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THE GRAIN SITUATION IN ARGENTINA

Ottawa, January 15, 1938.- The correspondent of the Dominion Bureau of Statistics in Buenos Aires has forwarded the following report, under date of January 3, 1938, dealing with the grain situation in Argentina.

FIRST OFFICIAL ESTIMATE OF GRAIN CROPS

Following the publication of the final official estimate of the areas seeded to the principal field crops, excluding maize, for the season 1937-38 (as reproduced in my report for the month of November), the Ministry of Agriculture has now made its first forecast of the probable yields, which are as follows:

| | | | | |
|---------------|-----------|-----------------|-------------|----------|
| Wheat | 5,225,000 | metric tons, or | 191,757,500 | bushels. |
| Linseed | 1,585,000 | " " " | 62,449,000 | " |
| Oats | 710,000 | " " " | 46,003,000 | " |
| Barley | 540,000 | " " " | 24,795,000 | " |
| Rye | 115,000 | " " " | 4,531,000 | " |

Variable weather conditions during the development of the crops, including first a prolonged drought and finally extensive frosts during the month of November, together with depredations of flying locusts in the north and centre of the cereal region, have caused serious losses; and in comparison with the crops harvested last season this first computation of the yields for this year shows the following decreases: Wheat 23%; Linseed 18.1%; Oats 10.3%; Barley 16.2%; Rye 39.5%.

In comparison with the averages over the last five-year period the following decreases are noted: Wheat 17.1%; Linseed 8.3%; Oats 12.5%; Barley 18.4%; Rye 53.8%.

For comparison this first forecast for 1937-38 is reproduced below, together with the final figures for recent crops and the five-year averages, the volumes being in bushels:

| | Wheat | Linseed | Oats | Barley | Rye |
|---------------------------|-------------|------------|------------|------------|------------|
| 1937-38 (1st estimate) .. | 191,986,000 | 62,399,000 | 46,033,000 | 24,802,000 | 4,527,000 |
| 1936-37 | 249,196,000 | 76,201,000 | 51,355,000 | 29,854,000 | 7,480,000 |
| 1935-36 | 141,464,000 | 59,446,000 | 33,756,000 | 20,301,000 | 6,023,000 |
| 1934-35 | 240,672,000 | 79,721,000 | 58,402,000 | 35,859,000 | 15,645,000 |
| Five-year average | 231,670,000 | 67,994,000 | 52,603,000 | 30,382,000 | 9,799,000 |

Immediately following the publication of the above forecast of the volume of the crops, the Department issued its monthly report on the condition of the crops in the various provinces and territories, upon which its estimate of volume was based. The principal features of this report are summarized as follows:

The general condition of the crops of wheat, linseed and maize is stated to be from average to good, the wheat and linseed crops having improved as a result of the beneficial rains which fell on December 6. This improvement was particularly noticeable in the provinces of Buenos Aires and Entre Rios. Examination of specimens of threshed wheat shows the quality to be generally good, and it may turn out to be still better if present prospects are realized in the fields not yet harvested.

With regard to linseed, the quality is fair as judged by samples of the threshed seed.

In spite of the apparently good condition of the maize crop, there is fear that because of backwardness in the great maize zone of northern Buenos Aires, it may be caught in the flowering stage by the very hot weather which is usually experienced in January. Rains would help this crop.

Details by provinces are as below:

