

MR. J. P. WILEMAN'S WEEKLY LETTER

"MOSTLY ABOUT COFFEE"

10th March, 1914.

No. 10.

NOTICE.

In consequence of the temporary suspension of publication of the "Brazilian Review," Mr. Wileman's weekly contribution "Mostly About Coffee", which until lately appeared as a Supplement of that journal, will be distributed to subscribers of the "Review" separately, until arrangements can be made for its again being incorporated with that journal.

RIO DE JANEIRO.

CAIXA 1521.

Rio de Janeiro, March 9th, 1914.

Santos Spot No. 7 closed at New York on Saturday, 7th inst., at 10 7/7 cents and May options at 8.74 cents; July 8.93; September 9.09; and December 9.24 cents; and at Havre May options 59.25 francs; July 59.75; September 60.25; and December 60.75. At Hamburg May options closed at 48.0 pf.; July 48.50; September 49.25; and December at 49.75. At Santos type No. 4 ruled 4\$800 per 10 kilos. No newspapers received from S. Paulo since 5th instant.

Entries for the week ended March 3rd and March 6th respectively were:—

	1914	1913
Rio	42,745	43,226
Santos	85,857	61,226
	128,602	104,452

Increase, Rio, for week of 481 bags or 1.1 per cent, compared with last year.

Increase, Santos, for week 24,631 bags or 40.2 per cent, compared with last year.

Increase, for both ports for week 24,150 bags or 23.1 per cent, compared with last year.

Entries for crop to 5th March were:—

	1914	1913
Rio	2,288,025	2,285,988
Santos	9,752,810	7,870,693
	12,040,835	10,156,681

Increase, Rio, for crop, 2,087 bags, or 0.1 per cent, compared with last year.

Increase, Santos, for crop, 1,882,117 bags, or 23.9 per cent, compared with last year.

Increase, for both ports, for crop, 1,884,204 bags or 18.5 per cent, compared with last year.

Entries at Rio and Santos to Thursday, 5th March, or corresponding days of previous six years were:—

1913-14	12,040,835	1910-11	9,713,120
1912-13	10,156,681	1909-10	13,795,375
1911-12	10,890,811	1908-09	11,300,399

Clearances were as follows:—

	Week ended 5 March		Week ended 5 March	
	Bags	£	Bags	£
Rio	45,740	105,025	1,945,226	4,846,295
Santos	199,387	577,630	9,256,189	27,802,015
1913-14	245,127	682,055	11,201,415	32,648,310
1912-13	126,054	484,109	9,765,551	37,446,828
1911-12	78,533	735,657	9,018,812	33,978,247

Increase clearances for both ports for current crop to 5th March compared with 1912-13, 7,435,864 bags or 14.7 per cent.

Increase in value £4,797,508, or 12.8 per cent, as against 13.6 per cent, on Feb. 28.

Stocks were:—

	March 7	Feb. 28
Rio	321,429	328,902
Santos	1,520,381	1,556,403
5th March, 1914	1,841,810	1,885,305
6th March, 1913	1,786,872	1,815,177
7th March, 1912	2,476,304	2,470,143

	Bags
Visible Supply, 1st July, 1913	10,285,316
Visible Supply, 1st March, 1913	12,004,195
Visible Supply, 1st March, 1914	12,928,000
Visible Supply, 1st February, 1914	13,292,696

Estimates for March entries at Santos are for some 300,000 bags, which, at current prices, would yield £860,000 f.o.b.

