Turning a Yankee Liability into an Asset: Selling New England Ice in India, 1833-1880

By Dan Cooper and Brian Grinder

"He who gives back at the first repulse and without striking the second blow, despairs of success, has never been, is not, and never will be, a hero in war, love, or business."

—Frederic Tudor, 1805

The War of 1812 interrupted business again, but Tudor pressed on in spite of constant harassment from his creditors. After the war, he expanded into Charleston, SC; Savannah, GA; and New Orleans, LA. The New Orleans expansion was especially successful. Tudor, hoping to sell an average of 510 of ice a day during his first season in New Orleans, was overjoyed when his brother Harry reported daily sales averaging $40 a day. After 15 years of setbacks, disappointments and frustration, the business had finally reached a turning point.

Shortly after receiving the good news from New Orleans, Tudor suffered a nervous breakdown. The signs of increasing stress were evident in Tudor’s daily entries, which often included the word “ANXIETY” written in bold capital letters. Fortunately, Tudor’s brother-in-law, Robert Gardiner, stepped in and skillfully managed the business while Tudor recovered. The ice business also received a much-needed shot in the arm when Tudor hired Nathaniel Jarvis Wyeth in 1826.

Wyeth single-handedly changed the production side of the ice industry with his invention of a horse-drawn ice plow in 1825. Before the ice plow, ice harvesters simply hacked ice out of ponds as best they could. The irregular shapes of ice produced by this inefficient method caused problems at sea because the ice would shift during the voyage.

Wyeth’s plow produced uniform blocks of ice that not only stayed put during transport but also melted more slowly. The ice plow also cut harvesting costs dramatically, from 30 cents a ton to 10 cents a ton. Wyeth continued to invent other methods and devices that made ice harvesting easier and less costly. However, the lure of the West captured Wyeth’s imagination, and in 1831 he embarked on an expedition to the Oregon Territory where he hoped to make his fortune in the fur trade.

Tudor also found a new way to make money by speculating in coffee. According to historians Carl Seaburg and Stanley Paterson, “He intended the fling to be short and one time only. He would purchase coffee for one week, so he wrote on July 1, 1831. On June 28 he wrote again in his diary, ‘I have nearly completed my speculation in coffee.’ But then he got hooked.”

By the end of 1832, his position in coffee was large enough to supply a year’s worth of the beverage to a million Americans. Tudor was on the verge of giving up the ice business for the easy money of coffee speculation when he was approached by Samuel Austin, a Boston merchant involved in trade with India, with an offer he couldn’t refuse.

Austin wanted to do more business in India, but there was a problem: India produced many things New Englanders wanted, but New England didn’t produce anything that could be traded in India. As a result, ships bound for India from Boston needing ballast were often filled with rocks that would simply be discarded when the ships arrived at their destination. Austin proposed shipping ice to India, and Tudor eagerly entered into a joint-venture with Austin and W.C. Rogers, who would accompany the ship to India.

Tudor procured the services of the Tuscany, and prepared the ship for its frozen
cargo by insulating its hold with shredded bark and hay. The Tuscany left Boston on May 12, 1833 loaded with 180 tons of ice and arrived in Calcutta on September 10 with about 100 tons of ice still intact. The overheated British residents of Calcutta joyfully celebrated the miraculous arrival of ice, and sales were brisk. Money was quickly raised to build an ice house, and plans were made to establish regular shipments of ice to India.

Tudor received word of the ship's safe arrival in January of 1834. The partners made a profit of $3,300 on the venture, but by the end of the year Tudor's losses from coffee speculation had reached an astounding $210,000. However, because of the success of the India venture, his creditors agreed to let him continue in the ice business unhindered and allowed him to repay them over time from the profits. It took Tudor 14 years to pay off his creditors, but by then he was a wealthy man. Some of his wealth came from ice trading profits, but the lion's share came from his investments over the years in seaport properties around the world. By 1847, Tudor's real estate investments alone were valued at over $1 million.

The joint-venture with Austin and Rogers did not survive beyond the voyage of the Tuscany. Rogers stayed in India and became a dentist. Austin and Tudor became competitors, but Tudor's long years of experience allowed him to dominate the market. The Civil War brought sales of northern ice in the South to an end, but trade elsewhere in the world continued unabated. Tudor died in 1864 at the age of 80. Voyages to India ended in 1880 when the technology for producing artificial ice finally reached a point where it was able to produce enough ice to meet demand.

As I finished my story, I asked my harried MBA student if we could learn anything from Frederic Tudor. "Yes," he replied, and as our discussion continued, we were able to draw a number of useful lessons from the experiences of Tudor.

First, Tudor was passionate about his idea to sell ice in the tropics. It's not enough to have a good idea; you have to believe in it enough to take action in the face of overwhelming opposition. Everyone in Boston thought Tudor was off his rocker when he first proposed selling ice in the Caribbean. No one was willing to back him financially, but he went ahead and financed the venture by mortgaging some of his own investment properties.

Tudor's brother-in-law wrote, "The idea was considered so utterly absurd by the sober minded merchants as to be the vagary of a disordered brain, and few men would have been willing to stand the scoffs and sneers from those whose assistance it was necessary to obtain, to aid him in the enterprise."

Second, Tudor had to exercise a great deal of patience. When describing the cash flows of long-term projects, modern finance textbooks typically assume an initial year of cash outflow immediately followed by cash inflows for the remainder of the project's life. While such a pattern of cash flows is desirable, few new businesses ever experience them. Tudor didn't see positive cash flows from his business for several years as he struggled against embargos, wars and various government bureaucracies. Only the patient can survive in such a world.

Finally, Tudor persevered. He didn't give up at the first sign of failure, but looked for new and creative ways to operate his business. Although passion, patience and perseverance receive scant attention in today's finance textbooks, they are qualities that must be developed by anyone who wants to succeed in the world of business and finance. $
Cutting ice from a lake, circa early 20th century.

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Notes

1. A better answer would have been, "I don't know," but MBA students, like most people, will rarely admit that they don't know something.

2. Tudor had been sent to debtor's prison in 1809 and 1812. In the early years of his ice venture, Tudor basically resorted to sneaking in and out of Boston in order to avoid being sent to debtor's prison.

3. Had he thought of combining the two, perhaps the first Starbucks would have opened in Boston in the 1830s instead of in Seattle in 1971.

4. Dickason (1991) lists several reasons for British intolerance to the heat of India which include (1) huge meals that included lots of meat, (2) heavy alcohol consumption and (3) obesity. Furthermore, Victorian attitudes about modesty precluded British subjects in India from lounging about in the 19th century equivalent of shorts and tank-tops.

5. Weightman (2003) contends that "the British community in Calcutta played a big part in wiping out his coffee debt." Profits from Calcutta alone netted Tudor about $220,000 in profits during his life.

Sources


