

MR. J. P. WILEMAN'S WEEKLY LETTER

"MOSTLY ABOUT COFFEE"

August 18th, 1914.

No. 33.

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, 17th August, 1914.

On account of the situation in Europe, no quotations are available from foreign markets.

Entries for the week ended 13th August and 14th August respectively were as follows:—

	1914	1913
Rio	28,315	64,974
Santos	27,779	389,960
	<u>56,094</u>	<u>454,934</u>

Decrease, Rio, for week, 36,659 bags, or 56.4 per cent. compared with last year.

Decrease, Santos, for week, 362,181 bags, or 92.9 per cent. compared with last year.

Decrease, both ports, for week, 398,840 bags, or 87.7 per cent. compared with last year.

Entries for crop to August 13th were:—

	1914	1913
Rio	336,553	291,556
Santos	1,106,531	1,618,772
	<u>1,443,084</u>	<u>1,910,328</u>

Increase, Rio, for crop, 44,997 bags, or 15.4 per cent. compared with last year.

Decrease, Santos, for crop, 512,241 bags, or 31.6 per cent. compared with last year.

Decrease, both ports, for crop, 467,244 bags, or 24.5 per cent. compared with last year.

Entries at Rio and Santos to August 13th or corresponding dates of previous six years were:—

1914-15—1,443,084	1911-12—1,727,528
1913-14—1,910,338	1910-11—1,897,615
1912-13—1,554,200	1909-10—3,454,183

Clearances to 13th August were as follows:—

	Week ended August 13		Crop to August 13	
	Bags	£	Bags	£
Rio	28,875	63,814	259,926	580,338
Santos	500	1,425	409,217	1,185,713
1914-15	29,375	65,239	669,143	1,766,056
1913-14	271,995	764,321	979,877	2,731,138

Decrease clearances for both ports for current crop to 13th August 310,734 bags or 31.7 per cent.

Decrease in value £965,082 or 35.3 per cent., as against 13.5 per cent. on August 6th.

Stocks were:—

Rio	225,267	230,337
Santos	1,151,615	1,185,252
	<u>1,376,882</u>	<u>1,415,589</u>

Stocks Rio and Santos—

August 14th, 1913	1,706,204
August 7th, 1913	1,834,883
August 15th, 1912	1,782,331

Santos, August 15th, 1914.

As far as this market is concerned, business has come to a deadlock, there is no desire to buy or to sell and all are awaiting events to clear the way for new transactions, which for obvious reasons will be first resumed with the United States.

Two steamers, with about 60,000 bags, left the port during this week for that country and more are to follow, although under existing difficulties of getting ready money, even the dispatch of the goods, i.e., the payment of the export duties, causes considerable trouble, not to speak of the reimbursement of the value of the merchandise, which has to be postponed until the ship arrives at its destination, as buyers of drafts on New York are few and far between. It goes without saying that larger transactions are, under such conditions, a foregone conclusion and the establishment of a bank with direct connections with New York imposes itself—so to say.

The reestablishment of commercial relations with European countries, however, seems to be far afield. An attempt was made in New York to resume business in futures, but fluctuations turned out to be so violent that people again desisted and business will be confined to actual coffee.

On Monday next the banks will open again and we shall then see whether some kind of a business can be transacted.

Arrivals from the interior in the meanwhile are insignificant, but will increase so soon as the banks open. Presumably prepayment of freight will be exacted by the railways, which in itself would be sufficient to counteract excessive remittances.

News from the interior report continued dry weather and a general flowering is expected after the first rainfall, but whether fructification will take place is at least an open question in view of the excessively prolonged period of drought we have experienced since February last.

Commenting on the decline of exchange to 15 29-32d., the New York "Journal of Commerce" interprets this as a bear point seeing that the loan would bring money into the country and help to relieve local markets from the pressure they have suffered from so long. In this connexion, one contemporary remarks that 18 to 20 per cent. is still charged by Brazilian banks for loans, but as most if not all the money received in Brazil for the coming Federal loan will be disbursed at Rio and, a large part of it at least, be at once remitted to Europe for payment of trade liabilities, it is by no means clear how the loan could help the Santos coffee market to any extent, though, of course, the disbursement of six or seven millions sterling would make monetary conditions at Rio easier and so react on those at Santos and S. Paulo. The ease, however, would not last very long, as the greater part of the proceeds of the loan receivable in Brazil, that in no case would exceed 105,000 contos, would be utilised for liquidation of the large outstanding foreign obligations to local firms, long out of their money, whose combined engagements in Europe and the United States are probably in excess of the amount to be disbursed locally by the Federal Government. In this case the gold imported for the loan would go out almost as quickly as it entered and would add little if anything to the volume of the circulating medium, the only means by which monetary conditions could be eased, unless it were by the realisation of the pending £10,000,000 loan for S. Paulo, of which £5,000,000 at least will go to that State and so materially improve local monetary conditions, and, indirectly, the price of coffee. Otherwise we fail to understand how a purely federal loan, big as it promises to be, could be of much assistance to coffee.

