

MR. J. P. WILEMAN'S WEEKLY LETTER

"MOSTLY ABOUT COFFEE"

May 26th, 1914.

No. 21.

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, 23rd May, 1914

Closing quotations, Saturday, May 23rd, compared with Saturday, May 14th, were as follows:—

NEW YORK—

	May 23 cts.	May 16 cts.	+ or - cts.
Santos Spot No. 7	10 7/8	10 7/8	—
Options—July	8.58	8.71	-0.13
September	8.78	8.90	-0.12
December	9.01	9.12	-0.11
March	9.21	9.30	-0.09

HAVRE—

	* frs.	frs.	frs.
Options—July	58.75	59.25	-0.50
September	59.25	59.75	-0.50
December	60.00	60.25	-0.25
March	60.50	61.00	-0.50

HAMBURG—

	pfgs.	pfgs.	pfgs.
Options—July	47.50	47.75	-0.25
September	48.25	48.50	-0.25
December	49.25	49.25	—
March	50.00	49.75	+0.25

SANTOS—

Type No. 4 ruled May 22nd:—

May	5\$375
June	5\$400
July	5\$575
August	5\$700

Entries for the week ended 21st May and 22nd May respectively were as follows:—

	1914	1913
Rio	31,509	31,396
Santos	42,474	36,236
	<u>73,923</u>	<u>67,632</u>

Increase, Rio, for week, 113 bags, or 0.36 per cent. compared with last year.

Increase, Santos, for week, of 6,178 bags or 17.05 per cent. compared with last year.

Increase, both ports, for week of 6,291 bags or 9.3 per cent. compared with last year.

Entries for crop to May 21st were:—

	1914	1913
Rio	2,668,614	2,625,470
Santos	10,423,998	8,215,557
	<u>13,092,612</u>	<u>10,841,027</u>

Increase, Rio, for crop, 43,144 bags, or 1.64 per cent. compared with last year.

Increase, Santos, for crop, 2,208,441 bags, or 26.9 per cent. compared with last year.

Increase, both ports, for crop, 2,251,585 bags, or 20.8 per cent. compared with last year.

Entries at Rio and Santos to May 21st or corresponding dates of previous six years were:—

1913-14—13,092,612	1910-11—10,188,425
1912-13—10,841,027	1909-10—14,592,379
1911-12—11,976,872	1908-09—11,903,859

Clearances to May 21st were as follows:—

	Week ended May 21		Crop to May 21	
	Bags	£	Bags	£
Rio	18,969	43,644	2,427,357	5,933,399
Santos	61,709	175,673	10,473,427	31,261,840
	<u>80,678</u>	<u>219,317</u>	<u>12,900,784</u>	<u>37,195,239</u>
1913-14	80,678	219,317	12,900,784	37,195,239
1912-13	82,148	274,117	10,780,820	40,773,461

Increase clearances for both ports for current crop to May 21st compared with 1912-13, 2,120,164 bags or 19.6 per cent.

Decrease in value £3,578,222 or 8.8 per cent., as against 8.7 per cent. on May 21st.

Stocks were:—

Rio	158,844	151,167
Santos	979,927	1,223,501
	<u>1,138,771</u>	<u>1,374,668</u>
21st May, 1914	1,138,771	1,374,668
22nd May, 1913	1,434,923	1,459,228

The coffee market remained in the same apathetic state in which it has been for quite a number of weeks, although prices rarely fluctuated to any great extent and business never came to a standstill. Of late the chief roasting concern of the States has been an assiduous buyer of finer qualities. This reveals that the Paulista market is still the cheapest and that even Europe, with its comparatively large holdings, has none of these goods to spare beyond its own requirements. It goes without saying that a market in such a condition contains strong elements for a subsequent rise. Any delay in the arrivals of the new crop or any news unfavourable to the next flowering must set the stone a-rolling.

Deliveries to the States during the last week were smaller, probably because there is little coffee on the way and arriving, but any falling off of deliveries there indicates a decrease of the invisible supply, which, although not large, must be sufficient to meet urgent requirements. Therefore, should prices move upward during the next month or so, any undue rush should be avoided as it would only invite strong opposition, whilst if time is given to roasters and middlemen to embark in the same canoe, they will help to push it along.

Stocks in Santos are going down gradually and at present stand below 1,000,000 bags and are likely to be below 900,000 bags at the end of the month. Although the sale of the existing stock has not brought any apparent relief to the financial centres, Santos and S. Paulo, shown in the cash balances, it has at least freed the market and prepared it for the reception of the new crop coffees, which, it seems, will not arrive so early or so quickly as many would like.

