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INTERNATIONAL COFFEE AGREEMENT

March 9, 1972.—Ordered to be printed

Mr. Long, from the Committee on Finance, submitted the following

REPORT

[To accompany H.R. 8293]

The Committee on Finance, to whom was referred the bill (H.R. 8293) to continue until the close of September 30, 1973, the International Coffee Agreement Act of 1968, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

PURPOSE

The purpose of H.R. 8293 is to continue to October 1, 1973, the authority of the President contained in the International Coffee Agreement Act of 1968, title III of Public Law 90-634, to carry out and enforce certain of the provisions of the International Coffee Agreement, 1968. That agreement, to which the Senate gave its advice and consent to ratification on June 28, 1968, and which the President ratified on July 10, 1968, expires on September 30, 1973. The current authority of title III of Public Law 90-634 expired on July 1, 1971.

This continuation of the President's authority under the International Coffee Agreement Act has been proposed by the President and requested by the Acting Secretary of State in a letter to the Congress dated May 3, 1971.

PRICE COMMITMENT

Generally speaking, the Coffee Agreement appears to have achieved reasonable stability in the coffee market. Before the Agreement the price of coffee fluctuated wildly in the international market. This "boom-or-bust" cycle not only worked against the interest of the producing nations, but also, at times, against the United States consumer. Since the Agreement in 1962, coffee prices have tended to stabilize as can be seen in Chart I.

There were strong upward pressures on price between 1963 and 1964 and later between 1970 and 1971 due primarily to crop damage in Brazil combined with decreased demand in consuming countries. These pressures abated after quota adjustments.

COFFEE - SPOT PRICES, NEW YORK, BY TYPES
POST-WAR-1946 ONWARDS

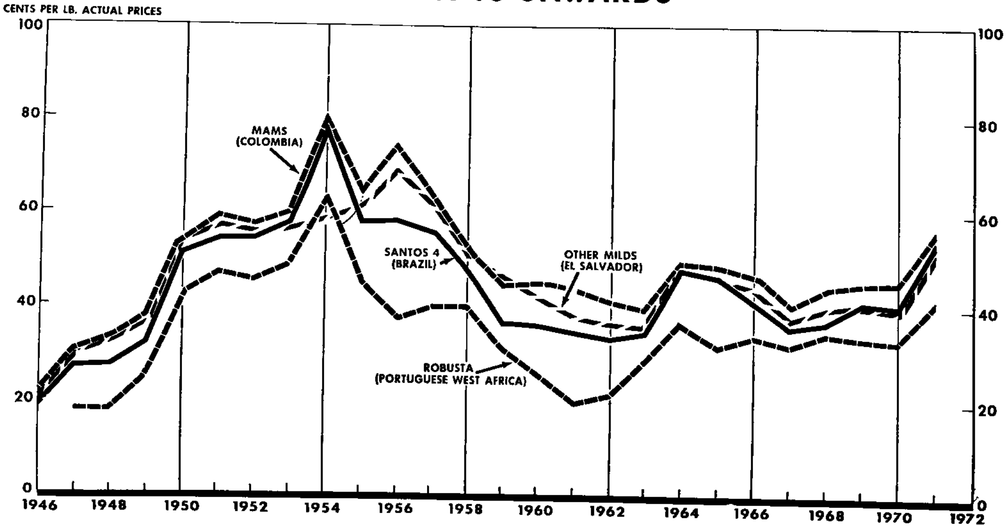

TABLE 1.—UNITED STATES: COFFEE PRICES—TRENDS IN CONSUMER PRICE INDEX, WITH COMPARISONS, 1953-1970

[1957-59=100]

