MR. J. P. WILEMAN'S WEEKLY LETTER

"MOSTLY ABOUT COFFEE"

November 24th, 1914.

No. 46.

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.

There being no mail for Europe last week, the statistics for the two weeks ending 12th and 19th November are given together.

Rio de Janeiro, November 16th, 1914.

New York quotations, Saturday: Spot, nominal; options, December, 5.50c.; March, 5.85c.; May, 6.05c.

At Rio No. 7 5$600 to 5$700 per 15 kilos. Santos No. 6 3$500 per 10 kilos.

Entries for the week ended November 12th and November 13th respectively were as follows:—

	1914	1913
Rio	59,711	123,060
Santos	336,591	342,136
	396,302	465,196

Decrease, Rio, for week, 63,349 bags or 51.5 per cent. compared with last year.

Decrease, Santos, for week, 5,545 bags or 1.6 per cent. compared with last year.

Decrease, both ports, for week, 68,894 bags or 14.8 per cent. compared with last year.

Entries for crop to November 12th were:—

	1914	1913
Rio	815,273	1,427,082
Santos	3,843,649	6,763,554
	4,658,922	8,190,636

Decrease, Rio, for crop, 611,809 bags or 42.9 per cent. compared with last year

Decrease, Santos, for crop, 2,919,905 bags or 43.2 per cent. compared with last year.

Decrease, both ports, for crop, 3,531,714 bags or 43.1 per cent. compared with last year.

Entries at Rio and Santos to November 12th or corresponding dates of previous six years were:—

1914-15—4,658,922	1911-12—8,171,595
1913-14—8,190,636	1910-11—7,450,334
1912-13—7.101,062	1909-10—11,214,397

Clearances to November 12th were as follows:—

	Week ending Nov. 12		Crop to Nov. 12	
	Bags	£	Bags	£
Rio	42,814	59,571	747,973	1,284,440
Santos	167,212	307,954	2,546,792	5,272,795
1914-15	210,026	367,525	3,294,765	6,557,235
1913-14	222,570	637,641	6,055,010	17,934,138

Decrease clearances for both ports for current crop to November 12 2,760,245 bags, or 45.9 per cent., as against 47.9 epr cent. on November 5th.

Decrease in value £11,376,903 or 63.4 per cent., as against 64.3 per cent. on November 5th.

Stocks were:—

	Nov. 12	Nov. 5
Rio	183,595	186,445
Santos	1,602,090	1,562,618
	1,785,685	1,749,063

Stocks Rio and Santos—

November 13th, 1913	3,009,975
November 6th, 1913	2,947,688
November 14th, 1912	3,385,562

Rio de Janeiro, November 24th, 1914.

New York, Saturday, 21st: Options, December, 5.35c.; March, 5.75c.; May 5.95c.

At Rio, No. 7, 5$700 per 15 kilos. At Santos, No. 6, 3$600 per 10 kilos.

Entries for the week ended November 19th and November 20th respectively were as follows:—

	1914	1913
Rio	50,641	92,576
Santos	317,316	301,922
	367,957	394,498

Decrease, Rio, for week, 41,395 bags or 45.2 per cent. compared with last year.

Increase Santos for week, 15,394 bags or 5.1 per cent. compared with last year.

Decrease, both ports, for week, 26,541 bags, or 6.7 per cent. compared with last year.

Entries for crop to November 19th were:—

	1914	1913
Rio	865,878	1,519,658
Santos	4,160,965	7.065,476
	5,026,843	8,585,134

Decrease, Rio, for crop, 653,780 bags or 43.0 per cent. compared with last year.

Decrease, Santos, for crop, 2,904,511 bags or 41.1 per cent. compared with last year.

Decrease, both ports, for crop, 3,558,291 bags or 41.4 per cent. compared with last year.

Entries at Rio and Santos to November 19th or corresponding date of previous six years:—

1914-15—5,026,843	1911-12—8,616,413
1913-14—8,585,134	1910-11—7,814,409
1912-13—7,461,849	1909-10—11,712,916

Clearances to November 19th were as follows:—

	Week ending Nov. 19		Crop to Nov. 19	
	Bags	£	Bags	£
Rio	55,684	77,044	803,657	1,361,484
Santos	329,302	632,853	2,876,094	5,905,648
1914-15	384,986	709,897	3,679,751	7,267,132
1913-14	458,946	1,287,522	6,513,956	19,221,660

Decrease clearances for both ports for current crop to November 19 2,834,205 bags, or 43.5 per cent., as against 45.9 per cent. on November 12th.

Decrease in value £11,954,528 or 62.2 per cent., as against 63.4 per cent. on November 19th.

Stock were:—

	Nov. 19	Nov. 12
Rio	176,343	183,595
Santos	1,610,786	1,602,090
	1,787,129	1,785,685

Stocks Rio and Santos:—

November 20th, 1913	2,967,388
November 13th, 1913	3,009,975
November 21st, 1912	3,166,323

Santos, November 14th, 1914.

Although the undertone of the market was far from firm or even steady, the desire to buy was very pronounced and larger quantities of coffee changed hands, desirable qualities at prices in favour of the seller, whilst medium and lower grades could only be sold by making concessions.

A fair demand was noted from Havre and Holland, Italy and Scandinavia with preference for higher grades.

The United States markets did not show much desire to buy and limits from there were mostly insufficient, some very cheap sales being reported from there.

It is most fortunate for S. Paulo that our European customers are intent on getting their full share of this crop and although only urgent requirements are filled so far, later on the necessity of laying in stocks of the desirable crop qualities will keep these markets constant and eager buyers.

