

MR. J. P. WILEMAN'S WEEKLY LETTER

"MOSTLY ABOUT COFFEE"

July 23th, 1914.

No. 30.

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, July 27th, 1914.

Closing quotations, Saturday, July 25th, compared with July 18th, were as follows:—

NEW YORK—

	July 25 cts.	July 18 cts.	+ or - cts.
Santos Spot No. 7	10 7/8	11 1/8	-1/2
Options—September	8.29	8.55	-0.26
December	8.59	8.84	-0.25
March	8.73	8.98	-0.25
May	8.81	9.05	-0.24

HAVRE—

	frs.	frs.	frs.
Options—September	58.75	59.75	-1.00
December	59.25	60.50	-1.25
March	60.00	61.25	-1.25
May	60.25	61.75	-1.50

HAMBURG—

	pfgs.	pfgs.	pfgs.
Options—September	47.25	48.25	-1.00
December	48.25	49.00	-0.75
March	49.00	49.50	-0.50
May	49.25	50.000	-0.75

SANTOS—

Type No. 4 ruled:—			
July	5\$425-5\$450	5\$550-5\$575	-0\$125
August	5\$450-5\$475	5\$525-5\$550	-0\$075
September	5\$525-5\$550	5\$575-5\$600	-0\$050
October	5\$600-5\$625	5\$675-5\$700	-0\$075
November	5\$650-5\$675	5\$725-5\$750	-0\$075
December	5\$725-5\$750	5\$800-5\$825	-0\$075

Entries for the week ended 23rd July and 24th July respectively were as follows:—

	1914	1913
Rio	58,196	38,009
Santos	226,653	231,025
	284,849	269,034

Increase, Rio, for week, 20,187 bags, or 53.1 per cent. compared with last year.

Decrease, Santos, for week, 4,372 bags, or 1.9 per cent. compared with last year.

Increase, both ports, for week, 15,815 bags, or 5.8 per cent. compared with last year.

Entries for crop to July 23rd were:—

	1914	1913
Rio	181,781	113,626
Santos	512,384	542,716
	694,165	656,342

Increase, Rio, for crop, 68,155 bags, or 60 per cent. compared with last year.

Decrease, Santos, for crop, 30,332 bags, or 5.6 per cent. compared with last year.

Increase, both ports, for crop, 37,823 bags, or 5.8 per cent. compared with last year.

Entries at Rio and Santos to July 23rd or corresponding dates of previous six years were:—

1912-13—753,460	1909-10—1,669,518
1913-14—656,342	1910-11—1,002,585
1914-15—694,165	1911-12—792,817

Clearances to 23rd July were as follows:—

	Week ended July 23		Crop to July 23	
	Bags	£	Bags	£
Rio	51,498	115,912	123,089	277,928
Santos	136,407	402,128	241,312	707,256
1914-15	187,905	518,040	364,401	985,184
1913-14	74,352	119,531	381,528	1,038,111

Decrease clearances for both ports for current crop to July 23rd 17,127 bags or 4.5 per cent.

Decrease in value £52,927 or 5.1 per cent., as against 42.5 per cent. on July 16th.

Stocks were:—

Rio	217,002	198,063
Santos	810,403	707,532
	1,027,405	905,595

Stocks Rio and Santos—

24th July, 1913	1,474,578
17th July, 1913	1,362,872
25th July, 1912	1,597,320

The uncertainty prevailing during the week with regard to the closing of the federal loan and the fear of a general conflagration in Europe becoming acute since Friday, did not tend to improve matters in the coffee market. The European markets held their own pretty well, but New York eased off considerably, most likely on account of the offers from Rio, which market finds New York its only outlet for handpicked high grades.

If those measures which are at last adopted by the New York Coffee Exchange, to come into force in 1915, had been worked out or accepted at the time, when the iniquity of dealing in dummies became more and more apparent, the States would not now be the dumping ground for these goods which only with difficulty enter consumption. Now the money has to be found to store those coffees and besides to buy the Santos goods which are absolutely necessary for consumption.

Rio, of course, will suffer by the inevitable depreciation of its produce, but for New York the transition from the old to the new rules will be rendered more difficult and this market will moreover lose a speculative centre in prestige and in business.

The "arbitrage" between the European markets and New York must suffer considerably as adequate and proper relations of values and prices cease to exist.

It is a cause for general surprise that the big central markets of the States: Chicago, St. Louis, Cincinnati, do not establish a coffee exchange at their importing centre, i.e., in New Orleans. The rules and regulations of that Exchange could be built up on lines suitable to their business, which is legitimate by nature, being that of the distributor. Brazil too, and especially Santos, would profit also, as the tendency would be to avoid as much as possible those obnoxious wide fluctuations, so dear to the earlstone speculator.

