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COFFEE AGREEMENT

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HEARING

BEFORE THE

COMMITTEE ON FINANCE
UNITED STATES SENATE

EIGHTY-NINTH CONGRESS

FIRST SESSION

ON

S. 701

A BILL TO CARRY OUT THE OBLIGATIONS OF THE UNITED STATES UNDER THE INTERNATIONAL COFFEE AGREEMENT, 1962, SIGNED AT NEW YORK ON SEPTEMBER 28, 1962, AND FOR OTHER PURPOSES

WEDNESDAY, JANUARY 27, 1965

Printed for the use of the Committee on Finance

U.S. GOVERNMENT PRINTING OFFICE

42-499 WASHINGTON : 1965

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IMPLEMENTATION OF INTERNATIONAL COFFEE AGREEMENT

WEDNESDAY, JANUARY 27, 1965

U.S. SENATE,
COMMITTEE ON FINANCE,
Washington, D.C.

The committee met, pursuant to notice, at 10:10 a.m., in room 2221, New Senate Office Building, Senator Harry Flood Byrd (chairman) presiding.

Present: Senators Byrd, Long, Douglas, Talmadge, Ribicoff, Williams, Carlson, Bennett, Curtis, Morton, and Dirksen.

Also present: Elizabeth B. Springer, chief clerk.

The CHAIRMAN. The committee will come to order.

This is a hearing on S. 701, to implement the International Coffee Agreement. I place in the record a copy of the bill and data sheets relating thereto, prepared by the committee staff.

(The bill and staff data sheets follow:)

[S. 701, 89th Cong., 1st sess.]

A BILL To carry out the obligations of the United States under the International Coffee Agreement, 1962, signed at New York on September 28, 1962, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "International Coffee Agreement Act of 1965".

SEC. 2. On and after the entry into force of the International Coffee Agreement, 1962, and for such period prior to October 1, 1968, as the agreement remains in effect, the President is authorized, in order to carry out the provisions of that agreement—

(1) to regulate the entry of coffee for consumption, or withdrawal of coffee from warehouse for consumption, including (A) the limitation of entry, or withdrawal from warehouse, of coffee imported from countries which are not members of the International Coffee Organization, and (B) the prohibition of entry of any shipment from any member of the International Coffee Organization of coffee which is not accompanied by a certificate of origin or a certificate of reexport, issued by a qualified agency in such form as required under the agreement;

(2) to require that every export or reexport of coffee from the United States shall be accompanied by a certificate of origin or a certificate of reexport, issued by a qualified agency of the United States designated by him, in such form as required under the agreement;

(3) to require the keeping of such records, statistics, and other information, and the rendering of such reports, relating to the importation, distribution, prices, and consumption of coffee as he may from time to time prescribe; and

(4) to take such other action, and issue and enforce such rules and regulations, as he may consider necessary or appropriate in order to implement the obligations of the United States under the agreement.

SEC. 3. As used in section 2 of this Act, "coffee" means coffee as defined in article 2 of the International Coffee Agreement, 1962.

SEC. 4. It is the sense of the Congress that the United States should continue to adhere to the International Coffee Agreement, 1962, only so long as that agreement does not operate to produce unwarranted increases in the price of coffee in the United States. In the event that it is determined by the President or by a joint resolution of the Congress that an unwarranted increase in the price of coffee has occurred and is attributable to the application or operation of the agreement, it is the further sense of the Congress that the President should forthwith apply to the International Coffee Council and the Executive Board for such corrective action as may be necessary to remedy the situation. If, following a reasonable period, not to exceed seventy-five days, after such application, the President finds that the Council has failed to make such adjustment of quotas or to take such other corrective action as is necessary to remedy the situation, he shall report his findings to the Congress with such recommendations as he may consider appropriate.

SEC. 5. The President may exercise any powers and duties conferred on him by this Act, other than the powers and duties conferred on him by section 4, through such agency or officer as he shall direct. The powers and duties conferred by this Act shall be exercised in the manner the President considers appropriate to protect the interests of United States consumers.

SEC. 6. The President shall submit to the Congress an annual report on the International Coffee Agreement, 1962. Such report shall contain full information on the operation of such agreement, including full information with respect to the general level of prices of coffee. The report shall also include a summary of the actions the United States and the International Coffee Organization have taken to protect the interests of United States consumers. Such annual report shall be submitted not later than January 15 of each year. The first such report shall be submitted not later than January 15, 1966.

SEC. 7. There are hereby authorized to be appropriated from time to time such sums as may be necessary to carry out the provisions of this Act, including the necessary expenses and contributions of the United States in connection with the administration of the International Coffee Agreement, 1962. The amount of the contributions of the United States to administer the agreement for any period shall not exceed 20 per centum of the total contributions assessed for such period to administer the agreement.

SEC. 8. The joint resolution of April 11, 1941, entitled "Joint resolution to carry out the obligations of the United States under the Inter-American Coffee Agreement, signed at Washington on November 28, 1940, and for othr purposes" (19 U.S.C. 1355 and 1356) is repealed.

DATA RELATING TO S. 701, THE INTERNATIONAL COFFEE AGREEMENT ACT OF 1965, JANUARY 27, 1965, PREPARED BY THE STAFF OF THE COMMITTEE ON FINANCE

TABLE 1.—*Coffee prices, annual average price, 1950–64*

Year	Spot [1]	Retail [2]	Year	Spot [1]	Retail [2]
1950	50.45	[3] 79.8	1959	36.97	78.0
1951	54.24	[3] 86.7	1960	36.60	75.3
1952	54.04	[3] 86.7	1961	36.01	73.6
1953	57.93	[3] 89.2	1962	33.96	70.8
1954	78.71	[3] 110.8	1963	34.11	69.4
1955	57.09	[3] 93.0	1964	46.66	81.8
1956	58.10	[3] 103.1			
1957	56.92	101.7	Average, 15 years	49.85	[4] 86.01
1958	48.41	90.7			

[1] New York spot price, Santos, source, Pan American Coffee Bureau.
[2] Retail spot price, 1-pound can, source, Bureau of Labor Statistics.
[3] Bag and can combined.
[4] Average price would be higher if in years 1950-56, price of 1-pound can only were given, rather than can and bag combined.

TABLE 2.—*Coffee prices, spot and retail prices*

[U.S. cents per pound]

	1962		1963		1964	
	Spot[1]	Retail[2]	Spot[1]	Retail[2]	Spot[1]	Retail[2]
January	34.20	71.2	33.85	69.2	44.83	71.7
February	34.05	71.0	33.83	69.1	46.30	74.8
March	34.08	71.0	33.23	68.7	49.85	78.9
April	34.08	71.1	33.00	68.7	48.60	81.1
May	34.43	70.9	33.83	69.0	47.35	82.8
June	34.73	71.2	34.33	69.5	46.90	83.9
July	34.65	71.3	33.68	69.6	46.65	84.4
August	34.08	71.4	32.73	69.8	45.83	84.9
September	33.40	71.1	32.95	69.6	45.00	84.9
October	33.18	69.5	34.98	69.7	46.58	84.6
November	33.33	69.2	36.55	69.8	46.88	84.9
December	33.40	70.8	37.45	70.1	45.18	84.8

[1] New York spot price, Santos, source, Pan American Coffee Bureau.
[2] Retail spot price, 1-pound can, source, Bureau of Labor Statistics.

TABLE 3.—*U.S. green coffee inventories*

[In thousands of bags]

March 1962	3,029
June 1962	3,050
September 1962	3,376
December 1962	3,964
March 1963	3,518
June 1963	3,435
September 1963	4,008
December 1963	4,726
March 1964	4,366
June 1964	4,216
September 1964	4,006

December, available in February.

TABLE 4.—*United States: Aggregate volume and value of green coffee imports, 1954–63*

	Volume (million bags)	Value (million dollars)		Volume (million bags)	Value (million dollars)
1954	17.1	1,485.7	1959	23.3	1,097.2
1955	19.7	1,356.5	1960	22.1	1,002.7
1956	21.3	1,439.0	1961	22.5	964.0
1957	20.9	1,375.5	1962	24.6	989.6
1958	20.2	1,170.7	1963	23.9	956.9

Source: Pan American Coffee Bureau.

QUOTA ACTIONS BY THE INTERNATIONAL COFFEE COUNCIL

August 1963: Annual quota for 1963–64 coffee year established at 45,732,622 bags.

November 1963: Proposal to increase annual quota by 2.25 percent defeated by narrow margin of 25 votes.

February 1964: Annual quota increased by 5 percent to 48,120,044 bags.

May 1964: Adjustments in quotas of 2 countries increases total annual quota by 355,000 bags.

June 1964: Redistribution of shortfalls—reflecting inability of some countries to deliver their quota—raises total annual quotas to 48,773,273 bags. Total increase since initial quota set in August 1963 is 3,040,651 bags.

August 1964: At the August meeting of the Council, annual quotas for the year October 1, 1964, to September 30, 1965, were set initially at 47.5 million bags with provision for increases of 500,000 bags on January 8, 1965, and prior to April 30, 1965, depending on the needs and condition of the market.

December 1964: At its December 10–16 meeting, the Executive Board recommended to the Council that the 500,000 bag increase suggested for January 8, 1965, not be made. Present quotas are therefore 47.5 million bags.

Source: Department of State.

International Coffee Agreement—Membership and distribution of votes as of Dec. 15, 1964

Exporting members:[1]	Votes
Brazil	356
Burundi	8
Colombia	122
Congo (Léopoldville)	19
Costa Rica	24
Cuba	9
Dominican Republic	13
Ecuador	16
El Salvador	33
Ethiopia	28
Ghana	6
Guatemala	31
India	12
Indonesia	28
Mexico	34
Nicaragua	13
OAMCAF[2]	89
Panama	6
Peru	16
Portugal	48
Rwanda	8
Sierra Leone	6
Tanzania	13
Trinidad and Tobago	6
Uganda	42
Venezuela	14
Total	1,000

Importing members:[1]	Votes
Australia	11
Austria	12
Belgium	33
Canada	42
Denmark	29
Federal Republic of Germany	120
Finland	25
France	118
Japan	13
Luxembourg	6
Netherlands	40
New Zealand	7
Norway	20
Spain	20
Sweden	47
United Kingdom	39
United States	400
U.S.S.R.	18
Total	1,000

[1] Nigeria, an exporting member, and Argentina and Tunisia, as importing members, have lost their votes for nonpayment of dues.

[2] OAMCAF members are: Cameroon, Central African Republic, Congo (Brazzaville), Dahomey, Gabon, Ivory Coast, Madagascar, and Togo.

The CHAIRMAN. The first witness is Mr. George W. Ball, Under Secretary of State.

Mr. Ball, you may proceed.

STATEMENT BY HON. GEORGE W. BALL, UNDER SECRETARY OF STATE; ACCOMPANIED BY JEROME JACOBSON, DEPUTY ASSISTANT SECRETARY, ECONOMIC AFFAIRS, DEPARTMENT OF STATE

Mr. BALL. Thank you, Mr. Chairman.

On May 21, 1963, the Senate gave its advice and consent to the ratification of the International Coffee Agreement. On December 27, 1963, the United States deposited its instrument of ratification. The United States thereby became a full member of the International Coffee Organization. Full participation, however, depends upon enactment of legislation to enable the United States to establish procedures to meet its obligations under the agreement. The legislation before you would provide that authority.

Virtually identical legislation, H.R. 8864, was considered by this committee in March of last year, after it had been passed by the House the previous November. After adding an amendment proposed by Senator Dirksen, this committee approved the legislation and it was passed by the Senate in July 1964. A conference committee approved the Senate's version in August and the Senate again voted to adopt it shortly thereafter. It was defeated, however, in the House, and further consideration last year was not possible.

I do not think it necessary to set forth in any detail the reasons why this administration has urged support of the legislation, since this committee held full hearings on the matter last year. In brief, the legislation would bring a measure of stability to coffee prices throughout the world. Coffee is the single most important agricultural commodity in the trade of most of the developing countries, particularly in Latin America. Coffee exports account for more than 50 percent of all exports in 6 Latin American countries and an average of 25 percent in all the 14 Latin American exporting nations. Seven new African countries receive from 30 to 50 percent of their foreign exchange earnings from coffee.

About 20 million persons in the world depend on coffee for their livelihood; more than 60 percent of them are in Latin America. The overwhelming majority are small farmers cultivating less than 5 acres of land. In a very real sense, therefore, coffee is the lifeblood of the developing nations of the world.

It is clear that short-term cyclical trends in coffee prices are a very unsettling factor to the producing countries. Let me say frankly that there is no perfect way to deal with this problem. But an international agreement can at least moderate the wide swings in prices that seriously dislocate the economies of the producing nations.

With this background, the principal provisions of the legislation may be simply stated.

