

TRADE OPPOSES COFFEE BONUS

The Associated Coffee Industries Leads an Almost Unanimous Protest by American Coffee Roasters—Brazil Stands Pat

AS soon as the announcement concerning Brazil's latest coffee bonus in kind reached this country there arose a wave of protest from coffee roasters and distributors all over the United States. Chairman Herbert Delafield of the Associated Coffee Industries called a meeting of the Board of Directors and the following cable was dispatched to Dr. Armando Vidal, President of the National Coffee Department at Rio de Janeiro:

"We greatly appreciate the spirit of Brazil's offer to grant coffee bonus to buyers in consuming countries. For our mutual interest, however, we urgently request reconsideration of the plan applied to this country, because (1) it would seriously disrupt roasted coffee distribution; (2) it would interfere with business established trade channels; (3) it would not have desired effect, increasing total sale Brazilian coffees, because bonus coffees would only compete with and displace on large scale other Brazilian coffees now being marketed.

"We respectfully advise that no bonus plan would receive support of entire coffee trade here, and suggest if the plan is intended to replace certain grades of mild coffees in this market this can only be done in our opinion by offering through established channels sweet and desirable qualities of coffee at prices which make them favorably competitive.

"The coffee trade here feels that this method together with early fulfillment of advertising program previously agreed to offers the most effective and economical means of increasing sale of Brazilian coffees and strengthening relations with trade in this country."

A DEMORALIZING INFLUENCE

In a special Bulletin to its members dated April 21, the Associated Coffee Industries said:

"The objections expressed in this protest reflect

the fine points of selection, and several hundred pulping machines have been distributed for this purpose. The Federal Agent in Rio State has purchased one thousand pulping machines, which will be distributed direct to planters, and so encourage them to improve their product. The state of Goyaz is also receiving attention in improving methods of culture, and an agency is to be inaugurated there too. In São Paulo the work is progressing admirably.

"Cleaning plants are to be annexed to warehouses, so that markets shall receive only coffees free from extraneous matter. The Public Health Department has in its hands the regulations which are to be applied to the roasting plants of the country, based on the São Paulo system, which has been efficient in preventing fraud and adulteration."

—CARIOCA.

the serious concern of coffee men throughout the country at the dangerous and disturbing implications of the plan as announced.

"The demoralizing influence on roasted coffee distribution of having large quantities of undescribed 6s and 7s marketed on a basis of destructive price competition, particularly by irresponsible factors in the trade, would seriously aggravate conditions which are already very much upset. Many roasting companies would receive large quantities of bonus coffees for which they would have no outlet other than that of entering the green coffee jobbing market. The uncertainty concerning the continuation, change, or withdrawal of the plan, while it continued in operation would hang over the market and contribute an unknown disturbing factor in all calculations. These are some of the factors which brought about the conclusion that the plan involved certainty of ultimate severe losses as against tenuous possibilities for small immediate profits extremely difficult of realization."

COFFEE EXCHANGE CABLES

Operators on the New York Coffee and Sugar Exchange regarded the bonus as a bearish argument and on April 17 and 18 the market reflected this feeling. On the 19th the Exchange reported:

"National Coffee Department informs us that bonus coffee is to be given by exporter to buyer and cannot be used in price reduction; also that bonus coffees must be compulsorily shipped to original buyer of coffee negotiated. Bonus applies to dispatches on and after the 18th, and aims to increase purchases of Brazilian coffee."

In spite of this, many in the trade elected to believe that importers here would not be forced to accept the "in kind" coffee. They argued that the Brazil exporter would be able to effect some arrangement whereby the bonus coffee could be shipped to Europe as a more convenient dumping ground and one where there is more of a demand for sixes, passing the bonus on to the American importer by a concession in price. When it became clear that no price concessions would be allowed, in lieu of free coffee, the trade was better pleased and coffee futures gained considerably.

There was, however, a large measure of uncertainty concerning the operation of the plan and on April 25 the Coffee Exchange cabled the National Coffee Department at Rio:

"Owing to numerous conflicting statements, trade unable to determine cost of bonus coffee which may be allotted to them. Rio shippers are offering with or without bonus buyers option. General understanding that bonus must go to buyer in United States. What is actual cost of bonus coffee to receiver in cents per pound present rate of exchange? Are charges in addition to fifteen shillings uniform in all ports?"

To this the National Coffee Department sent the following reply on April 27:—

"Replying your cable yesterday, wish you kindly explain to trade that bonus coffee must be delivered by exporters here to buyers other side. Exporters