There is the same irregularity in the state of maturity as heretofore and all planters who can afford to wait—and these are by far the great majority—prefer to do so, as there is plenty of labour and the crop so small that the gathering, when once started, can proceed quickly, provided rain does not set in.

There are no signs of rain yet and unless the weather changes on 24th inst. with the new moon, there is a likelihood, weather prophets say, that the drought, which is now of nearly three months' duration, will last at least another fortnight, by which time flowering prospects are becoming endangered.

A friend, who for the last ten days has been on the Paulista Railway system between Campinas and Santa Veridiana, writes as follows:—

"The effects of the prolonged dry weather, which set in at the end of February in these districts and lasted uninterruptedly to the present time, is beginning to make itself visibly felt.

Round Santa Cruz das Palmeiras, trees which are standing on sloping ground with comparatively little earth on the underlying rock or those which are planted in rocky soil, show many yellow and even withered leaves and some, the weakest among them, are drooping their leaves and give the appearance of a plant which is ailing for want of moisture. I observed the same symptoms at Santa Rita de Rosa Quatro and Rescalvado and during the last few days near Limeira and here at Campinas, where these symptoms are very pronounced and frequent in the well cared for plantations quite near the town. So far weaker specimens and younger trees are only affected, but who can tell whether those plants which are still apparently vigorous and strong, will not be in a similar condition if the drought continues or whether their organic conditions have not already been affected, the outward signs becoming visible later by a premature dropping of leaves and a subsequent poor flowering?"

It would be disastrous for S. Paulo, and especially for Brazil, if the small crop, which is going to be gathered in a few weeks' time, was followed by another small one. No rise in prices would compensate the losses which would result from such a misfortune."

London, 4th May, 1914.

MONEY.

Commenting on my Letter of 30th March, *The Money Market Review* of 25th April remarks:—

"The heavy drop of 16s. per bag since January can only be attributed to a series of exceptional circumstances, such as the tightness of money in Europe and heavy realisations on the part of speculators unable to finance their commitments. During the second half of the year, the season commenced on relatively low prices, and some 2,000,000 bags were sold at low rates. In September news was received from the interior that prospects for the 1914-15 crop were very poor and that it would be one of the smallest known for many years. Following this, heavy entries and monetary embarrassments brought about a decline and with constant rumours of failures and curtailment of credit, the price dropped to about 5\$150. Foreign markets are reported as being well supplied and Santos holds a stock of some 2,400,000 bags. On the other hand, it must be taken into consideration that prices around 50 milreis per cwt. are attractive to S. Paulo and leave a fair margin of profit."

The Money Market Review, in conclusion, endorses my opinion as regards the necessity of an active propaganda in favour of the consumption of coffee.

The correspondent of *The Economist* at Hamburg writes, with date of 29th April, as follows:—

"The tendency of values has been reactionary this week. The liquidation of May engagements has been more laborious than anticipated. Brazilian receipts continue much larger than they were supposed to be and the demand from the country has not proved so extensive as was hoped for. Large transfers from May to distant months have widened, carrying premiums somewhat, and so made liquidations easier, but the tenders, which so far amount to 60,000 bags, have been taken care of without causing undue pressure. . . . Distant deliveries have been all along better supported than the summer months' and it is anticipated that the near future will bring hardening prices, on the assumption that the monthly statistics will be favourable and that an easier money market will enable present holders to resist the financial tension that still exists in Brazil. . . . About the new crop little has been heard and the presumption is that it is promising very much better than was alleged a few months back. It is claimed that marketing will be late but that the quality will be good."

Analysing the position of coffee, *Le Côte de la Bourse et de la Banque* comes to the conclusion that there are no prospects of prices returning, at any rate for the present, to the old level of 80/90 fcs. and predicts 50 to 70 fcs. the range for next crop, even should it be as deficient as is predicted. For this year (1914) foreign payments, *Le Côte* thinks, will require 300,000,000 fcs. There seems, however, some confusion of ideas in this respect, seeing that, so long as prices of commodities remain the same, the sterling amount that Brazil has to meet abroad would be unaltered and all that would be changed would be the cost in milreis, which on this footing would at 16d. amount to Rs. 180,000,000\$ and at 15d. Rs. 190,000,000\$, a difference of Rs. 10,000,000\$000 corresponding to the premium on gold due to an insufficient supply of bills.

Ceteris paribus i.e., if sterling quotations of produce were maintained, the loss in exchange would not affect coffee producers, but fall entirely on such remittances that have to look to exports for cover.

