

Published by the Authority of the HON. W. D. EULER, M.P.,
Minister of Trade and Commerce

DOMINION BUREAU OF STATISTICS - CANADA
AGRICULTURAL BRANCH

Price: \$1.00 per year.

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THE GRAIN SITUATION IN ARGENTINA

Ottawa, January 17, 1940.- The correspondent of the Dominion Bureau of Statistics in Buenos Aires has forwarded the following report, under date of January 4, 1940, dealing with the grain situation in Argentina.

First Official Estimate of Grain Crops

In mid-December the Ministry of Agriculture made public its first estimate of the volume of the principal field crops, excluding maize, for the season 1939-40. This is based upon the final estimate of the areas seeded, issued a month earlier, the calculated probable losses, and the probable average yields. The official figures are as reproduced below:

Wheat	4,000,000	metric tons, or	146,972,000	bushels
Linseed	1,250,000	" " "	49,210,000	"
Oats	900,000	" " "	58,358,000	"
Barley	750,000	" " "	34,447,000	"
Rye	360,000	" " "	14,173,000	"
Totals	<u>7,260,000</u>	" " "	<u>303,160,000</u>	"

Of the 146,972,000 bushels of wheat, the Ministry's memorandum points out there is a high percentage which has been cut and stacked, but on account of its deficient quality will only be threshed if quotations for the grain are such as will cover the cost of labour involved.

The new crop of wheat is smaller than that of last season by 189,227,000 bushels, or 56.3 per cent, and the linseed crop by 5,879,000 bushels, or 11.4 per cent. On the other hand, the crops of oats, barley and rye exceed those of last season by 23.3 per cent; 70.5 per cent and 30.9 per cent respectively.

The lower wheat production is due to the unfavourable climatic conditions of the season, which affected both the yields and the quality of the grain. On this account there has been left unharvested an area which at the time of the publication of the report was estimated as reaching 4,200,700 acres. The same factors influenced the decrease in the area seeded, which is estimated at 2,965,200 acres.

In the case of linseed, in spite of the increase in the area planted, as compared with the preceding season, of 992,100 acres, the low yields prevailing have cut down the production, and the lost and abandoned areas to date have reached around 1,557,000 acres. The following comparative figures will be found interesting:

	<u>Wheat</u>	<u>Linseed</u>	<u>Oats</u>	<u>Barley</u>	<u>Rye</u>
	(bushels)				
1938-39 final	336,199,000	55,509,000	47,335,000	20,209,000	10,826,000
Five-year average 1935-39	230,607,000	66,629,000	47,236,000	24,054,000	8,900,000
Ten-year average 1930-39.	229,459,000	67,516,000	54,615,000	23,606,000	8,262,000

Crop Conditions

The monthly report on crop conditions published by the Ministry of Agriculture made its appearance this morning. The gist of its contents with regard to grain and seed crops will be found in the following excerpts:

Harvesting was carried on during the month of December with results which cause no change in the forecast given a month ago as to the low yields of wheat and linseed and the better results in the case of oats, barley and rye.

A frost which occurred on December 5 caused damage to the cereals and linseed of late varieties, especially in the province of Buenos Aires. The maize also was affected by this frost, above all in the northern zone of the province of Buenos Aires; nevertheless the prospective production of this grain is good considering the country as a whole. Details with regard to the various crops are reproduced below:

Wheat: The fields of wheat in the province of Buenos Aires and the territory of the Pampa were affected by the frost registered on December 5 and the prospects for the crop have deteriorated.

In the northern part of the cereal region no damage was done by this frost, the greater part of the cutting having already been finished. It may be pointed out that within the cereal zone only in the districts on the southern coast of the province of Buenos Aires and in the northern part of the Pampa, is the condition of the wheat good.

In the zone of Coronel Suarez and adjoining districts the condition of the fields of wheat is bad, due to the action of grubs and rust, added to the excessive rains, which caused a disproportionate development of the upper part of the plants to the detriment of the root system.

The yields obtained in threshing in the southern part of the province of Cordoba make the crop look rather better than at the beginning of December; but in the other zone of the country the prospective yields seem approximately the same.

Throughout the northern part of the cereal region harvesting is finished, and threshing is proceeding slowly, with the greater part of the crop stacked and no assurance that it will all be threshed. In Buenos Aires and the Pampa cutting is proceeding, and threshing also has been commenced.

