

Tea and Coffee Market Review

Monthly Comment on Trade
Conditions and Prospects

Brazil's Coffee Policy in Wartime

Country in Far Better Situation than in 1914—
DNC Insurance Plan Offers Indemnity in Kind

By THEOPHILO de ANDRADE

RIO DE JANEIRO, Sept. 15—The European war to date affects four of Brazil's best customers, two of which, France and Germany, may be classed as first class coffee buyers. For Brazil this is of extraordinary significance, because coffee represents more than 50% of the total value of Brazil's exports.

From the outset of hostilities we lost the German market, due to the blockade of the seas. This market in 1938 consumed 1,529,828 bags of Brazilian coffee. A large percentage of other European markets will also reduce their purchases. This reduction may also spread to all the belligerent nations by virtue of exchange requirements and difficulties in transportation. It is expected that as a consequence of the European War Brazil will lose from two to three million bags in its coffee exportations.

At the beginning of hostilities in September, the Government took immediate steps to control the situation as far as possible.

The first measure adopted was to create a four-day holiday so as to surmount the psychological crisis, avoid a panic and consider other measures for future application. The second step concerned the adoption of insurance against war risks, to be covered by the National Coffee Department, on all coffee shipments to foreign countries, particularly to dangerous European, Asiatic and African regions.

The authority granted to the Department to effect such insurance was given by a governmental decree of Sept. 2. Insurance will cover only war risks as defined in the legislation in force and in international agreements. Indemnities shall be made exclusively in coffee, and shall be paid over in the markets of Santos or Rio de Janeiro on the basis of quotations as of the day in which the indemnities are to be settled. War risks become valid on the day of departure of ships leaving Brazilian ports, and end with the unloading of

the cargo at the port of destination. The rates fixed were the lowest possible, being limited to 50% of those in force in the open market, and not to exceed 1% of the value of the coffee shipped.

With the creation of this type of insurance the corresponding premium, in gold, remains in the country and will constitute a new source of revenue for the Department. As the loss is payable only in coffee, it will be paid for with a product that otherwise would have been thrown to the fire. There will be no difficulties as to "statistical equilibrium", because the coffee given as indemnity simply replaces the coffee destroyed. This formula was proposed by coffee merchants and immediately accepted, as it was found to be ingenious and practical while it also assures the continuity of exportation.

We are under the impression that the institution of this form of insurance will not result in the total sus-

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TEA GOES UP ABRUPTLY

U. K. Requisition of Extraordinary Stocks Causes Rise of 5c to 10c a Pound Here

LOCAL tea prices went up abruptly from 5c to 10c a pound Sept. 21 following cabled information that the British Government had requisitioned 50,000,000 pounds of Ceylon tea and 130,000,000 pounds of India tea to be delivered by the end of this year. The amount represents more than 25,000,000 pounds in excess of ordinary requirements in England.

With a shortage here in Ceylons and Indias, buyers turned to Java and Sumatra types. Java orange pekoe rose from 30c to 35c; and Ceylon common grades rose from 40c to 50c. The trade feared that for the balance of the year little more Empire tea will be received than what is now afloat for the United States.

HALT LONDON AUCTIONS

Government Control of Tea Stocks Leads to Suspension of Regular Trading

By JACK BROOKS

LONDON, Sept. 11—In consequence of the government's decision at the outbreak of war to evacuate all tea from bonded warehouses, tea auctions have been suspended since the beginning of this month. Plans for the removal of millions of pounds of tea to less congested areas have been in hand for many months. The emergency was met smoothly and the Tea Brokers' Association announced the postponement of tea auctions even before this country was actually at war.

The effect of European hostilities on tea consumption is difficult to predict. Rationing here and in Germany will substantially affect the amount of tea normally consumed per household. On the other hand stocks of tea needed for the services by government will be abnormal. It may well be that tea absorption in the aggregate will be increased.

The tea market, prior to the breaking out of hostilities, was very strong. The demand for Indian leaf grades from abroad was curtailed by the approaching crisis and the devaluation of the pound. This resulted in slightly lower prices, and market withdrawals of this grade of tea were large.

Just prior to the outbreak of hostilities there was keen demand for teas of all kinds, with prices for most grades running at least a cent a pound higher. Dealers and blenders have been competing for large quantities of Indian tea. Supplies of fine tea were scarce.

The retail demand for tea indicated by shop needs is abnormal. Provisional prices have already been fixed, with the wholesale and import trade now being under control. Tea must not be sold at wholesale or retail at prices higher than those ruling during the seven days ended Aug. 26. Dealings in tea outside the United Kingdom are possible only under license by the Food Defense Department.

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