

**MR. J. P. WILEMAN'S WEEKLY LETTER**

**"MOSTLY ABOUT COFFEE"**

September 15th, 1914.

No. 37.

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**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, 14th September, 1914.

No quotations are available from foreign markets.

At Santos No. 4 was sold at \$3900 to \$4000 per 10 kilos and at Rio No. 7 was quoted at \$5600 per 15 kilos.

Entries for the week ended 10th September and 11th September respectively were as follows:—

	1914	1913
Rio .....	20,394	78,906
Santos .....	117,363	478,121
	<u>137,757</u>	<u>557,027</u>

Decrease, Rio, for week, 58,512 bags, or 74.2 per cent. compared with last year.

Decrease, Santos, for week, 360,758 bags, or 75.5 per cent. compared with last year.

Decrease, both ports, for week, 419,270 bags, or 75.3 per cent. compared with last year.

Entries for crop to September 10th were:—

	1914	1913
Rio .....	397,960	582,993
Santos .....	1,386,116	3,368,923
	<u>1,784,076</u>	<u>3,951,916</u>

Decrease, Rio, for crop, 185,033 bags, or 31.7 per cent. compared with last year.

Decrease, Santos, for crop, 1,982,807 bags, or 58.9 per cent. compared with last year.

Decrease, both ports, for crop, 2,167,840 bags, or 54.9 per cent. compared with last year.

Entries at Rio and Santos to September 10th or corresponding dates of previous six years were:—

1914-15—1,784,076	1911-12—3,597,744
1913-14 $\frac{1}{2}$ 3,959,916	1910-11—3,974,178
1912-13—3,022,396	1909-10—5,956,791

Clearances to 10th September were as follows:—

	Week ended 10 Sept.		Crop to 10 Sept.	
	Bags	£	Bags	£
Rio .....	22,386	31,322	400,060	845,449
Santos .....	135,039	242,422	772,937	1,921,886
1914-15 .....	157,425	273,744	1,172,997	2,767,335
1913-14 .....	170,466	443,011	2,135,716	5,929,508

Decrease clearances for both ports for current crop to 10th September, 962,719 bags, or 45.1 per cent., as against 48.4 per cent. on August 27th.

Decrease in value £3,162,173 or 53.3 per cent., as against 51.9 per cent. on September 3rd.

Stocks were:—

	Sept. 10th	Sept. 3
Rio .....	127,504	164,587
Santos .....	1,051,721	1,026,935
	<u>1,179,225</u>	<u>1,191,522</u>

Stocks Rio and Santos—

September 11th, 1913 .....	2,749,379
September 4th, 1913 .....	2,558,035
September 12th, 1912 .....	2,536,997

Santos, September 12th, 1914.

The weakness of the coffee market, on which we remarked last week, became accentuated during the first days of the week under review, the fear of not being able to meet the liabilities on the 15th of this month being the chief cause.

Very cheap offers from here aggravated the situation in New York, from where cost and freight business was reported at \$7.50 for types 4 and 5, equal to about \$3500, and c.7.80 for types 3 and 4, equal to about \$3700.

These prices anticipate a heavy fall of the currency price, owing probably to heavier receipts and a further depreciation of the exchange rate on New York, which varies now between \$3600 and \$3700 per dollar, the equivalent of about 13 23-32d. or 13 11-32d. respectively, whilst bills on London can be placed simultaneously at 12  $\frac{1}{4}$ d. to 12  $\frac{1}{2}$ d.

All this shows that commercial anarchy is reigning supreme and that all connections and relations are haphazard.

The above-mentioned prices, at which business is reported, were established, of course, with the idea of provoking the fall, as simultaneously orders were executed at 9c. for type 3 and 4. and 8.50c. for 4 and 5.

The prorogation of the moratorium has exercised a steadying influence on the coffee market and prices are now more in favour of sellers, especially since yesterday (Friday).

Business is, moreover, reported for Scandinavian and Italian ports, so that a demand for European qualities establishes itself, which likewise helps the market.

Receipts have been fairly heavy for a few days, but fell off again towards the close of the week, prices evidently being too low, besides the outturn of the crop is not what was primarily expected and the tendency is to lower estimates to 8 millions and below. Shipments keep well up to arrivals and there is no stock accumulating.

The gathering will be finished everywhere by the middle of the month. In some parts it was interrupted for a week or so to allow the young fruit to firm.

