MR. J. P. WILEMAN'S WEEKLY LETTER

"MOSTLY ABOUT COFFEE"

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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, November 9th, 1914.

New York quotations, Saturday: Spot, nominal; options, December, 5.62c.; March, 6.00c.; May, 6.12c.

At Rio No. 7 5$700 per 15 kilos. Santos No. 6 3$500 per 10 kilos.

Entries for the week ended November 5th and November 6th respectively were as follows:—

	1914	1913
Rio	47,138	97,621
Santos	273,027	337,572
	320,165	435,193

Decrease, Rio, for week, 50.483 bags or 51.7 per cent. compared with last year.

Decrease, Santos, for week, 64.545 bags or 19.1 per cent. compared with last year.

Decrease, both ports, for week, 115.028 bags, or 26.4 per cent. compared with last year.

Entries for crop to November 5th were:—

	1914	1913
Rio	755,526	1,304,022
Santos	3,507,058	6,421,418
	4,262,584	7,725,440

Decrease, Rio, for crop, 548,496 bags or 42.1 per cent. compared with last year

Decrease, Santos, for crop, 2,914,360 bags or 45.4 per cent. compared with last year.

Decrease, both ports, for crop, 3,462,856 bags or 44.9 per cent. compared with last year.

Entries at Rio and Santos to November 5th or corresponding dates of precious six years were:—

1914-15—4,262,584	1911-12—7,774,606
1913-14—7,725,440	1910-11—7,158,130
1912-13—6,672,598	1909-10—10,822,604

Clearances to November 5th were as follows:—

	Week ending Nov. 5th		Crop to Nov. 5th.	
	Bags	£	Bags	£
Rio	71,391	100,597	705,159	1,224,869
Santos	174,302	330,633	2,379,580	4,964,841
1914-15	245,693	431,230	3,084,739	6,189,710
1913-14	600,688	905,688	5,842,436	17,329,432

Decrease clearances for both ports for current crop to November 5 2,757,697 bags, or 47.9 per cent., as against 45.9 per cent. on October 29th.

Decrease in value £11,138,722 or 64.3 per cent., as against 62.1 per cent. on October 29th.

Stocks were:—

	Nov. 5	Oct. 29
Rio	186,445	177,281
Santos	1,562,618	1,459,081
	1,749,063	1,636,362

Stocks Rio and Santos—

November 6th, 1913	2,947,688
October 30th, 1913	2,913,587
November 7th, 1912	2,966,613

Santos, November 7th, 1914.

The weakness which set in at the end of last week has gained further ground and prices have dropped 200 to 300 reis, specially for medium and lower grades.

Dealers were greatly impressed by the official statement of the British Government declaring the North Sea a military zone. No one knows what that exactly means, but people are afraid that all traffic to the North of Europe might be stopped, and consequently the desire to sell became paramount with commissarios, who yesterday disposed of all they could possibly sell.

From Holland, the country which would be most directly affected by any prohibition of navigation in the North Sea, we hear that no such fear would seem to be entertained, at least, at Santos, where orders from Rotterdam, instead of falling off, are increasing daily in spite of what would in other markets be prohibitive cost for freight and insurance.

The action of the Holland Lloyd of raising the freight rate by 15s. to 75s. per ton, alleging war risks, and that in spite of space being engaged for several hundred thousand bags at the previous rate of 60s., caused apprehensions which it will be difficult to remove.

Apart from freight difficulties, which will probably find their solution in a law court, others arise with regard to reimbursement.

Shipping documents must, in future, be made out not to order, but in the name of a banker residing in the country of destination; in short, a multitude of precautions must be taken to prevent coffee getting into the hands of the Allies' enemies.

Demand from the United States seems to have become more lively again during the last day or so and, as the visible supply shows a further decrease of about 270,000 bags for the month of October, deliveries there, as well as in Europe, must have been large—probably 1,750,000, primary points, Santos and Rio, having received about 1,500,000 bags during the same period.

The stock at Hamburg has dwindled down to about 1,100,000 bags all told, so that the rumours regarding negotiations for purchase of Government holdings or a part of them, are most likely correct, the free stock having been entirely consumed.

Receipts here are likely to continue on an average of about 40,000 bags per day for several weeks to come, but there will be restriction should prices recede further. This question of price is altogether one of gravest concern for the whole State of S. Paulo, as the crop yield is disappointingly small in many districts like Jahú, Mattão and Taquaritinga, to mention only a few, and in many cases advances have been made by Santos commissarios surpassing the returns of the year considerably. In order not to let plantations, thus charged with a surplus debt, go into decay for want of treatment, more money has to be advanced until the next crop.

It is a most serious problem the State of S. Paulo is facing now and it will require much financial skill with a good deal of luck to steer clear of disaster.

Shipments have, for want of steamers, lagged a good deal behind receipts and the enhanced rate of insuarnce, 10 per cent., for cargoes in British ships, is not conducive of activity during the next week or so.

Weather reports, for the first time this year, are more hopeful, rain having fallen all over the country on and off since the beginning of this month, but whether this change for the better can materially alter the prospects for next crop remains to be seen. We are afraid too much harm has been done by the prolonged drought and that all the forces bestowed by the welcome moisture will be used up to reform the vegetative activity of the plant and not be converted into fruit and seeds.

En route, Liverpool Oct. 17, Lisbon Oct. 21, Rio Nov. 5, 1914.