In general the quality of the grain obtained is poor. The best lots are in the south-east part of Buenos Aires and the northern Pampa.

Linseed: The frost of December 5 affected the late fields in the province of Buenos Aires, and in these the condition is worse than reported a month ago. On the other hand, the yields obtained in southern Santa Fe and Cordoba permit a better opinion of the linseed in that zone.

In general the quality obtained in threshing is very deficient. Only in some parts of the south of Santa Fe, the south of Buenos Aires, and some late fields in Entre Rios is the quality from fair to good, especially in northern Entre Rios, where the yield is considered from fair to good.

Oats: Cutting of the oat crop is well advanced, and the forecast of a fair to good yield is being maintained. The quality of the crop is fair, many discoloured lots being noticeable.

Barley and Rye: Although these crops were affected by the aforementioned December frost, nevertheless they are maintaining the good prospects referred to in the last report.

Maize: The condition of the maize fields is generally good. In the great maize zone of northern Buenos Aires and southern Santa Fe the December frost caused perceptible damage. But from the point of view of the national production, it may be said that the excellent state of the fields in the provinces of Cordoba and San Luis, as also in the greater part of the rest of the country, compensates for any deficiency in the first-named districts. If we take into account the important increase in the area planted as compared with last season, and the present good condition of the crop, the probable volume of the crop at this moment promises to be high.

In the province of Buenos Aires, the Pampa, and the south of Santa Fe and Entre Rios, ploughing of the land and planting of the maize was finished under conditions relatively deficient on account of the lack of rains which characterized the month of December. The work is proceeding under satisfactory conditions in the other districts of the country, where maize of the cuarenteno varieties is being planted.

The province of Buenos Aires is by far the most important factor in the production of Argentine grain crops, its contribution greatly exceeding that of any other province or territory. For that reason a report of the Provincial Department of Agriculture of Buenos Aires on the condition of the crops as at January 1 will be of interest. The principal sections of the report are as follows:

The results obtained in the first threshings are deficient in respect of wheat and linseed; from fair to good for oats and rye, the fields of which have mostly been pastured during the winter; and abundant for barley, which in general has given exceptional yields.

The quality of the wheat and linseed threshed up to now has been deficient in the north, and variable in the centre, east and part of the west, where low yields predominate. There are some good lots, which the farmers are keeping for sale as seed. In the remainder of the west, and especially in the south, a large proportion of farms have produced good yields of grain of good quality, in spite of having been damaged by the worst conjunction of adverse weather conditions which can be remembered, finishing with the general frost of December 5.

This last frost deserves special mention for having hastened the maturity of grains already formed, reducing their specific weight; and for having spoiled the fields which were caught in the formation of the grain, weakened in part by the irregular temperatures, the weeds and the great diffusion of plant diseases.

For the maize, already afflicted by the late frosts of November, it was fatal, causing partial and total losses in the early and medium plantings.

Supplies and Markets

Wheat: The official estimate places the volume of the new crop at 146,972,000 bushels. At the time this was published there was an inclination to regard it as a little too pessimistic; but as the severe effects of the frost of the first week of December became more apparent, with its destructive effects in the districts from which the best results had been expected, doubts began to be expressed as to whether the official figures were not too optimistic.

The Bank of the Argentine Nation made a private survey of the crop situation, in accordance with its usual practice, and the result is understood to justify a total crop of wheat of only 114,014,000 bushels. The Bank, which has a vast organization covering every part of the country through its 263 branches, is well equipped to make such a survey, provided that its local officials have at their command reliable sources of information as to acreages and probable yields. If not, the basis of the survey is unsound. If the local officials or their informants become infected with the prevailing pessimistic spirit, their figures are apt to be coloured accordingly, however unintentionally; and this is what in the opinion of some competent critics has occurred in this case, although it is pretty generally felt that the Ministry's figures will be cut down when the next official estimate is published in February.

A figure mid-way between the National Bank's estimate of 114,014,000 bushels and the Ministry of Agriculture's 146,972,000 bushels, is at present looked for.