First, it would authorize the President to prohibit imports from members of the International Coffee Organization of coffee that is not accompanied by a certificate of origin. These certificates identify the source of the coffee and enable the Coffee Organization to maintain a statistical check on exports and to detect quota violations. Prohibiting imports of coffee that are not accompanied by certificates helps exporting countries police their quota systems.

Second, it would require U.S. exports and reexports of coffee to be accompanied by certificates of origin or reexport.

Third, it would authorize the President to impose quotas on nations not members of the Coffee Organization in certain circumstances. In short, it would put teeth into the agreement.

The bill revises in three respects the legislation adopted by this committee last year.

First, it extends the expiration date of the authorization to October 1968 rather than October 1965. Since the agreement itself has a 5-year term and will be reconsidered in 1968, it seems reasonable to extend its authorization to that year.

Second, the amendment to H.R. 8864 proposed by Senator Dirksen has been revised in section 4 to provide that it is the sense of Congress that the United States should continue to adhere to the agreement only so long as it does not operate to produce unwarranted increases in coffee prices and that if either the President or the Congress, by joint resolution, determines that such an increase has occurred, the President should apply to the Organization for corrective action. The President is directed to report to the Congress if the Organization fails to take corrective action within a reasonable period.

Third, the legislation now makes clear, in both sections 5 and 6, that protection of U.S. consumer interests should be a primary consideration in our participation in the agreement.

As you know, the agreement has already helped to bring some stability to coffee prices.

Prices in 1962 and the first 9 months of 1963 were at their lowest point in 14 years because production was running 30 percent ahead of consumption. Then, in the summer of 1963, a severe frost and the worst drought of the century cut Brazil to one-quarter of its normal output. Prices rose. Responsible action under the coffee agreement helped to check this rise and to reverse it. Nothing could be done to produce coffee from trees that had been killed by frost and drought but it was possible to insure that the coffee that was grown was made available. Under the agreement, just this was done—export quotas were increased and prices receded.

By contrast, in 1954—10 years ago—when the governments of the producing and consuming nations had not undertaken through an international agreement to moderate coffee price fluctuations—these prices jumped from 58 cents to over 90 cents per pound after frost crippled the Brazilian crop. This year we had all the ingredients for a repetition of that spectacular price rise—with one critical difference. We did have an international agreement. This meant that the problem became one for governmental responsibility. Because there was a forum in which this matter could be discussed, producers—who could depend on our cooperation when prices were declining—acted responsibly when prices were rising, and voted overwhelmingly to increase quotas.

But the agreement is not completely effective. In part this is because the coffee-exporting countries are not doing all that they should to control their production, to honor their export quotas, and to sell their coffee in an orderly way. But it is also due to our own failure to adopt this legislation. We must act now to remedy this failure.

In Africa, in Asia, and most particularly in Latin America, coffee-producing countries are looking to us. Speaking in New York last October, President Johnson pledged that he would "press for prompt execution of the worldwide coffee agreement * * *." I cannot emphasize too strongly the importance we attach to the carrying out of this pledge.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you very much, Mr. Ball.

Mr. Ball, I have received some letters from my State complaining that the importers from Brazil are denied the right to choose how coffee they purchase is to be transported to this country. Rather than being permitted to ship their coffee by fast, well-ventilated, nonstop vessels these importers indicate that the Brazilian Government has required that their coffee be transported on slow boats which made frequent stops through the Caribbean and that their coffee is not only delayed in reaching this country but suffers substantial sweat damage.

I am informed that this Brazilian practice affects small importers to a greater extent than larger importers who have more bargaining ability with the Brazilian Government.

What is your answer?

Mr. BALL. Mr. Chairman, this is a matter which has caused us concern. There is no doubt that the Brazilian Government has attempted to secure for its national-flag line a very large part of the Brazil-United States coffee trade. And that this has had, because of the inadequacies of some of the transport provided, some of the effects that you suggest. This is a matter which our Embassy in Brazil has taken up with the Brazilian Government. We have—this is a matter which is only peripherally related to the coffee agreement, I may say—but we have pressed for a minimum of interference by governments with the right of shippers or consignees of cargoes to select their carriers.

This is a matter which is still under discussion with the Brazilian Government. It continues to be a matter of concern to us and a matter which we intend to pursue actively.

The CHAIRMAN. You took it up last October.

Mr. BALL. That is right, sir.

The CHAIRMAN. Has there been any improvement since then?

Mr. BALL. Well, I am advised by one of my colleagues that since then there have been very few complaints from the trade on this matter but it is a matter which we are still pursuing with the Brazilian Government.

The CHAIRMAN. I hope you will push it because it doesn't seem right they should be compelled to ship on a slow vessel which will damage the coffee and so forth. So will you continue your efforts?

Mr. BALL. We shall do that, Mr. Chairman.

The CHAIRMAN. Senator Talmadge?

Senator TALMADGE. No questions.

The CHAIRMAN. Senator Carlson?

Senator CARLSON. Mr. Secretary, of course, you well know my position, I have always opposed this implementation of the coffee agreement. My position has not changed. I notice that you stress the urgency of implementation at this time.

Now, assuming Congress does act, what does the International Coffee Agreement do that we are not doing now and have not been doing since the U.S. Government signed originally on the contract? What difference would there be?

Mr. BALL. The major difference would be that we would begin to enforce on a much more effective basis, or provide for the enforcement on a much more effective basis, of the quota structure which has been set by the Coffee Council.

Since this legislation did not pass at the last session, the United States did take some measures which required merely volunteer action by the coffee importers and which were intended to provide some statistical information to the Coffee Council that would help them in the administration of the treaty. But the fact is that these have been quite inadequate, and unless there is action, affirmative action, on this legislation, I would say that two things would happen: (1) That there would not be adequate policing in carrying out of the quotas, and they would begin to be disregarded in a much greater manner than they are now, and (2) a good deal of shipping would be done in disregard of the quota system.

But, more fundamental, there would be a withering away of the interest of the other nations in this agreement because of this very evident demonstration of the lack of American support for a measure in which the United States is a necessary party because of the dominance that we have as a great consuming country.

If we do not give this tangible support to this measure then I think that this will be taken as an indication by the Latin American countries that we do not mean to carry out the promises that we have made that we would try to find some ways and means to ease the cyclical problems of primary producing countries generally.

Let me say that I was at Geneva on two occasions during the very long meeting of the United National Trade and Development Conference which for the first time the less developed nations of the world confronted the industrialized nations with some of their trading problems.

This was a historic meeting in the sense that it was the first time, I suppose, that the north-south issue was ever brought really into visibility. There was a clear lineup of the less developed countries who for the most part were the primary producers, against the industrial countries who were the consumers of primary produced products. We found ourselves ranged together with all the other industrialized countries discussing with the less developed countries that formed another bloc the problems of how we could help them to find places for their products on world markets under some kind of a regime which would insure them some continuity of income. The position that the less developed countries were taking, of course, was that, no matter what kind of foreign assistance they might receive over a period of time, they could solve their problems only by being able to earn foreign exchange by their own production and that this would help stability in world markets.

I mention this because it was the theme which ran through the whole meeting, because there were enormous numbers of representatives of the nations present, because there was an enormous feeling of urgency of getting a start on doing something on the problem of getting stability in tropical agricultural markets. And coffee was the one product that they looked to with the greatest interest because of the dominant role that it plays.

I would think that the repercussions of a rejection by the Congress this time of the implementing legislation would have a very harmful effect, indeed, because it would tend to discredit the posture of the United States in actively trying to work out ways and means to help these countries to get on a self-sustaining basis over a period of time.

Senator CARLSON. Mr. Secretary, the Senator from Connecticut, Mr. Ribicoff, and I also were in Geneva for a week or so at the first Kennedy round of the Common Market Trade Agreements.

Mr. BALL. Yes, sir.

Senator CARLSON. We spent about 2½ hours, I would say, with Dr. Prebisch of Argentina, who is a truly great economist on this problem, and I gathered in visiting not only with him but with others who were there in attendance that these 70 more or less developed countries have an ambitious program that they want us to pay higher prices for all their exports. This coffee agreement is just one of a great program——

Mr. BALL. That is right.

Senator CARLSON (continuing). Of global price fixing, and that is why I have been opposed to this—why I have opposed this one. I have nothing particularly against the coffee agreement itself but if this Nation is going to enter into Government programs whereby we pay less developed countries more than the world market for the commodities that they produce in excess, then I can see that we are heading off on a program that will cost our consumers not just hundreds of millions of dollars involved in this deal but billions of dollars. I think it is a program we ought to look into before we go into cocoa and tin and other products. That is what we are asked to do. That is why they held this meeting.

Mr. BALL. Senator Carlson, you are entirely correct as to what the less developed countries have in mind.

Let me say, I was the head of the American delegation at that meeting and the position which we made very clear on behalf of the United States was that, first of all, we did not envisage the use of commodity arrangements—international commodity arrangements—as a device for transferring resources to the less developed countries. What we foresaw for them was a rather limited purpose that they could serve in bringing some stability to the markets and avoiding the extreme short-term cyclical swings that take place in commodity prices. But they could not be used as a device for transferring resources by artificially raising the level of international prices in order to provide a kind of subsidy—this was made very clear as a firm element in the American position.

Secondly, we made very clear that we foresaw only a very limited application for international commodity agreements to a limited number of products. We did not at all share the views that were expressed in Dr. Prebisch's report that there could be wide application, because there are very great difficulties in these agreements.

As I said earlier, none of them is perfect and the most they can do, it seems to us, is to tend to ameliorate the extreme fluctuations and this is the purpose to which they should be devoted and every one has to be examined very carefully and the degree to which we can extend the principle of international agreements beyond coffee is something that I think the Congress should look at with very great care.

Senator CARLSON. I am delighted to get your statement on that because I think there was a movement, in the administration circles, in the State Department particularly, a few years ago, following the United Nations meeting in New York City to get into a great program of expanded trade through agreements or arrangements, if you want to call it that, which would cost our consumers great sums of money. I think it would be most unfortunate if it did.

I want to say this, as a delegate to the United Nations with the distinguished Senator from Louisiana, Mr. Long, I have sat through speeches after speeches by less developed countries in the United Nations during the month of December in which they did not hesitate to discuss frankly and openly their need and their desire to get this type of a program underway. That is the reason I think we ought to proceed slowly on programs of this type; and it is one reason I have opposed it more than the coffee agreement itself. It is a dangerous principle. We have about three international agreements as I remember. One deals with wheat, International Wheat Agreement. We have had it for years, and coming from the greatest wheat-producing State in the Union, I will say here this morning I hope we don't extend it. It is doing us no good. It is costing our producers money, and the finest thing we can do with the International Wheat Agreement would be to forget it. All we do is hold an umbrella on the price of wheat and our dollar exports this year will be the lowest in a decade, 68½ million bushels, which is a terrifically low volume for the part of the fiscal year which will end June 30.

We, of course, export millions of bushels of wheat under Public Law 480 but for dollars it is the lowest it has been in 10 years. Another international agreement is the sugar agreement. Of course, we are all familiar with that. We have some problems with that once in a while. But when we get into these international agreements, I think we are the country that suffers.

Senator BENNETT. Will the Senator yield?

Senator CARLSON. Yes.

Senator BENNETT. While we are signatories to the International Sugar Agreement, its program has no effect on us. We operate outside of it. We are not bound by the International Sugar Agreement. We are just signatories to indicate our agreement with the idea or with the basic principle involved so far as other countries are concerned. But this Congress still reserves the right to control our own sugar program.

Senator CARLSON. I shall not take a great deal of your time, Mr. Secretary. I think it is a fact that the consuming countries at the International Coffee Agreement Commission in London have continually pressed for about 50 million bags of coffee; is that right, 50 million annually?

Mr. BALL. I believe that is correct.

Senator CARLSON. They press for 50 million. The producing countries want to have it 45 and we have agreed on 47, if I am correct.

Mr. JACOBSON. The quota beginning this year was set at 47½ million bags subject to a small increase which was not put into effect.

Senator CARLSON. 500,000 bags were to go into effect in January; is that not correct?

Mr. JACOBSON. That is correct.

Senator CARLSON. Was that not canceled?

Mr. JACOBSON. That was canceled; that is right.

Senator CARLSON. What was the reason for the cancellation?

Mr. JACOBSON. The market recently, sir, has been relatively weak, and the record of exports in the first 3 or 4 months of this year show that the exports are running substantially behind the level anticipated at the time the quota was set.

Taking account of this just practical fact, we agreed it seemed sensible for the moment to agree to this cancellation of 500,000 bags.

Now, the producers are not satisfied with that. They believe that the market is potentially so weak and exports running so far behind the level anticipated when we set the quota last August that they have recently indicated that they believe another substantial cut in quotas is called for.

We have made no commitment to that effect. We are studying the facts and figures and we will make the decision if and when we are called upon to do so.

Senator CARLSON. Mr. Jacobson, we are a consuming country and while we should have interest in the producers and I am concerned about them, too, our primary interest in this Nation should be the consumer, should it not?

