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The Grain Situation in the Argentine

Ottawa, March 21, 1935. - The correspondent of the Dominion Bureau of Statistics in Buenos Aires has forwarded the following report, under date of March 3, 1935, dealing with the grain situation in the Argentine:-

W H E A T

SUPPLIES:

Exports during the month were 17,839,000 bushels of wheat and 175,000 bushels of wheat flour, a total of 18,014,000 bushels. This compares with 17,846,000 bushels in January.

As indicated in previous reports, there is a general opinion that the estimate of the crop published by the Ministry of Agriculture is too high. In the light of threshing reports coming in from country districts, and considering the lower specific weight of the new crop wheat as compared with the last, it seems likely that 229,648,000 bushels is nearer the true volume of the crop than the official figure of 252,062,000 bushels. For the present, therefore, I have deducted 18,372,000 bushels from the total, which leaves the supply position as follows:-

Official estimate 1934-35 crop	252,062,000 bushels
Deduct for probable excess	18,372,000 "
Total	233,690,000 "
Add carry over from 1933-34	15,435,000 "
Total supplies	249,125,000 "
Deduct for Seed & Domestic use	95,534,000 "
Exportable balance	153,591,000 "
Exported to) wheat 35,459,000 bushels.	
Feb. 28) flour 401,000 "	35,861,000 "
Still available for export	117,730,000 "

Of this still available balance probably over 11,023,000 bushels have already been sold to exporters.

Favoured by dry weather and good roads, carting to the country stations has been quite active, although the movement over the railways has been rather slower than usual, the farmers being inclined to hold back their wheat for better prices.

Threshing of the stacked grain in the province of Buenos Aires has resulted in the wheats in the western zone turning out of a better quality than anticipated.

Threshing is practically finished now except in parts of the province of Cordoba, where rains have held up the work, and in the Pampa, where in the south 20% and in the north 10% are still unthreshed because of lack of machines, less grain than usual having been handled by combines on account of the nature of the season.

MARKETS:

The wheat market has been remarkably steady throughout the month. The daily fluctuations have been very slight, and prices at the close are practically the same as those of a month ago, viz: Spot \$6.11 paper pesos per quintal (equal to 53 $\frac{3}{4}$ c. Can. per bushel at current rates of exchange), and May \$6.27 (55 1/8c. Can.). On the same day the May option closed in Winnipeg at 83 5/8c.

There has been no pressure of sales from country points, farmers being evidently optimistic as to the future of price levels.

Brazil has bought freely of the superior grades, and over 5,879,000 bushels have already been shipped there since the first of the year, with around 2,205,000 bushels to the Orient. This has been a valuable offset to the limited demand from the United Kingdom and Continent.

One of the features of the market during the month has been the brisk demand for Barusso wheat from the Bahia Blanca territory. Of the various types of Argentine wheat this is the one which most nearly approximates that of Canada. Hence it is much in demand by millers as a substitute for Canadian wheat now that that is being practically held off the market by the high prices asked for it, and buyers are quite willing to pay a premium over the prices of other Argentine types, even the Rosafe which was formerly the leader here.

O A T S

Shipments of Oats during February totalled 5,300,000 bushels, a slight drop from the January exports of 5,904,000 bushels. The supply position is now as follows:-

First official estimate 1934-35 crop	73,871,000 bushels	
Carry over from 1933-34	1,204,000	"
Total	74,475,000	"
Deduct for Seed & Domestic use	29,827,000	"
Exportable balance	44,648,000	"
Exported to February 28th	11,204,000	"
Balance still available	<u>33,444,000</u>	"

Although buyers have recently been less keen, prices have remained firm. The crop has not threshed out as well as had been anticipated, and farmers are not pressing sales. Hence Superior feed oats which a month ago were selling at \$5.25 per qtl. are now worth \$5.55 for Spot, and for April delivery \$5.75 is being paid (equal to 27 5/8c. and 28 5/8c. U. S. per bushel; whilst Chicago May oats are quoted at 50 3/4c.

Considerable quantities have been shipped to the United States, but for the moment the demand from that quarter has eased off.

B A R L E Y.

