Office of the White House Press Secretary

THE WHITE HOUSE

TO THE SENATE OF THE UNITED STATES:

I am transmitting herewith, for the advice and consent of the Senate to ratification, the International Coffee Agreement, 1976. In doing so, I am the fourth President since 1962 to seek favorable Senate consideration of an International Coffee Agreement. The 1976 Agreement is similar to those of 1962 and 1968, but it contains a number of innovative features which represent a considerable improvement for consumers. I strongly urge that the Senate give advice and consent to ratification of this Agreement, thus agreeing that the spirit of cooperation, which has characterized the international coffee community these past 14 years, should be continued and strengthened.

Negotiation of the 1976 Agreement began in January of 1975 and continued throughout the year. On October 28, 1975, the Senate unanimously approved the Protocol for the Continuation in Force of the International Coffee Agreement of 1968, as Extended, which allowed the continued existence of the International Coffee Organization through September 30, 1976, preserving it as a source of statistical information and as the forum for negotiation of the new Agreement. These negotiations were completed in December and resulted in a greatly improved International Coffee Agreement.

The Coffee Agreement of 1962, and its successor, the Coffee Agreement of 1968, were designed to stabilize the export earnings of producing countries by moderating the traditional boom or bust cycle of coffee production. These Agreements were largely successful in meeting their objectives. Overproduction was brought under control and accumulated surpluses were reduced without a disastrous disruption of the market. At the same time, consumers enjoyed relative price stability. However, the Agreements were not designed to deal with situations of short supply.

The situation the coffee community faces today differs considerably from the situations in 1962 and 1968. Coffee is no longer in surplus, and inventories in both producing and consuming countries are low. On July 17, 1975, the coffee growing regions of Brazil were hit by the most severe frost since 1918, destroying hundreds of millions of coffee trees and thus sharply reducing the productive capacity of the world's largest producer for the next several years. The world faces a period of short supply of coffee. How long this period may last will depend on how well the international coffee community can manage its efforts to restore production and stocks.

more

The International Coffee Agreement of 1976 was concluded after the Brazilian frost and takes into account our experience in the 1962 and 1968 Agreements. It contains a number of new features designed to deal with the situation we expect to face in the future. The Agreement contains strong new incentives for the early restoration of normal supplies to consumer member markets.

The most important features of the new Agreement are the following:

- The Agreement is intended to stabilize prices within the range of long term market trends and to encourage the restoration of adequate production levels. There are no fixed price objectives.
- Consumers are provided with assurances there will be no restriction on the flow of coffee to the market while prices are high. Thus, the Agreement commences with its export quotas in suspense. Producers have assurances of renewed consumer cooperation should a temporary production surplus reappear. The Agreement should act as a stimulus to producing countries to restore production to levels adequate to meet consumption needs at reasonable prices.
- Those coffee producers who perform best during the next two years will be rewarded with a permanent increase in their basic quotas, which is an additional incentive to ship to the market every available bag of coffee.
- Quotas will go to those countries which have coffee available to ship through a new and more flexible system of annual quota distribution.
- The Agreement is the most generous in its quota allocation to the smallest producers, and allows them the highest growth rates.

Now, as in 1962 and 1968, coffee remains in financial terms the most important non-petroleum commodity exported by developing countries. A large number of developing countries in Latin America, Africa and Asia rely on coffee as a major source of their export earnings. Altogether, 43 producing nations participated in the negotiation of the new Agreement and are expected to join it.

As the world's largest consuming country, coffee is also important to the U.S. In 1974, we imported coffee valued at \$1.5 billion. In that same year, we exported agricultural and manufactured products to the coffee producing countries worth over \$15 billion. We are good customers of the coffee producing countries, and they are good customers of ours.

We and the other consuming countries have constructed a unique cooperative relationship with the coffee producing countries within the framework of International Coffee

more

Agreements. We have attempted, with a good measure of success, to find constructive solutions to the problems which affect the production and trade of coffee. I strongly urge this mutually beneficial effort as represented in the new Agreement be continued.

I am also transmitting the report submitted to me by the Department of State on the International Coffee Agreement of 1976.

I recommend that the Senate give early and favorable consideration to this Agreement and its advice and consent to ratification. The Secretary of State will submit legislation to implement the Agreement through September 30, 1979.

GERALD R. FORD

THE WHITE HOUSE,
April 5, 1976

#