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> Tropical Lending: International Prices, Strategic Default and Credit Constraints among Coffee Washing Stations

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Abstract

We use detailed contract level data on a portfolio of 197 cuffer washing stations in St constrict to identify the sources and consequences of credit markets imported tions. Due to mend hazard, distant interior increases in world coffee prices just before (but not just after) the maturity data increases in world coffee prices just before (but not just after) the maturity data foreign suggests to the contract. Studiege definite, in determined the elastications with the leader and foreign suggests to the sole of informal crimemont amounts to 50% of the value of the sole contract for requiring between A BDD observ that forms are credit constrained. Additional bases are used to increase input purchases from forecaster than elasticating of the recovers of credit. Perice paid to formers increase implicing the enteriors of contract tand externalities along the sumple class.

Keywords: Chodit Contraints, Commodity Prices, Relationships, Exports Account Receivable.

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## Tropical Lending: International Prices, Strategic Default and Credit Constraints among Coffee Washing Stations

We use detailed contract level data on a portfolio of 197 coffee washing stations in 18 countries to identify the sources and consequences of credit markets imperfections. Due to moral hazard, default rates increase following unanticipated increases in world coffee prices just before (but not just after) the maturity date of the contract. Strategic default is deterred by relationships with the lender and foreign buyers: the value of informal enforcement amounts to 50% of the value of the sale contract for repaying borrowers. A RDD shows that firms are credit constrained. Additional loans are used to increase input purchases from farmers rather than substituting other sources of credit. Prices paid to farmers increase implying the existence of contractual externalities along the supply chain.



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