Profits on coffee are so substantial in Europe that no mere threat of the British Government or the blockade of the Dutch and Scandinavian coasts will be strong enough to curtail imports very much. Quotation for "spot" coffee in Holland, about the middle of October, was 43c., equal to about 91 frs., later months ruling from 28 to 25c., equal to 60 to 53 frs., whilst imports from Santos about equalled the qualities quoted for 55 frs.

It is unfortunate that planters, who will have to bear the ultimate brunt of the prevailing disorganisation of trade and commerce, should not enjoy a larger share in these profits which the middleman reaps, at an entirely disproportionate risk.

With a little more foresight on the part of the outgoing Federal Government, such unjust treatment might have been avoided and, in fact, it would not yet be too late to create the credit facilities necessary for such a defence of the only article of exportation of any real importance for Brazilian economy.

The consuming capacity of the different countries which are now able to import coffee, according to the Syndicat de Defense du Café et des Produits Coloniaux, is as follows:—

	Consumption in 1912
United States and Cuba	7,220,000
France and Colonies	2,030,000
Holland	650,000
Sweden	500,000
Italy	460,000
England	220,000
South Africa	190,000
Canada, Australia, etc.	135,000
Norway	220,000
Spain	230,000
Switzerland	180,000
Argentina	235,000
Denmark	250,000
Egypt	120,000
Portugal	50,000
Chile	65,000
Rumania	44,000
Greece, etc.	52,000
Uruguay	32,000
Bulgaria	22,000
	12,905,000

The countries now prevented from importing directly are:—

Germany, with a consumption of	2,850,000
Austria	940,000
Belgium	670,000
Turkey	255,000
Russia and Finland	390,000
	5,105,000

About 600,000 bags are set aside in these statistics for consumption in Brazil and odd countries. The total yearly consumption in 1912 is put down at 18,638,000 bags.

The stock in Europe in primary ports on 1st November was 5,437,000 bags, of which:—

In England		350,000
,, France		2,410,000
		2,760,000
,, Holland		400,000
,, Copenhaken		41,000
,, Hamburg	1,126,000	
,, Antwerp	950,000	
,, Trieste	90,000	
,, Bremen	70,000	2,236,000
		5,437,000

Germany, Austria and Belgium have, therefore, about 2,300,000 bags in round figures to feed on, which, at a consumption of 360,000 bags per month (the consumption of Belgium being diminished), would last them for about 6 months. Austria however, is likely to be partly supplied from Genoa and some coffee may dribble into Germany via Holland and Scandinavia. Such low supplies make a maintained demand from Europe imperative.

Receipts have been on the same scale as during the last week and as shipments are very full indeed, the accumulation of stock amounts to only 115,000 bags for the month.

The weather reports from the interior state that less rain has fallen than during the previous week, but sufficient moisture has fallen to benefit the plantations largely.

Santos, November 21st, 1914.

A good demand for immediate shipping requirements gave a strong tone to the market during the first days of the week, but renewed difficulties with regard to the wording of the shipping documents stood in the way of new transactions and, as shippers have enough difficuties in getting reimbursements in order, they rather prefer not to do any business at all than to be pushed to and fro between the banks, which demand the bills of lading to be made out to the banker, and the shipping agent, who insists on the buyer's name.

At the same time non-delivery of important cables has become almost a matter of daily occurrence, so that not much more is be wanted to bring business entirely to a standstill.

How that will affect our market, which has no resisting power in itself and for that matter the whole business of the country, is a matter those in power ought to carefully consider, in order to take steps to avert such a breakdown of our commercial activities, which would only fall short of a general disaster. From Thursday prices have declined by about 100 reis for fine goods and 200 reis for medium qualities, but there are few buyers even at the decline.

Business with the States has been small of late, the demand being confined almost exclusivey to finest Bourbon coffees, but a revival of demand for all kinds cannot be far off, as the quantity shipped and shipping for that destination falls behind the quantity required at this time of the year.

Havre has been a very active buyer and about 150,000 bags have left for that destination.

During the past few days receipts have shown a tendency to fall off as far as the supplies from the Paulista and Mogyana districts are concerned. It is, of course, too early to take this as an indication of exhausted supplies, as only about half of the crop has been sent down, but it is probable that the planter, greatly dissatisfied with the return, is now thinking of remitting the remainder of his crop in conformity with his financial requirements, and there cannot be any doubt that he will obtain better prices if supplies in Santos are decreasing.

As the Federal Government did not see fit to find means of retaining the momentary surplus of our production, the planter will have to find his salvation in restricting supplies, however difficult it may be. The price at which he has been forced to sell from the commencement of the crop movement does not cover the cost.

Shipments have been large this week, as the long-expected steamer Rijnland arrived and the stock since the beginning of the month has increased by only about 100,000 bags.

Reports regarding the weather are favourable and a general spell of rain has improved matters very materially for coffee as well as cereals, which latter will next year play an important part in S. Paulo's general production.

A good flowering has made its appearance in the central and western districts of the State of S. Paulo, especially in those which yielded a poor crop this year.

With New York and European Coffee Exchanges closed for three months, buyers maintaining the hand-to-mouth policy that has answered them so well, and constantly weaker prices cabled from Brazil, it is not to be wondered at that, in spite of the firmness of exchange, prices have not improved, but on 22nd November closed with December options quoted at 5.35c. and Santos 6s at 3$500.

The volume of sales at New York in September was the smallest of any month for 10 years or more, whilst holdings consist mainly of undesirable roasting coffees.

