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THE GRAIN SITUATION IN ARGENTINA

Ottawa, September 13, 1939:- The correspondent of the Dominion Bureau of Statistics in Buenos Aires has forwarded the following report, under date of September 5,1939, dealing with the grain situation in Argentina.

Crop Donditions

The weather during August was very unsettled, with widely fluctuating temperatures. Frosts and rains were experienced alternately. Considerable damage was done by the former to the young wheat and linseed, especially in the districts where lack of rains had dried out the soil. In parts of the province of Cordoba some fields are reported to be a total loss. Elsewhere subsequent rains have brought about a reaction. In places the frosts are regarded as having been beneficial rather than injurious, in that they checked the tendency to excessive leafage in the wheat crop, and encouraged stooling and deeper rooting.

It is generally conceded that the area planted to wheat is smaller than that of last year. Early estimates of the shrinkage vary from 5 to 15 per cent.

In the case of linseed the area is expected to show a substantial increase, thanks to the encouraging prices of last season, probably from 10 to 15 per cent; but as planting is still proceeding it is too early to make a definite forecast, and the losses through frost will have to be taken into consideration.

A larger maize acreage also is looked for if the weather during seeding proves favourable.

Except as noted above, the condition of the wheat and linseed crops is quite good.

The official report on crop conditions, which made its appearance on the second, may be summarized as follows:

With respect to the cereal and linseed crops, the frosts of the 20th and 21st of August caused fears of serious damage in the northern parts of the cereal zone and especially in central Santa Fe and almost all of Cordoba. The dryness of the soil in these regions helped to increase those fears, which at first appeared to be confirmed by the aspect of the plants, the leaves of which had a burned appearance after the frosts. Nevertheless, the rains which appeared during the following days brought a hope that within a short time the fields of linseed would be normalized and the wheat would be appreciably improved, except where total loss had resulted. The exact losses have not been estimated, but it is thought they will not be much over 10 per cent of the total area in the respective zones, this 10 per cent including those fields which were hastily ploughed under or used for pasturage in view of the uncertainty that rains would fall. These losses, it is considered, are partly offset by the evident benefit from the rains and colder weather to the wheat crop as a whole, the growth of which was abnormally advanced, with excessive leafage and deficient root development. This benefit is less evident in the case of linseed, the growth of which was normal.

In a few days it is expected that it will be possible to publish a fuller report on the effects of the frosts, with a definite idea as to the extent of the losses.

The Wheat Crop: The condition of the wheat is good throughout the centre and south of Buenos Aires and the south-east of Entre Rios; not so good towards the west of Buenos Aires and in the Pampa; and fair in the south of Cordoba and San Luis, where it has suffered for lack of moisture. In the Andean provinces and those of the north the condition is generally good. As for the wheat in Santa Fe, Cordoba and the north-west of Entre Rios, while the appearance of the plants is only fair, it is right to assign them a potentially good to very good condition with the exception of the losses referred to above.

The Linseed Crop: Ploughing and planting linseed during August in the south and west of Buenos Aires was done under satisfactory conditions; but in the Pampa and San Luis lack of moisture made the work difficult. The condition of the linseed fields generally may be considered good. The frosts affected particularly some fields in flower in the north of Entre Rios, and others recently germinated in Santa Fe and Cordoba. On the other hand, it must be noted that in the eminently linseed zone of northern Buenos Aires and southern Santa Fe, there is a good proportion of the crop in excellent shape. It is confirmed that there is an appreciable increase in the area planted with this seed in relation to that of last season.

Maize: Preparation of the land is continuing very actively and planting has already begun in many districts in Cordoba, Santa Fe and Entre Rios. Recent rains have facilitated the work on the land, and in view of their opportune arrival it is anticipated that there will be an increase in the maize area.

Oats, Barley and Rye: In general the condition of these crops is good. But in south-west Cordoba and San Luis it is bad by reason of the drought and the intense pasturage to which they have been subjected. In these zones barley is the crop which suffered most damage from frost. Feed barley will be a larger crop than last season.

