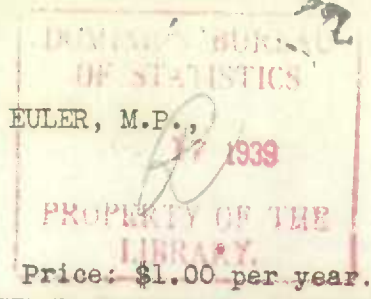


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THE GRAIN SITUATION IN ARGENTINA

Ottawa, May 16, 1939.- The correspondent of the Dominion Bureau of Statistics in Buenos Aires has forwarded the following report, under date of May 5, 1939, dealing with the grain situation in Argentina.

First Official Estimate of Maize Crop

According to the first estimate of the production of maize of the season 1938-39 made by the Ministry of Agriculture, the volume will reach only 212,588,000 bushels.

As mentioned in the report of a month ago, the second official estimate of the area planted was 13,096,300 acres. Of this, it is estimated by the Department that 8,648,500 acres will be harvested, an average of slightly more than 24 1/2 bushels per acre.

If this forecast proves to be accurate the crop will be the smallest but one of the last five-year period, only that of last season being lower, as may be seen from the following comparison:

1933-34 .....	256,915,000 bushels
1934-35 .....	451,947,000 "
1935-36 .....	395,698,000 "
1936-37 .....	359,618,000 "
1937-38 .....	174,165,000 "
Five-year average ..	327,669,000 "

The new crop is, therefore, 38,423,000 bushels or 18 per cent greater than that of last year, and smaller by 115,081,000 bushels or 35 per cent than the five-year average.

The principal cause of the poor yield was the severe drought of last summer. As a result of the lack of moisture large sections which had been planted to maize were given over to pasturing live stock; in others the crop was ploughed under and the land prepared for seeding other crops for the next season.

The abandoned areas consist very largely of the early plantings, especially in the northern part of the cereal zone.

The official report concludes by saying that the producers, encouraged by the good prices obtainable, have been speeding up the harvesting of the maize in southern Santa Fe, northern Buenos Aires, and some parts of Cordoba and Entre Rios, although generally the grain is not yet fully mature, for which reason this early corn will be used particularly for the domestic market.

Crop Conditions

During April there was only a light rainfall in the south and the extreme north of the cereal zone. Cold weather generally prevailed, rather colder than is usual at this time of the year.

With the soil in good condition for cultivation, satisfactory progress was made with the preparation of the land for seeding wheat and linseed.

In the marginal regions of the west and south, already suffering from lack of moisture, the continued drought and several frosts have made conditions worse.

The cold and dry weather has been very favourable for the conditioning of the maize crop, harvesting of which is progressing satisfactorily. It is now found that the rains of March did more damage to the corn than had been realised, and that the isoca grub wrought more havoc than was at first evident.

The monthly official report on crop conditions made its appearance yesterday. The principal contents are summarized below:

The lack of rains during April throughout the western zone devoted to cereal production, principally in the Pampa and the west of Buenos Aires province, has caused the loss of areas sown with wheat and rye; but apart from these districts the agricultural prospects have not greatly varied since the last report.

The results of the picking and shelling of maize confirm the description of "fair" previously forecast for the 1938-39 crop.

Preparation of the land for sowing winter cereals and linseed continues under generally good conditions.

In Santa Fe and Entre Rios the abundant rains permitted the working of the soil into excellent shape, and in the greater part of Cordoba and Buenos Aires conditions also were generally good. On the other hand, in the south-west of both provinces, as well as in the Pampa, the lack of moisture made the work very difficult, and it is now practically paralyzed.

Seeding of winter cereals is being carried on under similar conditions. In the south-west of Buenos Aires, in the Pampa and San Luis wheat seeding is somewhat behind the normal period, and planting of rye is even more retarded. In the remainder of the cereal region sowing is proceeding within the normal time.

With regard to the condition of the crops, the early sown wheat has germinated and is growing well, favoured by the last rains, especially in the south-east of Buenos Aires and in Cordoba. But in the Pampa the early sowings have been totally lost because of the drought and the frequent winds which have been experienced; and this applies also, but to a lesser degree, in the south-west of Buenos Aires. Generally it is expected that in this season the area seeded with wheat will be smaller than last.

Linseed has only been sown here and there in the north of Buenos Aires and east of Cordoba, taking advantage of the good weather. An increase in the acreage is generally anticipated.