A fall in the sterling price of coffee would, of course, aggravate the decline and enhance the premium on gold. The additional premium on gold would then fall on coffee producers. That in the present spirit of consuming markets every effort will be made to depress sterling prices *pari passu* with exchange is certain, and shows how requisite it is that exchange should be maintained even from the restricted point of view of coffee producers. Otherwise a fall of exchange might be regarded by them with indifference.

Gold in deposit at the Caixa de Conversão on Saturday, 23rd May, amounted to Rs. 178,084:121\$000, equivalent to £11,872,275, a shrinkage of £328,551, since the previous Saturday and of £6,528,226 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\$	19,836,718
" " 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\$	13,707,567
" " 2nd May, 1914	202,893:438\$	13,526,220
" " 9th May	188,369:150\$	12,557,948
" " 16th May, 1914	183,012:389\$	12,200,826
" " 23rd May, 1914	178,084:121\$	11,872,275

Exchange. The Banco do Brasil maintained its nominal rate of 16d. for 90 days' sight drafts on London and gave, as usual, small amounts to market takers for the mail of 3rd June.

Monday, 18th May. The market opened with the British Bank drawing at 15 7/8 on London at 90 days' sight, and the other foreign banks at 15 27-32 and buying commercial bills at 15 15-16. At noon the market hardened slightly and banks refused, for a time, to buy at 15 15-16d. During the afternoon some banks again bought at 15 15-16d. In S. Paulo two native banks sold round amounts at 15 15-16d.

Tuesday, 19th May. The market opened undecided; the British a doubtful drawer at 15 7-8d and the others giving 15 27-32. Some of the Continental banks sold repassed bank paper at 15 7-8. Commercial bills were negotiated at 15 61-64 and 15 15-16. The business of the day was small.

Wednesday, 20th May. The market opened firm, with most banks drawing at 15 7-8 and not offering to buy under 15 31-32. The few bills that were offered, however, found money a shade below 31-32d. In Santos a fairly large business was done at 15 31-32d.

Thursday, 21st May. Church holiday.

Friday, 22nd May. The market opened dull, with some banks drawing at 15 7-8 and with money for commercial bills at 15 61-64, but all banks were not buyers at this rate. Very few bills were offering in the forenoon. The market later firmed on one of the Continental banks selling repassed at 15 29-32 and sight cable payments at 15 51-64. A fair amount was reported to have been sold at these rates.

Saturday, 23rd May. There was no change in the market. Banks maintained the same rates as on the previous day and very little business was reported to have been done. In Santos and S. Paulo the market continued very firm and banks found bills there at 16d.

Throughout the week the exchange has been firm, due partly to drawings by the British Bank of South America for account of the Mogyana Railway, said to amount to something over £1,000,000 and partly to drawing by S. Paulo banks for account of the State Government. Notwithstanding this assistance, the market had again to recourse to the Caixa for some of its cover.

With the approach of the coffee crop, the Santos exporters are inclined to avail themselves of any low rates offering to sell their bills for future delivery and a little business has been done there at 15 7-8 for August and 15 27-32 for September, for delivery during those months.

A telegram from London, published in the "Noticia," at last discloses the conditions under which European finance is going to help Brazil out of its present difficulties, but in point of fact the Latin group of these financiers only help themselves out of their own difficulties, unfortunately at the expense of those who live and work in this country and by slow and constant labour try to bring it along, be they Brazilians or foreigners. Huge profits out of railway concessions are not falling to their lot but more often they see the slowly accumulated fortune vanish or diminish owing to the freak of some fantastic minister of finance lending a willing ear to one or the other of the financial geniuses, so-called bankers, like Mr. Peterson and Mr. Thompson of times gone by, who from time to time are let loose in this unfortunate country.

Is this going to happen again now?

The idea is to lend 30 to 32 millions sterling, but out of this sum the outstanding titles of the funding loan of 1898 are to be redeemed, Treasury notes to the extent of 5 1/2 million sterling being paid, a reserve held back to meet amortisation charges during the next three years, which amounts most likely to another £1,500,000.

After deducting all this, about half of the £30,000,000 will be retained on the other side and the remainder is probably earmarked also in favour of the Latin group to settle claims for railway expenditure, incurred by building lines into deserts at half the cost at which they were contracted with the Federal Government. Anyone in his senses must ask himself, what good is a loan like that, it does not even serve to bolster up exchange, which in any case is untenable and which maintains itself only because remittances, which the import trade ought to make, are deferred if the debtor does not choose to become a bankrupt and not pay **at all.**

The stores of the custom house in Rio are full of merchandise, retained there for want of money to pay the duties with and one can imagine that the bills drawn against this merchandise are not paid either. Looking into matters closely, the interests of all these new friends Brazil acquired in Paris, Brussels and Montreal during the last four years and who came here to bestow their friendship on her, of course against very substantial benefits, all these interests and all they have at stake here is child's play to what a hard working commercial and agricultural community loses or had lost. Let us, therefore, hope that the man at the helm will rise to the occasion and rather let matters find their own solution than submit to impositions which in two year's time would put Brazil into the same predicament again.

