

MR. J. P. WILEMAN'S WEEKLY LETTER

**"MOSTLY ABOUT COFFEE"**

17th March, 1914.

No. 11.

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**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, 17th March, 1914.

Santos Spot No. 7 closed at New York on Saturday, 14th inst., at 19 1/8 cents and May options at 8.60 cents; July 3.76; September 8.89; and December 9.03 cents; and at Havre May options 56 3/4 francs; July 57 1/4, September 57 1/2; and December 58 1/4; at Hamburg May options closed at 46 pfs.; July 46 1/2; September 47; December 47 3/4. At Santos type No. 4 closed at 5\$275 to 5\$300 for March; 5\$325 to 5\$350 April; 5\$425 to 5\$450 May; 5\$550 to 5\$575 June; 5\$625 to 5\$650 July; and 5\$700 to 5\$725 for August.

Entries for the week ended March 12th and March 13th respectively were:—

	1914	1913
Rio	43,410	45,268
Santos	77,195	45,019
	120,515	90,287

Decrease, Rio, for week of 1,858 bags or 4.1 per cent. compared with last year.

Increase, Santos, for week of 32,086 bags or 71.3 per cent. compared with last year.

Increase, for both ports for week, 30,228 bags or 33.5 per cent. compared with last year.

Entries for crop to 12th March were:—

	1914	1913
Rio	2,331,435	2,331,306
Santos	9,829,915	7,915,712
	12,161,350	10,247,018

Increase, Rio, for crop, 129 bags, or 0.005 per cent. compared with last year.

Increase, Santos, for crop 1,914,203 bags, or 24.2 per cent. compared with last year.

Increase, for both ports, for crop, 1,914,332 bags, or 18.7 per cent. compared with last year.

Entries at Rio and Santos to Thursday, 12th March, or corresponding days of previous six years were:—

1913-14—12,161,350	1910-11—9,793,719
1912-13—10,247,018	1909-10—13,815,166
1911-12—11,306,034	1908-09—11,420,171

Clearances were as follows:—

	Week ended 12 March		Crop to 12 March	
	Bags	£	Bags	£
Rio	36,299	82,442	1,981,525	4,928,707
Santos	65,241	185,863	9,321,432	27,988,406
1913-14	101,540	267,805	11,302,957	32,917,113
1912-13	116,517	404,363	9,882,068	34,527,929

Increase clearances for both ports for current crop to 12th March compared with 1912-13, 1,420,889 bags or 14.4 per cent.

Decrease in value £1,610,816 or 4.7 per cent., as against 12.8 per cent. on March 5th.

Stocks were:—

	March 12	March 5
Rio	319,173	321,429
Santos	1,489,112	1,520,381
12th March, 1914	1,803,285	1,841,810
13th March, 1913	1,757,274	1,786,872
14th March, 1912	2,473,922	2,476,304

	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

Santos, 13th March, 1914.

Sentiment at Santos could scarcely be more pessimistic. Prices were miserably low and under the pressure to sell and prospects of an early liquidation of the "bull" position at Hamburg, likely,

"bears" assert, to go lower still, particularly if entries continue on the present unseasonable scale.

Consuming markets, it is added, have got as much coffee already as they care to carry, whilst a large part of the stock, consisting largely of undesirable grades, are practically unsaleable. The next crop, it is admitted, will be relatively small, but its effect, bears continue, will be overshadowed by the gigantic crop they confidently predict for 1915-16, and so on *ad nauseam*! But pressure to sell works both ways.

If, on the one hand, it depresses prices whilst it lasts, it also serves to reduce stocks and so put producing markets in a position to aid the reaction when it arrives.

The factor that controlled all prices this crop was money, but, particularly, the prices of commodities like coffee, immense stocks of which were carried on borrowed money. It was the forced sale of these stocks that started the debacle, which unexpectedly large entries at the tail of the crop served to emphasise. Should money continue easy in Europe and get easier at Santos, as seems likely should the plans of the S. Paulo Government materialise, European bankers will be disposed to employ surplus funds more liberally in coffee as an investment, now that prices are once more at bed-rock level and an early reaction in the course of the coming crop seems inevitable.

