

MR. J. P. WILEMAN'S WEEKLY LETTER

"MOSTLY ABOUT COFFEE"

June 2nd, 1914.

No. 22.

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, June 2nd, 1914.

Closing quotations, Friday, 29th May, Saturday being a holiday, compared with Saturday, May 23rd, were as follows:—

NEW YORK—

| | May 29 cts. | May 23 cts. | + or - cts. |
|-------------------|----------------|----------------|----------------|
| Santos Spot No. 7 | 11 1/8 | 10 7/8 | +1/4 |
| Options—July | 8.91 | 8.58 | +0.33 |
| September | 9.13 | 8.78 | +0.35 |
| December | 9.37 | 9.01 | +0.36 |
| March | 9.53 | 9.21 | +0.32 |

HAVRE—

| | frs. | frs. | frs. |
|--------------|-------|-------|-------|
| Options—July | 61.50 | 58.75 | +2.75 |
| September | 62 | 59.25 | +2.75 |
| December | 62.75 | 60.00 | +2.75 |
| March | — | 60.50 | — |

HAMBURG—

| | pfgs. | pfgs. | pfgs. |
|--------------|-------|-------|-------|
| Options—July | 49.25 | 47.50 | +1.75 |
| September | 50.25 | 48.25 | +2.00 |
| December | 50.75 | 49.25 | +1.50 |
| March | 51.50 | 50.00 | +1.50 |

SANTOS—

Type No. 4 ruled:—

| | | | |
|-----------|---------------|--------|---------|
| June | 5\$550-5\$575 | 5\$400 | +0\$175 |
| July | 5\$750-5\$775 | 5\$575 | +0\$200 |
| August | 5\$850-5\$875 | 5\$700 | +0\$175 |
| September | 5\$900-5\$925 | | |
| October | 5\$950-5\$975 | | |
| November | 6\$000-6\$025 | | |

Entries for the week ended 28th May and 29th May respectively were as follows:—

| | 1914 | 1913 |
|--------|----------------|---------------|
| Rio | 46,690 | 33,258 |
| Santos | 54,937 | 36,236 |
| | <u>101,627</u> | <u>69,494</u> |

Increase, Rio, for week, 13,432 bags, or 40.4 per cent. compared with last year.

Increase, Santos, for week, 18,701 bags or 51.6 per cent. compared with last year.

Increase, both ports, for week, of 32,133 bags or 46.2 per cent. compared with last year.

Entries for crop to May 28th were:—

| | 1914 | 1913 |
|--------|-------------------|-------------------|
| Rio | 2,715,304 | 2,658,728 |
| Santos | 10,478,935 | 8,252,461 |
| | <u>13,194,239</u> | <u>10,911,189</u> |

Increase, Rio for crop, 56,576 bags, or 2.1 per cent. compared with last year.

Increase, Santos, for crop, 2,226,474 bags, or 27 per cent. compared with last year.

Increase, both ports, for crop 2,283,050 bags, or 20.9 per cent. compared with last year.

Entries at Rio and Santos to May 28th or corresponding dates of previous six years were:—

| | |
|--------------------|--------------------|
| 1913-14—13,194,239 | 1910-11—10,250,331 |
| 1912-13—10,911,189 | 1909-10—14,657,482 |
| 1911-12—12,250,331 | 1908-09—11,962,015 |

Clearances to May 28th were as follows:—

| | Week ended May 28 | | Crop to May 28 | |
|---------|-------------------|---------|----------------|------------|
| | Bags | £ | Bags | £ |
| Rio | 26,617 | 61,602 | 2,453,974 | 5,995,001 |
| Santos | 152,695 | 439,945 | 10,626,122 | 31,791,785 |
| 1913-14 | 179,312 | 501,547 | 13,040,096 | 37,696,786 |
| 1912-13 | 103,202 | 332,255 | 10,883,822 | 41,105,716 |

Increase clearances for both ports for current crop to May 28th compared with 1912-13, 2,196,274 bags or 20.2 per cent.

Decrease in value £3,408,930 or 8.3 per cent., as against 8.8 per cent. on May 28th.

