

MR. J. P. WILEMAN'S WEEKLY LETTER

"MOSTLY ABOUT COFFEE"

December 8th, 1914.

No. 47.

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 26th November and 3rd December are given together.

Rio de Janeiro, November 30th, 1914.

New York quotations, Saturday: Spot, nominal; options, December, 5.30; March, 5.67c.; May, 5.85c.

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

Entries for the week ended November 26th and November 27th respectively were as follows:—

	1914	1913
Rio	59,978	83,799
Santos	336,566	299,753
	<u>396,544</u>	<u>383,552</u>

Decrease, Rio, for week, 23,821 bags or 28.4 per cent. compared with last year.

Increase, Santos, for week, 36,813 bags or 12.3 per cent. compared with last year.

Increase, both ports, for week, 12,992 bags or 3.4 per cent. compared with last year.

Entries for crop to November 26th were:—

	1914	1913
Rio	926,417	1,602,457
Santos	4,497,531	7,365,229
	<u>5,423,948</u>	<u>8,967,686</u>

Decrease, Rio, for crop, 676,040 bags or 42.21 per cent. compared with last year.

Decrease, Santos, for crop, 2,867,698 bags or 38.9 per cent. compared with last year.

Decrease, both ports, for crop, 3,543,738 bags or 39.5 per cent. compared with last year.

Entries at Rio and Santos to November 26 or corresponding date of previous six years:—

1914-15—5,423,948	1911-12—8,928,261
1913-14—8,967,686	1910-11—8,139,315
1912-13—7,726,605	1909-10—12,096,574

Clearances to November 26th were as follows:—

	Week ending Nov. 26		Crop to Nov. 26	
	Bags	£	Bags	£
Rio	35,044	49,139	838,701	1,410,623
Santos	370,953	703,661	3,247,047	6,609,309
1914-15	405,997	752,800	4,085,748	8,019,932
1913-14	453,231	1,315,740	6,967,187	20,537,400

Decrease clearances for both ports for current crop to November 26 2,881,439 bags, or 41.4 per cent., as against 43.5 per cent. on November 19th.

Decrease in value £12,517,468 or 60.9 per cent., as against 63.4 per cent. on November 19th.

Stock were:—

	Nov. 26	Nov. 19
Rio	201,277	176,343
Santos	1,689,773	1,610,786
	<u>1,891,050</u>	<u>1,787,129</u>

Stocks Rio and Santos:—

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

Rio de Janeiro, December 7th, 1914.

New York, Saturday, 5th, Spot Rio No. 7, 6 3-8c., No. 8, 5 7-8c. Options: March 5.69c.; May, 5.85c.; July, 6.60c.; and Sept., 6.74c.

At Rio, No. 7 5\$800 per 15 kilos. At Santos, No. 6, 3\$600 per 10 kilos.

Entries for the week ended December 3rd and December 4th respectively were as follows:—

	1914	1913
Rio	56,066	73,468
Santos	331,064	357,698
	<u>387,130</u>	<u>431,166</u>

Decrease, Rio, for week, 17,402 bags or 22.3 per cent. compared with last year.

Increase, Santos, for week, 26,634 bags or 7.4 per cent. compared with last year.

Decrease, both ports, for week, 44,036 bags, or 10.2 per cent. compared with last year.

Entries for crop to December 3rd were:—

	1914	1913
Rio	982,483	1,675,925
Santos	4,828,595	7,722,927
	<u>5,811,078</u>	<u>9,398,852</u>

Decrease, Rio, for crop, 693,442 bags or 41.4 per cent. compared with last year.

Decrease, Santos, for crop, 2,894,332 bags or 37.5 per cent. compared with last year.

Decrease, both ports, for crop, 3,587,774 bags or 38.2 per cent. compared with last year.

Entries at Rio and Santos to December 3rd or corresponding date of previous six years:—

1914-15—5,811,078	1911-12—9,145,224
1913-14—9,398,152	1910-11—8,353,138
1912-13—8,082,696	1909-10—12,392,664

Clearances to December 3rd were as follows:—

	Week ending Dec. 3rd.		Crop to Dec. 3rd	
	Bags	£	Bags	£
Rio	43,843	61,332	882,544	1,471,955
Santos	196,297	376,242	3,443,344	6,985,551
1914-15	240,140	517,681	4,325,888	8,457,506
1913-14	531,122	1,561,687	7,498,309	22,099,087

Decrease clearances for both ports for current crop to December 3rd 3,172,421 bags, or 42.3 per cent., as against 41.4 per cent. on November 26th.

Decrease in value £13,641,581 or 61.7 per cent., as against 60.9 per cent. on November 26th.

Stocks were:—

	Dec. 3	Nov. 26
Rio	210,889	201,277
Santos	1,726,475	1,689,773
	<u>1,937,364</u>	<u>1,891,050</u>

Stocks Rio and Santos:—

December 4th, 1913	2,838,057
November 27th, 1913	2,886,862
December 5th, 1912	3,001,390

Latest Prices. "The Bulletin du Correspondance" of Havre registers a rise of prices during the week ended 27th October to 53.50 frs. December, 54 frs. March and 54.50 frs. May, about which rates prices were maintained up to 3rd November. By 19th Nov. December had declined to 52.75 frs. and later months to 52.25 frs.

Closing Quotations, December 4th:—

	1914	1913
New York, Spot Santos 7s	8½	11 3/8
" Options—March	5.69	9.62
" " May	5.85	9.86
" " July	6.60	10.05
" " September	6.74	10.20
Santos, December No. 7	3\$700	
" " 6	3\$600	
" " 4	4\$800	
Rio base	3\$950	

Santos, November 28th, 1914.

