No. 11770

UNITED STATES OF AMERICA
and
BRAZIL

Agreement for sales of agricultural commodities (with annex). Signed at Rio de Janeiro on 5 October 1967

Authentic texts: English and Portuguese.

Registered by the United States of America on 24 April 1972.

ÉTATS-UNIS D'AMÉRIQUE
et
BRÉSIL

Accord relatif à la vente de produits agricoles (avec annexe). Signé à Rio de Janeiro le 5 octobre 1967

Textes authentiques: anglais et portugais.

Enregistré par les États-Unis d'Amérique le 24 avril 1972.

AGREEMENT[1] BETWEEN THE GOVERNMENT OF THE UNITED STATES OF AMERICA AND THE GOVERNMENT OF BRAZIL FOR SALES OF AGRICULTURAL COMMODITIES

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

Recognizing the desirability of expanding trade in agricultural commodities between the United States of America (hereinafter referred to as the exporting country) and Brazil (hereinafter referred to as the importing country) in a manner that will not displace usual marketings of the exporting country in these commodities or unduly disrupt world prices of agricultural commodities or normal patterns of commercial trade with friendly countries;

Taking into account the importance to developing countries of their efforts to help themselves toward a greater degree of self-reliance, including efforts to meet their problems of food production;

Recognizing the policy of the exporting country to use its agricultural productivity to encourage developing countries to improve their own agricultural production, and to assist them in their economic development;

Recognizing the determination of the importing country to improve its own production, storage, and distribution of agricultural food products;

Desiring to set forth the understandings that will govern the sales of agricultural commodities to the importing country pursuant to Title I of the Agricultural Trade Development and Assistance Act, as amended (hereinafter referred to as the Act), and the measures that the two Governments will take individually and collectively in furthering the above-mentioned policies;

Have agreed as follows:

PART I

GENERAL PROVISIONS

Article I

A. The Government of the exporting country undertakes to finance the sale of agricultural commodities to purchasers authorized by the Government

[1] Came into force on 5 October 1967 by signature, in accordance with article IV.

of the importing country in accordance with the terms and conditions set forth in this agreement, including the Dollar Credit Annex which is an integral part of this agreement.

B. The financing of the agricultural commodities listed in Part II of this agreement will be subject to:

1. the issuance by the Government of the exporting country of purchase authorizations and their acceptance by the Government of the importing country; and
2. the availability of the specified commodities at the time of exportation.

C. Application for purchase authorizations will be made within 90 days after the effective date of this agreement, and, with respect to any additional commodities or amounts of commodities provided for in any supplementary agreement, within 90 days after the effective date of such supplementary agreement. Purchase authorizations shall include provisions relating to the sale and delivery of such commodities, and other relevant matters.

D. Except as may be authorized by the Government of the exporting country, all deliveries of commodities sold under this agreement shall be made within the supply periods specified in the commodity table in Part II.

E. The value of the total quantity of each commodity covered by the purchase authorizations for a specified type of financing authorized under this agreement shall not exceed the maximum export market value specified for that commodity and type of financing in Part II. The Government of the exporting country may limit the total value of each commodity to be covered by purchase authorizations for a specified type of financing as price declines or other marketing factors may require, so that the quantities of such commodity sold under a specified type of financing will not substantially exceed the applicable approximate maximum quantity specified in Part II.

F. The Government of the exporting country shall bear the ocean freight differential for commodities the Government of the exporting country requires to be transported in United States flag vessels (approximately 50 percent by weight of the commodities sold under the agreement). The ocean freight differential is deemed to be the amount, as determined by the Government of the exporting country, by which the cost of ocean transportation is higher (than would otherwise be the case) by reason of the requirement that the commodities be transported in United States flag vessels. The Government of the importing country shall have no responsibility to reimburse the

Government of the exporting country or to deposit any local currency of the importing country for the ocean freight differential borne by the Government of the exporting country.

G. Promptly after contracting for United States flag shipping space to be used for commodities required to be transported in United States flag vessels, and in any event not later than presentation of vessel for loading, the Government of the importing country or the purchasers authorized by it shall open a letter of credit, in United States dollars, for the estimated cost of ocean transportation for such commodities.

H. The financing, sale, and delivery of commodities under this agreement may be terminated by either Government if that Government determines that because of changed conditions the continuation of such financing, sale, or delivery is unnecessary or undesirable.

Article II

A. *Initial Payment*

The Government of the importing country shall pay, or cause to be paid, such an initial payment as may be specified in Part II of this agreement. The amount of this payment shall be that proportion of the purchase price (excluding any ocean transportation costs that may be included therein) equal to the percentage specified for initial payment in Part II and payment shall be made in United States dollars in accordance with the applicable purchase authorization.

