

MR. J. P. WILEMAN'S WEEKLY LETTER

"MOSTLY ABOUT COFFEE"

May 12th, 1914.

No. 19.

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, 11th May, 1914.

Closing quotations, Saturday, May 9th, compared with Saturday, May 2nd, were as follows:—

NEW YORK—

	May 9	May 2	+ or -
	cts.	cts.	cts.
Santos Spot No. 7	10 7/8	10 3/4	+1/8
Options—July	8.66	8.43	+0.23
September	8.86	8.61	+0.25
December	9.09	8.80	+0.29
March	9.27	9.03	+0.24

HAVRE—

	frs.	frs.	frs.
Options—July	58.75	58.50	+0.25
September	59.25	59.00	+0.25
December	59.75	59.75	—
March	60.50	60.25	+0.25

HAMBURG—

	pfgs.	pfgs.	pfgs.
Options—July	47.25	47.00	+0.25
September	48.00	47.75	+0.25
December	48.75	48.50	+0.25
March	49.25	49.00	+0.25

SANTOS—

Type No. 4 ruled—

	May	June	July	August	September
5\$325-5\$350	5\$275-5\$300	5\$425-5\$450	5\$575-5\$600	5\$675-5\$700	5\$800-5\$825

Entries for the week ended 7th May and 8th May respectively were as follows:—

	1914	1913
Rio	32,875	26,531
Santos	58,690	31,100
	91,565	57,631

Increase, Rio, for week 6,344 bags, or 23.9 per cent. compared with last year.

Increase, Santos, for week, of 27,590 bags or 88.7 per cent. compared with last year.

Increase, both ports, for week of 33,934 bags or 58.9 per cent. compared with last year.

Entries for crop to May 7th were:—

	1914	1913
Rio	2,603,857	2,565,290
Santos	10,338,777	8,152,808
	12,942,634	10,718,098

Increase, Rio, for crop, 38,567 bags, or 1.5 per cent. compared with last year.

Increase, Santos, for crop, 2,185,969 bags or 26.8 per cent. compared with last year.

Increase, both ports, for crop, 2,224,536 bags or 20.8 per cent. compared with last year.

Entries at Rio and Santos to May 7th or corresponding dates of previous six years were:—

1913-14—12,942,634	1910-11—10,110,347
1912-13—10,718,098	1909-10—14,473,131
1911-12—11,840,053	1908-09—11,795,321

Clearances to 7th May were as follows:—

	Week ended May 7.		Crop to May 7	
	Bags	£	Bags	£
Rio	17,005	37,601	2,348,288	5,754,097
Santos	11,188	31,899	10,285,168	30,722,867
1913-14	28,193	69,500	12,633,456	36,476,964
1912-13	90,476	298,162	10,628,879	40,276,197

Increase clearances for both ports for current crop to May 7th compared with 1912-13, 2,004,577 bags or 18.8 per cent.

Decrease in value £3,799,233 or 9.5 per cent., as against 9.0 per cent. on April 30th.

Stocks were:—

	1914	1913
Rio	182,258	151,649
Santos	1,083,167	1,350,367
7th May, 1914	1,265,425	1,502,016
8th May, 1913	1,502,019	1,534,890
9th May, 1912	2,134,717	2,184,918

The statistical position of coffee shows a decided improvement on last month's figures, and on April 30th was as follows:—

European stocks	8,262,000	
Government holdings	3,150,000	
	5,112,000	
Afloat	331,000	5,443,000
United States' stock	1,722,000	
Afloat	355,000	2,077,000
Available for consumption	7,520,000	
Brazil stocks	1,444,000	
	8,964,000	
Government holdings	3,150,000	
Visible Supply, May 1st, 1914	12,114,000	

Deliveries for consumption in both Europe and the States were liberal again and as the quantity of coffee afloat is very small, a further considerable decrease of the supply can be looked forward to at the end of May, the more so as the other coffee producing countries have by now remitted the bulk of their crops.

Gross deliveries for consumption during the 10 months of the crop year have been 16,124,000 bags, so that by the end of the crop they are likely to amount to about 19,250,000 or actual net deliveries for consumption to about 18,250,000 bags, whilst the visible supply by the end of June probably will be more or less as follows:

Stock 30th April	12,114,000
Brazil arrivals for May-June	800,000
Other countries	1,000,000
	13,914,000
Deliveries to consumption	3,100,000
Visible Supply, 30th June, 1914	10,814,000

World's production, 1914-15:—

Brazil	11,500,000
Other countries	5,000,000
	16,500,000
	27,314,000
Consumption, 1914-15	18,500,000
Presumable Visible Supply, 30th June, 1915	8,814,000

With such prospects ahead, it is at least open to doubt whether prices can be kept at their present low level, especially as there is a decided lack of better qualities in the open market and American

consumers would probably be very glad if they could now purchase some of the fine old Government coffees held in Europe.