At the low level reached at the beginning of the week the tone of the market became steadier and requirements for immediate shipment made it easy for commissarios to get prices which were only slightly below former values, but this for desirable coffees only. Type 4 fetched from 4\$500 to 4\$800, according to merit and higher grades have been sold up to 5\$200.

Notwithstanding this improvement, new transactions for export have not been numerous of late. As far as Europe is concerned, for the reasons given in our previous issues, whilst for the States, cheaper offers from here, probably in expectation of lower exchange, stood in the way of an all-round demand.

We hear that type 4 has been sold at 8.50c. c. and f., whilst most exporters held out for 8.75c. to 9c.

The difficulty about the delivery of cables seems to have been got over by the intervention of the respective consulates or diplomatic representatives who, as intermediaries, have received and sent messages of commercial import.

Our remarks regarding smaller receipts were premature, as we were not then aware that the S. Paulo Railway Co. was about to raise the freight rates from December 1st onward. This is, of course, an inducement to send down as much coffee as possible before the new rate materialises, which for one bag of coffee from S. Paulo to Santos amounts to about 120 reis.

Receipts during the week have, consequently, been the heaviest of the crop year and they are likely to continue so during the first week of December only, however, to fall off all the more afterwards.

Shipments are likewise important, although but few steamers are loading, but fall behind arrivals. The stock now shows an increase of about 200,000 bags since the beginning of the month.

The decision of the State Government to insist, from to-day onward, on the payment of the 5 francs surtax in cheques on London or in currency at the rate of 700 reis per franc, instead of in notes of the Caixa de Conversão, provoked heavy clearances for export, amounting to 172,000 bags to-day, as the new rule increase taxation of coffee by about 350\$000 per 1,000 bags.

Reports from the interior are favourable as regards the weather, abundant rain having fallen all over the country. It remains to be seen how they will benefit the flowerings which appeared in the central and western districts, seeing that the "terras quentes," i.e., Ribeirão Preto, França, etc., were not favoured by any late flowering; in fact, news from there indicates a medium crop only.

Santos, December 5th, 1914.

The steady demand for coffee which prevailed last week and created a more cheerful tone amongst dealers, persisted throughout the week under review and, as a consequence, prices for the qualities most sought for advanced by about 200 reis. Commissarios met this demand freely, so that the stock in first hands must have undergone a further shrinkage, the approach of the end of the moratorium and the uncertainty about its extension presumably inducing holders to get rid of their stock and arrivals in order to strengthen their balances at the banks. The latter show so remarkable an increase in their cash compared with last year, whilst discounts loans and deposits in account current are so much reduced, that a reaction would seem inevitable were not trade conditions everywhere so abnormal. Naturally curtailment entailed many hardships before the actual banking position could be reached, whilst it still remains to be shown how the Brazilian markets will emerge from the moratorium. For the present, however, it looks as if coffee would develop an upward tendency, now

that demand seems to be beginning to outstrip supply, although receipts still continue on the previous scale. The neutral countries of Europe are constant buyers in this market, so much so, in fact, that European shipments were 300,000 bags larger than those to the States, i.e., 683,000 bags in all, against 381,000 for the latter destination. In addition the prices paid by Europe are far better than what New York is willing to pay, where buyers seem to be under the impression that they would continue to get their own way and dictate prices just as they did at the outbreak of the war.

The States have received from Santos since the beginning of the crop year 1,845,000 bags, whilst the yearly average of shipments from Santos for the last five years was 3,550,000 bags; in addition, it must be borne in mind that several hundred thousand bags were annually supplied out of "Valorisation" stocks at New York. In short, requirements of Santos coffee in the States cannot at present, with a total consumption of 7,000,000 bags, fall at present much under 4,000,000 bags, in which case 2,150,000 bags will have to be bought in America during the next 7 months of this crop year. This, we doubt, American importers will find some difficulty in realising without a substantial enhancement of values.

That the running crop will not yield more than about 8,000,000 bags is now pretty well ascertained, whilst there are already indications of a falling off of receipts at primary points.

Receipts up to end of November were, in round figures	4,675,000
Receipts during December	1,200,000
Receipts 2nd half-year	2,125,000
Total	8,000,000

The stock on hand on 30th November was	1,735,000
Plus receipts, as above	3,825,000

5,060,000

of which there will be carried on to next crop year

560,000

leaving

4,500,000

for consumption during the 7 months December-June, of which the States will require 2,150,000 bags.

It is obvious that the remaining 2,350,000 bags will, at the rate of about 340,000 bags per month, be insufficient to supply European requirements, as the much higher price paid in Europe would seem to show. Consequently the States must improve their limits considerably if they wish to share in what is left of this crop.

From New York milds are reported to be offering there in larger quantities, but we learn from Mr. Laneville's statistics that only about 900,000 bags of so-called mild coffees arrived during the first four months of the crop year and, probably, about 1,150,000 bags up to end of November. Taking the total crop of milds at 5,150,000 bags, the same as last year, the statistical position at the end of the crop year on June 30th, 1915, will probably, be as follows:

Visible supply, 30th November	10,150,000
Receipts—Santos	3,325,000
" Rio	2,000,000
Bahia and Victoria	400,000
Milds	4,000,000

19,875,000

7 months' consumption at 1,500,000 bags per month ...

10,500,000

Stock, 30th June, 1915

9,375,000

Whether Rio, Bahia and Victoria will yield 2,400,000 bags is at least doubtful to judge by the crop movement up to now.