Labour and Prices. Labour in Brazil is at a discount at the present moment, unable to react against the lower values that unemployment and depreciation of the currency entail. In consequence of the war there is in almost every South American country more labour than employment, particularly in the Argentine Republic, where special measures have been adopted by the Government in the agricultural districts to provide against unemployment. On many estancias in Santa Fé, for example, men, unable to find employment elsewhere, have agreed to work exclusively for their keep in the hope of conditions improving with the next year's crops. Formerly when work was slack or economic conditions unafovurable in Brazil, labour was wont to emigrate to Argentina and vice-versa. But now that credit has been quenched at its source and there is no money even for upkeep of fazendas, much less for public works, depression is universal and emigration from Rio or S. Paulo to other countries but jumping from the frying pan into the fire.

This, of course, would seem a bull factor for coffee, tending, as it would, to reduce wages and cost of production, were it not that the more coffee we produce the more must be marketed and in the actual state of consumption, the greater would be the disequilibrium between the effective demand and supply, and consequently the ultimate fall of both gold and currency prices.

Exchange and Prices. Prices are popularly believed to follow exchange, gold prices rising as exchange rises and currency prices as exchange falls. Though this may be the case momentarily, it is not on the variations of exchange that either gold or paper prices ultimately depend, but on the requirements of consumption and offerings from producing countries and facilities for financing exchanges. In every single producing market, from Mexico to S. Paulo, Sumatra or Java, the necessity of marketing coffee is equally pressing and obliges planters to dispose of their produce for whatever they can get. There is now no question of profit or cost of production, but only of raising enough money by hook or crook to keep things going until the war is over and things right themselves once more.

The Crisis at Nicaragua. Coffee growers at Nicaragua and Central America are much in the same position as those in Brazil and cotton growers in U.S. America. "It is impossible," says the U.S. Consul at Corinto, "to secure funds to keep the plantations clean. There is little money in circulation, whilst prices of commodities rose 50 per cent. in August."

Ruinous Competition. Such is the position of producers the world over. But so long as offers are not systematically checked and limited to the now circumscribed requirements of the neutral and allied countries, the necessities of planters must urge them to compete more and more fiercely with each other and so force prices continuously down.

Quotations of Coffee. From 18th September, the last figures I have by me, to 6th October, spot No. 4s had fallen at New York from 11 cents to 10 cents or 9 per cent., in spite of short stocks in that market and certain oobstacles to renewing them. From 30th September to 15th October December options in the curb market fell also from 6c. to 5.354c. or over 10 per cent., which c. and f. declined, from 18th September to 6th October, from 9 to 8½c. or over 8 per cent. It is true that between 18th Sept. to 5th Oct. currency quotation for Santos rose from 4$200 to 5$000 or 16 per cent.; but on 16th October they were again on the downward track and with exchange at 12 7-8d. were quoted at 4$700 per 10 kilos.

With exchange jumping about as it has been, 12d. one day 10d. another, and then rising suddenly to 15d. and no coffee option market open anywhere, there can be no reliable basis for determination of currency prices, obliged as they are to follow the caprices of exchange. Coffee prices have, in fact, once more become the shuttlecock of speculation in exchange and, so long as that can be successfully negotiated, the element of price becomes a secondary consideration.

Effects of Fall of Coffee on Exchange and Finance. The further fall of coffee must affect not only the solvency of planters, but ultimately that of S. Paulo and the gold value of exports on which stability of exchange depends, and the purchasing power of the nation at large and consequently federal revenue also.

It seems essential that the fall both of coffee and of exchange should be checked, if national and industrial insolvency is not to supervene. The suspension of the Federal foreign debt might, for a time, restore economic equilibrium, but if it is to be accompanied by fresh declines in the gold prices of coffee and rubber—our two main stand-byes—the balance of foreign payments must be ultimately upset again and fresh depreciation of the currency ensue.

It should, however, be remembered that whatever measures Brazil alone might adopt to circumscribe the supply of coffee, they would be only partially effective without the cooperation of other producing countries.

Unless comprehensive measures are quickly adopted in the sense of limiting supplies, by either prohibition of exports or buying up actual stocks, the prices of coffee will inevitably fall and exchange with them also.

New York Coffee Exchange. The action of the Board of the New York Coffee Exchange in suspending the sessions of the voluntary liquidating committee is said to be due to dissatisfaction with the way in which the liquidation scheme was working. In the first place, it was excessively slow, whilst, by allowing sales below the margin prices of 1-30 p.m. July 30th, sales by distressed holders had established an unjustifiably low level. At the meeting held on Monday, 5th October, sentiment semed to be to ajust margin prices gradually to the quotations as developed at the sessions of the voluntary committee, on condition of the margin called not exceeding 50 points at a time and not less than two days' notice being given. By paying the additional margin to one another, rather than depositing it with the "trust companies," the "Journal of Commerce" points out that the financial status of the trade would be strengthened. Whilst no great hopes are expressed of the situation being rapidly cleared up. This move would tend to indicate weak points and facilitate aid being given as required. The Voluntary Committee, on its side, strongly recommended that open contracts should be margined to 30 points below the margin prices of 30 July and be paid before 3 p.m., Friday, October 9th, direct to firm calling the same. These prices are: October 6.55c, November 6.65c, December 6.75c, January 6.80c, February 6.85c, March 6.90c, April 6.95c, May 7c, June 6.85c, and July 7.54c.