Stocks were:—

| | May 23 | May 30 |
|--------|------------------|------------------|
| Rio | 158,844 | 175,052 |
| Santos | 979,927 | 915,877 |
| | <u>1,138,771</u> | <u>1,090,929</u> |

There are at present various important factors at work in the coffee market to slowly but surely raise prices, even before the new crop enters in full force.

The most prominent feature appears to be the continuously heavy demand of consumption for better qualities, especially from the States, and coupled with this the decreasing stock in Brazil enabling dealers here to close their markets.

Another hardly less important factor is the news from the interior about uninterrupted drought, the consequences of which increase as it continues. Firms having important interests in coffee or in the possible course of the market have, of course, been advised of this and their cautious buying is most likely at the bottom of the rise which has since taken place.

The intention evidently is not to allow mistakes to be made similar to those made in the last three years, by pushing prices in the producing countries beyond all measure, not admitting the distributing or roasting trade to partake in it. This will be as much as possible avoided, unless the consuming trade determinately refuse to heed the signs of the times and not accompany the movement, which is without doubt the outcome of the inherent merits of the position.

Stocks in Santos will have run below 900,000 bags at the end of this month and the brisk business done during the last week indicates further heavy shipments during the last month of the crop year. It is, moreover, recognised now that the stock of Santos does not consist to such a large degree of low grades as was recently stated, which is rather a favourable feature, as large quantities of undesirable and unsaleable goods will always depress a market for the middling qualities, i.e., the chief product of consumption. This will not happen now, on the contrary, the trade will be supplied for another 4 or 6 weeks with good roasting and good drinking qualities from the producing country, as the coffee of the new crop is still so far behind in maturity that goods desirable for the roasting trade will not appear in the market in appreciable quantities before the end of July.

Washed coffees only, which on the advice of exporters and dealers are likely to be produced in slightly larger quantities than last year owing to the premium paid for such goods, might make their appearance before. Unfortunately many planters who had pulping tanks and the necessary machinery let them fall to disuse and therefore the quantity of washed coffees available will only be small.

Our friend, who is still travelling in the interior, writes as follows:—

"Ever since I last wrote you no rain has fallen and there are no signs of it yet; on the contrary, with the considerable fall of the temperature at night, it very much looks as if we are in for another spell of dry weather. Last week I saw a number of trees in the plantations of Campinas which showed the symptoms of death by thirst; these are, of course, the weakest and smallest specimens. By now this number has increased and more trees become affected. How it will end no one can tell. But if rain does not fall soon the situation will become very serious. Unfortunately even the present crop will be affected, as the unripe and partly developed fruit will not mature."

Mexican affairs become more involved and hopes of success of mediation fainter day by day. To finance the war with Mexico a duty on coffee is, amongst others, already talked of as probable, and in the actual condition of demand and supply can only come out of Brazilian pockets, though, of course, it would benefit actual holders of coffee in the States.

Whatever may have become of the coffee, whether it all entered into consumption direct, or has in part been absorbed by the invisible supply, deliveries were over 18,500,000 bags, the biggest total for any season on record.

A Hamburg house estimates Santos entries for May at 190,000 bags.

Le Bulletin du Correspondence of Havre estimates the visible supply on 30th June, 1915, as follows:—

| | Bags |
|------------------------------------------|------------|
| Free Visible Supply, 30 June, 1914 | 8,300,000 |
| Rio crop, 1914-15 | 3,000,000 |
| Santos crop, 1914-15 | 9,000,000 |
| Victoria and Bahia | 500,000 |
| Other countries | 4,250,000 |
| | 25,050,000 |

It is, says *Le Bulletin*, probable that a good deal of supplies during the 1913-1914 crop went to reinforce the invisible supply. There is no reason, continues *Le Bulletin*, to expect that consumption will exceed 18,000,000 bags, whereas, as a matter of fact, deliveries were over 18,500,000. Consequently, concludes our contemporary, should there be no valorisation sales, the visible supply by 30th June, 1915, would not exceed 7,000,000 bags. In conclusion the *Correspondence* believes that if the time for selling has not yet arrived in view of the general trend of trade opinion, it would, at least, be prudent to buy.

