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The Grain Situation in the Argentine

Ottawa, August 17, 1935 - The correspondent of the Dominion Bureau of Statistics in Buenos Aires has forwarded the following report, under date of August 1, 1935, dealing with the grain situation in the Argentine:-

Crop Conditions.

The following is a resumé, in translation, of the monthly report of the Ministry of Agriculture on conditions in the various zones of production, which was made public on July 21st:-

Buenos Aires.- The rains of the first half of the month favoured most the centre and south of the province; hence that is where the greatest activity is being shown to prepare the land for linseed and brewing barley. A decrease in the area sown to wheat in the province is looked for, with an increase in that of linseed, especially in the Tres Arroyos zone. The planting of early maturing varieties is proceeding more normally, especially in those regions of the west where the livestock has been turned into the cornfields and stubble for lack of natural grass. In the north the drought still paralyses the sowing of wheat and is hindering the preparation of the land for linseed. In the south-east of Buenos Aires there is an improvement in the condition of the winter wheats and oats, which are beginning to be used for pasture; in the centre the condition of the few fields of early sown wheats is excellent; in the Bahía Blanca and hill zones also the growth is uniform; the few rains which have fallen in the west have improved the condition of the wheat fields, but the coarse grains continue below normal, especially in the extreme west of the province; in the north the little wheat sown germinated unevenly and presents a poor aspect for lack of moisture.

Santa Fé.- In the south of the province the persistence of the drought has decided many farmers not to wait longer, and they are proceeding with the ploughing of the land, especially the maize stubble, and the soil being mellow the work is proceeding under relatively good conditions; so that it may be estimated that the area ploughed and ready to sow is 85% of the normal area for wheat, plus 50% of that of linseed. But in the central and northern districts, where the drought has prevailed for a longer period the paralysis is almost total, lacking still 25% of lands intended for wheat and 40% for linseed, which have not been turned because of the absolute lack of humidity in the soil. In isolated cases the farmers are continuing to work in the hope that rain may fall. Wheat sowing is practically at a standstill, and the proper season for this is expiring. It is anticipated that this year there will be a reduction in the area, and that there will be a reduction in the yields of the late sown lots because of weeds. With regard to linseed, this also is suffering from delays. The condition of all cultivated crops is deficient as a consequence of the lack of rain. The wheat fields present the most diverse aspects, from those which have not germinated to a few lots whose condition is good, but the majority look bad because of irregular germination, poor development, yellow colour in many cases and generally short plants; in the north of the province there are some total losses. There is little linseed above ground, and this is limited at present to the centre and north of the province, none being yet sown in the south. Its condition is similar to that of wheat, and in some localities the little plants are drying. Flying locusts have invaded some districts in the north.

Córdoba.- The cultivation of the soil and the sowing of cereals and linseed are almost at a standstill throughout the province because of the drought, with prospects of a reduction in the acreage under wheat in many parts because the season is passing and the proportion seeded is relatively small for the period. In the north of the province germination generally has been poor, very uneven; nevertheless some fields of wheat are to be seen which are in good condition, thanks to the soil having been in good condition because of previous rains. Little linseed has germinated. In the central and eastern zones the germination both of wheat and linseed is proceeding slowly, the plants showing a yellow colour for lack of rain; some lots sown early are well advanced. In the rest of the province, the south and south-west, no linseed has yet been sown, and the condition of the wheat fields is unfavourable. The lack of rain is making itself felt more intensely all the time. In a couple of districts where the moisture was more abundant they have managed to sow 30% of last year's acreage, but except in a few cases of early sown lots or in fields where the opportune use of the

harrow or roller has conserved the little moisture in the sub-soil, the plants are uneven and rickety. The coarse grains generally are in poor shape, and in the north many oat fields have disappeared.

Entre Rios.- Since the last monthly report there has been no advance made in the work of cultivation or sowing, as the drought has continued; the only part which has escaped it has been the north-east of the province. Wheat seeding, which should now be finished, has remained in suspense, and that which has been effected is in poor shape. This backwardness applies also to linseed, and the presence of locusts in the north-east completes the pessimism of the farmers of Entre Rios as to the present season.

Pampa.- Ploughing continues with great difficulty, and although recent rains have encouraged seeding, it is felt that because of the lateness of the season and the lack of seed wheat of spring varieties, the full acreage will not be completed. The mild weather and showers of the 8th and 9th benefitted the grains.

Santiago del Estero.- It is calculated that 30% of the area destined for cereals has not been fit to plough because of the drought. Wheat sowing has been carried on wherever it was possible. Linseed sowing is very backward. If it rains during the present month (July) seeding will be completed; otherwise the land will be sown to maize. The wheat which has grown presents a very uneven appearance; it is yellow and has little leaf. Flying locusts present a constant threat, having already made some incursions into the grain fields; it is not yet possible to estimate the damage.