For the moment consuming markets seem to be waiting to see how the actual crop pans out before taking up positions for the new. To hurry the *andante*, as proposed in some quarters at S. Paulo impatient of development, and give the lead from here would only play into the hands of the bears, only too anxious to unload at our expense.

When the change of sentiment does come will be the opportunity for local interests to exert any influence they may possess to help retrieve the position in which tight money and unexpectedly large deliveries have involved producers.

Entries at Santos for the current month are estimated at 300,000 to 325,000 bags and 400,000 to 700,000 for the remainder of the crop, according as sympathies are bull or bear and anticipations of next crop being for late or early entries.

On the basis of the mean, 600,000 bags, the maximum this crop should turn out more or less as follows:—

Santos—Entries to 14th March	9,846,438
„ 15-31 March at 11,000 bags	187,502
„ April-June (mean)	600,000
	10,634,000
Rio to 14th March	1,754,392
„ 15-31 March	85,408
„ April-June	300,000
	2,139,800
	12,773,800

In no case does it seem likely that Santos entries for the crop will much exceed 10,600,000 bags, or those for the two ports 12,700,000. More Minas coffee has come down to Santos than expected and so swollen entries there at the expense of Rio.

Even these figures are far and away above earlier estimates for the crop, though very much below those of systematic bears.

The excess of about 1,000,000 bags between early conservative estimates and the reality is accounted for partly by larger entries from Minas and the Minas border and from the newly planted districts along the Sorocabana Railway and—quite a new feature—by the disinclination lately manifested by planters to send coffee to Santos until the commercial situation there is clearer.

In the course of the crisis some thirty commissarios have gone under, entailing in nearly every case heavy losses on planters. The last straws were the failure of the *Incorporadora*, *Bancos do Custeio* and *Intermediaria*. No wonder, therefore that planters should be shy of entrusting their produce to such shaky hands.

The position of planters who accepted bills against mortgage of their crops for advances for *custeio*, or upkeep, mostly discounted afterwards by the *Incorporadora* with S. Paulo banks is peculiar.

The agreement between them was bilateral, money being advanced for upkeep as required against promise of delivery of coffee for sale by the *Bancos do Custeio* and *Incorporadora*. This agreement, planters assert, they are willing to carry out, but will not accept any liability for the balance they have made themselves liable for which they have not and now never will receive.

All this has taught planters a lesson and explains to some extent why, just at the tail of the crop, coffee should be still coming down in so unorthodox a fashion.

Planters, however, are proverbially improvident, but cannot for long continue to live on their fat; though where the money is to come from to keep them going, in face of the failure of so many commissarios and lastly of the Bancos de Custeio, seems a mystery. So long as they have coffee to sell they can grub along somehow; but that must now soon come to an end, and unless the S. Paulo Government can succeed in organising immediate assistance, there seems every prospect of the coming crop and that after suffering severely from lack of funds for adequate upkeep and handling. This is a point of view that must be reckoned with when forecasting the possibilities of the next two crops, at least.

At Rio the current crop was supposed to be large and early, whereas, as a fact, it turned out relatively small and unprecedently late. Money there was as tight, for some time, as at S. Paulo, but there were few failures of commissarios. The motives that induced S. Paulo planters to hold coffees back could not, therefore, apply to Rio and Minas and the only logical explanation of late entries from that quarter lies in the inveterate optimism of planters that in spite of falling prices induces them always to hold out for higher prices.

To some extent the place of defunct commissarios will be taken by the Brazilian Warrant Company, who are preparing to finance the crop by means of warrants on which, I believe, interest will rule 12 per cent. It is clear that whatever the prospects of a rise next crop may be, planters cannot carry coffee long in large quantities at that rate; nor is it likely that the Warrant Company will make advances except against actual consignments, as commissarios used to do. The failure of so many commissarios, the immemorial bankers of the planting community, must in any case be a severe blow to planters.

Reports have been current lately at Santos that the late fall was the consequence of selling in European markets on Government account. This has been officially contradicted, there being no intention or necessity for any such operation, as Government is amply supplied with funds and so far has drawn only £500,000 of the last loan.