The market in Santos continues steady under present conditions of supply and demand and no one seems inclined to take sides either way.

That the picking of the crop will be at least four weeks later than last year is certain now and this delay must, of course, affect receipts right into July.

With the exception of a heavy downpour in Ribeirão Preto at the end of last week, no rain is reported from the interior, at the same time the temperature has gone down considerably and winter has set in.

At present it is difficult to ascertain how these decidedly adverse meteorological conditions will affect the preparation of the trees for the coming flowerings. Some fear that a premature blossom may appear in June just as last year, which would, of course, again be lost; others are afraid that the dry weather combined with the cold might impair the vegetation force of the trees altogether and abortive flowerings be the consequence. Whatever the outcome may be, the trade would do well not to listen too intently to those voices, which now prophecy an excessively large crop for 1915-16. That it will be larger than the one on the trees is to be hoped for in the interests of consumption as well as of the planter, otherwise prices will again reach the high levels, which are by no means desirable.

MONEY.

Gold in deposit at the Caixa de Conversão on Saturday, 9th May, amounted to Rs. 188,369:150\$755, equivalent to £12,557,943, a shrinkage of £968,286 since the previous Saturday and of £5,842,558 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
"	" 30th April, 1914	205,613:501\$	13,707,537
"	" 2nd May, 1914	202,893:439\$	13,526,229
"	" 9th May	188,369:150\$	12,557,943

Exchange. The Banco do Brasil maintained its nominal rate of 16d. for 90 days' sight on London and continued to give sparingly to market takers for the mail of the 19th May.

Monday, 4th May. The market opened with all the foreign banks drawing at 15 3-4, except the British, which gave 25-32 for cash. The tone was easy and money was offering all day for commercial bills at 15 53-64d. Santos gave some bills at 15 27-32d.

Tuesday, 5th May. Banks quoted 15 3-4d., but the British continued giving 25-32d. for cash. The market hardened in the afternoon, but rates were notably unaltered. Commercial bills found buyers at 15 27-32d.

Wednesday, 6th May. The market opened unchanged, but later in the day the market firmed and at the close there was no money under 15 7-8d., for commercial paper.

Thursday, 7th May. Banks opened drawing at 15 25-32d. and buying at 15 7-8d. The market was firm throughout the day but little business was doing locally.

Friday, 8th May. All banks opened drawing at 15 25-32d. and soon after one or other offered to draw at 15 13-16d. Money for commercial bills at 15 7-8d. was soon exhausted. The market closed strong, with no eagerness to buy under 15 29-32d.

Saturday, 9th May. Some banks refused to draw better than 15 25-32d. at the opening, but later 15 13-16d. became general and 15 27-32d. was also done in bank paper. There was money for private at 15 29-32d. The market closed strong.

During the week a fair business was done in cable transfers by banks drawing against their gold notes.

The feature of the week has been the firmness of exchange due to large arrivals of convertible gold notes from outside ports. As will be noticed above, the withdrawals from the Caixa de Conversão during the week have been exceptionally heavy, and it is surprising that exchange has not risen higher. Undoubtedly the invisible demand for remittances is large, augmented as it must be by the deplorable situation, and will probably continue to be large for some time to come, for there is no signs at present of any amelioration.

The April balance sheet of the Banco do Brasil shows an increase in its cash of Rs. 1,048,000\$000 compared with the previous month's. The Bank is said to have purchased a round amount from the State of Rio de Janeiro at 15 13-16d. sight cable transfer on London, being part of the State's loan for £3,000,000 issued last year.

April Bank Returns. The following changes are noticeable in the balance sheets of the 13 principal banks in Rio de Janeiro (excluding the Banque Française et Italienne, which publishes its balance sheet in S. Paulo). "Cash in hand" has increased by 4,174 contos, whilst "Discounts" have decreased by 3,658 contos.

