

MR. J. P. WILEMAN'S WEEKLY LETTER

"MOSTLY ABOUT COFFEE"

No. 24.
June 16th, 1914.

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 15th, 1914

Closing quotations, Saturday, June 13th, compared with June 6th were as follows:—

NEW YORK—

| | June 13 cts. | June 6 cts. | + or - cts. |
|-------------------------|-----------------|----------------|----------------|
| Santos Spot No. 7 | 11 3/8 | 11 1/4 | +1/8 |
| Options—July | 8.88 | 9.15 | -0.27 |
| September | 9.08 | 9.35 | -0.27 |
| December | 9.34 | 9.62 | -0.28 |
| March | 9.39 | 9.65 | -0.26 |

HAYRE—

| | frs. | frs. | frs. |
|--------------------|-------|-------|-------|
| Options—July | 61.00 | 62.50 | -1.50 |
| September | 61.50 | 62.75 | -1.25 |
| December | 62.25 | 63.25 | -1.00 |
| March | 62.75 | 64.00 | -1.25 |

HAMBURG—

| | pfgs. | pfgs. | pfgs. |
|--------------------|-------|-------|-------|
| Options—July | 49.50 | 51.00 | -0.50 |
| September | 50.25 | 51.50 | -1.25 |
| December | 51.00 | 52.50 | -1.50 |
| March | 51.25 | 53.00 | -1.75 |

SANTOS—

Type No. 4 ruled—

| | | | |
|-----------------|---------------|---------------|---------|
| June | 5\$625-5\$650 | 5\$750-5\$800 | -1\$125 |
| July | 5\$700-5\$725 | 5\$875-5\$900 | -0\$175 |
| August | 5\$800-5\$825 | 5\$975-6\$000 | -0\$175 |
| September | 5\$900-5\$925 | 6\$050-6\$075 | -0\$150 |
| October | 5\$950-5\$975 | 6\$100-6\$125 | -0\$150 |
| November | 6\$000-6\$025 | 6\$150-6\$175 | -0\$150 |

Entries for the week ended 11th June and 12th June respectively were as follows:—

| | 1914 | 1913 |
|--------------|----------------|---------------|
| Rio | 42,738 | 45,208 |
| Santos | 83,475 | 50,144 |
| | <u>126,213</u> | <u>95,352</u> |

Decrease, Rio, for week, 2,470 bags, or 5.5 per cent. compared with last year.

Increase, Santos, for week, 33,331 bags, or 66.5 per cent. compared with last year.

Increase, both ports, for week, 30,861 bags, or 32.4 per cent. compared with last year.

Entries for crop to June 11th were:—

| | 1914 | 1913 |
|--------------|-------------------|-------------------|
| Rio | 2,801,566 | 2,741,261 |
| Santos | 10,625,047 | 8,341,807 |
| | <u>13,426,613</u> | <u>11,083,068</u> |

Increase, Rio, for crop, 60,305 bags, or 2.2 per cent. compared with last year.

Increase, Santos, for crop, 2,283,240 bags, or 27.4 per cent. compared with last year.

Increase, both ports, for crop, 2,343,545 bags, or 21.1 per cent. compared with last year.

Entries, at Rio and Santos to June 11th or corresponding dates of previous six years were:—

| | |
|--------------------|--------------------|
| 1913-14—13,426,613 | 1910-11—10,400,065 |
| 1912-13—11,083,068 | 1909-10—12,821,913 |
| 1911-12—12,221,594 | 1908-09—12,158,622 |

Clearances to June 11th were as follows:—

| | Week ended June 11 | | Crop to June 11 | |
|---------------|--------------------|---------|-----------------|------------|
| | Bags | £ | Bags | £ |
| Rio | 42,128 | 101,343 | 2,547,807 | 6,221,352 |
| Santos | 133,500 | 382,878 | 10,835,891 | 32,305,464 |
| 1913-14 | 175,628 | 484,221 | 13,383,698 | 38,526,816 |
| 1912-13 | 62,475 | 186,830 | 11,506,072 | 41,618,632 |

Increase clearances for both ports for current crop to June 11th compared with 1912-13, 1,877,626 bags or 16.5 per cent.

Decrease in value £3,091,876 or 7.4 per cent., as against 8.4 per cent. on June 4th.

Stocks were:—

| | June 11 | June 4 |
|--------------|----------------|------------------|
| Rio | 159,542 | 163,326 |
| Santos | 799,652 | 843,203 |
| | <u>959,194</u> | <u>1,006,529</u> |

Stocks Rio and Santos—

| | |
|-----------------------|-----------|
| 12th June, 1913 | 1,319,319 |
| 5th June, 1913 | 1,342,182 |
| 13th June, 1912 | 1,629,021 |

Last week's rise of prices could not be fully maintained during this week, a slight set back was caused probably by sales for forward delivery as the time for larger arrivals of the new crop is now fast approaching.

