

MR. J. P. WILEMAN'S WEEKLY LETTER

"MOSTLY ABOUT COFFEE"

April 21st, 1914.

No. 16.

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, 20th April, 1914.

Closing quotations, Saturday, April 18th, compared with Saturday, 4th, (Saturday, 11th, holiday):—

NEW YORK—

	April 18	April 4	
	cts.	cts.	cts.
Santos Spot No. 7	10 7/8	10 7/8	—
Options May	8.57	8.58	-0.01
July	8.75	8.75	—
September	8.91	8.92	-0.01
December	9.14	9.17	-0.03

HAVRE—

	frs.	frs.	frs.
Options—May	59.25	58.75	+0.50
July	59.75	59.25	+0.50
September	60.50	59.75	+0.75
December	61.00	60.50	+0.50

HAMBURG—

	pfgs.	pfgs.	pfgs.
Options—May	47.75	47.50	+0.25
July	48.25	48.25	—
September	49.00	49.00	—
December	49.75	49.50	+0.25

SANTOS—

Type No. 4 ruled—

April	5\$375-5\$400	5\$275-5\$300	+0\$100
May	5\$425-5\$450	5\$375-5\$400	+0\$050
June	5\$550-5\$575	5\$500-5\$525	+0\$050
July	5\$675-5\$700	5\$625-5\$650	+0\$050
August	5\$800-5\$825	5\$725-5\$750	+0\$075
September	5\$900-5\$925	5\$825-5\$850	+0\$075

Entries for the week ended 16th April and 17th April respectively were as follows:—

	1914	1913
Rio	32,638	24,981
Santos	58,077	31,677
	<u>90,715</u>	<u>56,658</u>

Increase, Rio, for week, 7,647 bags, or 30.6 per cent. compared with last year.

Increase, Santos, for week of 26,400 bags or 83.3 per cent. compared with last year.

Increase, both ports, for week of 34,047 bags or 60 per cent. compared with last year.

Entries for the crop to April 16th were:—

	1914	1913
Rio	2,512,107	2,487,859
Santos	10,148,466	8,077,480
	<u>12,660,573</u>	<u>10,565,339</u>

Increase, Rio, for crop 24,248 bags, or 0.96 per cent. compared with last year.

Increase, Santos, for crop, 2,070,986 bags or 25.7 per cent. compared with last year.

Increase, both ports, for crop, 2,095,234 bags or 19.7 per cent. compared with last year.

Entries at Rio and Santos to April 16th or corresponding dates of previous six years were:—

1913-14—12,660,573	1910-11—10,011,070
1912-13—10,565,339	1909-10—14,272,389
1911-12—11,548,750	1908-09—11,657,530

Clearances to 16th April were as follows:—

	Week ended April 16.		Crop to April 16	
	Bags	£	Bags	£
Rio	58,670	133,157	2,221,249	5,470,298
Santos	152,246	433,414	10,005,688	29,927,462
1913-14	210,916	566,571	12,226,937	35,397,760
1912-13	48,293	150,206	10,338,551	39,341,601

Increase clearances for both ports for current crop to April 16th compared with 1912-13, 1,888,356 bags or 18.3 per cent.

Decrease in value (£3,943,841 or 10.02 per cent., as against 11.1 per cent on April 9th.

Stocks were:—

	April 16	April 9
Rio	229,663	263,212
Santos	1,196,194	1,238,730
16th April, 1914	1,425,857	1,501,942
17th April, 1913	1,414,657	1,625,654
18th April, 1912	2,453,420	2,224,556

The Santos market is, notwithstanding the fairly liberal receipts, well maintained, evidently owing to a continuous demand for better grades from the States, whilst lower grades find an outlet to Europe. The total stocks under such conditions decreases daily, so that at the end of the crop year larger new supplies will be very welcome in Santos as well as in consuming markets, where deliveries have been larger than in any year before, and with every probability of continuation on the same scale.

News from the interior report dry weather, especially in the districts served by the Paulista Railway. It has not rained there for more than a month and although there are not yet any visible signs of damage done, it is enough to tone down the glowing accounts of a certain bumper flowering in August-September.

Whilst it is said that picking has begun in the Ribeirão Preto zone, maturity in the Paulista zone, especially in the Jahu district, is far behind hand, the bulk of the crop on the trees being still quite green and partly not yet fully developed, as it dates from a December flowering.