Offers from the States for type 4 rule between 8.50c. and 8.75c, whilst exporters demand 8.75c. to 9c., which they are likely to get, as buying competition in Santos is fairly strong, one outside firm (Italian importer) being on the market purchasing coffee for remittance purposes; moreover covering of former contracts has not been completed. If, nevertheless, in spite of liberal receipts, the demand already outstrips offerings, what will be the case a month hence?

Reports from the interior still give frequent rains all over the State, but not much is heard about the growing crop. It seems that the Ribeirão Preto district and those beyond up to França promise only a crop equal to this one, whilst Minas and the districts of S. Paulo bordering on Minas are said to have a substantially better yield; the same is said of the old central district of Jahú. To give an estimate is still too early.

Santos, 7th December, 1914.

The sale of 700,000 bags of valorisation coffee at Hamburg is creditable to all concerned—to the German Government—who paid a handsome price for it (78 sh. per bag it is reported), whereas they might have "commandeered" it and paid when and whatsoever they chose, as actually happened a few weeks ago at Marseilles, where 10,000 bags were commandeered by the French Government at £3 per bag—and to Brazilian diplomacy, that under the prudent direction of Dr. Lauro Müller, has once more decidedly scored.

Apart from valorisation coffees, there is no stock now left at Hamburg and all that consumption there has to rely on is the 400,000 or so bags of valorisation coffee and whatever may dribble through via neutral countries. There are still 725,000 bags at Antwerp under negotiation with the German Government, it is understood, for use of the army; but, though there is every probability of a deal, nothing has so far been definitely settled. Howsoever it may be, seeing that this and the coffee still left at Hamburg is all German consumption can count on as long as war conditions remain as they are, there can be little question that the balance will be sold at equally or even more remunerative prices.

Previous to the sale of the 700,000 bags of valorisation coffee, free coffee was quoted at Hamburg at 85 pfennigs per kilo, or about £5 per bag.

The stock of valorisation coffee in the warehouses of the Hamburg free port stands, I believe, in the names of the president of the Committee, Baron Bruno Schroeder, only lately naturalised as a British subject, and Theodor Wille, the well known German firm of that city. The drawback of one of the reported owners of the coffee being, technically, an "enemy" was largely counteracted by the fact that the co-owner was a well known and influential German firm. That, under the circumstances, the German Government refrained from seizing whatever was wanted for the consumption of the army and from deferring or even refusing payment outright is as creditable to that Government as to Brazilian diplomacy that induced it to take a benevolent view of the case and to respect the Brazilian ownership of the coffee and even pay over the product of the sale for the indirect advantage of an enemy. It is true that part of the loans secured by valorisation coffees are held in Germany itself and for all that has transpired the product of the sale may have been applied to amortisation of the bonds held in that country. However that may be, the advantage to Brazil of having got rid of so large a volume of its stocks at Hamburg at a remunerative price instead of having to wait for it perhaps for years, is unquestionable.

With regard to the 725,000 bags at Antwerp circumstances are slightly different.

In this case the valorisation stocks stood in the name of a British firm—Schröder—and the Belgian firm of Hugo, Born and Co., both enemies of Germany. When Antwerp was taken, Dr. Lauro Müller, the Brazilian Minister of Foreign Affairs, immediately cabled to Berlin substantiating the claim of the State of S. Paulo to the 725,000 bags of valorisation coffees stored at that port, and, though all the other "enemy" coffees were confiscated, the German Government, after making investigations, agreed to respect Brazilian rights and entered into negotiations for purchase of the coffee.

On the other hand, the service of the £4,000,000 Dresden Bank loan for purchase of the Sorocabana railway, for which the S. Paulo Government is responsible, is mostly held in Germany. So putting one against the other, it was clearly to the advantage of both parties to arrive at a settlement.

The sale of Hamburg and Antwerp stocks is a financial advantage, because thereby not only is the heavy expenditure for carrying these stocks eliminated, but the credit of the State of S. Paulo will be vastly improved by the amortisation of so considerable a share of the loan secured on valorisation coffees.

From the producer's point of view the sale of valorisation coffee would be prejudicial only if consumption were normal and not circumscribed, as it is, by the virtual exclusion of German and Austrian markets.

The fact that both countries have availed themselves of valorisation stocks, which otherwise might not have been sold, could therefore make no practical difference to producers deprived, in any case, of those markets. The vacuum left by the elimination of German and Austrian consumption must, however, be made good somehow, unless prices are to be permitted to fall, as seems likely, until either American markets take it into their heads that the moment is propitious for stocking up, or stocks can be taken off the market and stored until after the war, as is proposed to be done with cotton in the United States.

Very foolish rumours have been given currency, apparently by "bears" of exchange, to the effect that the State of S. Paulo is on the point of following the example of the Federal Government in negotiating a funding loan of its own.

Nothing, in point of fact, could be further from the S. Paulo Government's intentions, seeing that there could be no motive or necessity for such an operation, no embarrassment being felt at the State Treasury and revenue being ample to meet all current expenditure.

For the moment, no doubt, and until European credit improves, the S. Paulo Government will have to postpone certain plans for material development. Otherwise, even if the price of coffee should fall lower than it has, there seems no grounds for believing that S. Paulo could be reduced to the expedient of suspending specie payments.

The New York Coffee Exchange has been opened, apparently, only for the purpose of freezing out holders of March-May contracts, a margin of 50 points having been called, nominally for reinforcement of deposits, but really to force buyers to liquidate their position. This is but a sample of the guileless manner in which New York invariably works the oracle against Rio and S. Paulo interests. It is well known that a good many tenders there are held for Brazilian account, which were taken up some time ago and have been nursed ever since. It is this position that the decision of the Exchange would seem to aim at, as the importation of Rio coffees for tendering purposes has been frustrated by the closing of the Exchange and by the small entries at the port of Rio.