Whether it will be wise to sell short any larger quantity of coffee, even at the advance, is doubtful in face of the news about poor yield in hulling, coming from those districts which can pick their crop earlier.

Export business has been very active lately and the stock in Santos has undergone a further reduction, the chief buyer having been the States again, where the visible supply cannot increase as arrivals are barely sufficient to meet the current demand. The invisible supply there may, of course, be somewhat larger than last year, but the quantity of coffee on hand cannot under any conditions be sufficient to safeguard that country against any sudden change of the market for higher prices and the usual scramble and equally usual outcry about undue impositions will not fail to come.

Our friend, who is still travelling in the interior, writes from the North-West Railway zone as follows:—

"Considering that we heard during the last few years so much about the wonderful extension of the cultivation of coffee in these districts, which undoubtedly are remarkably endowed by nature regarding fertility and climate, I am much surprised at the comparatively small area of forest cut down for such purposes. Travelling for hours in the railway train one passes here and there a patch of land with new plantations of coffee and whatever land has been cleared for the same purpose away from the line is still more insignificant for obvious reasons. On closer investigation I found that 7,000,000 of coffee trees have been planted during the last three years along the line from Bauri up to Araçatuba, a distance of 279 kilometres. Surely this quantity will not frighten the trade, rather the contrary; one might be sorry that more have not been planted in face of the remarkable increase of consumption."

Apropos of War Taxes, the New York "Journal of Commerce" of 5th May, says that the taxes regarded at Washington with most favour are import duties on tea, coffee, and beer. Tea and coffee, says our contemporary, are not to be regarded as luxuries, but neither are they "necessities of life," and a moderate duty upon them would be so widely diffused as not to be perceptible to the consumer. It is doubtful if it makes any difference in retail prices. It was not noticeable when the duties were removed. Tea and coffee are so completely exotic products that a tariff upon them is necessarily "for revenue only" and they come in such bulk that there is little chance for evasion under any honest administration of the law. It is calculated that \$100,000,000 could be annually raised from tea, coffee, and beer

with comparative ease, whilst an increase in the income tax would be slow and cumbrous. The "Journal of Commerce" recommends a stamp tax as substitute.

[Circumstances alter cases, and what applied thirty or more years ago does not necessarily apply now. Whether a duty would affect ultimate consumers is, in fact, a matter of supply and demand and the ability of wholesale dealers to force retailers to maintain their prices in face of a big fall in primary markets, as they did from 1895 to 1900, and thereby brought Nemesis upon them in the form of *valorisation*. When demand exceeds supply, prices tend to rise in primary markets and importers and wholesale dealers in consuming markets are obliged to raise retail prices or to sacrifice part of their profits. A fresh duty, under such circumstances, would be paid either wholly by the ultimate consumer or be divided with the wholesale dealer; on the contrary, if supply exceeded demand, the new duty, though paid by the producer, would be certainly charged in part or wholly to the ultimate consumer, in spite of any fall that might have occurred in the primary markets. I do not recollect precisely how the relation of demand to supply stood when the duty was taken off after the civil war; but, from 1896 to 1900, when the price of coffee fell so persistently in consequence of excessive supplies, it was the failure of the roasters to reduce wholesale prices that prevented the retail prices from falling and the ultimate consumer from reaping the advantage of the fall in primary markets. There is every appearance of demand once more outstripping supply and consequently of a rise of prices, in which case any duty that might be created would fall wholly on American trade.]

A crop estimate has been given of 8 and 8 1/2 million bags for Santos cabled to Hamburg by the same firm as last year issued an estimate of 10 to 10 1/2 millions has attracted attention.

"The Wall Street Journal" of 8th May says that reports are current of a leading bull interest having borrowed \$4,000,000 to take care of May contracts. This was taken as an indication of certain large interests anticipating heavy May tenders, as such a sum would be sufficient to take up at least 250,000 bags.

The New York "Journal of Commerce" of 8th May says:—"Were it not for the fact that the Santos market has been supported by the S. Paulo Government, further declines might be witnessed, especially when the new crop comes. On the other hand, the possibility of duty, whilst not much of an influence on options, which sell with the in-bond clause, should indirectly be effective through the advance in actual coffee which would follow such developments."

On 9th May the same journal says: "The coffee market continued a waiting affair and traders wonder what would bring speculation back, since hedging operations, naturally, are light with Brazil business practically at a standstill. They have little faith in duty talk, Front Street having paid dear for its experience in booms based on this possibility. Stocks in the country are moderate and roasters would profit most by a duty on coffee."