Exports increased to 5,145,000 bushels, as against 4,078,000 bushels last month. This leaves the balance still available for export, 36,353,000 bushels.

For Brewing Barley there is a good demand, in view of the crop damage, but for Feed grades the market is poor. Local breweries are the principal buyers, paying \$6.80 to \$7.00 the quintal, whilst good feed can be purchased at \$5.70

M A I Z E.

Exports of maize during the month of February were 10,092,000 bushels. The dropping off from January's total of 18,516,000 bushels is an indication that the supplies of old crop maize are coming to an end, although moderate quantities are still finding their way down to the ports.

The supply position is as follows:-

Revised official estimate 1933-34 crop.	246,051,000 bushels	
Add for probable error	7,374,000	"
Carry over from 1932-33	2,283,000	"
Total supplies	256,208,000	"
Seed & Domestic Requirements (revised).	49,210,000	"
Exportable balance	206,998,000	"
Exported 1st April to 28 February	200,959,000	"
Balance still available	<u>6,039,000</u>	"

Early in the past month the Department of Agriculture made public its first estimate of the area sown to maize, viz: 7,030,000 hectares, equal to 17,364,100 acres. This constitutes a record maize area for the Republic. It is an increase of 7.9% over that of last year (6,514,000 hect.), and 19.2 % over the average for the last five years (5,895,080 hect.). The increase has taken place largely in the provinces of Buenos Aires and Cordoba.

Because of the persistent dry weather in some districts, especially the Rosario Zone, and extensive locust damage in other zones, the prospects of a record yield are not quite so good as they were. Good rains fell in the last two or three days of the month over a good deal of the maize area, but they arrived too late to save the earlier sowings which had suffered from drought. Nevertheless, they must have proved very beneficial to the later fields.

According to the official report on crop conditions which appeared on the 23rd ultimo, in the east and south-east of the province of Buenos Aires, the early maize-fields were in good condition, but the later ones suffering for lack of moisture, as also those of the south. In the centre the plants were well headed, but were needing moisture. In the north-west the fields were in very good shape. Farther south there was some damage. In Santa Fe the general condition was good with picking already in progress in the north. Some locust-damaged fields had been reseeded with Cuarenteno varieties, and these were needing rain. In the province of Cordoba, locust damage and hot winds with lack of rain has cut down the area which will be harvested in the north-east. In the centre there is some damage, but a good crop is assured in most of the area, and in the east an abundant crop is certain. In the south-west the prospects are good; locusts have damaged some fields and hot sun has dried some of the later sowings, but good yields are looked for in general. In the other provinces with smaller maize acreages, the prospects are described as from average to good, with picking already commenced in the northern districts.

In grain trade circles, whilst guesses as to the probable volume of the crop have been somewhat modified during the past month, there is a fairly general expectation of an exportable surplus of about 314,946,000 bushels, which would mean that the crop would have to be the second largest in the history of the Republic. The 1930-31 crop of 419,665,000 bushels (total) holds the record up to the present.

As mentioned elsewhere in this report, the Grain Control Board has announced its readiness to purchase maize at the same minimum price (\$4.40 the qtl.) as last year, if and when it is necessary, and the National Bank is prepared to advance to the farmers 80% of that basic price on maize in the field or other farmer's fields, in order to discourage early flooding of the market. At the same time, the Ministry of Agriculture is urging upon the growers the necessity of greater care in the handling and storage of the grain in order to avoid the losses which have been incurred during the last few weeks by reason of maize going out of condition en route to its destination. Much of these losses are traceable to the gathering of the maize when immature or not completely dry, or storing it under improper conditions with insufficient protection from the weather. To assist the farmer to provide himself with suitable bins, the Ministry of Agriculture offers to rent at low rates, corrugated zinc plates; or the National Bank offers to loan money for building more permanent storage, repayable in five annual instalments.

In view of the losses incurred on a number of cargoes shipped to Europe, there has been a natural hesitation on the part of buyers, who were reluctant to risk further losses on old crop maize. But with a lack of offers of old crop from South Africa and the Danubian countries, Argentine exporters have managed to do a fairly steady business, although at lower prices than a month ago, Spot Yellow maize for export closing at \$4.95 paper per quintal (equal to 40½c. U.S. per bushel at current rates of exchange). This compares with \$5.79 a month ago. May maize closed here at \$4.75 (38 7/8 c. U.S. per bu.). On the same day May maize closed in Chicago at 84½c.