Buenos Aires: Wheat: The rains of December 6 improved the condition of the wheat crop, especially in the south-western zone, where cutting had not yet commenced. In the north and west there was less benefit, as only the later wheats were in shape to profit by them. At the moment of reporting in the central and northern zones about half the wheat has been cut. In the south-west only some isolated fields have been cut, notably those which were affected by the frosts. The yields and quality secured up to the present have been rather poor, which is understandable if one takes into account that the best wheats in the north, centre and south-west, are those which are most backward in growth and consequently have not yet been cut. Threshing is commencing in some localities in the north-west. Linseed: In the north 20 per cent of the linseed crop has been cut, the work having been hastened by fear of grubs, from which damage is beginning to be noticeable. In the same zone threshing has commenced. Good yields are being obtained, although frost damage has reduced them appreciably in relation to what had been expected. In the centre and south the crop is in flower, and will be cut towards the end of January. The condition is good, except around Necochea, where lack of rain has kept it below normal, although precipitation may yet improve it. Maize: In the south-west of the province ploughing is under way in the last areas to be planted. Moisture is relatively scarce. In the districts damaged by frost some fields of other grains, especially wheat, have been ploughed up for re-seeding with maize, and this has been done under splendid conditions. Planting has been finished in the most important zones in the north and west, except where abandoned wheat fields are being prepared for planting with maize. Generally growth is about one month backward, the October and November frosts being responsible for this. In the south-west grasshopper damage to the maize is feared.

Santa Fé: Wheat: The rains of December 6 did not substantially modify the condition of this crop in Santa Fe, because of the advanced stage of development. Threshing is well advanced. It is finished in the centre and north; and is under way in the south, where cutting is practically finished. The yields obtained are very low in the north, and from good to very good in the south, where in some cases 40 bushels to the acre have been registered. The quality is generally good, even in some zones most affected by drought and other adverse factors. Linseed: In the south harvesting is general. In the north most of the crop has been cut, and in the centre 65 per cent. Only in isolated cases has there been threshing in the south; in the centre 15 per cent of the seed is already in bags, and in the north rather more. The work is backward in relation to other years because of recent rains, which have caused some damage by discoloration. Nevertheless the quality generally up to now is good. Maize: The abundant rains which have fallen in this province during the past month have been of extraordinary benefit to the maize crop, the condition of which on the whole is good, and is in fact excellent in some of the most important zones around Rosario. In the central and northern zones an appreciable increase is expected in the second sowing of maize during January, for which the land is now being prepared under excellent conditions.

Córdoba: Wheat: Winds have lowered the condition of the growing crops in the southern zone. On the other hand in the eastern districts the yields which are being obtained are even better than those forecast as good. In the north threshing is finished; it is general in the centre, but is only beginning in the south. The quality obtained is good in the north and east. In the central west in places where wheat is of little importance, the quality is relatively poor. Linseed: Cutting has begun in the south, it is general in the centre, and has been finished in the north. Threshing has begun in the centre, and has already been completed in the north. In general the yields are from fair to poor, as is also the quality. There is an appreciable percentage of green and discoloured grains. In the central zone late sown linseed is being actively cut, as grubs have begun to cause damage. Maize: Ploughing continues for the cuarenteno varieties. The work is hampered by lack of humidity in the soil. Generally the condition of the fields is from fair to good. It is best in the eastern part of the province, deteriorating as one travels towards the west, where it is only fair. In some parts of Río Cuarto and General Roca, where there has been an intense drought, the condition is relatively poor.

Entre Ríos: Wheat: The condition of the wheat crop has not varied since the last report. In the central and northern zones cutting is finished; it is proceeding in the south. Threshing is being carried on actively, and both yields and quality are generally good. In the north birds, especially parrots and linnets, continue to cause damage. Linseed: The last rains have improved the condition of the crop. The harvest is proceeding with comparative slowness, threshing having only begun in some places in the centre of the province. In the south the period of flowering has ended, but it is feared that the young locusts may cause damage. In the north they have damaged some of the late fields. Maize: The late-sown maize is growing under normal

conditions. Some fields in the south which were damaged by frosts have been replanted. There have only been isolated cases of damage by young locusts. Preparation of land for late planting continues under good conditions, with excellent soil humidity; but fear of locusts is restricting interest in planting.