Wonder is constantly expressed that, the Balkan trouble being over, monetary conditions do not improve. Howsoever the difficulties that the world's money markets have to deal with may have been got over for a time, sooner or later the general liquidation that overtrading and reckless expenditure made inevitable, has in reality only been postponed. In every market, London, Paris, or New York, stagnation alike prevails and, whether in stocks or capital flotations, coffee, or any other commodity, speculation, for the time being, is dead. Instead of looking to general causes for explanation of what in reality is a universal phenomenon, local conditions, such as the Ulster muddle in England, the Mexican trouble or unsettled financial conditions in France, are blamed for the unrest that a long period of public and private extravagance entailed. On the London Stock Exchange serious trouble—that has been described as a Baring crisis in miniature—has only lately been averted by the prompt action of powerful London financial houses. In Paris the banks have not yet succeeded in unloading the enormous indigested advances to the Balkan States, nor can anyone tell what the consequences may yet be of the Brazilian

crisis or how it may reflect on the London market. It is this distrust that stops speculation of any kind and explains why, in spite of the favourable statistical position, the coffee market should be paralysed and stagnant. The world's production for 1914-15 is estimated at about 16,500,000 bags, whilst consumption requires some 18,250,000. On this basis, as Messrs. Nordlinger point out, the world's visible supply on 1st July, 1915, should be reduced to less than 10,000,000 bags, for the first time since 1901, leaving only 6,850,000 bags available, exclusive of *valorisation* stocks.

The Hamburg correspondent of "The Economist" remarks that "the extraordinary maintenance of the coffee movement in Brazil, where the months' receipts are again falsifying forecasts to the extent of some 100,000 bags, against the receipts of so-called mild coffees exceed all expectations. . . . The first flowering in Brazil will be eagerly watched and there are those who claim that it must necessarily be poor because there has been no rain of importance for months past."

Coffee Exchange Board Favours Change in Trading.—The board of management of the New York Coffee Exchange recently proposed that the by-laws of the Exchange be changed so as to meet practically all of the suggestions made by the special committee to revise the trading and place it on a Santos basis instead of Rio, in which most contracts are now made. A special election will be held on Wednesday, June 3, on which the members will vote, by ballot, upon the amendments. The polls will be open from 12 m. to 2 p.m.

The proposed change calls for seven amendments to the by-laws and it will take a majority of the votes cast in order to accomplish it. There are many in the trade opposed to it, claiming that business will be ruined entirely, but investigation showed that the majority of the members are in favour of a change.

Some time ago a movement was started to petition the board of governors to switch the trading basis in coffee from a Rio to a Santos basis. It was pointed out that the Santos crop of Brazil is nearly four times larger than that of Rio, but yet contracts on the Coffee Exchange were based mainly on the Rio crop. It was found difficult to hedge with any satisfaction, inasmuch as New York was the only market in the world permitting a free outlet for Rio coffee. A special committee was appointed and the facts presented to the governing body, who in turn has accepted most of the suggested changes and offered it for a vote before the entire membership.

A whole section of the by-laws has been taken out and the following substituted and to be known as section 24:

"The committee on quotation of futures shall meet each day immediately after the first call and at the close of the Exchange and report to the Superintendent the price of the contracted market to be posted on the blackboards and transmitted to other exchanges and commercial bodies. They shall also, at the prescribed hours, furnish the superintendent with the prices for ring and margins. The committee shall have authority to furnish quotations for any month called in which no transactions may have occurred during the day."

The following are the differences in grades to be established by the proposed amendment to section 33 of the by-laws of the Coffee Exchange:

| Standard grades | Brazilian coffee not Santos | Santos coffees | Other kinds not Brazilian |
|-----------------|-----------------------------|----------------|---------------------------|
| No. 1 | 180 Above | 260 Above | 300 Above |
| No. 2 | 150 | 230 | 250 |
| No. 3 | 120 | 200 | 200 |
| No. 4 | 90 | 150 | 150 |
| No. 5 | 60 | 100 | 100 |
| No. 6 | 30 | 50 | 50 |
| No. 7 | Basis | Basis | Basis |
| No. 8 | 50 Below | 50 Below | 50 Below |

Commenting on above proposal, the New York "Journal of Commerce" remarks:—"The action of the board of managers in approving the change in contract, which penalizes Rio and Victoria as well as Santos higher grades, was generally favourably interpreted as making for a better trading basis. The members will vote on the change June 3, and it is believed approve the modifications of existing methods. Milds will still have 50-point

differences; Santos 50-point up to 3s, and 30 points between 3s and 1s; Rios and Victoria, 30 points for all grades. The change in Santos high grades is designed to bring them more in conformity with actual coffee and prevent Minas being shipped from Santos and thus coming under the head of the latter coffee."

