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The Grain Situation in the Argentine

Ottawa, September 13, 1935 -- The correspondent of the Dominion Bureau of Statistics in Buenos Aires has forwarded the following report, under date of September 2, 1935, dealing with the grain situation in the Argentine:-

Crop Conditions

On August 8th the Ministry of Agriculture made public a memorandum with reference to the area covered by the existing drought, and its intensity. According to this, it is one of the most severe registered in the Republic. Even in January the rainfall was below normal in a great part of the cereal and live-stock zone of the country. In February precipitation was even more scarce in Buenos Aires, Córdoba and the Pampa, whilst conditions improved somewhat in Entre Ríos, Corrientes and Santiago del Estero. March brought rains which interrupted in various districts the drought which was beginning to be felt; but in a great part of Córdoba, the north-east of Buenos Aires, San Luís and the north of the Pampa, they were still below normal. The real drought began in April, in which month the rainfall was below normal in the whole of the cereal zone. In many sections of Buenos Aires, Córdoba and the Pampa the precipitation in this month did not reach 20 per cent of the normal quantity. In May and June there were rains of some value in the east of Buenos Aires, but in all other regions it continued to be deficient. During July there were rains normal for that month in the south of Buenos Aires and the east of the Pampa, whilst in the north of Buenos Aires, Entre Ríos, Santa Fé, Córdoba and San Luís precipitation was almost nil.

Taking the period April-July, in the east of Córdoba, the north of the Pampa, part of Santiago del Estero, the north-east of Santa Fé and north-east of Entre Ríos, less than 20 per cent of the normal precipitation fell in these four months. In the whole of the province of Santa Fé, in the west of Entre Ríos and Corrientes, almost all the province of Córdoba, all of the Pampa, the south of San Luís, Mendoza and the north of Río Negro less than 40 per cent fell. Rainfall superior to 80 per cent of normal, which may be considered sufficient for agriculture, was only registered in the south of Buenos Aires, the provinces of the north-west, the north-east of Corrientes, Misiones and the west and south of Patagonia. As will be seen, therefore, the cereal zone, with the exception of the south of Buenos Aires, is the region suffering most from scarcity of moisture.

On the day on which the above official report was issued, there were rains in Buenos Aires, well scattered and of varying intensity, reaching up to 2 inches in one or two localities; covering Santa Fé pretty well, and all but the west of Córdoba; most of Entre Ríos and part of the Pampa. Further light rains fell in the south of Buenos Aires two days later, and a week later most of Buenos Aires and the Pampa enjoyed some more precipitation, running up to an inch in much of the territory. At the end of the month the immediate neighbourhood of the city of Buenos Aires was the centre of some very heavy storms, which raised hopes that there would be general rains, but unfortunately only portions of the province of Buenos Aires not far distant from the Capital received any moisture, and the weather has since gradually cleared until at the moment of writing there are no indications of more precipitation in the near future.

The moderate rains which fell in August were insufficient to do more than slightly alleviate the drought. Much more moisture is needed, and even with good rains a greatly reduced crop is inevitable.

On August 23rd the customary official monthly report on conditions in the farming districts made its appearance. According to this, since the last rains the sowing of Spring wheats and linseed has been rushed. The rains have been beneficial to the fields already seeded, but to what extent it is as yet too early to judge. In spite of the rains, it is certain that there will be an appreciable reduction in the area sown with wheat, a possible increase in linseed sowings, and also in the maize area. Except in the province of Buenos Aires, where the condition of the crops is considered satisfactory on the whole, the cereal regions generally present an unsatisfactory aspect, and important areas show damage from drought and frosts. The following details are extracted from the official report:-

Buenos Aires.- In the eastern zone the scarcity of rains has left the wheat sowing in a doubtful state; there was some activity after the rains of the 8th, but the work is now paralysed, with a diminution of the area. The grain above ground is in a precarious condition as a result of frost and drought. In the south-east wheat sowing is finished, with little diminution of area. Growth is stationary because of lack of rain and a month of low temperatures, but recent rains have restored colour to the plants. In the central parts of the province, because of topographical conditions, the atmosphere retains more humidity, which explains why the seeding of wheat has met with no obstacles and the condition of the fields is considered prosperous. From Coronel Suarez towards Pringles the winter wheats are in a satisfactory condition, which has been improved by recent rains. With the sowing of Spring wheats, which is now in progress, they are trying to make up the area lacking with the Winter varieties. In the Bahia Blanca zone the soil profited very well from the rains of the past fortnight because of the steady form in which they fell. The condition of the wheat fields is considered good. In the western zone the sowing of wheat is practically over, many areas remaining unseeded. There will also be an appreciable diminution in the areas which will go into linseed, sunflower and barley. The wheat fields nearest to the Capital present a good appearance, which is gradually lost as one enters the sandy zone, where the plants have suffered from winds, drought and frosts. This damage has been made up in part by re-seedings since the rains of the 8th. It must not be forgotten that the winter wheats of this zone were sown two months late, which opens a doubt as to their future progress. In the northern zone in recent days it is noted that the fields which had germinated unevenly before the rains, have now become uniform. The land is dry enough, so that it will only require brief activity to complete seeding since the rain of the past fortnight.