Shipments from Santos have been unexpectedly heavy owing to large demand from Europe. This must have somewhat upset New York plans, where it was imagined that the United States market would have it all its own way.

Clearances from Santos in November were as follows:—

Europe	Bags	683,000
United States	"	381,645
River Plate	"	15,987
Sundry	"	1,056
		1,081,688

Had Congress followed the councils of S. Paulo, not only would prices have certainly been at least 20 per cent. higher, but this, in turn, would have reacted on exchange and imports and, consequently, on revenue also.

At present the price of coffee is unquestionably below cost of production. If it continues this must ultimately drive many plantations into liquidation, with the result of still further enhancing the crisis, driving labour out of the country and, ultimately, of enormous fresh issues of paper.

The late heavy despatches of coffee at Santos originated in the desire to avoid the increase duties that the refusal of the S. Paulo Government to accept further payments of the surtax in notes of the Caixa de Conversao gave rise to. Such clearances, to a large extent, represent contracts for shipment not yet covered. As, however, the States are sooner or later bound to come in and buy liberally, there may yet be lively times in this market.

MONEY.

Exchange, 90 days' sight, closing quotations:—

Monday, 23rd November—13½ to 13 9-16.
Tuesday, 24th November—13½.
Wednesday, 25th November—13½.
Thursday, 26th November—13 9-16 to 13 5-8.
Friday, 27th November—13½ to 13 17-32.
Saturday, 28th November—13 9-16.
Monday, 30th November—13½ to 13 9-16.
Tuesday, 1st December—13½ to 13 17-32.
Wednesday, 2nd December—13 17-32 to 13 9-16.
Thursday, 3rd December—13 5-8.
Friday, 4th December—13½.
Saturday, 5th December—13 27-32 to 13 1-8.

Sovereigns opened on Monday, 23rd November at 17\$800 and closed on Saturday, 28th November at 17\$700. On Monday, 30th November they opened at 17\$700 and closed on Saturday, 5th December, at 17\$300.

Latest Quotations, London, 5th December:—

	1914	1913
Funding, 1898	87	101
" 1914 (Ex-div.)	73½	—
4 per cent. 1910	50	75
5 per cent. 1908	—	99
S. Paulo Railway	215	231
Traction	56	89½
Brazil Railway Ordinary	6	45½
Consols	68½	72 3/8

S. Paulo Ord., which were quoted at 199 last week, improved 16 points. The official quotation for the new Funding loan (1914) started at 70 and rose to 73½ ex-dividend.

São Paulo, 7th December, 1914.

Conditions of the markets are most complicated owing to difficulties of transportation and insurance of money from one port to another. Consequently each port is practically thrown on its own resources and obliged to make rates of its own in accordance with charges and the local demand and supply of bills. Only S. Paulo and Rio, in consequence of their propinquity and facilities of transport per Central Railway, are acting, practically, together. Consequently, at times, when there is a plethora of sugar bills, for example, at Pernambuco or of rubber bills at Pará and with but little money offering or *vice-versa*, local rates may go up or down before settlement in Rio or S. Paulo markets has time to adjust itself.

This explains the jump of Rio of drawing rates to 13 7-8d. on Saturday and that for bills at Santos to 14d., on rumours of heavy purchases of rubber at Pará for account of the French Government.

Bullish sentiment would seem to have been confirmed by this unexpected intervention of foreign governments in our exports market and inclined importers to wait for 14d. before remitting. When that is attained they will, probably, raise their pretensions, as usual.

Against the sentiment of takers is to be put that of the holders of bills who, on their side, will do their best to check the rise and with the help of the S. Paulo coffee interests will probably succeed.

In my last letter I pointed out that the prohibition of exports of rubber from Great Britain and her Eastern colonies even to Allied or neutral countries like the United States would be a bull factor for rubber. An improvement in American rubbers would, however, be accompanied by a decline in prices of plantation and consequent agitation in Great Britain and the colonies for removal of prohibition of exports.

As regards the other factor, sugar, as was also pointed out in my last letter, the amount available for export is so small as to make very large shipments impracticable without a proportionate rise in local prices. That exports of sugar should, therefore, be allowed to take any very serious movement would seem improbable and though, no doubt, both sugar and rubber are both bull factors, the present spurt does not seem likely to last long enough to enhance to any large extent the aggregate value of exports. Unless the price of coffee can be raised in the only practical way by limiting the supply, the prospects for the supply of produce bills in 1915 is most discouraging and unlikely to exceed thirty-five million sterling for 1915, as against forty-five for 1914, sixty-four for 1913 and nearly seventy-five millions in 1912.

It is true that imports have fallen off still more and that if these only had to be provided for by exports the balance would suffice not only to keep exchange up, but to provoke a rise.

It is quite clear that the present moment, owing to various causes, the demand and supply of bills is so nearly balanced that any additional movement on one side or the other is enough to upset the equilibrium and start a fresh rise or fall of exchange.

This state of unstable equilibrium is, however, liable to be upset any day not only by the decline of entries and consequently of coffee bills after December, but by an increase in the demand when the moratorium is brought to a close.

Indeed, the chief reason for its continuation would seem to lie in the difficulties of a certain bank which has still some £1,800,000 bills, bought at 16d., to deliver and very little money with which to buy them.

As soon as the moratorium comes to a close remittances, it is believed, will for a time be heavy and, if simultaneous with the decline in coffee bills, may tend to upset exchange.

There is, of course, the possibility that the shrinkage of coffee may, as pointed out in our coffee section, be counter-balanced by an improvement in New York prices, but, howsoever desirable,

that, in the actual disposition of American markets to purchase only for actual requirements, would seem at least problematical.

