

other producing countries in order to keep their markets, at a time when the consumption of coffee appears to be seriously impeded by declining buying power. It is now generally realized in Brazil that something has to be done, and that facts have to be faced.

"The question is asked—what will be done in regard to the large amount owing to the Banco do Brazil by the D. N. C., should the export tax be materially reduced? The answer is easy enough. This is a matter which pertains to Brazil alone, and settlement should not be difficult considering the facility with which governments nowadays run into debt, having recourse to the printing press for either currency or treasury bonds in order to even up.

THE COFFEE SITUATION

"The coffee situation itself presents a much more serious problem. Heretofore, Brazil's policy has aimed to maintain a largely over-extended producing area, making it necessary to impose prohibitive taxes for the purpose of buying up and destroying surpluses. Even the present crop, supposed to be a failure, will probably yield about 11 million bags, due to an accumulation on plantations from the previous crop, which theoretically will make it necessary to dispose of about 3 million bags of new coffee, 2,321,000 bags of coffee privately owned on July 1, and 4,639,000 bags owned by the D. N. C., and not needed. Of this quantity 5,500,000 bags have been destroyed up to the end of January. In addition, a million bags of the Bankers' coffee will have to be taken up and liquidated. This coffee, which is pledged to foreign countries, in so far as it has not been replaced, appears to have partly deteriorated from long storage, and offers a problem in itself. Brazil's main difficulty is the $\frac{1}{2}$ to 1 billion coffee trees which will have to be eliminated, as they are weighing on the whole coffee situation. Unless nature helps out, this can only be done by forcing the hands of their owners through lower coffee prices. It all sums up to the well-known saying, 'You cannot eat your cake and keep it.' Many of the better organized coffee planters are heartily tired of seeing things turn in a vicious circle. They desire nothing better than the re-establishment of normal conditions, and they are ready to fight it out on the principle of the survival of the fittest. Had things been permitted to take their natural course five or six years ago, while some interests would have been hard hit, there can be no doubt that by now Brazil would be on her feet and on the upgrade again. The recent heavy volume of selling from Brazil seems to be due to an increasing feeling there that somehow or other, a change is impending—nay, that it is bound to come.

"Dark as may appear the cloud over-hanging the coffee situation, it is not without its silver lining. We do not think that invisible supplies have ever been as low as at present, and the coffee market, if anything, appears to be oversold. Santos coffee for distant shipment can be bought at from 30 to 40 points cheaper than for prompt shipment, which shows that Brazil has not entirely lost control. Prices have now receded about $1\frac{1}{2}$ cents from the top, and from a technical point of view, the market is certainly in a more healthy condition than formerly. There have undoubtedly been a number of short sales of late. However, these are technical questions which do not change the

fundamental shortcomings of the whole situation.

"At this juncture it may be interesting to draw a parallel between Brazil and our own country. Formerly Brazil enjoyed a monopoly on coffee growing—at least our friends thought so, and in her desire to valorize her possibilities, first São Paulo and later the whole of Brazil by force of circumstances, went into coffee speculation on a large scale. At first she was very successful, but she now finds herself faced by a most difficult situation, well known to everybody, aggravated by the loss of her credit and, to a certain extent, her markets. The blame for this cannot be placed on the present Government—it inherited the situation, and for two years has been doing its best to cope with difficulties of all kinds. The United States, having entered into the World War, and subsequently having enjoyed an era of prosperity hitherto unknown, with all the usual exaggeration of quick riches, now finds herself faced by high taxation, which nobody likes, and a financial problem which has culminated in the judgment just handed down by the Supreme Court. The strangest part of it all is that Brazil, compelled to reduce her coffee plantations, has now turned toward cotton as a palliative, with all the extraordinary vigor and enterprise formerly manifested in the production of coffee, and therefore the danger to our own cotton production cannot be overestimated.

"Since the 8th of this month prices have receded—74 points on March and 61 points on December Rio contract and 64 points on March and 84 points on December Santos contract. The March liquidation is now going on, and it is believed that roasters will take delivery of some of their contracts, as at present this is the cheapest coffee. As is always the case in a declining market, demand for spots is unsatisfactory, but this should improve as soon as the situation steadies itself. Prices for Santos 4's vary from $9\frac{3}{4}$ to $9\frac{1}{2}$ ¢, cost and freight, which makes a decline of $1\frac{1}{2}$ ¢ from the top. Milds continue to be offered, but there is little interest being shown.

"As regards the future, it is hard to express an opinion in an atmosphere as feverish as that now pervading the coffee market. Everything depends upon how we look at things. From the angle of concrete prices, coffee is certainly not dear, and it would be a mistake for distributors not to fully avail themselves of present values which might mean opportunities. From the angle of general conditions, we cannot overlook the fact that, after all, the present heaviness only appears as an inevitable consequence of many years of outside interference with normal market conditions. Inflation is not to be feared at the present moment. In fact it would appear that many people in Washington have received quite a shock from some of the points brought out in the arguments on the gold case—by the majority as well as by the minority. At present writing, nothing definite is known as to whether Brazilian export taxes will be reduced nor to what degree. Only the future can tell how much of the former recuperating power of the article is left. We even have a suspicion that the decline may have served the purpose of the men in charge of affairs in Brazil for, and of this we are certain, while they do not wish to sacrifice any of the major interests of their country, they feel that somehow or other coffee should be made to stand on its own feet, and the sooner the better."