All partial flowerings up to now have been of no avail whatever, but a better one is expected after the first rains which are beginning to fall now. All reports are unanimous in stating that the dry hot weather which prevailed from about August 20th has done a good deal of harm and reduced the trees considerably in looks and strength.

Hopes of a bumper crop in 1915-16, which till quite lately were so confidently propagated, were better abandoned entirely.

No news is to hand regarding the state of European markets. The heavy decline of 174,000 bags in one week of the Havre stock is remarkable, but the fear that land connections with that port might be severed is probably the cause of such heavy withdrawals, also the victualling of Paris against a siege.

London, 15th August, 1914.

Latest advices from New York, dated 13th August, state that the Coffee Exchange remains closed. Curb prices were easier on the belief that shipments from Brazil would be resumed within a day or two. On the kerb business was done September at 7.55c. to 7.20c., December 7.35c. to 7.20c., both positions closing at lowest. On spot No. 7 Rio was reduced to-day  $\frac{1}{2}$  to 8 3-8, as against 8 5-8 yesterday and 9c. Monday.

In London the removal of prohibition of export of coffee has stimulated demand and though the coffee exchange remains closed, a moderate amount changed hands.

Arrivals of coffee at Havre since August 1st were 5,733 bags, as against 4,379 last year.

Havre, says the "Bulletin," is now still free to import and export, so that the situation should shortly improve, the main difficulty being financial conditions. Besides, the greater number of our clients can no longer buy on the market and all that coffee can count on is the American market. It remains to be seen if the requirements of the United States are pressing enough to oblige the country to buy at the Havre market or in Brazil, when that market is reopened.

The French Minister of War has ordered a car to be attached daily to the train leaving Havre for the front with supplies of roasted coffee for the troops.

The action of the French Government in following the example of Great Britain with regard to insurance of war risks will ensure the position of Havre as regards coffee cargoes for that country and to some extent cut the ground from under the feet of London as distributor of oversea trade.

The announcement that the Brazilian Congress has decided to issue 300,000,000\$ of paper money will, in the long run, militate against a recovery of prices, seeing that so long as the supply is likely to exceed the demand for the commodity, each successive fall of exchange will only stimulate lower offers from that side, as happened in 1895-97. The war may stimulate demand for a time, in certain countries for military purposes, but in others like Germany and Austria, there will be a big falling off not only of the military but the civilian demand. Indeed, should the fall of exchange be very accentuated, it might be advisable to limit exports from Santos as that Government is still authorised by law to do so.

London, August 26th, 1914.

The following are various market reports:—

August 15th.—The terminal market remains closed, while there is but little doing on the spot. Rates, however, keep steady.

Coffee on the spot has ruled easy, and quotations have again been reduced  $\frac{1}{4}$ c. to 8 1-8c. to  $\frac{3}{4}$ c. per lb. for Rio sevens. The Board of Managers of the Exchange have now prohibited kerb trading in futures and have appointed a special committee to liquidate old contracts. No trades whatever are permitted below the quotations ruling at 1.30 p.m. on July 30, which was the last day the Exchange was open.

Coffee on the spot inactive. Terminal market remains closed. The Terminal Market. — The Clearing-house Committee held a meeting to-day to consider the proposal mentioned in yesterday's report, and issued the following circular:—The market will remain closed for the present. The Clearing-house will not accept any new business until further notice. In view of representations which have been made to the Board of Directors, that the coffee trade is desirous of being provided with the means of liquidating open engagements, it is proposed that buyers and sellers of contracts for future delivery, who wish to close their contracts, shall inform the London Produce Clearing House (Limited) in writing what months and in what quantity they are willing to do so. The following prices are suggested as a basis for a first settlement:—September, 37s.; December, 38s.; March, 38s. 9d.; May, 39s. 3.; and offers to sell or buy on this basis must reach the clearing-house as soon as possible, but not later than noon, August 24, at the same time stating quantity. For any quantities that balance the Clearing-house will then arrange carrying through of tenders, pro rata or by ballot. The committee of the coffee trade unanimously recommend, and with this recommendation the London Produce Clearing House is fully in accord, that September contracts not liquidated by either of the above methods by August 28 will be called "deferred September contracts" and will be due October 1, carrying an advance of 6d. per cwt. on their contract price, to be paid by the buyers. This 6d. per cwt. shall be paid immediately to the London Produce Clearing House. Weights that were valid for tenders due September 1 to hold good in fulfilment of same, sellers to be liable for 28 days' rent from September 28.