During the first month of each new year remittances are always active and, moreover, there are still very considerable amounts to be provided for on account of the S. Paulo and other State Governments, the S. Paulo and other railways, the Traction Company, etc., that together are calculated to more than absorb any margin between the actual value of exports and imports.

For such reasons it is to be feared that, though for the moment factors may seem to point to equilibrium, as soon as the large stocks of merchandise imported before the war are exhausted, and have to a large extent to be replaced at any cost, and the moratorium is over, the demand for bills will exceed the supply and exchange will consequently drop. The more paper money is issued the greater must be the pressure on exchange.

If we only had a clean slate things might be different, but with debt, home and foreign, to unknown quantities still to be cleared off, no one can tell when the demand for bills may swamp supply.

UNITED STATES OF BRAZIL (1914) FUNDING SCHEME.

The Government of the United States of Brazil having decided to fund for three years, namely, from the 1st of August, 1914, to the 31st of July, 1917, both inclusive, the interest on the External Debt, His Excellency the Minister of Finance, acting in conformity with the Law No. 2,857 of the 17th of June, 1914, and the Presidential Decree No. 11,182 of the 3rd of October, 1914, has authorised Messrs. N. M. Rothschild and Sons to issue an amount not exceeding £15,000,000 nominal capital 5 per cent. Funding Bonds, specially secured by a second charge upon the Customs Revenues, as hereinafter mentioned.

The following Loans will be included in the Funding Scheme:

The 4½ per cent. Loan of 1888.

The 4½ per cent. Loan of 1888.

The 4 per cent. Loan of 1889.

The 5 per cent. Loan of 1895.

The 5 per cent. Loan of 1908.

The 4 per cent. Loan of 1910.

The 4 per cent. Loan of 1911.

The 5 per cent. Loan of 1913.

The 4 per cent. Railway Guarantees Rescission Bonds.

The 5 per cent. Companhia Lloyd Brasileiro Bonds.

The Lloyd Brasileiro 4 per cent. Bonds.

The 4 per cent. Bonds of 1911 for £2,400,000 (Ceara Railway Loan.)

The 5 per cent. Loans of 1908-9 for Frs. 100,000,000 (Colon Itapura Corumba Railway Loan).

The 4 per cent. Loan (1910) for Frs. 100,000,000 (Goyaz Railway Loan).

The 4 per cent. Gold Loan, 1911, for Frs. 60,000,000 (Viação Bahiana Loan) and

The 5 per cent. Loan of 1909f or Frs. 40,000,000 (Refice Port Loan.)

The Sinking Funds and Redemption of the above Loans, and also of the 5 per cent. Loan of 1903, will be suspended for 13 years from the 1st August, 1914. Holders of the Bonds of the 4 per cent. Loan of 1911 amounting to £117,700, which were drawn for repayment on the 1st of September, 1914, and not paid, will receive the equivalent amount in 5 per cent. Funding Bonds in exchange for the same.

The Government also reserves the right to allot £2,500,000 of the Funding Bonds (which amount is included in the above-mentioned £15,000,000) during the three years ending the 31st July, 1917, for the Railways and Ports Works having a distinct guarantee in gold.

The whole amount of the Companhia Lloyd Brasileiro 5 per cent. Bonds of 1906 now outstanding, namely, £210,500, will be paid off on the 1st of October, 1927, on which date the sinking fund of the Lloyd Brasileiro 4 per cent. Bonds will also be put in operation.

An amount of 5 per cent. Funding Bonds equivalent to the ascertained yearly surplus arising from the difference between the amount of the guarantees of the Government in respect of the railways and the amount of the interest and Sinking Fund of the Railway Guarantees Rescission 4 per cent. Bonds, as well as the sums arising from the leasing or disposal of the Railways, will be issued and sold in the market, the proceeds being applied to the purchase of Rescission Bonds for the Sinking Fund.

The whole of the present issue of 5 per cent. Funding Bonds will be specially secured by the Rio de Janeiro Customs Revenues, on which they will be a charge immediately after provision has been made for the amount required for interest and sinking fund of the existing 5 per cent. Funding Bonds of 1898, which constitutes the first charge.

(The amount of the 5 per cent. Funding Bonds of 1898 in circulation at the present time is £8,451,000.)

The Bonds will also be secured by the Customs Revenues of the other ports of the Union, should the Rio de Janeiro Customs at any time prove insufficient.

The 5 per cent. Funding Bonds will be free from all Brazilian Taxes.

The Bonds will be to bearer in sums of £20, £100, £500 and £1,000 each, with coupons for interest at the rate of 5 per cent. per annum, payable quarterly, on the 1st of November, the 1st of February, the 1st of May, and the 1st of August, in London, in pounds sterling; and in Paris, Amsterdam and Brussels at the exchange of the day on London.

The Bonds will be redeemed by an Accumulative Sinking Fund of one-half per cent. per annum, to be applied half-yearly by purchase of Bonds when the price is under par, and when at or above par by drawings. The Redemption of the Bonds by means of the Sinking Fund will commence at the end of 10 years from the 31st of July, 1917, but the Government reserves the right to pay off the Loan at par at any time.

This Funding Scheme was formulated with the approval of Dr. Wenceslao Braz, President-Elect of the Republic, who expressed his satisfaction with the scheme and added his assurance that during his term of office he would do his utmost to restore the credit of his country to its former high level by a policy of strict retrenchment and wise economy.

The following are the conditions to be observed by holders of Bonds of the before enumerated Loans for the funding of their Coupons, which are to be presented as they become due up to 31st of July, 1917, inclusive.

In exchange for their coupons, holders will receive a Receipt for the amount lodged.