Santa Fé.- The immediate effect of the rains which fell recently, after the prolonged period of drought, has been to make the fields green again, and to improve the soil conditions for the work of seeding which, if generally finished, are still being carried on here and there in spite of the advanced date. Nevertheless, it can be estimated that a great percentage - between 30 and 45 per cent - of the area intended for wheat will not be seeded with that cereal but dedicated to linseed or reserved for maize. The present condition of the wheat fields may be summarized as follows: in the centre and north of the province still abnormal, since the germination was deficient and the wheat appeared in patches, with an appreciable loss of seed; 40 per cent is in leaf and the rest germinated or recently sprouted. The definite losses cannot yet be estimated, as the rains have been light and too recent to appreciate the reaction of the fields. In the southern zone the wheat fields sown during the drought have visibly reacted, but nevertheless they do not present the desired uniformity, owing to the loss of much of the seed. Those sown just before or since the rains have sprouted vigorously, stimulated by the moisture and warmer temperature.

Córdoba.- In only a portion of the east of the province the rains, in spite of their scarcity, have benefitted the fields and assisted the work, permitting a continuance of the seeding of early maturing varieties under pressure. In the rest of the province the drought persists, the light local rains having been insufficient. The area devoted to wheat will therefore be seen to be very much reduced this season. Germination of the wheats previously sown was patchy, in many cases the seed being lost; growth is generally stationary; its present condition is backward, although it is perhaps in shape to re-act to the rains in the zone mentioned above. Some of the varieties sown in the south and south-west which resist the drought better have maintained their leafage uniformly, and these show the best prospects for a crop in this part of the province.

Entre Ríos.- Since the last report the drought continues in this province. Only on the 8th of the month was there any more or less general precipitation, this varying between 8 and 15 millimetres, which, with some light drizzles, will not solve the problem of seeding and germination, in view of the advanced date. Seeding of wheat has been practically cut off, with an evident diminution in area and with losses through deficient germination. The condition of the plants is from average to bad throughout the province. On many farms the seed has not germinated after being a long time in the ground, or has done so in a weak form and late, running the risk of being caught by the hot weather not yet headed.

The Pampa.- Up to the middle of the month the situation in the territory had been getting worse, but the rains of the 16th solved the problem for the moment, although it will be impossible to recover all the time which has been lost in seeding. In spite of the drought, the farmers went on ploughing in deficient form, profiting by the physical characteristics of the soils. In the Guatraché zone they finished in March the biggest sowings of winter wheat, leaving the central part of the territory with the greatest deficit in area. In this region and in lesser degree in the north, wheat was sown and re-sown in the middle of the drought, the only result obtained being the loss

of the seed. Following the recent precipitation the farmers of the Pico zone who possess spring wheat seed are proceeding with the sowing of it. Wheat already sprouted has remained up to now in a precarious state, after an uneven germination, without the plants being killed out, due to the small amount of moisture needed in this stage of its development. The farmers have suffered through having to do their work over again, having to re-sow, with the consequent loss of seed, unevenness and lateness of the crop, and impossibility of completing the area.

General opinion appears to be that the above quoted official report if it errs does so rather in the direction of optimism than of pessimism. At the same time, some of the private reports sent out have undoubtedly tended to exaggerate the drought's effects. In the judgment of the writer, the following is a fair summary of the situation now existing:-

Buenos Aires, which last year accounted for 45 per cent of the wheat acreage of the Republic, has probably an equal area this year, with possibly a decrease of not more than 10 per cent. The condition of the crop is generally satisfactory.

Santa Fé and Córdoba - (10 and 29 per cent of the wheat acreage) probably have a decrease of one third in the seeded acreage. The condition in Santa Fé is below normal, and in Córdoba poor.

Entre Ríos (last year 5 per cent of the wheat acreage) - The acreage is probably 20 per cent down, and the condition average to poor.

The Pampa (9 per cent) - Probably 20 per cent decrease in acreage. Condition poor.

Remainder (2 per cent) - 10 per cent acreage decrease. Condition average to poor.

Making allowance for the fact that much of the area in wheat has been seeded at an almost hopelessly late date, also that throughout the cereal zone the winter frosts have been the most numerous and severe for very many years, with consequent loss and damage to the grain, and that some of the wheat which is now uneven and unpromising will be ploughed up and replaced with maize or other coarse grains, it can safely be said that this year's wheat area effectively seeded will probably show a shrinkage of 25 per cent from last year's 7,613,000 hectareas or 18,804,110 acres.