Messrs. Nortz and Co in their Circular say that the next crop will, as far as can be seen, be small, especially in the Sorocabana district.

At the special meeting of governors of the New York Coffee Exchange, to consider the report of the committee on change of contract, a resolution was adopted to maintain the present trading basis with Rio No. 7 as the exchange standard, but to alter the grade differences. This change would make the successive premium between each Rio grade above No. 7 thirty points instead of fifty points above the next lower grade as at present, but would maintain the fifty point discount for each succeeding grade below the exchange standard. As the unit difference between all Santos grades will remain fifty points, adoption of this resolution by the exchange members would place the Rio coffees above the standard on a lower scale than the more desirable Santos product, instead of on the equal basis which now exists.

After the law committee has drawn up the required amendments to the by-laws and rules, in order to conform with the proposition, the matter will be returned to the board of governors for approval, and then put to the vote of the members of the exchange.

Should it be passed, the new basis can not go into effect until one year after the final vote, on account of the future contracts which will have been made. This would probably mean that even if it is accepted, the new difference system will not be inaugurated until July, 1915.

The governors have also submitted to the law committee an amendment to the effect that the average delivery must not average above No. 3. At present, deliveries may average anywhere between No. 1 and No. 8.

MONEY.

Gold in deposit at the Caixa de Conversão on Saturday, 30th May, amounted to Rs. 177,382:069\$, equivalent to £11,825,471, a shrinkage of £46,803 since the previous Saturday and of £6,575,030 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\$ | 13,707,567 |
| „ „ 2nd May, 1914 | 202.893:439\$ | 13,526,229 |
| „ „ 9th May | 188.369:150\$ | 12,557,943 |
| „ „ 16th May, 1914 | 183.012:889\$ | 12,200,826 |
| „ „ 23rd May, 1914 | 178.084:121\$ | 11,872,275 |
| „ „ 30th May, 1914 | 177.382:069\$ | 11,825,471 |

Exchange. The Banco do Brasil maintained its rate of 16d. for 90 days' sight drafts on London and gave to market takers for the mail of 10th June. The Bank bought export bills for prompt delivery at 16 1-32 and 16 1-16 during the week.

Monday, 25th May. The market opened with all foreign banks drawing at 15 7-8d. on London at 90 days' sight. Commercial bills were sold in the morning at 15 31-32, but later in the day 15 63-64 was the best rate obtainable, some banks refusing to buy below 16d.

Tuesday, 26th May. Foreign banks quoted 16 7-8 as their drawing rate. A few commercial bills were sold in the morning at 15 63-64, but during the afternoon it was difficult to sell even at 16d. The British Bank was offering to draw at 15 29-32 during the afternoon and the Latin banks were endeavouring to sell repassed paper at 15 15-16d. The market closed firm. Export bills were sold in Santos at 16 1-32d. and the London and River Plate Bank drew then at 16d. for cash, on or before, the 30th May.

Wednesday, 27th May. The market opened firm, the British Bank was soon drawing at 15 15-16 and before the close of the day this rate became general. Commercial bills were sold in the early morning at 16d., but later there was no money under 1 61-64d.

Thursday, 28th May. Most of the banks quoted 15 15-16 as their drawing rate and refused to buy better than 16 1-32d. Something was done in commercial at 16 1-64 for delivery during June. At mid-day news came from Santos that the Banco do Brasil had stopped buying there at 16 1-32 and the foreign banks in Rio raised their drawing rate to 15 31-32 and their buying rate to 16 1-16. The market closed very firm with some banks offering to draw at 16d.

Friday, 29th May. All banks quoted 16d. as their drawing rate. A few commercial bills were sold at the opening at 16 1-16, but soon after banks refused to buy below 16 3-32d. During the afternoon the British and River Plate Banks were drawing at 16 1-32d.

Saturday, 30th May. The three English banks quoted 16 1-32 as their drawing rate, the others 16d. and money at 16 1-8 and 3-32 respectively. In Santos commercial bills were sold at 16 1-8, but at the close the market was less firm.