Opinions as to the advisability of resuming business on the New York Coffee Exchange show great divergence. Many members wish the Exchange to be opened at once so as to allow a true market quotation to be established in lieu of the fictitious one now prevailing. None of the houses are said to be in a precarious condition and there is no danger that a price decline would bring about serious embarrassment to the trade at large. Advocates of reopening say that quotations would not go as low as predicted and even if they did that they would soon recover. On the other hand, other members think that reopening would be disastrous to the trade, as in that event Brazil would be sure to flood the New York market with selling orders and so break prices. The consensus of opinion, however, is that time should be granted for adjustment of existing contracts and new business, when started, be on a clean slate. The clearing house system, which went into effect on 5th October, is expected to go a long way towards helping to clear up the situation.

Beginning from 5th October, all settlements of differences in coffee contracts for future delivery will be made through the clearing house bank. Should the war be soon terminated, the "Journal of Commerce" thinks that Brazil would be enabled to ship its coffee to European markets, while to-day the U.S.A. is practically the only market.

Arrivals of Coffee. Arrivals of coffee in the principal European ports during July and August were only 944,627 bags, as against 1,271,303 last year. Arrivals in U.S.A. during the last three months were 1,391,434, an increase of 163,733 bags compared with last year.

Havre. At Havre prices continue to decline and on 10th Oct. December delivery had reached 47.50 frs., with exchange at 11½d. It is evident that in this market, at least, prices are not in the least influenced by statistical conditions or anything else, excepting the relations of offerings and requirements and financial conditions.

Germany. Stocks at Hamburg amount to 1,386,000 bags and 75,000 at Bremen, or 1,461,000 bags in all, of which 413,000 bags are disposable and 1,048,000 belong to the State of S. Paulo. There are also 700,000 bags of valorisation coffee at Antwerp, captured by the Germans, which should now be added to the Hamburg stock, bringing it up to 2,161,000 bags, or sufficient for German consumption under normal conditions for about 12 months. It would be interesting to discover exactly what has happened or is likely to happen to "valorisation" coffee at Hamburg, Bremen and Antwerp! Evidently so long as coffee cannot be imported by Germany, even through Holland, the German Government is not likely to show much scruple in laying hands on either the Hamburg or Bremen stocks, much less those at Antwerp.

Valorisation Stocks. To point the moral, some valorisation coffee that was lying at Marseilles was commandeered, but afterwards liberally paid for by the French Government, I believe, at the rate of £3 per bag.

To the stock of Antwerp, Hamburg and Bremen attaches the disadvantage of not having been registered at the respective custom deposits in the name of the Government of S. Paulo, but in that of the representative of the London Committee, prohibited by law from trading with the enemy. Technically there is, therefore, no one with whom the German Government could legally treat, even if it desired, to take over the stock of valorisation coffee at Hamburg. In view of the objections raised by the British Government to imports of coffee even into Holland, it is natural to suppose that the German Government will have little hesitation in imitating the example of France in commandeering stocks at Hamburg and Antwerp, even if they do not imitate France's example as regards prompt payment.

It seems, therefore, very unlikely that S. Paulo will be able to count on the realisation of these stocks for months or perhaps years to come, unless powerful diplomatic pressure can at once be brought to bear on the German Government.

The Visible Supply. In the U.S. the visible supply on 6th October was 1,966,000 bags, as against 1,935,000 bags in 1913 and deliveries for September 429,000 bags as against 659,000. American markets feel no necessity to renew their stocks, being assured of ample supplies, even should a few more coffee ships be sunk and are convinced that prices will again fall heavily under pressure of Brazilian offerings, so soon as the Coffee Exchange reopens.

Robusta. Exports of Java and Padang in 1914 amounted to 463,700 bags, as against 573,100 last year. Of the former 250,000 went to Holland, as against 340,000 last year. Stocks at London on 30th September were 440,000 cwts, as against 236,000 last year.

Coffee Conditional Contraband. The prohibition by Great Britain of exports of coffee to Holland and the holding up of consignments to that country, though shipped in neutral bottoms to a neutral state, is but a development of the economic war by which the allies propose to crush militarism, just as the sinking by German cruisers of neutral cargoes in British ships is intended to weaken and injure England. If, as happened in some instances, not only the enemy but British shippers were prejudiced, as occurred in the case of the s.s. Gelria, all they would stand to lose would be the profit that might have resulted from the sale of the coffee at Amsterdam, instead of in England, seeing that the coffee would in no case have been confiscated, but have been either paid for by the British Government or handed over to the British shippers in England to dispose of. Only lately, on copper ore being declared condition contraband, a shipment of copper from New York in a Dutch steamer was seized at Falmouth and the cargo taken over and paid for by the British Government. In the case of coffee shipped by the "Gelria," presumably insured against war risks, any loss would fall on the underwriters. If underwriters care to insure conditional contraband, they must bear the loss should the goods be captured. War is war and as long as it lasts no doubt both sides will do their best by every possible means to cripple the enemy, without much thought as to whether by so doing they may sometimes harm even their own people.

There is, of course, no desire to harm neutral countries, but only to make sure that they are not being made catspaws of to serve enemy's ends.

To prevent friction that might be dangerous,, an arrangement has been come to between the British and U.S. Governments to permit free imports of all kinds from U.S.A. to Holland; whilst Holland, on her side, reciprocates by prohibiting exports of articles declared to be conditional contraband of war by Great Britain. This agreement has already been put into execution as regards copper ore and we see no reason why a similar arrangement should not be come to as regards coffee. All would then depend on the faithful execution by Holland of its agreement.