Meanwhile, with the official figures as a basis, the following is the statistical position as the new year commences:

Exportable surplus at January 1, 1939	245,289,000 bushels
Shipments) ... Wheat 175,314,000 bushels	
during 1939) Wheat as flour 1,410,000 "	176,724,000 "
Carry-over into 1940	68,566,000 "
First official estimate 1939-40 crop	146,972,000 "
Total supplies	215,538,000 "
Deduct for seed and domestic requirements	101,044,000 "
Surplus available for export	114,494,000 "

Exports during the month of December were: wheat 16,309,000 bushels, flour in terms of wheat 187,000 bushels, total 16,496,000 bushels. This compares with the combined November total of 19,070,000 bushels.

Of the stocks of the old crop wheat it is believed that 55,115,000 bushels are in the hands of the official Control Board, and the balance is held by farmers and others.

The governmental Decree requiring millers to fill all their requirements for wheat to grind into flour by purchasing from the official Board at the basic price of 7. pesos per quintal (as mentioned in the report dated November 4), which was protested against by the millers, was cancelled in December and replaced by a new Decree permitting the millers to acquire up to 40 per cent of their requirements from the Board at the basic price provided the grain is purchased and delivery taken before March 31. It is estimated that under this Decree the millers will absorb 20,200,000 bushels of the Board's stocks, and will have to buy in the open market the balance of their requirements, or 44,000,000 bushels.

In the matter of quality the new crop is not turning out at all well. Due to the frost and other climatic factors, there is a great deal of light weight wheat. The average weight last season was about 63 1/2 pounds per bushel. Experienced grain men estimate that this year there will be at least 18,372,000 bushels with an average of not more than 58 pounds per bushel; and 64 pounds of wheat will be very scarce.

During December and the latter half of November no Argentine wheat was purchased for account of the United Kingdom, whose interest was centred on the British Dominions. Some moderate sales were made by the Grain Board to neutral nations at relatively high prices, more or less 7.50 per 100 kilos. Brazil also purchased some parcels at 7.20.

The storage situation tends to improve, as the new crop is not being delivered as fast as the old stocks are moving out.

At the close of the month Spot wheat was changing hands at 8.20 pesos per 100 kilos, or say 66 1/2 cents United States per bushel at prevailing official rates of exchange; and the March option, the most distant quoted, at 8.59, or 69 3/4 cents per bushel. On the same day in Winnipeg May wheat was selling at 88 7/8 cents per bushel.

Linseed: December exports were 1,909,000 bushels, which compares with 2,319,000 bushels in the preceding month. Part of the December shipments were taken from the new crop, presumably, old stocks apparently being exhausted.

On the basis of the official estimate of the Ministry of Agriculture of a new crop of 49,210,000 bushels, the following is the statistical position at the commencement of the new year:

Shipments during the year 1939	49,704,000 bushels
Exportable surplus as at January 1, 1939	49,506,000 "
Taken from new crop	198,000 "
First official estimate 1939-40 crop	49,210,000 "
Deduct for seed requirements 6,635,000 bushels	
Deduct for domestic consumption . 1,181,000 "	7,874,000 "
Net Total supplies	41,337,000 "
Disappearance prior to January 1, 1940	198,000 "
Balance available for export January 1, 1940	41,139,000 "

Many members of the grain trade regard the official crop estimate as being too low, and the difference of opinion has been the basis of a good deal of speculation. Farmers are showing reluctance to sell their seed, being generally convinced that while the war lasts the demand for linseed will be maintained, and if the Argentine supplies shrink prices should rise. A considerable percentage of the crop is of below normal quality, with a low oil yield.

The varying reports on crop conditions caused a good deal of fluctuation during the month, and prices at one time had risen 13 per cent, but a drop of 5 per cent subsequently took place, and the month closed with Spot seed at 16.90, equivalent to 127 3/4 cents United States per bushel, and the March option, the most distant quoted, 17.10 pesos per quintal, or 129 1/4 cents per bushel. In Duluth on the same day May seed closed at 210 cents.