	All goods and services	All foods	Coffee [1]	Tea	Cola	Milk
1953	93.2	95.6	105.5	80.7	84.0	94.1
1954	93.6	95.4	130.9	84.3	89.0	92.1
1955	93.3	94.0	109.9	98.6	90.0	92.3
1956	94.7	94.7	116.8	97.6	91.7	95.1
1957	98.0	97.8	114.0	99.0	95.9	98.4
1958	100.7	101.9	101.1	100.1	99.2	100.3
1959	101.5	100.3	84.9	100.9	105.0	101.3
1960	103.1	101.4	83.1	101.4	107.4	103.7
1961	104.2	102 6	81.6	101.9	111.0	104.0
1962	105.4	103.6	78.8	102.1	112.5	103.5
1963	106.7	105.1	77.4	102.9	118.6	103.0
1964	108.1	106.4	92.8	102.3	124.5	103.3
1965	109.9	108.8	94.8	100.7	125.8	102.8
1966	113.1	114.2	93.1	100.7	129.8	109.4
1967	116.3	115.2	88.4	100.5	137.8	113.8
1968	121.2	119.3	87.3	100.7	147.7	118.5
1969	127.2	125.5	87.5	101.8	155.3	121.8
1970	135.3	132.4	105.2	105.5	164.0	127.0
1971	141.1	136.4	107.7	108.1	173.5	130.4

[1] Excludes instant coffee, for which indexing began in 1962; since base year is 1962, these data are not strictly comparable with other data in this table.

Source: U.S. Department of Labor (Bureau of Labor Statistics).

However, the Committee is concerned over recent reports that coffee producers, who are members of the International Coffee Organization's Executive Board, have agreed among themselves to press for a 4 cent a pound increase in target prices around which the quota mechanisms are determined. Apparently, this price increase is sought primarily as compensation for reduced foreign exchange earnings from coffee sales in the European market as a result of the dollar devaluation, and also because of increased costs of importing European products in Latin America.

World prices, United States wholesale and retail prices have risen in 1970 and remained high in 1971. Accordingly, the Committee strongly believes that there is little justification for a price increase, and that United States consumers should not subsidize either European consumers or foreign producers. The Committee does not believe there is merit to the argument that the United States must make up for any decrease in the price of coffee sold in the European market ar any increase in the price of European manufacturers sold in the Latin American market. The Committee requested, and has received, written assurances from the State Department that this government will not agree to any price increases for coffee which are unreasonable and which relate in any way to the currency revaluations that have taken place. This commitment is printed below. Any breach of this commitment would heavily influence future decisions of the committee regarding continued United States participation in the Coffee Agreement.

DEPARTMENT OF STATE,
Washington, D.C., February 29, 1972.

Hon. RUSSELL B. LONG,
Chairman, Committee on Finance,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: In the light of the Committee's interest I wish to report to you about the proposal made recently by exporting members of the International Coffee Organization (ICO) and our opposition to that proposal.

At a meeting of the Executive Board of the ICO on February 22 the exporting members of the Board introduced a draft resolution to modify the quota-price arrangements for the current coffee year. The draft resolution proposed an increase of four cents per pound in the trigger prices which form the basis of the quota adjustment mechanisms. This was coupled with a recommendation to suspend the operation of the quota adjustment mechanisms until April 1. Although an increase in the trigger prices is not equivalent to a rise in coffee prices, an action of this type would tend to bolster prices. The exporting members advanced this proposal on the grounds that their export earnings had been adversely affected by the currency realignment in December.

We are opposed to a modification of the quota-price resolutions based on changes in currency parities. The United States representative on the Executive Board was accordingly instructed to oppose the exporting members' proposal. As a result the Executive Board did not agree to recommend the proposed increase.

I wish to assure you and the members of the Committee that we will continue to oppose any effort in the International Coffee Organization to change the quota-price provisions on account of shifts in currency parities or for any other unjustified reason.

Sincerely yours,

DAVID M. ABSHIRE,
Assistant Secretary for
Congressional Relations.

The Committee is also cognizant of the fact that some members of the Agreement (the so-called new members) actually pay substantially less for their coffee imports than does the United States. In effect, the United States coffee consumer is subsidizing the coffee drinkers in Japan, Russia, and other Eastern European countries who are importing coffee at substantially lower prices than the U.S. importer must pay. The Committee sees no reason for this "two tiered" price system to continue.