Prospects in U.S. According to the "American Grocer" of 30th September, the main difficulty in trading with American markets lies in the lack of credits, which, however, is gradually disappearing, as is likewise the fear of capture of steamers by sea. "If no more financial flurries are experienced, Brazil," says our contemporary, "should be able to hold her own at near about actual basis until the autumn demand is satisfied. The coffee trade as a whole is making money and the jobbing roaster fast coming to his own again."

In their last circular, Messrs. T. W. Minford and Co. report the position in Brazil to be very peculiar. "The country, they say, is bankrupt and has declared a moratorium, which whilst extending credits takes away, to a large measure, the necessity of the planter to sell or make forced sales. (sic). The planter, when he sells his crop, it is true, gets a very poor return, not much above the cost of production. Consequently he is indifferent whether he sends his coffee to the seaports or keeps it at home and by so doing saves expenses. Whilst it is true that for the time being the United States is the only buyer and so has Brazil at its mercy, still seeing that the U.S. visible supply is so small and deliveries in September likewise, with prospects of a, consequently, much larger interior demand very shortly, it can only be a short time before the United States must buy freely in Brazil."

In New York it is the belief that immediately peace were declared every pound of valorisation coffee now in Europe would be sold and large orders for the new crop from abroad be sent to Brazil. American buyers would also get busy in repairing broken stocks and the surplus at Santos and Rio would go higher c. and f. in Brazil advance.

This, of course, would depend on how long the war and its aftermath may last. If, as is now beginning to be believed in Great Britain, the war is likely to last two years or more, the accumulation of stocks would be so gigantic and the impoverishment of consumers so terrible as to probably neutralise the optimistic anticipation of an early return to the commercial *status quo*.

Shipping. The raids of the Embden in the Pacific and of the Dresden and ultimately the Carlshruhe and Kronprinz in the Atlantic, in face of the reinforcements of the British squadron in these waters, will not help to improve matters as far as insurance is concerned. By underwriting 80 per cent. of the rate for goods shipped in British bottoms to British ports, the British Government has done all that could be expected to protect oversea trade and if shippers choose to ship in neutral bottoms to neutral or other ports it must be at their own risk or the risk of the respective underwriters. The United States Government has already undertaken to insure against war risks, whilst on the part of the Netherlands a proposal to this effect has not, I believe, yet materialised. The U.S. Government war risk bureau is now accepting insurance rates at much lower rates than those asked by the insurance companies: for Holland, Rotterdam or Scandinavia, for example, freight is received but with guarantee to the effect that the merchandise is intended for use in Holland and will not be exported to any beligerent nation. Freight rates increased 50 per cent. over tariff, insurance 5 per cent. France—Havre. In increase freight war risk 2—2½ per cent. Italy freight rates, 100 per cent. over tariff. War risk, 2 per cent. Amazon river, freight rates 25 per cent. over tariff by Booth Line and war risk 5 per cent. By Lloyd Brazilian, Prince, American, Lamport and Holt and Norwegian steamers for all Brazilian ports, 25 per cent. over tariff. West Coast war risks, neutral vessels, 1¼ per cent., all others 5 per cent. Ditto, via Panama, transhipments by neutral steamers war risks 1 per cent., others 3 per cent.

Any increase in oversea freight and insurance must, so long as the demand for coffee is less than the supply, tend to raise cost and, so, diminish the share of price left over for production.

Without British shipping the trade of the world would virtually cease. It is, however, becoming increasingly difficult to find either officers or crews to man the mercantile fleet, weakened as it is by continual drafts of reservists and by the withdrawal of seamen previously drawn from belligerent or neutral countries. Under such circumstances it may be a question whether neutrality that entails commercial paralysm may not be too dearly bought by countries like Brazil and Argentina, that rely almost exclusively on the Allies for transport. There are 124 German steamers held up in neutral ports with merchandise valued at over £50,000,000 that cannot be moved, exclusive of the great Atlantic liners interned at New York and vessels which have put into neutral ports in ballast. The payment of freight and marine insurance on these vessels will present countless problems for the courts to settle. Such steamers of course do not include those captured by the Allies or in Allies' ports supposed to be in all about 250. Altogether some three to four hundred German and Austrian merchant vessels have been put out of commission and neutrals become more dependent than ever on the good will of the British mercantile marines.

Coaling Enemy Cruisers. One of the surprises of the war has proved the way in which German ships have managed not only to keep the seas but to harrass commerce. It was popularly supposed all German warships would be captured or interned in neutral ports within six weeks of the declaration of war. But here they are, nine weeks after, as active and aggressive as ever. What might happen if some of the German cruisers could break through the British blockade in the North Sea or at Kiau-chau may be left to the imagination. It is evident, however, that, without the complicity of neutrals, German cruisers could never have kept the sea as they have done and the best way to prevent them is to cut off at the source their supplies of coal and ammunition. So long as blockade running and surreptitious trading with belligerents is profitable it will continue, as bockade running did in the time of the American Civil war. There is said to be a regular office opened at No. 1 Broadway, New York City, for the express purpose of supplying steam coal to the enemy at the price of 40 dols (£8) per ton. The U.S. Government has its eye on this trade, but, in spite of all its efforts, so far no means have been devised to suppress it. The method employed is, of course, falsification of customs documents as regards both description and destination.

Insurance. The following will interest British marine, life and fire insurance offices in Brazil. With regard to "trading with the enemy" the amended proclamation declares that "notwithstanding anything contained in par. 6 of "Trading with the Enemy" proclamation No. 2, where an enemy has a branch locally situated in British, Allied or neutral territory, which carries on the business of insurance or reinsurance of whatever nature, transactions by or with such branch in respect of the business of insurance or reinsurance shall be considered as transactions with the enemy."

