

MR. J. P. WILEMAN'S WEEKLY LETTER

"MOSTLY ABOUT COFFEE"

September 1st, 1914.

No. 35.

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, 31st August 1914.

No quotations are available from Europe. New York quotations on Saturday: December, 7.15c.; March, 7.30c.; and May 7.40c.

Rio No. 7 6\$100 per 15 kilos. Santos nominal.

Entries for the week ended 27th August and 23th August respectively were as follows:—

	1914	1913
Rio	7,685	73,333
Santos	31,669	442,553
	<u>39,354</u>	<u>515,886</u>

Decrease, Rio, for week, 65,648 bags, or 89.5 per cent. compared with last year.

Decrease, Santos, for week, 410,884 bags, or 92.8 per cent. compared with last year.

Decrease, both ports, for week, 476,532 bags, or 92.3 per cent. compared with last year.

Entries for crop to August 27th were:—

	1914	1913
Rio	366,400	429,024
Santos	1,182,453	2,439,447
	<u>1,548,853</u>	<u>2,868,471</u>

Decrease, Rio for crop, 62,624 bags, or 14.6 per cent., compared with last year.

Decrease, Santos, for crop, 1,256,994 bags, or 51.5 per cent. compared with last year.

Decrease, both ports, for crop, 1,319,618 bags, or 46 per cent. compared with last year.

Entries at Rio and Santos to August 27th or corresponding dates of previous six years were:—

1914-15—1,548,853	1911-12—2,595,903
1913-14—2,868,471	1910-11—2,862,688
1912-13—2,217,244	1909-10—4,720,292

Clearances to 27th August were as follows:—

	Week ended August 27		Crop to August 27	
	Bags	£	Bags	£
Rio	33,085	61,710	323,386	709,177
Santos	37,351	106,435	611,430	1,761,944
1914-15	70,436	168,145	934,816	2,471,121
1913-14	280,021	782,465	1,573,507	4,386,911

Decrease clearances for both ports for current crop to 27th August 638,691 bags or 40.6 per cent., as against 33.2 per cent. on August 20th.

Decrease in value £1,915,790 or 43.7 per cent., as against 36.1 per cent. on August 20th.

Stocks were:—

	August 27	August 20
Rio	184,161	211,844
Santos	1,097,233	1,131,225
	<u>1,281,394</u>	<u>1,343,069</u>

Stocks Rio and Santos—

August 28th, 1913	2,343,550
August 21st, 1913	2,154,244
August 29th, 1912	2,244,154

Santos, August 29th, 1914.

As prices for spot goods advanced a few hundred reis, owing to the fall of the exchange rate, a fair business was done during the week under review.

The United States were, of course, the only buyers, but there was also some demand from neutral countries in Europe; the diffi-

culty, however, of executing such orders lies with the reimbursement.

Shipments to Italy could be financed by drawings on Genoa, Milan or Rome and such bills would be discounted by Italian import houses or banks in S. Paulo, but how can bills be placed on Christiania or Stockholm? Bills on Holland would be equally difficult to discount. Thus even comparatively small transactions with Europe meet with serious difficulties and until the Government renders more effective help, our market remains at the mercy of a few American buyers.

With the emission of 250,000 contos of inconvertible notes, the moratorium is going to cease on September 15th and yet none of the commissarios know how to meet obligations due on that date, as they have neither received any supplies from the interior nor could they sell the little they held in stock when the down traffic stopped. Only finest goods of roasting merit are selected by the American buyers and that is a small particle only of the total stock on hand. With all that, it is well known that the amount of drafts maturing during September is as usual the largest and heaviest of the whole year, increased by those which stand over since 2nd July. Some will say: The Federal Government assists the banks with advances in new inconvertible notes, but that will only be sufficient to withstand any run and is certainly not enough to renew all drafts falling due during the month.

It therefore seems obvious that if the Federal Government does not prorogue the general moratorium respite, many might be forced to ask for a moratorium (respite) for themselves.

Only by monetary help, rendered to dealers directly can all these difficulties be overcome and the fall of the price in gold be stopped.

Receipts have been heavier of late as the Cia. Paulista does not wish to keep the convention not to receive coffee for delivery in Santos, it remains to be seen whether the English railway will follow suit and bring it down even at the risk of not having it taken out of their sheds by the consignee.

Shipments have been about 70,000 bags during the week.