The demand for coffee in Santos has not kept pace with entries and stocks are accumulating slowly. Washed coffees especially, which commanded a relatively very high premium, have lost part of this and are somewhat more neglected, shorts having probably covered their contracts.

Yet there is still great lack of desirable "torreiro" coffees, although a certain improvement is now noticeable, unripe and withered black berries being less conspicuous, notably in arrivals from the districts of the "terra quente," Ribeirão Preto, etc., than heretofore.

Deliveries to the States have continued on a liberal scale and the small visible supply there calls for continuous reinforcements from the producing country; thus we can look upon the States as an always ready customer. As far as Europe is concerned, the position is not so clear, should war break out and not be localised to the Balkan peninsula, then Brazil, especially S. Paulo, will have to strain every nerve for some weeks to come in order not to see its coffee market entirely demoralised. Later on, when the situation will be clearly defined, combatants having taken side,

so that ships of neutral nations can carry on the trade of those engaged in war to neutral ports, a basis for trade will be found again. It is most probable that the price of our chief commodity in consuming countries will only be temporarily affected by the first universal desire to liquidate positions, but requirements for the armies mean increased demand and a non-fighting population will not cease to drink coffee. The S. Paulo Government will therefore be able to dispose of at least part of its holdings in Germany, France and Belgium at satisfactory prices and the proceeds could possibly be invested again here in coffee of the running crop, should prices fall unduly and out of proportion to the limited supply of this crop.

The fear that the rate of exchange might fall rapidly is, unless a large emission of paper money be resorted to, not near at hand. The £11,000,000 still in the Caixa will prevent a rapid fall, the more so as the Federal Government will probably have to suspend payments, for a time at least, and this will be one of the least evils in a general conflagration.

Thus the chief and main object of those directing our affairs must be to avert a panic; trade will soon find its level and be carried on on more or less normal lines.

News from the interior reports further partial flowerings in several districts like Jahu and even Campinas. It seems more than probable now, with the prevailing weather, which is unseasonably warm, the force of the trees will spend itself in successive flowerings, the earliest of which will be no use to the planter, as the fruit will fall and be lost before preparations for the harvest are made.

No rain has fallen since the 15th and 16th of this month and it looks as if the dry weather will last on. The gathering and preparing of the crop is, of course, materially benefitted by this ideal harvesting weather.

Complaints are heard from Ribeirão Preto about a disappointing output and Campinas reports a poor yield in hulling.

Crop Estimates. The Centro de Café estimates the Rio crop for 1914-15 at 3,000,000 bags. It is remarkable how close the estimates of the Centro have tallied with results. From 1890 to 1914, against estimates in the aggregate of 74,850,000 bags registered entries amounted to 74,466,390 bags or an average of 3,083,333 per annum.

Sentiment in the United States and other markets improved on the belief that the loan would soon be realised, though it is difficult to understand how it could make much, if any, difference to coffee, seeing that the loan is a purely federal affair and will not put a penny into the S. Paulo treasury, but rather the other way. No doubt it will put Brazilian finances for a time on a better footing and so help to maintain foreign exchange, which, in a falling market might be considered a bull feature.

In an under-supplied and consequently rising market, a fall of exchange would on the other hand be a bull factor, because it would reduce the cost of production and so enable planters to hold out for higher prices or sell at even prices without loss to themselves.

The idea that restrictions might be placed by the loan in Government's operating in coffee or any other commodities or in using the money so raised for valorisation purposes, is, of course, preposterous, as by the Brazilian Constitution the States alone enjoy the rights to taxation of exports, with which the Federal Government cannot interfere.

Why, asks "The American Grocer," if New York and New Orleans can beat prices in Santos and Rio, should not jobbers buy direct and so get just what they want and in the quality wanted instead of placing import orders in Brazil and having to take larger lots in order to get assortments, besides running the risk of not getting the quality tendered from sample?

This, says "The American Grocer," is one of the inside conditions of the coffee trade that has never been answered, for it seems strange that a buyer of coffee in the United States will run all risks and buy in Brazil, thousands of miles away, instead of, almost at his own door, and get the very coffee he buys from sample and have it immediately delivered instead of waiting 30

to 60 days for import arrivals. Two reasons are given for which we do not vouch. First, the buyer who imports his coffee gets 90 days' credit. Second, he has the satisfaction of seeing his name as a coffee importer alongside the names of world wide firms of great magnitude. The glory of this the buyer is willing to pay for at a higher cost than if bought at home from the large importer. Having called attention to this matter at length, we leave it for our coffee readers to determine for themselves.