The future course of Argentine prices will be influenced largely by the progress made by the U.S. corn crop. In the event of this not turning out well and Chicago prices rising so as to enable Argentine shippers to pay the import tax plus the freight, a good market should develop for the Argentine surplus, especially if, as appears probable, this should begin to move out early. This of course is entirely a matter of future weather conditions.

L I N S E E D .

February exports of Linseed totalled 7,883,000 bushels, rather less than the January shipments of 10,112,000 bushels; but February is of course a short month. The following is now the supply position:-

First official estimate 1934-35 crop,	72,044,000 bushels	
Carry over from 1933-34 crop	2,217,000	"
Total	74,261,000	"
Seed & Domestic requirements	7,874,000	"
Exportable balance	66,387,000	"
Exported to February 28th	17,995,000	"
Balance still available	48,392,000	"

Business in linseed has been conducted under favourable conditions during the past month, both exporters and buyers for local crushers being in the market. Consequently the tone has remained firm, in spite of the fact that North American markets have shown weakness. Whilst some shipments have gone to the States, Europe has been the principal buyer, and is still interested in purchasing near positions, whilst the United Kingdom has bought moderately for more distant deliveries. Spot closed here at \$12.02 per ctl. (98½ c. U.S. per bu.) and the May option at \$12.22 (100 1/8 c. per bu.). May in Duluth at the same time closed at 18½.

GRAIN CONTROL BOARD.

This Board, which it will be remembered was appointed by the National Government a year ago, with the primary purpose of ensuring that the protection which the Government extended to the grain grower in the form of a guaranteed minimum price for his wheat, maize and linseed, should actually reach the hands of the producer and not be absorbed by the intermediaries dealing in grain, has now presented its report on the year's operations to the Minister of Agriculture.

The report deals at some length with the work entrusted to it, pointing out the material and moral benefits accruing to the farming community, which were not confined to the producers who actually sold their grain through the Board, but through the competition provided by the Board extended to those who sold to the private trade.

Grain was purchased not only from the producers but also from the local grain dealers, and whilst at first it was the intention to accept grain only direct from the sellers, it was later recognised that it was often either necessary or more convenient to the seller to offer his grain through a broker, and the intervention of the brokers was therefore accepted whilst making it clear that it was not obligatory.

As all grain which was offered to the Board under the stipulated conditions had to be accepted, and at the same time re-sales by the Board had to be so regulated as to avoid disturbing international markets and depressing price levels, the disposal of the grain in the meantime presented some problems with regard to financing and storage, which were successfully solved. The rapidly increasing percentage of grain which is being handled in bulk instead of in bags caused some difficulty because of the inadequate terminal elevator accommodation in the Republic. Another problem was that of the grower of inferior grain which could not be accepted for export under the regulations laid down by the Board for the defence of the export types, and yet it was necessary to ensure that this producer also enjoyed the benefits of the work of the Board and was not compelled to throw away his wheat at sacrifice prices.

The total quantity of grain purchased by the Board reached 4,591,000 short tons, under 13,160 contracts, of which 240 were cancelled entirely and 462 partly, covering a total quantity of 92,000 short tons, so that there were left 12,920 contracts, covering 144,685,000 bushels of wheat, 70,000 bushels of linseed and 5,598,000 bushels of maize, purchased from 3,276 sellers. The advance payments made by the Argentine National Bank, through its agricultural section, on these sales amounted to \$125,393,978 paper pesos, distributed in 11,393 operations.

The branch managers of the National Bank acted as agents of the Grain Control Board at the local country points, with the assistance of small local advisory committees. The creation of a vast organisation at very short notice was involved, no less than 1,046 such committees being formed, consisting of 4,443 persons, classified as follows:- agriculturists 2,062; members of cooperatives 35; country grain dealers 1,195; stationmasters 739; ranchers 143 and various 269

The average price per 100 kilograms paid to the sellers, laid down in the ports, was \$5.63 for wheat; \$4.28 for maize and \$11.38 for linseed; and in the local railway stations \$4.63 for wheat; \$3.55 for maize and \$10.27 for linseed; after making the necessary adjustments for quality, specific weight, etc. (The guaranteed minimum prices were \$5.75, \$4.40 and \$11.50 per quintal, respectively).