New York No. 7 Rio could, say Beckford and Co., be delivered at San Francisco at less than 7c. and Santos grading equal or better than unwashed Salvador at 10c. or less. As Brazil produces over 75 per cent. of the world's coffee supply, the value of these coffees largely govern the price of milds and whilst the premium obtainable for Central American coffees varies from year to year, prices for the latter largely influence the demand.

The market is still under the uncertainty as to what the future may bring forth, seeing that, in addition to the uncalculable Brazilian factor, the problem of the liquidation is not yet solved. The article may seem cheap, but, it is argued, with Brazil practically bankrupt and the local trade unable to hold its own, the swing of the pendulum may carry prices down to levels never seen before. At 10c. Santos 4s are very near the ruling figure prior to valorisation and Rio 7s at 6¼c. are even lower. The trade is not satisfied that the situation warrants stocking up, especially as the banks lend no encouragement and loans are sparingly made. Industrial conditions, moreover, are poor. Cost and freight ruled steadier in consequence of the new funding loan andthe sharp rise in exchange rates.

On 17th October it was announced that to facilitate liquidation of existing contracts, bids would be received from buyers for new account after Monday, 19th. In other words, says the New York "Journal of Commerce," no new short committments will be permitted, the idea being to encourage outside investment and furnish a spur to technical shorts unwilling to cover freely, but preferring to keep hedging for future c. and f. purchases. It is possible that now the Stock Exchange is closed, Wall Street houses may welcome the opportunity of doing business. The effect was to stiffen the views of sellers of futures.

The determination to prevent new long buying on 19th Oct. was the outcome of a petition by coffee brokers presented some time back. No new short committments will be allowed, though in some circles free selling and buying are favoured. Brokers point out that this is necessary for the protection of dealers in actual coffee, who ordinarily hedge against purchases in Brazil with sales for options. As, however, the U.S. is practically the only outlet of importance for Brazil coffees, it is feared that the effect would be to flood the local market with selling orders and demoralise the situation.

The vagaries of exchange and cable difficulties have tended to materially check offers from Brazil, but says the New York "Journal of Commerce," as soon as the rate settles down, business is expected to become more active.

Mail advices to 28th October report spot coffee weaker at 6¼c. for Rio No. 7 and 8¾c. to 9c. for Santos. At closing quotations for futures showed a loss of 30 points, with December at 5.60 and May 6.15c., since when advices show a relapse to 5.32c. for December and 5.91c. for May.

The New York "Commercial," of 24th October believes that the Canadian interests connected with traction interests in Brazil are still buying in primary markets and bringing coffee to this country with the aim of minimising losses on exchange. It is believed, says our contemporary, that at least part of these importations are to be offered in the local market.

As far as can be gathered here at Rio, the Rio de Janeiro Tramway Light and Power Company, the concern referred to above, has neither bought nor sold any coffee on its own account, but in the course of their business, acted merely for third parties in bringing Brazilian sellers and American importers together and undertaking transport and delivery of such coffee. The Rio de Janeiro Tramway, Light and Power Co. are in receipt of very large amounts of paper money, part of which have to be converted into sterling for payment of stores, dividends, etc. The *modus operandi* is for the Rio de Janeiro Tramway Light and Power Co. to undertake payments in currency at Rio of coffee, purchased by New York or Canadian importers, transported in the company's steamers, thereby eliminating bankers and other commissions and securing a more favourable rate of exchange. We understand that the New York City and other banks are about to initiate a similar policy. So far the Rio Tramway, Light and Power Co. have arranged transfers for some 180,000 bags of coffee.

The amount of exchange that could be negotiated in this form is, however, limited by the value of coffee exports to U.S. on the one hand and the amount payable to the United States on account of imports and dividends on the other, though, *coeteris paribus* not much difficulty should be encountered in extending the business to similar payments in Europe also, so long as exchange between United States and London were favourable.

A weak point in the American coffee situation is that milds, shut off from a steady demand in Europe, are going to the States in larger quantities and also that more low grade stuff is finding its way there in consequence of inefficient inspection.

When the war broke out there was still £478,000 to be drawn for on acount of the issue of S. Paulo Treasury bonds, a good part of which had been placed in Germany and, consequently, could not be collected. The balance, being subject to the British moratorium, was likewise unavailable. On the other hand the Committee was creditor for a still larger amount payable by the S. Paulo Government on account of the surtax, of which £478,000 has since been liquidated by transfer and the S. Paulo Government thus relieved of the necessity of remitting nearly half a million and of so helping to further depress exchange.

THE COFFEE EXCHANGE OF THE CITY OF NEW YORK.

Differences in grades established by the amendment to Section 33 of the By-laws, adopted June 3rd, 1914.

In effect as applying to contracts for July, 1915, delivery and thereafter.

Standard Grades	Brazilian Coffee not Santos	Santos Coffee	Other kinds not Brazilian
No. 1	180 above	260 above	300 above
2	150 ,,	230 ,,	250 ,,
3	120 ,,	200 ,,	200 ,,
4	90 ,,	150 ,,	150 ,,
5	60 ,,	100 ,,	100 ,,
6	30 ,,	50 ,,	50 ,,
7	basis	basis	basis
8	50 below	50 below	50 below

[Note of Ed.—The system of the New York Coffee Exchange of basing all its deals on type 7, with fixed differences of 50 points or ½c. between each type and allowingcontracts to be fulfilled by the delivery of any kind of coffee except Robusta, which grades type 8 or above, has lead to the anomaly of the most unmarketable kinds being set aside precisely for this purpose, preference being given to Rio coffees, which by the picking of all imperfections, were brought up to type 2 or 1, whilst their intrinsic value for the consumer lies at about, say, type5 and is even then of difficult sale especially when prices for all other Santos and mild grades are comparatively cheap and abundant. Except for the sales on the New York Coffee Exchange, lower grade Rio would never be hand picked, but be consumed as produced. The expenditure on hand picking same is in chandise is not thereby improved. To pretend that these high grade Rio coffees are utilised for banking operations, as the minority report says, appears coitradictory, as it could never be economically advantageous to invest capital in a commodity which, by artificial enhancement of its value, tends to defeat its real objective, i.e., consumption.