Trading with the Enemy. Trading with the enemy is a *criminal act, the difficulty being to define exactly who and what* constitutes an "enemy" and "trading" with same. An enemy" for trading purposes means anybody of whatever nationality who neither resides in an enemy country nor carries on business therein, nor says "The Times," does the description apply to branches of an enemy's business in Britsih or Allied or neutral territory. What is aimed at is to prevent any mercantile benefit reaching the enemy during the war. To such enemies no money may be paid directly or indirectly and no business can be done with or for them and this prohibition applies even to contracts entered into before the war. Residents in British Dominions may receive payments from or on account of enemies arising out of ante-bellum transactions. A "Trading with the Enemy" Committee has been set up in London to whom problems of this nature may be referred, but the legal effect of the proclamations are far from clear and it may be necessary for the Board of Trade to take over certain business under receivership altogether. Where, for example, a business provides work for British industry, though its dividends go substantially to "enemy" capitalists, the complications are obvious.

For example, may coffee purchased at Rio by an English firm and shipped from Rio to Rotterdam for ultimate delivery in Germany be considerd as trading with the enemy or business transacted by German maufacturers through New York agents and branches in London?

"Trading with an enemy," says an American commentator, "does not become legal by the fact that goods coming from the enemy country to Great Britain or going to the enemy country from Great Britain are sent to their destination by a neutral country. Contracts entered into during a war with alien enemies are illegal, unless the beliggerent governments give licence. Contracts entered into before the war are suspended until restoration of peace. But if they must be acted upon during the war, then they are dissolved. Partnership with alien enemies are *ipso facto* dissolved. No interest runs on debts or mortgages."

The German Government having offered to permit payment of debts to British creditors to be made in bonds of the German Imperial loan, the British Government has forbidden British subjects to accept on the grounds that it would entail trading with the enemy and would, consequently, be criminal.

MONEY.

Exchange, Tuesday, 3rd November. The week began with a firmer tendency in the exchange market, banks offering to draw this day at the opening at 13 9-16d. and rising to 13¾d., against other paper at 13 7-8 and 14d. It was reported that there was business done in Santos at 14½d.

Sovereigns were quoted, buyers 17$000, sellers 17$400.

Wednesday, 4th November. The market opened with banks quoting 13 13-16d. and soon passed to 13 7-8d., against other paper at 14d., but in the afternoon the rates were lowered to 13 5-8 and 13 11-16, againt other paper at 13¾d.

There were sellers for sovereigns at 18$000 and buyers at 17$800.

Thursday, 5th November. The banks began the day by quoting 13 9-16d., but soon after rose to 13 11-16, against other paper at 13 13-16d.; in the afternoon the rates continued to rise and business was done at 13 13-16, against private paper at 14d. In Santos it was reported banks drew at 14d. and coffee bills were sold at 14¼d.

There was business done in sovereigns this day at prices varying from 17$300 to 17$800

Friday, 6th November. The market opened firm at 13 7-8 for 90 days' bank paper on London, but during the course of the day became unsettled and finally closed at 13¾d.

There was business done in sovereigns between the prices of 17$400 and 17$800.

Saturday, 7th November. Exchange opened weak at 13¾d. and soon fell to 13 5-8 owing to a rumour of dissatisfaction in the army, causing an uneasy state in the market and accounting for banks lowering their buying rate to 13 7-8 and 13¾d.

Sovereigns were quoted between 17$800 and 18$600.

Business Done on the Rio Stock Exchange during the week ended November 7th, 1914:—

			Closing Quotations.	
Amount		Price	Sellers	Buyers
	PUBLIC FUNDS—			
260	Apol. Geraes of 1:000$ 5%, (integ.)	820-840	840$	835$
7	Ditto (tit. prov.)	8126-820$	825$	820$
4	Ditto, 500$ (integ.)	810-820		
11	Ditto, 200$	810-820		
19	Emp. Nacional (1903)	900$-9206		900$
401	Emp. Nacional (1909)	808-819	818$	812$
81	Emp. Nacional (1911)	805-810		810$
	Est. do E. Santo			650$
49	Est. de Minas Geraes	810-812	815$	813$
338	Est. do Rio (4%)	76$-76$500		75$
	Ditto, 500$, 6% (nom.) ...			415$
389	Emp. Municipal (1906) ...	180$	180$	179$500
65	Ditto (nom.)	190$	190$	
4	Ditto, 1909 (5%)	150$		
11	Ditto (£20, nom.)	280$		
1359	Ditto (1914)	160$500-162$	162$	161$500
	Ditto (nom.)		180$	170$
	BANKS—			
76	Brasil	177$	180$	177$
	Commercial			130$
	Commercio		138$	132$
	Lavoura		95$	
	Mercantil			210$
	RAILWAYS—			
	Goyaz			20$
100	Minas S. Jeronymo	18$	20$	18$250
	Norte do Brasil			14$
80	Rêde Sul Mineira	40$		
	INSURANCE COMPANIES—			
	Argos		1:000$	925$
	Confiança			50$
	Garantia		300$	
	Previdente			420$
	COTTON COMPANIES—			
20	Brasil Industrial	160$	170$	
	S. Felix			4$

