

No. 3829

**UNITED STATES OF AMERICA
and
BRAZIL**

**Agricultural Commodities Agreement under Title I of the
Agricultural Trade Development and Assistance Act
(with Memorandum of Understanding and exchange
of notes). Signed at Washington, on 31 December
1956**

Official texts: English and Portuguese.

Registered by the United States of America on 6 May 1957.

**ÉTATS-UNIS D'AMÉRIQUE
et
BRÉSIL**

**Accord relatif aux produits agricoles, conclu dans le cadre
du titre I de la loi tendant à développer et à favoriser
le commerce agricole (avec Mémorandum d'accord et
échange de notes). Signé à Washington, le 31 décembre
1956**

Textes officiels anglais et portugais.

Enregistré par les États-Unis d'Amérique le 6 mai 1957.

No. 3829. AGRICULTURAL COMMODITIES AGREEMENT¹
BETWEEN THE GOVERNMENT OF THE UNITED
STATES OF AMERICA AND THE GOVERNMENT OF
THE UNITED STATES OF BRAZIL UNDER TITLE I
OF THE AGRICULTURAL TRADE DEVELOPMENT AND
ASSISTANCE ACT. SIGNED AT WASHINGTON, ON
31 DECEMBER 1956

The Government of the United States of America, and the Government of the United States of Brazil, hereinafter called the Government of Brazil :

Recognizing the desirability of expanding trade in agricultural commodities between their two countries and with other friendly nations in a manner which would not displace the usual marketings of the United States of America in these commodities or unduly disrupt world prices of agricultural commodities and the desirability of accelerating economic development leading to increased consumption;

Considering that the purchase in cruzeiros of surplus agricultural commodities produced in the United States of America will assist in achieving such expansion of trade, accelerated development and increased consumption;

Considering that the cruzeiros accruing from such purchases will be utilized in a manner beneficial to both countries;

Desiring to set forth the understandings which will govern the sales of surplus agricultural commodities over a three-year period to the Government of Brazil pursuant to Title I of the Agricultural Trade Development and Assistance Act of 1954, as amended, Public Law 480, 83rd Congress of the United States, and the measures which the two Governments will take individually and collectively in furthering the expansion of trade in such commodities;

Have agreed as follows :

Article I

SALES FOR CRUZEIROS

1. Subject to the provisions of Paragraph 2 of this Article and subject to the issuance by the Government of the United States of America and acceptance by the Government of Brazil during the period ending June 30, 1959, of purchase authorizations, the Government of the United States of America undertakes to finance the sale to purchasers authorized by the Government of Brazil, for

¹ Came into force on 31 December 1956, upon signature, in accordance with article VI.

cruzeiros, of the following agricultural commodities determined to be surplus pursuant to Title I of the Agricultural Trade Development and Assistance Act in the amount indicated :

<i>Commodity</i>	<i>Amount (million)</i>
Wheat, including flour	\$111.0
Lard	5.0
Dairy products	2.2
Vegetable oils	1.5
Ocean transportation (estimated for 50 per cent of the commodities)	19.0
	\$138.7

Purchase authorizations issued pursuant to the above will include provisions relating to the sale and delivery of commodities, the time and circumstances of deposit of the cruzeiros accruing from such sales and other relevant matters.

2. Subject to the qualifications in Paragraph 1, the purchase authorizations for products other than wheat will be issued on or before June 30, 1957, and will provide for purchases by September 30, 1957. The Government of the United States of America shall have the right to terminate the financing of further sales of wheat under this Agreement if it is determined at any time after June 30, 1957, that such action is necessitated by the existence of an international emergency.

Article II

USES OF CRUZEIROS

1. The two Governments agree that the cruzeiros accruing to the Government of the United States of America as a consequence of the sales made pursuant to this Agreement will be used by the Government of the United States of America, in such manner and order of priority as the Government of the United States of America shall determine, for the following purposes in the proportions shown :

(a) to help develop new markets for United States agricultural commodities on a mutually benefiting basis, to finance international educational exchange activities, for financing the translation, publication and distribution of books and periodicals, and for other expenditures by the Government of the United States of America, the cruzeiro deposit equivalent (as defined in Article III) of fourteen and thirty-five-one-hundredths (14.35) percent of the total.

(b) for assistance to activities and projects authorized by Section 203 of the United States Information and Educational Exchange Act of 1948, as amended, the cruzeiro deposit equivalent of an amount not to exceed sixty-five-one-hundredths (0.65) percent of the total.