Mr. JACOBSON. That is correct, sir.

Senator CARLSON. The consuming countries advocate 50 million bags, do they not?

Mr. JACOBSON. The consumers were asking roughly 48 million bags last July or August when we set the quota, for quota exports.

Senator CARLSON. Anyway they arrived at a differential of 47-plus, and with a proposed increase of 500,000 bags which was cancelled and we assume you were requested to cancel another.

What about the coffee prices? They have remained fairly substantial. Since last June there has been no change in spot coffee prices, have there?

Mr. BALL. As I understand it, Senator Carlson, there has been a sharp decline in futures, which would indicate that the prediction is that prices are down sharply. The present price is what, Mr. Jacobson?

Mr. JACOBSON. The present price for Brazilian coffee in New York is 45 cents compared with a high of 51 cents at roughly the same time last year.

The present price for a typical African coffee is approximately 27 cents as compared with 40 cents at this time last year. The futures price for, let's say, a late period in 1965 for Brazilian coffee once hit 56 cents. Today the futures contract for the same date in 1965 can be bought for 40 cents. So there has been a substantial turnaround in the market brought on largely by substantial crops in Africa and every evidence that the Brazilian crop is bouncing back handily.

The CHAIRMAN. Senator Douglas.

Senator DOUGLAS. Mr. Chairman, I regret that I was late. I would like to have a few minutes if I may to prepare my questions.

Senator CARLSON. Just one more sentence.

Senator DOUGLAS. I waive my turn.

Senator CARLSON. Mr. Secretary, I hope you won't take offense at this in any way but when you talk about the urgency of this legislation, and the extension of this act for another 3-year period until 1968 I wonder if seriously the urgency is not because of the impending vote on article 19 in the United Nations instead of any other question?

Mr. BALL. Well, it is not the impending vote on article 19 in the sense that this is not an isolated aspect of our policy to which we are directing our efforts here. It does relate to our whole set of relationships with countries around the world which we have been trying to help, and which we are trying to move toward a more stable situation.

But we are not motivated here by trying to bring about a specific result on the article 19 vote. This affects our whole spectrum of our relationships with these countries.

Senator CARLSON. You would admit, however, that we have some concern at the United Nations about this vote, and that the countries involved, particularly in Africa and Asia and Latin America that you mention, could have some bearing on this.

Mr. BALL. Well, I would admit that, Senator Carlson, but I would say, sir, that we would certainly be here at this time with this same note of urgency whether or not there was an article 19 problem.

Senator CARLSON. Of course, "the urgency" is rather interesting to me because we have been operating under this now for probably 24 months, and getting along very well, then all of a sudden we have to take action and not only approve this legislation but extend it for 3 years more.

Mr. BALL. We have been getting along under a kind of suspended judgment as far as the less developed countries are concerned as to our real intentions in the matter.

Senator CARLSON. That is all.

Mr. BALL. I think there is a moment of truth at which we arrive at some point.

The CHAIRMAN. Senator Douglas?

Senator DOUGLAS. If I have permission I will take advantage of this opportunity.

Mr. Ball, I recognize the political desirability of this agreement as a means of keeping coffee-producing states on friendly relations with the United States and this is important. There is no question about that. But like the Senator from Kansas I am somewhat distressed on what the effects will be on the American consumer. The staff of the Finance Committee has prepared a memorandum. On page 4 it gives the quota actions by the International Coffee Council.

Do you have that before you?

Mr. BALL. I don't have it before me.

Senator DOUGLAS. The figures come from your Department.

Mr. BALL. Right.

Senator DOUGLAS. The initial quota was 45.7 million bags. Yet in November 1963 a proposal to increase the quota by 2¼ percent was defeated. I am told that the consuming countries voted for that but there was not a majority in the producing countries. By the way, does it have to be a two-thirds vote?

Mr. BALL. It has to be a two-thirds vote.

Senator DOUGLAS. Two-thirds vote of each panel?

Mr. BALL. Yes, it is called a distributed two-thirds vote.

Senator DOUGLAS. A distributed two-thirds vote means a two-thirds vote of the consuming groups and a two-thirds vote of the producing groups.

Mr. BALL. That is right, of each panel.

Senator DOUGLAS. Now, after some difficulty in getting this through the Senate, and the Senator from Kansas and I take some credit for that, the quota was increased by 5 percent to 48.1 million bags, and then further adjustments in May apparently to help specific countries, increased the total by 355,000 bags, or roughly, a total of 48,475,000 bags.

There was a further increase in June 1964 up to a total of 48,773,000 bags.

We had a very able witness who testified that these increases, at least in February, were made with the knowledge that the agreement might have hard sledding in the Senate. We were told that while this did not enter explicitly into the discussion that this was an overhanging factor which helped to contribute to increasing the quota. A very frank gentleman said that.

Now, I notice that last August the quotas were reduced from 48.7 million bags to 47.5 million bags or a reduction of about a million and a quarter bags, with a provision for an increase of 500,000 bags January 8, 1965. But in December the Executive Board recommended to the Council that this increase not be carried into effect.

Is this a true statement?

Mr. BALL. Yes, sir, this is a true statement, as I understand it, Senator.

Senator DOUGLAS. Now, so we come to this situation that the total increase since August 1963, it is now 1965, has been 1,700,000 bags roughly, or slightly less than 4 percent.

Now, as I understand it the world demand for coffee increases at the rate of 3 or 4 percent a year.

Mr. BALL. That is right.

Senator DOUGLAS. Therefore, the quotas have not been increased according to the ratio of the world demand for coffee.

I would like to ask now what is the process by which these quotas might be increased in the future?

Mr. BALL. I will ask Mr. Jacobson if he will speak to that.

Mr. JACOBSON. Senator, when we come to the next quota exercise, that is to say, at the beginning of the next coffee year—the exercise will take place in London in July—we will, as a group of consumers, ask the producers for a quota which we believe is realistic in terms of price objectives, what we believe to be the requirements of the market, what we have decided in the light of the flow of coffee in the prior year, and in the light of what you say is a 3-percent per annum increase in consumption generally.

If the producers fail to agree to a quota increase——

Senator DOUGLAS. That would require a two-thirds vote on their part to agree, is that correct?

Mr. JACOBSON. That is correct. But if——

Senator DOUGLAS. One vote more than one-third——

Mr. JACOBSON. That is correct.

Senator DOUGLAS (continuing). Would mean that there would not be an increase?

Mr. JACOBSON. No. That is the key to this. If they fail to agree with us on the quota, then all quotas are off.

Senator DOUGLAS. All quotas are off?

Mr. JACOBSON. All quotas are off at that point.

Senator DOUGLAS. Where do you find that in the agreement?

Mr. BALL. The distinction is this, Senator Douglas.

Senator DOUGLAS. Because this is the nub of the whole thing.

Mr. JACOBSON. That is right.

Mr. BALL. The important point is this: At the beginning of each coffee year it takes an affirmative action to establish quota.

Senator DOUGLAS. Two-thirds vote on each side?

Mr. BALL. Two-thirds vote on each side. If that affirmative action is not forthcoming and that means affirmative action on the part of the consuming countries as well as the producing countries, then no quotas are established and the whole agreement is wide open. So, the position of the consuming countries is very strong at the beginning of the coffee year because it is they who have to agree, on a two-thirds basis, to the establishments of any quota at all, and they have the ability to reject the idea of any quota for the year, in which case it is completely open.

Now, the changes——

Senator DOUGLAS. Is this well established?

Mr. BALL. Yes, this is well established. Changes are made within the coffee year on a different basis.

Senator DOUGLAS. I am speaking of the global total.

Mr. BALL. Talking of the global quota?

Senator DOUGLAS. Yes.

Mr. BALL. Because to increase the quota then again requires an affirmative act. An increase obviously is something which is proposed by the consuming countries, but the producing country themselves have a veto power unless they must agree by two-thirds. The sanction that the consuming countries have against the producing countries is their threat as to the position that they can take at the beginning of a coffee year to refuse to agree to any quota at all, you see.

Senator DOUGLAS. Is that in the treaty?

Mr. BALL. That is in the language of the treaty.

Senator DOUGLAS. Would you point out the section of the treaty that covers that?

Mr. BALL. Article 30 of the treaty provides that:

At least 30 days before the beginning of each coffee year the Council shall adopt by a two-thirds majority vote an estimate of total world imports for the following coffee year and an estimate——

Senator DOUGLAS. Is this——

Mr. BALL. Yes.

An annual estimate of probable exports from nonmember countries.

In the light of these estimates, the Council shall forthwith fix annual export quotas which shall be the same percentage for all exporting members of the basic export quotas specified in annex A.

If under article 30, paragraph 1, if the Council does not adopt an estimate of total world imports by a two-thirds majority, then there is no quota fixed for the year and the result is that there are no quotas for that coffee year.

Senator DOUGLAS. Where is that last language?

Mr. BALL. Article 30.

Senator DOUGLAS. This is?

Mr. BALL. This is the effect of article 30, paragraph 1.

Senator DOUGLAS. That is your interpretation of the effect?

Mr. BALL. This is the understood interpretation of the effect.

Senator DOUGLAS. But it is not in the treaty, or the agreement?

Mr. BALL. Well, this is the agreement——

Senator DOUGLAS. Is that official——

Mr. BALL. This is the agreement I am reading from, it is article 30 of the agreement.

Senator DOUGLAS. Well, I don't see that interpretation in article 30.

Mr. BALL. What article 30 says is that the Council shall adopt by a two-thirds majority vote an estimate of total world imports. If they do not agree on an estimate by a two-thirds majority vote then it is not adopted.

Senator DOUGLAS. That is an estimate, not a quota.

Mr. BALL. That is right. But if there is no estimate adopted then there can be no quota because the quota is fixed only on the basis of the estimate.

Senator DOUGLAS. The second paragraph reads: In the light of the estimate the Council shall forthwith fix annual export quotas which shall be the same percentage to all export members——"

Mr. BALL. The interpretation which we have taken, and, I think, the one accepted by the members of the agreement, Senator Douglas, is that if there is no estimate agreed upon by a two-thirds vote then there can be no quota.

Senator DOUGLAS. This is the interpretation and I want to know to what degree the interpretation is binding; article 35 to which you refer, paragraph 3, states that:

> All decisions by the Council on the fixing and adjustment of annual and quarterly export quotas under articles 30, 31, 32, and 34 shall be taken, unless otherwise provided, by a distributed two-thirds majority vote.

And as you correctly state that distributed two-thirds majority means not a total of the 1,000 votes but two-thirds of the 1,000 votes of the consuming groups and two-thirds of the 1,000 votes of the producing.

Mr. BALL. Yes, again you see this merely confirms what I am suggesting. Because you see all decisions on the fixing of quotas must be taken by a two-thirds majority of the consuming as well as the producing group. If there is not a two-thirds majority of the consuming group, then there is no decision on a quota and, therefore, there is no quota.

Senator DOUGLAS. Have the producing countries ever signed this interpretation?

Mr. BALL. This is the interpretation which we took in the course of the proceedings this last year and which——

Senator DOUGLAS. When you say "we"——

Mr. BALL. The U.S. Government.

Senator DOUGLAS. The U.S. Government, but did the other countries agree to that interpretation?

Mr. JACOBSON. They understood very clearly, Senator, in the July-August quota exercise that it was our position, and in fact after the quota was set, several of the governments said that they had agreed to the figure demanded by the United States.

Senator DOUGLAS. Did they ever sign such an agreement?

Mr. JACOBSON. Well, there is no call for them to do so because the procedures are as Mr. Ball said.

Senator DOUGLAS. Did they ever sign such an interpretation? Can you by a unilateral interpretation bind other parties to an agreement? I had never thought so. I am not a lawyer but I would think not.

Mr. BALL. Senator Douglas, I would submit to you, sir, there is really no other interpretation that can be given to this language because if you say all decisions on quotas, including the decision to establish a quota——

Senator DOUGLAS. You see, Mr. Ball, what Senator Carlson and I are afraid of is just this, that naturally these producing countries will want to get as high a price as possible. It is true that we can veto a decrease in the quota. We can prevent them from decreasing the quota because they won't get a distributed two-thirds vote to decrease the quota. But by standing pat and not increasing—refusing to increase—the quota, our fear is that the rise in world demand will in itself force an increase in price. And the demand for coffee is relatively inelastic, and as demand shifts to the right through more being demanded at the same price, and with quantities being limited the price will go up, and this is the crucial point upon which I think the Senator from Kansas and I have both had very severe doubts in this matter.

Now, what you say is a partial reassurance but I would feel much better very frankly if this were an interpretation to which they would give formal acquiescence and agreement and not merely have it a unilateral declaration on our part that this is what the term means.

Mr. BALL. Well, I would be prepared to assure the committee, Senator Douglas, that this is the position which the United States presently maintains and will continue to maintain.

Senator DOUGLAS. I am very glad of that.

