Commodities
Tea Prices Are Seen Climbing This Year
Following Jump in Quotes at '74 Auction

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NEW YORK — The boiling point of tea drinkers will be tested in the months ahead as the beverage becomes another victim of global inflation.

The tipoff to the rising prices ahead came in early 1974, at the London tea auctions. After more than a decade of relative stability, prices at last year’s auction jumped 38% to an average 63% cents a pound from 1973’s 46 cents.

However, the importance of the London auctions to the U.S. industry has diminished somewhat in the past couple of years as tea consumption in Britain has declined, observers say. Increasingly, the U.S. industry is going directly to origins for its supplies. Producers like negotiating with the buyers themselves and collecting payment quickly instead of months later as is the case with London sales, according to tea sources here.

The full impact of the auction-price increase hasn’t been felt yet, but consumer prices are already climbing. According to a Labor Department survey of 48 cities, the average retail price for a box of 48 tea bags was 82 cents in 1974, up from 61.6 cents in 1973. Observers generally feel retail prices will continue to climb this year, but are reluctant to pinpoint the extent of the advance. Currently prices range from 73 to 89 cents a 48-bag box for nationally distributed brands and are about 20 cents a box less for private-label and local brands, according to industry sources.

A Notable Exception

Until last year, tea was a notable exception to the relentless climb in food prices; in 1973, for example, tea rose just 2% in price, compared with a 15% climb for all foods.

Widespread inflation, including higher petroleum prices that have boosted production, packaging and transport costs, have contributed to the recent tea-price increases, says Rex E. T. Dull, foreign commodity analyst at the Agriculture Department.

Poor crops in Sri Lanka (formerly Ceylon), the second-largest producer, and stepped-up buying by Middle East nations are further price stimulants, Mr. Dull says. And future crops are threatened by tight supplies and higher costs for fertilizer, which increasingly is being diverted into food production and away from tea and other less-vital uses, observers say.

Tea consumption in the U.S., which is second only to the U.K. in imports, has been rising steadily since the 1960s. Last year’s consumption is estimated at a record 0.8 of a pound—enough to make about 69 cups—a person. (By comparison, the British import enough tea annually to provide 1,600 cups of tea a person. And in the U.S., coffee consumption of 13 pounds a person annually continues to outpace tea drinking by a wide margin.)

Stimulated by Convenience

U.S. use has been stimulated by the convenience of instant teas and mixes that already contain sugar and lemon, Mr. Dull says. Although tea-bag sales still command the largest share of the market—48% of 1973 store sales—instants and mixes accounted for a record 44% of store sales in 1973, up from 23% in 1965, Mr. Dull adds.

The Tea Council of the U.S.A. Inc. estimates 1974 retail sales at 141 million pounds, up one million from 1973, with mixes and instants holding their 44% share of the market.

Iced tea was introduced at the St. Louis World’s Fair in 1904. Tea bags are thought to have started about the same time as sample bags made of silk. Their use spread from caterers to U.S. housewives in the 1920s, although Britain held out against them until 1952. Instant tea, developed in the 1950s, is a powder made from a concentrated brew from which water was removed.

High sugar prices may have some effect on tea-mix sales. But not as much as on other sugar-based soft drinks, says John M. Anderson, executive director of the Tea Council. On a per-serving basis, tea costs only 20% as much as soda, he says.

“Economy will be a strong element in turning people toward tea,” he says. “Next to water, hot tea is the cheapest drink there is,” he adds. Another plus for tea is that it is the only drink widely accepted in both hot and cold forms, he says. “And you’d have to work very hard to make a really bad cup of tea,” says one market analyst.

According to preliminary Agriculture Department estimates, world output last year, excluding China, was 1.3 million tons, about the same as 1973’s record production. India remained the top grower, with estimated record output of 528,000 tons. In Sri Lanka, drought cut last year’s crop to about 200,000 tons from 420,430 in 1973.

World consumption now about equals production. Rising domestic use in producing nations is expected to reduce export from 1973 levels, however, offsetting the heavy production. Tea-drinking in India for example, has risen to the point where that country now is the leading consumer as well as producer. Most of the tea crop in Japan, China and the Soviet Union, also major producers, is consumed internally, leaving only small quantities for export.