#### New York Coffee Brokers Want Trading Basis Changed.

(From the New York "Commercial", 13th February.) A movement is under way among New York coffee brokers to change the standard of contracts traded in on the New York Coffee Exchange from the Rio basis to a Santos basis. High grade Santos coffee continues to command a premium over other grades and the fact that Santos coffee is apparently becoming more and more popular, and the differences over Rio are usually over the exchange differential has led to this move. It is likely that the exchange will take official notice of this soon and that a committee will be appointed to hear both sides of the argument. Years ago the Rio production was large and the Santos much smaller than now. Of late years the situation has reversed, but there has been no change so far as the New York market is concerned, in the basis of contract trading. All other coffee markets of the world are on a Santos basis, New York alone, being the only outlet for Rio coffees deliverable on contract. Should an operator here buy a quantity of high grade Santos coffee he would hedge his purchase in the New York market, but would have to do so at fully two cents a bag under the Santos price for the simple reason that he would be operating in Rios. This, it is said, is not a fair hedging proposition. Should there be no change made in the basis of contracts, some authorities will try to have two trading rings established, one for Rio and one for Santos futures.

From the New York "Journal of Commerce":—Complaint is heard of the fact that undesirable Rio 2s and 3s can be delivered on contracts, and it is suggested that with Santos as a basis not only would hedging operations be facilitated, but the outside public would be more likely to speculate in coffee. Some circles not in sympathy with the movement suggest that instead, the unmerchandiseable coffee be penalised. The subject will be thrashed out, and in any event no change could be made until after the expiration of present contracts.

Circular of Miller and Co., New York, 19th February, 1914:—

Since the issue of our special circular two weeks ago, the coffee market has remained a very small affair, with fluctuations insignificant, but with the tendency, in the main, generally easier,

as might logically be anticipated when entering a period of liquidation of the speculative long position on the March option. So far, this has proceeded without important effect, this month to date sales of the March totalling 131,000, which on the 8 point decline shown, suggests the existence of a large hedging short position which has, so far, preferred to take in the March shorts and transfer these to the May month, retaining Spot holdings largely. Thus to date, this heavy hedge covering has fully offset long selling, but it is difficult, at this writing, to calculate the finality of the movement, and in what degree it may affect ultimately the volume of deliveries of the actual article. We think, however, the tendency from to-day on will be towards wider figures, and that the eleventh hour selling of the March on the 25th will be pretty heavy.

Receipts continue to be a disturbing factor. There was promise, for a few days, of a sharply declining tendency, dissipated however, with to-day's figures of 18,000 for S. Paulo, and which has made for renewed pressure on the market. Discussion of the receipts has brought into view the existence of strongly different opinions on this subject, those contending still for a 10 to 10 1/4 million showing for Santos, being definitely opposed by the 10 1/2 to 11 million contingent. There remains time enough for either view to be demonstrated, but the market as a whole, reflects, we judge, real uncertainty in both directions, otherwise we might see some fairly definite tendency in the day to day trading—in support either of the bull idea on this matter, joined to the argument of low prices, etc., or the bearish view, which can easily recall the days of 7 c. and 8 c. options.

In other respects, domestic deliveries have been disappointing—the totals for the past three weeks initiating the first decline since November last, and show only 303,826, compared with 391,653 the same weeks a year ago. Evidently our interior is not only fairly full of stocks, but is also awaiting price developments on milds, which at such higher quoted figures above the Brazilian article, suggest easier quotations in view of the heavier movement of the former now due. And as to Brazil, Rio offers still permit anyway from time to time, of acceptances which allow hedging of the May thereagainst at a profit, subordinating our market again to fluctuations based on a product largely undesirable and thus not representing a valid trading basis.

In this connection, we observe renewed discussion of the advisability of changing the grade of our Contract. On this subject we have before spoken, notably in our Monthlies of October 31st and December 31st, and the passing of time, it seems to us, merely reinforces those arguments. It does appear to us that the buyer of contracts should, if he takes them up, at least obtain the article for which he has the larger use, instead of being compelled to absorb unsaleable grades which have come here mostly as a resultant of carrying charge differences worked by bankers and importing houses and not as an outcome of what the Rio article would really fetch, as a commercial proposition, in comparison with Santos grades and which latter, generally, are at a premium over parity allowances. It would certainly seem desirable for the trade to put their views before the Board of Managers of the Coffee Exchange, who undoubtedly would welcome discussion of the subject by those other than members.