News from the interior states that the trees are prepared for a good flowering in the next few days, especially in those districts which have a small crop this year. As everybody has enough to do with his own affairs to keep afloat, this news has not been appreciated.

It is very curious what has happen here with the gold notes of the Caixa de Conversão. They are received by the S. Paulo Government in payment of the surtax of frs. 5 per bag at the rate of 15 7-8d. per milreis. As the interior of S. Paulo holds large quantities of these notes and as there is no influx of fresh means owing to the stoppage of all business, holders there are glad of the premium they can get for these notes, as they cannot now be exchanged into gold. Thus, after having been held at a premium of from 10 to 15 per cent., their price has settled down to 7 per cent, equal to Rs. 16\$050 per sovereign, when the Caixa is open.

The following is an extract from "The American Grocer" of August 5th:—

It is a wide open sea on which coffee is now sailing, as wide in fact as the globe. The suddenness and magnitude of this great European war staggers the mind and none can forecast the future.

All values are temporarily at a discount in stocks and merchandise, provisions and all food staples.

Coffee alone is advancing, not through any extra demand, but for lack of transportation. It cannot be shipped from any port without the risk of capture of war vessels now scouring the seas for prizes.

The United States alone as a great world Power is immune, but unfortunately there is no merchant marine under the American flag sufficient for the transportation of our commodities and returning with needed freight from other countries.

Temporarily, therefore, coffee cannot be shipped out of Brazil as the two countries most largely in the shipping line from Brazil ports are England and Germany, both now at war and their ships searching for ships of valuable merchandise to capture.

While this coffee blockade continues all countries like our own must depend on the coffee in stock or just arriving before new supplies can be obtained. If the ocean blockade is of long duration there can be but one outcome—higher prices for the stock on hand. This is already taking place and spot coffee like Santos 4s has advanced in the New York market since Saturday, Aug. 1st, from 10½c. lowest sale, to 13½c. firm all through the coffee district on Monday and Tuesday, with the prospect of another advance by Wednesday.

There is some trading in futures, although the Exchange is closed, but it is not general. Monday's quotations of futures were 7.65c. for September; December, 7.85c., and March 8c. At these figures there was a rise of 90 to 95 points since Thursday, July 30.

The immediate effect of the war news was to stop the demoralisation of the coffee market which began on Thursday when futures as well as spots showed pronounced weakness. The weakness in spots was occasioned by the large decline in futures and the fear of a break in Brazil growing out of the immediate failure of the \$100,000,000 loan.

It is well at this juncture for the coffee trade at large to look the situation square in the face and realise the fact that there are not more than 2,000,000 bags of actual coffee in the whole American market available, and the afloats will not add 200,000 bags more even if successfully landed. There is, therefore, not a supply sufficient to last over four months at best, and none can be shipped to us from Europe for fear of capture.

While it is true our Congress will legislate a plan whereby Brazil can shipp coffee to us under our flag, yet that will take time, and meanwhile the supply is daily decreasing. The safe thing to do is to buy and sell in the daily order of business but avoid all speculation, for the risks are too uncertain for such ventures, and there is not actual coffee enough in sight here for speculative purposes.

In fact, a visit to the leading coffee firms, importers and jobbers, early in the week, we found them averse to making large sales to any individual houses, local or out of town, and one large firm was only selling out of town customers in small jobbing lots.

The rapid rise in exchange is of as much concern as any other feature, and the possibility of a still greater advance halts action as buyers can make no real contracts as to cost until the exchange is added thereto. The matter of insurance also is quite an item now in the cost.

As to the new crop movement in Brazil, it is heavy enough to make sure of rapidly increasing supplies.

There is no fear of a coffee famine provided the way of safety in shipment to our ports is arranged by our Congress.

The coffee situation is clearing off as far as Brazil is concerned, as she has declared a holiday until August 15, which stops all payments and by that time, as we said in Coffee Gossip, a general suspension of payments among other nations, will follow. Spot coffee has advanced. Santos 4s were held at 13½ and Rio 7s at 9 to 9¼c. Wednesday and advancing. Futures are also advancing. September to 8.10c. and December to 8c., and the outlook is for higher prices for spots and futures.

Fred P. Gordon and Co., August 3rd, state as follows:—

President William Bayne, Jr., of the Coffee Exchange of the City of New York, made the following statement this morning to the members:—

"Under the authority conferred upon your Board of Managers by you, this Exchange is declared closed for trading purposes, and will so remain until further notice.