During April the prospects of an only fair crop of maize continued unvaried. In northern Buenos Aires and southern Santa Fe the yields and quality are from fair to good. In Central Buenos Aires they are quite good. The frosts experienced in Cordoba paralyzed the growth of the late plantings; but in the other zones the frosts were rather favourable for the ripening of the corn, picking and shelling of which is proceeding actively. The frequent and abundant rains delayed the ripening in northern Santa Fe and Entre Rios. The yields here are poor.

#### Supplies and Market Conditions

Wheat.- April shipments were 15,702,000 bushels and 22,000 bushels of flour in terms of wheat, a total of 15,724,000 bushels, as compared with 13,438,000 bushels in the previous month, leaving the supply position as follows:

Second official estimate 1938-39 crop .....	319,665,000 bushels.
Carry-over from 1937-38 crop .....	8,296,000 "
Total supplies .....	<u>327,961,000 "</u>
Deduct for seed and domestic requirements .....	<u>99,206,000 "</u>
Surplus for export .....	228,755,000 "
Shipments ) Wheat .....	46,090,000 bushels
to April 30 ) Wheat as flour. <u>160,000 "</u>	<u>46,250,000 "</u>
Balance still available .....	<u>182,505,000 "</u>

As will be seen from the foregoing figures, during the four months of the year which have transpired, usually the busiest part of the season for Argentine wheat exports, approximately only a fifth part of the exportable surplus of the current crop has moved out. The prospect of disposing of existing stocks before the next crop is ready to be shipped does not appear particularly bright unless extraordinary factors come into the situation.

So far as the farmer is concerned, fully 90 per cent of the exportable surplus of the crop has now been disposed of, practically all to the official Board, with the exception of a quantity of grain of inferior quality or light weight, which did not conform to the Board's specifications and had to be disposed of through the medium of local dealers.

All wheat destined for sale overseas passes through the hands of the Board. During the past two weeks the task of selling has been rendered much easier by an active demand from both the United Kingdom and the Continent of Europe, ascribable in part to governmental purchasing to renew or increase national reserves of food supplies. The heavy sales of Australian wheat to the Orient have practically eliminated it as a competitor in the European market. Under these conditions some substantial sales of Argentine grain have been effected, if not at very satisfactory prices, at any rate without depressing levels below what had previously been current; and the sales will release a good deal of storage space which will shortly be needed for the accommodation of the new maize crop which, favoured by the prevailing dry, cold weather, is already beginning to move.

Most of the recent sales have been of the Rosafe type of wheat, the quality of which is this year very satisfactory, at prices of 5.25 pesos per quintal ex Rosario, and 5.35 ex Buenos Aires. Sales have also been made of Barruso wheat ex Quequen and Bahia Blanca at 5.90. These rates, of course, represent a substantial loss on the 7. pesos per quintal paid to the producers for the grain.

It is understood that another sale of wheat to Spain is being negotiated by the Argentine Government, with payments spread over a long term and to be made wholly or partly in kind, similar to the transaction which was completed a couple of months ago. Nothing definite is known as to the amount of wheat involved, but it is believed that it is likely to be as much as 11,023,000 bushels.

Reports from London indicate that a greatly increased interest is being shown in Europe for the Rosafe type of wheat, which is attributed to the exceptional quality of that grain this season. Millers are said to have been so satisfied with the first shipments that they are using a greater percentage of this wheat in their mixtures and reducing the proportion of Canadian 3 and 4 Northern, thus effecting an appreciable economy.

Credit is claimed by the London office of the Argentine Grain & Elevator Board for this increased use of the Rosafe, which is believed to be the result of sending to 400 European millers a fortnightly circular giving the industrial analyses of average samples of wheat shipped from the principal Argentine ports.

Things are not running as smoothly as usual between the Argentine and her traditional best customer for wheat, Brazil, from whom considerable purchases of fruit and other produce are annually made. There is a lack of balance in the interchange at the present time, and Brazil is threatening to buy her wheat in the open market rather than pay the prices demanded for the Argentine grain. Normally Brazil takes the pick of the Argentine wheat, and pays a small premium for the extra quality. Negotiations are in progress between the authorities of the two countries, and it is hoped that a satisfactory agreement will be reached.