Cash of seven foreign banks in Rio compared with last year:—

	In contos of reis.	
	1914	1913
31st January	35,871	41,137
28th February	37,399	34,891
31st March	35,559	44,311
30th April	40,459	

Imports and Exports of Merchandise for the first three months compared with previous three years:—

	Imports.			
	1911	1912	1913	1914
January	£4,672,631	£5,203,570	£6,236,423	£4,780,603
February	4,335,163	4,403,751	5,353,878	3,843,883
March	4,602,359	5,323,842	6,187,186	3,866,741
Total 3 months	£13,610,153	£14,931,163	£17,777,487	£12,491,227

	Exports.			
	1911	1912	1913	1914
January	£4,148,757	£5,797,711	£7,823,640	£6,045,188
February	4,134,194	5,520,347	5,561,502	5,139,806
March	4,480,161	5,764,737	4,402,583	4,580,589
Total 3 months	£12,763,112	£17,082,795	£17,792,725	£15,765,583

According to the Commercial Review, published by the "Jornal do Commercio," in its issue of the 6th inst., no less than £184,125,533 of capital was raised for Brazil in London and Paris during the six years 1908 to 1913 inclusive, an average of £30,687,589 a year. During the same period the excess in value of the exports over imports totalled £73,188,000, which, if added to the capital, raises the amount to £257,313,533. If from this sum we deduct the nett importation of gold, £18,400,000 (the amount in the Caixa on 31st December, 1913), we find that it took £238,913,533 to meet Brazil's indebtedness abroad during those six years, after liquidating the cost of imports, or an average of £39,818,922 a year to meet all other visible and invisible demands. As regards 1914, estimating the value of exports and imports to be £55,000,000 and £40,000,000 respectively (against £64,600,000 and £67,000,000 in 1913)—rather too favourable an estimate perhaps, as a study of the trade statistics for the first quarter of this year will show—there would be a trade balance in favour of this country of £15,000,000, leaving close on £25,000,000 still to be found to

balance accounts with abroad. If all the gold, amounting to £18,400,000, that was in the Caixa on 1st January can be exported, there will still remain a balance of £6,600,000, which possibly will be met by some capital having to be drawn for.

The issue in large quantities of subsidiary, silver and nickel, coin, legal tender only for small sums, introduces a further complication in our already sufficiently complicated monetary system.

The decline of 90 day exchange below 16d., the point at which gold can at present be shipped without loss, has established a premium between convertible and inconvertible notes, equivalent at 15 1-2d. to 3.33 per cent.

The exact amount of the new issue of silver is not known, but it is supposed to amount to some 15,000,000\$, worth, intrinsically, about 50 per cent. of the par value of the milreis, whilst 65,000,000\$ more have been contracted in Germany and seem likely to be put into circulation as rapidly as the contractors can deliver.

The Banks, naturally, refuse to receive either silver or nickel coin on deposit at their nominal value, so that even at 5 per cent. discount it is difficult to dispose of silver in any quantity, or nickel at 20 per cent., even now that the addition to the subsidiary circulation is comparatively small.

How the supply of money may be affected by the further large additions contemplated to the circulating medium and how they may influence exchange is, under the circumstances, an interesting subject for speculation.

Following the rule that bad money forces out good from circulation, convertible notes are rapidly being turned into gold and the specie shipped abroad, as would be the case with silver and nickel should exchange drop so low as to leave a profit on export, as happened in 1886-7 with the old copper coin.

Inconvertible notes, however, cannot be exported nor is there any way, short of extinction or demonetisation, of ousting them from circulation.

Rumours are current of the reissue of worn inconvertible notes. As, however, there are no means of verifying the truth of such reports on the quantity, if any, issued, it is not included in the following summary:—

Paper money or inconvertible notes in circulation on 13th February, 1913	601,000,000\$	
Convertible or gold notes on same date	401,500,000\$	
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Total authorised note issue, Feb. 2nd 1913	1,002,500,000\$	
Paper money, Feb. 4, 1914	601,000,000\$	
Convertible notes, Feb. 4, 1914 ...	221,500,000\$	
	<hr/>	
	822,500,000\$	
Silver&nickel, probably 20,000,000\$	20,000,000\$	
	<hr/>	
	842,500,000\$	842,500,000\$
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Total shrinkage of currency	160,000,000\$	

Between February 13th, 1913 and April 4th, 1914, the shrinkage of the total note issue has been 180,000,000\$ and of the currency inclusive of the new issue of silver coin 160,000,000\$.

According to the quantitative theory, the value of the currency should improve as the quantity declines, whereas as a matter of fact, we find that whilst the convertible part of the currency retains its gold value, the inconvertible paper money, as also the silver and nickel issues, have already suffered depreciation.

Taking gold as	100.00
Paper money (3.3 per cent. premium) to-day is worth ...	97.00
Silver coin (5 per cent. premium)	92.44
Nickel (20 per cent. premium)	88.24

Such differences cannot be attributed to a single factor, but to alterations in demand and the supply of each separate species of which the circulating medium is constituted.

Presuming the world's supply of gold to be for the moment stable, alterations in the international value of notes convertible in gold, as if gold itself answers exclusively to variations in the cost of shipment, insurance and interest during the voyage.

The value of the inconvertible part of the currency, termed paper money, is controlled by the demand for and supply of inter-

national bills of exchange, the quantity in active circulation constituting the demand and bills offering the supply.