Apart from such reasons the real explanation seems to us to lie with the difficulty that importers always find in getting satisfactory assortments and the certainty that, were this competition removed, they would be worse served than ever.

"The New York Journal of Commerce," in the summary of bull and bear points, says that though no valorisation coffee will be sold this year and so prevents any trouble from that quarter, that does not prevent liquidation of the holdings of the Bankers Committee next January, so that the agony is only prolonged. As a matter of fact, the Committee is purely advisory and even if it were to recommend the sale of a large quantity of coffee in January, or at any other date, there is no reason why, if Government thought otherwise, that it should conform to such recommendations seeing that the function of the Committee is purely advisory, though, of course, it can always exercise some pressure as trustees for the bondholders of the 1913 and 1914 loans, to whom the coffee is mortgaged.

There is not, however, any likelihood of disagreement in respect to the sale of coffee seeing that the only motive for forced-realisation would be for payment of the 1913 Treasury notes falling due to value of £4,200,000 in January next. Long before that, however, a new loan for £10,000,000 will have been placed on the market and the whole of the outstanding notes have been consolidated and paid off.

Estimates received by the "Bulletin du Correspondence," of Havre, put July entries at Santos at 850,000 to 950,000, bags, as against 847,000 last year, 672,000 in 1912 and 796,000 in 1910. In 1910, on the other hand, entries by the end of July had already reached 1,042,000 bags, or nearly 13 per cent of the total entries of 8,116,000 for that crop.

Every decline in *terme* is, says the "Bulletin" followed almost immediately by a drop in spot. This would seem to show the American consumption has decided to abstain for the moment.

The Agricultural Department of S. Paulo estimates the coming crop in that State at 8,640,000 bags. Last year the same Department estimated 10,000,000 as the maximum for the 1913-14 crop, whereas it actually reached some 860,000 bags more. This Department does not certainly err on the side of under-estimates, and if for last crop the reality so far surpassed anticipations, it only shows to illustrate again the difficulty of arriving at accurate estimates when over so very wide a field.

The season that has just closed, says the "Bulletin de Correspondence," opened with prices ruling 62.25 fcs. for spot, but fell to 56.25 fcs. under the pressure of early big receipts and offers from Brazil. Poor prospects for the next crop caused a rise in October to 73 fcs. which, however, was not maintained and prices fell again to 55.50 fcs. with a reaction to 62.50 fcs. in March, closing at 58.75 fcs. Fluctuations during the past season have not been wanting, but have followed for the most part national tendencies as appreciation of supply and demand were modified by occurrences mostly in consuming markets. The most remarkable feature is the great growth of consumption to a figure hitherto never known. It is this factor that must ultimately prevent a relapse to extremely low prices and may determine a rise.

The fact that the visible supply shows an increase since last year of about a million bags points, in the opinion of "Le Bulletin," to the probability of an increase in the "invisible" of half a million.

As regards the current crop, the fact that it would be small was known and discounted long ago.

On the other hand, the Santos crop just ended reached 10,860,000 and shipments from that port about 11,200,000. Con-

sequently, stocks there are reduced to only 840,000, the minimum that ought to figure at the close of a season. Had the financial situation been easier, Santos would never have allowed its stock to fall so low. Even supposing that Santos were to export the whole of the 1914-15 crop, estimated generally at 9,000,000 bags, consumption would fall 2,000,000 bags short compared with 1913-14. It is, moreover, possible that "other countries" may furnish half a million bags less than last season, the probabilities of a big crop in Venezuela being more than offset by a small one in the West and East Indies.

Altogether prospects, the "Bulletin" judges, the position to be not unfavourable and prices to be low enough, so long as no financial pressure obliges producing markets to sell. It is, however, to be feared that Brazilian markets are in no position to resist the pressure of early receipts, especially should the flowering prove to be favourable.

Summing up, the new crop has been long regarded as the signal for a rise and subsequent fall when the following 1915-16 crop came to be treated of. It seems to us that a rise of such short duration would be too limited and difficult to realise. On the other hand, it seems to us that enough has been made of predictions of a big crop in 1915-16 and the possibility largely discounted.

Estimate for 1914-15 crop by a correspondent of "Le Bulletin" is for 13,000,000 bags.

Messrs. Durning and Zoon in their circular of 30th June state that receipts during the season just ended were some 3,000,000 bags larger than for last season, whilst deliveries show an increase of 2,000,000, an increase of 1,000,000 on the largest on record. The increase of consumption is significant, especially in the United States, though in Europe it would seem that inland commerce has been buying in stocks.

