

MR. J. P. WILEMAN'S WEEKLY LETTER

**"MOSTLY ABOUT COFFEE"**

June 9th, 1914.

No. 23.

---

**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 8th, 1914.

Closing quotations, Saturday, June 6th, compared with May 29th were as follows:—

## NEW YORK—

	June 6	May 29	+ or -
	cts.	cts.	cts.
Santos Spot No. 7	11 1/4	11 1/8	+1/8
Options—July	9.15	8.91	+0.24
September	9.35	9.13	+0.22
December	9.62	9.37	+0.25
March	9.65	9.53	+0.12

## HAVRE—

	frs.	frs.	frs.
Options—July	62.50	61.50	+1.00
September	62.75	62.00	+0.75
December	63.25	62.75	+0.50
March	64.00	—	—

## HAMBURG—

	pfgs.	pfgs.	pfgs.
Options—July	51.00	49.25	+1.75
September	51.50	50.25	+1.25
December	52.50	50.75	+1.75
March	53.00	51.50	+1.50

## SANTOS—

## Type No. 4 ruled—

June	5\$750-5\$800	5\$550-5\$575	+0\$200
July	5\$875-5\$900	5\$750-5\$775	+0\$125
August	5\$975-6\$000	5\$850-5\$875	+0\$125
September	6\$050-6\$075	5\$900-5\$925	+0\$150
October	6\$100-6\$125	5\$950-5\$975	+0\$150
November	6\$150-6\$175	6\$000-6\$025	+0\$150

Entries for the week ended 4th June and 5th June respectively were as follows:—

	1914	1913
Rio	43,524	37,325
Santos	62,637	39,202
	106,161	76,527

Increase, Rio, for week, 6,199 bags, or 16.6 per cent. compared with last year.

Increase, Santos for week, 23,435 bags or 59.5 per cent. compared with last year.

Increase, both ports, for week, of 29,634 bags or 38.7 per cent. compared with last year.

## Entries for crop to June 4th were:—

	1914	1913
Rio	2,758,828	2,696,053
Santos	10,541,572	8,291,663
	13,300,400	10,987,716

Increase, Rio, for crop, 62,775 bags, or 2.3 per cent. compared with last year.

Increase, Santos, for crop, 2,249,909 bags, or 27.1 per cent. compared with last year.

Increase, both ports, for crop, 2,312,684 bags, or 21.0 per cent. compared with last year.

Entries at Rio and Santos to June 4th or corresponding dates of previous six years were:—

1913-14—13,300,400	1910-11—10,312,434
1912-13—10,987,716	1909-10—14,731,865
1911-12—12,139,402	1908-09—12,036,507

Clearances to June 4th were as follows:—

	Week ended June 4		Crop to June 4	
	Bags	£	Bags	£
Rio	51,705	125,008	2,505,679	6,120,009
Santos	76,269	196,377	10,702,391	31,898,162
1913-14	127,974	321,385	13,208,070	38,018,171
1912-13	132,555	403,875	11,016,377	41,509,591

Increase clearances for both ports for current crop to June 4th compared with 1912-13, 2,191,693 bags or 19.9 per cent.

Decrease in value £3,491,420 or 8.4 per cent., as against 8.2 per cent. on May 29th.

## Stocks were:—

	June 4	May 28
Rio	163,326	175,052
Santos	843,203	915,877
	1,006,529	1,090,929

## Stocks Rio and Santos—

5th June, 1913	1,343,182
29th May, 1913	1,399,489
6th June, 1912	1,997,263

The report of the Leopoldina Company says that the coming crop will be about the same as last and that there is still a good deal of this year's crop to come down. How, in face of the extraordinarily tight money, planters have succeeded in holding on to their produce so long is a puzzle to local markets; but no doubt in Rio and Minas the policy of the Leopoldina Railway in not only making advances for freights, but absolutely lending money to planters on their produce against the collateral of the coffee itself has a good deal to do with it.