These Receipts must be presented in amounts of not less than £20, to be exchanged for Scrip, which will be afterwards exchanged for Bonds of the 5 per cent. Funding Loan.

The smallest denomination of Bond being £20, Certificates will be given for fractional parts of £20, and these fractional certificates may be afterwards exchanged for Scrip or Bonds in like manner with the Receipts, that is to say, in amounts of not less than £20.

Messrs. N. M. Rothschild and Sons beg to announce that they are prepared to receive the following Coupons for Funding under the scheme, particulars of which are announced as above, namely:

- Of the Brazilian 5 per cent. Loan of 1895, due 1 August, 1914.
- Of the Brazilian 4 per cent. Loan of 1910, due 1 August, 1914.
- Of the Brazilian 4 per cent. Loan of 1911, due 1 September, 1914.
- Of the Brazilian 4½ per cent. Loan of 1888, due 1 October, 1914.
- Of the Brazilian 4 per cent. Loan of 1889, due 1 October, 1914.
- Of the Brazilian 5 per cent. Loan of 1913, due 1 October, 1914.
- Of the Lloyd Brasileiro 5 per cent. Sterling Bonds, due 1 October, 1914.

Of the Lloyd Brasileiro 4 per cent. Sterling Bonds, due 1 October, 1914.

Also the Bonds of the Brazilian 4 per cent. Loan of 1911, drawn for repayment on the 1st September, 1914, but not paid.

Printed forms to be applied for and the coupons left a few days for examination.

New-court, St. Swithin's-lane, 19th October, 1914.

The Funding Loan. For a long time back it was evident that, loan or no loan, Brazil could not for long support the burden of its overgrown debt. Development not having kept up with increased indebtedness and failed to supply the funds requisite for the increased service, default was but a matter of time.

Indeed the country is to be congratulated on the failure of the foreign loan that was so near to completion when the war broke out, as it would only have added, in the long run, to the difficulties of the situation and made ultimate default more painful and discreditable. The fact cannot be got over that production in Brazil is not on a par with foreign obligations and that until they can be balanced funding or any other schemes for renewing payments are but premature and unavailing sops to creditors.

The causes of the debacle are not far to seek—extravagance, over-taxation, federal, state and municipal, explain too clearly why, in a land enjoying every advantage of soil and climate, this country has failed to meet competition or to produce at a profit excepting in cases like coffee, where there is a virtual monopoly.

The principle of the funding loan is the capitalisation of interest for a series of years, in fact, of paying interest on interest instead of on capital.

Apart from its arbitrariness, the fact that holders of foreign debt bonds are deprived of the interest on their investments, in some cases their only means of livelihood, whilst those of the internal debt go scathless, requires no enlarging upon. Unquestionably suspension of the service of the foreign debt, in the conditions Brazilian finances had been reduced to, was inevitable. But the same causes that prompted Government to act so decidedly in regard to the foreign debt were no less active as regards the home debt, seeing that, were that also funded, the gain to the Treasury would certainly go a long way towards making good administrative deficits.

The Funding loan of 1914 applies to all Brazilian issues, including the loans with special guarantees, like the Rio de Janeiro

Port Works, excepting the old Funding 1898 issue. In virtue of the new funding arrangement the sinking funds on all loans, with the above exception, are suspended for 13 years until 1st August, 1914, and for three years from 1st August, 1914 interest will be paid only on the interest of the foreign debt capitalised or funded at £15,000,000.

The new funding loan will not, of course, be issued all at once, but in proportion to requirements.

In 1915, for example, issues should not much exceed £6,000,000, on which annual interest would amount to about £300,000. In addition, the old funding loan of 1898 would absorb £423,180 more, bringing up the total payable in 1915 on account of the service of the foreign debt to about £724,000.

In the course of the two subsequent years the balance of the funding loan would be issued, when the total amount payable for the service of the whole foreign debt would be raised to some £1,200,000 inclusive of commissions and brokerage.

The service of the foreign debt previous to the funding-

loan of 1914, was about	£7,500,000
Now, as shown above, it will not exceed	1,200,000
	£6,300,000

The difference, about £6,300,000, therefore, represents the amount of the relief afforded by the funding loan to the Brazilian Treasury during the next three years, when payment of interest will be renewed, not only on the outstanding old loans, but on the £15,000,000 of new funded debt.

The question arises, whether, in view of the repercussion of the war and the decline of almost every big staple export, the Brazilian Government will then find itself in a position to renew payments as agreed. For our part, we think it improbable and that some further and perhaps considerable extension of time will be required.

SUGAR.

The following show the quality and quantity in tons and destinations of sugars exported in October:—

	1914		1913		
	Dem-arara	Mos-cavo	Branco	Dem-arara	Mos-cavo
Great Britain	6,386	2,701	12	—	128
United States ...	4,965	—	—	—	—
Portugal	337	—	—	—	—
Canal orders	10	—	—	—	—
Montevideo	2,701	—	—	—	—
Sundry	165	—	—	—	—
	14,564	2,701	12	—	128

	1914		1913	
	tons		tons	
January	—	—	—	68
February	4,651	—	—	3,273
March	2,257	—	—	1,585
April	855	—	—	—
May	1	—	—	20
June	12	—	—	33
July	50	—	—	113
August	5	—	—	47
September	2,305	—	—	38
October	14,564	—	—	150
	24,698	—	—	5,327

Compared with the first ten months of last year, exports of sugar show an increase of 19,371 tons of which 15,681 occurred in September and October and are traceable to the large orders on the part of the British Government.

The current crop is known to be a small one and at the rate sugar is being exported there seems some risk of supplies in Brazil running short and a considerable rise in local prices.