With regard to the contract for construction and working of warehouses at Rio for Minas coffee, we are informed that no contract has yet been signed. The tenders of "Magasins Generaux" and The Brazilian Warrant Company were considered the two most favourable of the five tenders received.

The Brazilian Warrant Company, however, will commence their operations in Rio on the 1st of July by the inauguration of the Companhia de Armazens Geraes dos Estados de Minas e Rio, which Company already have got large stores on Avenida Caes de Porto, No. 801, with capacity for about 150,000 bags and Companhia Registradora e Caixa de Liquidacao do Rio de Janeiro, which will undertake the same operations in coffee in Rio as the Cia Registradora in Santos and later on also in sugar and cotton.

MONEY.

Gold in deposit at the Caixa de Conversao on Saturday, 13th June, amounted to Rs. 180,957:130\$, equivalent to £12,063,808, an increase of £232,986 since the previous Saturday.

| Date | Gold in deposit | Rs. | £ |
|----------------------------|-----------------|-------------|---|
| 12th Feb, 1913 (max) | 401,584:500\$ | £26,772,300 | |
| " " 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 | 177,382:069\$ | 11,825,471 | |
| " " 6th June, 1914 | 177,462:336\$ | 11,830,822 | |
| " " 13th June, 1914 | 180,957:130\$ | 12,063,808 | |

Exchange. The Banco do Brasil drew, for market takers only, throughout the week at 16 1-8, on London at 90 days' sight, for the mails of 23rd and 30th June.

Monday, 8th June. The market opened easier with the British and River Plate banks drawing at 16 1-8 on London at 90 days' sight, the others quoting only 16 3-32. The market hardened slightly during the day, but weakened once more before the close, when banks were reluctant to draw better than 16 3-32. A few commercial bills were sold during the morning at 16 5-32.

Tuesday, 9th June. The market opened undecided. Only the River Plate Bank quoted 16 1-8, but at the first sign of money it immediately lowered to 16 3-32, in company with the other foreign banks. A few commercial bills that had remained overnight in brokers' hands were sold in the morning at 16 5-32, otherwise there was nothing offering over 16 1-8.

Wednesday, 10th June. The market opened weak with money for commercial paper at 16 1-8. Various drawing rates were quoted by the banks at the opening ranging from 16 1-16 in the London and Brazilian to 16 3-32 in the British Bank; the lower rate being ultimately generally adopted until the afternoon, when rates further eased and closed with buyers of commercial paper, for prompt delivery, at 16 3-32.

Thursday, 11th June. Foreign banks quoted 16 1-32 and 16 1-16 at the opening and money for commercial at 16 7-64 and 16 1-8. During the day the market hardened and closed rather firmer, with little money for commercial paper at 16 1-8. One bank drew reservedly at 16 3-32.

Friday, 12th June. The market opened apparently firm, but eased during the day owing to a demand for ready bills becoming more urgent. Banks drew, however, throughout the day at 16 1-16. Ready bills were sold between 16 7-64 and 16 1-8. The closing was somewhat stronger.

Saturday, 13th June. All banks quoted 16 1-16 as their drawing rate on London and some refused to buy commercial bills below 16 5-32. Notwithstanding there was money for bills for prompt delivery at 16 1-8. Bills were very scarce both in Rio and Santos.

The market was very undecided throughout the week, due to various causes, perhaps chiefly to a reported hitch in the loan negotiations. There appears to be a difference of opinion between the bankers and the Government regarding the rate of interest to be charged and type of issue. A breeze in the Chamber of Deputies on Monday over the election of a deputy for the State of Pernambuco also helped to unsettle the market, whilst the non-

acceptance of either tender for the purchase of the Lloyd-Brasileiro disappointed some speculators, who looked for the immediate drawing of about £2,000,000. The Government has now called for fresh tenders for the Lloyd, to be delivered by the 8th of July, and the conditions have been still further modified in favour of purchasers, who will be at liberty to dispose of their purchase in whatever way they choose.

With the disappearance of the Lloyd how will the coast trade be carried on? It is well known that most of the Brazilian steamship line are in difficulties and commerce, besides having to pay exorbitant freight on its merchandise, is seriously hampered by the mismanagement of these services.

Does the Government contemplate abolishing the "entobagem" or coast trade laws? We hope so, for we cannot too strongly advocate the principle of free competition in this as in all other trades.

If the Government seizes this excellent occasion to re-open the coast trade to foreign ships, it will confer a lasting boon to the Brazilian public and to commerce.

