

the Tea Councils in Australia and the United States.

The contributions to the Tea Councils from exporting countries are computed on the volume as well as the value of the country's tea exports. This rule makes Ceylon's contribution much higher as Ceylon teas fetch much higher prices.

Plantation and trade sources in Ceylon are of the opinion that Ceylon will put off implementation of the Lusaka decision to cut off trade ties with South Africa, especially at the present time when plantations and the trade cannot afford to lose business.

Inquiries Continue

Inquiries from South Africa continue to come in despite the decision at Lusaka. There is no evidence of any South African move to withdraw the support for Ceylon teas either at the Colombo or the London auctions.

Local tea circles expect South African buyers to continue as usual at the Colombo auctions. It was pointed out at the general meeting of the Morowak Kerale Planters As-

sociation meeting in South Ceylon that today African teas were fetching more because African factories were well equipped.

However, Ceylon's tea exports to South Africa are expected to reach an all-time high record following a three percent increase in tea consumption in that country. An FAO projection has estimated that between 1970 and 1975 tea consumption in South Africa is expected to go up from 44.6 million pounds to 51.7 million pounds. Ceylon is expected to make the biggest gain in this market.

In 1968 to 1969 Ceylon exported about 30.7 million pounds out of a total of 43 million pounds of tea consumed in South Africa. At present Ceylon earns about Rs 60 to Rs 75 million in hard currency from exports of tea to South Africa.

Ceylon's tea exports to the United States have shot up by nearly 7 million pounds, making the United States the second biggest buyer of Ceylon tea, displacing Iraq to third place. The United Kingdom continues to be the chief buyer, purchasing 131 million pounds of tea last year.

"It takes about three pounds of green coffee to make a pound of soluble coffee, so the American producer starts off with the cost of about 66-69 cents a pound in Brazilian taxes.

"But when Brazil exports its soluble coffee to the U. S., it charges only 13 cents a pound tax. The Brazilian soluble coffee, therefore, has a 53-56 cents a pound advantage to begin with.

Threaten U.S. Processors

"Obviously, this discriminatory factor makes Brazilian-produced soluble coffee much cheaper in comparison with the American-produced one. Brazilian soluble coffee firms have a tremendous advantage in costs before production can even begin in this country."

He said that it was not that U. S. industry could not compete with Brazilian processors, but that Brazil's discriminatory treatment of soluble coffee over green coffee was threatening U. S. processors.

The union appealed to the committee to set a U. S. tariff on Brazil soluble equivalent to the amount of the "contribution tax" on green coffee, or to set a quota on Brazil soluble imports equal to the amounts imported into the U. S. from each country in 1965.

In response to an inquiry from the TEA & COFFEE TRADE JOURNAL, James W. Andrews, president of the Maxwell House Division of the General Foods Corporation, told one of the editors:

"We feel the preferential treatment given by the Brazilian government to soluble coffee exported from that nation violates the International Coffee Agreement.

"As you may know, Brazil's soluble coffee exports have been the subject of arbitration. A majority of the arbitration panel concluded that

Soluble Dispute Divides Brazil, U.S.

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clude the extent of discrimination as it was required to do, and this has been a source of continuing difficulty in solving this problem.

Further negotiations between the United States and Brazil followed the arbitration, and on April 30, the two Governments exchanged notes calling for

- (1) A Brazilian export tax of 13 cents per pound on soluble exports by May 1, 1969; and
- (2) joint review of the situation in early 1970 to consider further measures to be taken with respect to soluble coffee exports from Brazil.

Danger of Extinction

A spokesman for the Amalgamated Meatcutters and Butcher Workmen, (AFL-CIO) the labor union that represents U. S. coffee processing workers, told the members of the House Way and Means Committee that the union believed that the

U. S. soluble coffee industry was in danger of extinction because of Brazilian soluble imports.

He explained the reason why Brazil soluble is cheaper than U. S. Soluble.

"Many U. S. soluble coffee makers use Brazilian green coffee as their raw material. But to get the green coffee beans, they must pay between 22 and 23 cents a pound 'contribution tax.'

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