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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 perticitie of 107 coffic working stations in B constrict to islentify the source and consequences of coeffit markets imperfection. Due to meral hazard, dotant state increase following manifelyated for the contract. Statistic dotant is done for an approximation of the foring integers. It would cofficient and part after) the maturity fails of the contract. Statistic dotant is dotered by relationships with the leader and foreign integers. It would cofficient contract anomate to SFG of the value of the solid contract. For rapping homeorer. A RDD shows that firms are cost constrained. Altificiand hazar are used to increase input perfavores from firmerer rather than substituting other sources of confit. Prices paid to framew increase implying the existence of contract and extensible along the supply chain. Keyworks: Chefit Constraints, Commolity Prices, Belationships, Exports, Account Recordship.

JEL CodesO12, O16, L14, F14, G32, QD, Q14.

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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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