There is a distinct tendency amongst certain groups operating in the coffee market to prepare public opinion for a prospective large crop in 1915-16, basing their arguments on the abundant foliage the trees have developed and bear since the first rains late in December.

Apart from the fact that foliage is not fruit, and that in most cases luxuriant foliage is contrary to and precludes abundant, flowering and the formation of fruit, as we already mentioned in a previous issue, only those plantations on the Mogyana line that have been well tended and properly treated and do not bear a fair crop this year will be likely to bring forth an abnormal crop next year. In the more interior districts of the Paulista line, especially Jahu, Bacaina, the rainfall since February has been very deficient, in fact for the last 4 to 6 weeks it has been practically rainless and consequently the growth of the new fruit-bearing branches has been prematurely stopped and remain too short to be able to carry any crop larger than normal, and this provided no further detrimental agencies, such as a continuance of dry weather, frost, or especially could westerly winds at the flowering period, do not assail them. It would be wise not to forget the now well-known axiom, that only with abundant rains can a large coffee crop be produced in the State of S. Paulo, whose plantations have, without exception, long passed the age of exuberant productiveness, which is also proved by the crop yield of the last four years. Estimating

the hanging crop 1914-15	8,000,000
1913-14 yields about	10,500,000
1912-13 yielded	8,585,000
1911-12	9,972,000
1910-11	8,110,000
	<u>45,167,000</u>
Average per year	9,039,000
Against an average for 1905-10 of ...	10,121,000
and during 1900-05 of	8,061,000

In two or three year's time, the newly planted coffee fields, if not destroyed by frost, can make good the deficiency in

the crop yield, which neglect, ignorance, and especially old age are now bringing about and by then consumption will have increased still more.

Conditions in Rio and Minas, although no prohibitive tax on planting enforced agricultural stagnation, are identical to those existing in S. Paulo; in fact, the falling off of production began there 5 years earlier and is much more pronounced.

Estimating the crop of 1914-15 at bags	3,000,000
the running one likewise at	3,000,000
1912-13 yielded	2,906,000
1911-12	2,484,000
1910-11	2,438,000
Total	13,828,000
the average per year is	2,765,600
against during 1905-10	3,384,000
and during 1900-05	3,760,000

That means a decrease of more than 2,000,000 bags per annum from the high water mark of Brazil's coffee production; and yet there are people, especially in Brazil itself, who speak of the wonderful productiveness of this country, advocating an impossible rate for the monetary standard. Our whole financial policy since 1904 has been a series of blunders, it curtailed agricultural production, fostered a mushroom industry, piled debt on debt, and now everything has to be started again.

MONEY.

Gold in deposit at the Caixa de Conversão on Saturday, 18th April, amounted to Rs. 210,954,806\$000, equivalent to £14,063,654, a shrinkage of £437,895 since the previous Saturday and of £4,336,847 since the beginning of the year.

Gold in deposit 12th Feb, 1913 (max)	401,584:500\$	£26,772,300
" " 31st August, 1913	312,885:500\$	19,570,048
" " 30th September, 1913.	316,885:500\$	19,836,713
" " 1st January, 1914	276,007:520\$	18,400,501
" " 28th February, 1914 .	265,209:419\$	17,680,634
" " 31st March, 1914	224,639:032\$	14,975,935
" " 4th April, 1914	221,446:939\$	14,763,129
" " 11th April, 1914	217,523:242\$	14,501,549
" " 18th April, 1914	210,954:806\$	14,063,654

Exchange: The Banco do Brazil maintained its nominal rate of 16d. for drafts at 90 days' sight on London, and continued to give sparingly to market takers, for the mail of the 28th only, throughout the week.

Monday, 13th April. Exchange opened with only the London and Brazilian Bank drawing at 15 25/32d, the others 1-32d. lower and money for private bills at 15 27-32d. No bills were offering and the bank quoted lowered its rate in the afternoon to 3/4 and money at 13/16d. for private bills. The market closed barely steady at these rates.

Tuesday, 14th April. The market opened weak and banks almost immediately refused to draw better than 11/16d., buying at 25/32d. Business was reported to have been done at 3/4. Later, in consequence of bills offering in Santos at 13/16, the market steadied. At the close most banks were drawing at 15 23/32, with no money for private below 15 13/16d.

Wednesday, 15th April. At the opening all banks drew at 15 23/32d. and later at 15 3/4d., with money for private paper at 15 13/16d. Few bills were obtainable in Rio, but Santos supplied some during the days at 15 27/32d.