The following figures given by *Le Bulletin des Correspondances* of Havre, show how practically unaltered prices have been for the last seven weeks:

Average September quotation: 30 March, fes. 59.50; 6th April, 59.50; 14th April, 59.50; 20th April, 59.70; 27th April, 58.75; 4th May, 59.50; 11th May, 59.75.

What the course of prices for the coming crop may be is hard to guess. The statistical position would seem to warrant an immediate advance, but consumption continues buying from hand to mouth, fearful of this season's experience of crop predictions being repeated. The possibility of an import duty on coffee, should the United States be involved in a costly war with Mexico, if not an actual bull feature, should tend to steady markets. If such a tax were imposed, no doubt, American demand would for the moment show great expansion, but ultimately the effect of taxation must be always to restrict consumption or keep it from expanding. Should the 1914-15 crop prove to be short, as is believed in Brazil, prices would, under such circumstances, rise and the increase due to taxation be borne by consumers. Otherwise, if prices remained the same or fell further, taxation would fall on producers.

The National Association of Coffee Roasters of New York, says *Le Bresil*, has decided to send a representative to S. Paulo in July to report personally on the next flowering and the prospects of the 1915-16 crop. It will be interesting to see what the emissary will make of it and whether the information he must obtain from the usual sources will be more accurate than before. Opinions must, as a rule, be tinged by self interest and as it is in the interest of roasters to get their coffee as cheaply as may be, the tendency of such reports, if published, would naturally have a bearish tone.

We hear that the contract for construction and working of the coffee warehouses at Rio for storage and working of Minas coffee has been adjudicated by that Government to the Magasin's

Generaux d'Anvers. The production of Minas coffee is about 2,000,000 bags and the capacity of the warehouses is to be 500,000. It was expected that this contract would be given to the Brazilian Warrant Company.

**Estimate.** According to Messrs. Nortz and Co.'s Circular of 7th May, the 1914-15 crop is very irregular, 50 per cent. greater in some districts and 50 per cent. less than actual crop in others. The total, Messrs. Nortz and Co. estimate at 8,292,200 bags. The condition of the plantations, it is added, seems to be generally good.

*Le Bulletin du Correspondance* draws attention to the fact that shipments from Santos have this season reached the record quantity of 10,400,000 bags, which is regarded as a proof that the Government of S. Paulo has abandoned its policy of restriction and that the valorisation has come to an end. Its inheritance, however, persists in the form of the surtax of 5 fcs. per bag, which will continue to weigh on production, says *Le Bulletin*, and acting as a premium to the production of other countries. On the other hand, the State of S. Paulo is left with a stock of 3,150,000 bags, most of which, *Le Bulletin* thinks, will most likely be liquidated next year. Even so, the Havre market, says *Le Bulletin*, believes in higher prices and takes advantage of any excuse to push them.

[No doubt valorisation was costly if computed solely by receipts and expenditure. But against any problematical loss to Government has to be put the advantage that planters gained by selling their produce for four years at much higher prices than would possibly otherwise have been obtained. It was this increment of value that enabled many almost ruined planters to pay off their debts and provide the additional labour created for putting in order and extending plantations, that has helped them so far to face the fall of prices and banking and monetary difficulties without dismay. However valorisation may have incidentally profited other countries is not Brazil's affair; what has now to be done in Brazil is to so utilise it as to produce more and more cheaply, and so face any possible competition that may occur.]