The statistical position for January last is summarised as follows:—

31st January, 1914:

European stocks	7,692,000	
Government holdings	3,150,000	
	4,542,000	
Afloat for Europe	891,000	5,433,000
United States stock	1,571,000	
Afloat for U.S.	630,000	2,201,000
Available for Consumption	7,637,000	
Stocks in Brazil	2,514,050	
		10,151,050
Government holdings		3,150,000
Visible Supply, 1st February, 1914		13,301,000

28th February, 1914:—

European stocks	7,837,000	
Government holdings	3,150,000	
	4,687,000	
Afloat for Europe	662,000	5,349,000
United States' Stocks	1,680,000	
Afloat for United States	686,330	2,366,000
Available for Consumption	7,150,000	
Brazil stocks	2,062,000	
		9,212,000
Government holdings		3,150,000
Visible Supply, 1st March, 1914		12,927,000

Last year at the same date the position was:

European stocks	6,876,000	
Government holdings	3,150,000	
	3,726,000	
Afloat for Europe	459,000	4,225,000
United State stocks	2,350,000	
Afloat for United States	342,300	2,692,000
Available for consumption	6,917,000	
Brazil stocks	1,913,000	
		8,830,000
Government holdings		3,150,000
Visible Supply, 1st March, 1913		11,980,000

Since 31st January, 1914, European and Brazilian stocks decreased by 84,000 and 452,000 bags respectively, whilst United States' Stocks increased by 162,000 bags, the total decrease of the visible supply being 374,000 bags.

Compared with statistical figures of last year, European and Brazilian stocks were, on 28th February, larger by 1,124,000 bags and 149,000 bags respectively, whilst the States held 326,000 bags less.

Deliveries to consumption during the two months were 1,707,000 bags for January and 1,538,000 bags for February, bringing up the total for the 8 months, July-February, to 12,771,000 bags, as against 11,770,000 bags for same period last year.

Seeing that consumption is likely to continue at the same rate, the total deliveries for the crop year should be some 18,250,000, so that even if supplies at Santos were heavier than expected and, with the help of new crop coffees, should reach 10,500,000 bags, larger entries would be more than offset by increased consumption.

In Mexico, Haiti and Ecuador, revolutionary movements probably make exportation difficult and would account for delay, if indeed there be any.

Taking all this into consideration and especially the fact that prices are from 20 to 25 per cent cheaper than last year, the dullness of the market is rather inexplicable, although on the other hand, the inherent strength of the article has frustrated every attempt to break prices, as attempted by powerful interests quite lately.

Requirements of the United States continue heavy, 405,000 and 384,000 bags having been shipped from Santos during January.

and February. Notwithstanding, the visible supply of the States is only 100,000 bags larger than it was at the end of the year, so that my surmise of January 13th to the effect that shipments of at least 1,850,000 bags during the second half of the crop year would be wanted, seems likely to be realised.

Owing to deficient quality of the Santos running crop, the stock of low grades is very heavy and, as only few exporters deal in such goods, they have the market to themselves and so succeed in depressing values for lower grades a great deal below the "in trineis" value these qualities should fetch for consumption.

The export duty of 20 per cent. on low grades has, on the whole, not been of benefit to planters and is, in fact, counteractive.

The number of exporting houses competing for such goods being few, the remainder do not care to touch the article for fear of clashing with the views of officials of the Mesa de Rendas with regard to their valuation of the merchandise shipped or to be shipped. These few, consequently, dictate the price, lowering it for triage, or low grades, until the price reaches a level that permits the lowest grades to be mixed with coffees of better quality, in order to be able to export this mixture at the 9 per cent. export duty.

By such manipulations the quantity of low grades exported is positively increased instead of being restricted as intended by the law creating the duty of 20 per cent. on low grades.

The sooner differential taxation is revoked the better for all concerned, except perhaps for the few firms who make a monopoly of this business.

News from the interior is scant. The rainfall since December, though late, has helped the trees, but only on plantations which showed a relatively poor production this year and, moreover, have been well kept up, as was the case in places like Amparo, Itapura, Espírito Santo do Pinhal, Mococa and along the Minas border, is there promise of a good flowering. In these districts the trees have not regained strength sufficiently to ensure a good crop for 1915-16.

In the Ribeirão Preto neighbourhood, where the crop this year was not normal, the outlook is good, but exclusively on the plantations that have been well treated, which probably do not exceed 75 per cent. of the total.

Yielding to the demands of their "colonos", most planters have had to consent this year to interplantation of corn between the rows of coffee trees, with but very little manuring with chemical fertilisers.