B. *Type of Financing*

Sales of the commodities specified in Part II shall be financed in accordance with the type of financing indicated therein, and special provisions relating to the sale are also set forth in Part II and in the Dollar Credit Annex.

C. *Deposit of Payments*

The Government of the importing country shall make, or cause to be made, payments to the Government of the exporting country in the currencies, amounts, and at the exchange rates specified elsewhere in this agreement as follows:

1. Payments in the local currency of the importing country (hereinafter referred to as local currency) shall be deposited to the account of the Government of the United States of America in interest bearing accounts in banks selected by the Government of the United States of America in the importing country.

2. Dollar payments shall be remitted to the Treasurer, Commodity Credit Corporation, United States Department of Agriculture, Washington, D.C., 20250, unless another method of payment is agreed upon by the two Governments.

Article III

A. *World Trade*

The two Governments shall take maximum precautions to assure that sales of agricultural commodities pursuant to this agreement will not displace usual marketings of the exporting country in these commodities or unduly disrupt world prices of agricultural commodities or normal patterns of commercial trade with countries the Government of the exporting country considers to be friendly to it (referred to in this agreement as friendly countries). In implementing this provision the Government of the importing country shall:

1. Insure that total imports from the exporting country and other friendly countries into the importing country paid for with the resources of the importing country will equal at least the quantities of agricultural commodities as may be specified in the usual marketing table set forth in Part II during each import period specified in the table and during each subsequent comparable period in which commodities financed under this agreement are being delivered. The imports of commodities to satisfy these usual marketing requirements for each import period shall be in addition to purchases financed under this agreement.

2. Take all possible measures to prevent the resale, diversion in transit, or transshipment to other countries or the use for other than domestic purposes of the agricultural commodities purchased pursuant to this agreement (except where such resale, diversion in transit, transshipment or use is specifically approved by the Government of the United States of America); and

3. Take all possible measures to prevent the export of any commodity of either domestic or foreign origin which is the same as, or like, the commodities financed under this agreement during the export limitation period specified in the export limitation table in Part II (except as may be specified in Part II or where such export is otherwise specifically approved by the Government of the United States of America).

B. *Private Trade*

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

C. *Importing Country Agricultural Development Program*

The Government of the importing country will carry out a program to improve the production, storage and distribution of agricultural commodities, as described in Part II of this agreement, and will furnish in such form and at such time as may be requested by the Government of the exporting country, a statement of the progress made in carrying out such program.

D. *Reporting*

In addition to any other reports agreed upon by the two Governments, the Government of the importing country shall furnish at least quarterly for the supply period specified in Item I, Part II of this agreement and any subsequent comparable period during which commodities purchased under this agreement are being imported or utilized:

1. the following information in connection with each shipment of commodities received under the agreement: the name of each vessel; the date of arrival; the port of arrival; the commodity and quantity received; the condition in which received; the date unloading was completed; and the disposition of the cargo, i.e., stored, distributed locally, or, if shipped where shipped;
2. a statement by it showing the progress made toward fulfilling the usual marketing requirement;
3. a statement of the measures it has taken to implement the provisions of sections A2 and 3 of this Article, and
4. statistical data on imports and exports by country of origin or destination of commodities which are the same as or like those imported under the agreement.

E. *Procedures for Reconciliation and Adjustment of Accounts*

The two Governments shall each establish appropriate procedures to facilitate the reconciliation of their respective records of the amounts financed with respect to the commodities delivered during each calendar year. The Commodity Credit Corporation of the exporting country and the Government of the importing country may make such adjustments in the credit accounts as they mutually decide are appropriate.

F. *Definitions*

For the purposes of this agreement:

1. delivery shall be deemed to have occurred as of the on-board date shown in the ocean bill of lading which has been signed or initialed on behalf of the carrier,

2. import shall be deemed to have occurred when the commodity has entered the country, and passed through customs of the importing country, and

3. utilization shall be deemed to have occurred when the commodity is sold to the trade within the importing country without restriction on its use within the country or otherwise distributed to the consumer within the country.

G. *Applicable Exchange Rate*

For the purposes of this agreement, the applicable exchange rate for determining the amount of any local currency to be paid to the Government of the exporting country shall be a rate which is not less favorable to the Government of the exporting country than the highest of exchange rates legally obtainable in the importing country and which is not less favorable to the Government of the exporting country than the highest of exchange rates obtainable by any other nation. As long as a unitary exchange rate system is maintained by the Government of the importing country, the applicable exchange rate will be the rate at which the central monetary authority of the importing country, or its authorized agent, sells foreign exchange for local currency.