The new 1914-15 crop is estimated as follows:—

Rio	2,500,000 to 3,000,000
Santos	8,500,000 to 8,750,000
Victoria and Bahia (about)	500,000
Other countries	5,000,000

About 17,250,000

This ought to bring about a shrinkage in the invisible supply.

Shipments from Java for the season just closed were 414,500 piculs, as against 533,800 in 1912-13 and from Padany only 12,000 more than the preceding year. These figures show how unfounded was the scare of over-production of coffee by Robusta.

TOTAL ENTRIES AND CLEARANCES FOR CROP 1913-14.

Entries, in bags of 60 kilos: ¼	1913			1914		
	Rio	Santos	Total	Rio	Santos	Total
2nd half-year	1,902,575	7,150,399	9,052,974	1,893,614	8,675,059	10,568,673
January	189,895	409,667	599,562	185,235	636,817	822,052
February	161,100	258,508	419,608	185,839	387,291	574,130
March	171,042	180,541	351,583	165,507	297,416	462,923
April	118,531	122,593	241,124	139,787	283,504	423,291
May	151,547	143,207	294,754	158,008	220,714	378,722
June	193,330	319,882	513,212	216,142	354,653	570,795
1st half-year	985,445	1,434,398	2,419,843	1,051,518	2,180,395	3,231,913
Crop	2,888,020	8,584,797	11,472,817	2,945,132	10,855,454	13,800,586

Clearances for the 1913-14 crop were as follows:—

	Bags of 60 kilos			£		
	Rio	Santos	Total	Rio	Santos	Total
2nd half-year	1,537,522	7,296,780	8,834,302	3,865,750	22,034,379	25,900,129
January	231,903	1,128,792	1,360,695	569,680	3,312,879	3,882,559
February	158,054	822,883	980,937	370,216	2,383,544	2,753,760
March	186,974	558,565	745,539	422,362	1,580,717	2,003,079
April	216,830	466,960	683,790	488,491	1,329,446	1,817,937
May	154,816	428,417	583,233	355,925	1,231,618	1,587,544
June	176,933	589,602	766,535	415,397	1,697,921	2,113,318
1st half-year	1,125,510	3,995,219	5,120,729	2,622,072	11,536,125	14,158,197
Crop	2,663,032	11,291,999	13,955,031	6,487,822	33,615,504	40,103,326

MONEY.

Gold in deposit at the Caixa de Conversão on Saturday, 25th July, amounted to Rs. 164,184,260\$, equivalent to £10,945,617, a shrinkage of £189,975 since the previous Saturday and of £7,454,884 since the beginning of the year.

Gold in deposit 12th Feb, 1913 (max)	401,584,500\$	£26,772,300
" " 1st January, 1914	276,007,520\$	18,400,531
" " 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
" " 30th June, 1914	187,078,829\$	12,471,922
" " 4th July, 1914	184,223,084\$	12,281,538
" " 11th July, 1914	174,598,220\$	11,639,881
" " 18th July, 1914	167,033,877\$	11,135,592
" " 25th July, 1914	164,184,260\$	10,945,617

Exchange. The Banco do Brasil continued to draw sparingly, for market takers, at 16d. on London at 90 days' sight for the mails of 4th and 11th August.

Monday, 20th July. The market opened steady, with most foreign banks drawing on London at 90 days' sight at 15 31-32 and offering to buy commercial bills at 16 1-16. As no bills were forthcoming at this rate banks offered to buy at 16 1-32 and all except the London and Brazilian lowered their drawing rates to 15 15-16.

Tuesday, 21st July. Foreign banks quoted 15 15-16 and offered to buy at 16d. The market remained dull all day and late in the afternoon money was offered by banks at 15 31-32 for commercial bills.

Wednesday, 22nd July. Exchange opened undecided, with foreign banks drawing at 15 7-8 and buying commercial bills at 15 31-32. Subsequently business was done in commercial bills at 15 61-64 and later at 15 15-16 for prompt delivery. At the close the market firmed and banks offered to draw at 15 29-32.

Thursday, 23rd July. The market opened firm with foreign banks drawing at 15 29-32 and disinclined to buy even at 16d., but at this rate some business was transacted in commercial paper and later at 16 1-64. During the afternoon the market turned dull and some banks again bought at 16d.

Friday, 24th July. The market opened dull, with foreign banks drawing at 15 29-32 and with some money offered for commercial bills at 16d. for quick delivery. The market remained dull during the greater part of the day, but became weak at the close and money was freely offered at 15 31-32 for commercial bills.