The quantity of phosphates imported into the Ribeirão Preto district last year was 1,100 tons, of which 700 tons by Mr. P. Schmidt alone and only 400 tons for the other 700,000 trees of the district. This scarcely encourages prospects of a big crop. As for manuring with husks, no plantation yields enough year by year to manure one-fifth of the trees growing on it.

The number of trees in the three municipios comprised in the Ribeirão Preto zone amounts to 53,000,000 in all, of which about 40,000,000 are well cared for, 6,000,000 poorly cared for and another 6,000,000 so nearly dead as not to affect production. As to newly planted trees, there may be 1,750,000 to 2,000,000 from a few months to three years' old, insufficient to make good the deficiency of the tired trees.

The crop on the trees at Ribeirão Preto, up to Franca, is estimated at 12 to 15 per cent. less than last year's with a normal crop and for the above-mentioned districts of Amparo, Mococa and Minas from 20 to 25 per cent. less than this year, the crop there having been abundant this year.

News from the Paulista and Sorocabana districts, moreover, likewise does not seem very encouraging; before definite conclusions can be arrived at further and more careful investigations are requisite.

Receipts at Santos for the last 8 months divide themselves up as to origin, more or less, as follows:—

	1913-14	1912-13	1911-12
Paulista & Mogyana	7,575,000	6,229,000	6,762,000
Sorocabana	1,235,000	508,000	840,000
Bragantina	126,000	84,000	104,000
Central	125,000	123,000	113,000
S. Paulo Town	620,000	829,000	1,002,000
	9,681,000	7,773,000	8,821,000

Clearances of Minas coffees amounted to about 588,500 bags and of Paraná about 4,500 bags.

An expert who has been travelling over the district served by the Mogyana Railway, sends us this impression as to next crop: As regards the under-valuation of this crop, he remarks that the fact had been overlooked that the frost had not touched plantations on the Minas borders or across into that State, like Bragança, Amparo, Itapura, S. J. da Boa Vista, S. José do Rio Pardo, and Mococa, where the crop has been particularly good. It was this and the Sorocabana district that account for the increase, as the rest all give normal crops.

THE NEW COFFEE AREA.

The opening of the Sorocabana extension to Salto Grande, on the Paranapanema, has been the signal for an outburst of enthusiasm at S. Paulo that is a justification for the forward policy of successive administrations in that progressive State and the best apology for the heavy taxation such a policy necessarily entails.

S. Paulo sows, but to reap fourfold later on!

The branch just opened to traffic starts from Botucutu, on the main Sorocabana line and at present ends at Salto Grande, on the Paranapanema, thence swerving to the north, it is being extended to Porto Tybiriça, on the river Paraná.

The triangle comprised between this stretch of the Paraná and the valleys of the rivers Teite and Paranapanema, with its apex at Botucutu, comprises some 20,000 square miles of the best land yet available for coffee planting in South America and, in fact, the only really great reserve that the coffee industry has to count on for extension of consumption.

Besides the Teite, this area is watered by the rivers Aguapehy, Peixe, Feio, and Anastacio, which flow into the Paraná. The soil is fertile and only to the south of the Paranapanema is it peculiarly liable to frost.

Referring to the district between the rivers Feio and Paranapanema on the occasion of the opening of the Sorocabana branch to Salto Grande, Sr. Paulo de Moraes, the present Secretary of Agriculture, described how, only five years ago, this vast region, now the hope of S. Paulo, lay derelict and idle, the happy hunting ground of the few tribes of nomadic Indians that still exist on S. Paulo territory. Besides bringing the fertile region on both the S. Paulo and Paraná sides of the river into touch with civilisation, the extension of this line and construction of the North Western railway from Bauru into Matto Grosso, will open out an immense agricultural and grazing area to production and make it tributary to S. Paulo's and Santos' trade.