(c) for loan to the Banco Nacional do Desenvolvimento Econômico (hereinafter referred to as the Development Bank) an agency of the Government of Brazil (acting under the provisions of Article 1st of Law No. 1,518 of December 24th, 1951,) to promote the economic development of Brazil, the cruzeiro deposit equivalent of eighty-five (85) percent of the total subject to supplemental agreement between the two Governments. It is understood that the loan will be denominated in dollars, with payment of principal and interest to be made in United States dollars or, at the option of the Government of Brazil, in cruzeiros, such payments in cruzeiros to be made at the exchange rate agreed upon by the two Governments in effect on the date of each payment. These and other provisions will be set forth in the loan agreement and any agreement supplemental thereto. Such loan funds shall be made available annually, during the three years of the sales program, for governmental, mixed and private enterprises provided they are within the scope of the development program of Brazil and meet the requirements of the Development Bank, to promote the economic development of Brazil, including such specific projects as the following :

- (1) expansion of hydroelectric energy production by the construction of the Furnas dam, and complementary projects in the Rio Grande river basin;
- (2) expansion of power production in the Paulo Afonso and other sites on the Sao Francisco river basin and the Tres Marias project;
- (3) construction of a new railway line between Passo Fundo and General Luz, linking agricultural production centers to the consuming and trade centers in Rio Grande do Sul;
- (4) expansion of iron and steel production.

2. In the event the cruzeiros set aside for loan to the Government of Brazil, as specified in Article II, paragraph 1 (c), are not disbursed from the Special Account of the Government of the United States of America to the Development Bank for loan purposes within five years from the date of this Agreement, the Government of the United States of America may use the cruzeiros in question for any other purpose authorized by Section 104 of the Act. For any such funds as may not be utilized in accordance with the above, the Government of Brazil will make available the cruzeiro equivalent in United States dollars for transfer to the Government of the United States of America.

Article III

DEPOSITS OF CRUZEIROS AND RATE OF EXCHANGE

1. The deposit of cruzeiros in payment for the commodities and for ocean freight costs financed by the Government of the United States of America (except excess costs resulting from the requirement that United States flag vessels

be used) shall be made at the rate of exchange for United States dollars agreed upon by the two Governments in effect on the dates of dollar disbursement by United States banks or by the Government of the United States of America, as provided in the purchase authorizations.

2. The two Governments agree that upon receipt by the Government of Brazil of notice of dollar disbursements to United States exporters by the Government of the United States of America or in such other manner as may be mutually agreed, the Government of Brazil shall provide for the deposit of the cruzeiro equivalent of the dollar disbursements by the Government of the United States of America, for payment of the transactions concerned, in a "Special Account" of the Government of the United States of America in the Development Bank acting as an agent of the Government of Brazil. The cruzeiros constituting the fifteen (15) percent specified in Article II, Paragraph (a) and (b) may, at the option of the Government of the United States of America, be withdrawn at any time from the Special Account in the Development Bank. The remainder of the cruzeiros deposited will be disbursed to the Development Bank for loan purposes in accordance with the provisions of Article II, Paragraph 1 (c) and Paragraph 2.

Article IV

GENERAL UNDERTAKINGS

1. The Government of Brazil agrees that it will take all possible measures to prevent the resale or transshipment to other countries, or the use for other than domestic purposes (except where such resale, transshipment or use is specifically approved by the Government of the United States of America), of the surplus agricultural commodities purchased pursuant to the provisions of this Agreement, and to assure that the purchase of such commodities does not result in increased availability of these or like commodities to nations unfriendly to the United States of America.

2. The two Governments agree that they will take reasonable precautions to assure that sales or purchases of surplus agricultural commodities pursuant to this Agreement will not unduly disrupt world prices of agricultural commodities, displace usual marketings of the United States of America in these commodities or materially impair trade relations among the countries of the free world.

3. In carrying out this Agreement the two Governments will seek to assure conditions of commerce permitting private traders to function effectively and will use their best endeavors to develop and expand continuous market demand for agricultural commodities.

4. The Government of Brazil agrees to furnish, upon request of the Government of the United States of America, information on the progress of the program, particularly with respect to arrivals and the condition of commodities and the provisions for the maintenance of usual marketings and information relating to exports of the same or like commodities.