The New York *Journal of Commerce* of 9th May says: "The option market was at a dead center, only 2,250 bags being sold. The reaction of 7 to 10 points during the week might be attributed to disappointment that the bulls did not continue their support. If, as is generally supposed, the S. Paulo Government is the real source of the buying orders, which in the past were placed to steady the market, the situation is more readily comprehensible, for the latter regime cannot hold the bag indefinitely and would work to use its ammunition when most required. The money from the last loan must have been used to a considerable amount already, if the report is credited of S. Paulo holdings of 5,000,000 bags. The latest scheme, to establish a coffee exchange at Santos, where trading has, heretofore, been a curb affair, will not help matters according to well informed members of the trade, who decry artificial expedients to thwart the laws of supply and demand. In this regard they point to the aftermath of valorisation—stagnation and low prices at a time when visible supplies are large—as warranting a change of policy if coffee is to come into its own. Speculation is dead and there appears to be no Moses in sight to lead the bulls out of the wilderness. The trade has learned its lesson from the bitter experience of last year and intend to stick to legitimate business only trading as hedging proposition against actual coffee. Wall Street has never forgotten the Sully boom, to say nothing of the Lewisohn episode, and fails to enthuse over coffee no matter how great the decline. Sooner or later, of course, there must be some change, and this is expected to come in connection with crop reports which unsettle the situation both in the actual and the option market."

It is wonderful how inconsistent some writers can be, condemning with one hand what they seem to commend with the other. That mere speculation can ever be advantageous to any industry in the long run is difficult to comprehend. Individuals may flourish, but only at the expense of the producers and consumers. It is precisely because producers have suffered so terribly from unrestrained speculation at Santos in the past that

the S. Paulo Government has interfered to make curb speculation more difficult and risky in future. Speculation may serve to artificially depress or enhance supply or demand, but its repression can never affect the real relations between the real demand or supply of any commodity. If speculation were limited to covering operations merely, it would be unobjectionable, but when, as often occurred at Santos, absolutely irresponsible operators succeeded, practically without margins of any kinds, in selling and buying in hundreds of thousands of bags of coffee, losses fell invariably on the local trade or producers who had entrusted their produce to speculators.

*Le Journal des Interets Maritimes* of Anvers, of May 9th, says:—"According to information received from Santos the 1915-16 crop will offer many surprises. It will certainly be so large that Government will have to interfere and probably entries will be manipulated between January and October. The position of the Santos market is considered bad and a rise of prices unlikely. We are informed that Brazil has organised a system of espionage, the names of sellers being duly transmitted by cable and friends of declared bears subjected to all kinds of annoyances (ennuis et tracasseries). Does the S. Paulo Government intend to recommend censure and boycottage? Such would appear to be the case. Howsoever it may be such measures will not improve the bull position."

[We give this for what it is worth, certain that the accusations of the *Journal des Interets Maritimes* are absolutely unfounded and that nothing could be further from the intention or character of S. Paulo administration than such underhand proceedings. If the S. Paulo Government has erred it has certainly not been in the sense indicated by the *Journal des Interets Maritimes*, more or less confirmed by the *Bulletin du Correspondance*; but, if anything, in volunteering too full information as to its plans and intentions, and so putting arms into the hands of the enemy.]

## MONEY.

Gold in deposit at the Caixa de Conversão on Saturday, 6th June, amounted to Rs. 177,462:336\$, equivalent to £11,830,822, an increase of £5,351 since the previous Saturday and a shrinkage of £6,469,679 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
"	" 30th May, 1914	177,882:069\$	11,825,471
"	" 6th June, 1914	177,462:336\$	11,830,822

**Exchange.** The Banco do Brasil retained its official rate of 16d. for market takers for drafts on London at 90 days' sight. During the week the Bank furnished drafts for two mails at rates ruling the foreign banks.

**Monday, 1st June.** Foreign banks showed some hesitation at the beginning, but the rate of 16 1-32 for drafts on London at 90 days' sight soon became general and before noon two English banks offered to draw at 16 1-16. Commercial bills were sold in the morning at 16 3-32, but before the close there was no money under 16 1-8.

**Tuesday, 2nd June.** The British and River Plate banks opened drawing at 16 1-16, the others 16 1-32. Banks offered to buy at 16 1-8, but there were no commercial bills offered locally. In Santos there were bills at 16 1-8.

**Wednesday, 3rd June.** The market opened unchanged and rates remained unaltered throughout the day. Foreign banks drew at 16 1-16 and bought commercial bills at 16 1-8.

