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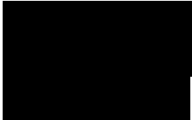


COUNTRY Guatemala

SUBJECT Coffee Industry

DATE

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US Aspects of the Industry

1. Q. Within the US do any companies or brokers specialize in Guatemalan coffee or Central American coffee, or do they all buy from various countries? Are there any popular name brands whose market demands Guatemalan coffees or could other coffees be substituted?
- A. So far this year we have purchased about US\$300 thousand worth with the main auctions still to come. The approximate average of Guatemalan coffee in our blend is 20%. The only other large direct buyer is Ferd Dahlen of St Louis who buys for Paxton-Gallagher of Omaha, Nebraska, General Grocery Company, Old Judge Coffee Company, and the Duncan Company of Houston. Our resident buyer is Jules Sanchez Latour.

One of the largest US brokers is Medina and Co of New York City which imports Guatemalan coffee for General Foods (Maxwell House). Also in New York is a broker named Charles Mackey. The New York brokerage firm of Harden and Rand also imports from Guatemala. Its Chairman of the Board owns large fincas there. In New Orleans, Bright & Company are the only brokers buying Guatemalan coffee. In San Francisco, Otis McAllister (who operates Agencias Unidas in Central America) is a prominent broker. So are the firms of S.F. Pellar and Ortega and Emizh, also in San Francisco. In Los Angeles a John Mack, doing business as E.B. Aikerman & Co, buys considerable amounts of Guatemalan coffee. He is owner of the large and prosperous finca Honap in Guatemala.

None of the name brands "demand" Guatemalan coffee as others can and have been substituted without the consumer being able to tell the difference. The substitution of other highland coffees and a slight change in the blend and the retailed coffee stays about the same. One year we bought considerable amounts of coffee from the Belgian Congo. Their prices went up so we bought from Mexico. No place is indispensable, but we do prefer the highland coffees from Guatemala.

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2. Q. Information is desired on how the US price of Guatemalan coffee is arrived at. Is the Guatemalan crop considered as a separate entity or merely as part of the world supply of coffees having characteristics similar to the Guatemalan product? There is interest in knowing whether Guatemalan coffee prices are always set on the US market by the free play of the law of supply and demand.

A. Guatemalan coffee prices in the US are definitely set by supply and demand and are based on the competitive situation compared with other coffee growing countries for each grade of coffee. As the Central American countries are comparatively small producers, they cannot ever get far out of line. At the present time the price setter is Colombia. They are selling at a price lower than the artificial Brazilian level and hence our purchases from that country have seen a relative increase.

Before World War II the large German-held fincas were able to start an active demand for large bean Guatemalan coffees in Germany and elsewhere on the continent. The postwar financial recovery of Germany has reopened that demand. The German fincas were expropriated by the Guatemalan Government and are now producing these large bean varieties. During the middle of May 1953, the government tried to sell coffees from these fincas. Although all of the beans would not sell, some of the large beans were sold to Europeans for a price well above what we were willing to pay with the US market in mind.

3. Q. Is there an association of US buyers of Guatemalan coffee? Of Central American coffee? What are the active associations and groups in the US concerned with coffee, particularly Guatemalan or the mild coffees?

A. No, there is no such association for US buyers of Guatemalan or Central American coffees. These categories all fall under the National Coffee Association.

4. Q. Who pays the insurance on Guatemalan stocks in the US in shipside warehouses and elsewhere before they reach the consignee?

A. The answer to this depends upon whether it is imported directly, as our firm does, or bought by regular import brokers. It all depends upon when and where title passes to the ultimate consignee. In our own case, we buy parchment coffee off the fincas themselves and, therefore, get insurance from the time of purchase in Guatemala until delivery to our roasters. As far as the US brokers are concerned, they pay the insurance for coffee in the US if title has not already passed to the roaster.

5. Q. Are large Guatemalan stocks held in the US or do the stocks tend to move to the US on an as-needed basis?

A. There are no large stocks of Guatemalan coffee in the US. They are purchased as needed.

6. Q. Is there a localized sales area? That is, is Guatemalan coffee particularly popular in a certain area.

A. The only factor determining where Guatemalan coffees are sold in the US is a promotional one. In areas where the firms which buy Guatemalan coffee have done successful selling jobs of their brand name, those areas are naturally the biggest consumers of Guatemalan coffees. These areas, of course, buy only the brand name and not Guatemalan coffee per se. Considering the above, the areas using the most are the midwest and the west coast (St Louis, Kansas City, Omaha, and San Francisco).

Guatemalan Aspects of the Industry

7. Q. Domestic associations of finca operators and brokers. Their officers, locations of headquarters, aims, strength. Do any important growers or brokers operate outside associations?

A. The Asociacion de Cafeteros is open both to coffee growers and brokers and many of the members fall into both categories. As I recall, this association is quite "loose" in its organization and had been set up during the critical time of the price rise of several years ago. The association was set up for the mutual protection of its members and to get one another to fulfill contracts to keep a check on each other's activities.