Exchange was very firm throughout the week. The heavy withdrawals of gold from the Caixa de Conversão during the month, amounting to close on £2,000,000 and the concurrent decrease in the circulating medium by 30,000 contos of reis, in addition to the drawings for account of the Government of the State of S. Paulo and the Mogyana Railway, referred to in our last letter, have combined to drive exchange to parity, and gold import point may be reached before it again relapses. Were 90 days' sight bills on London obtainable at 16 1-8, there would be a fair margin of profit in importing gold from the Argentine, should the low rate of exchange at present ruling there continue.

We are informed that 100,000 sovereigns have been engaged in the Argentine for shipment to Rio.

On Thursday the Senate passed a bill to authorise the President to effect "credit" operations, internally or abroad, necessary to liquidate the legal outstanding indebtedness of the Treasury. This bill is now before the Chamber of Deputies and will be hurried through as soon as possible.

Congress has also been asked to vote supplementary credits to legalise liabilities, incurred by the Government without its authorisation, for the following concerns:—

18,000 contos gold for the Rio Grande do Sul Harbour Works,
45,000 contos paper for the Central Railway of Brazil,
5,000 contos paper for the Oeste of Minas Railway,
1,600 contos paper for the Cruz Alta Railway,
80 contos paper for sundries.

Lloyd Brasileiro. The time for tenders to be presented for the purchase of the Lloyd Brasileiro expired on Saturday. Only two proposals have been received, one from Dr. Jonathas Nunes Pedreira and the other from a group comprising the Cia. Nacional de Navegação Costeira, Mr. Custodio Coelho de Almeida, and Messrs. Lage Irmãos. No advice had been received from the Brazilian Financial Agent in London of any tender having been sent there.

Business Done on the Rio Stock Exchange during the week ending 30th May, 1914:—

| Amount | Price | Closing Quotations. | |
|----------------------------|-----------------------------|---------------------|-----------------|
| | | Sellers | Buyers |
| PUBLIC FUNDS— | | | |
| 1216 | Apol. Geraes 5 per cent.... | 827\$-850\$ | — 840\$ |
| 16 | Emp. Nacional (1903) | 945\$-950\$ | 950\$ — |
| 1865 | Emp. Nacional (1909) | 805\$-820\$ | — 821\$ |
| | Emp. de 1910 (3%) | | — 650\$ |
| 50 | Emp. Nacional (1911) | 802\$-804\$ | — 809\$ |
| 956 | Emp. Nacional (1912) | 809\$-810\$ | 811\$ 809\$ |
| 33 | Est. do Esp. Santos (5%) | 660\$-700\$ | — 660\$ |
| 110 | Estado de Minas | 802\$-810\$ | — 805\$ |
| | Ditto Est. de S. Paulo . | | 1:000\$ 980\$ |
| 602 | Estado do Rio (4%) | 78\$-80\$ | 80\$500 79\$500 |
| | Ditto (6%) | | — 420\$ |
| | Ditto (Nom.) | | 440\$ — |
| 242 | Emp. Municipal (1906) ... | 180\$-182\$ | 182\$ 181\$ |
| | Ditto (Nom.) | | 164\$ — |
| 320 | Ditto (1909) | 152\$-155\$ | 155\$ — |
| 10 | Ditto (£20) | 270\$ | 274\$ 269\$ |
| | Ditto (Nom.) | | 280\$ — |
| 70 | Ditto (1914) | 170\$ | 170\$ 160\$ |
| | Ditto (Nom.) | | — 160\$ |
| | C. Munic. de Petropolis . | | 200\$ 182\$ |
| BANKS— | | | |
| 316 | Brasil | 202\$-205\$ | 210\$ 204\$ |
| 89 | Commercial | 140\$ | — 140\$ |
| 14 | Commercio | 146\$ | — 138\$ |
| | Lavoura e Comercio ... | | 220\$ 204\$ |
| 20 | Mercantil | 208\$ | 220\$ 204\$ |
| | Nacional Brasileiro | | — 202\$ |
| RAILWAYS— | | | |
| | Goyaz | | — 22\$ |
| 400 | Minas de S. Jerenymo ... | 11\$-12\$ | 12\$500 12\$ |
| | Norte do Brasil | | — 12\$ |
| | Rede Sul Mineira | | 45\$ 31\$ |
| | Victoria e Minas | | 100\$ 50\$ |
| INSURANCE COMPANYS— | | | |
| | Minerva | 10\$ | — |
| COTTON COMPANIES— | | | |
| | Alliança | 135\$ | 125\$ |
| 96 | Corcovado | 120\$ | — 120\$ |
| | Covilhã | 55\$ | — |
| | Progresso Industrial | | — 120\$ |
| | S. Pedro de Alcantara ... | 160\$ | — |
| SUNDRIES— | | | |
| 2050 | Docas de Bahia | 22\$-24\$ | 26\$ 24\$ |
| 74 | Docas de Santos | 410\$ | 430\$ 410\$ |
| 205 | Ditto (Nom.) | 400\$-420\$ | 420\$ 400\$ |
| 1200 | Loterias Nacionaes | 16\$500-19\$ | 20\$ 19\$ |
| | Melh. no Maranhão | | 37\$ 32\$ |
| | Terras e Colonização | | 6\$ 5\$500 |