Mr. BALL. That without American acquiescence in this agreement cannot succeed, because from simply the standpoint of voting we have now 400 out of a thousand votes on the consumer side or 40 percent. This amounts to a blocking one-third, and unless there is an acceptance of this interpretation, we would not be prepared to go forward in the agreement, because this seems to us, as it seems to you, an essential element.

Senator DOUGLAS. I have just had handed to me the Wall Street Journal for last week, Wednesday, January 20, and in the article on commodities on page 20 the following paragraph appears:

> Coffee futures were weak. Brazilian and Portuguese officials said current coffee export quotas established by the International Coffee Council exceed realistic levels of consumption. The situation needs urgent correction to prevent a further and unjustified decline in prices they said. Portugal, through its Angola colonies, is a large African producer of coffee. Both officials agreed to seek measures for withholding excess coffee supplies from the market and to adopt a system linking export quotas more closely to prices.

Now, I had not thought they had that power to decrease the quotas because I thought that we could interpose a veto on a decrease in quotas just as I thought they could interpose a veto on an increase in quotas.

Mr. BALL. That is right.

Senator DOUGLAS. But apparently, at least these two countries—Brazil is, of course, the most important country—want actually to decrease the quotas.

Now, under those conditions do you think that they would acquiesce in increasing the quotas?

Mr. BALL. Well, I think that this is the situation in regard to adjustments that are made after the beginning of the coffee year, once a quota is established, then, either in the case of an upward adjustment of the quota, the producing countries have a veto; in the case of a downward adjustment, the consuming countries have a veto. Quite clearly this is the situation.

Senator DOUGLAS. That is right.

Mr. BALL. So that the agreement really operates on the basis of a general understanding as to where the long-range interests lie, and this is in terms of stability.

Now, unless there is agreement of two-thirds of both sides at the beginning of the year there isn't any system at all and this is what it comes down to.

Senator DOUGLAS. The question is if the producing countries veto an increase in the quotas, I had thought that the existing quotas continued?

Mr. BALL. They do.

Senator DOUGLAS. Well then, the upward drift of demand will inevitably raise prices if this happens. Now, you say you can throw the whole thing overboard.

Mr. BALL. At the beginning——

Senator DOUGLAS. You don't repudiate the agreement but you repudiate the quota, is that right?

Mr. BALL. At the beginning of the next coffee year, unless there is an agreement on a quota, there is no quota. But during a coffee year, the quota that is fixed at the beginning continues in effect unless it is adjusted either upward or downward, and that requires a two-thirds vote of both classes, so to speak.

Senator MORTON. Will the Senator yield for a question at this point?

Senator DOUGLAS. Certainly.

Senator MORTON. As I understand it, reading this treaty, once the year's program is set out and quotas are established by positive vote of two-thirds distributed, then on any adjustment of quarterly quotas either side can veto?

Mr. BALL. That is right, Senator Morton.

Senator MORTON. But at the beginning of each coffee year the entire matter starts de novo?

Mr. BALL. That is right.

Senator MORTON. And this requires positive action by two-thirds of each group?

Mr. BALL. That is right, sir.

Senator MORTON. Now, the estimates of the previous year and the history of consumption at the previous year will affect this de novo decision, of course?

Mr. BALL. Exactly.

Senator MORTON. You just don't pick a figure out of the air each year. You have a record to go on. But it is a de novo operation that does require positive affirmation by two-thirds distributed.

Mr. BALL. That is right, Senator.

Senator MORTON. Which means, of course, that there will be no system at all if a deadlock develops in which there can't be a meeting of the minds to achieve stability between the producing and the consuming countries?

Mr. BALL. Exactly.

Senator DOUGLAS. My attention has just been called to an article in the Financial Times of London, I don't know the precise date, which seems to imply there is a producers' cartel operating independently—either outside the agreement or inside the agreement. It says that they have decided to retain and to hold back from the market 20 percent of the authorized annual quantities allocated by the International Agreement, and that this means there will be 1,700,000 bags of Robusta coffee—whatever that is—withheld from the market.

(The article referred to follows:)

PRODUCERS CARTEL OUTSIDE THE AGREEMENT REJECTS QUOTAS TO WHICH UNITED STATES AGREED

[Financial Times of London]

LATE REVIVAL IN COFFEE—IACO TALKS LEAVE MARKET SKEPTICAL

(By our commodities editor)

Robusta coffee prices dropped sharply yesterday, losing all Friday's gains, but renewed short covering brought another revival with the March contract closing at 205s 6d a hundredweight.

However, it is felt that the communique issued by the price committee of the Inter-African Coffee Organization after its 2-day meeting in Paris has had little effect on market sentiment, but rather that prices have been revived by fears of sterling's weakness.

The committee has decided to retain 20 percent of the authorized annual quantities allocated by the International Coffee Agreement. This will mean that over 1.7 million bags of robusta coffee will be withheld from the market. It has also been agreed that no member will make any more forward sales until further notice, and all sales will be registered with the Secretary General.

This has left the market still rather skeptical. In the past the Ivory Coast and Angola have certainly shipped contrary to the decisions of IACO. And with coffee pouring into the warehouses it is very difficult for most African countries not to ship.

Uganda has made arrangements with Kenya to store some of its coffee. So it may be able to hold out longer than the rest. It has also approached Brazil, where the Uganda Minister of Agriculture, Mr. Ngobi, has been on a visit. A statement by both countries issued last weekend says they consider necessary an immediate reduction of the global quotas fixed by the agreement for the 1964-65 coffee year.

SUPPLY AND DEMAND

The main problem facing producers in fact is that with recovery of the Brazilian crop, supply is moving ahead of demand (last year Brazilian exports dropped by nearly 5 million bags to 14.8 million bags).

Uganda has agreed with Brazil's proposal to tie quotas to prices and create an international fund to finance retention. It has also decided, according to Mr. Ngobi, to limit production. But until other countries follow suit, the quota system appears to be too flimsy a vehicle for limiting supplies to the market.

Senator DOUGLAS. Is there such a producers' cartel which refused to abide by the agreement?

Mr. BALL. There has been, as I had understood it, for many years cartel arrangements within the coffee industry. The fact is that what happened in 1954 at the time of the very high rise in prices—to 90 cents or something—on Brazilian Santos, was a result of the efforts of the cartel.

Now, I think, we should be quite clear on what this agreement has done. Without an agreement, the producers would certainly continue to try to strengthen their organization of a cartel. The trouble with a cartel, in operation is that somebody usually chisels on it on some point and it, therefore, has that element of weakness.

The big problem in the coffee trade from the producers' point of view has been to get a real, solid line between the Latin American coffee producers and the African coffee producers, there has been a measure of disagreement.

Now, there is a cartel arrangement which still persists but the point is that for the first time there is a responsibility on governments to bring about stability in the markets, and there is a forum in which all these matters can be discussed between governments and where governments can exercise their influence over their domestic producers.

Otherwise, we leave it simply to private action which is always, as you well know, against the consumer.

But here we transfer the action from the private cartel to governments and give governments responsibility. There is a provision under the agreement—article 42, for the registration of any price arrangements—which is, in effect, any producers' arrangements or producer and consumer arrangements—and the Council is able to take action with the governments with respect to those agreements.

Senator DOUGLAS. Mr. Ball, it seems to me there is another very essential feature of this agreement in the legislature; namely, that the consuming countries become enforcing agents of whatever quota system is adopted.

This is certainly a moral obligation created that we will not import coffee from any country which is not in the agreement, and that furthermore we will not import coffee from any individual producer who does not abide by the quotas established for his country, and that each bag of coffee or each shipment of coffee have to be clearly labeled to indicate as to whether or not it is entitled to come in. We are an enforcing agent. I have been in Central America and I have talked with a number of the coffee producers there and I don't think they quite knew what I was seeking for but they said in their judgment the agreement would not be enforceable unless the consuming countries agreed not to take coffee produced outside the quotas.

So, we have become in a sense enforcing agent.

Mr. BALL. That is right.

Senator DOUGLAS. Isn't that true?

Mr. BALL. That is true, sir.

Senator DOUGLAS. Yes.

It is very puzzling. If I could feel assured, if I could feel assured, that in the absence of agreement on the annual quota that the whole thing would be dissolved, I would feel much happier about this.

Mr. BALL. I could give you——

Senator DOUGLAS. But with the temper of the producing countries, and I don't blame them at all, it would seem to me that they would reject any such interpretation as you give.

Mr. BALL. Well, I could——

Senator DOUGLAS. Does Brazil agree to this?

Mr. BALL. In fact, they have by the action that was taken.

Mr. JACOBSON. Senator, last July or August we had a major difference of opinion with respect to the quota question and the issue finally went the way we insisted. Several governments of Latin America acknowledged they had to go along with us because otherwise there would not have been any quotas whatsoever. There were public statements to that effect.

Senator DOUGLAS. Did Columbia agree?

Mr. JACOBSON. Yes.

Senator DOUGLAS. Did the Central American States agree?

Mr. JACOBSON. Well, in acknowledging and agreeing to accept our position on quotas at the time the position of our consumers implicitly they agreed.

Senator DOUGLAS. Did the African States agree?

Mr. JACOBSON. Implicitly yes, I can't state explicitly.

Mr. BALL. Senator Douglas, I can assure you that unless this interpretation is followed the United States will find it impossible to agree to a quota at the beginning of a coffee year. Since we have 40 percent of the vote and since all we require is one more state no matter how small to join with us, we certainly would not respect any quota that was fixed without our approval.

Senator DOUGLAS. You see—and I don't wish to belabor this point—what some of us are afraid of is that the quotas will be frozen in the face of rising world demand and that this will consequently lead to an upward move in prices.

Mr. BALL. This is the importance of having a de novo action taken at the beginning of each coffee year because this prevents a setting up of a structure which continues over the year.

Senator DOUGLAS. Now, suppose the country says we didn't agree to the interpretation which the United States made, there may have been some verbal talk, but the people are acting ultra vires and we reject it because apparently there are some already rejecting the existing quotas and imposing quotas within quotas for a smaller quantity. Suppose they reject our interpretation, and they are very adroit people; would our Government be prepared to say we would buy coffee wherever we wanted to and in whatever quantity?

Mr. BALL. We would say we would not respect any quota that is not fixed in accordance with the two-thirds requirement.

Senator DOUGLAS. Would it be the policy of our Government if the quota were maintained as a fixed level in the face of rising world demand for several years that we would then be willing to buy coffee in the open market in such quantities as the domestic trade might desire?

Mr. BALL. Well, as you know, there would be other factors including inventory changes and matters of this kind. But it would certainly be our policy to insist upon the establishment of quotas which would not result in a rising price as a result of the pressure of increased consumption to the point where we would get out of what we would regard as a very reasonable range of coffee prices.

Now, that reasonable range I suppose is somewhere within the range of 40, 45 cents, something of that sort.

Senator DOUGLAS. Where it is now?

Mr. BALL. About where it is now.

Senator DOUGLAS. Futures are a little lower——

Mr. BALL. Which is something less, I think, than the 15-year average.

Senator DOUGLAS. Mr. Chairman, I don't wish to prolong this questioning. It is both interesting and very crucial. But there's just one other point of Mr. Ball's testimony that I would like to ask him about.

I notice that he stated that the vast majority of coffee output was produced by small farmers. That was in your testimony, wasn't it? Page 2? "Overwhelming majority of small farmers cultivating less than 5 acres of land," does this mean the vast majority of coffee is produced by the small farmers or does it mean that there are more small people than big people?

For instance, I have just been going over figures of concentration of profits in manufacturing concerns in this country and I find that the top 20 manufacturing concerns have, I believe, 36 percent of the profits. Of the total of 420,000 manufacturing concerns in the country, the top 1,000 have 86 percent of the profits. The bottom 419,000 have 14 percent of the profits.

Now, you can say the vast majority of manufacturers are small enterprises but they get a very small fraction of the total profits and do a very small fraction of the total volume of business and have a very small fraction of the total assets.

But what I would like to ask now: Is it true that 60 or 70 percent of the coffee is grown on holdings of less than 5 acres?

Mr. BALL. I don't know the answer to that, Senator Douglas, the situation varies greatly, I will try to get it for you; the situation varies greatly as between one country and another. By and large, in Africa the coffee is grown almost entirely on very small plots.

Senator DOUGLAS. That is right. But what about Brazil? What about Colombia? What about El Salvador? I guess Costa Rica does have small farms. What about Guatemala?

Mr. BALL. I have here this information: that in Brazil about half the total production comes from medium-sized farms of 8 to 65 hectares.

Senator DOUGLAS. A hectare is two and a quarter acres?

Mr. BALL. That is right.

Senator DOUGLAS. So that would be from——

Mr. BALL. From 19 to about 140 acres, I think.

Senator DOUGLAS. That is not a small farm.

Mr. BALL. A third comes from large farms of from 65 to 250 hectares. Plantations of over 250 hectares and small farms of less than 8 hectares remain as the remaining output in about equal proportions.