SUNDRIES—

	Centros Pastoris		22$	10$
100	Docas da Bahia	20$	21$	20$500
12	Docas de Santos	380$	385$	
362	Ditto (nom.)	372-372	380$	367$
1450	Loterias Nacionaes	17$	18$500	16$750
	Melh. no Maranhão		40$	30$
100	Terras e Colonisação	5$		

DEBENTURES—

50	America Fabril	187$	190$	
	Banco Uniwo		70$	
100	Antarctica	192$		
171	Docas de Santos	185$	188$	185$
	Industrial Campista		165$	
	Magéense			50$
	Manufac. Fluminense		105$	
4	Mercado Municipal	175$	172$	
	Prog. Industrial		170$	160$
6	Tecidos Botafogo	60$	60$	
1625	Soberanos	17$500-17$800		

Ratio of Cash to Deposits at Call in the Banco do Brasil and principal foreign banks in Rio on 31st October, 1914:—

	Deposits at Call.	Cash	Ratio
Banco do Brazil	101.305:470$	26.745:346$	26.4%
London and Brazilian	10.423:094$	13.124:855$	125.9%
London and River Plate	10.813:220$	10.073:506$	93.3%
British of S. America	24.401:176$	16.104:663$	66 %
Brasilianische fur Dd.	6.093:872$	10.030:748$	164.6%
Allemão Transatlantico	5.167:173$	5.412:948$	104.8%
Banco Germanico	1.877:956$	1.589:370$	84.6%
Total, 31 Oct.	160.081:961$	83.081:961$	51.9%
Total, 30 Sept.	179.008:350$	90.918:777$	50.8%
Total, 31 Aug.	185.347:846$	72.316:057$	39.0%

Latest London Quotations, November 10th:—

	1914	1913
Bank of England Rate	5	5
Open Market Rate, London	3	4 15/16
Consols	68½	72 1/16
Apolices, 4 per cent., 1889	61	76
Apolices, Funding 5 per cent.	86	99½
Apolices, 1910 4 per cent.	56	72½
Leopoldina Stock	31	67
S. Paulo Railway Ordinary	190	235½
Traction Ordinary	48	84
Brazil Railway	8	47

En route, Liverpool Oct. 17, Lisbon Oct. 21, Rio Nov. 5, 1914.

Money is abundant, in spite of the large issue of Treasury bills, amounting on October 21st to £75,000,000, the discount rate rules 3 1-8 to 3¼, whilst the rate for Treasury bills maturing in March is 3 1-8 per cent. New York Exchange, in spite of the difficulty experienced in disposing of the cottoncrop, shows some improvement in consequence of the decision of American banks to earmark $100,000,000 dols gold for deposit at Montreal to credit of the Bank of England for drafts from London. That American bankers, knowing the stock of gold in the United States, which amounts to $1,850,000,000, to be the largest in the world and practically inexhaustible, should have shown any hesitation in supplying all that might be wanted to steady exchanges can only be attributed to the panicky state of that and most other markets at the outbreak of the war. The net addition to gold coin and bullion at the Bank of England during the week ended 17th October was 2½ millions, raising the stock to £58,617,250 (exclusive of £618,140 to credit of the banking department) the largest on record.

The ability of the Bank of England to draw gold from other countries has been once more conclusively demonstrated and the liberal policy of the directors, of extending, instead of restricting, credit at critical moments, has been fully justified. The inability of London banks to collect obligations abroad threatened, at the outbreak of the war, a breakdown that might have been fatal to the prestige of the London money market. The Bank of England resrve had fallen to 14.6 per cent. and the suspension of the Bank Act promised little hopes of the immediate reestablishment of credit during a period of almost universal suspension of gold payments and general adoption of moratoria.

The emergency issue of currency notes on 14th October amounted in all to £38.616,635 10s., of which £8,873,606 10s. had been withdrawn and cancelled, leaving £29,743,029 in circulation. These notes were issued to all recognised banks as required as advances by the Treasury, bearing interest at current Bank of England rate, with the object of preventing undue restriction of credit during the earlier days of the crisis. These notes will be changeable for gold to be provided out of a special fund, which on 14th October already amounted to £5,500,000 and are, moreover, secured by a floating charge on the assets of the borrowing banks, Government securities and the balance of unissued emergency notes at the Bank of England.

Money has never been so abundant as at present, deposits at the clearing banks at close of September having reached the collossal total of £629,574,680, as against £540,013,588 last year, and acceptances £138,795,449, as against £81,923,998 and cash £71,627,577, as against £68,524,120.

In the United States the indirect effects of the war have been almost as serious as its direct influence in England. To make good the falling off of revenue due to the paralysation of imports especially from Germany and Austria, the Government proposes the creation of "war taxes" to the value of £20,000,000, mostly on beverages and tobacco.

The fall of cotton and some other staples so disturbed the balance of payments as to force up exchange, in the absence of gold exports, to over $6 per £1 sterling, equivalent to a premium of 20 per cent. This is, fortunately, being gradually redressed by exports of gold coin and bullion and of wheat and cereals. To prevent the possibility of the recurrence of a panic such as that of 1907, the U.S. Treasury has authorised the issue of an emergency currency, which on 13th October amounted to $352,000,000 (£70,400,000) or nearly double that of Great Britain (£36,661,635). There is, besides, a disposition on the part of Congress to authorise a "valorisation" scheme for cotton, in the form of an issue of $250,000,000 to $500,000,000 (£50 to £100 millions) of 3 per cent. State bonds by the nine cotton states, for purchase and storage of the actual stock of cotton, amounting to 5,000,000 bales, at 10 cents per lb., the issue to be guaranteed by the Union. Furthermore, the cotton acreage is to be reduced by half or a prohibitive tax be imposed on producers in excess of 50 per cent. of the amount produced in 1914.