COMPREHENSIVE STUDY OF THE INTERNATIONAL COFFEE AGREEMENT

The Committee is also concerned about reports of monopolistic practices and inequities of the coffee trade. To evaluate these allegations, the Committee has directed its staff, with the cooperation of the Comptroller General, the United States Tariff Commission, and the

Federal Trade Commission, to commence a comprehensive study on the International Coffee Agreement. This study, which is expected to be completed by June 30, 1973, should examine the overall effects of the International Coffee Agreement on the consumer, the independent importers, brokers and dealers, the degree of competition within the coffee trade, shifts in production of soluble coffee, subsidies and rebates, alleged discrimination in the shipping trade, the effects of the agreement on the balance of trade and balance of payments of the United States and other effects of the Coffee Agreement. By completing this study almost four months before the enabling legislation provided by this act expires, the Congress can be properly informed before acting on future coffee legislation.

GENERAL STATEMENT

The act which H.R. 8293 would extend provides the necessary authority for the United States to require that valid certificates accompany coffee imports from any member of the International Coffee Organization and to limit coffee imports from countries that are not members of the agreement.

The International Coffee Agreement Act also provides the President with authority to impose special fees and other measures to offset discriminatory treatment by other governments in favor of the export or reexport of processed coffee. Such act further authorizes that certificates of origin or reexport for exports of coffee from the United States be required and that certain records, statistics, and other information be maintained. The act provides for an annual report to Congress by the President concerning the operation of the agreement.

The International Coffee Agreement Act also requires that should the President determine that there has been an unwarranted increase in the price of coffee, due in part or in whole to the agreement, he shall request the International Coffee Council and the executive board to take appropriate action. In the event the International Coffee Council fails to take corrective action to remedy the situation within a reasonable time after such request, the President is to submit to the Congress such recommendations as he may consider appropriate to correct the situation. Finally in the event of a complaint by any interested party that an exporting member of the agreement is discriminating against U.S. vessels, the act provides for a prompt investigation by the President followed by appropriate action in accordance with the Merchant Marine Act of 1920.

The committee recognizes that consumers as well as producers suffer from extreme fluctuations in prices which characterize trade in coffee prior to the establishment of the first International Coffee Agreement in 1962. As the world's most important coffee consuming country, importing over $1 billion worth of green coffee annually or about 38% of total world imports, the United States has a substantial interest in assuring an efficient supply of coffee at reasonable prices and avoiding the peaks in prices which sometimes have caused the retail price of coffee to rise to well over $1 per pound.

Instability of foreign exchange earnings from coffee can have an adverse effect on the development efforts of many of the less developed countries. These countries have been the beneficiaries of U.S. foreign aid assistance. In the early 1960's losses from the declining coffee prices offset development aid and frustrated our efforts to promote growth and stability in these countries. This situation was particularly apparent with regard to the nations in Latin America and Africa. It was for the purpose of stabilizing the price of coffee at a level fair to both producing countries and consuming countries that the United States joined with 52 other countries in the International Coffee Agreement of 1962. This agreement was designed to achieve price stability through the establishment of coffee export quotas for the producer countries which was renegotiated and extended as the International Coffee Agreement of 1968.

PRICES: RECENT RECORD

1968–1971: The record for prices for 1968–1971 is mixed. The average price of United States green coffee imports was held steady at between 33 and 34 cents a pound in 1968–1969 period, rose to 44 cents per pound in 1970 and fell back to 41 cents per pound in 1971. The severe upward pressure on price in 1970 was stimulated by the Brazilian frost and drought of July 1969. This increase in price caused the United States and other consuming countries to press in February 1970 for a readjustment of the quotas. The consumer proposal failed to win support of certain key producers and as a result no action was taken until August of 1970—over one year after the Brazilian frost and drought—when the quota mechanisms were finally adjusted. With the adjustment in the quota mechanism, prices have generally declined throughout 1971. (See tables 2, 3, 4 and 5.)

