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COFFEE PRICES

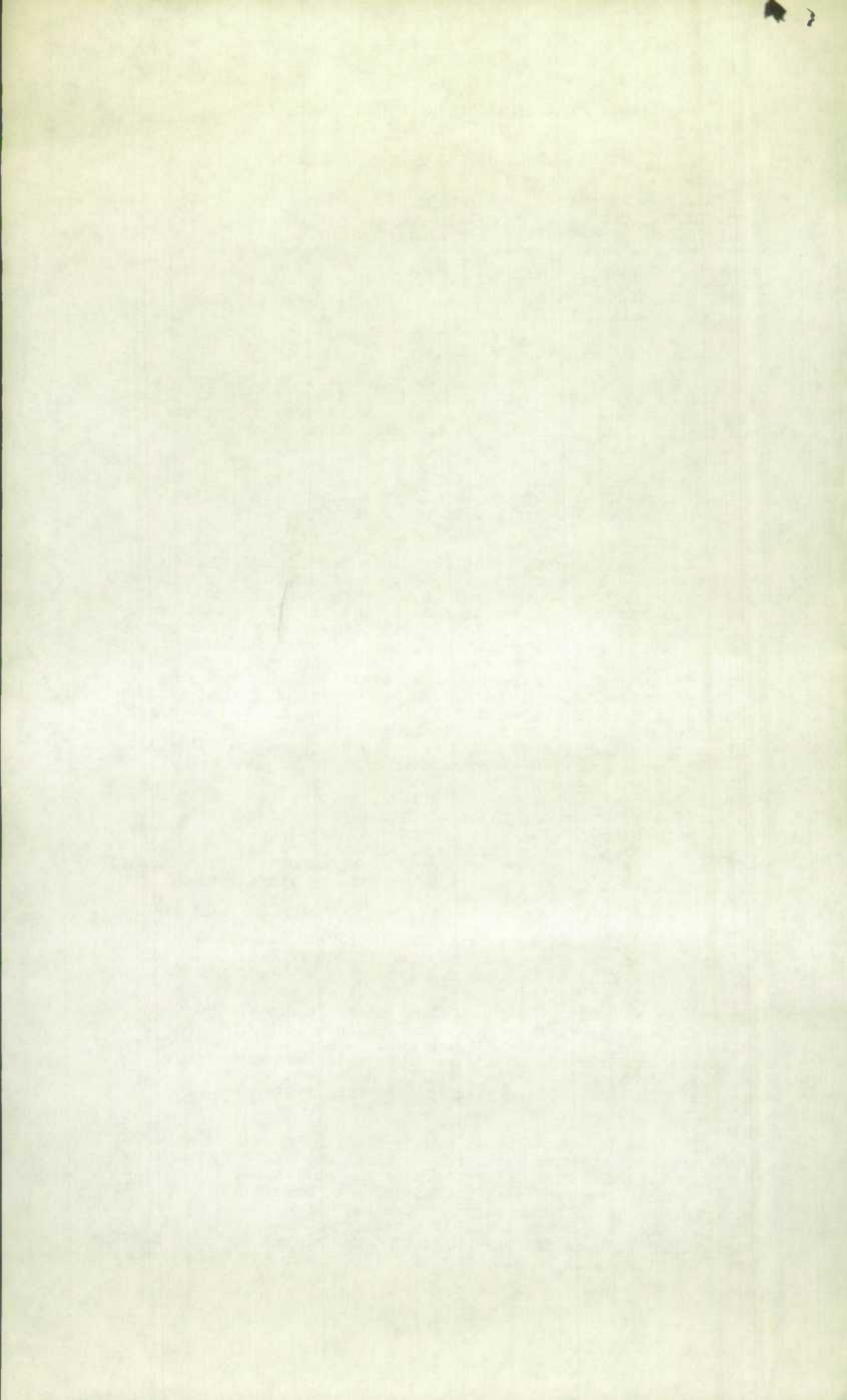
The prevailing prices of green coffee are the highest since 1920 and in some cases since 1913. Three factors are, in the main, responsible for the rise. These are (1) a small carryover from the previous crop year (2) a small current crop and (3) increased consumption.

Santos coffee, good quality, was 33½¢ per lb. at Toronto in January 1924. A year ago it was 21¢. Rio, good quality, rose from 18½¢ to 29¢ per lb. in the same period.

The world's visible coffee supply at the end of 1923 is reported to have been the smallest since 1897. The reduction was brought about largely by the liquidation of Brazilian valorization holdings which were accumulated in the years 1920-22. The Brazilian Government has on several occasions taken measures to maintain coffee prices, both by limiting the entries into the ports of Santos and Rio and by purchasing coffee and storing it. The government stocks were marketed when conditions of demand and supply were favourable. It was maintained that the purpose of the government was the stabilization of prices rather than the creation of artificially high prices. The purpose was to spread the distribution of coffee over a longer period instead of congesting the markets when the crop was ready. From 1920-1922 the government practised valorization (the third scheme) by purchasing some 4,500,000 bags of coffee. By this means the price which had fallen to comparatively low levels at the end of 1920 and in 1921 was raised, much to the benefit of the growers. The government purchases were afterwards marketed in such a way as not to depress prices unduly nor to interfere with new crops. In 1923 all the government holdings had been sold. After June 1923 the only valorization scheme in force was the limitation of port receipts.

Santos coffee, a very important factor in the world supply, is produced in the Brazilian province of Sao Paulo. There exists only a single line of railway from the city of Sao Paulo to carry it to the port of Santos. This line acts as the bottle neck of the coffee movement. Shipments to Santos are restricted to 35,000 bags per day. At various points in the interior of the province warehouses are provided where the growers may store their coffee receiving in return warehouse receipts which are negotiable at the banks for loans. At the port of Rio de Janeiro the restriction is to 12,000 bags. These restrictions were rigidly enforced during the current season.

The Brazilian Government has been making an effort to develop an organization of growers which will relieve the government of the necessity of again intervening in the coffee market. Official support will be given to an organization to undertake co-operative marketing or any other measures necessary for the protection of coffee. The budget law for 1924 authorizes the creation of a Permanent Institute for the Defence of Coffee and provides for a tax (300 gold rees) on each bag of coffee moved by the railways.



The shortage in supplies was also partly due to the character of the 1923 crop. There was a mammoth crop harvested - between 15 and 16,000,000 bushels - but it suffered such great damage from rain in the process of making that the carryover in the interior warehouse, estimated at 3,000,000 bags, was inadequate.

On top of the short carryover came a short current crop estimated at 6,000,000 bags.

World consumption has been on the increase due some maintain to the prohibition movement. In 1923 there was a record consumption of 20,900,000 bags. During the season 1924-25 it is estimated that there will be a consumption of 22,000,000 bags, and against this is placed a supply of 20,500,000 bags, a shortage of 1,500,000 bags.

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