Thursday, 16th April. The market opened steady with banks drawing at 15 23/32d. and 15 3/4d. The market was firm and towards the close some banks were drawing at 15 25/32d.

Friday, 17th April. Banks opened drawing at 15 3/4d. and 25/32d. and buying private bills at 15 27/32d. Rates were firm and in the afternoon private could only be sold at 15 7/8d. In Santos private bills were done at 15 29/32d. and 15 7/8d. for May delivery.

Saturday, 18th April. The market opened with all foreign banks drawing at 15 25/32d. except the London and River Plate, which refused better than 3/4. There was money at 15 7/8d. for private; but few bills were offered locally. The market closed quiet and unchanged.

The feature of the week was the effort to weaken exchange on Monday and Tuesday, which met with only partial success and the large shipments of gold to Europe amounting to £420,000.

The supply of bills in Santos, during the week has been good and the sentiment there, as regards exchange, appears less bearish. Exporters seem less disposed than they were to hang on to their bills until the last moment. They seem to be impressed with the large withdrawals of gold from the Caixa and argue that the convertible notes are not so scarce as interested parties wished it to appear.

It is most peculiar that in the history of Brazil financial measures are never taken when necessary or required by circumstances and one might call this, by nature such a wonderfully endowed country; "the land of opportunities lost"; unfortunately so, with more right than the United States of North America were once called the "land of unlimited possibilities."

Just at present the papers are full with comment and half-disguised ridicule at the payments made by the Treasury in coin; silver and nickel, and some even say copper and if the state of siege was not ruling with an iron hand in the Capital, the funny papers would be full of cartoons, showing the railway contractor carting away his dearly got payments in numberless carts. And yet the interior of Brazil is bare of small change and thousands of contos of it would be absorbed without the slightest fear of reflux to the centres. Why, one asks, did the Government not meet its obligations before by making part payments in coin, instead of letting it lie idle in the vaults of the Treasury until now, when it seems as if the last penny must be scraped together to meet longstanding obligations.

There was surely no necessity to wait until more of the filthy and torn small notes of one and two milreis had been accumulated in the Caixa de Amortização. Hundreds, if not thousands, of contos of these must have been lost and destroyed, thus forming a kind of unearned profit of the treasury and their disappearance might have been discounted long ago by a new issue of more desirable tokens.

In the interesting speech which Dr. Wenceslau Braz made last week to his guests on the occasion of the inauguration of the hydro-electrical stations at Tres Corações and Varginha, in the State of Minas, he laid stress on the necessity of Brazil increasing the variety and volume of her exports and also of her urgent need for immigrants. Therefore we are led to expect that during his term of presidency these matters, so indispensable to the progress of the country, will have his serious attention. Dr. Braz draws attention to the decline of cotton exports. The reason for the decline is not far to seek. In our opinion it is due entirely to the rapid rise in exchange which took place after 1901, causing the currency price to fall in ratio to the rise in exchange, whilst the cost of production remained stationary. All exports were similarly affected with the exception of coffee and rubber, which until recently have been Brazilian monopolies and whose price in sterling had to rise in correspondence with the rise in the currency cost of production.

Were exchange to fall to, says, 12d. and restrained from rising again above that figure, the impetus which would be given to exports would be enormous and the gain to the country in the long run would, we think, far outweigh the temporary loss that the country's foreign creditors would sustain; but simultaneously with the fall of exchange import duties must be lowered, otherwise the rise in the currency cost of living which would follow would nullify the beneficial effect of the fall in exchange.

When the exportation of cotton was rendered unremunerative by the rise in exchange, the only market left to the planter was at home, but even this could not have been retained had not the government increased progressively the import duties on raw cotton and manufactured cotton goods.

The present exaggerated import duties are the bane of young countries and serve merely to enrich a few individuals at the expense of the community and actually retard their progress. Here factories have been built, some at extravagant cost to make articles that can be imported far cheaper and better and the labour that should be tilling the soil has been attracted to the towns never to return to the land again.

The immense agricultural and mineral wealth of Brazil is practically untouched, but the difficulties which hamper the development of the country must be removed and immigration encouraged before she will be able to take her proper place in the export trade of the world. One has only to compare Brazil's trade with that of Australia and Argentina to see how backward she is. Australia

with a population of 5 millions exported in 1912 £79,000,000 in goods, equivalent to £15 16s. per capita. Argentina with a population of 7 1/2 millions, exported in 1912 £95,000,000, equivalent to £12 13s. 4d. per capita. Whilst Brazil, with a population of 22 millions, exporter in 1911 £67,000,000 or only £3 0s. 11d. per capita!

