

# Tea and Coffee Market Review

Monthly Comment on Trade  
Conditions and Prospects

## RAIN AND COLD AFFECT BRAZIL COFFEE STOCKS

New Crop Curtailed in Volume by  
Adverse Weather—July  
Exports Fall Off

By THEOPHILO de ANDRADE

**RIO DE JANEIRO, Aug. 15—**The first month of the new coffee crop was not very encouraging, with deliveries from the interior less than July of last year. Exports were also lower, the July total being 1,162,738 bags as against 1,271,083 in July, 1938. However, the new policy of competition seems justified in view of the fact that in July, 1937, when "defense" was effective, exports amounted to only 723,100 bags.

Of more serious concern is the condition of coffees delivered for export, which showed the effects of the bad weather prevalent during the harvest. During the period of drying there were very heavy rains in Sao Paulo and Minas Gerais. The Mineira Matta zone and the States of Rio and Espirito Santo suffered even more. Reports from some sections of Sao Paulo recited losses as high as 40%. An average of 20% loss is probably the true figure for the Paulista and Sul de Minas harvests.

Later when the harvest was nearly over the coffee regions were swept by an intense cold wave, which has persisted in the interior despite the mild weather on the coast. These two factors have seriously affected the volume of the crop. As a result, the growers are appealing to the Government to alter the specifications for the sacrifice quota. The DNC is being urged to accept under this classification the coffees damaged by rain so as to minimize their losses.

To add to the plight of the growers, prices are lower than last season. Santos traders who in the past were used to periodic intervention by the Government in a falling market, have sent a deputation to Rio to urge the purchase of the surplus stock of Sao Paulo, amounting to 6½ million bags. They subsequently modified their plea to 3½ million bags; but the project has little chance of success.

To pay for this stock the Government would either have to arrange a

loan from the Bank of Brazil or issue paper currency. In the latter case the taxpayer would have to pay. In the former case, an extension would be necessary in the time allowed for terminating the export tax of 12 milreis per bag, which it is planned to abolish as soon as possible.

Bankers close to the coffee trade are supporting the plan, on the theory that the export tax would be retained long enough to repay the loan. However, the cold wave now prevalent is expected to considerably reduce the 1940-41 crop; and as a result it is believed that the Government will hardly consent to purchase the surplus stock, or any part of it, at this stage. The surplus, it is expected, will find a ready market if the next crop should be seriously curtailed.

## THREATENED SHORTAGE OF FORMOSAN TEA IS AVERTED

The threat of curtailed imports of Formosa tea to the United States, with consequent prohibitive prices, seemed to be averted at mid-August following an exchange of cables between Mr. S. Kawazoe, Formosan Commissioner, and the Formosan Government in Taihoku. The correspondence followed reports of an embargo on shipments of Formosa tea effective Aug. 1. The last word received from Taihoku on Aug. 10 stated that a government order of Aug. 3 had modified the export restrictions, and that positive action had been taken to increase shipments to the United States.

The matter had become so serious toward the end of July that President R. A. Lewis of the Tea Association appointed Messrs. E. A. Nathan, John J. McNamara and W. D. Loudon as a committee to confer with Mr. Kawazoe towards alleviating the situation. The Tea Association on Aug. 14 reported that it was expected that Formosa teas will shortly become more plentiful. Formosa blacks declined 2c at the end of the month.

The end of the month saw little local demand, with spot prices firm. The third Japan crop, due in August and September, is reported to have been seriously curtailed by severe heat. No more than 50% of the normal crop is looked for.

## LONDON TEA PRICES UP

Trade Forgets Political Clouds  
in View of Advancing  
Auction Rates

By JACK BROOKS

**LONDON, Aug. 16—**Judging from recent activities, the tea trade while taking all sensible precautions is determined to discount war talk and get about its business. Tea is in demand and buyers are prepared to pay for the descriptions they want. Aided by a healthy statistical position Mincing Lane, right up to the August bank holiday recess, developed strength.

Tea exports from producing countries are, of course, still above world absorption. Exports for the statistical year ended March 31, 1939, are some 53½ million pounds more than for the preceding 12 months; while absorption during the same period was some 35¼ million pounds greater than in the preceding crop year.

Exports from restriction countries commencing April this year have been substantially smaller than in 1938. The April exports from India, Ceylon and Dutch East Indies were 39½ million pounds, compared with 47½ million pounds in April, 1938. April absorption figures this year were nearly 77½ million pounds compared with 73¾ million pounds in April, last year. Had the U. K. consumption figures been better the total would have been substantially higher. British consumption, however, was some five million pounds lower this April than last. As Chairman W. H. Daukes of Anglo-Dutch Plantations of Java mentions in his annual report, bonded stocks in the U. K. were down to around 168¾ million pounds at the end of May. By the end of June they were another seven million less. Mr. Daukes said that with political conditions settled increased commercial activity would follow and tea, among other commodities, would benefit. As far as it is possible to foresee at present, he thinks, the tea market trend is favorable with prices quiet steady at about last season's level. Tea production, in view of the 2½ per cent quota cut, effective for nine months of the fi-

(Continued on Page 42)