Senator DOUGLAS. I wonder if you will submit that table translated into acres.

Mr. BALL. All right, surely.

Now, this differs quite a bit. In Colombia, the small farm of under 10 hectares is the typical unit.

Senator DOUGLAS. 110?

Mr. BALL. No; of under 10.

Senator DOUGLAS. Twenty-two acres.

Mr. BALL. Yes; is a typical unit accounting for about three-fifths of the total output.

In El Salvador, on the other hand, two-fifths of the area under adult plantation are in farms of over 50 hectares; in other words, they have big fincas there.

In Africa, the number of small farms has been expanding rapidly, for example. In Kenya, the number of licensed growers rose from 8,000 in 1951 to almost 85,000 in 1958.

In Uganda some 85 percent of production is by African smallholders, most of whom own under 500 trees, coffee trees, I suppose.

Similarly, in the Ivory Coast more than 90 percent of the coffee areas are in the hands of African farmers.

Senator DOUGLAS. Mr. Ball, I do not want to detain you too much. Let me say I spent some time in Guatamala and El Salvador in December of 1963.

Mr. BALL. Very large fincas there.

Senator DOUGLAS. I found there it was not so much that a single farm was so large but you would have a plantation owner who would own a number of farms and operate them under central control, so that these figures—and this is a very slippery business, I know, and I suppose it is impossible to get that—but the figures by far do not mirror the concentration of the ownership of the farms, and one has only to look at El Salvador or Guatamala, for example, to realize that the major portion of the coffee which is grown is owned and controlled by a reatively small percentage of people.

There is some question as to whether the 14 families in El Salvador control the entire production. At times they were claiming through family descent, just as the five families of Hawaii have become more, so there are 40 families.

A friend of mine had dinner with one of these families and they pounded their chests and said:

> They say there are 14 families in El Salvador. I want to tell you this is wrong. There are only five families, and we are one of them.

But what I have been afraid of is that this will mean not increased income for the laborers, but greatly increased income for the big plantation owners, and that what you have will be that the low-income people in this country will be subsidizing the high-income people in the coffee-producing countries.

Mr. BALL. Of course, what we are seeking here, Senator Douglas, is income stability, and this is important not merely for continuity of employment on the part of the workers on the plantations, but also as far as the foreign exchange earnings of governments go. Because it is almost impossible to do sensible planning unless they have some assurance as to the flow of foreign exchange over the forthcoming period. But we will try to get you an analysis of this question of ownership. Frankly, I do not have more than this.

Senator DOUGLAS. It may be impossible to get.

Mr. BALL. I will see what we can find out.

(Information subsequently supplied follows:)

SIZE OF FARMS IN COFFEE-PRODUCING COUNTRIES

Comprehensive data on the size of farms and on farm ownership is unavailable in many of the coffee-producing countries. Being underdeveloped countries, their statistical services are mainly inadequate or totally lacking. The FAO, in its most recent study of "The World Coffee Economy" does have this to say:

"One factor which tends to enhance the difficulties of raising the general standard of cultivation practices is the increasing importance of production by small holders and peasant proprietors. The number of small holders has probably doubled since 1946, the growth in this group being especially marked in Africa. Probably one-third of the world production now comes from farms of less than 24.7 acres.

"In Brazil, about half the total production comes from medium-sized farms of 19.8 to 160 acres, while a further one-third comes from large farms of 160 to 618 acres. Plantations of over 618 acres and small farms of less than 19.8 acres account for the remaining output in about equal proportions. In Colombia, the small farm of under 24.7 acres is the typical unit, accounting for about three-fifths of the total output; most of the rest is accounted for by farms of 24.7 to 123.5 acres. By contrast, in El Salvador, two-fifths of the area under adult plantation are in farms of over 123.5 acres, and a further one-third in farms of 24.7 to 123.5 acres.

"In Africa, the number of small farms has been expanding rapidly in recent years. In Kenya, for example, the number of licensed African growers rose from 8,000 in 1951 to almost 85,000 in 1958. In Uganda, some 85 percent of production is by African small holders, most of whom own under 500 trees each. Similarly, in the Ivory Coast, more than 90 percent of the coffee area is in the hands of small African farmers, and the proportion is also high in Ruanda Urundi, Tanganyika, and Madagascar.

"This expansion in the number of small holders has meant a corresponding increase in the importance of coffee in the economic and social structure of these countries. But, at the same time, this development may have made it more difficult for governments to influence the trend in production, should they wish to do so."

Distribution of coffee acreage, by size and type of coffee farm and plantation, Guatemala, 1960

Type of farm and plantation, by acreage in coffee	Approximate number of coffee farms and plantations	Approximate total acreage	Average size in acres
Noncommercial plots [1] under 2.5 acres	19,000	12,000	0.6
Private commercial farms and plantations:			
Under 12.4 acres	9,825	68,000	7.3
12.5 to 37.1 acres	1,550	36,000	24.0
37.2 to 125 acres	530	63,000	119.0
125.1 to 500 acres	470	123,000	262.0
Over 500 acres	50	86,000	1,720.0
Subtotal, private commercial farms and plantations	11,925	376,000	31.5
Government-owned plantations over 500 acres [2]	75	62,000	827.0
Total	31,000	450,000	14.5

[1] Grown for use of owner, not marketed.
[2] Controlled by Fincas Nacionales, an autonomous Government agency.

Distribution of coffee holdings, Nicaragua, 1960

Total size of farm or plantation (acres)	Number of farms	Approximate total area planted to coffee	Average area in coffee
		Acres	*Acres*
Under 2.5	394	600	1.5
2.5 to 12.4	1,604	6,600	4.1
12.5 to 25	912	7,000	7.6
25.1 to 50	1,210	12,000	10.0
50.1 to 125	2,775	39,800	14.0
125.1 to 250	1,412	38,000	27.0
250.1 to 1,250	1,200	86,000	72.0
Over 1,250.1	96	23,000	240.0
Total	9,603	213,000	22.2

Distribution of coffee acreage in Costa Rica, by size of farm holdings, 1955

Size of farm holdings (acres)	Number of farms	Area planted to coffee (acres)	
		Total	Average per farm [1]
1.7 to 2.47	1,520	2,200	1.4
2.48 to 24.7	11,430	42,500	3.7
24.8 to 49.4	3,140	19,700	6.3
49.5 to 247	4,930	47,600	9.7
248 to 494	550	11,300	20.5
495 to 2,470	350	23,800	68.0
Over 2,470	67	8,400	127.0
Total	21,987	155,500	7.1

[1] These are averages. Some farms, both large and small, have a much higher percentage of acreage in coffee than do others.

Distribution of coffee acreage in El Salvador, 1955

Size of area planted to coffee (in acres)	Number of holdings	Total area planted to coffee (in acres)
Up to 2.47	9,795	9,120
2.47 to 24.7	7,652	53,146
24.7 to 123.5	1,952	93,758
123.5 to 247	248	41,575
247 to 494	121	37,406
Over 494	61	41,379
Total	19,829	280,384

Distribution of coffee farms in Honduras, 1952

Acreage in coffee	Percent of farms	Percent of area
Under 2.5	59	17
2.5 to 12.4	35	41
12.5 to 25	4	16
25.1 to 50	1	11
50.1 to 125	1	9
125.1 and over	(1)	6

[1] Insignificant.

Senator DOUGLAS. Mr. Chairman, I think I have taken, perhaps, more time than is my arithmetical share. I regret this. I want to thank Mr. Ball for his very intelligent answers. I wish my doubts could be cleared up because I see the political advantages, which are very strong.

The CHAIRMAN. Senator Curtis.

Senator CURTIS. Do I understand that the objective of this treaty, Mr. Ball, this arrangement is to enhance and stabilize the income of the coffee-producing countries?

Mr. BALL. Well, I should say it is to stabilize the income of the coffee-producing countries at a reasonable level. We are not talking about trying to transfer resources by the maintenance of artificially high prices.

Senator CURTIS. But its objective is the economic well-being of the producing countries?

Mr. BALL. That is right. One of the major elements in well-being is stability of income.

Senator CURTIS. That would be brought about by several things. One, coffee sold in the consuming country would have to be labeled as to the country of origin.

Mr. BALL. That is right, sir.

Senator CURTIS. It would also be brought about by a quota that limits the total amount of coffee that can come into the country, is that right?

Mr. BALL. It limits the amount of coffee that could be exported by a producing country.

Senator CURTIS. Is there a specific quota on any consuming country?

Mr. BALL. No, not on any consuming country.

Senator CURTIS. Conceivably then they could enter into an agreement to limit production to a certain amount, and one country could come in and buy it all.

Mr. BALL. That is possible, and the point of having certificates of origin is that then the Coffee Council is advised as to where the coffee has gone. It can detect this situation.

Senator CURTIS. In addition to bringing about a better economic situation for these coffee producers, it has to be labeled as to country of origin, there is a quota which tends to balance consumption with production, and also there is the weapon of a complete prohibition of the importation; is that right?

Mr. BALL. Well, the agreement on the part of the consuming countries is that they will not import from countries which are not members of the coffee——

Mr. JACOBSON. No, Senator, they are required to limit their imports from nonmembers to the average of their level of imports from the period 1960 to 1962. There is no flat prohibition of imports from any country; and those limitations are not now in effect because the prohibition runs only when more than 5 percent——

Senator CURTIS. Here, prohibiting imports of coffee that are not accompanied by certificates helps exporting countries police their quota system.

Mr. BALL. That is right.

Senator CURTIS. Now, how would a producer country that had not signed get a certificate?

Mr. BALL. Well, in a situation where imports of producing countries that were not members of the Coffee Council, of the coffee agreement, had not exceeded 5 percent of the total world consumption in a base period, there wouldn't be any prohibition imposed on those imports. It is only when the Coffee Council determines that the nonmember countries had accounted for more than 5 percent of the exports that they then impose restrictions on the imports by the consuming countries of those—from those areas. The levels at which those import restrictions are imposed are the levels that existed during a base period.

Senator CURTIS. Who would issue them a certificate?

Mr. BALL. They do not have to have a certificate.

Senator CURTIS. They cannot export without it.

Mr. JACOBSON. No nonmembers, Senator, are permitted to export without certificates of origin. We are permitted to import their coffee.

Senator CURTIS. Export how much?

Mr. JACOBSON. When no limitations are in effect, they have no limitation.

Senator CURTIS. I mean when limitations are in effect.

Mr. JACOBSON. When limitations are in effect they are permitted to export up to the average of their exports to member countries in the years 1960–62.

Senator CURTIS. How are you going to enforce that?

Mr. JACOBSON. Member importer countries are required to notify the coffee organization of their imports from nonmembers.

Senator CURTIS. The importing countries?

Mr. JACOBSON. Make the notification to the coffee organization.

Senator CURTIS. Provide the mechanism for enforcing it.

Mr. JACOBSON. That is correct, against nonmembers.

Senator CURTIS. Well now, is it the policy of the State Department to apply the same protections to domestic producers of agricultural foodstuffs?

Mr. BALL. No, domestic producers are not involved in the agreement.

Senator CURTIS. I know they are not involved in this, but is it the policy of our State Department to grant to our domestic producers these same protections? In other words, do you favor requiring the labeling of other agricultural imports as to the country of origin in order to improve the economic well-being of domestic producers?

Mr. BALL. I do not know that the problem has ever arisen, Senator, to my knowledge.

Senator CURTIS. Oh, yes, it arises in every Congress where bills are introduced to label farm goods. It arose in connection with the import beef crisis, and so on.

Mr. BALL. You are talking about the various labeling acts. These are not in the context of an international arrangement. I mean, these are unilateral actions which——

Senator CURTIS. I understand that. But here you are advocating a system requiring imports to show their origin, a matter that you say is for the economic well-being of the foreign producers.

Well, is it the position of the State Department to grant that same protection to domestic producers of agricultural products?

Mr. BALL. Well, all we are talking about here is trying to enforce an international arrangement, and in the absence of an international arrangement, it is a wholly different problem.

Senator CURTIS. No, you cannot limit the inquiry of this committee that way.

Mr. BALL. Let me answer your question then.

Senator CURTIS. We are responsible for tariffs, trade agreements, and the whole thing affecting the American economy, and I think it is a fair question to know if our State Department comes in and advocates certain protective measures for foreign producers, whether or not your position is that those same protective measures be granted to domestic producers of agricultural products, and my question is, Do you favor the labeling of imports with their country of origin for the benefit of domestic producers?

Mr. BALL. We have opposed, as a general rule we have opposed, labeling acts. Labeling acts are of a quite different matter from what we are concerned with here, and let me explain, if I may, why I say that.

The purpose of labeling acts, by and large, is to flag to the consumer—because most of them require that the label be such as to appear on the package that the consumer buys—that these are of foreign origin, and these are mostly in aid, I mean it is obviously in aid of the possibility of organizing consumer movements for a protectionist purpose.