In fact, these coffees only act as bugbears, and help to depress values whensoever a month of heavy liquidations approaches, seeing that no legitimate buyers would ever invest in such goods, which, of their very nature, (the enhanced value: type 1 and 2) could only be used for new tendering (fiiéres), unless prices in the future market should drop to a level that would make the use of such high grade tenders profitable to roasters.

Now, for example, the quotation for December is approaching a basis, where some of such goods might enter into consumption. Type 7 December in New York is quoted at 5.62 cents. If Rio type 2 are delivered in December, a premium of 250 points would be paid by the receiver and such tenders stand in at New York at 8-12c.

Santos type 4 is sold now at 8.90c. c. and f., which at the presently enhanced cost of importation will stand in New York about 10c, a difference of 2c. between the two kinds, is sufficient perhaps to induce roasters to try to use some of these tenders, which have been lying in New York for years without finding consumers for the reasons given above. In the meanwhile they serve to depress the values of all other kinds desired by the trade and undoubtedly cause great detriment to the Paulista planter.

For example: an American importer buys 5,000 bags of type 4 c. and f. in Santos and sells against this 5,000 bags type 7 on exchange as an insurance. In order to undo this operation with profit, the more tenders of Rio type 2 should be delivered during that month for what he has sold the better for him, in order to free the goods imported for consumption, wherein he is largely assisted by the organisation of the New York Coffee Exchange as we explained above, whilst the S. Paulo planter, who wishes to sell more of his desirable goods, will find them to be depreciated, as the co-called insurance can only be effected at a lower price. This depressing action of tenders of Rio coffee type 2 could be counteracted during the last years of rising prices (from 1910 to 1912), only by enormous speculative purchases for Brazilian account, but as these lately resulted in heavy losses for the buyers such assistance is no longer forcoming and prices consequently receded to the present low level.

Minority Report of Two of the Five Members of the Special Committee on Change of Contract. The Coffee Exchange of the City of New York.

New York, March 31st, 1914.

To the Board of Managers, Present.

Gentlemen,—This Committee has held several meetings and invited all members of the Exchange to express their views in writing or in person, as to the advisability of making a change in the present contract for delivery of coffee on the Exchange.

In response to this invitation, several of the members appeared before us, others sent letters, and various suggestions were made. The Committee has given very careful consideration to all the views expressed.

In the early days of this Exchange, we tried several different forms of contract, with unsatisfactory results, and finally settled on the present form with a Revision Committee, whose duty it was to meet yearly in November, and change the difference between grades to agree with the actual differences in the spot market.

This contract was continued for five years, and proved so unsatisfactory, that in November, 1903, the Revision Committee was abolished by vote of members of the Exchange, 53 to 1, and fixed differences of fifty points between all grades were established.

We believe the success of the Exchange depends on having as broad a contract of delivery as possible, with a fixed basis of value and past experience has shown that all changes from such basis tend to unsettle and restrict business.

Our present contract is the result of about thirty-two years' experience as an Exchange; after going through a period of changes and experiments, the business of the Exchange for the past ten years is the best evidence that our present contract is the most satisfactory we have had since the existence of the Exchange.

The Committee have not heard any suggestions which have not already been tried in former years in some form or other, (excepting the limiting of the maximum average grade of Brazilian coffees for delivery to number three), and we believe any of the changes suggested would be a step backward rather than forward.

We, therefore, are of the opinion that our present contract is best for the general interest of the whole Exchange and recommend that no change be made.

March 2,1914.

Letter addressed to the Committee rê Changing Contracts,

M. R. Mayer, Chairman.

Gentlemen,—Why not let well alone? Because,

1st. Our Coffee Exchange does more business than those of Havre, Hamburg and London put together and at lower cost to the operator than on either of the others—and it is to be noted that during the past years most of our new members are foreign merchants.

2nd. Because our coffee standards, arbitrary differences and methods of grading have become acceptably recognised by every coffee producing country in the world—and any change now made would only produce unnecessary confusion. Unnecessary, because during the present system the spot differences between Rio No. 7 and Santos No. 4 have narrowed at times to only ¼c. and at other times have widened to 2½c.—owing to trade conditions, which are constantly changing and cannot be regulated by any Exchange rulings.

3rd. Because any attempt to discriminate against Rio Coffees, which are generally used in banking operations, would destroy the banking business which is the foundation of all the actual business of our Exchange, causing large stocks to be carried here and preventing corners of spot months.

Eliminate this element, and our transactions would no longer be founded on actual deliveries—our volume of business would be reduced at least seventy-five per cent.—we would be only a paper Exchange and probably be eventually closed up by Government interference.

(Statement).

Shortly after the annual election for officers of the Coffee Exchange, Mr. Max Mayer, a newly elected member of the Board of Managers, recognised as Crossman & Sielcken's floor representative, began agitating changing the differences in the established grades, and a committee of five, of which he was chairman, was appointed to report to the Board of Managers, and several members were requested to communicate to this Committee their views on the subject. Copy of one of the letters is here enclosed.

