

MR. J. P. WILEMAN'S WEEKLY LETTER

**"MOSTLY ABOUT COFFEE"**

May 19th, 1914.

No. 20.

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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 de Janeiro, 18th May, 1914.

Closing quotations, Saturday, May 14th, compared with Saturday, May 9th, were as follows:—

## NEW YORK—

	May 16	May 9	+ or -
	cts.	cts.	cts.
Santos Spot No. 7 .....	10 7/8	10 7/8	—
Options—July .....	8.71	8.66	+0.05
September .....	8.90	8.86	+0.04
December .....	9.12	9.09	+0.03
March .....	9.30	9.27	+0.03

## HAVRE—

	frs.	frs.	frs.
Options—July .....	59.25	58.75	+0.50
September .....	59.75	59.25	+0.50
December .....	60.25	59.75	+0.50
March .....	61.00	60.50	+0.50

## HAMBURG—

	pfgs.	pfgs.	pfgs.
Options—July .....	47.75	47.25	+0.50
September .....	48.50	48.00	+0.50
December .....	49.25	48.75	+0.50
March .....	49.75	49.25	+0.50

Entries for the week ended 14th May and 15th May respectively were as follows:—

	1914	1913
Rio .....	33,248	28,784
Santos .....	42,807	26,503
	<u>76,055</u>	<u>55,287</u>

Increase, Rio, for week, 4,464 bags, or 15.6 per cent. compared with last year.

Increase, Santos, for week, of 16,304 bags or 61.5 per cent. compared with last year.

Increase, both ports, for week of 20,768 bags or 37.6 per cent. compared with last year.

Entries for crop to May 14th were:—

	1914	1913
Rio .....	2,637,105	2,594,074
Santos .....	10,381,584	8,179,321
	<u>13,018,689</u>	<u>10,773,395</u>

Increase, Rio, for crop, 43,031 bags, or 1.66 per cent. compared with last year.

Increase, Santos, for crop, 2,202,263 bags, or 26.9 per cent. compared with last year.

Increase, both ports, for crop, 2,237,294 bags, or 20.9 per cent. compared with last year.

Entries at Rio and Santos to May 14th or corresponding dates of previous six years were:—

1913-14—13,018,689	1910-11—10,146,984
1912-13—10,773,395	1909-10—14,535,500
1911-12—11,897,960	1908-09—11,842,644

Clearances to May 14th were as follows:—

	Week ended May 14		Crop to May 14	
	Bags	£	Bags	£
Rio .....	60,100	135,658	2,408,388	5,889,755
Santos .....	126,550	363,300	10,411,718	31,086,167
	<u>186,650</u>	<u>498,958</u>	<u>12,820,106</u>	<u>36,975,922</u>
1913-14 .....	186,650	498,958	12,820,106	36,975,922
1912-13 .....	69,593	223,147	10,698,472	40,499,344

Increase clearances for both ports for current crop to May 14th compared with 1912-13, 2,121,634 bags or 19.8 per cent.

Decrease in value £3,623,422 or 8.7 per cent., as against 9.5 per cent. on May 7th.

Stocks were:—

Rio .....	151,167	182,258
Santos .....	1,223,501	1,083,167
	<u>1,374,668</u>	<u>1,265,425</u>
14th May, 1914 .....	1,374,668	1,265,425
15th May, 1913 .....	1,459,228	1,502,019

In the absence of any speculative feeling, the market is maintained on the merit of its intrinsic position.

There is no doubt that the offering of better prices would satisfy the present demand for finer qualities, also it is certain that the requirements of the United States for such goods will continue into the new crop, as the stocks held there are by no means adequate to meet the increasing wants of consumption.

It is fairly certain that the crop is belated and, moreover, first arrivals in the market, if not washed, will be poor roasters and of inferior quality altogether. Even now—middle of May—planters in all the "terras quentes" districts, Ribeirão Preto perhaps excepted, do not see their way to commence picking, as at least half of the fruit on the trees is either only changing colour to red or still quite green and undeveloped. As for the latter, in face of the everlasting dry weather, it is difficult to say whether it will ever form into solid grain, as it is evident that the absence of moisture weakens those trees which have a fair crop; the leaves turn yellow and the fruit at the end of the branches is getting shrivelled.