May Bank Returns. The following changes are noticeable in the balance sheets, published by the 13 principal banks operating in Rio de Janeiro.

Cash in hand has decreased by Rs. 2,995:689\$000 and Discounts have decreased by Rs. 2,295:210\$000.

Cash in the seven principal foreign banks in Rio amounted to Rs. 39,423:000\$000 on the 30th May, against Rs. 40,459:000\$000 on the 30th April and Rs. 39,686:898\$000 on 31st May, 1913.

Cash in the Bank of Brazil shows a decrease of Rs. 1,502:965\$ compared with the previous month.

Ratio of cash to deposits at call in the Banco do Brazil and principal foreign banks in Rio de Janeiro:—

| | Deposits at call | Cash | Ratio |
|---------------------------|------------------|--------------|---------|
| Banco do Brazil | 102,717:984\$ | 29,450:756\$ | 28.67% |
| London and Brazilian ... | 9,868:758\$ | 8,079:714\$ | 81.85% |
| London and River Plate. | 11,389:922\$ | 4,759:810\$ | 41.79% |
| British of S. America... | 14,145:065\$ | 14,769:336\$ | 104.41% |
| Brasilianische B. fur Dd. | 11,079:167\$ | 5,194:541\$ | 46.88% |
| Banco Allemão Trans'co | 7,676:519\$ | 3,066:582\$ | 39.94% |
| Banco Germanico | 2,935:056\$ | 1,261:831\$ | 43.00% |

Business Done on the Rio Stock Exchange during the week ending 13th June, 1914:—

| Amount | Price | Closing Quotations. | |
|-------------------------------|-----------------|---------------------|--------|
| | | Sellers | Buyers |
| Apol. Geraes 5%* | | | |
| 3 Emp Nacional (1903) | 940\$ | 945\$ | 945\$ |
| Emp. Nacional (1909)* ... | | | |
| Emp. de 1910 (3%)* | | | |
| Emp. Nacional (1911)* ... | | | |
| Emp. Nacional (1912)* ... | | | |
| 11 Estado de E. Santo | 700\$ | 720\$ | 720\$ |
| Estado de Minas | | | |
| Estado de S. Paulo | | 1,000\$ | 980\$ |
| 426 Estado de Rio (4%) | 79\$500-81\$500 | 80\$ | 79\$ |
| 3 Ditto (6%) 500\$ | 450\$ | 460\$ | 445\$ |
| 36 Ditto (6%) 500\$ nom. | 450\$ | | 445\$ |
| 256 Emp. Municipal (1906) ... | 184\$-191\$ | 189\$ | 185\$ |
| 193 Ditto (Nom.) | 185\$-190\$ | 190\$ | 182\$ |
| Ditto (1909) | | | 150\$ |
| 20 Ditto (e20) | 270\$ | 270\$ | 265\$ |
| 52 Ditto (Nom.) | 265\$-268\$ | | 265\$ |
| Ditto (1914) | 173\$-175\$ | 175\$500 | 175\$ |
| Ditto (Nom.) | | | 173\$ |

Transfer books closed until 1st July.

BANKS—

| | | | |
|-------------------------------|-----------|-------|-------|
| 118 Brasil | 220\$ | 225\$ | 215\$ |
| 30 Commercial | 155\$ | 180\$ | 160\$ |
| Commercio | | 170\$ | 155\$ |
| Iacoura | | 125\$ | |
| 64 Mercantil | 210-215\$ | | 215\$ |
| Nacional Brasileiro | | | 200\$ |
| 25 B.C.R. International | 125\$ | | 125\$ |

RAILWAYS—

| | | | |
|---------------------------------|-----------|------|------|
| Goyaz | | | |
| 2050 Minas S. Jeronymo | 19\$-22\$ | 19\$ | 17\$ |
| 420 Norte do Brasil | 29\$ | | |
| 420 Ditto (30 days' option) ... | 30\$ | | |
| 450 Rede Sul Mineira | 50\$-52\$ | 58\$ | 50\$ |
| Victoria and Minas | | | 60\$ |

INSURANCE COMPANIES—

| | | | |
|------------------------|------|---------|--|
| 4 Integridade | 50\$ | | |
| Argos Fluminense | | 1:000\$ | |
| Indemnisadora | | 18\$ | |

COTTON COMPANIES—

| | | | |
|----------------------------|-------|-------|-------|
| 10 Alliança | 140\$ | 160\$ | |
| 50 Corcovado | 125\$ | | 125\$ |
| 22 Brasil Industrial | 185\$ | 190\$ | |
| 60 Confiança | 100\$ | 150\$ | 90\$ |
| Industrial Mineira | | 210\$ | |
| S. Pedro Alcantara | | 160\$ | 150\$ |