To even guess at the production is very difficult with sowing barely finished and weather conditions as they are. But applying the same reduction of 25 per cent to last year's total volume of 238,320,000 bushels (the official figures), a crop of 178,740,000 bushels is arrived at. Taking off the normal seed and domestic requirements (95,534,000 bushels), an exportable surplus of 83,206,000 bushels remain. Of this Brazil and other neighbouring countries will probably take at least half, leaving little over 36,744,000 bushels available for European and Oriental destinations. But this is mere guesswork.

With regard to the new linseed crop, the work of seeding has suffered from the same inconveniences as that of wheat. It can now be said to be in full swing; with apparent prospects of an increase in the acreage should weather conditions permit of producers' plans being carried out. Some of the land originally intended for wheat will undoubtedly be planted with linseed if this proves possible within the time limits. Linseed sown after the middle of September is not usually a success. Some of the early-sown fields have had to be replanted on account of frost damage, and there are complaints of locust damage in the fields of young linseed in some of the northern sections. It is to be feared that there will be more of this at a later date, as heavy invasions of the insects are reported. Fortunately, however, the Government is taking early measures to combat the plague.

W H E A T

Exports of wheat and wheat flour during August were 11,131,000 bushels (wheat 10,859,000, flour 272,000 bushels). This is a little heavier than in the previous month, when 10,567,000 bushels were shipped.

The statistical position is now as follows:-

Second official estimate 1934-35 crop	238,320,000	bushels
Deduct for probable error	9,186,000	"
Leaving	229,134,000	"
Add carryover from 1933-34 crop	15,435,000	"
Total supplies	244,569,000	"
Deduct for seed and domestic use	95,534,000	"
Exportable balance	149,035,000	"
Exported to August 31st: Wheat 115,559,000 bushels) Flour 1,493,000 bushels)	117,052,000	"
Still available for export	31,983,000	"

Farmers are not at present free sellers of wheat, the doubtful prospects of the new crop inducing them to retain the small stocks still in their hands to provide for possible seed requirements another year; hence there is no visible selling pressure, and some of the shippers have had a little difficulty in filling their requirements.

The market was steady throughout the month, the fluctuations being within a very limited range. Crop damage both here and in the north of the continent offset the indifference of buyers in the United Kingdom and Europe. Brazil was one of the best customers, and other ex-European customers contributed some business.

There is good activity in the Flour market, and although the exports of the current year as shown above are approximately one-third below those of last year in the same period, optimism and firmness are prevalent. Interest has been excited recently in the possibility of developing a market for Argentine flour in Costa Rica. A trial shipment made a short time ago of 500 bags created a good impression, comparing favourably with North American imports in regard to quality, and selling at a lower price in spite of the comparatively high freight rate from here.

At the close of the month spot wheat was selling here at 7.05 paper pesos per 100 kilos (equal to 63 7/8¢ Canadian per bushel at current rates of exchange); and the October option at 7.07 (64¢ per bushel). On the same day Winnipeg October closed at 82¾¢.

MAIZE

Exports of maize fell off a little in August, totalling 26,205,000 bushels, as compared with 30,979,000 bushels in July.

The supply position is now:-

1st official estimate 1934-35 crop	452,734,000	bushels
Carryover from 1933-34	445,000	"
Total supplies	453,179,000	"
Deduct for seed and domestic consumption	55,115,000	"
Balance available for export	398,064,000	"
Exported to August 29th	136,648,000	"
Still available for export	261,416,000	"

Business overseas in maize is handicapped by the fact that prices have dropped below the minimum of 4.40 paper pesos per qtl. set by the Grain Control Board. This official body is now the principal buyer from the producers, and for the present is refusing to resell for export below the price at which it has bought. It is anticipated that sooner or later consuming markets will raise their limits, in view of the comparatively small supplies available from other sources. Meanwhile stocks in the hands of the Board are accumulating rapidly, and having in mind the possibility of some of the grain having to be held for a long period efforts are being made to purchase it unshelled, because of its superior keeping qualities in that condition.

Not all the maize is finding its way into official hands, however. The exporting houses, paying spot cash for their purchases, are able to attract a good percentage of buyers who do not care to face the delays often entailed when sales are made to the Board and would rather make a little sacrifice in the price and get an immediate settlement. But for this, exports would be still lower.

Domestic consumption is higher than normal, shortage of pasture because of the drought inducing stockmen to resort to maize and other coarse grains for feeding purposes.

Export maize at the close of the month is quoted at 4.40 paper pesos, the official minimum (equal to 37¢ U.S. per bushel), and the December option at 4.48 (37¾¢ per bushel). December maize in Chicago on the same day closed at 56¾¢.