However, the retail price of coffee remains fairly high and has not followed the pattern of either import or wholesale prices. The average monthly price of coffee in pound cans was between 76 and 77 cents per pound between 1968 and 1969, but jumped sharply in 1970 to 91 cents a pound and again in 1971 to 93.4 cents per pound. Roasted coffee prices in bags also increased during this period but not as sharply as canned coffee. Instant coffee prices rose steadily throughout the period. Oddly enough, wholesale prices shown in Table 3 have exceeded retail prices shown in Table 4, over the past several years. The Committee is informed that "volume discounting" is responsible for this phenomena. The study requested by the Committee should shed further light on this apparent anomoly.

It should be noted that retail prices are influenced by a number of factors, only one of which is the price of green coffee. Such factors as labor, packaging, transport, advertising, and wholesale and retail markup are interposed between the raw material price and the price on the shelf. One would expect that because of additional costs and markup that retail prices would generally exceed wholesale prices. The Committee expects that the study it requests will examine whether monopolistic pricing policies are in any way responsible for the wide divergency between import, wholesale, and retail prices.

TABLE 2.—AVERAGE PRICE OF U.S. GREEN COFFEE IMPORTS

	1968	1969	1970	1971	1972	1973
January	34.37	33.46	39.25	46.87		
February	33.93	33.33	42.27	42.92		
March	33.77	33.42	42.34	41.68		
April	33.91	33.01	44.46	41.10		
May	33.70	32.53	44.27	40.94		
June	33.87	32.62	45.63	39.82		
July	34.04	31.74	46.06	40.32		
August	34.70	31.73	46.64	39.31		
September	33.55	32.03	46.76	39.03		
October	33.38	33.64	45.85	38.57		
November	33.93	34.87	46.36	38.50		
December	33.95	38.01	45.71	38.65		
Average annual price	33.95	33.40	44.44	40.73		

TABLE 3.—ESTIMATED AVERAGE WHOLESALE PRICES OF COFFEE IN THE UNITED STATES

[In cents, in mid-month]

	1969	1970	1971	1972
I. Roasted, in pound cans:				
January	76.4	89.8	94.3	
February	76.4	92.1	94.0	
March	76.4	92.1	92.6	
April	76.4	92.1	92.6	
May	76.4	96.0	92.6	
June	76.4	96.0	92.6	
July	76.4	96.0	92.6	
August	76.4	98.3	92.6	
September	77.1	98.3	92.6	
October	82.0	98.3	92.6	
November	86.6	98.3	92.3	
December	86.6	94.3	92.3	
Monthly average	78.6	95.1	92.8	
II. Instant, in 6-oz. jars:				
January	89.0	104.0	110.5	
February	89.0	105.5	110.5	
March	90.4	105.5	110.7	
April	91.5	105.5	110.7	
May	94.2	105.5	110.7	
June	94.2	105.5	110.7	
July	94.2	105.5	110.7	
August	94.2	108.4	110.7	
September	94.2	109.0	110.7	
October	98.4	110.5	110.7	
November	99.9	110.5	110.7	
December	102.5	110.5	110.7	
Monthly average	94.3	107.2	110.7	

TABLE 4.—ESTIMATED AVERAGE RETAIL PRICES OF COFFEE IN THE UNITED STATES

[In cents, in mid-month]