H. *Consultation*

The two Governments shall, upon request of either of them, consult regarding any matter arising under this agreement, including the operation of arrangements carried out pursuant to this agreement.

I. *Identification and Publicity*

The Government of the importing country shall undertake such measures as may be mutually agreed prior to delivery for the identification of food commodities at points of distribution in the importing country, and for publicity as provided for in subsection 103 (*l*) of the Act.

PART II

PARTICULAR PROVISIONS

ITEM I. *Commodity Table*

Commodity	*Supply Period (Calendar Year)*	*Approximate Maximum Quantity (metric tons)*	*Maximum Export Market Value (in thousands)*
Wheat and/or wheat flour	1967	500,000	$34,225
Ocean transportation (estimated)			1,722
		TOTAL	$35,947

ITEM II. *Dollar Payment Terms*

1. Initial payment — five percent
2. Number of annual installment payments — 20
3. Amount of each installment payment — approximately equal annual amounts
4. Due date of first installment payment — one year from date of last delivery in any calendar year
5. Interest rate — initial, 2½ percent; continuing, 2½ percent

ITEM III. *Usual Marketing Table*

Commodity	*Import Period*	*Usual Marketing Requirement*
Wheat and/or wheat flour (on a grain equivalent basis)	Calendar Year 1967	1,350,000 tons

ITEM IV. *Export Limitations*

A. The export limitation period shall begin with the effective date of the agreement and end on the final date on which commodities financed under this agreement are being received and utilized.

B. For the purposes of Part I of Article III, paragraph A.3 of this agreement, commodities considered to be the same as, or like, the commodities financed under this agreement are wheat, barley, oats and rye and their products.

ITEM V. *Importing Country Agricultural Development Program*

1. All of the local currency deposited in the special account, in accordance with paragraph 4 of the Dollar Credit Annex, shall be made available for use in the agricultural sector, with at least matching contributions from other Brazilian resources for each purpose. Unless otherwise agreed by the two Governments, cruzeiros generated by this agreement shall be allocated as follows:

a. Approximately 20% for loans to cooperatives for improving marketing, grain handling and storage facilities;

b. Approximately 60% for "on farm credit," part for medium and long term loans and part for short term loans, to stimulate the use of inputs such as seeds, limestone, fertilizers and services;

c. Approximately 10% for construction of farm-to-market roads and community self-help improvement projects;

d. The remainder to be used to support other priority agricultural development programs now underway, including the expansion of institutions for adaptive research and the financing of production and distribution of agricultural limestone.

2. Within the foregoing allocations no less than 20 percent of the total cruzeiros accruing pursuant to this agreement shall be available for lending to private enterprise.

3. The cruzeiros generated by this agreement shall be used as described above, in accordance with the program outlined in the *Diretrizes Gerais de Govêrno—Programa Estratégico de Desenvolvimento*, including the following:

a. The carrying out of programs and projects designed to improve the system of marketing, with particular emphasis on meat, milk, rice, beans, potatoes, corn and vegetables.

b. The improvement of the program of minimum prices and production financing, of marketing and distribution institutions, and marketing services.

c. The development of a program of reserve stocks of basic food crops to assure an even flow of essential commodities to the consumer, simultaneously with a policy of minimum prices and financing.

d. The construction of supply centers and regional markets (primarily operated by private enterprise) and stimulation of the growth of the network of supermarkets and self-service systems.

e. The improvement of the national system of warehouses with particular attention to regions that are now insufficiently served, including cold storage, and expansion in warehouse capacity at the producer and intermediate levels.

f. Improvement of the classification of agricultural products and market news services.

g. The construction of highways of strategic significance for the supply of large urban centers and of secondary roads in the principal agricultural areas.

h. The carrying out of intensive programs to increase productivity of basic food stuffs including livestock improvement programs, the development of milk sheds, the promotion of meat-type hogs and the expansion of fisheries.

i. The development of incentives for the use of modern inputs and control of diseases, such as fertilizers and agricultural chemicals, improved seeds, Aftosa control, and tractors and other implements.

j. Expansion of the area in agricultural use through self-administered colonies, development of priority river basins and intensified research on cerrado soils.

k. The transformation of rural credit into an instrument for the modernization of technology and specialization, by increasing the supply of credit and making the granting of credit more responsive to rural needs.

l. The granting of incentives to promote industrialization in rural areas.