The New York "Journal of Commerce" says that its Havre correspondent expects that crop movements from Brazil for the first few weeks would be rushed to market, but that that crop will ultimately be between 8½ or 9 millions at most.

MONEY.

On Wednesday the moratoria bill was considerably amended in the Chamber of Deputies and returned to the Senate. On Thursday the Senate adopted all the amendments made in the other house. The bill was signed by the President on Saturday evening and became law the following day. The bill now reads as follows:

Art. 1. Be suspended, throughout the Republic, for a term of 30 days, to count from the due date, so long as this occurs within the stipulated term, with power to the Government to prolong the term one or more times, but not for more than 120 days.

a) The enforcement of obligations relating to bills of exchange, promissory notes and all other commercial bills whatsoever, as also loans against mortgages or hypothecations, but are not included in the suspension:

I Withdrawals of deposits without interest;

II Withdrawals up to 10 per cent. monthly of the deposits in current account with interest;

III Withdrawals up to 50 per cent. when made by the Union or the State.

b) Protests, enforcement of guarantees and the foreclosing of the bills and instruments referred to.

c) Fiscal actions for the collection of Federal taxes and for the collection of Municipal taxes in the Federal District.

d) The exchange for gold of Caixa de Conversão notes. But within the period stipulated the Government may resolve that the suspension be continuous or intermittent or permit the exchange for amounts daily determined upon.

Art. 2. The gold actually in the Caixa de Conversão shall remain in deposit for the sole purpose of exchanging notes in accordance with the guarantees and penalties imposed by statute in the Act 1575 of 8th December, 1906.

Art. 3. Term transactions effected after the date of the publication of this law are not included.

Art. 4. The decree of 3rd August which established as closed days the 4th to 15th of same month inclusive is hereby approved and merely delays evictions, act of foreclosure, opening of failures and the raising of any due dates of whatever term whilst in force.

Note—Contracts and other judicial acts and judgments made during the days to which this article refers are valid.

Art. 5. The moratoria for the national and foreign banks will cease when they shall have received financial assistance from the State by means of an emission or otherwise and for the creditors of the Treasury when they shall have received payment of their accounts.

Art. 6. This law will be in force in the Federal District from the date of its publication in the "Diario Official."

Note.—The Executive will take measures that the text of the act will be transmitted by cable to the governing Presidents of States in order that the act being published it shall be in force immediately in the zones of the several capitals and in the other zones on the same day of publication made in audience by the High Court Judge.

Art. 7. All laws to the contrary are hereby revoked.

The week has been one of nervous anxiety for the whole of commerce and must continue so for many a long day to come. The passing into law of the moratoria bill will act as a partial soporific, but the local strain will not be much relieved until the Government has liquidated the colossal sum it owes to the market. The proposal to issue inconvertible notes to effect this purpose promises to meet with great hostility in the Chamber of Deputies.

The foreign banks, at a conference held on Sunday, resolved to subject themselves to the moratoria bill, that is to say, they agreed to restrict withdrawals from deposits receiving interest to 10 per cent. At the same conference it was resolved to adopt the rate of 14d. per milreis for the payment of bills due in sterling and the equivalent rate for bills due in other foreign currency.

The tendency latterly has been to exaggerate the gravity of the local difficulties, but we are inclined to believe that we now know the worst and, therefore, look for a gradual restoration of confidence.