As we have said, the way to encourage exportation is to reduce by every possible means the currency cost of production, so that this country will be able on equal terms to compete with other countries and to attain this we advocate the gradual lowering of import and export duties and should the present crisis bring about a fall in exchange to a figure that will permit of such products as cotton, maize, meat, etc., being exported we would advocate keeping exchange down to that level.

We are convinced that with low exchange and low import and export duties, our foreign trade would increase so rapidly as to more than compensate for the loss, if any, occasioned by the shutting down of some of the native mills and factories, which we see a lowering of import duties would entail. As to the customs revenue, the increase in the imports that would result from increased exports would make up for the lower duties received on the smaller volume, whilst the greater prosperity that would follow would furnish fresh sources for taxation were it to be necessary.

CUSTOMS REVENUE (FEDERAL.)

	1913	1914
Rio, April 1-18	£565,766	£310,891
Decrease £254,875 or 45 per cent		

INLAND REVENUE (FEDERAL.)

	1913	1914
Rio, April 1-18	Rs. 1,559,823\$	1,129,278\$
Decrease Rs. 430,545\$ or 28.3 per cent.		

Closing Quotations, 18th April:—

Bank of England Rate	3	4 1/2
Open Market Rate, London	2	3 3/4
Consols	76 5/8	75 7/8
Apolices Ceraes	838\$ to 840\$	
Vales Gold	1\$687	
Bank of Brazil	174\$	
S. Paulo State 6% apolices buyers	960\$	
Mogyana Railway shares	255\$ to 264\$	
Paulista Railway shares	315\$ to 316\$	
Leopoldina Stock	68 1/2	75
Brazil Railway	24 1/2	72
Dumont Coffee Pref.	9 3/4	11

Brazilian Crisis Forces Economy. (From the New York "Journal of Commerce," March 3rd, 1914.) London, March 1st—There is no doubt that Brazil in one way and another is causing a considerable amount of anxiety in Europe. The position may be divided up into sections: The government finances are in a weak state; the commercial situation is far from encouraging, and the position of those who have been financing ambitious railroad schemes is not at all enviable.

Present conditions serve to emphasise the wisdom (from their own point of view) of the firm of Rothschilds when they issued the famous £11,000,000 loan. It may be remembered that they got the issue very widely underwritten, that is to say, the underwriting was split up into small amounts, over a large area, instead of being kept in a few hands, and as soon as the public offer had been made the great bankers "stood out from under the issue." The public response being very small, the issue was practically a failure.

The loan was issued by the Rothschilds, no doubt under protest, but if Rothschilds had not issued it some other firm would, and the eventual result would have been far worse. In this way the Rothschilds made the Brazilian Government understand what

was their position in relation to the money markets of Europe and since that time the Government has strained itself in economies in every direction. Even in the smallest matters retrenchments have been introduced which in the aggregate must amount to a serious total. But these retrenchments are probably insufficient to counteract the effect of the decline in the price of rubber, especially in view of the disorganised condition of the rubber collecting industry, and it has only recently been recognised in Brazil that the country must not rely solely on its two great products, coffee and rubber, for its revenues.

The regeneration of Brazil, it is conceded here, will take time. The country has immense natural resources which can be developed, but in the meantime it is being forced upon the minds of bankers here that something must be done to support the Government, which is making genuine efforts to put its house in order. It is understood that an important conference of bankers headed by the Rothschilds has decided to give the Government the necessary support.

The trouble, however, does not lie solely with the Government. The failure of the firm of Fry, Miers and Co., with liabilities amounting to about £1,250,000, has disclosed a very serious state of affairs in commercial circles. This firm, with headquarters in London, had important ramifications all over Brazil. Its partners are well known and highly esteemed there, and it is understood that difficulties in regard to payment for a Government contract was the final and principal cause of the failure. If other failures occur they will cause no surprise.

Another feature of the Brazilian situation is the large interest taken by bankers and investors in London and on the Continent in the ambitious railway schemes of Percival Farquhar. On a wave of prosperity these schemes might have been carried through with great success, but various conditions rose in Brazil and in Europe (including the Balkan war) which weighed against and upset the calculations of the bankers and the railroad men. The consequence is that important holders of securities have had to face a difficult situation.