It is remarkable says *The Statist*, that British trade should be maintained so surprisingly well considering the financial difficulties of so many countries and the exorbitant expenditure upon armies and navies all over the world; but it does not make for cheap money. But a short time ago that journal seemed to rely chiefly on the decline of British foreign trade for the period of cheap money so confidently predicted. To my mind it does not seem possible that the wastage of wars and unproductive expenditure can be so quickly made good, nor that London will prove an exception to the general rule, howsoever for the moment, trade may keep up. Brazilian foreign trade, to judge from the falling off of Customs revenue, must have been about 33 per cent. less. The same thing is happening in Argentina and Chile and in fact everywhere where credit has been abused, as has been the case nearly all the world over. Ultimately the consequences can scarcely fail to be reflected in British trade as well.

London, 1st May, 1914.

Discount rates have hardened during the last few weeks and the Bank of England rate once more became effective. Owing partly to the Ulster and Mexican crises, banks have become more conservative and are husbanding their resources in view of the necessity of supplying Paris with funds to carry out big loan operations in the East. In many cases advances were made on short term notes and the necessity of funding this indebtedness and the reluctance of the public to subscribe is causing some anxiety in Paris. A big fund loan is likewise expected to be launched about July. The inability of the Bank of England to secure any of the gold offering and the net efflux of bullion, in spite of considerable arrivals from Brazil and other countries, show that the new flotations have been overdone. All prospect of really cheap money has entirely disappeared. So far, however, there has been no abatement of new issues, which at £65,375,200 are, except for 1901, the largest on record for the month of April and £20,000,000 over last year's. Of the total for April, £49,525,000 were absorbed by Austrian, Turkish and American issues and only £6,146,000 left for Great Britain. The sharp set back is reflected in quotations of almost every kind, especially of Canadian securities, inclusive of Traction and Brazilian railways, which suffered by sympathy with similar Mexican concerns. Latterly the Brazilian groups recovered in view of the expected visit of the French banking delegation to Brazil to investigate on the spot the position of the Brazilian Government and its commitments on railways and other public works. The aftermath of the Balkan war and the Brazilian crisis, which brought about such not-

able declines in the values of stocks and of Brazilian commodities, is reflected in the reports of the Banque de Paris et Pays Bas and Banque Parisienne, which took so active a part in Brazilian flotations, which show a decrease of profits compared with 1912 of £72,835 and £124,205 respectively.

The persistent decline of the Mogyama debentures to 4 1/2 per cent. discount is an enigma to the uninitiated at Rio, who look more to the intrinsic value of the security than to speculative possibilities. The issue was not only over-subscribed, but had the issuing house so chosen, might have been covered several times over by underwriting. Nevertheless, the simple expedient of offering of large blocks of debentures by continental bears was sufficient to upset the market, already suspicious of Brazilian issues. At 4 1/2 per cent. discount Mogyama debentures would seem good buying.

São Paulo (State) short term notes, issued at 97, were quoted on 30th April at 96 1/2, Pretoria City 4 1/2 per cent. at 2 1/2 per cent. discount, Nova Scotia at 1 3/8, Hungarian 4 1/2 per cent. at 2 3/4 per cent., and so on. In fact, very few of newer issues have fared so well as S. Paulo's.

In an able leading article, "The Times" explains as far as possible the position of Sorocabana debentures. As to the future of the concern no reasonable doubts can be entertained, but the conditions surrounding the bond itself involve it in an atmosphere of mystery not conducive of comfort to those who hold it. The line is held by the Sorocabana on a 60 years' lease from the S. Paulo Government, which lease has been relet to the Brazil Railway Company. Prior to the service of the debentures comes the charge for rent to the State of S. Paulo, at £300,000 per annum. The interest on the debentures is guaranteed by the net profits of the railway after payment of the annuity to the S. Paulo Government and by the Brazil Railway Co., who work the railway in conjunction with other concerns. In 1912 the Sorocabana appears to have earned the interest on its debentures without the help of the Brazil Railway guarantee, whilst in 1913 the carriage of a much larger crop should have brought increased gross earnings, were it not for the alarming growth of working expenses. What the debenture holders, says "The Times," would like to know is how they *would stand* in the event of financial disaster overtaking the Brazil Railway Company? They would like to know what margin of income the lease which their security yields over the total of their interest, and whether, that margin being ample, they are thereby secure for the service of their debentures, whatever the financial conditions of the Brazil Railway Co. may be as a whole, and, for my part, may add, how that interest is likely to be affected by a further fall of exchange and consequent depreciation of the currency?