This drought, which compasses practically the whole State of S. Paulo, Ribeirão Preto excepted, and has lasted from 10 to 12 weeks, is a most serious matter for the planter. If the weather does not break soon it might mean another small crop on top of an insufficient one.

From the "Tea and Coffee Trade Journal":—There are rumours that some valorised coffee is likely to be imported shortly. Here is an opportunity for the Department of Justice to redeem itself for dismissing the coffee trust suit. It is the duty of the agents of the Department of Justice to be on the lookout for importations of valorised coffee and to promptly seize and confiscate them, as provided by law. If valorised coffee is brought in and the Department takes no steps under the law to seize it, that will be practically conclusive evidence that it does not intend to enforce the law.

Meanwhile we have been wondering why Senator Norris, the coffee trader's watchdog at Washington, hasn't been heard from with some kind of resolution calling upon the Judiciary Committee to investigate and report to the Senate the names of the purchasers of that last year's lot of valorised coffee, together with the prices paid and the quantity purchased by each. It will be recalled that the Attorney-General dismissed the coffee suit on "good faith assurances" that the valorised coffee was disposed of at a bona fide sale, and not merely by transfers under a restricted contract plan.

We believe public policy and the best interests of the trade demand that this question be reopened. The names of the purchasers of that lot of valorised coffee should be made public; also the terms of purchase.

The New York "Journal of Commerce" of April 14th states:— "While sentiment is thought to be mainly bearish, it is noticeable that there is not much pressure on that side of the market, this probably resulting from the fact that the market has had a good decline and that there is likely to be an oversold condition established. This sentiment is likely to remain until there is some decided decrease in the Brazilian movement. Reports indicate that the financial affairs of that country are improving, but nevertheless holders continue to sell freely despite the lower bids offered.

Estimates regarding the crop have all been well out of line as has the frequent predictions of a falling off in the movement.

However, a smaller production is looked for next season owing to the decidedly unfavourable weather.

The position of the May option is causing comment at present. Reports were circulated early last week that certain bull interests had secured a loan whereby they could take in deliveries on contracts. This was later discredited and was believed to be issued simply to scare the shorts. However, it had no influence as a market factor.

**Effect of Change in Coffee Differences.** (From the New York "Journal of Commerce," April 16th, 1914). In the local coffee trade the action of the Board of Managers of the New York Coffee Exchange in approving the recommendation of its special committee that grade differences of Rio coffees be readjusted was regarded yesterday as a compromise between two elements in the Exchange: One, desirous of radically reforming present methods and practices; and the other, absolutely adverse to even the slightest deviation from the existing system. In the opinion of many the vote of the members on the proposal to change the grade differences of Rio coffees above No. 7 from 50 points to 30 points will be very close, and, in fact, great doubt is expressed as to the likelihood of the measure being adopted. The committee on laws has been instructed to prepare amendments to the by-laws and rules and will report back to the board of managers at the regular meeting next month. Should the board approve of the changes formulated by the committee a date will be set for balloting.

The radicals on the Exchange say that Tuesday's action of the board of managers was only an "entering wedge" and is the beginning of a comprehensive programme of reforms.

The effect of the proposed change in the differences will be a reduction of the premium on high grade Rio No. 2 coffee by one cent a pound. This is made evident by the following comparison:

	Present scale.	Proposed scale.
Rio No. 7 .....	9.00c.	9.00c.
Rio No. 6 .....	9.50c.	9.30c.
Rio No. 5 .....	10.00c.	9.60c.
Rio No. 4 .....	10.50c.	9.90c.
Rio No. 3 .....	11.00c.	10.20c.
Rio No. 2 .....	11.50c.	10.50c.