Saturday, 25th July. The market opened weak, the London and Brazilian and British banks quoting 15 29-32, the others 15 7-8 and money offered at 15 31-32 for commercial paper. The banks, however, were unable to sustain the rate, which fell to 15 13-16 for bank drafts and 15 7-8 for commercial bills.

The unaccountable firmness on the part of some of the foreign banks during the week disconcerted operators and caused holders of bills to unload, but the disappointment at the failure of the two political parties in England to come to an agreement with regard to Ulster, at the conference held last week at Buckingham Palace, in response to the invitation of King George, and the still more disquieting news regarding Austria's ultimatum to Servia, have destroyed all hope of the Brazilian Government obtaining, for the present, any advance against the projected loan and led to persistent reports of an immediate issue of paper money as the only solution of the country's financial difficulties and caused exchange to weaken once more. It is well known that the Minister of Finance, Dr. Rivadavia Corrêa, is strongly opposed to any inconvertible issue and, we believe, will resign his portfolio sooner than countenance such a measure.

So far as we are aware the one and sole argument against an issue is the almost certain fall of exchange which such an act would entail, causing a possible loss to the foreigner who had invested money in Brazil at the present high rate, but the loss would probably only be temporary for when the economical situation rights itself, which we believe it will soon do, commerce will

require a far larger circulation than at present exists and exchange, if allowed to do so, would return again to its present level of 16d. per milreis. Supposing this were not the case, the Government could devote the surplus of revenue which we are assured is to succeed the drastic economies it contemplates, (it is largely on this promise that it is appealing for a loan), to reducing the inconvertible paper money in circulation. In addition, it could set apart for the same purpose the equivalent of what would be required to pay the interest and amortisation on the contemplated loan, which on £30,000,000 would amount to about £2,000,000 per annum, or 30,000 contos at 16d. exchange. After all, a note issue, if faithfully redeemed within a specified time is but an internal loan issued at par on far less onerous terms than a sterling loan issued abroad. Such are the arguments in favour of a note issue. It is an open question which argument outweighs the other and we prefer withholding our own opinion on the subject at present.

The Banque Crédit Foncier has lodged a protest, in the proper quarter, against the non-payment of the coupon due on the Bahia Municipal loan of 1912 with the intention of assuring its right to collect the taxes given as security for interest.

The Finance Minister declared officially on Friday that the Treasury has always sent to Europe the necessary funds to meet the obligations there and that these funds have invariably been remitted through the Banco do Brasil.

Business Done on the Rio Stock Exchange during the week ended 25th July:—

Amount	Price	Closing Quotations.	
		Sellers	Buyers
PUBLIC FUNDS—			
384	Apol Geraes, 1:000\$, 5% (integ.)	820\$-845\$	824\$ 822\$
141	Ditto (tit. prov.)	805\$-810\$	815\$ 810\$
5	Ditto, 500\$ (integ.)	830\$	
9	Ditto, 200\$ (integ.)	800\$-820\$	
13	Emp. Nacional (1903)	930\$	925\$
566	Emp. Nacional (1909)	800\$-825\$	815\$ 810\$
110	Emp. Nacional (1911)	805\$-815\$	815\$ 805\$
144	Est. de Minas	795\$-800\$	800\$
	Est. de S. Paulo	1:000\$	980\$
351	Est. do Rio (4%)	78\$-78\$500	79\$ 78\$
4	Ditto (ex-juros)	76\$	
15	Ditto (6%) 500\$	465\$-470\$	466\$
339	Emp. Municipal (1906)	184\$-184\$500	185\$ 183\$500
67	Ditto (Nom.)	188\$-190\$	189\$ 188\$
97	Ditto (£20)	280\$	282\$ 280\$
19	Ditto (Nom.)	272\$	285\$ 272\$
652	Ditto (1914)	158\$-167\$	159\$

BANKS—

116	Brasil	195\$-200\$	200\$
	Commercial		160\$
	Comercio		150\$ 130\$
	Lavoura		120\$ 100\$

RAILWAYS—

100	Minas S. Jeronymo	15\$	16\$ 13\$
335	Rêde Sul Mineira	40\$	42\$ 40\$
	Victoria e Minas		60\$

INSURANCE COMPANIES—

Garantia	275\$
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COTTON COMPANIES—

Alliança	140\$	130\$
Brasil Industrial	175\$	150\$
Carioca	190\$	
Confiança Industrial	130\$	
Corcovado	180\$	130\$
Covilhã		55\$
Progresso Industrial	165\$	145\$
S. Pedro d'Alcantara	156\$	