COTTON.

Exports of Cotton	1913 Tons	1914 Tons
January-July	20,055	28,732
August-October	7,279	1,088
	<hr/> 27,334	<hr/> 29,820

Owing chiefly to the paralysation of Brazilian cotton factories, exports of raw cotton during the first seven months showed a very considerable increase compared with last year, of 8,677 tons or over 23 per cent. Since the outbreak of war this encouraging movement is entirely reversed and instead of any increase, a positive shrinkage of 6,191 tons or 85 per cent. of last years exports has occurred. The explanation, of course, is the paralysation of exports caused by the war, even more acute in the United States than here. The subjoined plan for valorising the cotton stocks shows how far the banks and American Government are prepared to go in support of cotton.

The statement of the Federal Reserve Board is as follows:—

"It is proposed to create in the manner hereinafter provided a fund of approximately \$135,000,000 to be known as the cotton loan fund and to be used for the purposes herein stated. Subscribers to this fund shall be divided into two classes to be designated respectively Class A and Class B subscribers.

"Class A subscribers shall consist of banks or other corporations, firms or individuals located or residing in other than the cotton-producing states of Alabama, Arkansas, Florida, Georgia, Louisiana, Mississippi, North Carolina, Oklahoma, South Carolina, Texas and Tennessee.

"All Class A subscriptions shall be contingent upon the receipt of subscriptions of that class aggregating \$100,000,000.

"Class B subscriptions shall be made by banks or bankers residing or located in the cotton-producing states above mentioned and as, hereinafter more particularly explained, no Class B subscriptions shall be required except as a condition of a loan or loan to be made out of the fund to be created and in such event subscriptions shall not be required to exceed 25 per cent. of the amount of the loan applied for.

"Each subscriber shall upon the payment in whole or in part of the amount subscribed for, receive a participation transferable on the books of the committee showing on its face the class of subscription represented thereby and specifying the terms under which the owner will be entitled to share in the distribution of the moneys realised from the loans made from the fund created.

"All Class A and Class B certificates shall bear interest at the rate of 6 per cent. per annum payable quarterly.

"The cotton loan fund will be administered under the direction of a committee to be known as the Central Committee and to be composed of the individual members of the Federal Reserve Board. The central committee shall appoint a committee for the general administration of the fund to be known as the cotton loan committee and shall delegate to such committee such powers as may be necessary to properly carry out the purposes of this plan.

"The cotton loan committee shall in turn appoint committees in each of the cotton producing states hereinafter named, the title of such committees to include the name of the state in which such committee shall be required to act for the cotton loan committee, and each state committee so appointed shall in turn appoint local committees in sufficient number to safeguard the practical workings of the plan. All committees appointed to be subject to the approval of the Central Committee and all committees to serve without compensation of any kind.

"The banks of the city of New York have pledged themselves to subscribe to \$50,000,000 of the \$100,000,000 of Class A certificates, provided the remaining \$50,000,000 shall be raised within a reasonable time under the supervision of the Central Committee by banks in non-cotton producing states.

"All loans made from the fund created shall bear interest at the rate of 6 per cent. per annum, and all applications for loans must be made through banks or bankers who shall in each instance accompany the application for such loans with a subscription to Class B certificates in an amount equal to 25 per cent. of the amount of the loans applied for.

"The subscriber to Class B certificates applying for a loan for a customer will not be required to endorse the note of such customer and shall not be entitled or permitted to receive from such customer the payment of any commission on account of obtaining such loan.

"All such loans shall first be approved by the proper local committee, by the appropriate state committee and by two members of the Cotton Loan Committee. When applications for such

loans have been approved as above provided the notes evidencing same together with the collateral required under the terms of this plan must be forwarded to the office of the Cotton Loan Committee with instructions as to the disposition of the proceeds and must, as stated, be accompanied with the subscription of the bank or banker forwarding the application to an account of Class B certificates equal to 25 per cent. of the amount applied for.

"In order to make the subscriptions to Class B certificates immediately available, each subscription accompanied by an application for a loan must be accompanied by a New York draft of the bank or bankers through which the application is made, drawn to the order of the Cotton Loan Fund or in such manner as the Cotton Loan Committee shall designate, said draft to be for an amount equal to 25 per cent. of the loan applied for and upon the granting of such a loan a Class B certificate for this amount shall be issued. In this manner 75 per cent. of each loan will be provided by the fund obtained from Class A subscribers and 25 per cent. from the Class B subscribers.

"All loans shall be evidenced by notes in form approved by the Cotton Loan Committee and shall be secured by cotton on the basis of 6 cents per pound for moddling in addition to the guarantee fund hereafter described.

"As evidence of the security offered, each note tendered with an application for a loan must be accompanied by receipts of approved warehouses and by evidence of proper insurance.

"All cotton accepted as security must be located in warehouses or other buildings under the ownership and control of some person, firm or corporation other than the borrower, and in approving such loans the local and state committees shall respectively pass upon the sufficiency of such warehouse receipts and insurance and shall be satisfied that such cotton is free from all liens except that created by the loan or loans from the fund to the borrower for which such cotton is pledged as part security for such loans and the committees approving such loans shall likewise be satisfied that the cotton offered as security is of the grade or quality specified in the application.

"All expenses such as warehouse charges and insurance premiums shall be borne by the borrower.

"In addition to the security hereinbefore specified, every applicant granted a loan from the fund shall pay to the cotton loan committee a sum equal to 3 per cent. of the face amount of the loan granted and the applicant shall authorise the cotton loan committee to deduct or withhold this amount from the proceeds of such loan.