Owing to certain articles having recently appeared in the local papers asserting that the foreign banks do not sufficiently assist commerce, we give below the sums lent in Rio de Janeiro alone by the respective foreign banks against bills and other securities as shown in their balance sheets of 31st July ult. :—

	Advances against		
	Discounts	security	Total
London and Brazilian...	2,395:803\$	8,817:783\$	11,213:586\$
London and River Plate	1,898:043\$	6,287:666\$	8,185:709\$
British of S. America...	7,681:484\$	25,751:503\$	33,432:987\$
Brasilianische fur Dd...	7,950:148\$	18,260:494\$	26,210:592\$
Allemao Transatlantico .	3,493:423\$	8,365:893\$	11,859:316\$
Germanico	3,220:224\$	8,632:973\$	11,853:197\$
	26,639:125\$	76,116:252\$	102,755:377\$
Française et Italienne (for all Brazil)	14,893:978\$	23,967:534\$	38,861:502\$
	41,533:103\$	100,083:776\$	141,616:879\$

CUSTOMS REVENUE (FEDERAL)

	1914	1913	Decrease
January	£714,078	£894,690	£180,612 or 20.2%
February	584,262	802,027	217,765 or 27.2%
March	565,129	950,500	385,371 or 40.4%
April	500,238	909,756	409,518 or 45.0%
May	512,202	902,861	390,659 or 43.3%
June	504,144	881,293	377,149 or 42.8%
July	533,672	890,680	357,008 or 40.1%
	£3,913,725	£6,231,807	£2,318,082 or 35.6%

	1914	1913
Rio, 1-15 August	£194,271	£438,874
Decrease, £244,603 or 55.7 per cent.		

London, 23rd July, 1914.

Brazilian Traction. The reply of Mr. Alex Mackenzie to the statement of Guinle would seem to dispose of this bugbear once and for all. As far as Rio is concerned it is ancient history, and, as "The Financial Times" remarks, but a revival of obsolete rumours long since conclusively denied. Notwithstanding, Mr. A. Guinle returns to the charge in a letter printed in "The Times" of yesterday in which the main argument to prove the seriousness of the threatened competition is the difference between the rates for lighting and electric power for private consumption and charged by the Brazilian Traction and offered by themselves. But admitting even that Guinle succeeded in raising the not inconsiderable amount of capital necessary for laying the mains without the city area, what is there to prevent the Traction Co. from cutting the ground from under Guinle's feet by reducing their own rates lower still?

The Traction Co. has, moreover, the advantage of being the first in the field and of the tramway and public lighting monopolies to fall back upon. As regards the Cia Brasileira de Energia Electricidade, recent developments at Bahia would scarcely seem to lend much importance to threats of serious competition from that quarter.

S. Paulo Foreign Trade for the first 5 months of the current year shows as follows:—

	1913	1914
Imports	123,545,609	68,095,708
Exports	141,638,382	149,019,664
In favour of exports	18,092,773	80,923,956

Imports in 1914, it is seen, have fallen almost to half of those in 1913, whilst the value of exports has slightly increased, with the result that the balance in favour of S. Paulo's exports is 62,831,183\$ or £4,188,746 greater than in 1913 and so left a much larger balance than expected is therefore available for liquidation of internal commercial obligations, whilst also aiding materially in the maintenance of Brazilian exchange. The largest shrinkage of imports was in iron and steel, machinery, wines and spirits, all more or less dispensable.

BRAZILIAN TRACTION AND COMPETITION.

GUINLE REJOINDER TO THE COMPANY'S STATEMENT.

From Mr. A. Guinle, writing on behalf of the Companhia Brasileira de Energia Electrica, which proposes to compete in Rio

de Janeiro with the Brazilian Traction Company, we have received a rejoinder to the statement on behalf of that company which appeared in "The Times" of Saturday last. We make the following extracts:—

As to the exclusive privilege of the Brazilian Traction Company, which expires next year, and the competition which would then take place, the statement of Mr. Alexander Mackenzie, the ex-officer of the companies, on behalf of the Brazilian Traction, reads as follows:—

"The distribution of electric energy for the public and private lighting of Rio de Janeiro is under the jurisdiction of the Federal Government and National Congress, and distribution of power under that of the Municipal Council of Rio de Janeiro. Up to the present time these bodies have not determined whether after 1915 other concessions shall be given authorising competition under the existing circumstances."

In order that you may judge the truthfulness of this statement, we beg to transcribe hereunder the reference made in the message addressed to Congress on May 3, 1914, by the present Government of Brazil, reading as follows:—

" . . . More favourable will be the situation when the part of the contract relative to the privilege of supply of energy by the Light and Power Co., Ltd., will expire in September, 1915, which will then permit to establish the regime of the free competition within the limits of a maximum price, thus affording to the inhabitants of the Federal district electric installations under less onerous conditions."

