

The
WORLD COFFEE ECONOMY
with special reference to
CONTROL SCHEMES

By
V. D. WICKIZER

**FOOD RESEARCH INSTITUTE
STANFORD UNIVERSITY
STANFORD UNIVERSITY, CALIFORNIA**

THE WORLD COFFEE ECONOMY

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THE FOOD RESEARCH INSTITUTE

Stanford University, California

FOOD RESEARCH INSTITUTE

Commodity Policy Studies

- No. 1. *International Agreements on Conservation of Marine Resources*, by JOZO TOMASEVICH, March 1943
- No. 2. *The World Coffee Economy, with Special Reference to Control Schemes*, by V. D. WICKIZER, August 1943

For Institute publications, address

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GRAIN ECONOMICS SERIES, Nos. 1-3, 1932-41

FATS AND OILS STUDIES, Nos. 1-7, 1928-40

COMMODITY POLICY STUDIES, Nos. 1-2, 1943

MISCELLANEOUS PUBLICATIONS, Nos. 1-9, 1923-39

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PRINTED IN THE UNITED STATES OF AMERICA
BY THE STANFORD UNIVERSITY PRESS

DIRECTOR'S PREFACE

Large surpluses of staple commodities constituted an impressive feature of the interwar period. The coffee surplus was notably huge and persistent. Brazil, which bore most of the burden, spectacularly resorted to burning parts of her excess supply. In the ten years before war again engulfed Europe, over 68 million bags of coffee were destroyed. This was 28½ per cent of Brazilian production in that decade, or enough coffee to meet consumption requirements of the world for two and one-half years. Despite such drastic measures, stocks continued abnormally heavy. Late in 1937 Brazil reluctantly admitted the disastrous failure of her "permanent coffee defense" policy and made radical modifications in it.

Many control schemes for foodstuffs and raw materials of world importance owe their origin to severe dislocations that resulted from World War I and the Great Depression. Government intervention in economic affairs, extensively practiced in wartime, became easier to apply in peace. Coffee, however, is one of a few commodities to which national controls had been applied much earlier. Failure attended efforts to reach an international control agreement until 1940-41. Then, in the face of urgent need for Pan-American solidarity, the United States joined fourteen Latin American coffee-growing countries in a scheme for coping with new problems created by the closing of Continental European markets.

The present war threatens even more serious dislocations than followed the last one. Government controls are more extensive than ever before, and the trend of responsible opinion is against hasty decontrol as soon as hostilities cease. In some quarters it is expected that international commodity arrangements will play a significant role both during and after the war-peace transition period.

In recent years, indeed, more and more official support has been given to the idea that commodity problems of world importance can be dealt with effectively by international bodies, set up under international commodity agreements, and employing one or more control devices such as export quotas, produc-

tion restraints, minimum and/or maximum prices, and "buffer stocks." This idea, with specific reference to a few important commodities, has been under investigation by the Food Research Institute.

One conviction grows as this problem is studied. Commodities differ widely one from another in many ways, and no two commodity economies are closely similar. International commodity agreements must take these differences into account. If commodity arrangements are to be successfully devised and carried out, they need to be founded on extensive and intensive commodity research.

Coffee thoroughly merits special investigation. Coffee growing and exporting is of dominating importance in the economies of a number of Latin American countries. These countries account for the bulk of world coffee production, and all are located within the area of the United States vital interests. The United States is by far the most important consuming market. When the war closed the second most important outlet in Continental Europe, coffee assumed greater economic and political significance than ever before. Experience under the various Brazilian coffee controls, and wartime experience under the Inter-American Coffee Agreement, both yield warnings against superficial assumptions regarding the virtues of ambitious and fairly comprehensive international schemes for the regulation of the world coffee industry. But only a provisional answer can yet be given to the question: What, if any, type of agreement or scheme for postwar control of coffee is desirable and feasible?

Mr. Wickizer's present study makes timely contributions to an understanding of the commodity coffee, the evolving world coffee economy, experience with coffee controls, and the problems that lie ahead. Grateful acknowledgment is made to the Rockefeller Foundation for a grant of funds to the Food Research Institute that made possible the preparation and publication of this book.

JOSEPH S. DAVIS

July 30, 1943

ACKNOWLEDGMENTS

To the various friends and acquaintances in business, government, and academic circles who have assisted in one way or another in the preparation of this book, I wish to express my sincere appreciation. For a number of reasons it is impracticable to acknowledge their contributions individually and formally. Some who have been most helpful prefer, for reasons of their own, to remain anonymous. Others have made specific contributions too numerous for listing, while a few are unaware of the part they have played in the shaping of this study.

My greatest debt, however, is to J. S. Davis, director of the Food Research Institute and of the broader general investigation of international commodity agreements of which the present work on coffee is one part. His counsel and criticism have been invaluable. I am indebted specifically to two former business associates, D. Rae TeRoller and A. C. Glover of Mannings, Inc., for many suggestions and for reading the manuscript. John E. Duff and W. O. Granicher of Leon Israel & Bros., Inc. should also be singled out for their helpful review and criticism of the galley proof. None of these individuals, of course, bears any responsibility for views or conclusions expressed herein.

The task of nursing the manuscript through its various drafts, seeing the book through the press, and making the index has fallen to Helen M. Gibbs. The map and charts were made by P. Stanley King and reflect many of his own useful ideas. The co-operation of these two principal assistants is highly valued. I am also indebted to members of the Institute's statistical staff, under the direction of Rosamond H. Peirce, for many of the statistical compilations and computations.

A number of unforeseen circumstances arising from war-time conditions have delayed earlier publication of this study. To those in trade and government circles whose impatience has hardly equaled my own, I wish to extend apologies.

V. D. WICKIZER

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