The Committee finally submitted to the Board of Managers a majority report of three in favour of and a minority report of two strongly condemning the change. These reports were only furnished to the Board of Managers—not to the members of the Exchange.

An amended copy of the majority report was finally reported to the Exchange to be voted upon and was passed to take effect July 1st, 1915. The vote was obtained by the securing of proxies of many members who do not take the trouble to vote, taking it for granted that every amendment proposed is all right.

Had the minority report (copy herewith) been sent out to each member of the Exchange it is thought that the result would have been different and the proposed amendments would have been defeated.

As an aid in bulling the market it has been a dead failure and much of the steady decline since this action is attributed to the uncertainties arising from any operation in hedging against importations.

Again it is a drive against high grade Rio coffees which are used for banking purposes—in fact it is a movement against carrying large stocks of coffees to facilitate the banking business and prevent corners. It is a question if Brazil will accept the arbitrary conditions made without using the common business courtesy of asking their opinion and co-operation—and if a strong protest came from Brazil it would be backed up by many here who already are in favour of cancelling the action taken.

[Regarding the three points emphasised in the Minority Report, which are used as an argument against a change of prevailing conditions, one might say:—

During the period of excessive speculative activity in Brazil, the New York market offered, for various reasons, certain advantages over the European markets, but the losses sustained there owing to the above criticised rules were such that Brazilian operators refrained from sending further orders, even before the war, when things were normal.

It remains to be seen whether the new rules coming into force next year will be able to attract these clients again.

Changes will always be perturbing factors during times of transition, but for all that may be none the less indispensable.

The anomalies alluded to, that type 4 Santos was at times only ¼c. and at others 2½c. above type 7 Rio, show how faultily the mistakenly fixed differences work, aggravated as they are by the right to liquidate contracts by delivery of inferior goods of artificially enhanced value. Anomalies like these are not possible on the European exchanges.

It is preposterous to say that bank investments in, so to say, unmerchantable goods justifies the upkeep of commercial abuses. With the new stipulations, which keep dealings in Santos coffee apart from those in Rio coffee, the banks will have ample opportunity for investment in the former kind.

MONEY.

Exchange, Monday, 9th November. The banks opened drawing at 13 5-8 to 13 11-16, against other paper at 13¾, closing at 13 5-8 to 13 21-32d.

Sovereigns, sellers at 17$900.

Tuesday, 10th November. No alteration. Banks drawing at 13 5-8 to 13 21-32d.

Sovereigns, sellers at 17$800.

Wednesday, 11th November. Exchange continued firm at 13 5-8 to 13 5-16d.

Sovereigns, sellers at 17$700.

Thursday, 12th November. Exchange firmer, the banks drawing at 13 11-16 to 14d., against other paper at 13 7-8 to 14¼d.

Sovereigns, sellers at 17$100.

Friday, 13th November. Exchange firm. Banks continued drawing at 13 15-16 to 14d., against other paper at 14 1-8. In the afternoon the rate fell to 13 7-8.

Sovereigns, sellers at 17$300.

Saturday, 14th November. Market weaker. Banks drawing at 13 13-16 to 137-8, against other paper at 13 15-16d.

Sovereigns, sellers at 17$500.

Monday, 16th November. Banks drawing at 13 3-16 to 13 3-8, against other paper at 13 9-16 to 13 15-16. Sovereigns, sellers at 18$200.

Tuesday, 17th November. Market weak. Banks drawing at 13 3-16d. Sovereigns, sellers at 18$200.

Wednesday, 18th November. Banks drawing at 13 3-16 to 13½d., against other paper at 13½ to 13¾d. Sovereigns, sellers at 18$200.

Thursday, 19th November. Banks drawing in the morning at 13 7-16 to 13 5-8, against other paper at 13 5-8 and 13¾d. Market closed with banks drawing at 13½d. Sovereigns, sellers at 18$000 to 18$200.

Friday, 20th November. Banks drawing at 13 7-16 to 13 9-16, against other paper at 13 9-16 to 13 5-8. Market closed with banks drawing at 13 7-16. Sovereigns, sellers at 18$000.

Saturday, 21st November. Market calm; banks continued drawing at 13 7-16, against other paper at 13 9-16. Sovereigns, sellers at 17$900.

Latest London Quotations, November 21st:—

Bank of England Rate	5	5
Open Market Rate, London	3 1/8	5
Consols	68½	72¾
Apolices, 4 per cent., 1889	61	75½
Apolices, Funding 5 per cent.	86	101
Apolices, Funding, 1914	70	—
Apolices, 1910 4 per cent.	50	73
Leopoldina Stock	32½	68½
S. Paulo Railway Ordinary	185	234
Traction Ordinary	50½	87½
Brazil Railway	8	47

After an absence of six months, it is not easy to get one's bearings, with exchange rates jumping about as they have been lately.

That rates should slump to 10½d. by 20th October seemed to the uninitiated in London only the logical effect of a shortage of bills and issue of large quantities of inconvertible paper money. But when rates began to rise again, until they mounted to 15d. towards the close of October, people in London were nonplussed to see their most cherished theories go by the board. If, instead of falling, exchange positively rose as fresh paper was issued, what is to become of the quantative theory of the value of money that everyone here pinned their faith to? Indeed, under such an hypothesis, the more paper money the better, as at least it must help to relieve the Treasury without hurting anyone at all.

Piano, Piano!

Theories, though hoary by age, may have excuse for their madness and though for the moment the value of money may seen to be independent of quantity, in reality that remains as ever a factor of the demand for circulating medium, even if overshadowed for the moment by others more actively powerful.