La Pampa: Wheat: Harvest is beginning in the north, with quality generally good but yields only poor. In some fields affected by the frosts the grain is shrunken, with many green kernels. In the centre and south the last rains have improved the condition of the crops which were not damaged by the frosts. Linsced: The condition of the few fields not yet abandoned is very low. Maize: The rains which have fallen have been too light to greatly benefit the crops of maize. Ploughing continues under poor conditions generally owing to the dry soil, and even more to the poor condition of the work horses. If the weather turns favourable an appreciable increase in the acreage under this grain is hoped for.

With regard to the other grain crops, the official report says that: Oats generally are in good condition. In the south-east of Buenos Aires, which is the most important oats zone in the Republic, harvesting is finishing and good yields have been obtained; further west, yields are low and large areas have been abandoned. Barley generally is good in Buenos Aires, except in the west where there have been extensive abandonments through drought. In the Pampa 60 per cent is estimated as being lost. Harvesting has begun, with yields variable, mostly low, with the quality good but the weight light. Rye: There are many abandoned areas. While in some districts the yields are expected to prove normal, in many they will be only low. The quality is good, but the weight light.

Since the publication of the official report weather conditions have been favourable for harvesting, being generally fine and dry, and great progress has been made. At this moment it is estimated that 80 per cent of the wheat crop has been cut, and a good proportion has been threshed. There is a very great variation in both the yields and qualities secured. Southern Santa Fé in particular is producing heavy yields of grain of an excellent quality, but in the neighbouring province of Córdoba results are proving disappointing, as also in the frost damaged regions of Buenos Aires.

But while the weather has been propitious for harvesting the other grain crops, in the case of maize the effect has been exactly the reverse. Lack of moisture and the unseasonably cool temperatures have held back development, and private reports indicate that the plants generally are not in good shape to withstand the very hot weather which is normally experienced during the month of January. No losses are reported. The situation simply is that extreme heat may prove very damaging unless moisture first comes to strengthen the plants.

Supplies and Market Conditions

Wheat.- Exports during December were 3,867,835 bushels of wheat and 68,348 bushels of flour in terms of wheat, a combined total of 3,936,178 bushels, which compares with 1,530,856 bushels in the preceding month.

| | |
|--|---------------------|
| Shipments of wheat during 1937 totalled | 145,511,786 bushels |
| to which must be added flour in terms of wheat | 3,007,736 " |
| making a combined total of | 148,519,522 " |
| The exportable surplus at January 1, 1937 was | 146,607,706 " |
| So that there has presumably been shipped | 1,911,816 " |
| from the new crop. | |

The statistical position is now as shown below:

| | |
|---|---------------------|
| First official estimate of 1937-38 crop | 191,986,282 bushels |
| Less domestic requirements | 77,161,950 bushels |
| and seed requirements | 22,046,272 " |
| | <u>99,208,222 "</u> |
| Balance for export | 92,778,060 " |
| Disappearance prior to January 1, 1938 | 1,911,816 " |
| Available balance on January 1. | <u>90,866,244 "</u> |

On the publication of the governmental estimate of the crop, there was a disposition among experienced grain men to regard it as too low, 202 million bushels being looked upon as a more likely total. But threshing out-turns in the province of Buenos Aires in many good districts are proving disappointing, and it now seems more than likely that the official figure will prove to be justified.

While grain of excellent weight and quality is being threshed in the undamaged districts, heavy proportion of inferior lightweight wheat may be anticipated elsewhere. And from past experience it may be assumed that there will be a tendency to hold back this low grade grain to be mixed into the next crop. This seems the more probable in that we are going into the new season with no carry-over, and that the farmers are in a comparatively prosperous condition as a result of recent good crops and high prices. Assuming that say 18 million bushels are so held back and that Brazil takes 37 million bushels, it looks as though there would be less than 37 million bushels available for export to Europe out of this crop.