	1968	1969	1970	1971	1972
Roasted, in pound cans:					
January	75.9	76.5	82.5	95.2	
February	75.9	76.1	84.6	94.9	
March	75.9	75.9	86.6	94.2	
April	76.1	76.0	88.7	93.7	
May	76.5	75.8	90.1	93.4	
June	76.8	75.9	91.3	93.2	
July	76.8	75.6	93.0	92.8	
August	76.7	75.8	94.1	92.9	
September	76.6	75.6	95.1	92.5	
October	76.5	76.0	95.8	92.8	
November	76.4	78.2	96.0	92.7	
December	76.4	80.3	95.5	92.3	
Monthly average	76.4	76.5	91.1	93.4	
II. Roasted, in pound bags:					
January	62.3	62.8	70.0	82.4	
February	62.6	63.2	71.2	82.4	
March	62.4	63.9	72.3	81.2	
April	62.5	62.6	74.5	80.7	
May	62.4	62.7	75.0	81.3	
June	62.7	63.0	77.4	81.4	
July	62.9	62.1	78.9	80.8	
August	62.7	63.0	80.1	80.7	
September	62.7	63.2	81.2	74.4	
October	62.7	63.6	81.5	74.4	
November	62.8	66.4	83.7	73.7	
December	62.8	67.5	83.6	73.5	
Monthly average	62.6	63.7	77.5	78.9	
III. Instant, in 6-oz. jars:					
January	88.1	90.5	99.1	109.1	
February	88.3	90.2	100.5	108.6	
March	87.5	91.6	102.4	107.8	
April	87.9	92.4	103.3	108.7	
May	89.1	93.2	103.9	109.1	
June	89.8	93.9	104.8	109.7	
July	89.5	93.7	104.8	109.6	
August	89.8	94.0	105.3	109.9	
September	89.8	94.0	106.7	110.0	
October	90.3	94.3	108.2	110.0	
November	91.3	95.9	108.5	109.8	
December	91.3	97.8	108.8	109.8	
Monthly average	89.4	93.5	104.7	109.3	

TABLE 5.—U.S. COFFEE PRICES—TRENDS IN WHOLESALE PRICE INDEX, WITH COMPARISONS, 1971

[1967=100]

	All commodities	All foods	Coffee	Tea	Cola	Milk
'anuary	111.8	112.4	125.7	104.8	123.7	117.8
February	112.8	114.2	125.3	104.8	123.7	117.2
March	113.0	115.0	123.9	104.8	123.7	117.8
April	113.3	114.7	123.9	104.8	123.7	117.6
May	113.8	116.0	123.9	104.8	123.7	118.0
June	114.3	117.0	123.9	104.8	123.7	117.6
July	114.6	115.8	123.9	104.8	123.7	117.5
August	114.9	116.6	123.9	104.8	123.7	117.6
September	114.5	115.1	123.9	104.8	123.7	117.6
October	114.4	115.3	123.9	104.8	123.7	118.0
November	114.5	116.3	123.9	104.8	123.7	118.0
December	115.4	118.1	123.9	104.8	123.7	118.1
Monthly average	113.9	115.5	124.2	104.8	123.7	117.7

EXPORT EARNINGS

Since the establishment of the International Coffee Agreement, the annual earnings of the exporting members averaged about $500 million above the preagreement levels. In 1962, producing members earned about $1.8 billion from the total exports of coffee. In 1970, their earnings totaled over $2.4 billion. This expansion of export earnings was accomplished largely by increased exports to Europe as a result of growth in consumption of coffee. As a result of strong competition from other beverages, coffee consumption in the United States has not shared in this growth and in fact has declined somewhat on a per-capita basis. The value of U.S. coffee imports has continued to fluctuate around $1 billion since 1962.

Relatively stable export earnings resulting from the agreement not only permits the producing countries to plan rationally their economic development, but also contributes significantly to their ability to import from the industrialized countries. Thus, a collapse of the agreement which could take place without continued U.S. participation could result in a serious decline in export earnings of the coffee exporting countries and a consequent sharp cut in U.S. exports to them.

The study which the Committee requested will include an analysis of U.S. trade and balance of payments with producing nations, including significant or discriminatory barriers against U.S. exports by these nations.

FIXING OF QUOTAS

Control of the volume of exports through the allotment of quotas in each producing member is the principal means by which the agreement influences prices. The basic quota of each producer was established during the negotiation of the International Coffee Agreement of 1968. At least 30 days before the beginning of each coffee year the International Coffee Council, by a two-thirds majority vote of both producing and consuming members, adopts an estimate of total world imports and exports for the following coffee year and an estimate of probable exports from nonmember countries. In the light of these estimates, the council establishes a total annual quota for all producer members, which is then prorated among the producers in proportion to their individual basic quotas. In order to try to insure that consumers will have sufficient supply of the particular types of coffee they need throughout the years, improved provisions have been made for the selective increase in quotas for those types in strong demand as evidenced by price changes.