To take the case of one favoured stock: Brazil Railway common was carried up to 122 when Percival Farquhar and his group of supporters were most active in their campaign for throwing a network of railways over South America. At this point the slump started, and later on it was understood that a syndicate of bankers came to the rescue of one of the most important entities in the scheme by taking over his holdings of Brazil common at 85. A few months later it was stated that the rescuers had received assistance inasmuch as the same block of stock had changed hands at 75. To-day the stock stands at 28. The losses to people who bought at 75 and higher must be enormous.

It is known that certain Paris houses are implicated in these losses and that is one reason why London is anxious about the financial position of certain Paris firms. The story is going around in well-informed circles that an influential Paris firm recently received the assistance of the Bank of France. The firm in question, it is stated, was carrying a large amount of fourth-rate paper represented by bills drawn by small clients all over the country. This paper was practically unnegotiable and the story goes that the Bank of France put its name on the back of about 10,000,000 francs worth of these bills, thus making them prime bills instead of fourth-rate paper. At the same time a loan was granted, it is said, under certain conditions, but according to the rumour-mongers, these conditions were not followed in every particular. Part of the money, according to gossip, found its way into unauthorised channels, and when this was discovered there was a very serious row.

Of course, it is impossible to obtain confirmation of gossip of this sort. It is sure to be denied and it is only repeated now in order to indicate some of the causes for the present uneasiness. Well-informed people declare that this particular trouble has been definitely settled now, but the uneasiness exists in regard to firms of less influence who are not likely to be able to compel the support of the Bank of France. If it is true, however, that the Rothschild group have determined to assist the Government, that will go a long way to assist everybody. It will prevent a fall of Brazilian exchange which is so much feared and with easier money after the turn of the quarter a more favorable view of the situation may be possible.

San Paulo Railway. (From "The Financier," 27th March.) There is a tendency to harp upon the possibility of an issue by the San Paulo Railway Company for construction purposes. There appears to be no necessity, yet awhile, for troubling about this

matter. It may be quite true that the company, if they regarded the work they have in hand as pressing and the condition of Brazil more hopeful, would be inclined to make an issue now, rather than wait indefinitely. But, like other railways in Brazil, the San Paulo is feeling the effects of bad trade and unfavourable exchange.

It is understood that when the issue does make its appearance the money will be required mainly for electrification purposes. The working of the railway may in the future not merely justify, but necessitate, the electrification of the greater part, if not the whole, of the system. The San Paulo is one of the few railways in South America over which the traffic is sufficiently dense to render electrification a commercial proposition. This is a matter on which the shareholders might be congratulated if their property was not in South America and in Brazil. The pressure of traffic and the consequent necessity, eventually, for mechanical and electrical developments to enable the railway to bear its burden will involve something more than technical problems.

The Government of Brazil can scarcely be regarded, in relation to any wealthy corporation in the Republic, as altogether reliable, or as pursuing for long together a consistent policy. That has from time to time been made sufficiently evident. Also, it is certain that the very ample profits of the San Paulo Railway Company periodically excite the envy, not to use a different word, of the State and Federal Governments. At the present time, when want of funds is the day-to-day difficulty of Brazil, there is perhaps more possibility than usual of the Government finding excuses for imposts and exactions which might not occur to them during a period of greater prosperity and easier money.

Shareholders in the San Paulo are, without doubt, rather hugging themselves in the anticipation of an issue which would be offered to them on such favourable terms that they would be in a position to take their choice between increasing their holdings of a high-yielding security as investors or acquiring stock at a price which would enable them, either at once or within a short time, to dispose of it at a handsome profit. But the present is decidedly not the moment to bring out any issue connected with Brazil. It is as yet quite uncertain when the existing depression in every part of the Republic is likely to disappear. Harvest and other contingencies may defer a return of commercial prosperity indefinitely.

Meanwhile the question of electrification can wait. It may easily turn out that by the time the management consider the moment has come to start on to the work in earnest the science of electric traction may have so developed that the methods not long since regarded as indubitably the best will be surpassed and superseded. Electrical science as applied to traction is quite as much in a state of flux as ever.

RUBBER.

Latest London Quotations:—

	April 18	April 11	April 7
	s. d.	s. d.	s. d.
Fine Hard Pará	3 0½	Holiday	2 11¾
Plantation	3 0	Holiday	2 7½