SUNDRIES—

| | | | |
|-----------------------------------|---------------|--------|---------|
| 3300 Docas da Bahia | 28\$500-35\$ | 31\$ | 29\$500 |
| 2400 Ditto (30 days' option) | 31\$-35\$500 | | |
| 350 Docas de Santos port | 430\$-445\$ | | |
| 887 Ditto (Nom.) | 420\$-425\$ | 422\$ | 420\$ |
| 400 Loterias Nacionaes | 21\$-22\$ | 22\$ | 21\$500 |
| 1100 Ditto (30 days' option) ... | 22\$500-26\$ | | |
| 300 Terras e Colonisação | 7\$750-7\$000 | 7\$250 | |
| Melhor no Maranhão | | 40\$ | 30\$ |

DEBENTURES—

| | | | |
|------------------------------|-------------|-------|-------|
| Alliança | | | 170\$ |
| America Fabril | | 185\$ | |
| 50 Botofogo | 80\$ | 110\$ | 82\$ |
| Brasil Industrial | | 180\$ | 170\$ |
| Carioca | | 190\$ | 170\$ |
| Confiança Ind. | | 165\$ | |
| 66 Indus. Mineira | 180\$ | 190\$ | |
| Indus. de Valença | | | 170\$ |
| Manufactura Fluminense | | 150\$ | 80\$ |
| 622 Docas de Santos | 185\$-188\$ | | 186\$ |
| Edificadora | | 207\$ | |
| Fiat Lux | | 180\$ | |
| 30 Mercado Municipal | 175\$ | 175\$ | |

LETRAS HYPOTHECARIAS—

| | | | |
|---------------------------|--|----------|--|
| B.C.R. de Minas (7%)..... | | 102\$500 | |
|---------------------------|--|----------|--|

Calculado sobre...

Closing Quotations, June 13th:—

| | | |
|---------------------------------------|---------|-------|
| | 1914 | 1913 |
| Bank of England Rate | 3% | 4½% |
| Open Market Rate, London | 2 9/16 | 4 3/8 |
| Consols | 75 9/16 | 73 ½ |
| Apolices Ceraes | 820\$ | |
| Vales Gold | 1\$687 | |
| Bank of Brazil | 220\$ | |
| 1889 4 per cent. Loan, Federal | 76 | 73 ½ |
| 1889 5 per cent. Loan, S. Paulo | 101 | 101 |
| Leopoldina Stock | 58 ½ | 66 |
| Brazilian Traction Ordinary | 79 ½ | 90 ½ |
| Brazil Railway | 26 | 66 |
| Dumont Coffee, Pref. | 10 | 10 ½ |

London, May 18th, 1914.

"The Statist" of 16th May thinks that Brazil will receive the assistance she requires to tide her over her present difficulties; but for my part it seems that much more is required than economy and loans, howsoever considerable they may be. What is wanted to "tide over" economic difficulties of a lasting character is a thorough overhauling of taxation, federal, state and municipal.

The money market has abandoned all hope of a spell of abundant money and thinks it will be fortunate if we get off without further hardening of rates. As regards discounts, the fact that three months' paper will be falling due about the time that the foreign demand for gold sets in is another reason for caution. Serious trouble on the Stock Exchange has been averted by a syndicate for liquidation of the account of a plunger who came

to grief, with undertakings, mostly in Canadian securities, to value of \$11,000,000, which if thrown on the market could not fail to have affected prices generally.

It is doubtful, says the "Daily Telegraph," if any living member of the Stock Exchange can recall such a period as we are going through, with so many adverse factors simultaneously in evidence. At home we have the Ulster question, and abroad anarchy in Mexico, an economic crisis in Brazil and in the Balkans uncertainty whether the situation is really settled. In the United States, as in Europe, trade has fallen off and unless railways can raise their rates a bad time is in store for Wall Street. Under the circumstances, it is no wonder financial difficulties are continually coming to light in Paris and other centres.

London 22nd May, 1914.

Money is tight, and likely to get tighter as the American demand expands, and everything, consequently, is down and the Stock Exchange is dull as ditch water. The political crisis in France and dread of further complications in the Balkans lead to a good deal of selling from Paris, whilst the uncertainty surrounding the Mexican and Ulster muddles indisposes investors to fresh ventures anywhere.

Speculation, in fact, is dead, without any apparent hope of revival in any markets. Coffee prices are fairly maintained at current low level, but plantation rubber is falling again after the flash in the pan at the beginning of the year and seems likely to drag hard fine with it, though for the moment the latter is firm at 2s. 9 3/4d. per lb., as against 3s. 1d. at the beginning of the year.