**Thursday, 4th June.** The market opened unchanged but firmer in tone. All foreign banks quoted 16 1-16 as their drawing rate and not all would buy commercial bills at 16 1-8. After midday the British and London and River Plate banks raised their drawing rates to 16 3-32 and at the close there was no money for commercial bills under 16 5-32.

**Friday, 5th June.** The market opened firm, banks quoting 16 3-32 and 16 5-32 as their respective drawing and taking rates. Some banks, however, were soon offering to draw at 16 1-8 and money was quoted for commercial at 16 3-16. No bills were offering locally, but Santos was reported to have sold a fair amount at the latter rate.

**Saturday, 6th June.** The market opened with foreign banks drawing at 16 1-8 and buying at 16 3-16. Commercial bills were sold during the day at 16 11-64 and the market closed dull but steady.

Exchange continued to rise throughout the week and closed quiet at top rates. Native banks in S. Paulo were again large sellers, leading one to suppose that the State Government was still drawing. So far not much gold has arrived from the Plate but we understand that between £200,000 and £300,000 is on its way here.

The withdrawals from the Caixa de Conversão have ceased for the time being, to probably recommence when the money sent into the interior for the harvesting of crops, principally the coffee crop, returns to the towns. In the meantime, it is quite possible that gold will have to come from Europe or the Plate should the Government obtain an advance against Treasury bills.

As will be seen from the trade returns that we publish in this Letter, the surplus value of Exports over Imports for the first four months of the current year was £3,515,663, against £3,274,356 for the first quarter. As regards exports, we have two dull months before us and a fair amount of produce bills for delivery during August and September, have already been sold to banks. Unless the supply of bills continues to be augmented by loans or foreign capital being drawn for, we doubt whether the present firmness in exchange rates will continue for long. We do not deny that, generally speaking, the feeling with regard to the future is more optimistic, which the improvement in quotations on the Rio Stock Exchange List tends to confirm. We sincerely hope that expectations will not be disappointed.

The two proposals for the purchase of the Lloyd Brasileiro were opened on Friday. The Syndicate comprising the Cia. Nacional de Navegação Costeira, Mr. Custodio Coelho de Almeida and Messrs. Lago Irmãos has offered Rs. 31,700,000\$000, but stipulates for an annual subsidy of Rs. 2,000,000\$000 gold (about £222,000) for 18 years, the cessation of freight rebates at present conceded to shippers by the Lloyd steamers and the grant of sundry privileges to the Navegação Costeira steamers.

The proposal made by Mr. Jonathas Nunes Pereira offers Rs. 10,000,000\$000 cash down; Rs. 15,000,000\$000 at the end of 8 years, and Rs. 20,000,000\$ at the end of 14 years, and asks for the subsidies and privileges enjoyed by the company before it was taken over by the Government, to be conceded to him. Neither offer is attractive and we would prefer to see the Government liquidate the company rather than accept either and repeal the existing coast trade laws.

**Trade Returns** for April, 1914, compared with 3 previous years:—

	April, 1911	April, 1912	April, 1913	April, 1914
Imports	£4,066,680	£4,700,602	£5,849,563	£3,926,987
Exports	£4,138,701	£4,403,357	£3,515,061	£4,132,677
	Jan.-April, 1911	Jan.-April, 1912	Jan.-April, 1913	Jan.-April, 1914
Imports 4 ms...	£17,676,833	£19,631,765	£23,627,050	£16,418,214
Exports 4 ms ...	£16,901,813	£21,486,152	£21,307,876	£19,933,877