Late in the month the Government of the province of Buenos Aires issued a recommendation to the farmers in the south of the province to intensify the sowing of wheat in the zones where there has been sufficient precipitation to permit the preparation of the land, pointing out that in the province of Cordoba it has not been possible for more than half the usual acreage to be sown, there having been a little over 4 inches of rainfall in the current year; that the work is also paralysed in the south of Santa Fe, the north and west of Buenos Aires, the Pampa and Santiago.

Private reports indicate that there is considerable land ready for sowing in the south of Buenos Aires, but that the repeated heavy frosts in the latter half of July have caused the farmers to defer seeding wheat.

According to an interview with the head of the National Meteorological Observatory in Cordoba, published in La Nacion, it is necessary to go back to the year 1875 to find conditions parallel with those now prevailing in the province. The unusually hot weather in the month of May helped to dry out the earth already suffering from lack of rain, and in his view the prospects for the near future are not encouraging.

To show the relative importance of the various provinces and territories in the production of wheat, a table below gives the area sown and production of each, with its percentage of the total for the last crop year (1934-35):-

	Acres Sown	%	Bushels Produced	%
Buenos Aires	8,510,000	45	114,398,000	48
Santa Fe	1,967,000	10	28,649,000	12
Cordoba	5,365,000	29	59,955,000	25
Entre Rios	895,000	5	12,982,000	6
La Pampa	1,668,000	9	19,004,000	8
Other provinces and territories	408,000	2	3,333,000	1
Argentine Total	18,813,000	100	238,321,000	100

Thus almost half of the total wheat production of the Republic comes from the province of Buenos Aires, which is still in relatively good shape. In the southern portion wheat can be sown quite late. In view of the official appeal quoted above, it is not impossible that should rain opportunely fall in that region last year's acreage may be maintained or even exceeded. It is generally agreed that in the other zones there will be fewer acres seeded and certainly fewer acres threshed. (Last year's threshed area was estimated at 6,942,200 hect., or 17,155,000 acres).

It appears fairly safe to count on a reduction of at least 10% in the acreage seeded in the Republic. The production is entirely a matter of the weather in the near future, and it will not be forgotten that apparently dried-out wheat has a wonderful recuperative capacity if last-minute rains arrive in adequate quantity.

With regard to linseed, this crop can of course be sown much later than wheat. Not a great deal has yet been sown. Should rains fall by the middle of August, it is quite probable that some of the land destined for wheat will be planted with linseed instead. It may be a little risky, but many farmers will take the change.

At the present time it seems almost certain that there will be a big maize area planted this year, in spite of the current agitation for a higher minimum price to be set by the Grain Control Board.

At the moment of writing this report the weather throughout the cereal regions of the Republic is fine and settled.

W H E A T.

Exports of wheat and wheat flour during July totalled 10,567,000 bushels (wheat 10,422,000; flour 144,000). This compared with a total of 11,592,000 in the month of June. The supply position is now:-

Second official estimate 1934-35 crop	238,320,000	bushels.
Deduct for probable error	9,186,000	"
	229,134,000	"
Add carry over from 1933-34 crop	15,435,000	"
Net Supplies	244,569,000	"
Deduct for seed and domestic use	95,534,000	"
Exportable Balance	149,035,000	"
Exported to) wheat 104,699,000 bushels		
July 31st) flour 1,222,000 "	105,921,000	"
Balance still available	43,114,000	"

Allowing for a quantity of wheat sold but not yet shipped, there is probably a balance of not more than 36,744,000 bushels available for sale. Even assuming a considerable reduction from the present rate of shipping overseas, there is not likely to be more than a normal carry-over at the end of the current year.

Wheat is not coming forward freely. The unsatisfactory crop prospects are inducing farmers and others to hold on to their remaining supplies, and offers from the country are scarce.

The market during the month was very unsettled, and there were more fluctuations than have been seen here for some time, due very largely to the crop reports from the northern hemisphere, especially Canada and the United States. Fear of the dumping of the Canadian surplus on the market is now less evident, in view of the reported inroads of rust and drought on the North American crops; and with the doubtful prospects in Australia and this country it is felt that normality of supply conditions in the world may not be very far distant.

European buyers were not active during the month, but a satisfactory ex-European business was done, especially to neighbouring republics. Brazil has taken unusually liberal shipments of Argentine wheat this year, over 18,629,000 bushels having already been sent there, against a total for the whole of last year of 24,435,000 bushels. But this increase in wheat is offset in part by smaller purchases of Argentine flour. Brazil has recently been increasing and modernizing her milling plants with the obvious intention of grinding more of her own flour. The shipment of 11,000 bushels of Argentine flour to New York, which is to leave shortly, is a novelty which is giving satisfaction in milling circles.

At the end of the month Spot wheat closed at 7.20 paper pesos per 100 milos (equal to 65c. Can. per bushel at current exchange rates) and the August option at the same price. Winnipeg August on the same day closed at 85 5/8 cents.