As regards the new issues of silver and nickel coin, value is controlled by the respective demand and supply of each for purposes of internal exchanges. If not in excess of home requirements, the latter two species will be gradually absorbed into the circulation, displacing a proportionate amount of convertible or inconvertible money in the operation and so increasing the active supply of market money available for taking exchange, as also would the reissues of inconvertible notes.

For the moment the issue of silver and nickel not having gone frankly into circulation, would not seem to have affected the supply of money available for taking exchange.

Another explanation must therefore be sought for of the apparent anomaly of the depreciation of the currency in face of a reduction of over 15 per cent.

Imports, which towards the end of 1913 already showed a declining tendency, fell off so sharply since the commencement of the current year, as, if continuous, to probably turn the balance of trade in favour of the country. Unless there should be a new spurt in imports or the price of coffee were to fall much lower, the gold in deposit at the Caixa de Conversão should, with the aid of produce, and whatever few financial bills that might be available, suffice to cover all kinds of exchange operations, inclusive of remittances for the service of the debt, were the gold or convertible notes available as required.

Unfortunately such is not the case and it is necessary to distinguish between the nominal supply constituted by the gold at the Caixa and the supply available for covering takings represented roughly by the stock of convertible notes and the gold that constitute the cash of the banks and houses that deal in exchange.

Very few convertible notes are to be found in circulation at the ports, and though a few leak down slowly from the interior, the mass of these notes would seem to have been systematically hoarded for some time past and to return to circulation only under the pressure of necessity or the attraction of a premium.

Once the Banks' stocks of convertible notes be exhausted by withdrawals of gold from the Caixa and its subsequent export, renewal is a slow process. Meanwhile all the cover the exchange banks can rely on is that furnished by bills of exchange or the gold held by the banks as cash.

Whilst feverish taking of exchange, such as was witnessed in July and August last year and again this year in February and March, serves to exhaust available supplies of convertible notes, it likewise serves to restrict the supply of money and so weaken for the moment the demand for bills.

The Bank of Brazil having to all intents and purposes stopped drawing just when the coffee crop was almost over and the supply of coffee bills almost exhausted; a pause ensued that with some overtaking by the banks and speculators exhausted in a few weeks the stock of inconvertible notes at the other exchange banks.

The position was taken advantage of by holders of private paper and speculation to "bear" exchange and establish a discount on paper money that reached 1 1-2 per cent. Later on a renewal in the demand for bills accompanied by speculative profit taking caused a reaction, but as we write paper money is still quoted at a discount.

The panic has for a time been abated, but with the market practically bare of bills for months to come, is liable to a relapse whenever the demand for bills should be sufficiently reinforced by collections or specially heavy Treasury payments. Moreover, should the exchange banks in the interval not have succeeded in reconstituting their stocks of convertible notes, or be indisposed to ship gold coin out of their reserves as cover, a renewed fall of exchange would appear inevitable in the course of the next few months.

After, the supply of coffee bills cum that of convertible notes in view of the big falling off of imports, might suffice, even without a loan, to raise exchange again to par and hold it, were it not that the demand for bills is so peculiarly liable to undue inflation at any moment by payments in silver and nickel on Government account and by reissue of worn notes.

No foreign loan can be counted on to the end of this year and meanwhile the exchange market must be subject to the general depressing influence that the disequilibrium of international payments is bound to exercise.

Closing quotations, May 5th:—

	1914	1913
Bank of England Rate	3%	4½%
Open Market Rate, London	2¾	3 5/8
Consols	74 11/16	75¼
Aplices Ceraes	845\$	
Vales Gold	1\$687	
Bank of Brazil	200\$	
Mogyana Railway Shares	262& to 270\$	
Paulista Railway Shares	320\$ to 335\$	
1889 4 per cent. Loan, Federal	71½	81½
1889 5 per cent. Loan, S. Paulo	100	101
Leopoldina Stock	65	74
Brazilian Traction Ordinary	78	97
Brazil Railway	22	74
Dumont Coffee, Pref.	9¼	11

CUSTOMS REVENUE (FEDERAL.)

	1913	1914
Rio, May 1-9	£249,453	£149,185
Decrease £100,268 or 41.8 per cent.		

INLAND REVENUE (FEDERAL.)

	1913	1914
Rio, May 1-9	Rs. 612:693\$	582:357\$
Decrease, Rs. 30:336\$ or 5 per cent.		

RUBBER.

Latest London Quotations:—

	May 9	May 2	April 25
	s. d.	s. d.	s. d.
Fine Hard Pará	2 11	2 11¾	2 11¾
Plantation	2 6	2 7¾	2 6½