August 20th.—The Coffee Exchange has continued closed. A little business has been done privately in the shape of adjusting open contracts at 6.75c. for September and 7.05c. for December, which constitutes a decline of 20 to 25 points since the 18th inst. Spot coffee has been in lighter demand and the quotation of Rio No. 7 has been reduced to  $\frac{7}{8}$ c., a fall of fully 3-8c. since the 14th inst.

Spot market stagnant, futures market closed.

August 22nd.—Kerb market firm but quiet. Spot prices unchanged. Sales reported of 500 bags December futures at 7.05c.

August 22nd.—Spot market stagnant, futures market closed.

August 24th.—The Coffee Exchange continues closed, but a little curb business has again been done to-day at rather higher prices owing to reports of frost in Brazil. September sold at 6.85c. and December at 7.15c.

Coffee on the spot continues quiet. The terminal market remains closed. Referring to the circular issued by the London Produce Clearing House on the 19th inst., bids and offers have been as follows:—September.—Those willing to sell, sell about 25 per cent.; those willing to buy receive in full. December.—Those willing to sell, sell all; those willing to buy receive about 50 per cent. March.—Those willing to sell, sell about 50 per cent.; those willing to buy receive all. May.—Those willing to sell, sell all; those willing to buy receive about 10 per cent.

New York papers received to 11th August, say that jobbers are buying quite freely in fear of being shut off from Brazil markets, where a holiday up to 15th August has been declared. Interruption of shipping is also feared in spite of the action of the Senate to establish a line of cruisers and auxiliaries down both coasts of South America with a view of building up of trade with Latin America. Coffee on 5th jumped about a cent a pound, making two cents since closing of Exchange on 30th July. The "Journal of Commerce" of 8th inst., says that news of shipments from Brazil being renewed is anxiously awaited as the stock in sight is small. The worst feature, however, is the difficulty in securing exchange through London and Hamburg. Lamport and Holt Line is expected shortly to resume operations but the Prince line is laid up, so that trade with South America is at present restricted to the Lloyd Brasileiro and the U.S. and Brazil Steamship Line, which, charters ships of the American Hawaiian sailing under the American

flag. With regard to the proposal to tax coffee, the New York "Journal of Commerce" of 8th August remarks:—Presumably the report from Washington that the Government would impose an emergency tax upon coffee and tea to make good the loss on revenue through imports from Europe, which threatens to be very light during the war, added to the excitement, for this would necessarily inure to the advantage of the owner of coffee in the country at the time the impost was made. It remains to be seen whether the distributor will be able to shift the burden of the rise upon the consumer immediately, for the latter, it is pointed out, did not get the benefit of the decline in the green bean the past year and a half.

American advices to 14th August show that the market has quieted down on the report of the resumption of sailing by the Lamport and Holt Line and inauguration of a service by the Lloyd Brasileiro between Rio and New York.

Curb trading in options has dwindled to almost nothing in view of the discrimination by brokers against new and speculative business. The September liquidation has run its course and steadier conditions prevail. This month was quoted on 12th at 8.25c. and December at 8.10c.

The active buying which followed the outbreak of war seems to have supplied more urgent necessities. There appears to be little doubt as to adequate transport facilities, nor of any failure of supplies, seeing that there is practically the whole of the new crop at the disposition of consumption and that in several directions consumption will be curtailed. The task of replacing domestic stocks, especially of more desirable grades, is not so easy as it seems, in view of the increase of freight rates and war risks, and above all the difficulty of financing shipments. On the curb there was little trading, 7.45 for September and 7.35 being quoted on 14th August for December delivery. The drop in prices was explained by the nervousness of holders inclined to sacrifice profits in view of developments in Brazil. There was talk of offers against New York credits, provided the war risk could be arranged. The clearance of 22,000 bags from Santos was said to be on credits arranged some time before. The issue of paper money in Brazil was expected in New York to benefit planters in so far as it tended to reduce cost in the producing country.

#### MONEY.

Exchange. All the week the market continued practically paralysed, only a little business was done between 12 $\frac{1}{2}$ d. and 11 $\frac{1}{2}$ d. with a tendency to fall. The rate for cobranças opened on Tuesday at 13d., dropped on Wednesday to 12 $\frac{1}{2}$ d. and has remained since Thursday at 12 $\frac{1}{2}$ d.

Gold. There has been a considerable demand for sovereigns, the price fluctuating during the course of the week from Rs. 19\$500 to Rs. 21\$200 and closing on Saturday at the latter.