The quotas are based on the historic market shares of countries producing and exporting coffee at the time of the original agreement in 1962. Brazil and Colombia have by far the largest shares of the export market. As indicated, the several droughts and freezes in Brazil over the years have had a significant impact on prices. There are complaints that newer producing countries have not been able to share in the benefits of the ICA. The quota allocations are a matter which principally concern the producing countries. As a consuming country, the United States main interest is in receiving a guaranteed source of quality coffee at reasonable prices. To the extent that we are overly dependent on one or two sources of supply, however, our interest should lie in diversification of quotas to a large number of quality suppliers. It should be noted that there are a number of newer coffee producing nations which did not receive a basic quota in 1962 and which must rely on a "basket quota" of 38,000 bags annually for sales to the U.S. This so-called "basket quota" appears to be woefully inadequate when compared to average U.S. imports of over 20 million bags annually. Perhaps this is due to insufficient production in non-member countries or an unwillingness of these countries to become members of the agreement.

SOLUBLE COFFEE

In the most recent extension of Public Law 90–634, the International Coffee Agreement Act of 1968, the committee expressed great concern with the failure of Brazil to comply fully with its obligations under the coffee agreement. The coffee agreement provides specifically (article 44) that exporting countries may not discriminate in favor of their exports of processed coffee as compared with the exports of green coffee. Despite this provision in the agreement, Brazil's tax policy continues to favor its soluble coffee exports.

The committee had observed that the principle behind article 44 is a fair and reasonable one in the context of a commodity agreement and should be adhered to by all members of the coffee agreement. What is at issue is the question of access to raw material on equitable terms.

In recommending enactment of H.R. 19567 (Public Law 91–694), in December 1970, the committee, after reviewing the long and fruitless negotiations on this problem, stated that action either by Brazil or by the President was necessary to end the discrimination. To that end, the committee requested the President to report to the Congress by April 1, 1971, as to whether action has been taken either by Brazil or under the President's own authority to terminate the impact of discriminatory treatment of soluble coffee imports into the United States from Brazil. The committee stated that in the absence of such action it would not consider further requests to extend the International Coffee Agreement Act of 1968.

In his report to the Congress as requested by the committee and as provided in Public Law 91–694, the President stated that the United States has reached an agreement with Brazil relating to our trade with that country in soluble coffee which settles the U.S. complaint against Brazil under article 44 of the International Coffee Agreement. In his report to the Congress, the President included a report by the Secretary of State setting forth the details of the agreement with Brazil on soluble coffee exports, as follows:

THE SECRETARY OF STATE,
Washington, March 30, 1971.

THE PRESIDENT,
The White House.

DEAR MR. PRESIDENT: I am pleased to report to you that after further negotiations we have reached an agreement with the Government of Brazil relating to our bilateral trade in soluble coffee. This agreement eliminates an issue which has strained our relations with Brazil for several years.

EFFECT OF THE AGREEMENT

Under your instructions we resumed our efforts to achieve a negotiated settlement in early January, having in mind the request of the concerned Congressional committees for a report from you by April 1 on steps taken to offset the Brazilian discrimination. This latest series of negotiations has culminated in an accord which appropriately:

1. Settles the U.S. complaint against Brazil under Article 44 of the International Coffee Agreement (ICA);
2. Improves competitive conditions of access to Brazilian green coffee by U.S. soluble coffee processors; and
3. Safeguards the interests of the consumer.

I believe, therefore, that this agreement adequately protects the interests of the United States Goverment and of our domestic soluble coffee industry.