In the domestic market yellow maize is selling at 4.10 per qtl.; Red at 4.15; Cuarenteno at 4.25; and White at 4.60 paper pesos.

LINSEED

Exports during August were 4,914,000 bushels, which compares with 5,124,000 bushels in the previous month, and leaves the supply position as below:-

Second official estimate 1934-35 crop	77,083,000	bushels
Carryover from 1933-34 crop	2,217,000	"
Total supplies	79,300,000	"
Seed and Domestic Requirements	7,874,000	"
Exportable balance	71,426,000	"
Exported to August 31st	52,731,000	"
Still available for export	18,695,000	"

Local crushers displayed a fair interest in linseed during the month, and exporting houses were not far behind them. But comparatively heavy stocks and talk of an increased acreage being seeded for the next crop acted as a counterbalance, and prices receded a little, Spot linseed closing at 12.02 per qtl. (101¼¢ U.S. per bushel), and the October option at 12.10 (101 7/8¢ per bushel). In Duluth October closed at 152¢.

OATS

Exports in August more than doubled as compared with the July shipments — 2,224,000 bushels against 993,000 bushels.

This brings the total exports to 22,886,000 bushels, out of the surplus of 34,273,000 bushels, thus leaving still on hand 11,387,000 bushels.

Domestic consumption has increased during the drought, and the home demand has kept prices for this market at a much higher level than export quotations apart from purchases for the Italian army.

Spot oats for export closed the month at 5.65 paper pesos per quintal, against 6.60 paper pesos for superior oats for domestic buyers.

BARLEY

August exports were only 452,000 bushels as compared with 1,238,000 in July.

From the original exportable balance of 34,126,000 bushels, it is necessary to deduct 9,186,000 as a probable over-estimate, leaving a revised total of 24,940,000 bushels, of which 17,121,000 bushels have now been shipped, leaving still available 7,819,000 bushels.

As in the case of Oats, domestic prices because of the drought are higher than those offered for export, good feed barley being quoted at 4.70 pesos, and brewery barley at 4.90, as against 4.35 and 4.50 respectively for exportation.

RYE

August exports were 353,000 bushels, against 400,000 in July. 6,514,000 bushels are still available for export.

Business during the month was very quiet. Rye for export is worth 3.65 per qtl., whilst for the domestic market 3.90 is being paid.

GRAIN ELEVATORS

The study of the projected national system of grain elevators, which was entrusted to a commission nearly two years ago, still drags on. The President of the Republic in an address delivered at the opening of the recent annual live-stock show, made a reference to the matter, and announced that within a few days the work would be completed and the bases of construction established.

GRAIN ACT

The Bill for this Act, introduced into Congress three years ago, is now again under consideration by the Agricultural Committee of the Senate, and various witnesses have been cited to give their opinions on changes contemplated. This month of September is the final month of the Parliamentary Sessions fixed by the Constitution, so that action for the final passage of the measure is by no means certain this year.

MINIMUM MAIZE PRICE

The Parliamentary debate on this question, incident on the agitation in the country districts, postponed because of the absence of the Minister of Agricultura due to injuries received in the disturbance in the Senate a month ago, is expected to take place in the next few days, now that the Minister has returned to his duties. Meanwhile, the Government remains firm in its refusal to raise the present minimum of 4.40 paper pesos.

GRAIN TRADE INVESTIGATION

A motion has been introduced into the Chamber of Deputies calling for a complete investigation into the Argentine Grain Trade, and has been referred to a committee for report. A propos of this, La Prensa, one of the leading daily newspapers, publishes an article pointing out the enormous influence of certain exporting houses in the control of the grain trade. The editorial points out that in the year 1933, 144,366,000 bushels of wheat were exported, of which 4 firms handled 129,474,000 bushels, leaving the small balance to be shipped by the 25 other firms participating. 196,841,000 bushels of maize were shipped, of which the big 4 exported 174,007,000 bushels, and 25 firms handled the remaining 22,834,000 bushels. 55,115,000 bushels of linseed were exported of which 45,037,000 bushels passed through the hands of the Big 4, one other firm handled 6,496,000 bushels, and 24 small firms the rest.

Whilst the economic crisis has day by day increased for the farmers, who in many cases can barely cover the cost of production, says La Prensa, the principal intermediary firms are obtaining such profits that they are able to extend the sphere of their activities to other industries, such as oil, bags and various classes of containers, cotton manufacturing, food canning, etc., and are also acquiring great extensions of agricultural land on which to raise grains and live-stock; besides which they are today considered amongst the principal capitalists lending money on mortgage. It would be difficult to find an important industry of which they do not form part.

The article goes on to refer to the various devices by which the grain growers are made to contribute to the wealth of the firms referred to, and ends by supporting the demand for the investigation proposed and for legislation to solve the problem which affects the principal source of production of the Republic.