Exports by classification:—

	April, 1914	Jan.-Apr, 1913	Jan.-Apr, 1914	1st 4 months + or -
Cotton	415,356	842,917	1,144,830	+ 391,913
Sugar	7,462	58,200	68,020	+ 9,820
Rubber	626,161	5,437,816	3,539,031	-1,898,785
Cocoa	130,760	469,789	806,844	+ 337,055
Coffee	1,909,159	11,158,145	10,973,293	- 184,852
Hides	205,867	727,628	713,523	- 14,105
Tobacco	308,672	720,483	673,423	- 47,066
Maté	143,940	674,133	572,129	- 102,004
Skins	62,946	223,336	224,160	+ 824
Sundries	322,354	995,339	1,218,624	+ 223,285
Total	£4,132,677	£21,307,786	£19,933,877	-£1,373,909

**Business Done on the Rio Stock Exchange** during the week ending 6th June, 1914:—

Amount	Price	Closing Quotations.	
		Sellers	Buyers
PUBLIC FUNDS—			
Apol. Geraes 5%*			
2 Emp. Nacional (1903)*	950\$		
Emp. Nacional (1909)*			
Emp. de 1910 (3%)*			
Emp. Nacional (1911)*			
Emp. Nacional (1912)*			
1 Est. do E. Santo (5%)*	700\$		
Est. de Minas*			
Est. de S. Paulo		1,000\$	980\$
288 Estado de Rio (4%)	80\$-83\$	82\$500	81\$500
20 Do. (6%) 500\$ nom.	430\$-440\$	450\$	435\$
Do. (6% nom.)			435\$
283 Emp. Municipal (1906)	181\$-191\$		190\$
89 Do. do. (Nom.)	190\$-192\$	192\$	
Do. (1909)			
50 Do. (220)	270\$	275\$	265\$
Do. do. (Nom.)		270\$	265\$
Do. do. (Nom.)			170\$
Camara Munic. Petropolis			
* Transfer books closed until 1st July.			

BANKS—			
62 Brasil	210\$-212\$	230\$	215\$
86 Commercial	142\$-150\$		150\$
50 Commercio	150\$		147\$
Lavoura e Commercio			100\$
40 Mercantil	210\$	220\$	210\$
Nacional Brasileiro			203\$
RAILWAYS—			
Goyaz		45\$	
2100 Minas de S. Jeronymo	15\$-19\$500	20\$	19\$
Rede Sul Mineira		46\$	42\$
Victoria e Minas			60\$

INSURANCE COMPANIES—			
Argos Fluminense		1,000\$	
10 Varegista	100\$		100\$
Indemnisadora		22\$	

COTTON COMPANIES—			
Alliança			130\$
Progresso Industrial			155\$
20 S. Pedro Alcantara	150\$	170\$	

SUNDRIES—			
3400 Docas da Bahia	25\$-31\$	34\$	32\$500
900 Ditto (30 days' opt.)	26\$-30\$		
72 Docas de Santos	410\$-415\$		412\$
339 Do. (Nom.)	410\$-415\$		405\$
7100 Loterias Nacionaes	20\$-23\$500	23\$	22\$500
Melh. no Maranhão		45\$	40\$
900 Terras e Colonização	6\$-7\$250	7\$	6\$500

## DEBENTURES—

	Alliança .....			170\$
25	Industrial Campista .....	160\$	170\$	
	America Fabril .....		200\$	
	Botofogo .....		140\$	
145	Progresso Industrial .....	160\$-170\$	175\$	160\$
	Confiança 2nd .....		190\$	
	Banco União de S. Paulo...		72\$	
	Industrial Mineira .....		190\$	
2037	Docas de Santos .....	185\$	186\$	184\$
	Fiat Lux .....		190\$	
	Mercado Municipal .....		175\$	171\$
58	Edificadora .....	205\$		

## LETRAS HYPOTHECARIAS—

13	B. C. R. de Minas (7%)...	102\$
----	---------------------------	-------

## Closing Quotations, June 6th:—

	1914	1913
Bank of England Rate .....	3%	4½%
Open Market Rate, London .....	2 11/16	4 3/16
Consols .....	73 11/16	73½
Apolices Geraes .....	815\$ to 825\$	
Vales Gold .....	1\$687	
Bank of Brazil .....	215\$ to 230\$	
1889 4 per cent. Loan, Federal .....	75	78½
1889 5 per cent. Loan, S. Paulo .....	102	101
Leopoldina Stock .....	59	70½
Brazilian Traction Ordinary .....	79½	92
Brazil Railway .....	24	63
Dumont Coffee, Pref. .....	9¼	10¼