In Germany the war is being financed by means of Exchequer bonds, issued to the value of £65,900,000 and the Imperial loan, of which £153,555,000 has been subscribed, largely by the eccentric method of borrowing paper money from the Reichsbankj specially for that purpose. The issue of Exchequer bonds and the Imperial loan together amount to marks 4,389,000,000 or £219,450,000, or about enough for three months' ãar expenditure.

From £65,856,000 on 7th October, 1913, discounts at the Reichsbank had risen by 7th October, 1914, to £167,146,000 and the notes in circulation from £112,630,000 to £209,944,000. The increase of the gold reserve from £57,961,000 in 1913 to £88,535,000 on 7th October, 1914, has been greatly criticised, as it is difficult to understand how, in the actual state of external communications, such an increase can be accounted for. The ratio of notes to gold in 1913 was 45 per cent., whereas at present, even accepting published statements, it has fallen to 42 per cent., whereas the amount of gold in the Bank of England and Treasury amounted to £64,136,390 or 110 per cent. of the total value of notes issued, amounting to £58,146,229, by both the Bank of England and the Treasury.

It is, therefore, scarcely surprising to find that whilst the value of British issues is maintained uniformly at par, there is said to be a depreciation of 7 per cent. on German and 15 per cent. on Austrian currency.

By "living on Belgium" and methodical sack of industrial towns of that country and the north of France and Antwerp, the Germans have, no doubt, succeeded in supplying themselves for a time with large quantities of foreign produce, such as wool and coffee, but the actual money screwed out of hapless Brussels and other towns is not sufficient to account for so large an increase in the gold reserve as that shown in the last Reichsbank balance, nor would it prevent further and violent depreciation os soon as oversea requirements come to be paid for at the extravagant rates that the risk of surreptitious imports necessarily entails.

As with the military position, so the financial position of Great Britain tends to improve and grow stronger day by day, whilst that of the enemy gets weaker. As the moratoria in force in different debtor countries are abrogated and commercial operations are renewed, the position of Great Britain and of France, the two great creditor nations, must tend to improve, in spite of the unprecedented expenditure for war purposes.

Compared with last year, the war expenditure in Great Britain showed an increase to date of £55,000,000.

Operations on the Stock Exchange, on the minimum basis of 31st July fixed by the Committee for purely cash transactions, are necessarily limited. The only Brazilian securities regularly quoted are Leopoldina, which show a further decline—37-9 on 9th Oct. to 36-37 on 16th, whilst Brazil 1913 declined from 61 on 13th to 59—59½ on 15th.

The default of the Federal, Bahia and other State Governments, as also of the Cia. das Docas da Bahia, the passing of dividends by British and Brazilian railways, and finally the receivership of the Brazil Railway Co., will scarcely tend to improve matters in London or to stimulate investment in Brazilian undertakings. Until the war is over no British capital is likely to be employed abroad except for war purposes, even in countries that can show a clean record. But as soon as the war is over, unless war expenditure should prove to be on a much greater scale than at present, the accumulation of capital will be such as to oblige British investors to seek employment of part, at least, of their surplus capital abroad. Those States that, like S. Paulo, have scrupulously kept their engagements, will certainly be the first to be considered in the scramble.

Apart from purely war expenditure, Great Britain, in protection of her trade, has already issued paper money to value of tens of millions; guaranteed hundreds of millions of anti-war acceptances; insured cargoes in all British ships to the value of hundreds of millions, and is believed to be about to guarantee British exporters to belligerent countries against *ante-bellum* losses and, in all probability *ante-bellum* losses on the Stock Exchange operations as well.

Altogether these operations will run, perhaps, into a thousand millions; but without them the foreign trade of Great Britain and of the world would, as long as the war lasted, be paralysed.

The United States, on its side, has found it necessary to issue hundreds of millions of emergency currency, or paper money; to let go millions of her gold to help righten international exchanges; and to impose a "war tax" on her population to make good the shortage of revenue caused by the war and now even proposes to "valorise" cotton much on the same lines as formerly employed here for coffee.

What are we prepared to do here in Brazil?

The situation with us is complicated by an *ante-bellum* crisis with which the war has nothing whatever to do, but nevertheless must be remedied before or *pari passu* with the fresh situation created by the war itself.

Whatsoever the indebtedness of the Federal Treasury may be, once the funding operation is disposed of, the first requisite for any definite scheme of economic reconstruction is its settlement, through the medium of a fresh issue of paper money, should the original issue of 250,000 contos have proved insufficient. Later on, when peace is assured and the credit becomes easier, a foreign loan might replace this issue.

Once the question of the floating debt is disposed of, the problem resolves itself into how best to ensure a favourable balance of foreign payments, in the face of the decline of nearly all our great staple exports, especially coffee and rubber, and the inevitable fall of exchange unless such declines are stopped.

Things, as they are, work in a vicious circle. Issue of paper money provokes a fall of exchange, the fall of exchange diminishes purchasing power and tends to decrease imports. This reacts on customs' revenue, whilst the deprecitaion of the currency, by cheapening production, induces holders of coffee or rubber to offer their produce at consecutively lower gold prices, and so, ultimately, in an over-supplied market, reacts on the currency price and tends to further upset the balance of foreign payments and depress exchange and so on *ad infinitum*. What is evidently required is to fix simultaneously the price of exports susceptible to local treatment and the rate of exchange. Without which this attempt to fix prices of exports would be vain.