Business Done on the Rio Stock Exchange during the week ended 12th September, 1914:—

Amount	Price	Closing Quotations.	
		Sellers	Buyers
PUBLIC FUNDS—			
236	Apol Geraes de 1:000\$ 5% (integ.) .....	820\$-837\$	835\$ 830\$
4	Ditto (lit. prov.) .....	810\$	815\$
1	Ditto, 500\$, 5% (integ.) ..	800\$	
1	Ditto, 200\$ (integ.) .....	800\$	
13	Emp. Nacional (1903) .....	900\$-910\$	
662	Emp. Nacional (1909) .....	800\$-805\$	808\$ 805\$
102	Emp. Nacional (1911) .....	800\$	802\$ 798\$
	Est. de Espirito Santo .....		700\$
152	Est. de Minas Geraes .....	800\$-801\$	801\$
	Est. de Alagoas .....		805\$
	Federaes (3%) .....		680\$ 500\$
174	Est. do Rio (4%) .....	76\$500-77\$	80\$ 78\$
21	Ditto (ex-juros) .....	75\$	
307	Emp. Municipal (1906) .....	183\$-185\$	186\$ 184\$
65	Ditto (Nom.) .....	195\$-200\$	200\$ 197\$
3	Ditto (£20) .....	295\$	300\$ 294\$
50	Ditto (Nom.) .....	294\$	300\$ 292\$
586	Ditto (1914) .....	157\$-162\$	164\$ 162\$

## BANKS—

40	Brazil .....	180\$-170\$	180\$	
	Lavoura .....		100\$	
	Comercio .....		160\$	
	Mercantil .....			200\$
	Nacional Brasileiro .....			195\$

## RAILWAYS—

700	Minas S. Jeronymo .....	17\$500-79\$	19\$500	19\$
	Rêde Sul Mineira .....		42\$	34\$

## COTTON COMPANIES—

20	Alliança .....	135\$		
	Brazil Industrial .....		190\$	
	Brazil Industrial .....		180\$	
	Corcovado .....			130\$

## SUNDRIES—

	Centros Pastoris .....		22\$	
400	Docas da Bahia .....	21\$-21\$500	23\$	20\$
	Docas de Santos .....		400\$	360\$
89	Ditto (nom.) .....	365\$-370\$	390\$	355\$
800	Loterias Nacionais .....	17\$500		15\$
	Melh. do Maranhão .....		35\$	30\$
200	Terras e Colonização .....	6\$500	7\$	6\$250

## DEBENTURES—

	America Fabril .....		183\$	174\$
	Corcovado .....		190\$	
	Confiança Industrial .....			160\$
457	Docas de Santos .....	178\$-180\$	180\$	170\$
	Magense .....		110\$	
	Mercado Municipal .....		190\$	
25	Petropolitana .....	200\$		
170	Progresso Industrial .....	178\$-180\$		

## Exports by classification:—

	June-July, 1914	Jan.-July, 1913	Jan.-July, 1914	+ or -
Cotton .....	£ 301,004	1,199,986	1,781,986	+ 582,000
Sugar .....	591	61,192	68,652	+ 7,460
Rubber .....	618,007	7,123,054	4,744,171	-2,378,883
Cocoa .....	244,458	712,365	1,211,410	+ 499,045
Coffee .....	3,978,147	1,580,678	16,666,716	+ 858,038
Hides .....	490,227	1,473,562	1,401,481	- 72,081
Tobacco .....	476,028	1,269,505	1,414,307	+ 144,802
Maté .....	290,726	1,252,850	978,029	- 374,821
Skins .....	91,883	456,297	378,832	- 77,465
Sundries .....	517,238	1,710,125	2,129,054	+ 418,929
	£7,008,309	£31,067,614	£30,774,638	- 292,976

## Trade Returns for June, 1914, compared with 3 previous years:

	1911	1912	1913	1914
Imports ...	£3,915,435	£4,821,324	£5,805,591	£3,410,990
Exports ...	3,735,154	4,914,475	3,002,074	3,748,640

## Returns for six months January-June, 1911-14:—

	1911	1912	1913	1914
Imports ...	£26,303,292	£29,525,627	£34,972,206	£23,582,218
Exports ...	25,147,565	30,503,507	27,585,679	27,508,037

## Returns for July, 1914, compared with 3 previous years:—

	1911	1912	1913	1914
Imports ...	£3,976,949	£5,600,358	£6,111,786	£3,254,799
Exports ...	4,615,953	5,562,972	3,481,935	3,266,601

## Returns for seven months January-July, 1911-1914:—

	1911	1912	1913	1914
Imports ...	£30,280,241	£35,125,986	£41,083,992	£26,837,017
Exports ...	29,763,518	36,066,479	31,067,614	30,774,638

London, 25th August, 1914.