The sterling value of paper money depends on the relations of the demand-for to the supply-of bills and on absolutely nothing else; though, of course, the demand is consttiuted by numerous factors, such as requirements for remittances, public and private, and, to some degree, the amount of loanable capital or paper money available with which exchange may be taken and, momentarily, —both as regards demand and supply—speculation.

The suspension of the service of the debt since July, when the previous coupon was met, the passing of dividends of several railway and other companies and the reduction in other cases, like the S. Paulo Railway, of dividends and particularly the local moratorium, all served to materially circumscribe the demand for bills, which the withdrawal of gold from the Caixa for payment of the October coupon still further accentuated and, in fact, started rates on the upward trail. It was then discovered that though exports were abnormally small, imports were smaller still and that only an impulse was wanted to put rates up and help to keep them there. In the absence of European credits, the Bank of Brazil being unable to support the market, the Government and speculation came to the rescue and by exporting gold from the Caixa and selling ahead saved the situation and allowed the late Government to go out with, relatively, flying colours.

For the moment demand and supply, with the help of speculation, seem to be fairly balanced. Exports and Imports for the last two months were as follows:—

	1914	1913
Exports—August	£1,379,000	£4,638,000
,, —September	2,499,000	6,181,000
2 months	£3,878,000	£10,819,000
Gold	74,000	728,000
	£3,952,000	£11,547,000

	1914	1913
Imports—August	£2,230,000	£5,309,000
,, —September	1,668,000	5,364,000
	£3,898,000	£10,673,000

The balance of trade for the months of August and September in favour of Exports and inclusive of gold shipments was £54,000 for 1914, as against £874,000 last year and £916,000 in 1912.

With so exiguous a balance in our favour and no capital coming into the country, but relatively large remittances for account of foreign railway and other companies impending, it is evident that not only could the rate not have been maintained, but that it must have fallen persistently unless some large factor of the demand had been eliminated. Owing to the moratorium large sums due abroad have not been remitted and to this extent the market, consequently, has been relieved.

Unless the moratorium is again extended as soon as it comes to an end, practically on 14th January, the demand for trade remittances and other purposes, always active at the beginning of the year, would seem likely to swamp the supply of bills, that by reason of the war offers little hope of expansion.

Barring an extension of the moratorium on foreign bills of exchange, the outlook of exchange would seem to be for a fall as soon as speculative engagements have been iiquidated.

Deprived by the war of a third of their consuming markets, coffee, rubber and cotton and, indeed, most other commodities, can look for ittle reaction, but in all probability a further fall of prices that will reduce still further the already slender balance in favour of our exports.

Bank of England:—

Gold and bullion in Bank of England, Issue Dept., 28th October, 1914	£61,362,080
Gold and bulion in Bank of England, Banking Dept...	510,660
Ditto, ditto Treasury Dept...	9,500,000
	£71,372,740
Notes in circulation	44,699,410
Currency notes in circulation	31,366,690
	£76,066,100
Proportion of gold and bullion to notes issued by Bank of England and Treasury, exclusive of that held by Stock Banks	93.8%
Proportion of gold in Bank of England to notes	136%
Proportion of Reserve of Bank of England to liability	29.75%
Ditto, ditto, 1st week, August	14.6%

The position in London is still satisfactory in spite of the large outflow of gold that must be taking place for military expenditure towards the continent and for military stores to the United States and possibly other neutral countries. Now that the large home loan has been placed successfully, the way has been cleared for several foreign issues, inclusive of one of £8,000,000 (frs. 120,000,000) for the Paris Municipality, £5,000,000 Treasury bonds for Egypt, £12,000,000 Treasury bills for Russia and a Canadian and probably South African Government issues.

British Treasury Bills outstanding on 23rd Oct. amounted to £79,500,000. The last allotment was £7,500,000 for 12 months at £3 8s. 3.58d. per cent., maturing on 19th September, 1915. In addition, £7,100,000 were issued privately.

American Banks shipped to Canada a further $2,310,000 of the first instalment of the New York City loan and have arranged to ship $2,215,000 more.

The Commercial Indebtedness of America to Great Britain is estimated by Sir George Paish at £50,000,000, involving the £20,000,000 gold being now sent through the New York pool and Ottawa. The balance, it is believed, might be arranged through cotton shipments.

Paris bankers are said to be endeavouring to place a loan of frs. 50,000,000, though in view of the disfavour with which similar German pretensions were received by the President, the success of such an operation would be very questionable during the war.

Emergency Issues at Washington to Oct. 16 amounted to $362,303,209 or £72,460,652.

The London Stock Exchange. So far nothing seems to have been settled as to its reopening, whilst at New York the fond expectations of an early reopening would likewise seem to be doomed to disappointment.

Exports from Great Britain. Declaration of ultimate destination is required to all countries excepting Russia, Belgium, France, Spain and Portugal.

The New Funding Coupon, quoted at 70, has fallen to 69. The "Daily Telegraph" thinks the rate too low and that it ought to have been quoted between 70 and 80.

Germany. "The Statist," of 15th October, says the total gold reserve on that date was £90,085,950, as against £67,843,000 for the last week before the war, an increase of £22,242,950 or 32.8 per cent. Meanwhile notes in circulation showed an increase of £108,513,000 or 114.8 per cent., i.e., whilst gold has risen to 90 millions, the circulation has increased to over 203 millions. The proportion of gold to notes is now 44.3 per cent. The increase in gold at the Reichsbank is now explained to originate chiefly in transfers from the military chest at Spandan.

Germany. The unprecedented weakness of exchange between the United States and Germany seems to indicate efforts to establish credits at New York and would seem to show how hard pressed Germany must be.