SUNDRIES—

	Centros Pastoris	20\$
1150	Docas da Bahia	24\$-26\$ 26\$500
1000	Ditto (30 days' opt.)	25\$-26\$
73	Docas de Santos	455\$ 440\$
871	Ditto (Nom.)	425\$-430\$ 430\$ 420\$
6	Jardim Botanico (c/60%)	118\$
50	Ditto (integ.)	198\$-200\$
1900	Loterias Nacionaes	18\$500-20\$ 19\$500 18\$750
500	Ditto (30 days' opt.)	20\$
	Melh. do Maranhão	40\$ 32\$
100	Terras e Colonisação	6\$500 6\$500 6\$

DEBENTURES—

	America Fabril	185\$
	Banco União de S. Paulo	75\$
	Brasil Industrial	185\$ 165\$
150	Docas de Santos	182\$-184\$ 184\$
	Mercado Municipal	185\$
	Progresso Industrial	170\$ 160\$
	Tecidos Botafogo	95\$ 80\$
	Tecidos Alliança	160\$
	Antarctica	195\$

Closing Quotations, July 25th:—

	1914	1913
Bank of England Rate	3%	4½%
Open Market Rate, London	Nominal	4
Consols	73¼	72 15/16
Apolices Geraes	822 to 824\$	
Vales Gold	1\$687	
1889 4 per cent. Loan, Federal	71	77
1889 5 per cent. Loan, S. Paulo	—	101
Leopoldina Stock	53	65
Brazilian Traction	68½	87
Brazil Railway Company	22½	51
Dumont Coffee Pref.	9	10
S. Paulo Railway Co.	237	230

CUSTOMS REVENUE (FEDERAL.)

	1914	1913
Rio, July 1-25	£431,644	£658,495
Decrease, £226,851 or 34.5 per cent.		

INLAND REVENUE (FEDERAL.)

	1914	1913
Rio, July 1-25	Rs. 1,870,366\$	1,839,330\$
Increase, Rs. 31,036\$ or 1.7 per cent.		

London, 7th July, 1914.

The Loan. To the outsider, the game played between the Brazilian Government and the consortium of bankers responsible for the loan must seem somewhat incomprehensible. If the money requisite for the coupons and sinking fund due on 1st July was known to be really forthcoming, as would seem to have been the case, why did the agents of the Brazilian Government give away the show, by giving such publicity to the fact that up to the 27th, that is, on the eve of the projected loan, no funds had been received? Anyhow, all prospects of an early or successful issue have been effectively destroyed, the argument being that, if Government could not keep things a-going with the actual debt, how could they do so with an increase of about a million in the future service of the funded debt?

Reading between the lines, what would appear to have happened is this:—

Counting on the immediate realisation of a loan on the terms originally communicated by the consortium, the Brazilian Government failed to take the requisite precautions to secure payment of the coupons and sinking fund that fell due on 1st July and, the modifications of the bankers' proposal, afterwards submitted, proving unacceptable, no time was left for providing remittance of the sum requisite to meet coupons and sinking fund, amounting to some £600,000.

The Brazilian Government, in fact, was placed in the predicament of either defaulting on the coupon or submitting to unwarrantable demands that, perhaps, with the single exception of Cory Brothers' claim, part-took too much of the nature of blackmail to be bearable. On Monday, 29th, it was, nevertheless, announced that the money had been remitted and that the coupons would be paid and on Wednesday, 1st July, that the funds for amortisation had also been received and bonds drawn as usual.

The question is: Where did the money come from; whether it was really remitted from Rio, as predicted, or was supplied by the *consortium* on this side, rather than face the consequences of absolute default?

Some well-informed parties believe that the money was here all the time and that the threatened suspension of payments was but a *ruse* to force the hands of the Brazilian Government and oblige them to accept whatever conditions might be offered.

If so, it failed lamentably and goes to show that there are limits to the rights even of creditors beyond which it would be impudent to press bona-fide debtors.

In support of the supposition that the money for the coupons was really remitted is the fall of exchange to 16d., only natural in view of the heavy drain such takings would entail, as also the fact that no telegraphic remittances of importance are traceable to the banks that habitually deal in this class of credit.

In the absence of evidence of any real remittances, it can only be concluded that the money for payment first of the coupon and afterwards of the sinking fund of the 1908 and Re-cession loans was supplied from this side, in all probability, by baance of the 1913 issue. Exchange, I observe, after dropping to 16d. has reacted and to-day stands at 16 1-16, another reason for supposing that no or at least very small remittances were effected.

To-day it is announced that the loan has practically miscarried, but that *pourparlers* still continue with hopes of negotiations being renewed on another basis. Meantime, sufficient money will be forthcoming to prevent the Brazilian Government from defaulting, repayable out of the proceeds of a later and larger issue, or, should the fresh conditions about to be submitted to the Government prove equally unacceptable, in such case the advance would constitute a deposit and independent issue on the lines originally agreed to with the *consortium*.