London, May 14th, 1914

Objections on the Stock Exchange to the proposed issue of the Leopoldina Railway Company of £1,180,000 in ordinary shares are founded on what is considered to be the excessive commission that the Board proposes to pay for obtaining the money. The resolution to be put at the forthcoming meeting authorises payment of a commission not exceeding fifty per cent. on the nominal value of the shares subscribed for. At present the company's ordinary stock is quoted at 66, inclusive of 4 1/4 points of dividend. It seems certain that no new issue would be made at this rate and that to ensure its success the most that would be paid would be 55 per cent.

Cables from Rio show a rise of exchange to 15 31-32d. The Stock Exchange failed to respond and to-day, in fact, shows a slight decline. The rise of exchange, in face of the dearth of produce bills, is here understood to be the effect of some fresh credit being opened to enable the Bank of Brazil to draw and keep rates up until the coffee season sets fully in; and this coincides more or less with the arrival of Mr. Dapples and other French commissioners at Rio. It will be interesting to see how they deal with the position, further complicated, as it is, with French demands for treatment of the Federal foreign debt as a whole, whilst Rothschilds are said to exact preferential treatment, not only of the "funding", but of all previous and posterior issues, for which the house is responsible. Fresh taxes and further hypothecation of customs' revenues are spoken of as likely to be demanded as guarantees; but how any new tax, excepting perhaps on capital or income, could be levied that, in actual overburdened conditions,

would not tend to still further restrict production and so curtail exports, is difficult to imagine!

In fact, both groups, English and French, seem to aim more at securing their own and their clients' interests than to devise any statesmanlike scheme that would put Brazil in the way of, not only paying its way and meeting actual engagements now, but opening the door to renewed prosperity in the only way possible, by reducing taxation of both imports and exports and so giving production a chance to expand and provide for the increase of the service of the foreign debt, that new loans must entail, whilst maintaining the equilibrium of exchange.

At present the prospects of the coming produce season are not encouraging. With the new crop imminent, coffee has failed to react, whilst hard fine has fallen to 2s. 10 1/4d. per lb., and seems likely to go lower. The real problem that the reorganisers of Brazilian finance have to face is how to fill the vacuum in the national economy produced by the fall of rubber.

How rapidly S. Paulo is paying off debt can be judged from the announcement in to-day's papers by Messrs. J. Henry Schröder and Co. of advice of encashment of £644,468 since 1st July, 1913, for the service of the British portion of the 1913 Treasury bonds and of £193,560 since January 23rd, 1914, for that of the 1914 5 per cent. Treasury notes, in all £838,028 since 1st July last, all of which derived from the surtax on coffee.

## CUSTOMS REVENUE (FEDERAL.)

	1913	1914
Rio, June 1-6 .....	£162,293	£123,747
Decrease, £38,546 or 23.7 per cent.		

## INLAND REVENUE (FEDERAL.)

	1913	1914
Rio, June 1-6 .....	Rs. 671:997\$	633:307\$
Decrease, Rs. 38:690\$ or 5.8 per cent.		

## RUBBER.

## Latest London Quotations:—

	June 6	May 30	May 23
	s. d.	s. d.	s. d.
Fine Hard Pará .....	2 10	2 9¼	2 9¼
Plantation .....	2 4¼	2 4	2 3¼

## SUNDRY.

It is reported that the Legation at Rio will be raised to the rank of an Embassy and that Sir Lionel Carden will be the first British Ambassador sent to Brazil. Sir Lionel commenced his career as a sheep farmer in the Argentine Republic and received his K.C.M.G. in 1912.