"At least twenty-four hours' notice will be given before the resumption of trading.

"Until trading is resumed rings and margins will be figured at the 1.30 p.m. prices of July 30, 1914.

"In view of the unsettled condition of affairs, all members of the Exchange are urged to facilitate rings, and otherwise settling all contracts capable of being settled."

The spot market is entirely nominal, some holders declining to name prices, but others offer limited quantities to roasters only on a basis of 8½-¾ invoice No. 7 Rio, and 12½-¾ for No. 4 Santos, but these offers are not firm, and are subject to confirmation, as the situation is without precedent and may change at any moment.

We advise buying only for actual wants, and selling on the basis of the probabilities of opportunity to replace stocks.

The New York dealers will endeavour to supply the immediate wants of roasters, but will refuse to encourage any speculative buying, as they cannot buy in Brazil at reasonable prices, and the element of exchange and insurance is entirely an unknown detail of cost.

Mild coffees are irregular and Bogotas and similar kinds are not materially changed, but Maracaibos follow the advance in Brazil kinds, although it is impossible to tell what could be done with orders in hand for any kind of coffee.

MONEY.

Exchange, Monday, 24th August. The three English banks drew at 13 1-2 on London at 90 days sight and during the day the British Bank of South America sold drafts at 13 5-8. Suitable bills were bought at 14d.

Tuesday, 25th August. The market opened with the English banks quoting 13½ but owing to the absence of cover they lowered the rate to 13¼.

Wednesday, 26th August. The banks adopted the rate of 13¼ for collection of sterling bills on London at 90 days' sight and in the absence of sufficient suitable cover declined to quote for ordinary remittances.

Thursday, 27th August. The market was again nominal and no drawing rates were quoted. The collection rate remained the same.

Friday, 28th August. There was again no change, the banks declining to draw.

Saturday, 29th August. The rate for the collection of bills due was lowered to 13d., otherwise the market remained in the same condition.

Sovereigns were sold during the week by banks and money changers between 18\$000 and 20\$500 and closed the week at 19\$500.

EMISSION BILL.

The following bill authorising the omission of inconvertible paper money was signed by the President of the Republic on Monday, 24th August.

Art. 1. The Government is authorised to issue notes of the National Treasury to the amount of 250,000 contos of reis in the following manner:—

I. Up to 150,000 contos to meet the debts of the said Treasury for expenditure legally authorised and registered;

II. Up to 100,000 contos for loans to banks under the following conditions:—

(a) Against commercial bills or Federal Government stock, either being received at 70 per cent. of its nominal value.

(b) Against deposits of Caixa de Conversão notes at their face value in reis or coined gold at the exchange of 16d. per milreis.

§1 In case the security lodged by the banks be considered by the Government, at any time, to be insufficient, the borrower will be obliged to increase the same and if not done the Government will sell, in public sale, independently of any judicial intervention, the securities deposited in guarantee, and will sue the debtor for the balance of the credit, which will be considered a duly acknowledged debt for all legal intents and purposes.

§2 Loans made under conditions referred to in paragraph (a) of clause II will bear interest at 6 per cent. per annum up to six months and thereafter an additional 1 per cent. for each month that follows. Loans made under paragraph (b) will not bear interest.

§3 To redeem the emission authorised in clause I, there is to be set aside a sum corresponding to 10 per cent. of the amount of the gold duty convertible into paper of the customs revenue of Rio de Janeiro and Santos, and the proceeds of that portion shall be directly and daily lodged, by the inspectors of the Custom Houses referred to, in the Caixa de Amortização, whose Directors will incinerate weekly the notes thus received. The penalties mentioned in Art. 10 of Act No. 2110 of 30th September, 1909, will be applicable to the officials who fail to give effect to this provision.

§4 There will be applied, likewise, to the redemption of the said emission referred to in No. I the balance of the interest specified in paragraph 2 after deducting the expenses of the service of the emission.

§5 Loans authorised in clause II must be redeemed by 31st December, 1915 and the borrowing banks will at once pay in to the Caixa de Amortização the notes corresponding to the amount of their debts which will be incinerated in the same manner and subject to the same penalties as stated in §3. No further loan being permissible if the maximum amount of the emission has been reached. As the amortisations are made, the Caixa will give a voucher to enable the Treasury to exonerate the debtor and return to him the corresponding amount of security. If at the end of the term the bank shall not have complied with those requirements the Government will proceed to deal with the debtors as provided for in §1, supposing the same principles, there determined prevail.