"All sums so paid, together with all interest earned from the investment thereof, shall constitute a mutual borrowers' guarantee fund to be used (1) for the payment of expenses of administration which it is estimated with in no event exceed 1-8 of one per cent. of the loan fund created; (2) to make up any deficiency in the amount available for payment of the Class A and Class B certificates with interest resulting from losses sustained by reason of any loans made from the loan fund or otherwise; the balance including all interest earned thereon shall be returned pro-rata to the borrower.

"The Cotton Loan Committee shall control the guarantee fund so created and may in its discretion invest all or any part thereof in Class A certificates herein provided for.

"All applications for loans shall be made not later than Feb. 1, 1915, and all loans made shall mature on or before Feb. 1, 1916; provided, however, that the central committee in its discretion may authorise the Cotton Loan Committee to extend any or all loans for a period not to exceed six months after February, 1916, if in the judgment of said central committee conditions at that time justify such extension.

"Calls for payment of subscriptions to Class A certificates shall be made as nearly pro-rata as possible. In the event that on February 1st, 1915, applications for loans shall not have been received to the extent of the full amount subscribed, the fund shall nevertheless be closed at the amount then applied for and loaned, and Class A subscribers shall thereupon be released from the payment of the balance of their subscriptions which have not up to that time been called for. Provided always that the fund shall not be construed to have been established for any purpose until Class A subscriptions shall have been received to the extent of \$100,000,000.

"As moneys become available for repayment to the subscriber they will be applied against both Class A and Class B certificates, but the percentage of reduction in the case of Class B certificates shall be one-half of that in the case of Class A certificates until the amount of the latter outstanding shall be reduced to the amount of Class B certificates then outstanding, after which the percentage of reduction shall be the same.

"For example, if a payment is made on the Class A certificates to the extent of 10 per cent. of the face amount of such certificates then outstanding, a payment shall at the same time be made upon

Class B certificates to the extent of 5 per cent. of the amount then outstanding.

"Again, if a payment on the Class A certificates is made of an amount equivalent to $3\frac{1}{2}$ per cent. of the amount then outstanding at the same time a payment on account of Class B certificates will be made of an amount representing $1\frac{3}{4}$ per cent. of the aggregate Class B certificates then outstanding, which method of payment shall be continued until the amount of the two classes of certificates outstanding shall be the same after which all sums distributed shall be divided pro-rata among all certificate holders regardless of the two classes."

Howsoever American economists may protest that the plan for valorising cotton in the United States has little or no analogy with the Brazilian scheme for "valorisation" of coffee, because, as they protest, it is not like the coffee scheme designed to spread over a long series of years, but only to apply to a single crop, the fact remains that American cotton growers have decided to hold up supplies and limit production just as Brazil did. At present, of course, the plan applies to this growing crop only, as it is hoped that next year supply and demand will, with the withdrawal of 5,000,000 bales, manage to balance. But should that not be the case and another big excess result next year, in consequence either of a better crop or of a bigger falling off in demand than was expected, it does not seem very likely, with this precedent in view, that there would be much hesitation in the United States in extending "valorisation" a year or so until the excessive cotton supply can be definitely worked off.

In any case, the principle of valorisation seems about to receive consecration by participation of the United States Government in the deal, and the insincerity of the official indignation, so diligently worked up against the interference of this country with the sacred rights of trade, likely to be demonstrated *ad absurdum*. Indeed, the plan to valorise cotton would seem like an infringement of the privilege of Brazilian invention that, in common justice, ought to reparation that would be particularly graceful on the part of Senator Norris, if only he could be induced to eat publicly his own words and be brought to acknowledge that even coffee valorisation may be justifiable.

RUBBER.

Owing to the stoppage of exports, the rubber market is disorganised, plantation first latex selling spot on 17th November as low as 2s. $1\frac{1}{4}$ d. and December delivery at 2s. $0\frac{3}{4}$ d. Pará, on the contrary, was firm at 2s. $6\frac{3}{4}$ d. spot and 2s. $7\frac{1}{2}$ d. for December, seeing that shipments can be made direct to the United States and other foreign countries. Caucho ball was firm at 1s. $10\frac{3}{4}$ d. and Manáos negroheads at 1s. $9\frac{1}{2}$ d. sellers.

Entries of rubber at Pará to end of October were:—

	1908-09	1909-10	1910-11	1911-12	1912-13	1913-4	1914-5
July	1,300	1,400	2,340	1,410	1,940	2,120	1,340
August ...	1,890	1,870	1,870	1,590	1,900	1,600	1,610
September .	2,355	2,020	1,980	2,630	2,620	2,880	2,470
October . .	3,460	3,275	3,170	2,990	3,920	3,740	2,980
November .	3,430	4,640	3,790	3,550	3,715	2,550	—
December .	3,300	3,510	2,640	3,830	4,920	3,590	—
January ..	5,480	5,490	4,130	4,860	5,140	4,420	—
February ..	5,040	4,760	5,795	4,850	4,990	4,610	—
March	4,140	5,210	3,540	4,400	4,265	4,850	—
April	3,760	3,600	3,490	3,270	3,540	3,830	—
May	2,340	2,170	3,060	3,410	2,880	2,890	—
June	1,570	1,220	1,725	2,570	2,105	2,050	—
Total, tons	38,065	39,165	37,530	39,360	41,935	39,130	—

July-September, decrease 1914-1913, 1,940 tons or 11 per cent. and 1,980 tons 1913-12.

Exports were:—

	1910	1911	1912	1913
To Europe	22,979,328	19,757,718	21,994,900	22,114,618
To U. States ...	15,060,490	16,100,881	21,367,493	17,101,115
Total kilos ...	38,039,818	35,858,599	43,362,393	39,215,733

