

Reversals of Fortune in the Tea Industry, Part XXXVIII

Competition has always existed in the American tea market. In colonial America, the main competition was between taxed British tea and the smuggled Dutch alternative. It is compelling to place tea at center stage in the discord that eventually lead the thirteen American colonies to declare independence from Great Britain. Tea, however, played a relatively small role in the drama until it was symbolically chosen by Lord Townsend as the proof of British subjugation over the thirteen American colonies.

Great Britain's model for colonial expansion was simple. The colonies supplied low cost raw materials for British mercantile and industrial expansion, while simultaneously providing a market for her manufactured goods. Maintaining control of existing territories while conquering new frontiers was expensive, and various duties and taxes were levied to offset the costs.

Most goods imported by the early colonists were actually manufactured in Great Britain, and duties on those items were very difficult to avoid. Molasses (used to make rum), wine, and tea were among the popular items that were not produced directly by the British and thus were the easiest to smuggle tax-free into the colonies.

Smuggling was quite profitable, and some of the wealthiest colonial businessmen owed at least a portion of their fortune to this illegal practice. *Founding Father* John Hancock is a prime example. Hancock's initial fortune came to him at the young age of 27, when he inheritance his Uncle Thomas' shipping business, along with thousands of acres of land.

The Hancocks were among the earliest colonial settlers, first arriving in 1634, fourteen years after the *Mayflower*. The famous John Hancock, who was first to sign the Declaration of Independence was actually John III, son and grandson of Congregationalist ministers of modest but comfortable means.

John's uncle, Thomas Hamilton, however, had chosen a different profession. In a span of just 27 years, Thomas Hancock had become one of America's richest and most powerful merchants. In *American Tempest, How the Boston Tea Party Sparked a Revolution*, Harlow Giles Unger states:

Like Hutchinson, Oliver, and Boston's other powerful merchants, Hancock's enterprise included retailing, wholesaling, importing, exporting, warehousing, ship and wharf ownership, commercial banking, investment banking, and real estate investments. ... Although no one had a firm idea of all the things that the House of Hancock and the other merchant-banking firms traded, everyone knew that whatever in the world one might want, one could find it at Thomas Hancock's and if he didn't have it, he could get it for a price.

John III was only seven years old when his father died, leaving his wife and children without a breadwinner. Thomas Hancock was childless and, needing a suitable heir for his empire, convinced his brother's widow to allow him to raise her eldest son as his own, in exchange for life-long support for the family.

Just how much of Thomas Hamilton's wealth was from smuggling is a matter of speculation, but it does appear to have been a component. In *Smuggler Nation*, Peter Andreas provides some details on Thomas Hancock's enterprise:

... Thomas Hancock (uncle of the famous John), wrote to his captain Simon Gross in December 1743 to take advantage of both licit and illicit trade opportunities in the Caribbean: "You have liberty to go to any of the English Islands, and if you think it Safe, to any of the French Islands ... I'd have you unload at Nantasket [Boston's outer harbor] if no man of War there." The letter concludes: "... [A] load of Molasses will be the best Cargo you can bring here; write me all Opportunities" Smuggling was so institutionalized in the Boston merchant community that merchants were able to buy insurance policies to cover them in the event of seizure.

Another excerpt from *Smuggler Nation* documents correspondence concerning the smuggling of Dutch merchandise. It is assumed that some, if not all, of the cargo was tea originating from China and Japan:

... Thomas Hancock ... wrote to one of his ship captains in Holland instructing him to divert and clandestinely unload his Boston-bound cargo at Cape Cod: “[When you have finished your Business proceed for Cape C[od] New England, speak with nobody upon your passage if you c[an] possibly help it.” The off-loaded cargo would then be quickly transported to Boston.

Although illegal, smuggling was justified as an avoidance of unfair taxes. Moreover, some struggling merchants needed the price advantage of Dutch tea to compete against rival merchants. According to Harlow Unger:

Although the largest, richest merchant groups routinely paid whatever duties the government demanded and absorbed the tiny extra costs, second-tier and third-tier merchants on the edge of failure evaded duties and tried to gain a competitive edge by buying low-cost Dutch tea that they could sell at prices well below those of dutied English teas.

As supplies of British tea began to exceed demand, the *East India Company* lowered prices to such an extent that, even after duties, the price was actually cheaper than smuggled Dutch tea. But by then the rift between American colonies and the British Empire had widened beyond repair. Taxes, and the tea tax in particular, had become a rallying cry for self-governance. British tea at any price was shunned by most colonists.

Harlow Unger states that between 1770 and 1773, taxed British tea imports to America decreased from 850,000 pounds to 550,000 pounds per year. At the same time, Dutch tea imports increased to 900,000 pounds.

As Great Britain was losing control of the American colonies, tensions were mounting in China, their only source of tea. British opium, produced in British-controlled territories in northern India, had effectively become the currency of trade for China tea. This was not a scheme that Chinese officials could endure for long. The British needed an alternate source for tea.