Marketwise, we can see only the buying side of the situation. Perhaps we are blind to the virtues of the bear proposition, but from our point of view, the arguments remain unchanged in their broad elements, and in accord with the contentions formulated in our circular of January 31st.

#### RUBBER.

Latest Quotations are as follows:—

	14 March	7 March	28 Feb.
	s. d.	s. d.	s. d.
Fine hard Pará .....	3 0 1/4	3 0	3 0 1/2
Plantation .....	2 4 3/4	2 3 3/4	2 4 1/2

#### MONEY.

Gold in deposit at the Caixa de Conversão on Saturday, 14th March, amounted to Rs. 250,444,634\$976, equivalent at 16d. to £16,696,309, a decrease of £700,893 since the previous Saturday and £1,682,355 since 3rd January last.

Closing Quotations, 14th March:—

	1914	1913
Bank of England Rate .....	3%	5%
Open Market Rate, London .....	2 3/16	4 15/16
Consols .....	75 5/8	73 9/16
Apolices Ceraes, 12th March .....	865\$	
Vales gold .....	1.688	
Bank of Brazil .....	179\$	
S. Paulo State, 6% apolices .....	965\$	
Santos Docks .....	187\$	180\$
Mogyana Railway Shares .....	268\$ to 280\$	
Paulista Railway Shares .....	310\$	
1889 5 per cent. Loan, Federal .....	72	85 1/4
1889 5 per cent. Loan, S. Paulo .....	99	101
Leopoldina Stock .....	68	73
S. Paulo Railway, Ordinary .....	226	255
Brazilian Traction, Ordinary .....	84	97 1/4
Brazil Railway .....	25 1/2	80
Dumont Coffee, Pref. .... 9 3/4		11
Mexican N. W. Railway .....	7	

**Exchange.** The market during last week was very unsettled, Rio closing on Saturday with foreign banks drawing at 15 7/8d. and buying at 15 15/16d. and the Bank of Brazil drawing nominally (for the market) at 16d. and buying at 15 31/32d.

CUSTOMS REVENUE (FEDERAL.)

1-14th March, 1914 .....	Rs. 4,214,694\$000
1-14th March, 1913 .....	7,224,542\$000
Decrease .....	Rs. 3,009,848\$000

equivalent to £200,656 or 41.7 per cent.

During the course of the week S. Paulo banks drew as low as 15 3/4d.; that market closed on Saturday at 15 13/16d., with coffee bills offering at Santos at 15 29/32d. and buyers at 15 15/16d.

Coffee bills have practically disappeared and supplies are reduced to the few produce bills that leak through from northern ports and some financial bills on account of the S. Paulo and Mogyana issues, of the former only £500,000 have so far been drawn.

It is natural, under the circumstances, that the 90 days' rate should have dropped, say, to 15 63/64d., which is about that at which gold can be profitably shipped. But why with gold to the value of £16,696,309 still in the Caixa, it should have fallen so much below requires explanation.

The lower exchange falls, the greater the premium on gold and gold notes and, consequently, the greater the inducement to hoard notes of this description. In S. Paulo silver even is being hoarded by "colonos".

The objection of the banks to open gold accounts against deposits of convertible notes is another and powerful incentive to hoard, which the actual premium will inevitably accentuate.

Gold to the amount of £700,893 left the Caixa last week, and there is every appearance of the long expected drain having set regularly in now that both the rubber and coffee seasons are practically over.

Since the beginning of the year the circulation has diminished by over Rs. 22,000,000\$, with the prospect of an early and more violent shrinkage before the next produce season sets in, unless steps are promptly taken to effectively discourage the hoarding that is the root of the monetary stringency. Stocks of gold and gold notes held by the banks will soon be exhausted and depreciation set in with a vengeance. Already foreign credits are being curtailed in consequence of the as yet relatively slight fall of exchange and, as the supply of money decreases, discounts, already abused so as to be prohibitive, will be still more restricted. The only hope of immediate further assistance from foreign capital lies in the negotiation of Federal Treasury bills and issue of the balance of the S. Paulo loan, each of them difficult, if not impossible, at the moment.