Only four years ago all civilisation had to show at Salto Grande was a few huts and one considerable coffee fazenda on the Paraná side of the falls. To-day, the township of Salto Grande counts 250 brick houses, whilst fresh villages have sprung up at every station along the line.

The new coffee produced in this and the new area on the Bauru extensions is already beginning to make its impress on crops, and accounts to some extent for the expansion of the current crop, for which due allowance had not been made.

Until lately, Dr. Paulo de Moraes reminds us, the Mogyana district had been regarded as the centre of coffee production in S. Paulo. This centre, he believes, will before long be dislocated and the new area between the Teite and Paranapanema with its hundreds of thousands of acres of virgin soil suited for grazing, coffee and cereals, become the centre of production in S. Paulo.

The importance of this extension of the Sorocabana can scarcely be over-estimated or the part it is destined to play in the maintenance of the supremacy of S. Paulo as a producer of coffee.

The bogey of competition from the Mid-East has been disposed of by the report of Dr. Andrade on the production of robusta coffee in the Dutch East Indies. Only when there are no more coffee lands to be opened up in S. Paulo and prices have reached a much higher level, are planters likely to give much attention to the cultivation of coffee elsewhere.

There is no fear of the production of coffee failing to keep up with consumption with this new reserve to fall back on and the introduction of more scientific methods of cultivation in the old.

In 1912, 100,000 immigrants settled in the State of S. Paulo and nearly 120,000 in 1913. With such expansion, there can be no solution of continuity in the policy of S. Paulo nor hesitation to make use of its credit to pave the way for further development, moral as much as material.

It is possible that some of the borrowed money might have been more wisely expended and that some too ambitious projects might with advantage have been postponed. But on the whole the

policy of the S. Paulo Government has, in spite of exceptions, found ample justification in the expansion of its population, improvement of material and moral conditions and the general development of resources that the opening of this extension of its railways has brought into such sharp relief.

Far seeing and effective as the policy followed by the S. Paulo Government has proved, it would have done little without the active cooperation of foreign capital and particularly of the Parquhar group, who when others hesitated, grasped the possibilities of the enterprise and not only bought up the main line at what was then regarded as a fancy price, but pushed forward extensions into then unpopulated backwoods, now the hope of S. Paulo and prop of declining production.

RUBBER.

Latest Quotations. There was a transposition of dates in the last issue, quotations for the then last Saturday having been as follows:—

	7 March	Feb. 28	Feb. 21
	s. d.	s. d.	s. d.
Fine hard Pará	3 0	3 0½	3 0¾
Plantation	2 3¼	2 4½	2 5

Prices dropped all round, ¼d. since 21st February for Fine Hard Pará and 1¼d. for Plantation.

Cables from Pará state exports of Amazon rubber of every origin to have been 4,845 tons, as against 4,990 tons last year, a shrinkage of only 145 tons or little under 3 per cent.

On March 7th fine hard Pará was quoted at Manaus at 3\$750 per kilo.

Discriminated by quality, exports of Brazil rubber from the Amazon in 1913 and 1914 were as follows:—

	1914		1913	
	K. Tons	% of Amazon total	K. Tons	% of Amazon total
Amazon:				
Fine	16,389	48.40	17,217	51.40
Medium	2,866	8.43	2,802	8.47
Scrap (Sern'by ...)	7,268	21.57	7,387	22.70
Caucho	7,317	21.60	6,073	18.11
All kinds	33,840	100.00	33,459	100.00
Matto Grosso ...	541		38	
Maranhão	54		646	
Total exports of Hevea & Caucho from Brazil ...	34,435		34,138	

Nothing is more irregular or puzzling than the course of rubber exports from Pará. Just as consuming markets had made up their minds to a serious falling off in Amazon rubbers, exports take a spurt and, in fact, are slightly over last year's figures for the month of February. A good deal of rubber, especially Caucho, had been held back in the Madeira and Acre districts in expectation of the higher range of prices that on the strength of an hypothetical shrinkage of supplies was predicted for this year.