We, in our experience, feel that this is not a useful or desirable thing, and we have taken this position consistently over the years. What we are talking about here is an entirely different matter.

Senator CURTIS. The objective of both is to restrict importation for the benefit of the producer, only the producer in one instance is a foreign producer.

Mr. BALL. Well, we are talking about the question of any kind of import limitation, whether it be by label or not, because the effect of one kind of label is to permit organized consumer resistance. The effect of another is to be able to advise an international council, give it the information that will enable it to carry out an international agreement. They are quite separate things.

Senator CURTIS. Well, I do not think so; I do not think so. It is the producing groups that advocate the labeling of the country of origin. Now, they may appeal to consumers for assistance, but the economics of it are identical.

Mr. BALL. We are not trying to protect the foreign producer from the competition of the American producers, whereas the purpose of labeling acts is to protect the American products from the competition of the foreign producers. They are very different in objective.

Senator CURTIS. Who are you going to protect in this?

Mr. BALL. What we are trying to do is to bring about some stability in markets which will be beneficial to everybody, including the American consumer, including the American coffee industry, and you will find that this bill—and the agreement—are generally supported by the coffee industry in the United States.

This is an attempt to bring stability into an industry that has been racked by chaotic price conditions over a long period. These created not only economic but political disruption.

Senator CURTIS. I am in sympathy with that. I think if the foreign producers of coffee have an extremely low price that some reasonable arrangement to raise that price—that the seller of agricultural commodities would have something to say about that price is sound.

But I do object to the State Department granting a measure of protection establishing a policy which we do not grant to the domestic producers.

Mr. BALL. It seems to me, Senator Curtis, that the considerations are wholly different, because what we are trying to do, as far as the foreign coffee producer is concerned, is not to give him the kind of protection from other competition which will enable him to raise the price to an artificial level, but simply to give him some stability.

The intention of most of the labeling acts is to discourage foreign imports in order to give the American producer a larger share of the domestic market.

Senator CURTIS. They have identically the same objectives.

Mr. BALL. The objective of one is stability, and the objective of the other is protection.

Senator CURTIS. No, it is stability, because one would build a domestic industry to a strength that would enhance its price, yes, but also make it so that it would not have the peaks and valleys, and work to the interest of the consumer in the long run, and the other one would be to do it for the foreign producers.

I think that philosophically your position, the position of the State Department, here today is diametrically opposed to all of the trade agreement proposals that you have ever brought in here.

Mr. BALL. I could not accept that, Senator, quite frankly. I think it is totally consistent with the idea of liberalization of the trade, on the one hand, and the effort to bring some price stability into markets on the other hand.

Senator CURTIS. Well now, could a potential purchaser in this country contact a producer in another country and negotiate a contract for the importation of coffee irrespective of this whole arrangement?

Mr. BALL. Well, he certainly—this is exactly the way it works. I mean, normal trade goes on exactly as it always has.

Senator CURTIS. But it has to conform to this arrangement.

Mr. BALL. The producing country agrees to limit its exports in accordance with quotas that are fixed by the International Council. But as far as the United States is concerned, all we do is require certificates or origin so that the Coffee Council will be advised if the quotas are being exceeded by any producer.

Senator CURTIS. All right.

Suppose a country limits their exports, and their export quota is all parceled out. Can a U.S. purchaser go to another person in that same country and buy some more coffee?

Mr. BALL. Not if the quota is exhausted. If the quota is not exhausted, he can.

Senator CURTIS. That is right. This is a trade barrier, not a liberalization of trade. You know that, do you not?

Mr. BALL. It is a matter of the purpose for which it is employed. In the one case, as I say, it is employed for the protection of one industry against competition. In the other case it is employed for the purpose of bringing some kind of price stability in the world market.

Senator CURTIS. Well, they are inseparable. Price stability in the world market, I think, that generally accepted term would be a good thing for the producers of any item. I do not think you made a distinction there at all, but that is all, Mr. Chairman.

The CHAIRMAN. Senator Talmadge.

Senator TALMADGE. No questions.

The CHAIRMAN. Senator Morton.

Senator MORTON. I will yield to Senator Dirksen who has a point he would like to clear up.

The CHAIRMAN. Senator Dirksen.

Senator DIRKSEN. Mr. Secretary——

Mr. BALL. Yes, sir.

Senator DIRKSEN. Is it true that a 1-cent increase in the price of coffee will burden the American consumer to the extent of $32½ million?

Mr. BALL. Yes. I am told it is approximately right, Senator Dirksen.

Senator DIRKSEN. Is it true that since 1962 there has been an increase in coffee prices of 11.78 on the New York spot market, which would be about 14 cents retail?

Mr. BALL. That is about right, sir.

Senator DIRKSEN. That would put a burden or did put a burden on the American people in round figures of $350 million.

Mr. BALL. That would be about the effect; yes.

(The following was subsequently submitted by the State Department:)

The foregoing figure should be corrected. Data for 11 months indicate that U.S. imports of coffee in the year 1964 exceeded those for the years 1963 and 1962 by approximately $280 and $210 millions, respectively. The net drain on the U.S. balance of payments was considerably less inasmuch as countries exporting coffee spent a substantial amount of their coffee earnings for purchases of U.S. goods and services.

Senator DIRKSEN. Now, if perchance as a result of the coffee treaty and the implementing legislation, they manage to get another increase of, say, 10 cents a pound overall, that would be an additional burden of roughly $325 million.

Mr. BALL. Yes. But I think that at some point you would get a fall in consumption because there is some price flexibility of demand here.

Senator DIRKSEN. Now, alluding to a point raised by Senator Douglas, I see from one of the dispatches from Rio that the Africans evidently are going to support Brazil in whatever position she may take and that, as a matter of fact, the Minister of Agriculture from Uganda actually did go to Brazil, so that is an operation between one government and another in the producing area.

Mr. BALL. I think we can expect, Senator Dirksen, that the producing countries will do their best to get together just as the consuming countries will attempt to protect their interests in this matter.

Senator DIRKSEN. I note also in one of the Latin American letters that African producers actually did meet on the sixth day of January of this year and have come to an informal agreement to make their own quotas and to keep 20 percent of the crop off the market. Has that come to your attention?

Mr. JACOBSON. Senator, our understanding is that they made such a decision. They did this against a background of very heavy shipments of African coffees and very heavy production, so much so that within this coffee year, which began on October 1, the price of African coffees has dropped from approximately 35 cents a pound to a low of something like 25 cents a pound.

The Africans then decided if they kept up their cutthroat sales, fully exploited their sales, their quota sales, and in addition violated—to use a blunt word—violated their export quotas, they faced a further collapse of coffee prices.

So they joined together to try to bring some order into their marketing policies. I think that is the reference to the meeting of January 6.

Senator DIRKSEN. I take it from the staff data sheet that the quotas in December of 1964 were actually 1,300,000 bags smaller than in June of 1964, notwithstanding the fact that coffee consumption obviously had to go up.

Mr. JACOBSON. Senator, the quota which we set in December after canceling out the 500,000 bags that we could have obtained was approximately 47½ million bags, contrasted with the quota at its maximum in the prior year of 48.8 million bags, a reduction of roughly 1.3 million.

Now, we must remember that in that prior year, the year just passed, we had raised the quota actually from 45.7 to 48.8 million bags of coffee, much more than we anticipated the increase in consumption to be, but to allow for a great big increase in inventories as buyers scurried in the market to get fresh coffee in the light of the Brazilian frost, and then the drought.

Now, having built up these inventories, with consumption having shrunk a little bit in the United States in the past coffee year because of the increase in price, the producers felt that the market could not absorb, and we agreed with them, the same amount of 48.8 million bags of coffee because inventories were heavy, and this is one of the reasons, in fact, why buying has been relatively light this year. So we adjusted the quotas downward to reflect our honest anticipations of what the market could absorb.

As I indicated, I believe to Senator Douglas before, the actual record of exports this year shows that exports will indeed be running at less than the figure of 47½ million bags of coffee, and it is this which has prompted the producers to get together, in Paris most recently, and to suggest a further cut in quotas. As I indicated, we are looking that matter over and have taken no decision on it whatsoever.

Senator DIRKSEN. Do you agree that the only way to stabilize prices, and certainly the only way to keep them in due bounds from the standpoint of the American consumer, would be to enlarge the quotas. Is there any other way to do it?

Mr. JACOBSON. Taking the swings with the roundabouts, there is absolutely no doubt about it.

Senator DIRKSEN. Yes.

Mr. JACOBSON. No doubt about it.

Senator DIRKSEN. So it is a question of quotas.

Now, all this suggests a foundation for one thing. When we considered this matter last year, the committee adopted an amendment I offered as a substitute for section 4 of last year's measure. That gave Congress some measure of control, and I thought they should have some control.

Now, the point was made that probably this was an infringement of an executive power and violated our general concept of the separation of executive and legislative powers.

Mr. BALL. That is right.

Senator DIRKSEN. So the bill that is before us now contains State Department language which begins with words "It is the sense of Congress."

Mr. BALL. That is right, Senator Dirksen. This was an attempt to meet a constitutional objection which had been raised.

Senator DIRKSEN. Yes.

Now, we discovered, of course, in the memorandum that the Department of Justice delivered to Congress with respect to the Russian wheat shipments that if the Congress actually wanted to be in control it would have said so. But having used the language in the

Agricultural Act of 1961 that it was "the sense of Congress," therefore, it had no validity and no real effect and, in consequence, it was ignored.

Now, that language as submitted by the State Department bothers me.

I could go along with the bill, I went along with it last year, I could go along with the bill, if in section 2, and if you have got the bill before you——

Mr. BALL. Yes, I do have it before me.

Senator DIRKSEN. You would preserve the first part of the language as it came up, so that it would read:

"On and after the entry into force of the International Coffee Agreement, 1962, and for such period prior to October 1, 1968, as the agreement remains in effect," and then add this language "or until the Congress by concurrent resolution determines that an unwarranted increase in the price of coffee has occurred," and then go on with the language of the bill.

If you can fix a limit on the executive power, and October 1, 1968, by legislation under this treaty, I know of no reason why by the same legislation, using a concurrent resolution that the President does not have to sign, you are still within this separation of those powers, and it does give the Congress some control over this matter.

Mr. BALL. I would want to discuss this language with the Department of Justice, Senator Dirksen. This would, in effect, give the Congress the right to terminate the agreement without executive consent, as I understand it, because a concurrent resolution, of course, would not require the President's signature.

Senator DIRKSEN. Well, it determines that an unwarranted increase in the price of coffee has occurred and then, of course, the President acts on that finding, but we do not put in other hobbles or restrictions on the President.

Mr. BALL. Well, I would want to consult the Department of Justice. I am anxious to find a solution to this problem that will meet the concerns of Congress and, at the same time, does not create constitutional problems, and we will certainly be prepared to discuss this or see if we can find an alternative with the Department of Justice—is there anybody here from Justice?

Senator DIRKSEN. I may say for myself, and I think for the committee, that we are all seeking to find a solution.

Mr. BALL. Surely.

Senator DIRKSEN. And, at the same time, repose some measure of authority in the Congress if these prices get out of hand.

Mr. BALL. Right.

Senator DIRKSEN. And there can be no question from what is going on at the present time, such as setting up a cartel in Africa to hold coffee off the market to raise prices, and I understand something of the same nature was going on in Latin America. Now, the Congress, I believe, would be remiss in its legislative duty if it did not retain some measure of control. That is why this implementing legislation is giving me some difficulty.

Mr. BALL. Senator Dirksen, let me say we will endeavor to try to find a solution with your staff and the staff of the committee. But

I would want to have the advice of the Department of Justice on the constitutional issue.

Senator DIRKSEN. Thank you. But that is the principal interest, I think——

Mr. BALL. Surely.

Senator DIRKSEN (continuing). At the present time.

Mr. BALL. Yes.

Senator DIRKSEN. If we can find a solution, I do not believe——

Mr. BALL. It is certainly our intention to find such a solution.

Senator DIRKSEN. That is all, Mr. Chairman.

The CHAIRMAN. Any further questions? Senator Douglas?

Senator DOUGLAS. Mr. Chairman, I do not wish to inject again, but I hold in my hand, as was once remarked, the Wall Street Journal for this morning, and on page 2 there is this article:

> Representatives of 28 coffee-producing countries accounting for about 96 percent of world coffee exports voted in Paris to seek an immediate 5-percent reduction in annual export quotas within the framework of the International Coffee Organization. The group said this was "an urgent move to stabilize the world coffee market."

I would say that the word "stabilize" always has a peculiar connotation, producing countries always believing it should be stabilized at a higher level than that which presently exists. But to continue—

> Request for quota reduction is to be made at a February 1 meeting of the Executive Board of the International Coffee Council.