The fall of exchange has, no doubt, its compensations, in so far as it enhances the currency value of coffee, rubber and exports generally, at the expense, however, of remittances to meet foreign engagements of every description.

The foreign debt of the country is now so enormous that a serious fall in exchange would inevitably lead to suspension of foreign payments, official and commercial, and fresh disorganisation of labour, on which production and development depend. Nothing could compensate such a disaster and no steps be spared to prevent it.

At Rio monetary conditions are easier, but at S. Paulo, in spite of drastic liquidations, instead of improving, commercial conditions seem to get worse. The failure of the Araraquara, Dourado and S. Paulo and Goyaz railways has been a heavy blow to that market, where a large amount of their debentures are in the hands of the banks and capitalists.

Araraquara Railway shares, issued at 500 frs., were quoted on Friday at 135 frs. There is some talk of this line being taken over by the S. Paulo Railway, as also of the Dourado by the Paulista Railway.

Discounts for first rate signatories in S. Paulo rule from 11 per cent. to 12 per cent., plus commission, whilst at Rio 9 per cent. is not the rule.

Outsiders have to pay almost anything for accommodation, 18, 20 per cent. or more for loans on mortgage and against collaterals, the high rate of interest obtainable serving to further curtail bank deposits.

Should the S. Paulo Government succeed in obtaining the early issue of the balance of £5,000,000 of the loan to be issued by Schroeder and devise some practical scheme for helping planters over the next crop, money would flow back to the banks and help automatically to righten the commercial situation. Otherwise the position, it must be recognised, is far from rosy.

A rumour was current in the early part of last week of an intention to put an export duty on gold. This, fortunately, was promptly contradicted by the Treasury, the Minister of Finance, Dr. Rivadavia, asserting that not only had no such proposal been mooted, but there being no legislative authorisation, it was impracticable. In the early days of the Caixa during the administration an expediente tax or registration fee of, I believe, 2 per cent. was included in the annual budget. This year and, I believe, last, it was withdrawn and, consequently, to recompense any such tax fresh legislation would be requisite.

**Check to New London Issues.** Seven new issues have miscarried and put somewhat of a damper on underwriting. A large South African issue of £4,000,000 4 per cent. issued at 98 1/2, was a practical failure, 80 per cent. having been left in the hands of the underwriters and another of £1,300,000 for the Canadian Steamship Lines, offered at 92 per cent, only 10 per cent. was taken by the public. The Mogyana issue seems to have found the same fate and several other issues have been withdrawn in consequence of the reaction in the investment market, said to have been brought about by a fresh Balkan scare. Advices up to 20th February states that money rates were hardening and gilt edged securities declining after their sensational advance. The January spurt is considered in banking circles to have been overdone. New issues are proving too heavy for the bulls to endure and there is already a disposition on the part of underwriters to curtail flotation until the over-supply has been digested.

PROSPECTUS OF

THE MOGYANA RAILWAYS AND NAVIGATION COMPANY.

(COMPANHIA MOGYANA).

Incorporated under the Laws of the State of San Paulo, Brazil.

Issue of £1,500,000 First Mortgage 5 per cent. Sterling Bonds, due 1969.

The Bonds now offered, together with the £2,500,000 "Sul Mineira Extension" 5% Bonds of the Company issued in 1911 making a total of £4,000,000, will be secured by a First Mortgage on all the Company's lines and properties which will be granted in favor of the British Bank of South America, Ltd. or their appointed nominee as Trustees for the Bondholders.

The amount of Bonds at present authorised by the Shareholders of the Company is £5,000,000, but the Company is entitled to in-

crease the amount secured on the properties charged to £10,000,000.

Bonds are to Bearer for £100 each, with half-yearly Coupons attached.

Principal and Interest are payable in London and in Paris and New York at the exchange of the day on London, Free of all Brazilian Taxes.