There is little to be said with regard to market conditions. A consistently firm tone prevails. The shrinkage in the prospective volume of the crop has encouraged growers to refrain from pressing their sales. Local millers and buyers for Brazil are willing purchasers of any parcels of good wheat offering. Exporters are booking freights more freely, Germany in particular actively chartering for January. Since Russian wheats and the average shipments from North America are said to be deficient in milling qualities, the best Plate wheats are likely to find ready acceptance in Europe. Actual shipments have been very light, and mostly for Brazil; but some sales to Europe are reported. The United Kingdom has shown little interest in buying Plate wheats at current prices.

At the close of business for the month and year, Spot wheat was quoted at 11.37 pesos per 100 kilos, equal to 103 1/4c. Canadian per bushel at current official exchange rates; and April, the most distant option quoted, 11.50, or say 104 1/2c. per bushel. In Winnipeg on the same day May wheat closed at 118 7/8c.

Linseed.-- Exports during December were 4,474,038 bushels, which compares with 5,140,857 bushels shipped in November.

| | |
|--|--------------------------------------|
| The total quantity exported during 1937 was. | 73,315,950 bushels. |
| The revised exportable balance on January 1, 1937 was | <u>69,799,819</u> " |
| Hence there has presumably been shipped | 3,516,131 bushels from the new crop. |

At the beginning of the new year the supply position is as follows:

| | |
|---|---------------------|
| First official estimate 1937-38 crop | 62,398,597 bushels |
| Deduct for seed | 6,692,594 bushels . |
| Deduct for domestic requirements . <u>1,181,046</u> " | <u>7,873,640</u> " |
| Exportable balance | 54,524,957 " |
| Disappearance prior to January 1, 1938 | <u>3,516,131</u> " |
| Available balance at January 1 | <u>51,008,826</u> " |

The official estimate of the linseed crop has not been received without some criticism, there being a disposition to regard it as rather low; but as the harvest is late and threshing returns not yet available from some districts, it is difficult to form a sound opinion.

As in the case of wheat, there is a proportion of damaged seed as a result of the vagaries of the weather; but what the average quality will prove to be is as yet uncertain.

There is a very firm market, with a good demand for export, and price levels have risen during the month.

Spot seed closed the month and year at 15.40 pesos per 100 kilos, equal to 130 1/4c. U.S. per bushel at current official rates; and the April option, the most distant quoted, at 15.38 (130c. per bushel). In Duluth on the same day May seed closed at 198c.

Maize.- December shipments were 12,461,492 bushels, which compares with 23,004,729 bushels in November, and leaves the supply position as shown below:

| | | |
|--|--------------------|---------|
| Revised official estimate 1936-37 crop | 359,617,878 | bushels |
| Carry-over from 1935-36 crop | <u>18,539,312</u> | " |
| Total supplies | 378,157,190 | " |
| Seed and domestic needs (revised) | <u>96,452,090</u> | " |
| Exportable balance | 281,705,100 | " |
| Shipments April 1, 1937 to December 30, 1937 | <u>263,412,115</u> | " |
| Balance still available | 18,292,985 | " |

The most active section of the grain market during the past month has been that for maize. The smallness of the stocks, in face of an active demand from both local dealers and export buyers, and the growing uncertainty of the prospects of the new crop in view of its backward condition on the eve of what is ordinarily the hottest period of the summer, have created an unusual situation, and have carried prices to the highest point recorded for ten years. The existence of a "squeeze" for January and February delivery has been perhaps the main factor in carrying Spot maize to the extraordinary price of 9.52 pesos per quintal, and February 9.41 (equal respectively to 80 1/2c. and 79 1/2c. U.S. per bushel), which were the closing prices on the last day of the year, when May corn closed in Chicago at 61 3/4c.

Most, if not all, of the small stock left in the country is already in the hands of the shipping firms, and the most eager search is apparently failing to bring additional supplies to light. So that what looks like a distinctly uneconomic price seems to be purely a matter between the dealers and speculators, with the growers hoping that it may hold until they again have some maize to sell.

Oats. Shipments of oats during December were 2,515,343 bushels, a substantial increase over the November figure of 1,719,021 bushels.

