

History of Brazil Frosts and Coffee Prices

More Observers Than Ever Before Have Reported
More Rapidly and Thoroughly On Recent Frosts
When Prices Were Highest in Coffee's History

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THE severe frost in Brazil of early July, 1953, has raised several questions regarding damage to future coffee crops and the probable trend of prices. This is particularly so because world coffee supplies have not been plentiful in recent years.

The coffee trade in the United States is not accustomed to such an occurrence. The last frost of consequence occurred during World War II and the one before that, in 1918. Accordingly a brief review of market developments during the frosts of the past may furnish some perspective for the present situation.

Short, Sharp Rise in 1850

Brazil's coffee crop has been subjected to periodic frosts during the 250 years that coffee trees have been cultivated there. It is clear from the records of some of the more recent periods of destruction by frost that the amount of damage to the crop and the movement of prices during the months following the frost have varied in each case.

In 1850 very unfavorable reports of the coffee, cotton and indigo crops of the tropics reached the United States and England. Brazilian coffee prices in New York reacted as each ship arrived bearing new reports, then rose about 50 percent from May to October of 1850 and declined slowly thereafter. What had happened is best described by a Circular of a London importing house: "As the year (1851) drew on, these anticipations (of a reduced crop) were all found to be more or less illusory. From one source or another, an ample supply was received and hence the continuous fall."

Market Reaction Slow in 1870

Brazilian production in 1851-52 was probably 10 percent below the 1,900,000 bags of 1850-51 but U. S. imports from Brazil were 20 percent greater in 1851 than in 1850. Brazilian output bounced back to pre-frost highs in 1852-53.

Shipborne reports of a frost in Brazil reached New York traders in 1870, but the news was apparently adjudged unreliable for prices remained surprisingly stable—around 20 cents per pound—the second half of the year. Indeed, the market was more apprehensive over the quantity of coffee destroyed in the great Chicago fire in October.

"The Chronicle" in August, 1871 reported that the "1871-72 crop from what can be judged at the present time, and all reports coincide, will be a very light one, 1,500,000 bags being the outside figure." This would be half the 1870-71 yield. Even so, the New York market was dull throughout 1871 and not until the beginning of 1872 did prices move upwards. A peak was finally reached in June, 1872 of about 28 cents, or 40 percent over a year earlier.

For some reason traders were not convinced that new crop supplies would be short until advices from Brazil indicated that shipments by planters from the interior in late 1871 were running well under those of the previous season.

Boom & Bust in 1886

In the following years international communications were speeded by the introduction of the telegraph. In August, 1886, telegrams reporting frost damage arrived in the New York coffee market. The market moved nervously until mid-October when Havre and Rio advices supported the bulls. Speculators became active and prices rose slowly as new reports arrived of a partial crop failure in Brazil.

A panic in railroad securities in December, 1886, temporarily reversed the upward trend but prices recovered and touched 16.5 cents in January, 1887, 65 percent above July levels. In May, 1887, confirmation of a reduced crop, large business in regular trade, and reduced stocks in this country caused a "pitch of excitement seldom equalled."

By mid-June speculation on the Coffee Exchange had shown no abatement and December futures touched 22.25 cents. The bubble sud-

denly burst and a severe panic in futures options for Brazil growths followed. Three leading houses were carried down and other operators suffered heavy losses. That was the end of the frost scare in 1886. Prices eventually stabilized close to 19-20 cents for the rest of the year but thereafter slowly drifted downwards.

There is little doubt that the Brazilian crop in 1887 was sharply reduced because of frost, possibly as much as 40 percent in some States. However, the 1888 crop was the largest on record, as if to make up for the small output of the year before.

Frost & Drought in 1902

The beginning of the twentieth century introduced a period of troubles for Brazilian coffee. Information came from Brazil in August, 1902 that parts of Sao Paulo had had a serious frost. Nevertheless, it was generally believed, up to September 1903 that the outturn of the 1903-04 crop would prove to be about 14 to 15 million bags. Estimates were revised to 10 to 11 million but prices did not reach a high point until February, 1904, with quotations around 9.3 cents compared with 5.4 cents in the previous July. The final outturn was close to 10.5 million bags.

Following on the heels of the winter damage, drought developed in Brazil which lasted from March 1903 until practically the close of the calendar year. The market bulls were predicting a 1904-05 crop of 9 to 10 million bags, which eventually proved to be the case. Nevertheless, prices which had slowly risen the second half of 1903, reached a peak of 9.3 cents in early February, 1904 but then plunged to 5.10 cents by mid-March before stabilizing.

Although overspeculation was responsible in part for the price break, the primary cause was the unprecedented large marketings of coffee by countries other than Brazil. The New York Coffee Exchange estimates that production in countries other than Brazil soared to 4.6 million bags in 1903-04, 30 percent above 1901-02 and U. S. imports from non-Brazilian

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