Some time ago it was suggested that the Coffee Exchange do away with Rio No. 7 as a basis for contract trading, and substitute therefor a Santos coffee, probably Santos No. 4. In support of this proposal it was pointed out that years ago, when the present contract was first established, trading was confined largely to Rio coffees, while at the present time the bulk of our coffee imports come from Santos, a fact which makes the latter the more reasonable basic standard for trading. The suggestion of changing the standard met with a great deal of opposition right from the start, and had to be dropped for lack of support. In some quarters, the opinion was expressed that it might be well to have a double standard—a Rio and a Santos—and that two separate sets of quotations be used. This proposal was likewise rejected, and in order to meet the demand for "reform" the special committee of the Exchange decided to recommend a slight readjustment of grade differences.

The change from a 50 to a 30-point difference applies only to Rio coffees above No. 7 and not to those below this standard. The differences as to Santos coffees remain the same.

In the spot trade the importance of hedging in options as a protection was emphasised. Along these lines the following comment of Henry Nordlinger and Co. is of interest:

"The majority of importers and jobbers in this country, as well as in Europe, have hedged against their stock in the option market, and in most instances their coffee has cost them a considerable premium over the price at which they sold the options. The premium on Santos coffee at present is 1 1/2c. per lb. and on washed mild coffee as high as 3c. to 5c. per lb., which in our opinion makes hedging against purchases of such coffee a hazardous undertaking, because these premiums are more likely to narrow than to widen, especially as the buyers of options now seem to be prepared to receive the coffee against contracts made on the Exchange, whilst heretofore they generally pursued the policy of transferring them to later positions. They have received the coffee on their contracts which expired last month, and it is currently

reported that they have already made provision in the shape of a loan of \$4,000,000 to pay for the coffee bought for May delivery."

William Bayne, Jr., president of the Exchange, and Superintendent Stroud absolutely refuse to give any information regarding the action taken by the board of managers.

## MONEY.

**Gold** in deposit at the Caixa de Conversão on Saturday, 16th May, amounted to Rs. 183,012,389\$, equivalent to £12,200,826, a shrinkage of £357,117 since the previous Saturday and of £6,199,675 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\$	17,630,634
" " 31st March, 1914	224,639,032\$	14,975,935
" " 30th April, 1914	205,613,501\$	13,707,567
" " 2nd May, 1914	202,893,439\$	13,526,229
" " 9th May	188,369,150\$	12,557,943
" " 16th May, 1914	183,012,389\$	12,200,826

**Exchange.** The Banco do Brasil maintained its nominal rate of 16d. for 90 days' sight drafts on London and continued to give sparingly to market takers for the mail of 27th May.

**Monday, 11th May.** The market opened firm with all foreign banks drawing on London at 90 days' sight at 15 13-16d. Shortly after the opening the River Plate and Italian Banks offered to draw at 15 27-32d. Some banks bought at the opening at 15 29-32, but soon after refused to buy better than 15 15-16d. The market closed firm at these rates. In Santos commercial bills were offered at 15 31-32d.

**Tuesday, 12th May.** Soon after the opening all foreign banks were offering to draw at 15 27-32d. and were unwilling to buy commercial bills better than 15 31-32d. Later in the day both the British and River Plate banks drew at 15 7-8d. Bills were offered at 15 15-16d., but there were no buyers under 15 31-32d.

**Wednesday, 13th May.** National holiday.

**Thursday, 14th May.** The British and River Plate Banks quoted 15 7-8d. at the opening, the others 15 27-32d. There was no money in banks for commercial paper under 31-32d. In Santos bills were negotiated at 15 63-64d.

**Friday, 15th May.** The market opened firm, with most foreign banks drawing at 15 7-8d., and offering to buy at 16d. Bills were scarce in Santos and none were obtainable locally at that rate. During the afternoon the market eased slightly and closed with money for commercial bills at 15 31-32d. and with only two banks drawing at 15 7-8d.

**Saturday, 16th May.** Except the British, which quoted 15 7-8, the general drawing rate of the foreign banks was 15 27-32, with money for private bills at 15 31-32. Bills were scarce and banks conceded 1-64 for the few obtainable.