Preparation of the land for the next crop of wheat is going ahead under very good conditions, and there seems little prospect of the acreage being reduced this year, notwithstanding the bad effects of the burden of unsold stocks on the national economy at the present time. But the remunerative price received for the last crop and the ease with which it was marketed by the farmer, together with the prospective increased demand as an outcome of the disturbed political conditions in Europe, would seem to militate against any immediate reduction in the Argentine acreage.

Maize.- April exports of maize totalled 9,249,000 bushels compared with 4,680,000 bushels in the preceding month. On the basis of the first official estimate of the volume of the new crop, the following is now the statistical position:

First official estimate 1938-39 crop .....	212,588,000 bushels
Carry-over from 1937-38 crop .....	9,921,000 "
Total supplies .....	222,509,000 "
Deduct for seed and domestic requirements .....	61,021,000 "
Surplus available for export .....	161,488,000 "
Shipments during April .....	9,249,000 "
Balance still available .....	152,239,000 "

The estimate of the Ministry of Agriculture of the volume of the new maize crop is more or less in line with what had been anticipated in view of the deterioration which took place during March; so the announcement had no effect upon the market. There was a slight drop in prices at the commencement of the month, caused by the appearance of some early deliveries of the new grain. Prices had been unusually high because out of the balance of the old crop on hand only a very small proportion was of

deliverable quality; hence the advent of supplies of new grain caused a decline, which in turn had the effect of causing offerings to shrink. Producers appear to have confidence in the future course of the market, and are content to wait until their corn is well conditioned before doing further shelling. The and dry weather of the last week or so has been very favourable for the conditioning process, and the moisture content of the grain is rather lower than usual this season.

The quality of the new crop does not promise to be very good. The early planted fields especially are below the average, and some of the later planted grain is not turning out so well as was anticipated.

The demand during the month was quite active, especially for Spot or early deliveries, with very few sellers. Hence prices were generally firm, and as world stocks are comparatively low and the Argentine crop is far below the average, there is an optimistic feeling as to the future course of the market.

Spot maize closed the month at 6.11 pesos per quintal, equal to 48 1/2 cents U.S. per bushel at current exchange rates (official); and the July option 6.20 (49 1/8 cents per bushel). On the same day July corn in Chicago closed at 49 5/8 cents.

Linseed.- Shipments of linseed during April were 3,822,000 bushels, which is rather a low figure when contrasted with the March total of 8,570,000 bushels. The statistical position is now as follows:

Second official estimate 1938-39 crop .....	61,021,000 bushels
Carry-over from 1937-38 crop .....	1,871,000 "
Total supplies .....	<u>62,892,000 "</u>
Deduct for seed and domestic requirements .....	<u>7,874,000 "</u>
Exportable surplus .....	55,018,000 "
Shipments to end of April .....	24,532,000 "
Balance still available .....	<u>30,486,000 "</u>

There was a fairly active market during the month, with the United States buying somewhat more freely. There was no pressure to sell, as many dealers are of the opinion that there is really less linseed available than is shown in the above statistical statement. But buying interest declined towards the end of the month, and prices fell off a little, business closing on a quiet tone, with the price of Spot seed 14.11 pesos per quintal, equivalent to 111 3/4 cents United States per bushel at the official rate of exchange; and the July option 14.48 (114 7/8 cents per bushel), which compare with the closing price in Duluth of 168 cents for May seed.

Oats.- April exports were 1,586,000 bushels as against 3,215,000 bushels in March. Of the exportable balance of 23,991,000 bushels 8,203,000 bushels have now been shipped out, leaving on hand 15,788,000 bushels. For oats of export quality, prices show little change from the previous month, white oats closing at 4.45 and yellow 4.35 pesos per quintal. For superior oats for the local market as high as 6.10 was being paid.

Barley.- Shipments were 1,637,000 bushels in April, which compares with 3,064,000 in March, bringing the total exports to date to 6,415,000 bushels out of the exportable surplus of 9,186,000 bushels, and leaving still available 2,771,000 bushels.

There was a quiet market, buyers not being particularly interested except in superior grain of malting quality, which is quoted at 8.50 pesos per quintal, with the ordinary run of malting grain 5.90 and feed barley 5.75.

Rye.- April exports were 702,000 bushels against 411,000 bushels in the preceding month. This brings the shipments to date to 1,397,000 bushels leaving still available for export 5,689,000 bushels out of the original surplus of 7,086,000 bushels.

There was a very quiet market, with not much business passing, but prices improved a shade, closing at 4.80 as compared with 4.60 a month ago.



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