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8. Q. In 1952 Guatemala was deeply in debt to the Pan American Coffee Bureau and the Mexican-Central American Coffee Federation. Is it still a member in good standing in these organizations and if it is what is the status of the debts:
- A. I am not currently informed on Guatemala's debt situation to the PACB. I do know that several efforts were made during 1952 to satisfy these claims, but I have not kept track of the outcome. As of April 1953, however, Guatemala was still listed as a member on the letterhead of the PACB. As far as the Mexican-Central American Coffee Federation (Fedecame) is concerned, I have not heard that Guatemala was not still in good standing with them.
9. Q. Is the Mexican-Central American Coffee Federation separate from the Pan American Coffee Bureau? If it is, give data on it along the lines requested for the domestic associations of growers and brokers.
- A. I do not know about the connection between Fedecame and the PACB, but they are probably separate or only nominally connected. Fedecame was set up to exchange agricultural ideas on the production of coffee rather than to join together in a price agreement type of situation. These countries cannot ever get together on any kind of a price agreement. For one thing, they are too jealous of each other, and for another thing they all grow different types of coffee, depending on the altitudes. Costa Rica demands and gets higher prices for her highland (four thousand feet and over) coffees and Guatemala gets only slightly less for her highland types. San Salvador, on the other hand, is penalized for her lowland crops (below three thousand feet). It would be impossible for Central American countries to set up a price front because of their dependence on world market prices for South American coffees.
10. Q. Information is desired on the financing of the coffee crop. Are finca operators subvented by foreign buyers or domestic brokers? Do any growers deal directly with foreign buyers? Do they obtain loans from Guatemalan Government, or private banks, or from foreign banks, or are the large growers usually in a position to operate without advances or loans?
- A. As we are the largest direct coffee buyer in Guatemala, we have found it necessary to extend crop loans to many growers and many local and regional buyers. Of these the buyers need and get the most financing as they need cash on hand to make purchases from the small fincas. Nearly every one of the local and regional buyers are well enough off to finance their own crops but not to buy others. Thus, the bulk of our direct financing is through short-term crop loans. Our firm is the only US roaster which finances growers or buyers with the exception of Dahlen, who subsidizes them with his principal's money.

Below are examples for the past seven months showing the amounts advanced to growers and buyers alike. These figures show the amounts of our current investments in Guatemala. Naturally, we would like to stop these loans but they have proven absolutely necessary to volume purchasing.

| | | |
|----------------|------|-------------|
| September 1952 | US\$ | 831,000 |
| October " | | 1,500,000 |
| November " | | 1,000,000 - |
| December " | | 500,000 / |
| January 1953 | | 600,000 / |
| March " | | 380,000 - |
| April " | | 177,000 |

The peak months for financing are in the fall. By December the coffee has been sold. The above figures are lower than most years because our resident buyer was advised in September 1952 to keep such investments down to an absolute minimum. At this time we were especially worried about our friend Roberto Fanjul, Finance Minister of Guatemala, to whom we had advanced considerable amounts but who had reportedly lost liquidity of his assets [see OOB-56787]. Fanjul has since recovered and paid up.

Our representative wrote us at that time on the subject of financing:

"As mentioned to you, I have been holding our loans to the minimum, but it is, of course, impossible to hold them to zero, or we would not buy any

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coffee. For example, I bought five thousand quintals pergamino from Mr José Francis, who had to have \$2 thousand to keep the family going in Guatemala City from now until the end of the year. That is a negligible amount considering the amount of coffee that he sold us and his excellent financial position, in that he does not owe anything on his plantations or on the crop itself, and he still has funds in the plantations to take care of the harvesting. About the only people to whom we have given large amounts of money so far are the Quezadas; however, I would like to make a few remarks about these people. They own the plantation 'Rosario', with a production of about three thousand quintals pergamino and do not owe a single cent on the plantation. Furthermore, they have a hardware store in Guatemala City to supply planters, which has an inventory amounting easily to \$300 thousand and on that property, too, they do not owe a single cent. One of the boys lives in Retalhuleu and manages their big mill over there - one of the largest in the Guatemalan Republic - and it is also free from any debts. The other boy is constantly going from here to Retalhuleu and back, and takes care of all the accounting and financial side, while Eduardo, as you know, personally handles the buying office here in Guatemala City. They work with a very small overhead, and do a large part of their own financing, probably more than one-half, with their own funds."

Although we are the only US roaster who does direct financing, resident coffee export firms in Guatemala City also make crop loans. The ones who make the most loans are listed as follows:

- a) Agencias Unidas branch office with headquarters in Costa Rica. This firm is owned by Otis McAllister of San Francisco.
- b) Salvadore Delgado & Cia are agents for Medina & Co of New York City, who buy for General Foods.
- c) Juan Erkelens, agent for Ferd Dahlen.
- d) De Sola & Cia.
- e) Maximo Stahl & Cia.
- f) Salvadore Herrera & Cia.
- g) Cia Holandesa (small amount).