The breakdown of credit, the basis on which international trade and commerce was and must be transacted, is complete, and not wholly unforeseen as it was, has so disorganised and paralysed the mechanism of international business as to make it practically impossible to buy or to sell in the world's markets, because there

is no way to remit money from this, the clearing house of the world's trade, to other countries or to receive it from other countries.

The world's supply of gold being insufficient to finance even a tithe of international transactions, buying and selling has practically ceased, not so much in consequence of the transport difficulties, as because international exchanges are demoralised and, until credit conditions in London are reorganised, must continue so.

At New York no less than at Buenos Aires or in Egypt, hundreds of thousands of tons of wheat are waiting the reorganisation of credit to secure a basis for foreign exchanges; at Rio shipments of coffee are stopped, and of rubber from the Far East and Pará, not because producing markets will not sell or consuming markets decline to buy, but because in the absence of banking facilities for the acceptance and discount of bills of exchange, transactions are for the present on a purely cash basis.

The whole credit structure, checked by the closing of Stock Exchanges, and the exodus of gold from the great clearing house—London—tottered and the mechanism finally stopped.

A great deal has since been done to rehabilitate it; but, before the machine can be restarted and things go on as before, there are immense problems yet awaiting solution.

The immediate trouble is not so much one of transport as to readjust the mechanism of the bill of exchange.

Produce sold to a merchant at Rio is paid to the producer in cash and, as far as he is concerned, is liquidated.

At present, however, in consequence of the tightness of money in the Rio and S. Paulo banks and necessity of their protecting themselves against runs, little money can be available for purchase of bills of exchange, which, moreover, are liable to delays in payment in accepting markets, owing to the London moratorium, which it is expected will be renewed until October. So produce is practically unsaleable and primary markets as hard hit as others.

With regard to consuming markets, the difficulty, apart from the local moratorium, lies in the acceptance and discounting of bills of exchange representing produce. There was, for instance, at the outbreak of the war, an immense number of such bills representing the liability of German firms, accepted by German and other banks in London for such firms. When the war broke out remittances to cover those acceptances had not arrived, and they were left on the hands of accepting houses.

What foreign bills, already accepted when the war broke out, may amount to is at present incalculable, but for 10 days the Bank of England has been busy rediscounting them at the rate of £5,000,000 per diem, without, so far, making much impression on the mass. Deprived of the means of turning credit into money, the banks and discount houses, in their turn, found themselves hard pressed and only a moratorium could prevent a debacle. But with so much uncertainty ahead, bankers declined to take more risks or to increase their supply of bills.

Meanwhile international credit is virtually stopped and, taking advantage of the moratorium, bills of exchange are being refused payment even for small amounts.

To draw on London must be difficult, because bills could not be negotiated and, as business on a purely cash basis would be impracticable, manufacturing and mercantile operations would be brought to a standstill.

At this juncture, when the deadlock seemed insolvable—the British Government cut the Gordian knot by undertaking to guarantee the Bank of England against loss on discount of approved bills accepted previous to the 4th August, i.e., to the declaration of war “without recourse” whether bill be home or foreign. Seeing that bills to the value of some £40,000,000 carry the acceptance of the three great German banks—Disconto Gesellschaft, Deutsche and Dresdner, doing business in both London and South America, the undertaking was unprecedented and not devoid of risk. That, however, has to be faced and written off, if necessary, as a war risk. As, however, most of such bills are secured by collateral, losses estimated at £10,000,000 may not prove so heavy as is generally imagined. Anyhow, there seemed no other way to free the immense volume of capital locked up indefinitely. Even so, the discount market remains inactive, and accepting houses shy of new business.

Meanwhile, though the German banks have been permitted to open under Government fiscalisation, no business is being done, and cheques presented for payment are refused until express permission is given by the controller appointed by the Treasury.

If business conditions in London are puzzling, what must they seem to you in South America, thousands of miles away, deprived, as you must be, of adequate information by cable or by mail!

That the British Government should be reduced to South American expedients and issue paper money to protect its gold reserve; that a moratorium should have been declared by the British Government, not only for bills of exchange, but for all debts exceeding £5; that the Stock and other Exchanges should be closed and Government not only have to assume the responsibility of discounting acceptances to an indefinite amount and, moreover, have undertaken to insure British vessels and their cargoes against war risks: All this, but a month ago, would have seemed absolutely impossible. To-day, so quickly do events move, it is regarded merely as part of the tremendous issues forced on the country by the life and death struggle in which it has been so wantonly involved.