The average prices received by the Board for the grain sold were, in the ports, wheat \$5.49, maize \$4.21 and linseed \$11.49; and in the local stations, after the necessary price adjustments for quality etc., \$4.48, \$3.47 and \$10.38 respectively.

The loss on wheat and maize amounted to .15 centavos and 7 centavos per quintal respectively. On the linseed handled there was a profit of 10 centavos per ctl. On the three grains together there was a loss of 14 centavos per ctl.

The general expenses amounted to 18 centavos per qtl. of grain purchased. The statement of operations is as follows:-

	<u>Bushels bought.</u>	<u>Paid</u>	<u>Received.</u>	<u>Profit or Loss.</u>
Wheat	144,685,000	\$182,183,290.20	\$176,402,264.73	L. \$5,781,025.47
Maize	5,598,000	5,047,663.06	4,941,753.46	L. 105,909.60
	<u>150,283,000</u>	<u>187,230,953.26</u>	<u>181,344,018.19</u>	L. 5,886,935.07
Linseed	70,000	182,954.38	184,799.21	P. 1,844.83
Totals	<u>150,353,000</u>	<u>\$187,413,907.64</u>	<u>\$181,528,817.40</u>	L. \$5,885,090.24

To the above loss shown has to be added \$2,511,876.23 paid to the National Bank for interest, of which \$1,071,068.12 was paid on the advances made by the bank to the sellers of 80 % of the current value of the grain, and \$1,440,808.11 loaned to the Board direct for the purpose of financing its operations. For salaries, rents and other general expenses there has also to be added \$755,285.61. After making an adjustment in respect of commissions, there is left a net total loss of \$8,846,074.70, which is met out of the profits made by the Exchange Control Board on the sale of the bills of exchange received in payment for the grain exported.

Announcement is made by the Grain Control Board that it is prepared to purchase maize of the new crop, if market conditions should make it necessary, at the same minimum price as last year (\$4.40) on wagons in the port. Attention is drawn in the announcement to the fact that the National Bank, in order to encourage the holding of the maize in cribs on the farm instead of rushing it to market, is offering to advance 80 per cent of the basic price, less the expense of shelling, bagging, carting, transporting by railway, etc., on the maize held in the cribs.

No announcement as to the purchase of wheat or linseed has yet been made. The current prices are so far above the last year's minimum of the Board, that it is not anticipated that intervention will be required unless some radical change in market conditions should be brought about; and there is no apparent intention of raising the old minimum prices, which are regarded in official circles as sufficiently guaranteeing the producer against incurring a loss on the sale of his grain.

GRAIN LEGISLATION.

No further progress has been made with the Bill for a Grain Act introduced at the last regular sessions of Congress and continued during the extraordinary sessions now in progress. The measure is still in the committee stage in the Senate Chamber, and it appears very doubtful whether it will be carried beyond that stage before the House adjourns. Most of the time has been occupied with the Budget and Central Bank and other financial measures during the special sessions.

The Commission appointed to make studies of the contemplated National Elevator system has recently completed its report, the contents of which have not yet been made public.

Other important legislation which has just been approved by Congress provides for the establishment of a Central Bank, along the line of the recommendations of Sir Otto Niemeyer a couple of years ago, but with certain modifications which have been much criticised; and for the revaluation of the stores of gold at present held by the Bank of Conversion, which will apparently establish a gold backing of the currency of 25% as against the present 46 %. The effects of these changes may prove to be far-reaching, although it is difficult to estimate them at present.

CANARY SEED.

February shipments were 5,298 tons, making 7,772 tons for the year to date, and leaving a balance still available of 35,915 tons.

Prices remain unchanged from last month, viz: \$12.50 per qtl. for Superior; \$11. for good, and \$10.20 for ordinary qualities.

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