TERMS OF THE AGREEMENT

In essence, the agreement will enable American manufacturers of soluble coffee to purchase an appropriate quantity of Brazilian green coffee suitable for processing upon which no Brazilian contribution quota will be imposed. Sales of this special allocation coffee will be conducted through normal trade channels. Brazil will sell the coffee to individual United States firms which will receive an entitlement proportionate to their historical shares of soluble coffee production.

The quantity of coffee to be sold each year under this arrangement will be 560,000 bags of 60 kilos each. The quantity may be renegotiated after the first year should levels of U.S. imports of Brazilian soluble coffee increase or decrease by more than 15 percent.

Simultaneously with the effectiveness of this agreement, the Brazilian export tax of 13 cents per pound on soluble coffee will be removed.

Our agreement with Brazil will continue in force as long as the United States continues to implement the International Coffee Agreement, which expires on September 30, 1973. Both Governments have the right to request consultation concerning the operation and implementation of the agreement.

EVOLUTION OF THE NEGOTIATIONS

The negotiating history of this dispute, which I have summarized below, is long and complex. I believe these negotiations demonstrate how two sovereign governments can resolve a seemingly intransigent problem to their mutual satisfaction.

Brazil began exporting significant quantities of soluble coffee in 1966. As assistance to the fledgling industry the Government of Brazil did not tax the export of soluble coffee. This was in marked contrast to the high level of taxation Braxil imposed upon the export of green coffee.

Brazil's unequal taxation of its green coffee and soluble coffee exports placed our soluble coffee manufacturers at a competitive disadvantage. We therefore sought the elimination of this unequal tax treatment, first through bilateral discussions and later through the International Coffee Organization.

Support within the Organization for the principle of equal access to green coffee led to the insertion of a provision (Article 44) in the renegotiated ICA of 1968 which prohibited members from discriminating in favor of their soluble coffee exports. In December 1968 we invoked the arbitration provisions of Article 44. Two of the three members of the arbitration panel agreed in February 1969 that an unfortunate situation existed within the meaning of Article 44. The United States was found entitled to take corrective action, if Brazil failed to remedy the situation.

Preferring a negotiated settlement we undertook further discussions with Brazil. These negotiations resulted in Brazilian agreement in April 1969 to impose a 13 cents per pound tax on its soluble coffee exports and to hold a joint review of the situation early in 1970 to assess the need for further measures.

The joint review proved inconclusive. Brazil regarded its tax as sufficient while we maintained that additional steps were required.

In the circumstances we were faced with three options: imposition of an import tax unilaterally by the United States, withdrawing from the International Coffee Agreement, or further negotiation based upon some new approach. The first course would have had a deleterious effect on our relations with an important country of Latin America. It would also have been opposed by elements of our own industry. The second course would have meant the loss of an agreement which has benefited many developing countries and consumer and industry interests in the United States. Under your directive we pursued the third course—further negotiations—with results that are satisfactory to all major interests concerned.

I recommend that you transmit this report to the Congress.

Respectfully,

WILLIAM P. ROGERS.

In essence, the agreement will enable American manufacturers of soluble coffee to purchase an appropriate quantity of Brazilian green coffee suitable for processing upon which no Brazilian contribution quota (export tax) will be imposed. Sales of this special allocation of coffee will be continued through normal trade channels. Brazil will sell the coffee to individual U.S. firms which will receive an entitlement proportionate to their historical sales of soluble coffee production.

The quantity of coffee to be sold each year under this arrangement will be 560,000 bags of 60 kilos each. The quantity may be renegotiated after the first year should levels of U.S. imports of Brazil's soluble coffee increase or decrease by more than 15 percent.

With the effectiveness of this agreement on April 15, 1971, the Brazilian export tax of 13 cents per pound on soluble coffee was removed. The agreement with Brazil is to continue in force as long as the United States continues to implement the International Coffee Agreement which expires September 30, 1973. Both Governments have the right to request consultations concerning the operation and implementation of the agreement.

The committee has examined the accord on soluble coffee between the United States and Brazil and is of the opinion that the agreement, if administered effectively, largely removes the disadvantage which domestic producers of soluble coffee have experienced as a result of Brazil's discriminatory practice. However, there are indications from some U.S. citizens in the coffee trade that the Brazilian agreement is inadequate. This is another issue which will be thoroughly studied during the next year by the staff, the GAO and other agencies.