Most of the above make crop loans only, although a few hold mortgages on fincas. The banks are used for both crop loans and mortgages and our payments are often made out to the BAH (Banco Agricultura Mercantil) or to the BOL (Bank of London), although the loan had been made through some of the above listed firms. Naturally, there are many individual investors among the Guatemalans and between the finca owners themselves. The common interest rate on crop loans is only two percent simple interest.

Although the larger growers and buyers make enough money to pay off the debts and then finance their own operations, the tendency is to go out and buy more land. Here they need larger advances and in that way they keep getting further into debt.

The section around Antigua is so rich and productive that it is an exception to the general financing picture for the country as a whole. Very few loans are ever sought from this area.

To the best of my knowledge, no non-US buyers do any financing.

11. a. How stringent are the regulations on export of dollars earned on coffee sales? Do most of the large growers and brokers maintain US bank accounts?
 - A. If such restrictions exist they cannot be very strict because I know several who keep fairly large bank balances in the US. Often our checks are made payable directly to their accounts in the US banks. I would estimate that about half of the largest brokers and growers have US bank accounts.

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12. Q. Name the largest growers and brokers.

- A. The best way to illustrate this is to take a significant monthly payment sheet and list the names of the sellers for that month and the amounts paid to them. The size of the payments are fairly good indicators of the size of the production, as often we buy entire crops. The month chosen was January 1953 as this is a peak month and payments are at their highest. The only omission in this is the crop from Antigua, which is usually sold in early March. The payments total over US\$2,500,000 for the chosen month, including about US\$220 thousand in export duties and US\$13 thousand in fiscal stamps. Note that some of these names appear several times. [Photostats of list described above are attached at end of the report.]

Included in the attached list is the name of José Falla, who is one of the Antigua growers. Other rich growers from Antigua whose crops were not yet in are Carlos and Salvatore Herrera. Carlos Herrera is about the wealthiest of all the coffee growers and has many outside financial interests. The Antigua growers got together and tried to market their combined crops as a unit. I believe they succeeded in doing this but we bought none of their crop.

The following is a complete list of active coffee brokers in Guatemala:

- a) Coban
 W E Dieseldorff
 Miguel Torrebiarte
- b) Guatemala City
 Agentías Unidas
 Carlos Aviles & Cia, Ltda.
 Fredrico Boef & Cia
 Edmondo Brol
 Cia Holandesa
 Fanjul & Cia (one business enterprise of Roberto Fanjul, Minister of Finance)
 Hambly & Cia
 Herrera-Cordon
 Lind & Cia
 Oscar Morales
 Wm Pennington
 L Peterson
 Gordon Smith
 Juan Waelti & Cia
 Angel Zardetto
- c) Mazatenango
 Guiellermo Mohr y Hijo
- d) Retalhulen
 Pedro Quezada Suca

13. Q. What are the prospects for the new Guatemalan crop?

- A. From what I have heard the new Guatemalan crop will be about the same as last year's but will probably be slightly larger. There are no indications of a possible price drop.

14. Q. Are there any prospects for increasing Guatemalan Government control of coffee production?

- A. Yes, there is always that possibility, however, we do not feel that this is the wish of President Arbenz. If anything, there has been an attempt to lessen control. Last year the Oficina Central planned to discontinue the control of auctions of coffee from government fincas. [See OOB-5705B.] Although 1952 was to have been the last year, they intend to continue the auctions through the 1953 season. The government land and mills would be leased to local or foreign private interests as sale of such government land is unconstitutional. Although we are watching developments along these lines very carefully, I so far doubt that these leaseings will be carried out in the near future because of public opinion. If facilities are leased, it will be necessary for us to lease our own mill and buy coffee cherries directly from

both large and small farmers. There would be some interesting maneuvering around who was going to control what.

At present the Oficina Central records every sale taking place from the producer to the exporter. In this way they get ideas of the markups prevailing and then proceed to put government coffee on the market in competition with private interests. It is possible to get an Oficina official to bid for you on the coffee and in that way circumvent the required 25% cash deposits on purchases which is normally required. This, of course, requires a fee paid to the official.

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[Attached are photostats of [redacted] payments for Guatemalan coffee in January 1953. Behind the names of the payees are the contract numbers, and behind those are the names of the types of coffee purchased. The horizontal dashes to the left of the date numeral on the far left-hand side of the page indicate that those items are not coffee purchases. When one check mark (✓) precedes the draft number and name of payee this designates a man or group of men who operate as a miller or local coffee buyer only. When two check marks appear (✓✓) the payee is not only a local buyer or mill owner but also a finca owner and operator. Where no check mark appears the payee is merely a grower or finca owner.]

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