That the war will, on our side, be fought to a finish goes without saying. Success, however, must depend largely on the sinews of war being unimpaired and the supply of money from abroad being incessantly renewed, in the only way possible, through the mechanism of foreign trade. To enable neutral debtor countries to maintain payments to this country and to continue to import commodities on as large or larger a scale as before. Great Britain will have to restrain all its resources to substitute the goods hitherto imported from Germany and Austria and to maintain the freedom of the seas, whilst seeing to it that no unnecessary impediments are put in the way of oversea commerce, already so severely handicapped.

Freight rates are rising everywhere. The Royal Mail has announced an increase of 50 per cent., whilst from United States ports to Brazil the increase is anything from 50 to 100 per cent. For war risks £4 4s. per cent. is being charged on British ships and cargoes, whilst for Lloyd Brasileiro the rate is only half. Such charges are necessarily impediments to trade, raising the cost of both imports and exports and so serve to raise cost and consumption. When the sea is swept clear of German cruisers, as it will be, war risks may be expected to disappear or at least become almost nominal.

How individuals here, even in England, been affected by the crisis must be difficult to appreciate in Brazil, 6,000 miles away, from the meagre information afforded by the censured cable service.

In the first place, no code telegrams are allowed nor abbreviations of any kind. Cables are stopped by the censor without advice of nondelivery.

When war was declared there was a run for gold on the Bank and a large queue formed outside waiting to change their notes. This would no doubt have cleared all the gold out of the Bank, chiefly for export, had it been allowed to continue. The raising of the rate to 10 per cent. stopped large exports for the moment, but not the domestic demand, which was only assisted by the 5 days bank holiday. By that time bankers had got things well in hand and, without even suspending the Bank Act, had supplied the banks with large quantities of legal tender for domestic purposes. During these five days, however, it was practically impossible to change a cheque except into £5 notes, or change £5 notes into gold or silver, which seemed to have disappeared. The railways, even, refused to take anything but gold or silver coin and passengers for the Continent were hard put to it to get away. This referred to business transactions in general; no one would give change.

As a matter of fact, gold is employed in England only as change for Bank of England notes. Otherwise cheques are much more generally used and, now that £1 notes are available galore, the gold withdrawn in the panic is beginning to flow back to the Bank. These £1 and 10s. notes, it should be remembered, are not Bank of England notes and, therefore, not convertible. For that reason they are useless for foreign payments or for travellers leaving the country. It is, however, optional to banks to take advantage of the moratorium for disbursements of over £5, or to pay in the new legal tender or in Bank of England notes. In the two first instances, depositors in want of gold would be placed in an awkward position, as happened in several instances to passengers desiring to return to Brazil.

Bills accepted before the 4th August can be discounted at the Bank of England and there is, therefore, no excuse for the accepting houses to refuse payment on the grounds of the moratorium. But with regard to later acceptances, banks have the option both here and at Paris and I have heard instances of great hardship, when passengers landing from Brazil found themselves practically penniless and unable to raise a penny, as the accepting bank took advantage of the moratorium to refuse payment. It was to assist Brazilians stranded all over Europe that the Brazilian Government cabled £50,000 to the London and Brazilian Bank, part of which, I understand, will be utilised for discount of travellers' drafts.

There is no limit to the amount of crossed cheques, unless there is cause for suspicion as to the object of the payment. As regards aliens, withdrawals of deposits on current account is more restricted, but as far as English customers are concerned, business is proceeding practically on normal lines.

Banks here as a rule do take only limited advantage of the moratorium, requesting that as far as possible cheques should be crossed and that cash withdrawals shall be kept as normal as possible, i.e., not in excess of what depositors were accustomed to draw in that form whether in notes or in gold.

The consequence of the moratorium here and that in Brazil is that business between the two countries is practically stopped, it being as difficult to remit from here as to receive money from Brazil. The closing of the Stock Exchange is, perhaps, the worst feature of all, because it deprives merchants of the basis of valuation for the collateral security on which banking operations are chiefly transacted. The fear that the reopening of the Stock Exchange may be followed by wholesale failures and renewed depreciation of the collaterals held by the banks has hitherto proved an insuperable obstacle to renewal of this class of business. There is some talk of Government interference and guarantee. But what with insurance against war risk, guarantee of certain discount operations and the issue of unlimited loans and paper money, it would seem that this Government has enough to attend to without shouldering others' burdens. No doubt a way will be found by the Stock Exchange out of the *impasse*, as it has been found already by the Rubber Exchange, as explained in our Rubber column.