Duration of the War. Opinions differ widely as to the duration of the war. Lord Kitchener from the first acted on the supposition that it would last two years, at least, whilst Leroy Beaulieu, on economic and financial grounds, puts its duration at only six months. As history repeatedly shows, Governments can live on their fat and prolong resistance long after external resources seem to have been exhausted, by draining their own people of their home resources through the medium of paper money and other forms of forced loans.

The experience of the three months' fighting goes to show that the struggle will be fought out to the bitter end, until, little by little, the Germans and Austrians are forced back into their respective capitals. It has taken two months to drive the enemy back 100 miles. How long will it take to expel them from Belgium, drive them across their own frontier and finally force them to surrender?

Evidently it is going to be a long war!

It is therefore the interest and obligation of Brazil to look matters in the face and prepare for the worst.

For two or three years after the close of the war we can expect no great revival of credit and must not only live on our own resources but take the steps indispensable for providing for the renewal of the service of the foreign debt at the expiration of the funding loan. To that end two things are essential: to so stimulate internal development that when the war finishes we shall be in a position to supply consuming markets with what they require, and meanwhile to restrict certain exports in such a way as to prevent our produce being sold at a dead loss and keep foreign exchanges from falling. Every fall of exchange is but the signal for fresh depreciation of the currency and, ultimately, in an over-supplied market, of both gold and currency prices of exports too.

The British Government has strained even its immense resources to maintain facilities for trade unimpaired.

That Brazil could escape her contribution or hope to come unscathed out of such a cataclysm is vain. She, too, must adopt her "war" measures and defend her economic interests by measures that in time of peace might seem as extravagant as some of the measures adopted by Great Britain, no doubt, seem to outsiders.

RUBBER.

As far as can be seen, the fall of Antwerp will not greatly affect the rubber market, as all the Congo and other rubbers in that market, amounting to some 4,000 tons, had been long before transfered to London and disposed of. Very little rubber was left in Antwerp when the enemy took possession and most of the Antwerp rubber merchants have opened offices in London, from which point the Congo rubber trade will be carried on as before. The Germans, no doubt, anticipated a big haul at Antwerp and it is to be regretted that the parties responsible for the 700,000 bags of valorisation coffee at that port were not equally foreseeing.

The London demand has been fairly maintained and prices kept pretty steady at the previous low level. The trade demand, helped by enormous British and French army orders, is good but somewhat patchy, certain classes of manufacturers being overwhelmed with work, whilst others are almost idle. The statistical position does not seem to have been greatly affected by the war and no extraordinary accumulation is yet reported.

In the East, besides difficulties as regards financing generally and labour troubles in Java and Sumatra, a serious rising of the Chinese is reported from Dutch Borneo. Eighty-six German steamers are held up, many of them with rubber cargoes, in ports of the Dutch East Indies. The Batavia Exhibition has been postponed *sine die*.

Sales of up-river hard fine were reported at New York at 63½c. per lb. and of Islands fine at 49c., the lowest at which this grade has ever been offered, even during the American panic of 1907, when the price fell to 55c. Dealers believe that bottom has not yet been reached and will not venture to predict to what level Brazil rubbers may fall in view of the large arrivals of plantation rubbers. No improvement in the demand from American manufacturers is reported and since Great Britain issued an order prohibiting sale of rubber to Denmark, Norway, Sweden or Holland, for fear these countries might supply Germany, every effort is being made by Germany to secure supplies in the United States. It is said that dealers have refused to take on any of this foreign business, oãing to the difficulty of arranging for shipments. A private cable from London, dated October 7th, states that London has been a buyer of up-river fine at 69c., i.e., 6c. higher than the New York quotation.

Plantation grades at New York were steadier, with first latex at 57½c. per lb. Quotations on 7th October were as follows:—

Para up-river fine	63—64c.
Para up-river coarse	45c.
Islands fine	49—50c.
Islands coarse	28c.
Caucho ball	42½c.
Cameta	29c.
Madeira	65c.
Ceylon latex	57½c.
Balata	40—55c.
African	none
Scrap rubber	inactive
Boots and Shoes, No. 1	7 1-8—7¼c.
Auto tyres	7 7-8—5c.
Solid tyres	4 7-8—5c.
No. 1 inner tubes	26—26½c.
No. 2 inner tubes	14½—15c.

The prospects of rubber cannot by any stretch of imagination be looked on as encouraging, though low sterling prices may find some momentary compensation in the depreciation of the currency and consequent lower cost of production. That, however, can only be transitory so long as the supply of rubber continues to exceed demand and competition to sell at any price tends to force both gold and currency prices down. Nor does the remedy of buying up and storing rubber, that might be successfully employed with regard to coffee, seem applicable as regards rubber, seeing that the competition of plantation rubber would only be stimulated by the withdrawal of Brazilian supplies and so urge Eastern planters to greater efforts as soon as the war was ended and Brazilian accumulations had to be disposed of. The case of Para rubber seems desperate and beyond any hope successful tinkering on our part. Like coffee, it has only problematical American expansion, likewise largely paralysed by the war, to look-to to compensate the falling off of civil consumption in beligerent countries. War orders may serve to help consumption in the Allied countries and so to make up for the falling off in private consupmption, but nothing more and, as soon as the large quantities of rubber temporarily held up in consequence of the Emden's raid is set free, it is to be feared that rubber will be dumped on London and New York to such an extent as to force prices to a still lower level.