DEBENTURES—

| | | | | |
|------|-------------------------------|-------------|-------|-------|
| 10 | Industrial Campista | 160\$ | 175\$ | — |
| | Linho Sapopemba | | 175\$ | — |
| | Progresso Industrial | | 170\$ | 160\$ |
| 3 | Banco União de S. Paulo. 75\$ | | 72\$ | — |
| | Centros Pastoris | | — | 150\$ |
| 1055 | Docas de Santos | 181\$-182\$ | — | 180\$ |
| | Fiat Lux | | 180\$ | — |
| | Mercado Municipal | | — | 160\$ |

LETRAS HYPOTHECARIAS—

| | | |
|--------------------------|-------|---|
| B. C. R. de Minas (7%).. | 103\$ | — |
|--------------------------|-------|---|

London, May 10th, 1914.

The money market is stiffening and discounts very firm. Should the demand for gold by Russia and Germany not abate, as seems very probable in view of the enormous balances at present employed by the former Government in London, it is difficult to see how the Bank rate can be long maintained at 3 per cent., much less fall as but lately confidently predicted.

American bankers do not seem to believe that a war with Mexico would materially affect money market conditions or American exchange suffer on that account; but the necessity of raising immense sums by taxation and fresh issues would inevitably discourage foreign investment in America and so help still further to upset the balance, already against the country.

The Financier says that representatives of the interested banks have left Paris for Rio de Janeiro, but seem inclined to make co-operation in the new loan conditional on previous arrangement of the claims of different French railways and other undertakings, as also of those of the Banco Hypothecario of the State of Espirito Santo. The French Government is also interesting itself in this matter, and insisting on an arrangement being come to.

In London the impression is that to save themselves bankers have no option but to make fresh advances unless they care to face the music at once, as they will have to do as soon as the loans are again exhausted.

The talk is still of £20,000,000, with guarantee of the moiety of customs revenue not already mortgaged to the service of the Funding loan. No doubt twenty millions would serve to stop a gap for a time and keep exchange from falling further, or even raise it again to 16d., so long as it lasted. In the long run, however, fresh foreign loans can only add to the difficulty in redressing the balance of foreign payments upset by the fall in the value and volume of rubber exports.

British foreign trade remains at a high level, in spite of the general depression, and compares with that of five and ten years ago as follows, for the three months January to March:—

| | Millions of £ | | |
|-------------------|---------------|------|------|
| | 1914 | 1909 | 1904 |
| Net Imports | £660 | £506 | £479 |
| Exports | 528 | 365 | 291 |
| | £132 | £141 | £188 |

The explanation of the prosperity of foreign trade in Great Britain, whilst in most other countries, and especially in Germany, it is falling off, is to be found in the enormous amount of British capital lately invested abroad and the necessity debtor countries are under to provide increasingly larger exports as the value of production declines.