Applications for the first issue of £15,000,000 in Treasury Bill's, payable at 6 months, amounted to £42,000,000. Applications at £98 1s. 8d. are expected to receive about 48 per cent. and above that amount in full. The exact rate of discount was £3 13s. 1.42d. per cent.

**Brazilian Treasury Bills Renewed.** In consequence of the exceptional circumstances prevailing, the Brazilian Government is unable to pay off the £1,400,000 Treasury bills falling due August 25, and they propose renewing the same for one year—namely, to August 25, 1915, giving the holders in exchange for the bills due on August 25, 1914, new bills at the rate of 107 per cent., paying in addition a commission of 1 per cent. in cash. Holders are requested to deposit their bills for renewal on these terms with Messrs. Rothschild at New Court, St. Swithin's-lane; the new bills will be delivered as soon as possible together with a cheque for the commission.

**The Moratorium in France.** At the request of the Government the credit establishments have decided to allow depositors to withdraw 10 per cent. of their accounts independently of the 5 per cent. provided for by the moratorium.

London, August 27th, 1914.

So little information is obtainable as to what is passing at Rio that one has to trust chiefly to native intuition in drawing conclusions as to how the proposed issue of paper money will affect financial and monetary conditions.

It was announced some days back that Congress had approved the issue of 300,000,000\$ inconvertible notes, of which 100,000,000\$ to form an emergency issue in aid of the banks on lines similar to those proposed by myself to Drs. Fco. Salles and Rivadavia a year or so ago. The manner in which the cash reserves of the banks, native and foreign, had been shrinking during the last 3 years pointed unmistakably to systematic hoarding and the certainty of a run on most of them sooner or later, as has occurred. Under the circumstances, an issue of this kind was the only manner in which a run could be prevented and though the amount, 100,000 contos, seems excessive, the Government certainly acted wisely in this respect. As regards the balance intended for payment of the floating debt, it not only seems insufficient, seeing that the internal and foreign liabilities of this class are said to alone be over 300,000 contos, but we fail to understand how, if revenues are insufficient to meet actual expenditure, there can be anything to set aside for payment of interest and for amortisation of this new debt.

The war may last for years if, as both England and Russia maintain, they will only make peace when Germany is brought to sue for it and meanwhile there can be no improvement in the conditions of foreign trade in Brazil or for that matter anywhere, except

perhaps in the United States. It would seem useless under such circumstances to trust to the increase of imports for a revival of customs' revenue, which at present must be almost nil.

That Brazil can continue service of the foreign debt is impossible. What ought to be done at once is to suspend amortisation of all loans and maintain only payment of privileged debts, like the funding loan, in their entirety, and meet the service of all the rest pro rata, inclusive of the new forced issue, out of a fund that should be constituted by all surplus revenues after meeting the expenditure indispensable for federal administration. Otherwise it will be found later on that the 10 per cent. proposed by the bill to be set aside for amortisation of the debt will not be available and the last state of that issue be worse than the first.

Whatever the aims and objects of a fresh issue of paper money may be or howsoever it may be by nominal guarantees, an issue of 300,000 contos cannot fail to affect exchange and to depreciate the currency. Let there be no doubt about that!

For that very reason the smaller the issue the less violent the fall would be and instead of an issue of 300,000 contos of inconvertible paper, it would have been better to limit the issue to the amount requisite for payment of the internal floating debt only and give I.O.U.s for payment of the foreign portion of the floating debt without any or only a nominal interest. It may be imagined that foreign creditors would not accept such terms, but it would be a matter of Hobson's choice—that or nothing—and, moreover, it would always be an advantage to such creditors to obtain an even deferred undertaking on the part of the Government recognising their claims and so have a document that might serve in some way as collateral in case of necessity rather than to be exposed to the certainty of heavy loss from exchange.

The latest information about exchange is that it had risen from 14 to 14 1-8d., with very few bills offering against confirmed credits and no money. Naturally under such circumstances, exchange would be purely nominal. But as soon as the 300,000 contos are put into circulation, there will be not only plenty but far too much money to take exchange with and seeing that a large part even of the internal floating debt is ear-marked by foreign creditors, the demand for bills promises to be overwhelming, whilst the supply at the current prices for coffee and rubber, in view of the difficulties of transport, insurance, etc., be poorer than ever.