The best offer so far was £21,000,000 at 5½ per cent. interest and would raise remittances by £9,000,000, of which a very large proportion would be absorbed by payments to the Brazil Railway and other French and German claims. Burdensome as they were, these terms had been more or less agreed upon when the claims obligations, were suddenly sprung on the Government and, in fact, practically wrecked the scheme.

From the first Messrs. Rothschild regarded the plan of utilising the influence and prestige of the firm to bolster up French and German interests without great enthusiasm and, in all probability, only gave their consent at all in order to conciliate Continental opinion and secure the loan from active opposition.

These new claims, however, were the climax and created a feeling of such repulsion at so flagrant an attempt at blackmail as to oblige the Government to refuse them, it is said, on the recommendation of its London advisers.

Clearly it would not be to the advantage of London bondholders to weaken their own position by consenting to share privileges with outsiders, or, for that matter, of Messrs. Rothschild to endorse loans of a nature to make faithful compliance practically impossible to the Brazilian nation.

Better far in such an eventuality to allow the Government even to default, and free from undue pressure to afterwards come to terms with its creditors on more equitable terms.

On the creditor's side far too undue importance has been given to obtaining specific guarantees in the form of a mortgage of customs house revenues, whilst overlooking the fact that the first function of Government is to govern and that to do so adequate revenues must be retained.

Creditors would be wise if they could see their way to abandon this attitude and instead give more attention to expansion of exports, the only true and reliable guarantee of revenue sufficient to meet the increasing burden of the foreign debt.

The curse of Brazil is its system of taxation of Imports and Exports alike that so raises the cost of everything produced or imported as to cripple foreign trade and, with few exceptions, make production unprofitable.

Rubber, for example, is being gradually done to death by taxation and will cease to figure as an Export should prices drop, as seems possible, to 8d. per lb.

Could a scheme be evolved for the elimination or reduction of even the ruinous duties on exports, the expansion it would ensure would be reflected immediately in imports and in the revenues derived therefrom and automatically secure to Government the resources requisite to meet its foreign engagements without any necessity of mortgaging anything at all.

Government having again failed to come to an agreement as to the fresh terms submitted by the *consortium* to its consideration in accordance with which, it is understood, the rate of interest should be reduced from 5 1/2 to 5 per cent. and the rate of issue from 97 to 91, negotiations are suspended for the time being, but may be taken up again after the vacation, unless Brazil should succeed in finding money elsewhere—at Paris, for example—on easier terms. Meanwhile, besides Treasury bills falling due to the value of some £1,400,000, coupons and amortisation have to be provided for to the amount of about £820,000.

1 August—4 per cent. sterling loan of 1910 (about)...	£225,000
Aug.-Sept.—5 per cent. sterling loan, 1911	£140,000
1 October—5 per cent. funding loan, 1898	£125,000
1 October—5 per cent. sterling loan of 1913	£330,000
	£820,000

If Brazilian finances are to be resuscitated at all, it certainly will not be on such patchwork methods as proposed by the London and Paris bankers, who look purely to what they imagine to be their interests as creditors, instead of taking a wide view of the whole situation — financial and economic — and seeing that the measures they recommend shall really ensure adequate resources to the Federal Government in the only way possible by securing greater expansion to exports. Opinion at Rio is, indeed, gradually coming to this way of thinking — discounting the inevitable—to rather allow Government to default than to pile up the agony in the way the new loan proposes.

Had the Government done as I recommended in August last and remitted paper money for payment of the floating debt, it should have been spared the much greater humiliation and have put itself into a far better position to carry on negotiations for a new loan.

The issue of paper money on a large scale would no doubt have driven out much more gold from the Caixa, but until that was exhausted there would be no fall of exchange beyond the premium involved in the difficulties in obtaining convertible notes.

After all the gold in the Caixa was exhausted exchange would fall anyhow, so long as the balance of foreign payments was not rightened, as would scarcely seem likely so long as we go on adding to liabilities in the way we are doing.

In spite of the enormous success of the French loan, subscribed, it is said, fifty times over, and the relief that the reappearance of the small investor will bring to the Stock Exchange, the new loan was dropped nearly half a point yesterday. Big subscribers, it is said, will get only 5 per cent. The public was attracted by the handsome bonus on drawn bonds, which in August next will yield the ultimate holder interest at the rate of about 15 per cent.!

Chilean Exchange. It is proposed to fix the rate of exchange at ten pence peso and so give greater stability to the national currency.