It goes on to say:

> The results of the Paris meeting were released through the New York office of the World Coffee Information Center. Producer meetings were held under the auspices of the French-speaking producing countries in Africa. Brazil, too, is strongly urging a tightening in world export quotas reflecting producer dissatisfaction with current market levels. Dealers at New York estimated that a 5-percent reduction in the basic annual quotas set up under the Coffee Act would amount to 2 million bags.

I made some rough computations, indicating that the elasticity of the demand for coffee is not greater than 0.5, maybe less than that, and this would mean, a 5-percent reduction would cause, a 10-percent increase in price per pound, which would mean an increase of 4½ cents roughly per pound which, as my colleague has said, would mean an increase roughly of around $140 million a year.

Now, we are in a very peculiar situation where you have a cartel within a cartel, and the producing countries can reject the quota established by the agreement, as a whole, fix a smaller quota than that agreed on under these conditions, and refuse to grant licenses to anyone who exported greater quantities than these. Would we then be bound to respect the export licenses granted by these nations and to refuse to handle coffee which was not so licensed?

Mr. BALL. I think it would probably become fully apparent only at the end of the coffee year because we would have to see whether they actually shipped up to their quota or not.

Senator DOUGLAS. But if they did not?

Mr. BALL. If they did not, then it would become an element in the fixing of the quota in the following year, which is the point where the leverage in the consuming countries is the greatest.

Senator DIRKSEN. Would my colleague yield?

Senator DOUGLAS. Yes.

Senator DIRKSEN. I would suppose in the jargon of the market, we would call it hot coffee.

Senator DOUGLAS. Yes. We like hot coffee rather than cold coffee.

Mr. BALL. Senator Douglas, I would just like to say we have no intention of agreeing to a 5-percent increase——

Senator DOUGLAS. Five-percent reduction.

Mr. BALL. Five-percent reduction in quotas; but I think you would normally expect that the consuming countries would try to get together to coordinate a policy to urge in the fixing and adjustment of the quotas——

Senator DOUGLAS. You are going to face this now very soon.

Mr. BALL. I beg your pardon?

Senator DOUGLAS. You are going to face this in just a few days.

Mr. BALL. And the consuming countries should do the same thing. I mean we have an interest to protect as they have one, and the balance of these interests is what makes this agreement operate.

Senator DOUGLAS. You are not alarmed by article 28 of the——

Mr. BALL. Article 28 simply requires——

Senator DOUGLAS (continuing). Of the agreement which provides, the second paragraph:

> During the last 6 months of the coffee year, the Council shall review the basic export quotas specified in annex A in order to adjust to general market conditions. The Council may then revise such quotas by a distributed majority vote and then—

And this is what disturbed me, and I should have brought it up before—

> if not revised, the basic export quotas specified in annex A shall remain in effect.

Mr. JACOBSON. Senator, I am sorry there is considerable confusion on this point, for which we in the past with respect to descriptions of the basic quota, have been, in part, responsible.

The basic quota does not determine the annual quota in any manner whatsoever. The basic quota merely determines the distribution of the total quota amongst the various countries. So that this possible revision of basic quotas which may occur in the latter part of this year, merely provides that within the annual quota which we will set next year, Brazil may get more or less, the Africans may get more or less, Colombia may get more or less, but this does not run in any way to the total of the quotas which may be set.

Senator DOUGLAS. Wait a minute. I always thought the whole consisted of the sum of its parts.

Mr. BALL. The whole does.

Senator DOUGLAS. If you diminish each one of the parts, do you not diminish the total?

Mr. BALL. If you diminish one part you increase another.

Senator DOUGLAS. You mean these annex A are merely fractions of the total?

Mr. BALL. That is right.

Senator DOUGLAS. Not absolutely quantities.

Mr. BALL. They determine the percentage distribution of the quota among the consuming countries.

Senator DOUGLAS. Do the producing countries agree to this?

Mr. BALL. Oh, yes.

Mr. JACOBSON. Oh, yes.

Mr. BALL. So again on the question of this 5 percent, what has happened is that they have asked for a meeting of the board the first of February.

Now, the only action that the board could take here would be to recommend to the Council that it meet at an early date. The Council would meet, the producing countries would make a proposal for a 5-percent reduction in quota. As I say, it is the intention certainly of our side to object to any reduction of that dimension, and we have the votes to stop it.

Senator DOUGLAS. I thought you could stop a reduction in quota.

Mr. BALL. Yes, we have the votes to do it.

Senator DOUGLAS. What I have been afraid of is that you could not get an increase in the quota, that is what I have been afraid of.

Mr. BALL. Well, you see the point of most effective leverage is at the beginning of the coffee year, and if there is consistent refusal to grant an increase, the sanction that we have is to refuse to agree to any quota at all, at the beginning of the following coffee year.

Senator DOUGLAS. I have pursued this point probably long enough, but it is crucial.

Mr. BALL. I would agree it is a matter of great importance.

The CHAIRMAN. Is that all? Senator Morton.

Senator MORTON. Mr. Secretary, there is nothing in this agreement from the standpoint of the consuming group that requires them to take the entire quota. The law of supply and demand still operates. An importer brings in coffee because he thinks he can sell it.

Mr. BALL. Any consuming country only buys what it needs.

Senator MORTON. Yes. And if, as appears to be the case, in this coffee year the Brazilian exporters, because of extra activity from Africa, find they can only sell 16 million bags instead of 18 million bags, they are only going to sell 16 million bags because that will be the amount of demand.

Mr. BALL. That is right.

Senator MORTON. If we take the average for the last 15 years, and throw out 1954, whatever it was, we still find the levels today below the 15-year average.

Mr. BALL. Substantially below the 15-year average, even including 1954.

Senator MORTON. Perhaps it is a good year to stabilize when we find our current level is substantially less than the 15-year average.

Mr. BALL. It is our view that a range of 40 to 45 cents is about right.

Senator MORTON. As a result of the vicissitudes of nature and also, perhaps, some degree of shortsightedness on the part of certain exporters in the 1954 period, we did see a reduction of nearly 20 percent per capita in the consumption of coffee in this country, did we not?

Mr. BALL. That is right.

Senator MORTON. It seems this lesson is not so long ago that it is not remembered by many of the coffee exporters.

Mr. BALL. Well, there is still great utility in the law of supply and demand.

Senator MORTON. So that even though there may be no direct substitute for coffee, there are products, tea or others, that might be put into the American diet in place of coffee.

Now, since the Congress did not take action on the so-called implementing legislation last year, what is the situation in regard to the machinery for the carrying out of the agreement? Do we have certificates of origin?

Mr. BALL. On a voluntary basis. We have tried to get them in order to help the Coffee Council as much as we could. But it is not a very satisfactory arrangement because we are not in position where we can require them, and this has been merely an action that the Customs Bureau has taken at the request of the other departments in order to try to be helpful. But——

Senator MORTON. Has this action been taken by the other importing countries as well?

Mr. BALL. I think we are the only importing country that does not have implementing legislation and is not proceeding on a required basis.

Senator DIRKSEN. May I ask a question?

Senator MORTON. Yes.

Senator DIRKSEN. Mr. Jacobson, we get so many figures on coffee inventory; I think the last I have seen is that the world inventory would be roughly 72 million bags, of which 18 million have deteriorated to the point where they are not suitable for market. That would leave 54 million.

I wonder if you can get an inventory figure not only for the United States but for the world as well and submit it for the record?

Mr. JACOBSON. We will try to do that, sir.

(The information referred to follows:)

The U.S. Department of Agriculture has provided the following information on world coffee stocks:

1. World coffee stocks held by producing and consuming countries at the end of September 1964 are estimated to be at about 72 million bags.

2. Of this amount, stocks in consumer countries are estimated to be at about 12 million bags.

3. Of the stocks in producing countries, the overwhelming proportion, about 46.5 million bags, are estimated to be held in Brazil.

4. Of these large Brazilian stocks, a considerable quantity were accumulated over a long period and have deteriorated to the point that they have little commercial value.

5. However, information available to the Department of Agriculture indicates that about 23 million bags of Brazilian stocks may be exportable but only about 5 million bags of these are so-called greenish coffee of the kind that U.S. roasters generally prefer.

6. With respect to the 1964–65 crop, reduced to only 10 million bags by the natural disasters in Brazil, about 8 million bags are believed to be suitable for export. Brazil should be able to meet its domestic coffee needs from the very large reserves of coffee not suitable for export.

7. By the end of the coffee year 1964–65 (Sept. 30, 1965), it is expected that stocks will have been reduced from the 72-million-bag level cited above to about 60 million bags. This will largely reflect the substantial drawdown in Brazil's stocks since her small crop new crop will be inadequate to cover domestic and export requirements. The estimated 60 million bags does not make allowance for destruction of old stocks which Brazil may elect to carry out.

8. It is notably difficult to estimate stocks in producing countries. The Brazilian Coffee Institute frequently alters estimates of stocks as it obtains fuller information about the true volume of its stocks.

Department of Commerce statistics on U.S. stocks show the following:

U.S. green coffee inventories

[Thousand bags]

March 1962	3,029
June 1962	3,050
September 1962	3,376
December 1962	3,964
March 1963	3,518
June 1963	3,435
September 1963	4,008
December 1963	4,726
March 1964	4,866
June 1964	4,216
September 1964	4,006
December	(1)

[1] Not available

Senator MORTON. I have no further questions.

The CHAIRMAN. Thank you very much, Mr. Ball.

The next witness is Edward Gilmore, Bureau of Customs.

STATEMENT OF EDWARD GILMORE, ASSISTANT TO THE CHIEF COUNSEL, BUREAU OF CUSTOMS, ACCOMPANIED BY DARRELL KAST

Mr. GILMORE. Mr. Chairman, I am Edward Gilmore of the Bureau of Customs, assistant to the Chief Counsel. I have a brief statement that I wish to read on behalf of the Treasury.

I also have Mr. Kast who is our technical expert in this field in the event you have questions.

The CHAIRMAN. You may proceed, sir.

Mr. GILMORE. Thank you.

Mr. Chairman, section 2 of S. 701, with which the Bureau of Customs is concerned, would authorize the President to regulate the entry for consumption or withdrawal from warehouse for consumption of coffee imported into the United States, including the limitation on the entry or withdrawal from warehouse of coffee imported from nonmembers of the agreement, and the prohibition of entry of any shipments from a member country which is not accompanied by a certificate of origin or a certificate of reexport in the prescribed form.

This section would also authorize the President to require that every export or reexport of coffee from the United States be accompanied by a certificate of reexport in the form required under the agreement.

If the draft legislation is enacted, the Bureau of Customs will collect certificates of origin or reexport covering shipments of coffee imported into the United States and forward them to the International Coffee Organization in London, and will issue certificates of reexport for coffee exported from the United States.

In the event limitations are placed on imports of coffee from nonmember countries at some future time, the Bureau of Customs would also administer the quotas that would be established for nonmember countries.

The Department does not anticipate any unusual administrative difficulties under the proposed legislation, and has no objection to its enactment.

Thank you.

The CHAIRMAN. Thank you for appearing.

The CHAIRMAN. Our next witness is the Honorable Hiram L. Fong, U.S. Senator from Hawaii. Have a seat, Senator Fong.

STATEMENT OF HON. HIRAM L. FONG, U.S. SENATOR FROM HAWAII

Senator FONG. Thank you, Mr. Chairman.

I support the enactment of S. 701, a bill which is designed to carry out the obligations of the United States under the International Coffee Agreement of 1962. Though the underlying purpose of the agreement of 1962 is to stabilize the world's coffee price, the bill pending before your committee has adequate safeguards to protect the American consumers.

In the 1964 session, I supported the International Coffee Agreement of 1964 for similar reasons. This legislation with an amendment proposed by Senator Dirksen was passed by the Senate. But it did not pass the House.

In the 1963 session, I supported the International Coffee Agreement, which was ratified by the Senate on May 21, 1963, on the ground that it would stabilize the world's coffee price fluctuations. On December 27, 1963, the United States deposited its instrument of ratification and thereby became a member of the International Coffee Organization. The pending bill provides authority enabling the United States full participation under the coffee agreement.

I noted that the agreement has been of benefit to bring some stability to world's coffee prices within a year without any participation on the part of the United States. In the summer of 1963, there was a sudden rise in the coffee price which caused great concern among the American consumers. This was due to the frost which hit Brazil in August 1963, coupled with the worst drought of the century cutting Brazil to one-quarter of its normal output. But a responsible action under the coffee agreement helped to stabilize the coffee price by increasing the export quotas.

I come from a State which is the only one of our 50 States that grows and exports coffee. I know what the stabilization of world's coffee price will mean to our coffee industry. In volume, Hawaii's Kona coffee represents much less than 1 percent of world production. It has little if any impact on world coffee prices.

But world prices have a tremendous impact on Kona coffee prices. History shows that as world coffee prices go, so goes the price of Hawaii's Kona coffee. Price in 1963 was 27.9 cents per pound when the world's price was lowest in 14 years. With the stabilization, current parchment prices range from 32 to 34 cents per pound.