After the late rise of prices, confined exclusively to plantation kinds, in January and February, prices of both plantation and Pará are now falling day by day. Whatever may be the case later on, should Amazon supplies fall seriously off, there is evidently no shortage of production so far.

Smuggling on the Peruvian Frontier. With only a narrow river dividing their respective territories and export duties ruling five or six times heavier in Amazonas than Peru, contraband was inevitable. To put an end to it the State of Amazonas last year reduced export duties on rubber from the Abuna river to 10 per cent. and as that was not effective a fresh reduction to 4 per cent. has now been decreed. What with smuggling over the Peruvian frontier and the Bolivian border, exports from Brazil seem likely to show a much larger nominal decline even than anticipated.

Finances of the City of Pará (Belém.) The fall of rubber has affected every kind of interest on the Amazon, including the ocean

steamship lines, which have reduced the number of sailings and now, instead of their terminus, make Manaus a port of call for Iquitos. The first revenues to suffer, of course, were those of the State of Amazonas and Pará that existed almost entirely on rubber. Next came concerns like Pará and Manaus Improvements and Tramways, that held out a little longer as their revenues were only indirectly dependant on rubber. Now comes the bitter cry from the municipalities of Manaus and Pará, who find that the fall of rubber has so affected the paying powers of the population of those cities that they are unable to meet their engagements. The foreign debt of the city of Pará alone is £2,200,000, its service costing Rs. 1,900,000\$000 (£124,000) per annum, out of a total revenue in 1913 of 5,189,829\$ or £339,825, which, moreover, is liable to still further reductions unless the ridiculous export duties that are strangling the industry are quickly removed.

Expenditure, however, showed no diminution, amounting to 6,091,188\$, leaving, therefore, a deficit of Rs. 901,309\$000 or £60,087. Of the above expenditure only 5,098,000\$000 have been actually paid, the victims, as usual, being chiefly the unfortunate municipal employees. Still, the Prefect trusts that by "rigorous economy" to make ends meet this year somehow or other. Hope springs eternal in the administrative breast, but with rubber prices down to their present level and production in Pará declining day by day, there does not seem much room for optimism.

The sooner, in fact, foreign creditors, including the public services companies, take up the Amazon problem, the better for themselves and all concerned. As things are going now the Amazon is drifting not only into general insolvency, but to absolute ruin.

MONEY.

Exchange. The market closed to-day, Feb. 8th, with the Bank of Brazil drawing at 90 days at 16d. and the foreign banks at 15 15/16d., with but few bills offering at 15 15/16d. Bills from coast ports have practically disappeared.

Gold to the amount of £283,426 left the Caixa last week and shipment by one of the foreign banks is spoken of for next week. The unfortunate political situation will, it is to be feared, interfere with the flotation of several promising issues in London, nor will the failure of the three minor S. Paulo railways and the inevitable interference with trade tend to improve credit.

Gold in deposit at the Caixa de Conversão on 7th March amounted to Rs. 260,958,020\$619, equivalent at 16d. to £17,397,202, a decrease of £283,426 since previous Saturday and £981,462 since 3rd January.

Cash Reserves, Rio Banks, in contos of reis:—

	Jan. 31	Feb. 28
7 Foreign Banks	35,870	37,399
7 National Banks	48,299	48,626
14 Total, 1914	84,169	86,025
14 Total, 1913	94,482	89,505

Increase of each during month of February, 1,855 contos, of which 1,528 in Foreign and 327 in National Banks.

Compared with 28th February, 1913, cash reserves in the 14 Rio Banks showed a shrinkage of 3,480 contos.

CUSTOMS REVENUE (FEDERAL.)

	1914	1913
1-7th February	204,311	69,937
Decrease 1-7th February, 1912-13, £134,374 or 65.7 per cent.		

Bad Foreign Trade throws money out of employment and deposits tend to accumulate in the banks, so long as the rate of interest on fixed deposits is high enough to prevent withdrawals for investment account, as lately occurred when the rate was reduced from 3 to 2 1/2 per cent.