Some compensation for depreciation of the currency will, of course, be found in the lower cost of production of coffee, rubber and other exports. But unless the volume of production is kept at least on a level with consumption, a fall of exchange will be but the signal for renewed bear attacks, seeing that the producing markets will be constantly lowering their terms in their anxiety to sell, whilst consuming markets, on their side, would take advantage of the position to force the pace. Let there be no illusion about exchange; it can only be a bull factor for coffee if consumption is on a par or exceeds demand; scarcely likely whilst the war continues and Germany and Austria are virtually put out of the running as consumers of coffee.

As soon as the moratorium of 15 days expired, a run on the banks on your side seemed inevitable, unless the issue of paper money had been arranged in the interval. As a matter of fact there was, I understand, a run on one of the foreign banks at Bahia even previous to the 15 days' moratorium, but now that the crisis has arrived most of the foreign banks have come up to the scratch and are, I am informed, paying deposits as usual, whilst the Brazilian, German and Franco-Italian banks are taking advantage of the 30 days' extension of the moratorium. If that is correct it will be a great feather in the caps of the British Banks, hard pressed as they must be for cash and unable to supplement it by drawing.

The Caixa has also suspended gold payments, a quite unnecessary measure had my advice to place a prohibitive export duty (say 20 per cent.) on gold been adopted, as the effect would have been just the same, i.e., to keep the gold in the country without sacrificing the rights of holders of gold notes.

The following figures show the destination of the gold shipped from 1st January to 31st May of current year:—

Great Britain .....	£2,561,634
Argentina .....	1,950,329
France .....	701,766
Germany .....	258,358
Montevideo .....	55,500
Italy .....	48,529
Austria .....	1,000
	<hr/>
	£5,577,116

## RUBBER.

London, 19th August, 1914.

### THE RUBBER TRADE ASSOCIATION OF LONDON.

August 12th.

The Committee decided to-day by a unanimous resolution: 1/4

That all August tenders be withdrawn, except those that have been delivered either in part or whole.

Each broker sets off all Contracts for August delivery that have been sold and bought through his firm with the same dealer at round weights, i.e., 2,240 lb. to the ton at the original contract prices, and renders a difference account, settlement for such difference to be September with.

The balance of brokers' clients commitments (either bought or sold) to be invoiced back at the following prices:

Standard crepe 2s. 0 1/2 d., ribbed smoked sheet 2s. 1d., hard cure fine Para 2s. 10 1/2 d., soft cure fine Para 2s. 5d. Up river ball 1s 8 1/2 d., Man 1/2 os scrappy 1s. 8d., Man 1/2 os weak fine 2s. 3d., Matto Grosso ball 1s. 7 1/2 d., Tocantin ball 1s. 5d.

If last buyers wishes to take delivery of a tender in circulation he may do so; declaration of such intention to be made to the first selling brokers before noon on Friday (14th inst.)

The upward tendency in prices has gained further strength under a good demand, and a fairly extensive spot business has been done in first latex crepe at up to 2s. 5d., and ribbed smoked sheet from 2s. 5d. up to 2s. 6d. and rather buyers. Fine hard Pará remains quiet but firm and spot is nominally quoted 3s., buyers.

With cash supplies cut off and shipping facilities withdrawn, the effect on the market was stunning and resulted in the adoption of drastic measures detailed below. For the moment prices are rising owing to uncertainty as regard future supplies.

In New York the price of crude rubber jumped to over a dollar. A month ago consumers had no difficulty in getting all the Ceylon rubber they wanted at 55 cents, now it is difficult to buy it at \$1.10 per lb. Pará grades have advanced from 70c. to \$1.10. These spectacular advances are caused by the complete suspension of steamship traffic and destruction of the foreign exchange markets. There is a shortage on stored stocks, but everything points to an early resumption of shipments from Brazil and the Far East. In fact, one of the Booth liners left Liverpool for Java last Sunday, 15th August, and the West Indian liners have resumed their service, as also the South African. One of the immediate effects of the war will be an advance in tyre prices. The situation, however, is entirely artificial, because as soon as communications are restored there will be no lack of raw material, but rather the other way seeing how hard consumption will be hit by the war. The rise of prices in consuming markets will be temporary and of no advantage to producers. Destruction of the German navy and reopening of the world's channels of commerce would quickly settle the price of crude rubber.