During the drastic coffee price decline of 1959–63, Kona coffee farmers suffered real hardship. From a high of $6.5 million for the 1958 crop, the Kona industry fell to a low of $1.7 million in 1963. The production dropped from a high 5-year average of 1958–62 of 11,746,000 pounds parchment to 6,651,000 pounds in 1963 crop year. The number of coffee growers in Hawaii also declined. From 1,128 farmers in 1960, the number was reduced to 795 in 1963. The acreage decreased from 5,800 acres in 1960 to 5,080 in 1963.

I am of firm belief that safeguards to protect the American consumers against price gouging must be provided. I am satisfied that the pending bill does have that protection in section 4 which spells out the sense of the Congress that if unwarranted increase in the price of coffee occurs, the President or Congress has the authority to take corrective action.

Therefore, I am willing to give the International Coffee Agreement of 1965 an opportunity to work under S. 701 the pending coffee agreement bill before the committee today.

The CHAIRMAN. Thank you very much for your appearance, Senator Fong.

The CHAIRMAN. I see in the audience Mr. John F. McKiernan, president of the National Coffee Association of the United States, who was scheduled to testify tomorrow. Mr. McKiernan, would you consider making your statement today?

Mr. MCKIERNAN. Thank you, sir. If you prefer it that way, Senator Byrd, I will be glad to do it. It will take me 7 minutes to present it.

STATEMENT OF JOHN F. McKIERNAN, PRESIDENT, NATIONAL COFFEE ASSOCIATION

Mr. MCKIERNAN. My name is John F. McKiernan, and I am president of the National Coffee Association of the United States of America which maintains offices in New York City.

On behalf of my fellow officers and the association's board of directors, I would like to express to this committee our appreciation for this opportunity to record the National Coffee Association's views on the enactment of enabling legislation. I am advised that the bill before you now is essentially the same as H.R. 8864 which was considered by the Senate last year. The only changes reportedly are in sections 2 and 4.

Senator Byrd, I would like to state that the chairman of our association, Mr. Charles Duncan, president of Duncan Coffee Co., of Houston, Tex., and our vice president, Mr. S. Israel of Leon Israel and Co., of New Orleans, and Mr. George McEvoy, executive vice president of Aron & Co. of New York, had hoped to be here, but this session was called on brief notice, and they regret that they just could not get here today.

The National Coffee Association is a nonprofit trade association whose principal members are companies engaged in the importing, roasting, and distributing of coffee. The association is now in its 54th year of service to the U.S. coffee industry. Our members represent about 85 percent of the total tonnage of coffee consumed in this country, valued at approximately $1 billion.

The constitution and bylaws of the association include a statement of its objectives and purposes. A copy of these will be affixed to my statement.

The National Coffee Association is on record as supporting the International Coffee Agreement. It is also on record in support of the enabling legislation for the agreement. Last February 27, I was a witness before this Senate Committee on Finance which was then holding hearings on the original enabling legislation bill.

At that time I stated that the National Coffee Association believes that the coffee agreement, properly and fairly administered, can serve a useful purpose for consuming countries as well as producing countries by bringing stability to the world coffee market.

I also stated here last February 27 the belief that Congress should enact the necessary enabling legislation. The United States is a member of the International Coffee Agreement. By participating fully in the agreement we can protect this country's best interests by being in a position to (1) assure adequate supplies of coffee; (2) monitor export quotas, and (3) prevent inequitable practices in the world coffee trade.

Gentlemen, the National Coffee Association has not changed its position from the one which I spelled out here last February. We have always been in favor of fair prices to producers. We do not wish to see price declines jeopardize the meritorious objectives of the Alliance for Progress. But we are first and foremost determined to protect the interests of U.S. coffee consumers and the U.S. coffee industry.

We believe that present total export quotas—namely, 47,500,000 bags—are adequate and not detrimental to either the consuming or producing nations. We see no reason for changing them. Inventories of stocks in the United States as of last December 31 also appear to be adequate.

As you know, various circumstances affect coffee inventories. The threat of crop shortages due to adverse weather conditions or the threat of dock strikes are notable examples. In recent years we had both of these. And we are having a dock strike at this very moment. Hence, while our present inventory of green coffee may appear sufficient, in our opinion it could be rapidly dissipated if the dock strike continues.

Let me emphasize for the record that the National Coffee Association is opposed to inordinate increases in green coffee prices. The interests of the U.S. coffee trade are directly and inseparably linked with the interests of the consumers whom it serves.

We are, therefore, deeply concerned with the welfare of consumers. Experience has taught us that when prices rise to abnormal levels, the volume of coffee imports plunges.

When the Executive Board of the International Coffee Organization was in session in London last July, we stated that the International Coffee Council should set export quotas which would make sufficient coffee available to meet world requirements without forcing prices to higher levels. Commenting on published articles which predicted higher consumer prices later in the year, we said—and here I am quoting verbatim:

> Unreasonable prices can be avoided by a careful study of markets and world requirements at the Council's meeting * * *.

We also stated that the U.S. coffee industry does not want to see higher prices any more than the housewife does. And we pointed out that the record high prices of 1954 resulted in a decline of nearly 19 percent in U.S. green coffee imports and that we had not yet regained that loss in terms of per capita consumption.

The fact of the matter, gentlemen, is that the trend of per capita consumption of coffee in this country is down. And this trend was the principal basis for the presentations given before the National Coffee Association's 54th Annual Convention just last week. The reasons for a declining per capita consumption can vary. They can, for instance, include inadequate promotion and advertising. But high green coffee prices, which would inevitably lead to higher retail prices, would certainly not help to check or reverse a downward drift in consumption.

In November of 1963, the association issued another press statement while I was in London attending meetings of the Executive Board of the International Coffee Organization. At that time, I stated that the association's principal concern with respect to the coffee agreement was that the U.S. consumers be protected against unjustifiably high prices.

One further piece of evidence of the association's position with respect to unwarranted increases in coffee prices is in the Congressional Record of October 3, 1962. The Record quoted a letter from Assistant Secretary of State Frederick Dutton to Congresswoman Leonor Sullivan which contained the following statement:

> The Advisory Committee appointed by the National Coffee Association to work with the State Department during the negotiations for the coffee agreement has, of course, always maintained that the U.S. consumer must be protected in any coffee agreement.

It is true that green coffee prices experienced a considerable firming between August of 1963 and March of 1964. But it is also true that the average price for the principal coffee growths has declined since March of 1964.

On February 12 of last year, the International Coffee Council agreed to make available to the world coffee market approximately 2,300,000 bags of coffee more than the established export quotas for the coffee year 1963–64. This action was taken at the instigation of the U.S. delegation. And it followed one month after a National Coffee Association press release reported that we had proposed to our Government that it take swift action to obtain substantial increases in quotas.

I cite this as an example of how the coffee agreement can be useful to consuming nation members during a period of price firmness. In a period when crop shortages—or even anticipation of such—can cause prices to rise on the world market, it is better to have an International Coffee Agreement than not to have one.

With an agreement, we have an international forum and a formal instrument for the negotiation of measures to ease an upward pressure on prices. But without an agreement, we have no such opportunity to protect ourselves against a price spiral.

In conclusion, gentlemen, the National Coffee Association, representing the U.S. coffee industry, is convinced that this measure before you today should become law. If it does, it will help the U.S. coffee trade to fulfill its responsibilities to the people who, in the long run, will determine whether our trade will flourish or languish—the U.S. coffee consumers.

We respectfully recommend, therefore, that you vote to refer this enabling legislation favorably to the Senate at large. And we thank you sincerely for giving us this opportunity to present our views.

The CHAIRMAN. Thank you very much. Any questions?

Senator DOUGLAS. Sir, I would like to ask this question: Do I understand the purport of your testimony to be that you face a producers' cartel under any conditions, and that it is better to have this agreement in which a considerable degree of power is given to the consuming countries rather than not to have it, is that right?

Mr. MCKIERNAN. Yes, Senator Douglas, that is correct, the treaty is in effect.

Senator DOUGLAS. And that this advantage is sufficient so that you are willing to give enforcing powers to the consuming countries? This would not be present under a producers' cartel.

Mr. MCKIERNAN. I think this agreement can be improved and, at the end of the fifth year, I hope that it will be.

I do think, however, that we have sufficient protection here for the consumer. As Secretary Ball said, we only need one other vote with us to prevent anything from becoming action, effective action.

Senator DOUGLAS. Are you alarmed at all by this material which some of us put in the record this morning indicating that the producing countries wish to operate on their own and actually decrease their exports below the quotas fixed in the agreement?

Mr. MCKIERNAN, Yes, sir; I am, very much so. I hope to attend the meeting in London next Monday to protect and observe and to protect the best interests of our industry here and our consumers. I cannot see any reason for a reduction of 5 percent in quotas.

Senator DOUGLAS. You agree with me that this was probably meant—would probably mean an increase of about 10 cents per pound at a minimum?

Mr. MCKIERNAN. Senator Douglas, I would hesitate——

Senator DOUGLAS. Approximately 10 percent or 4½, 5 cents a pound.

Mr. MCKIERNAN. I would not know. It depends on so many things.

Senator DOUGLAS. I mean, that it is a rough estimate.

Mr. MCKIERNAN. Obviously when you reduce your availability you tend to increase your price.

Senator DOUGLAS. Assuming the elasticity of demand is only 0.5. This would mean roughly a 10-percent increase in price per pound.

Mr. MCKIERNAN. I could not actually answer this.

Senator DOUGLAS. It could be a considerable increase.

Mr. MCKIERNAN. It would certainly be a way to propel prices upward.

Senator DOUGLAS. Yes.

Mr. MCKIERNAN. How high they would go I do not know. But it would certainly not depress prices. It would increase prices. But too many issues would enter into where it would go pricewise.

Senator DOUGLAS. Do you think the agreement as a whole can restrain a producers' cartel?

Mr. MCKIERNAN. I think so. I am satisfied that the consuming nations can.

I can assure you, Senator Douglas, that the American coffee industry will take a very dim view of this if we cannot. We will come back to you and the other gentlemen in Congress and protest very bitterly if it does not work properly.

Senator DOUGLAS. Suppose in the meantime we pass the enabling legislation.

Mr. McKiernan. Well, the enabling legislation—let me go back, if I may, Senator. We are new members of the agreement, so all we are doing now is carrying out some of the internal functions that we, as a member, should perform. I think we should have enabling legislation; yes, sir.

Senator Douglas. That is all.

The Chairman. Thank you very much, sir.

Mr. McKiernan. Thank you.

The Chairman. I place in the record a letter from Mr. Robert E. Giles expressing the endorsement of the bill S. 701, by the Commerce Department. Also I place in the record a telegram from Mrs. Robert J. Stuart, president of the League of Women Voters of the United States, favoring the bill.

(The letter and telegram follow:)

General Counsel of the Department of Commerce
Washington, D.C., January 27, 1965.

Hon. Harry F. Byrd,
Chairman, Committee on Finance,
U.S. Senate, Washington, D.C.

Dear Mr. Chairman: This is in reply to your request for the views of this Department on a draft bill [1] to carry out the obligations of the United States under the International Coffee Agreement, 1962, signed at New York on September 28, 1962, and for other purposes, which was submitted to your committee on January 26, 1965, by the Department of State and which we understand will be introduced shortly.

Implementing legislation is necessary in order to enable the United States to carry out certain of its obligations under the International Coffee Agreement. The 88th Congress considered implementing legislation, H.R. 8864, but adjourned without completing action on it. The subject draft bill is intended to provide the necessary legislation. It is substantially the same as H.R. 8864, passed by the Senate on July 31, 1964, except that some changes in dates have been made to make the legislation current; section 4 has been reworded to avoid certain constitutional questions; and sections 5 and 6 each have a new sentence to emphasize the importance of protecting the interest of the U.S. consumer.

The Department of Commerce supports the purpose of the subject draft bill and we would favor its enactment.

We have been advised by the Bureau of the Budget that there would be no objection to the submission of our report from the standpoint of the administration's program.

Sincerely,

Robert E. Giles.

[Telegram]

Washington, D.C., *January 26, 1965.*

Hon. Harry Flood Byrd,
Chairman, Finance Committee,
New Saente Office Building, Washington, D.C.:

The League of Women Voters supports implementation of International Coffee Agreement as necessary short term supplement to efforts to promote self-sustaining growth in coffee-producing countries of Latin America and Africa. U.S. consumer is disadvantaged by President's lack of authority to put agreement into effect. Long term economic development programs of countries with economies based on one-product commodity are hindered by uncertainty of maintaining stable coffee prices. We urge your committee to act favorably on coffee agreement implementation.

Mrs. Robert J. Stuart,
President, League of Women Voters of the United States.

The Chairman. The committee will now adjourn.

(Whereupon, at 12:15 p.m., the committee was adjourned to reconvene subject to call of the Chair.)

[1] Introduced as S. 701.

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