The rise in exchange, which set in on the 5th of May, continued during the early part of last week and the highest point was reached on Tuesday, 12th inst., when bills were sold locally at 15 31-32d. and in Santos at 16d. There were various reports to account for the firmness, some alleging that the S. Paulo State were drawing, others that the drawing was to find money to move the coffee crop. The more probable reason is that the market had accumulated rather more bills than could be absorbed, calculations having been upset by the large remittances of gold notes from the ports, causing the further restriction of the local money market.

Unless the unforeseen happens, it is unlikely that any firmness in exchange will be of long duration. With the political situation such as it is and with the balance of payments dead against the country, it is not to be supposed that exporters will go 'long' in exchange, or importers abstain from remitting when they have the money to do so, nor are banks likely to run overdrafts. It would be interesting to know what the sum in pounds sterling is between

the oversold and the overbought exchange market. Provided the market consistently maintained its present overbought position, we should get through this year without any pronounced slump in exchange and a panic in the contrary direction is not worth considering.

The market appears now to have abandoned all hopes of any loan being arranged by the present Government, but still expects a substantial one to be issued to inaugurate the next presidential term. However welcome a loan would be to the Government and its creditors, we trust that some other way out of the "impasse" will be found, for we do not think the trade of the country will be sufficient, for some time to come, to support even its present burdensome foreign debt, much less any addition to it. As we showed in our Letter last week, nearly £40,000,000 per annum are now required to pay the visible and invisible demands, apart from the payment of imports, and the excess in value of exports over imports, amounting on an average to between £10,000,000 and £15,000,000, is a long way short of being sufficient. Hitherto the difference has been met by loans and foreign capital being drawn for, but now the country has entered a cycle of adversity and very little capital can be expected to come to this country for some time to come. The country has outrun the constable and is in the unhappy position of the Grasshopper in La Fontaine's fable.

**Principle Articles of Export** during January, February and March:—

	1913		1914		Total 12 months	
	Jan	Feb	Jan	Feb	1913	1914
Cotton	639,136	729,474	+	90,338	2,307,680	2,397,018
Sugar	58,186	60,558	+	2,372	64,793	67,165
Rubber	4,506,430	2,912,870	-	1,593,560	10,237,362	8,643,800
Cocoa	437,980	676,084	+	238,104	1,593,609	1,831,589
Coffee	9,950,675	9,064,134	-	886,541	40,777,978	39,891,437
Hides	441,072	507,656	+	66,584	2,193,693	2,240,269
Tobacco	442,977	364,751	-	58,226	1,637,989	1,579,763
Maté	506,051	428,189	-	77,862	2,348,137	2,270,275
Skins	151,484	161,214	+	9,730	770,873	780,607
Sundries	678,734	860,653	+	181,919	2,680,179	2,861,892
	£17,792,725	£15,765,583	-	£2,027,142	£64,612,293	£62,585,151

**Closing Quotations, May 16th:—**

	1914	1913
Bank of England Rate	3%	4 1/2%
Open Market Rate, London	2 7/8	3 3/16
Consols	74 15/16	75 3/8
Apolices Ceraes	850\$	
Vales Cold	1\$687	
Bank of Brazil	200\$ to 205\$	
1889 4 per cent. Loan, Federal	71 1/2	81
1889 5 per cent. Loan, S. Paulo	100	101
Leopoldina Stock	62	73 1/2
Brazilian Traction Ordinary	79 1/2	98
Brazil Railway	23	12
Dumont Coffee, Pref.	9%	10%

**CUSTOMS REVENUE (FEDERAL.)**

	1913	1914
Rio, May 1-16	£452,706	£278,020
Decrease £174,686 or 38.6 per cent.		

**RUBBER.**

**Latest London Quotations:—**

	May 16	May 9	May 2
	s. d.	s. d.	s. d.
Fine Hard Pará	2 9 1/4	2 11	2 11 1/4
Plantation	2 6	2 6	2 7 1/4