The British eventually discovered indigenous tea growing in northern India, not far

from their opium factories. Within a few decades, the British cracked the closely-held Chinese secrets of tea manufacture and eventually produced most of the tea required for the domestic market. Thanks in part to Thomas Lipton, British-produced tea would also seize a significant share of the U.S. tea market.

The quality of tea being imported to the U.S. from the time of the Revolution to the arrival of Lipton’s tea was absolutely horrendous. In fact, the tea was of such poor quality (if it was, in fact, even tea) that Congress passed the first consumer protection law in the United States, the *Tea Importation Act of 1897*, to address the problem. The *Tea Act* required all imported teas to be examined by experts who would determine if the teas met minimum quality standards. Experts also evaluated the character of each tea to confirm that it was true to its provenance.

But by 1897 it was a little too late. America had already lost its thirst for tea. According to Michael D’Antonio (*A Full Cup*), “Americans had suffered with bad tea for so long that many consumers couldn’t tell the difference between a good tea and an awful one, and millions had given up trying.” Even at the *Great Atlantic and Pacific Tea Company (A&P)*, a company with roots in the tea industry, the quality of tea was dismal.

British tea, however, was getting into its groove. By taking a scientific approach to the chemistry of tea, and applying industrial technology, the British were able to quickly ramp up production, as illustrated below:

Year	Estates under distinct proprietors	Acres under cultivation	Output of tea in lbs.
1850	1	1,876	216,000
1853	10	2,425	366,700
1859	48	7,599	1,205,689
1869	260	25,174	4,714,769
1871	296	31,303	6,251,143

D.R. Gadgil, *The Industrial Evolution of India in Recent Times*, Cambridge University Press, 1938

British tea got another boost when coffee plantations in Ceylon began to fail. Ceylon had become a coffee producing country while it was a Dutch protectorate. By 1875, eighty years after the British seized possession, annual production exceeded 100,000,000 pounds, making Ceylon the world's top producer of coffee at the time. But even as production was expanding, a troublesome blight was affecting an increasing number of coffee plants.

Rusty spots started appearing on the underside of coffee plant leaves. The rusty spots spread from leaf to leaf and from plant to plant. Plants that appeared to be healthy one day would drop all of their spotted leaves a few weeks later and die. The dreaded coffee fungus defied all attempts at cure or containment, and soon thousands of acres of coffee plantations fell idle. When it was discovered that tea plants were not affected by the fungus, many farmers turned to tea out of desperation.

Ceylon would eventually become the world's largest exporter of tea, and would hold that title for decades. It was only a matter of time before the importation of tea from the British-controlled estates in India and Ceylon surpassed China tea imports. The chart below illustrates the growth in British-produced tea between 1883 and 1889. The year 1887 is highlighted to emphasize when British imports of British tea first exceeded imports of China tea.

U.K. Imports of Tea (pounds)			
Year	China	India	Ceylon
1883	111,780,000	58,000,000	1,000,000
1884	110,843,000	62,217,000	2,000,000
1885	113,514,000	65,678,000	3,217,000
1886	104,226,000	68,420,000	6,245,000
1887	90,508,000	83,112,000	9,941,000
1888	80,653,000	86,210,000	18,553,000
1889	61,100,000	96,000,000	28,500,000

John Weatherstone, *The Pioneers*, Quiller Press Ltd, 1986

Tea quality, of course, was at least as important as production volumes. What became abundantly clear to tea producers and consumers, alike, was that British tea was never better than the day it was manufactured. Proper handling and packaging were essential to deter the degradation of flavors that inevitably occurred over time.

Lipton was late entering the British tea market, and even later entering the American tea market. It wasn't until 1890 that he purchased five Ceylon estates. However, he could not have done so at a better time. Even though tea planting was well underway, distressed properties were still up for grabs.

Typical of his flair for product self promotion and product promotion, Lipton seized every opportunity to associate his name with Ceylon tea. He persuaded Ceylon to exhibit tea at the Chicago World's Fair of 1893, where over a million packets of Ceylon tea were sold to the public, generating priceless publicity for the only Ceylon tea that the American public had heard of, namely Lipton's.

Lipton's tea, effectively, recaptured much of the American tea market that was lost by the *East India Company* a century earlier when America declared independence from Great Britain. He brought tea to a tea wasteland and reawakened the American public to the possibilities of tea.

Through this time period there actually was some good China tea imported to America. However, there was a great deal of adulterated tea and tea of poor quality that hapless importers obviously accepted. But even when the tea was of decent quality and in good condition upon entering the U.S., there was no guarantee that it would not be adulterated or mishandled after import.

The history of some of the successes and failures in the U.S. tea industry provides endless material.

Our series on *Reversals of Fortune in the Tea Industry* will continue in the next issue of the *Upton Tea Quarterly*.