The only way in which alteration of the nominal value of the currency can improve the situation is by reducing the cost of production and so making competition easier with other countries. This, however, can only be effected at the cost of labour and fixed salaries and investments, but is almost inevitable in countries in which over-taxation has so raised the cost of living as to make production often unprofitable and to so keep exports from expanding.

It is indeed a moot point whether in Brazil, too, it might not be advisable to reduce the par value of convertible notes to 12d. as many competent authorities believe.

New Issues. The Lampport and Holt issue of £300,000 Preference shares was comparatively a "great success," the underwriters taking only 38 per cent. as against 75 per cent. of the Brazilian Warrant and similar rates for most other foreign issues. These shares were quoted yesterday /9 dis to /3 pm. and the Brazilian Warrants 7 per cent. Prefs. at 16 dis. to par. Mogvava Debentures are still at 93-95. Current prices of leading Brazilian securities compare with first half of 1914 as follows:—

Highest and Lowest during First half of 1914	Last making up Price	Security	Closing Prices
77½	70⅝	73 Brazil, 4%, '89	72 73
96	82	87 Do., 1895	85 87
99	89½	94 Do., 1908	93 95
83½	82⅝	83½ Do., 1913	82¾ 83¼
76½	55⅝	56½ Leopoldina	56 57
40	20	25 Brazil Railway ...	22½ 24½
240½	220	242 San Paulo	240 244

Compared with lowest price in first half of current year, there has been an all-round improvement, though compared with the maximum there still remains a big leeway to be made up. Compared with last making up, prices generally are about the same, though with a distinct tendency to fall again.

British trade continues to decline and so to set free more money for investment purposes. During the month of June imports were practically stationary. Exports, however, show a shrinkage of £2,968,592 or 6.91 per cent, chiefly in manufactured goods, as was to be expected.

For the six months, January-June, Imports show a decrease of £2,362,700 or 0.75 per cent. and Exports that of £1,598,197 or 0.62 per cent. The greatest falling off in Imports was £4,049,000 in rubber—a drop of 31.5 per cent. in value, but only 2.5 per cent. in quantity. Arrivals from Brazil were £1,683,200 less than for the corresponding half-year of 1913.

Brazil Railways have reacted on the postponement of the loan and Brazilian bonds generally lower for the same reason, as also Brazilian Tractions.

As regards the latter, the directors to-day publish a statement to the effect that there is no truth in a report originating at Brussels that the company will need more funds for the extension of the plant at Sorocaba, for which the directors would borrow a further 6,000,000 fcs., seeing that the S. Paulo Electric Co. has lately completed the development of sufficient hydro-

electric power to take care of its light and power business and supply all the requirements of the S. Paulo Light and Power Co. for years to come.

S. Paulo Railway stock, after rising sharply on the rumour of an emission of £600,000 Ordinary capital at about par, have reacted in the absence of confirmation.

Lampport and Holt. At a special meeting following the annual meeting of Lampport and Holt last February the share capital was increased from £1,000,000 to £2,000,000 by the creation of £500,000 additional Preference and £500,000 Ordinary shares. Of the former £300,000 is now offered for subscription, and by the details given in the prospectus it is seen that all the new Ordinary capital has also been issued. The Chairman stated at the meeting referred to that when this was done it would go to the holders of the existing Ordinary shares—that is to say, the Royal Mail Steam Packet, the Pacific Steam Navigation and Elder Dempster and Co. The Preference shares carry a 6 per cent. Cumulative dividend and rank in priority to the Ordinary shares as regards both principal and interest. The company was only formed in 1911, and earnings since have continued the progressive increase shown in previous years. For 1913 the profits, after providing for Debenture charges and depreciation, amounted to £200,700, which provides a good margin for the interest on the whole of the Preference capital, even after allowing for the fluctuations to which shipping earnings are liable. The shares may therefore be regarded as among the best of their class, the fact that the undertaking is one of the Philipps companies counting for much in this estimate. Existing Preference shareholders and the Debenture stockholders will be given preferential allotment, and in the circumstances it is rather surprising the directors should have deemed it advisable to underwrite the issue with the International Financial Society and the British Maritime Trust at a commission of 3 1/2 per cent. or £10,500

RUBBER.

Latest London Quotations:—

	July 25	July 18	July 11
	s. d.	s. d.	s. d.
Fine Hard Pará	2 11½	2 10½	2 11
Plantation	2 2	2 2	2 2¾

Vallambrosa Profits. The directors report that although the dividend is only 25 per cent. this year against 100 per cent. last year, profits, after allowing for the cost of bringing the new area