All hopes of early cheap money have vanished and the London market is beginning to reconcile itself to the idea of a rise in the Bank of England's rate.

Meanwhile, Rio exchange keeps pretty steady at 15 31-32d. to the perplexity of those who expected renewed weakness in consequence of large issues of debased coin. The steadiness of exchange is, in some quarters, attributed to drawing for the last instalment of £800,000 of the last S. Paulo loan, but would seem to be too persistent to originate in so inconsiderable an operation.

It does not seem likely that any large loan will be granted during the actual Brazilian administration, though it is reported that the French and English groups have come together again and have agreed more or less on the lines on which further monetary assistance may be given to Brazil.

At present the temper of the London and Paris markets is like Floriano's—confiar descoupardo—so that even if any loan is ultimately granted, it seems not improbable that the conditions may prove so unpalatable as to result in its being thrown out by the Brazilian Congress.

Better than any hypothecation of customs revenues, already insufficient to meet current expenditure, would be the adoption of measures that would ensure expansion of imports and exports and, consequently, of revenues and of production requisite to meet the increased service of the foreign debt augmented by the new loan and of production indispensable to balance foreign payments.

In the United States trade, under the influence of tariff changes, is falling off and for April shows an adverse balance. In Great Britain, too, there are signs that the meridian has been reached and the foreign trade may be expected to decline.

CUSTOMS REVENUE (FEDERAL.)

| | | |
|--------------------------------------|----------|----------|
| | 1913 | 1914 |
| Rio, June 1-13 | £236,511 | £360,785 |
| Decrease, £124,274 or 34.4 per cent. | | |

INLAND REVENUE (FEDERAL.)

| | | |
|---|-----------------|-------------|
| | 1913 | 1914 |
| Rio, June 1-13 | Rs. 1,484,749\$ | 1,451,342\$ |
| Increase, Rs. 33,407\$ or 2.3 per cent. | | |

RUBBER.

Latest London Quotations:—

| | | | |
|----------------------|---------|--------|--------|
| | June 13 | June 6 | May 30 |
| | s. d. | s. d. | s. d. |
| Fine Hard Pará | 2 9 ¾ | 2 10 | 2 9 ¾ |
| Plantation | 2 4 ¼ | 2 4 ¼ | 2 4 |

The same stagnation that prevails in coffee characterises the rubber markets, though the causes are not similar. Plantation rubber has relapsed after the flash in the pan that carried it to over 3s. in April and is now quoted at 2s. 4d. for crêpe, whilst Pará hard fine rules 2s. 10d., a premium of about 17 per cent., as compared with that of 74 per cent. in September last.

Only three months ago a big rise was predicted, based on the expectations of a shortage of supplies. At the time, I pointed out how improbable it was, seeing that the consumption was not growing at anything like the same rate as production. Now the American demand is again slackening and, as Brazilian supplies have not fallen off as expected, there is too much rubber and prices are giving way, excepting in the Pará sorts, for which quotations show a slight premium for future markets, whilst those for plantation are at a discount, whether because a shortage of Pará is expected towards the end of the year or because, as usual about this time, prices are again being manipulated.

Actual quotations compared with those at the beginning of the year as follows:—

| | 1 January | 20 May | drop |
|-------------------|-----------|--------|------|
| | s. d. | s. d. | d. |
| Hard fine | 3 1½ | 2 10¼ | 3¼ |
| Soft fine | 2 6¼ | 2 6¼ | nil |
| Caucho ball | 1 10¼ | 1 9 | 1¾ |
| Plantation | 2 5¼ | 2 2¾ | 3 |

The drop was greatest, 10.3 per cent. in plantation, followed by that of 8.6 per cent. in hard fine, 7.7 per cent. in Caucho ball, whilst soft fine showed no alteration, but in some intermediate quotations a positive improvement.

In some other countries, such as German East Africa, production is unquestionably falling off, as it does not pay even to tap, but so far as can be seen the current crop on the Amazon will be only 2,000 tons short of that of 1913.

Whilst cost of production is being inexorably cut down in the East, necessity, the mother of invention, has brought about individual economy on the Amazon and so enabled *seringueiros* so far to compete with the East, in spite of burdensome tariffs and monetary stringency.

The current crop was financed, practically, before the acute crisis set in. How the coming crop may be affected by inability to finance *seringueiros* and by low prices remains still to be seen and whether the volume of the next crop will be affected to the extent originally believed. Anyhow *seringueiros* have made a brave fight for it, in the face of difficulties of all kinds, inclusive of the indifference of their own State Governments to the precarious situation.