New German Loan for five milliard marks (£250,000,000) will, it is said, be issued in December. The preliminary war contribution of Germany to Turkey amounts to marks 200,000,000 or £10,000,000 cash.

Another Brazilian Default. Under this title, the "Times" states that the City of Manáos has failed to provide funds to the London and Brazilian Bank for payment of the five per cent coupon of the Municipal 1906 loan and proposes to postpone all payments for six months. Why not *sine die?*

The Rio de Janeiro Tramway, Light and Power Co., Ltd., have declared a quarterly dividend of 1¼ per cent.

S. Paulo Railway traffic returns for the six months show a falling off from £210,058 to £134,947 compared with same period last year, when the average rate of exchange was 15.9d. The dividends on the preference stock was maintained at 5 per cent. and £210,758 carried forward.

Insurance. At Rio and Santos rates change almost daily, sometimes British rates being lower and sometimes American, there being apparently no guiding principle except the sentiment of the moment to determine them. At present 10 per cent. would seem to cover all risks, inclusive of that of capture of any neutral cargo in neutral ships that belligerents may fancy to be intended for consumption of the enemy. Besides the difficuties with insurance, the exactions of the British Government as regards declaration of ultimate destination and the determination of Santos and Rio bankers to insist on bills being drawn on bankers instead of on merchants, all tend to seriously hamper trade between this and other countries.

The plan of England is naturally to prevent the movement of supplies into Germany, regardless of whether commerce of neutral countries is injured or not and though, of course, from the British point of view, such proceedings are but a logical development of that country's policy towards Germany to peaceful neutral countries, such impediments are most exasperating and must before long lead to some collective protest.

English marine insurance companies have already, by order of the British Government, inserted a clause in policies prohibiting insurance against losses arising from British capture or seizure of neutral vessels and, as this has been imitated by American companies, it is practically impossible to insure merchandise for countries ajacent to Germany.

Underwriters, says the New York "Journal of Commerce," now require a warranty on all insurances on goods shipped to Italy, Holland, Denmark, Norway and Sweden, exempting insurers from any loss or liability on account of capture or seizure by Allies.

The action of British insurers will have have the effect, no doubt, of driving all the business into the hands of the neutrals, and though unable to control such companies directly, the British Government can to some extent control the situation by interfering with and delaying cargoes and so raising the cost of insurance in neutral companies in such a manner as to force underwriters to exact compensating rates.

Rates for war risk insurance without the warranties now demanded by both British and American companies must, therefore, be advanced to a point to take care of possible losses arising out of expenses resulting from capture, seizure or detention, particularly of neutral bottoms bound to neutral countries contiguous to Germany. Expenses will run into heavy figures, to cover which underwriters will be forced to demand premiums ranging from 10 to 15 per cent. above rates charged for mine and other risks ordinarily covered by war claims.

Such eventualities could, of course, be easily avoided were the plan adopted by Holland and under consideration by Denmark adopted by other countries contiguous to Germany of acting as agents for their importers and absolutely prohibiting re-exports to Germany.

Importers in these countries have been reaping a rich harvest by selling supplies to Germany at double their cost and naturally will do their best to get their Governments to protest against what they deem the unwarrantable intereference of England with their trade. But England having made up its mind to deprive Germany of oversea supplies by every means in her power, is not likely to give much attention to the protests of merchants of any country whatsoever that aim at the extension of such trading.

VALORISING COTTON.

A telegram dated 28th October, to "The Times," outlines the plan of the Federal Revenue Board for the $135,000,000 (£27,000,000) cotton loan fund, and gives the conditions governing subscriptions thereto and the loans made to banks and growers in the cotton States. The fund will be under the direction of individual members of the Federal Reserve Board as a central committee, but the general administration will be left to the cotton loan committees in the cotton States. A hundred million dollars are to be subscribed from the non-cotton producing States, and the balance from the cotton States. Subscribers will receive participation certificates bearing interest at 6 per cent. annually. Loans from the fund will bear 6 per cent., and will be secured by cotton on a basis of six cents a pound for middling. Provision is made for a mutual borrowers' fund to meet administration expenses and possible losses.

An official statement says that the Egyptian Government has decided to commission four Alexandria firms to buy cotton extensively from small proprietors at a reasonable rate on Government account, to be stored until the arrival of more prosperous times. It is believed that this decision by the Government, together with the generous aid rendered by Great Britain, will greatly relieve the situation.

RUBBER.

Plantation first latex was quoted on 31st October spot at 2s. 3¾d. and fine hard Para at 2s. 6½d., with offers for November and December at 2s. 6½d., Caucho ball spot at 1s. 11d. and negroheads Manaos 1s. 9d.

Rubber Distribution in 1913:—

	Tons	% of total
America and Canada	48,000	44.3
Great Britain	18,640	17.2
Germany	15,500	14.3
France	6,500	5.9
Belgium	3,000	2.8
Russia	9,000	8.3
Austria-Hungary, etc.	3,000	2.8
Italy, etc.	2,000	1.8
Scandinavia	1,500	1.4
Japan and Australia	1,300	1.2
Total	108,440	100

When it is remembered that the whole of the Continental trade taken by Russia, Germany and France and a part of that of other countries is at a standstill, the fact that forward business at Mincing Lane is entirely checked and spot dealings at a minimum is easily comprehended.

The British Government is said to be endeavouring to prevent shipments of raw rubber from the East to any except British ports. This, if realised, seems likely to affect direct shipments from the East to New York and prove a "bull" feature for Brazilian rubber.