Maize: December shipments of maize were 6,894,000 bushels, as compared with 7,176,000 bushels in the previous month. The statistical position is now as shown hereunder:

Third official estimate 1938-39 crop	191,487,000 bushels.
Deduct for probable over-estimate	7,874,000 "
Not probable crop	183,613,000 "
Carry-over from 1937-38 crop	9,221,000 "
Total supplies	193,534,000 "
Deduct for seed and domestic needs	61,021,000 "
Surplus available for export	132,513,000 "
Shipments April 1, 1939 to December 31, 1939	108,944,000 "
Balance still available	23,569,000 "

There was no great amount of business transacted during December. A great deal of the surplus still on hand is of low quality and unfit for export to Europe, and while it is generally believed that there is a shortage of feed grains on the Continent, maize of doubtful quality at a relatively high price, with a voyage of possibly two or two and a half months, with very high freight and insurance rate to pay, does not look like particularly attractive business.

But if there was a lack of interest on the part of shippers, there was a scarcity of offers to offset it, and prices did not suffer greatly.

Spot corn closed the month and year at 6.98 pesos per 100 kilos, or 52 3/4 cents United States per bushel, and the February option 7.22 (54 1/2 cents per bushel); while in Chicago May closed the month at 58 1/2 cents.

Oats: December shipments of oats totalled 3,990,000 bushels, against 3,018,000 bushels in November, leaving the statistical position at the close of the year as follows:

1939 export surplus	24,640,000 bushels
Shipments during the year	23,534,000 "
Carry-over into 1940	1,106,000 "
First official estimate 1939-40 crop	58,358,000 "
Total supplies	59,464,000 "
Less seed and domestic need	29,827,000 "
Surplus available for export	29,637,000 "

Although the oat crop suffered some damage, there is a better than average volume remaining, and no difficulty is anticipated in disposing of it in view of the prospective demand from European countries, who may give preference to moderately priced oats over dear maize as a feed grain.

Prices improved during the month, and at the close were firm at 5.35 for Spot white of export quality, and 5.60 for March delivery. In the domestic market Superior oats were selling at 5.90 pesos per quintal.

Barley: Exports in December were 1,086,000 bushels, as compared with 705,000 bushels in the preceding month:

Shipments during 1939 totalled	11,523,000 bushels
The export surplus for the year was	11,023,000 "
Shipments from the new crop	500,000 "
First official estimate of 1939-40 crop	34,447,000 "
Seed and domestic requirements	16,075,000 "
Balance available for export	18,372,000 "
Disappearance prior to January 1, 1940	500,000 "
Balance still available	17,872,000 "

During the month European buyers, especially from the Low Countries, showed great interest in Argentine barley, and a number of advantageous sales were made, prices rising nearly a peso per quintal as a result.

The local brewing houses are on the lookout, as usual, for the parcels most suitable for their business, offering a suitable premium.

At the close of the month Malting barley for export was selling at 7 pesos per quintal, local houses paying 7.15 for choice lots. Food barley for export brought 6.85, and for the domestic market 6.95

Rye: Shipments during the month were 1,168,000 bushels, a little advance over those of the preceding month, which were 1,071,000 bushels.

There was a slight inroad on the new crop to complete the above, as exports for the year totalled 7,190,000 bushels, as against an exportable surplus of 7,086,000 bushels.

On the basis of the official estimate of the new crop, the following is the supply position:

First official estimate 1939-40 crop	14,173,000 bushels
Deduct for seed and domestic needs	2,362,000 "
Net supplies	11,811,000 "
Disappearance prior to January 1, 1940	104,000 "
Export surplus for 1940	11,707,000 "

Business during December was confined to domestic sales, much of it representing seed grain for early sowing.

The grain is of good average quality and a sufficient export demand is anticipated to absorb the surplus.

Prices rose during the month in sympathy with wheat, and at the close Spot rye was selling at 6.90 pesos per 100 kilos for export grade, as compared with 5.90 at the end of November.



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The total amount of the loan is \$1,000,000. The interest rate is 10% per annum. The loan is to be repaid in 10 equal annual installments of \$132,000 each.

The following table shows the amount of the loan outstanding at the end of each year. The interest is calculated on the outstanding balance at the beginning of each year.

Year	Outstanding Balance
0	\$1,000,000
1	\$868,000
2	\$746,000
3	\$634,000
4	\$532,000
5	\$440,000
6	\$358,000
7	\$286,000
8	\$224,000
9	\$172,000
10	\$0

The total amount of interest paid over the 10-year period is \$132,000. The total amount of principal repaid is \$1,000,000.

Below you will find the amount of the loan outstanding at the end of each year. The interest is calculated on the outstanding balance at the beginning of each year.