Article V

CONSULTATION

The two Governments will, upon request of either of them, consult regarding any matter relating to the application of this Agreement or to the operation of arrangements carried out pursuant to this Agreement.

Article VI

ENTRY INTO FORCE

This Agreement shall enter into force upon signature.

IN WITNESS WHEREOF, the respective representatives, duly authorized for the purpose, have signed the present Agreement.

DONE at Washington, in duplicate, in the English and Portuguese languages this 31st day of December, 1956.

For the Government of the United States of America :

T. V. KALIJARVI

For the Government of the United States of Brazil :

Ernani DO AMARAL PEIXOTO

MEMORANDUM OF UNDERSTANDING BETWEEN THE GOVERNMENT OF THE UNITED STATES OF AMERICA AND THE GOVERNMENT OF BRAZIL RELATIVE TO SURPLUS AGRICULTURAL COMMODITIES UNDER TITLE I OF UNITED STATES PUBLIC LAW 480, EIGHTY-THIRD CONGRESS, AS AMENDED

The Government of the United States of America and the Government of Brazil :

Recognizing that sales of surplus agricultural commodities under Title I of the United States Public Law 480, Eighty-Third Congress, as amended, shall be in excess of the usual marketings of such commodities;

Recognizing that consideration should be given to providing such commodities for increased consumption in Brazil;

Recognizing that consideration should be given to the scheduling of the shipments to be made over the three-year period;

Have agreed as follows :

Section I

USUAL MARKETINGS

The two Governments agree that imports of surplus agricultural commodities under Title I of United States Public Law 480, and of the Surplus Agricultural Commodities Agreement, to which this Memorandum relates, shall be over and above usual commercial imports from all sources for the period covered by this Agreement. For wheat, in addition to imports from Argentina and Uruguay under the terms of its bilateral agreement with those countries, Brazil agrees to purchase from its own resources during each of the United States fiscal years 1957, 1958 and 1959, a minimum of 130,000 metric tons, of which at least 80,000 metric tons will be purchased from the United States. In the event of shortfalls in deliveries from Argentina and/or Uruguay, it is understood that Brazil would purchase in the world market the maximum amount of that deficit that its economic resources would permit. During the life of this Agreement, the two Governments will hold annual discussions on the import requirements of Brazil.

Section II

SCHEDULE OF SHIPMENTS

1. Subject to the provisions of the Agricultural Commodities Agreement between the two Governments dated December 31, 1956,¹ it is understood that on or before June 30 of each of the years 1957, 1958 and 1959, respectively, the Government of the United States of America will issue purchase authorizations, and that on or before September 30, of each of such years, respectively, the Government of Brazil will undertake to utilize these authorizations and purchase and ship a minimum of (a) for 1957, \$24.7 million worth of wheat and all of the other commodities included in the Agreement; (b) for 1958, a minimum of \$43.1 million worth of wheat; and (c) for 1959, the remainder of wheat provided for in the Agreement.
2. The Government of the United States of America reserves the right, in the event of substantial failure to carry out the foregoing schedule, to cancel the remainder of the program.

¹ See p. 152 of this volume.

EXCHANGE OF NOTES

I

*The Secretary of State to the Brazilian Ambassador*DEPARTMENT OF STATE
WASHINGTON

December 31, 1956

Excellency :

I have the honor to refer to the Agricultural Commodities Agreement between the Government of the United States of America and the Government of Brazil signed today¹ and in particular to Article II, Paragraph 1 (a), concerning the development of new markets for U.S. agricultural commodities on a mutually benefiting basis.

I wish to confirm my Government's understanding of the agreement reached in conversations which have taken place between the Department of State and the Brazilian Embassy in Washington with reference to the conversion of an amount not to exceed the curzeiro equivalent of \$500,000 into other currencies upon request by the Government of the United States of America. This facility is requested for the purpose of having funds to pay for international transportation of United States and other personnel engaged in agricultural marketing development activities and supplies and equipment for such purposes. Such conversion as would be made for these purposes would be at the free rate of exchange.

I shall appreciate receiving Your Excellency's confirmation of the above understanding.

Accept, Excellency, the renewed assurances of my highest consideration.

For the Secretary of State :
T. V. KALIJARVI

His Excellency Ernani do Amaral Peixoto
Brazilian Ambassador

¹ See p. 152 of this volume.