The committee continues to believe that the principle behind article 44 against discrimination in favor of exports of processed coffee is fair and reasonable and should be adhered to. The ability of the United States to participate in international commodity agreements is dependent upon the extent to which all members of such agreements adhere to their obligations under such agreements. The committee would view with great concern any repetition of discriminatory practices specifically prohibited by the International Coffee Agreement. The committee recommends enactment of H.R. 8293 with the understanding that the accord on soluble coffee will continue to operate in such a way as to safeguard domestic soluble coffee producers from disadvantageous treatment under the coffee agreement.

At this time, however, the Committee agrees with the House that it would be in the overall interest of the United States to extend title III of Public Law 90–634 allowing the United States to carry out its obligations under the International Coffee Agreement of 1968.

Costs of Carrying Out the Bill and Effect on the Revenues of the Bill

In compliance with section 252(a) of the Legislative Reorganization Act of 1970, the following statement is made relative to the effect on the revenues of this bill. Your committee estimates that the extension of the existing provisions of the International Coffee Agreement Act of 1968, title III of Public Law 90–634, will result in no gain or loss of revenue. The U.S. contribution to the International Coffee Organization is based on a 20-percent assessment of the budget of that organization. The U.S. contribution during fiscal year 1971 is $230,400. Estimates submitted by the executive branch indicate that the U.S. contribution for fiscal years 1972 and 1973 will be approximately $280,000, annually. For the remaining period of the Act, July 1, 1973, through September 30, 1973, the estimated U.S. contribution for fiscal year 1974 will be $75,000. In view of the fact that the U.S. contribution is an annual assessment of 20 percent based on the budget of the International Coffee Organization, your committee considers that this is the best available information as to the cost of U.S. Government contribution.

The committee further estimates that the direct administrative cost involved in carrying out U.S. obligations under the International Coffee Agreement of 1968 for fiscal year 1971 is $175,000. This estimate is based on the cost of services performed by the Bureau of Customs officials in the ports of entry and in the office of the Bureau of Customs in Washington related to the validation of certificates and the maintenance of statistics and other information. Based on information available to the committee, it is estimated that the administrative cost under title III of Public Law 90–634 will continue at the annual level of $175,000 for each fiscal year to the expiration of the act on September 30, 1973.

VOTE OF COMMITTEE IN REPORTING THE BILL

In compliance with section 133(d) of the Legislative Reorganization Act of 1946, as amended, the following statement is made relative to the vote by the committee on reporting the bill. The bill was ordered favorably reported by the committee by voice vote.

CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with subsection 4 of rule XXIX of the Standing Rules of the Senate, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

SECTION 302 OF THE INTERNATIONAL COFFEE AGREEMENT ACT OF 1968

AUTHORITY FOR IMPLEMENTATION OF AGREEMENT

SEC. 302. On and after the entry into force of the Internationa Coffee Agreement, 1968, and for such period prior to [July 1, 1971] *October 1, 1973*, as the agreement remains in effect, the President is authorized, in order to carry out and enforce the provisions of that agreement—

(1) to regulate the entry of coffee for consumption, or withdrawal of coffee from warehouse for consumption, or any other form of entry or withdrawal of coffee such as for transportation or exportation, including (A) the limitation of entry, or withdrawal from warehouse, of coffee imported from countries which are not members of the International Coffee Organization. (B) the prohibition of entry of any shipment from any member of the International Coffee Organization of coffee which is not accompanied by a valid certificate of origin or a valid certificate of reexport, issued by a qualified agency in such form as required under the agreement, and (C) the imposition of special fees or such other measures as he deems appropriate to offset discriminatory treatment by other governments in favor of the export or reexport of processed coffee;

(2) to require that every export or reexport of coffee from the United States shall be accompanied by a valid certificate of origin or a valid 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.

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