#### THE BRITISH BANK OF SOUTH AMERICA, LIMITED,

are authorised, on behalf of the Company, to receive subscriptions for the above Bonds at 96 per cent., payable as follows:—

£ 5 per cent.	on Application.
£20	on Allotment.
£20	on 30th March, 1914.
£25	on 1st May, 1914.
£26	on 2nd June, 1914.

£96 per Bond of £100.

Applications for the Bonds, on the annexed Form, accompanied by a Deposit of 5 per cent. must be sent to the London Joint Stock Bank, Limited, 5, Princes Street, London, E.C.

Payment in full under discount of 3 per cent. per annum may be made on allotment or on any instalment date.

The Bonds are redeemable within 56 years by equal annual instalments commencing in 1921 to be applied in purchase of Bonds under par exclusive of accrued interest, or by drawings at par.

Scrip Certificates with Coupon for £1 17s. 5d. per cent. payable on 1st September, 1914, will be issued in due course in exchange for Receipts for Application Money and receipted Allotment Letters. The Scrip will be exchangeable in due course free of expense at the British Bank of South America, Ltd., 4, Moorgate Street, London, E.C. for Definitive Bonds with Coupons due 1st March and 1st September in each year attached. The first full Coupon will be payable on 1st March, 1915.

The Mogyana Railways and Navigation Company was organised in the year 1872, and the completion of its original line took place in 1875. Since that date many extensions have been made, and the Company now owns and operates 1,728 kilometres, while a further 318 kilometres are under construction, of which about 100 kilometres are completed and ready for traffic.

The principal towns served by the Railway Company include, Campinas, Mogyimirim, Ribeirão Preto, Batataes, Franca, and Uberaba, most of which are situated in the best coffee-growing districts.

The object of the present Issue is to provide funds for the construction of Branches and other expenditure required for the development of the Company.

The Company has no outstanding bonded indebtedness, save the £2,500,000 5% "Sul Mineira Extension" Bonds above referred to.

The Company has a share capital issued and paid up of Rs. 80,000,000\$ (about £5,333,333). Dividends of not less than 10 per cent. have been paid on the capital from time to time out-

standing during the 13 years ended 31st December, 1912. At that date the Company had according to its published accounts accumulated a Reserve Fund and undivided profits amounting to about £1,147,922.

The published accounts of the Company for the five years to 31st December, 1912, show as follows:—

Year	Gross Receipts	Expenses	Net Revenue
1908	£1,226,849	£661,030	£565,819
1909	1,365,599	710,094	655,505
1910	1,214,611	743,771	*470,840
1911	1,387,152	793,704	593,448
1912	1,626,075	885,014	741,061

\*Small Coffee Crop.

The Balance Sheet for 1913 has not yet been published, but the net revenue is estimated at about £675,000.

The annual charge for interest on the £4,000,000 Bonds will amount to £200,000.

For the purpose of calculation a milreis has been taken at 16d.

If no allotment is made, the deposit on application will be returned in full, and if only portion of the amount applied for be allotted, the Balance of the deposit will be appropriated towards payment of the amount due on allotment. Failure to pay any instalment when due will render all previous payments liable to forfeiture.

Application will be made in due course to have the Bonds officially quoted on the London Stock Exchange.

London, 16th February, 1914.

#### SUNDRY.

The state of siege has been extended to the State of Ceará, where revolutionary forces were threatening Fortaleza, the Capital. They have now retired and order has been restored and business proceeds as usual.

Elsewhere everything is quiet and things going on as usual, except on the borders of Paraná and S. Catharina, where a band of so-called "fanatics" have for some time back been giving trouble to the local authorities.

**Automobiles.** Out of the world's total of 1,919,789 cars, 1,127,940 are in regular use in the United States or about 11.7 per 1,000 of population.

Great Britain comes next with 425,838 cars or 19.5 per 1,000 of population.

If roads in the United States were like those of Europe, the New York "Commercial" says that probably the number of automobiles used by American citizens would reach the 2,000,000 mark. But as, moreover, not even an American can have his cake and eat it too, automobile mania explains why business in other liens in the United States is depressed.