M A I Z E

July exports of maize were very heavy, totalling 30,979,000 bushels, which compared with 26,405,000 bushels in the previous month. But heavy though the shipments were, they hardly came up to the expectations of some members of the trade, in view of the great size of the crop.

The supply position is now as follows:-

First official estimate 1934-35 crop	452,734,000 bushels.
Carry over from 1933-34 crop	445,000 "
Total supplies	<u>453,179,000</u> "
Deduct for seed and domestic consumption	55,115,000 "
Balance for export	<u>398,064,000</u> "
Exported to 31st July	110,443,000 "
Still available for export	<u>287,621,000</u> "

For various reasons business was very unsatisfactory in the maize market during the month. Sales overseas did not come up to expectations. European countries which are usually good customers for Argentine maize were apparently unwilling to pay the price asked, and the United States, which has taken large quantities in the last few months, is now less interested. Exporters had booked large volumes of freight in anticipation of a heavy movement. But farmers proved not to be the free sellers that had been expected, partly because of the severe drought conditions prevailing, which necessitated the use of considerable maize for feeding live stock, and partly as a result of the agitation for an increase in the official minimum price (now 4.40 paper pesos per qtl.). The price dropped to this minimum at the beginning of the month, and the Grain Control Board came into action, buying whatever maize was offered it. The purchases, however, only reached about 150,000 tons which were quickly resold to the exporters at the same price to enable them to fill some of their waiting steamers. And since then no further intervention by the official board has been necessary, the exporting houses taking all the maize offered at 4.40 paper pesos, even though that is below the parity of prices prevailing overseas. Commitments had apparently been made on the assumption that the price here would fall well below the official minimum. Naturally the booking of freight has now dropped off considerably, and it is likely that maize prices will also drop as soon as waiting boats have been loaded.

The agitation in the country for an increase in the basic price continues, although it is now given less prominence in the newspapers. The leaders are urging the farmers to refuse to pay their debts until the price is raised. Nevertheless the Government has remained firm in the refusal to yield to the demand. There is of course no possibility of this country being able to raise the level of world prices for maize. It is a question only of the Government being willing to pay the difference between world prices and the \$6. per quintal demanded by the growers. This they have refused to do. The matter is shortly to be debated in Congress.

At the close of the month Spot maize was selling at the minimum price (4.40), equal to 37c. U. S. per bushel; and the September option at 4.47 (37½c. per bu.) September maize sold in Chicago at 76¼c., closing price on the same day.

L I N S E E D.

July exports were 5,124,000 bushels, again 4,157,000 bushels a month ago. The statistical position is now:-

Second official estimate 1934-35 crop	77,083,000 bushels
Carry over from 1933-34 crop	<u>2,217,000</u> "
Total supplies	79,300,000 "
Seed and domestic requirements	<u>7,874,000</u> "
Balance for export	71,426,000 "
Exported to July 31st	<u>47,817,000</u> "
Still available for export	<u>23,609,000</u> "

In spite of the substantial stocks of linseed still on hand here, prices strengthened during the month. There was no great activity on the part of the buyers, and the business done was only moderate; but the prospects for the new crop are sufficiently dubious to cause holders of linseed to restrict their offers for the present. A good rain may completely change the situation.

Spot linseed closed at 12.25 paper pesos per quintal, equal to 102¾c. U.S. per bushel; and the September option at 12.50 paper pesos (104 7/8 c.). In Duluth on the same day September seed closed at 164c.

O A T S

July exports were 993,000 bushels. Last month 1,593,000 bushels were shipped.

20,662,000 bushels have now been shipped, out of the surplus of 34,273,000 bushels, thus leaving still available 13,612,000 bushels.

Weather conditions at home, with the lack of pasture and possible need of oats for feeding purposes, have made the farmers reluctant sellers, and prices are beyond what shippers ordinarily could pay. But orders from Italy for army purposes at good prices were able to be filled. Otherwise business was dull.

Spot oats closed the month at 5.90 paper pesos per quintal, as against 5.15 for export quality a month ago. Superior quality oats are quoted at 6.50 paper pesos.

B A R L E Y

Exports during July were 1,238,000 bushels, as against 1,477,000 in June. Of the exportable balance of 34,126,000 bushels, 16,669,000 bushels have been shipped overseas, leaving still on hand 17,457,000 or less. The existence of this quantity is open to doubt.

Buyers showed a fair interest, but the quantity changing hands was not great. Although the price is not high, being in fact very low in comparison with oats, it is out of line with what exporters can afford to pay. Good feed barley is worth 4.70 paper pesos per 100 kilos, with brewing barley quoted at about 10 per cent higher.

R Y E

400,000 bushels were exported in July, which compares with 675,000 bushels in June.

An average business was done during the month. Nevertheless prices dropped a little, closing at 4.00 paper pesos as against 4.25 pesos at the end of June. 6,867,000 bushels are still available for export.

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