During the first quarter of this and last year the trade of Great Britain with Brazil was as follows:—

| | 1914 | 1913 | Decrease |
|-----------------------------------------|------------|------------|------------|
| Exports from Great Britain to Brazil. | £2,164,000 | £3,348,000 | £1,184,000 |
| Imports into Great Britain from Brazil. | £5,016,000 | £3,806,000 | £ 790,000 |

In spite of the tremendous depreciation of rubber, exports from Brazil to Great Britain show a decrease of only 20.7 per cent. as against that of 35.4 per cent in imports from Great Britain to Brazil.

It is reported that the issue of the new £10,000,000 loan, on account of S. Paulo will be postponed until after the big federal issue, but that meanwhile arrangements are being made for the redemption of the 5 per cent. short term notes issued a few months ago at 97 net, repayable in 1916, with option of earlier amortisation. With the big federal loan overhanging the market it might be difficult even for S. Paulo to place a fresh large loan successfully. The Mexican embroglio, alien as it really is to Brazilian interests, overshadows all South American financial propositions and disinclines investors to interest themselves therein. Once the Federal issue is out of the way, state loans may have a better chance, especially now that the heavy additional taxation of capital proposed by Mr. Lloyd George seems likely to incline British investors, in spite of late severe lessons, to turn once more to foreign countries in which taxes on capital are lighter, even if risks are greater.

There are several new industrial issues for Brazil on the tapis, including £600,000 for the S. Paulo Railway, that with the premium should yield some £1,181,111, a good deal of which will be spent in Brazil.

The Leopoldina is also preparing an issue of £1,180,000 in ordinary shares, which will raise the share capital to nearly ten millions, besides £5,495,300 of 4 and 5 per cent. debentures. Bearing in mind the parlous condition of Brazilian finances and the possibility of the earnings of the railway being further affected by a fresh relapse of exchange, the proposition was coldly received on the Stock Exchange, and the commission necessary to place it will probably be considerable. "If," as *The Statist* remarks, "Brazil succeeds in raising a loan sufficiently large to carry it over its present misfortunes, all will be well," and the Leopoldina as well. Otherwise, the immediate outlook of concerns that depend on revenues receivable in money liable to violent depreciation does not seem particularly brilliant, nor, for that matter, does it seem very likely that any loan would be negotiated big enough to make good the depreciation of rubber and neutralise its effects on Brazilian economy and finance. Meanwhile, new issues serve to pile up the agony.

Even the Brazil N. Eastern (Cearà) Railways, the most discredited perhaps of all Anglo-Brazilian lines, is preparing a small issue of £70,000 in prior lien bonds to keep things going until Government comes up to scratch and "the prices of coffee and rubber" recover, to the fall of which, and not to extravagance at home and abroad, the chairman attributes the inability of the Brazilian Treasury to meet its engagements.

If it were not for fear of further depreciation of the currency, no stock would be better buying than the Brazilian Traction ordinary, which at the current price of 79 1/2 yields, practically, 7 1/2 per cent. and, if as is reported, the dividend is raised to 7 per cent. per annum, would give 8 3/4 per cent. The Sorocabana by drastic developments are well advanced and will soon commence to earn money for the Traction Company. But in spite of the splendid prospects, Tractions are weak and refuse to react, claim they never so wisely, because like every other Brazilian concern dependent on paper money for revenue, markets are waiting to see what the Anglo-French group proposes to disentangle Brazilian finances.

CUSTOMS REVENUE (FEDERAL.)

| | 1913 | 1914 |
|--------------------------------------|----------|----------|
| Rio, May 1-30 | £912,423 | £512,077 |
| Decrease, £400,346 or 43.9 per cent. | | |

INLAND REVENUE (FEDERAL.)

| | 1913 | 1914 |
|------------------------------------------|---------------|-----------|
| Rio, May 1-30 | Rs. 2,223,971 | 1,976,905 |
| Decrease Rs. 247,065\$ or 11.1 per cent. | | |

RUBBER.

Latest London Quotations:—

| | May 30 s. d. | May 23 s. d. | May 19 s. d. |
|----------------------|-----------------|-----------------|-----------------|
| Fine Hard Pará | 2 9 3/4 | 2 9 3/4 | 2 9 3/4 |
| Plantation | 2 4 | 2 3 3/4 | 2 6 |