4. In addition, the Government of Brazil will continue to stimulate systems of collection, computation and analysis of statistics in order better to measure the availability of agricultural inputs and progress in expanding production and utilization of agricultural commodities.

5. In accordance with the provisions of Part I, Article III, paragraph C, the Government of Brazil will keep the Government of the United States informed regarding progress made in carrying out this program.

Article IV

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 Rio de Janeiro, in duplicate, in the English and Portuguese languages this 5th day of October 1967.

For the Government of the United States of America:

JOHN W. TUTHILL

For the Government of Brazil:

JOSÉ DE MAGALHÃES PINTO

DOLLAR CREDIT ANNEX TO THE AGREEMENT BETWEEN THE GOVERNMENT OF THE UNITED STATES OF AMERICA AND THE GOVERNMENT OF BRAZIL FOR SALES OF AGRICULTURAL COMMODITIES

The following provisions apply with respect to the sales commodities financed on dollar credit terms:

1. In addition to bearing the cost of ocean freight differential as provided in Part I, Article I, paragraph F, of this agreement, the Government of the exporting country will finance on credit terms the balance of the costs for ocean transportation of those commodities that are required to be carried in United States flag vessels. The amount for ocean transportation (estimated) included in any commodity table specifying credit terms does not include the ocean freight differential to be borne by the Government of the exporting country and is only an estimate of the amount that will be necessary to cover the ocean transportation costs to be financed on credit terms by the Government of the exporting country. If this estimate is not sufficient to cover these costs, the exporting country is to cover them.

2. With respect to commodities delivered in each calendar year under this agreement, the principal of the credit (hereinafter referred to as principal) will consist of:

a. The dollar amount disbursed by the Government of the exporting country for the commodities (not including any ocean transportation costs), and

b. The ocean transportation costs financed by the Government of the exporting country in accordance with paragraph 1 of this annex (but not the ocean freight differential).

This principal shall be paid in accordance with the payment schedule in Part II of this agreement. The first installment payment shall be due and payable on the date specified in Part II of this agreement. Subsequent installment payments shall be due and payable at intervals of one year thereafter. Any payment of principal may be made prior to its due date.

3. Interest on the unpaid balance of the principal due the Government of the exporting country for commodities delivered in each calendar year under this agreement shall begin on the date of last delivery of these commodities in such calendar year. Interest shall be paid not later than the due date of each installment payment of principal, except that if the date of the first installment is more than a year after such date of last delivery, the first payment of interest shall be made not later than the anniversary date of such date of last delivery and thereafter payment of interest shall be made not later than the due date of each installment payment of principal. For the period from the date the interest begins to the due date for the first installment payment, the interest shall be computed at the initial interest rate specified in Part II of this agreement. Thereafter, the interest shall be computed at the continuing interest rate specified in Part II of this agreement.

4. Upon the sale of the commodities in the importing country, the Government of the importing country shall deposit in a special account in its name cruzeiros equivalent to the dollar disbursement by the Government of the exporting country in connection with the financing of the commodities including the related ocean transportation costs other than the ocean freight differential. This account shall be used for the sole purpose of holding the cruzeiro funds referred to in the preceding sentence. The exchange rate to be used in calculating this local currency equivalent shall be the rate at which the central monetary authority of the importing country, or its authorized agent, sells foreign exchange for local currency in connection with the commercial import of the same commodities. Withdrawals from this account shall be made for the economic development purposes specified in Part II of this agreement in accordance with procedures mutually satisfactory to the two Governments. Any such accrued proceeds that are loaned by the Government of the importing country to private or nongovernmental organizations shall be loaned at rates of interest approximately equivalent to those charged for comparable loans in the importing country. The importing country shall use any excess above the amount of the deposits in this special account which it receives from the sale of the commodities for such economic development purposes as may be mutually agreed.

5. The computations of initial payment under Part I, Article II, paragraph A of this agreement and all computations of principal and interest under numbered paragraphs 2 and 3 of this annex shall be made in United States dollars.

6. All payments shall be in United States dollars or, if the Government of the exporting country so elects:

a. The payments shall be made in local currency at the applicable exchange rate specified in Part I, Article III, paragraph G of this agreement in effect on the date of

payment and shall, at the option of the Government of the exporting country, be converted to United States dollars at the same rate, or used by the Government of the exporting country for payment of its obligations in the importing country; or

b. The payments shall be made in readily convertible currencies of third countries at a mutually agreed rate of exchange and shall be used by the Government of the exporting country for payment of its obligations.

For the Government
of the United States of America:

JOHN W. TUTHILL

For the Government
of Brazil:

JOSÉ DE MAGALHÃES PINTO