This brings the total for the year 1937 to 24,929,208 bushels, which is 1,780,686 bushels more than the revised exportable balance for the year of 23,148,523 bushels, so that there has presumably been a levy on the new crop to that extent. The supply position is now as follows:-

| | | |
|--|-------------------|---------|
| First official estimate 1937-38 crop | 46,037,678 | bushels |
| Less seed and domestic requirements | <u>29,827,228</u> | " |
| Exportable balance | 16,210,450 | " |
| Disappearance prior to January 1, 1938 | <u>1,780,686</u> | " |
| Balance available on January 1 | 14,429,764 | " |

Probably as a result of the shortage of maize, the oat market has been unusually active of late. There is a good local demand, and shipping houses are also interested, so that the tone has been quite firm. For White oats for export 6.30 is being offered, as against 6.20 a month ago, with local dealers willing to pay more for choice parcels.

Barley.- Exports of barley during the year 1937 totalled 11,268,598 bushels. The official estimate of the new crop is 24,801,984 bushels, of which 6,567,933 bushels will be needed for seed and domestic requirements, leaving 18,234,051 bushels available for export, plus any balance of the old crop which may still be on hand.

The crop is believed to have suffered considerably from adverse weather conditions, and as buyers are quite interested, prices have risen appreciably during the last month, closing at 8.70 for malting grain and 8.55 for feed, as compared with 7.70 and 7.45 at the end of November.

Rye.- December exports were 8,740 bushels, bringing the total for the year up to 3,656,755 bushels.

The new crop is officially estimated at 4,527,343 bushels, of which 1,944,789 bushels will be required locally for seed and milling, leaving 2,582,554 bushels available for export.

The crop is the smallest for many years, and very few offers are being received. Hence prices are rising, 11.50 being quoted at the end of the month, as compared with 9.20 at the close of November.

Restriction of Distribution of New Varieties of Wheat

The Ministry of Agriculture has made known that a Decree has been issued which prohibits the sale of any new varieties of wheat for seed during the years 1938 and 1939, new variety being understood to mean any which had not been placed on sale prior to November 1, 1937.

The measure is based on the desire to improve the quality of the Argentine wheat production.

A great number of varieties which originated in the country or were brought in from abroad were distributed throughout the Republic without any control prior to 1934. Some of them had a bad influence on the quality or the yields obtained, and the result has been to seriously hinder the rationalization of the grain business which is now being attempted.

The Commission in control considers it indispensable to undertake a close study of the agricultural and industrial value of the numerous varieties of wheat now in use, through systematic tests, before permitting the distribution of others. Hence the step which has been taken.

Destinations of Argentine Wheats

The National Grain and Elevator Board has made a study of the destinations of the Wheat shipped from the three principal zones of production into which the country is divided, and has published the following results.

The period covered is from December 1, 1936 to July 31, 1937, which includes the months of greatest activity in the exportation of wheat.

From the Buenos Aires zone there were shipped 36,822,271 bushels. The principal destinations were:

| | | |
|----------------------|-------|-----------|
| Italy | 36.84 | per cent. |
| Brazil | 16.11 | " " |
| United Kingdom | 11.32 | " " |
| Holland | 8.65 | " " |
| Germany | 7.05 | " " |
| Belgium | 6.06 | " " |

From the Rosafe zone there were exported 65,220,771 bushels, of which the principal destinations were:

| | | |
|----------------------|-------|----------|
| United Kingdom | 34.47 | per cent |
| Italy | 18.66 | " " |
| Brazil | 14.92 | " " |
| Belgium | 11.14 | " " |
| Holland | 11.16 | " " |

From the Bahia Blanca zone the shipments were 37,583,712 bushels, with the following principal destinations:

| | | |
|----------------------|-------|----------|
| Brazil | 23.28 | per cent |
| Belgium | 16.30 | " " |
| Holland | 15.61 | " " |
| Greece | 15.23 | " " |
| Italy | 10.65 | " " |
| United Kingdom | 5.50 | " " |

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