The decline of the premium on hard fine from 74 per cent. in September last to an actual 17 per cent. would seem to indicate that manufacturers do not find it indispensable, and that the time is not far distant when the two kinds will be on a par. Unless, therefore, prices should react, of which there seems no immediate prospect, producers on the Amazon must look for a further decline in hard fine to, perhaps, 2s. 4d. per lb. or thereabouts, which, in all probability will be about the basis for 1915. The fact that inferior grades, such as soft fine and caucho did not, since the beginning of the year, fall in proportion with hard fine would seem to point to a demand for special purposes; caucho, for example, besides being cheap, is much used for motor omnibus tyres. It seems, therefore, likely that the prices of these lower grades may be maintained, whilst hard fine declines and approximates to standard plantation level.

The Finances of Pará. Financial conditions at Pará, says "O Estado," could scarcely be worse as the following figures show. Expenditure for 1913 was estimated at 7,974,066\$ gold, and at 16d. exchange should have yielded some 14,535,000\$ paper, or deducting 400,000\$ earmarked for special purposes, a net total of 14,135,000\$.

To meet this, the resources at the disposition of the Pará Government were:—

| | |
|---------------------------------|--------------|
| Receipts from taxation | 7,500,000\$ |
| Advance by foreign bankers..... | 4,260,000\$ |
| Internal loan | 930,000\$ |
| Total | 12,690,000\$ |
| Deficit | 1,445,000\$ |

Rs. 14,135,000\$

Without the above loan the deficit would have been raised to Rs. 8,945,000\$ or £596,333!

For 1913, expenditure was estimated at Rs. 13,193,305\$, discriminated as follows:—

| | |
|--|-------------|
| Official salaries, courts of justice and workmen..... | 5,455,570\$ |
| Maintenance of public services, coal & other materials | 1,337,601\$ |
| Military police | 2,120,089\$ |
| Service of the foreign debt | 2,347,845\$ |
| Service of the internal debt | 540,000\$ |
| Unpaid accounts | 15,000\$ |
| Sundry and special expenditure | 440,000\$ |
| Repairs to public buildings | 120,000\$ |
| Shipping subventions | 327,200\$ |
| Slaughter house | 490,000\$ |

Rs. 13,193,305\$

Revenue for the first six months of the same year was as follows:—

| | |
|-----------------------------------|-------------|
| Export duties (Recebedoria) | 1,336,379\$ |
| Inland revenue | 7,252\$ |
| Bragança Railway | 129,936\$ |
| Water rates | 99,789\$ |
| Sundry revenues | 158,881\$ |

Rs. 1,732,237\$

Apart from revenues earmarked for special services and those derived from the slaughter house, the average monthly receipts from January to March were only 577,412\$170, or in round numbers, 600,000\$, whilst the average monthly expenditure was as follows:—

| | |
|-----------------------------------|-----------|
| Salaries of officials | 454,630\$ |
| Maintenance of public works | 111,470\$ |
| Military police | 177,000\$ |
| Service of foreign debt | 196,650\$ |

Rs. 939,750\$

Six month's revenue

600,000\$

Deficit for six months, exclusive of repayment of last year's advances by foreign bankers

339,750\$

Something, consequently, had to be left unpaid, and as the weakest goes always to the wall, officials again are sacrificed in the endeavour to meet a burden of foreign debt out of all proportion to the shrunken resources and extravagant expenditure of the State. But even official worms will turn some day and make it nasty for Governments that, instead of economising, sacrifice subalterns in vain attempts to maintain appearances and keep up their credit abroad. In this connection it would be interesting to learn how much the sumptuous reception of Dr. Lauro Müller on his return from New York and of the Vice-President elect of the Republic, not to mention ex-President Roosevelt, cost the State of Pará and how far, if economised, such expenditure might have gone towards satisfying the just claims of employees of the State!

Sheet Rubber. Some months back I called attention to the risk *seringueiros* ran in changing their methods of preparation and abandoning the old well-known products for new. It now appears that the apparently much finer and cleaner sheet rubber has not found favour in the eyes of manufacturers, who classify it as *entrefina* instead of fine and are paying for it accordingly, 3\$700 per kilo, when at Manaus hard fine was quoted at 4\$100 to 4\$200. *Seringueiros* are naturally indignant, but they have really only themselves to thank if they embarked on what was in reality a speculative venture, without satisfying themselves by prolonged experiment of the acceptance the new product would meet in consuming quarters. There is no class more conservative than manufacturers. They are accustomed by long use to hard fine in its well known form and will not until they have satisfied themselves of its value, run the risk of experimenting with new sorts. *Experimentum fiat in corpore vili!* At the cost of the producers!