The bank rate reductions at London, Paris and Berlin emphasised the already apparent ease in money and lead to the

remarkable reaction in investment stocks. Commenting on the reduction of the Bank of England's rate three times during the month of January, the "Wall Street Journal" believes that 2 1/2 per cent or even 2 per cent. are likely before the year is much advanced, low rates being the invariable rule after great premiums. After the panic of 1893, the Bank of England's rate reached the irreducible minimum of 2 per cent. and stayed there for two years, as also at Paris. It is possible that we are on the eve of such a period now. The "Wall Street Journal" goes on to explain how and why it is that high grade securities like Consols and *Rentes* advance when money is cheap, though trade may be dull. Only the most thrifty and cautious have money to lend after a long period of expansion and extravagance. They decline to risk their funds in foreign enterprise, judging interest yield to be less important than security. They conclude, therefore, to use their capital in the safest way. This enhances the price of high grade securities, and only after their yield becomes manifestly unattractive, does the public taste turn to the larger yield of more speculative ventures.

Failure of Three Railways. The failure has been opened of the Estrada de Ferro de Dourado, with liabilities of £1,800,000, the great part of which is in debentures issued in francs, as also that of the Araraquara Railway, with liabilities of £2,333,333, of which £1,500,000 in debentures issued in London and of the S. Paulo and Goyaz Railway, with liabilities of about £1,000,000, mostly local. The above figures are approximate.

Closing Quotations, 5th March:—

	1914	1913
1889 5 per cent. Loan, Federal	76	85
1899 5 per cent. Loan, S. Paulo.....	99	101
Leopoldina Stock	72 1/2	75
S. Paulo Railway Ordinary	242	260
Brazilian Traction Ordinary	89	101
Brazil Railway	27 1/2	85
Dumont Coffee	10	11
Consols	75 3/16	75 1/16
Open Market Rate, London	2 3/4 %	4 3/4 %
Aplices Geraas, 5th March	864\$ to 865\$	
Bank of Brazil	180\$	
Vales Gold	1\$688	

SUNDRY.

Martial Law (Estado de Sitio) for the Federal District (Rio de Janeiro) has been declared from 4th to 31st March. The measure is justified by the Government by the necessity of repressing in time certain seditious and subversive movements in which attempts were being made to involve the army and navy.

Important Railway Appointment. Thomas R. Ryan, traffic manager of the Mexican Northwestern Railroad, owned by Dr. F. S. Pearson and associates of New York and England, has been promoted to the position of general director of traffic of the Brazil Railways, another Pearson property, with headquarters in S. Paulo, Brazil. The Brazil Railways has 3,200 miles of line in operation and 2,200 in course of construction. It runs from S. Paulo, Brazil, to the Argentine, and has branches connecting the mining fields and coffee districts with the main line. Mr. Ryan started his railroad career as a clerk on the old Central Vermont Railroad at St. Albans, Vt. Later he became general agent for the old Mexican Central Railroad at St. Louis. He was called to Mexico City as general freight agent and when the consolidation to create the National Lines of Mexico took place, Mr. Ryan was selected by the directors to reorganise all the agencies in the United States. While he was engaged in this work Dr. Pearson offered him the position of traffic manager of the Mexico Northwestern Railroad. He will sail for Brazil for New York February 7. Percival Farquhar is in active charge of the Brazil Railways. H. M. Taylor, vice-president of the road, was assistant general manager of the National Lines of Mexico and was formerly associated with Mr. Ryan while he was connected with that system.

"Fake Bankrupts." The United States Government is considering a special organisation to look after and prosecute fraudulent bankrupts that might with advantage be imitated here. Last year legitimate traders are believed to have been mulcted of over one million dollars by the operation of a ring of lawyers that make fraudulent bankruptcy a speciality. As here, the inclination of creditors to settle for almost anything and then let the case drop, instead of assisting the prosecution, is at the root of the evil. What is wanted is an association to work with the Government to break up the ring of lawyers and protect banks and other creditors from future swindles by fake bankrupts.