§6 Those banks availing themselves of loans conceded under cl. II will form a "consortium" and will give an undertaking to adopt, in their exchange operations, the rate agreed upon with the Bank

of Brazil. In case of disagreement regarding the rate to be posted, the Minister of Finance will decide and his decision shall be binding on all. The bank belonging to the consortium which refuses to accept that decision or does not conform with the rate agreed upon will be obliged by the Government immediately to pay in to the Caixa de Amortisação the amount of its debit having due regard to the provisions prescribed for in §1.

§7 Before conceding a loan to a foreign bank, the Government will previously verify whether at least two-thirds of its capital is already in this country, as stipulated in §1 of Art. 47 of Decree No. 434 of 4th July, 1911, and in default there will be granted a reasonable time in which to conform, under pain of its authorisation to operate in this country being cancelled. The general rule as to capital applies equally to the reserve fund.

§8 This act will become law from the date of its publication. The moratoria and suspension of distraints for taxes due, decreed by law, shall cease at the end of the first 30 days, but the provisions relating to the exchange of Caixa de Conversão notes will continue in force.

Art. 2. All dispositions to the contrary are hereby revoked.

(Signed) Hermes R. da Fonseca

Rivadavia de Cunha Corrêa.

Business Done on the Rio Stock Exchange during the week ending 29th August, 1914:—

Amount	Price	Closing Quotations.	
		Sellers	Buyers
PUBLIC FUNDS—			
221 Apolices Geraes, 1:000\$			
5% (integ.)	820\$-840\$	848\$	835\$
5 Ditto (tit. prov.)	800\$-820\$		800\$
1 Ditto, 500\$, 5% (integ.)	800\$		
8 Ditto, 200\$ (integ.)	800\$-820\$		
12 Emp. Nacional (1903)	900\$-930\$	940\$	
583 Emp. Nacional (1909)	800\$-823\$	810\$	808\$
10 Emp. Nacional (1911)	798\$		795\$
26 Est. de Minas Geraes	805\$-810\$	805\$	802\$
79 Est. do Rio (4%)	76\$-78\$		77\$500
431 Emp. Municipal (1906)	180\$-184\$	183\$	182\$
6 Ditto (Nom.)	185\$		185\$
11 Ditto (1909)	150\$		
100 Ditto (£20)	285\$	300\$	
87 Ditto (Nom.)	280\$		286\$
260 Ditto (1914)	165\$-168\$	170\$	165\$
100 Ditto (Nom.)	170\$		169\$

BANKS—			
129	Brazil	190\$	192\$
21	Commercial	150\$	
80	Commercio	150\$	
	Lavoura		95\$
	Mercantil		250\$ 200\$
	Nacional Brasileiro		195\$
RAILWAYS—			
	Goyaz		35\$
	Minas A. Geronimo		18\$500 17\$
	Rêde Sul Mineira		43\$
50	Industrial Mineira	200\$	
SUNDRIES—			
	Centros Pastoris		20\$
850	Docas da Bahia	25\$-27\$	23\$ 23\$
181	Ditto (Nom.)	395\$-400\$	400\$
1200	Loterias Nacionaes	19\$500-20\$500	20\$ 16\$
	Meih. do Maranhão		37\$ 20\$
700	Terras e Colonisação	6\$500-7\$250	7\$250
	America Fabril		185\$
	Banco União de S. Paulo.		60\$
	Brazil Industrial		165\$
	Confiança Industrial		160\$
167	Docas de Santos	180\$-184\$	182\$500 175\$
270	Tecidos Botafogo	85\$-100\$	
	Magunse		110\$
2315	Soberanos	19\$-19\$800	

CUSTOMS REVENUE (FEDERAL)

	1914	1913
Rio, 1-29 August	£342,090	£338,667
Decrease, £496,577 or 59.2 per cent.		

INLAND REVENUE (FEDERAL)

	1914	1913
Rio, 1-29 August	Rs. 2,246,843\$	3,393,456\$
Decrease, Rs. 1,146,613\$ or 33.8 per cent.		

RUBBER.

Latest London Quotations:—

	August 22	August 29
	s. d.	s. d.
Hard Fine Pará	2 10	3 1
Plantation	2 2	2 4