Mail quotations to 23rd October at New York was as follows:—

Pará up-river fine	64 to 65c.
Pará up-river coarse	44 to 45c.
Islands fine	49 to 50c.
Islands coarse	27 to 28c.
Caucho ball	42 to 44c.
Ceylon biscuits and sheets	60 to 65c.
Pale crepe	58 to 50c.
Scrap rubber, boots and shoes	6½ to 7 1-8c.
Tyres	4½ to 5c.
Inner tubes	16 to 17c.

SUGAR.

The action of the British Government in prohibiting imports of sugar of any source whatsoever is all the more incomprehensible because it is in direct contradiction with the object of that Government of preventing the price of sugar from rising, as, if left to the tender mercies of speculation, it certainly would have done during the first months of the war. Sugar was contracted in quantities sufficient, it was believed, to ensure British consumers filling all requirements for many months to come. The value of the sugar contracted amounted to £18,000,000, which is being issued to refiners at prices which, whilst protecting the Government from loss, will enable the refined product to be sold to the public at 3¾d. per lb. for "good granulated" and 4½d. for cubes.

The transaction would have been as beneficial to British consumers as to the cane growing countries were it not for this unexpected and almost inexplicable change of front involved in the recent prohibition of imports into Great Britain.

The prohibition is popularly believed to originate in a not unnatural desire on the part of the British Government to guard itself against loss, seeing that the price of raw cane sugars since the purchase has fallen. Such an explanation, at variance with both the traditions and practice of the British Government may be disregarded.

In the proclamation prohibiting imports, the British Government explains that its object is to exert economic pressure on the enemy by making the importation of German sugars through neutral countries absolutely impossible. Whilst direct importation of Austrian and German sugars had been already forbidden, there was reason to believe that such sugars were still being imported through neutral countries, which are eagerly seeking Austrian and German supplies. The only ultimate big market is Great Britain and nothing, it is alleged, will hinder Austrian-German exports but absolute prohibition of imports by Great Britain.

Therein, we believe, there may be some misconception and until it is proved that German and Austrian sugars have in reality been imported through neutral countries into Great Britain, it would be rash to conclude that, because such countries are eager purchasers of German and Austrian beet, the only market for it is Great Britain!

Without German and Austrian beet sugars there must have been a big deficit in the world's supply that cane sugars could not supply. Consequently the greater consumption of cane in Great Britain the larger would be the deficit in other non-producing sugar countries to be made good, naturally by export of beet sugars through neutral countries, as the "Economist" pointed out months ago.

Prohibition of imports into Great Britain would seem like tweaking one's nose to spite one's face, especially as regards most of the Brizilian kinds that are applicable for special purposes and exported only to Great Britain.

The explanation offered by the Board of Trade seems, indeed, so unconvincing as to lead one to search for some more probable motive.

The prohibition has, however, a much more plausible explanation. Owing to the devastation of the beet growing districts of the north of France, not only have stocks of sugar been exhausted, but there is no hope of reviving them so long as the Germans remain in possession of that region. Every day sugar is rising in price at Paris and in the provinces. Last year Germany contributed more than 6,000,000 and Belgium 5,000,000 tons to make good the inadequacy of French supplies. Now both are cut off, as also hopes of supplies coming from Russia.

Seeing that beet supplies are not available, the French Government is taking steps to encourage oversea supplies from cane growing countries, by opening the waterways and canals of France, reducing duties on coal and contracting with foreign producers for supplies of raw material.

Meanwhile speculators are taking a hand in the game and endeavouring to corner supplies. It is believed that the corner has its head on the other side of the Channel and it is quite possible that the prohibition of imports of sugar is designed less to harm Germany or keep prices up in England than to help her ally and defeat the unpatriotic manoeuvres of unscrupulous speculators.

Apropos, the French Minister of Justice remarked "such manoeuvres, which are quite illicit, especially at the present time, are nothing less than attacks at the nation itself."

Turning to our own trade with Great Britain, it will be found that the largest quantity ever exported was 187,166 tons in 1901, of which 167,657 consisted of very low grades, "mascavos" and "melados," polarising about 76° degrees. These sugars are utilised almost exclusively for brewing purposes and cattle foods. They are exported exclusively to Graet Britain and could not be utilised anywhere else. There seems no possibility of their being confounded with beet sugars or of German or Austrian sugars being imported through this country, seeing, moreover, that in any case the cost would be prohibitive. Under such circumstances, we feel sure that on proper representation being made, the prohibition, in this case at least, would be removed.

There is, moreover, a further phase of the question that seems likely to exercise a still more powerful influence in the same direction—that is that unless the prohibition be extended to chocolates and confectionaries imported into Great Britain from neutral countries like Switzerland, they, owing to lower prices of the German and Austrian raw material, will be in a position to compete disastrously with British manufacturers and so defeat the very object of the proclamation. Confectionary interests in Great Britain are extremely powerful and may be counted on to look after themselves and get the obnoxious and counteractive prohibition removed.

As regards our own trade, unless there is a very large increase of the planting area, production is barely sufficient to meet our own requirements and any attempt to export on a really considerable scale would inevitably result in a local shortage and a consequent rice of prices, that, in our actual position, would be much to be deprecated.

During the last five years, exports were as follows:—

	Tons	
1910	58,823	£679,007
1911	36,208	408,659
1912	4,772	56,052
1913	5,367	64,786

During the last few years exports have fallen off to such a degree, in consequence of the increase of population, a s to leave scarcely any margin for export.

At the risk of a rise of prices exports should, if not prohibited, at least be circumscribed to certainand determined qualities not consumed in this country or all import duties on sugar be abolished.