As the drain of gold increases and deposits in the Caixa de Conversão decrease, convertible notes must be scarcer and more difficult to obtain, and unless by artificial means the supply of bills could be augmented, the premium on gold and depreciation of the currency might take formidable proportions long before the depleted stock of convertible notes were exhausted.

Few, if any, Brazilian securities could escape unharmed from the effects, direct or indirect, of a serious decline of exchange, and for this reason the determination of the S. Paulo Railway to persevere in its policy of reinforcing the reserve fund seems particularly prudent and appropriate. Indeed, years ago, when exchange fell to 6d., a special reserve fund was founded to provide against future depreciation and so regularise dividends. Just at this moment, when the Board proposes to issue more capital, the inconvenience of calling undue attention to the possibility of history repeating itself is obvious and explains why the Board is not more explicit as to the advantages of reinforcing the reserve fund instead of applying it to construction purposes.

Closing Quotations, May 23rd:—

	1914	1913
Bank of England Rate	3%	4½%
Open Market Rate, London	2 7/8	3 7/8
Consols	74 3/8	75¼
Apolices Ceraes	857\$	
Vales Gold	1\$687	
Bank of Brazil	202\$ to 208\$	
1889 4 per cent. Loan, Federal	71½	80½
1889 5 per cent. Loan, S. Paulo	100	101
Leopoldina Stock	60½	73
Brazilian Traction Ordinary	77½	97
Brazil Railway	22	70
Dumont Coffee, Pref.	9%	10%

CUSTOMS REVENUE (FEDERAL.)

	1913	1914
Rio, May 1-23	£664,743	£401,588
Decrease £263,155 or 39.6 per cent.		

INLAND REVENUE (FEDERAL.)

	1913	1914
Rio, May 1-23	Rs. 1,635,701\$	1,541,907\$
Decrease, Rs. 93,794\$ or 5.8 per cent.		

RUBBER.

Latest London Quotations:—

	May 23	May 19	May 9
	s. d.	s. d.	s. d.
Fine Hard Par½	2 9¼	2 9¼	2 11
Plantation	2 3¼	2 6	2 6

SUNDRY.

Great enthusiasm prevails amongst Brazilian landowners at the idea of making S. Paulo a meat exporting country; the idea is a good one and a workable one, but more than enthusiasm is required to carry it out. There is a good race of cattle indigenous to the country, but it has gone down somewhat in quality and weight by constant in-breeding and ignorance of the best methods of raising stock. Consequently the first problem which presents itself is to improve the breed by increasing the weight of each individual animal, and that can only be done by the importation of good pedigree stock from abroad. That is, of course, not difficult, merely a matter of money, but there are too many fazendeiros as well as farm managers who think that with money there task is more or less finished and breeding can commence. They either ignore and if they do not ignore they neglect the work of looking after these new comers, who are not acclimatised and transferred into conditions of life entirely strange to them. Thus many good breeding animals have been lost for want of proper attention, stabling, food and many other minor details, and then comes the outcry that these foreign guests cause too much trouble. Another most important question, which has not been given sufficient attention to, is the making of pasturage, as the State of S. Paulo has natural pasture land only in some parts of those districts near the Rio Grande and Paranapanema, whilst everywhere else it has to be cultivated. This would not cause much trouble were large tracts of land ploughed and the excellent fodder grasses Brazil possesses sown. This, of course, has to be done before the number of stock is raised, as otherwise the animals might famish in a year like the present one, with insufficient rainfall, for want of food.

The step made is in the right direction, but success cannot follow it quite as quickly as our imaginative people seem to think and, moreover, the task of raising cattle which now weigh from 175 to 200 kilos to the required standard of about 400 kilos per head, is no mean one.

A number of modern slaughtering houses have been started in different parts of the country and that looks very much like building a house by commencing with the roof. For the requirements of local consumption the existing slaughtering houses and the individual enterprise of butchers in each town seems to work cheaper, although we do not wish to deprecate a healthy competition brought into the meat market by these modern large enterprises, we are only afraid they will have to be carried on for years without the returns expected from them, until our stock of cattle is sufficiently improved to enable them to compete in the international market.