As to the views of the Municipal Council of Rio de Janeiro, same were implicitly expressed by awarding to the Cia. Brasileira de Energia Electrica a concession in the year 1910, to which we shall allude later on, and, further, in the fact that at the very moment the Municipal Council in discussing Project No. 59 deposed since May 29, and which is to regulate the whole matter concerning the competition for the year 1915, which will be then effective.

JUDGMENT AND APPEAL.

The concession of the Cia Brasileira de Energia Electrica has not been annulled as asserted by the Brazilian Traction. From the judgment obtained by the Rio de Janeiro Tramway Light and Power Company an appeal was interjected which, according to our laws, suspends the effects of the Judgment alluded to in the statement of the Brazilian Traction. On the other hand, the ex-officer has not given the true information when he said that the sentence obtained by the Rio de Janeiro Tramway Light and Power Company is perpetual, and this because, as you very well know, no sentence is perpetual if there is place for appeal to Higher Courts, which is the case. Furthermore, it is very important to note (and this was omitted by Mr. Alexander Mackenzie) that the judicial rights alleged by the Light and Power Company in order to obtain the annulment of the Cia. Brasileira de Energia Electrica's concession are based on the fact of the existence of their privilege which rights virtually cease with the expiration of the alluded exclusive privilege. Therefore, no matter what would be the final result of the action brought by the Brazilian Traction against the Cia. Brasileira de Energia Electrica with the sole purpose of postponing as much as possible the inevitable competition these sentences will be applicable only until 1915. The concession awarded in 1910 by the Prefect of Rio de Janeiro was good and valid, and will automatically come into force at the expiration of the privilege of the Light and Power Company.

EXISTENCE OF WORKS.

As to the period of the Brazilian Traction's statement regarding the capacity of our own power station, we would reply by saying that your paper, dated February 27, 1912, published an illustrated Supplement giving a description of the works of the Cia. Brasileira de Energia Electrica and the equipment of same, mentioning that there existed three turbines of 5,150 h.p. each, which makes a total of 15,450 h.p., as well as a photograph of the plan for the distribution of electric light and power in the City of Rio de Janeiro approved by the Mayor of that city. The transmission line stops at the suburbs of the City of Rio, near the railway station called Mangueira.

The same illustrated Supplement published the photographs of the Rio de Janeiro Transmission Line, showing the towers already set up, which are built as far as the limits of the Federal District—i.e., as far as the suburban part of the City of Rio de Janeiro.

PRICES UNDER COMPETITION.

Finally, with reference to the paragraph "Difficulty and Effect of Competition," it is enough to say that the principal cities of the world are supplied with electric energy by more than one company, which have not encountered the insurmountable obstacles mentioned by the Brazilian Traction. At any rate, we are of a different opinion to the ex-officer of the Brazilian Traction, in so much so that according to Clause 11 of the contract passed by the Cia. Brasileira de Energia Electrica and the City of Rio de Janeiro, we undertook the supply of the electric energy, adopting the same means of transmission as the Brazilian Traction, at the following prices:—

For a monthly consumption of not more than 1,500 kw.h., 125 reis=2d.; from 1,500 to 3,000 kw.h., 100 reis=1.6d.; from 3,000 to 7,500 kw.h., 90 reis=1.44d.; from 7,500 to 15,000 kw.h., 80 reis=1.28d.; from 15,000 to 30,000 kw.h., 60 reis=0.96d.; from 30,000 to 75,000 kw.h., 45 reis=0.72d.; from 75,000 upwards, 35 reis=0.56d.

Against the above prices and for the sake of comparison we must say that the price actually charged in the City of Rio de Janeiro is 380 reis, or 6.08d.

In conclusion, we must say that the success of the competition in Rio de Janeiro must not be admitted as dependent on the amount of power which the Cia. Brasileira de Energia Electrica may or may not have at their disposal at this present moment, but exclusively on the financing organisation of both companies interested in the competition, and by this we mean the criterion followed by either of them in the investment of their capital in order to achieve the same purpose. By the schedule above-mentioned you see that we are able to sell electric power at much lower prices, as we believe we can work on a more economical basis. These conditions alone will permit in the practical field the offer of lower prices, better conditions. As was stated a few days ago, the Cia. Brasileira de Energia Electrica has already acquired the necessary properties which will permit them to considerably increase the capacity of their power plant. On the other hand, having worked and intending to work with their own capital, the Cia. Brasileira de Energia Electrica are spared the necessity of indulging in periodical appeals to the public.