[TRANSLATION¹ — TRADUCTION²]

EMBASSY OF THE UNITED STATES OF BRAZIL

347/842.11(42) (22)

Washington, December 31, 1956

Mr. Secretary of State :

I have the honor to acknowledge receipt of Your Excellency's note, dated today, a Portuguese translation of which I transcribe below :

[*See note I*]

2. The Government of the United States of Brazil agrees that Your Excellency's note, a Portuguese translation of which is transcribed above, and this reply should constitute an agreement between the two Governments in this matter.

I avail myself of the opportunity to renew to Your Excellency the assurances of my highest consideration.

Ernani DO AMARAL PEIXOTO

His Excellency John Foster Dulles
Secretary of State of the United States of America

III

The Secretary of State to the Brazilian Ambassador

DEPARTMENT OF STATE
WASHINGTON

December 31, 1956

Excellency :

I have the honor to refer to the Agricultural Commodities Agreement between the Government of the United States of America and the Government of Brazil signed today and in particular to Article III, Paragraph 1, concerning the rate of exchange for the deposit of cruzeiros by the Government of Brazil in payment for surplus agricultural commodities.

I wish to confirm my Government's understanding of the agreement reached in conversations which have taken place between the Department of State and the Brazilian Embassy in Washington with reference to the applicable rate of exchange for the deposit of cruzeiros equivalent to the dollar sales value of commodities

¹ Translation by the Government of the United States of America.

² Traduction du Gouvernement des États-Unis d'Amérique.

to be purchased under the Agricultural Commodities Agreement. Under the exchange system in effect in Brazil on August 1, 1956, deposits will be made at the fourth or highest category export rate of 67.5 cruzeiros per dollar. If, before completion of shipment of the commodities purchased, the exchange system of Brazil is changed to establish a unitary rate or a rate generally applicable for import transactions (except imports granted a preferential rate), deposits against subsequent dollar disbursements will be made at such rate. If the exchange rate system of Brazil is changed in some other way, a new deposit rate to cover subsequent dollar disbursements shall be determined by mutual agreement upon the request of either party. Until such agreement is reached, deposits shall be made at the rate which was applicable at the time of such change, and any necessary adjustment in such deposits will be effected when such agreement is reached.

It is agreed that payment of principal and interest on the dollar denominated loan described in Article II, if made in cruzeiros, shall be made at the exchange rate on the date each payment becomes due that would be applicable to deposits for shipments under the provisions of the preceding paragraph.

I shall appreciate receiving Your Excellency's confirmation of the above understanding.

Accept, Excellency, the renewed assurances of my highest consideration.

For the Secretary of State :

T. V. KALIJARVI

His Excellency Ernani do Amaral Peixoto
Brazilian Ambassador

IV

The Brazilian Ambassador to the Secretary of State

[PORTUGUESE TEXT — TEXTE PORTUGAIS]

EMBAIXADA DOS ESTADOS UNIDOS DO BRASIL

346/842.11(42) (22)

Washington, em 31 de dezembro de 1956

Senhor Secretário de Estado,

Tenho a honra de acusar recebimento da nota datada de hoje, de Vossa Excelência, que abaixo transcrevo na sua tradução portuguesa :

“ Tenho a honra de referir-me ao Acôrdo sôbre Produtos Agrícolas hoje concluído entre o Governo dos Estados Unidos da América e o Governo do Brasil, e em particular ao Artigo III, Parágrafo 1, relativo à taxa de câmbio para depósito de cruzeiros pelo Governo do Brasil, em pagamento dos produtos agrícolas excedentes.

[TRANSLATION¹ — TRADUCTION²]

EMBASSY OF THE UNITED STATES OF BRAZIL

346/842.11(42) (22)

Washington, December 31, 1956

Mr. Secretary of State :

I have the honor to acknowledge receipt of Your Excellency's note dated today, a Portuguese translation of which I transcribe below :

[*See note III*]

2. The Government of the United States of Brazil agrees that Your Excellency's note, a translation of which into Portuguese is transcribed above, and this reply, should constitute an agreement between the two Governments on this matter.

I avail myself of the opportunity to renew to Your Excellency the assurances of my highest consideration.

Ernani DO AMARAL PEIXOTO

His Excellency John Foster Dulles
Secretary of State of the United States of America

¹ Translation by the Government of the United States of America.

² Traduction du Gouvernement des États-Unis d'Amérique.