Supplies and Markets

Wheat: Exports during August were a little higher than in the previous month, with 15,858,000 bushels (15,744,000 bushels wheat and 114,000 bushels flour in terms of wheat) moving out, as compared with a combined total of 12,241,000 bushels in July.

There are still heavy supplies on hand, as will be seen from the following statement:

Third official estimate 1938-39 crop		336,199,000 bushels
Carry-over from 1937-38 crop		8,296,000 bushels
Total supplies		344,495,000 bushels
Deduct for seed and domestic consumption...........		99,206,000 bushels
Surplus available for export		245,289,000 bushels
Shipments) wheat	114,042,000 bushels	
to Aug.31) " as flour	665,000 bushels	114,707,000 bushels
Balance still available.......................		130,582,000 bushels

It may be mentioned that in the opinion of some experienced grain men the balance still available for export is at least 18,000,000 bushels more than is shown above; but as no information whatever is given out by the official Board as to their purchases or sales, no accurate check-up can be made.

Estimates recently made by men in the trade credit the Board with having purchased 308,600,000 bushels of wheat, of which 114,707,000 bushels have been exported and about 36,700,000 bushels have been contracted for by shipping firms and local millers, leaving nearly 158,000,000 bushels still to dispose of.

Assuming that during the remaining four months of the current year a further 73,500,000 bushels could be disposed of, there would still remain 84,500,000 bushels to carry over into the new year, a somewhat dismal prospect for everybody.

During the last week of the month rumours were in circulation that the whole of the remaining Argentine stocks had been sold by the Grain Board to European countries. This was officially contradicted. The fact appears to be that during that week the Board sold 18,400,000 bushels to exporters, who placed the grain with buyers abroad, and no sales were made direct by the Board to foreign governments.

With regard to prices, the Argentine Board followed the example of Canada in gradually raising its quotations, and a good quantity was sold at 4.60 pesos per quintal, with further sales at 4.80 and even 5. pesos. Eventually the Board's price reached 6. pesos, but this apparently discouraged business, and little was disposed of at that figure. These prices still represent a substantial loss to the Board, whose stocks were acquired on the basis of the minimum of 7. pesos.

Apart from the question of prices, the freight situation makes the business of exporting grain extremely difficult. There is very little available boat space, and no certainty of being able to obtain tonnage, even at the premium of 50 per cent over the minimum rates. The exchange situation also increases shippers' difficulties. Only a limited amount of sterling is obtainable, and the future of the peso is regarded as very uncertain.

There is naturally very little wheat now coming forward from the country. The official minimum price for what is offered remains at 7. pesos per 100 kilos, equivalent to 55¾ Canadian cents per bushel at the lower official rate of exchange now prevailing. Purchases are being made by local millers at 6.50, which proves attractive to farmers needing spot cash.

In Winnipeg October wheat closed the month at 59 cents.

Maize:- August shipments of maize totalled 12,098,000 bushels, as against the July total of 16,429,000 bushels. The supply position now remains as set out below:

Second official estimate 1938-39 crop	202,746,000	bushels
Carry-over from 1937-38 crop	9,921,000	bushels
Total supplies	212,667,000	bushels
Deduct for seed and domestic needs	61,021,000	bushels
Surplus available for export	151,646,000	bushels
Shipments from April 1 to August 31, 1939	76,227,000	bushels
Balance still available	75,419,000	bushels

During the first three weeks of the month there was very little activity in the maize market. Important sections of the maize growing area were very dry, and producers were very hesitant about making offers of the old crop, with the possibility of another poor crop to face. On the other hand the demand was indifferent.

However, the picture has completely changed. The political crisis in Europe created an active demand, bringing prices up sharply. Rains in the dry districts encouraged farmers to loosen up, and a brisk market resulted, with prices very firm.

As shown above, the remaining stocks are very moderate, with a long time ahead before the next crop begins to move, while European countries are said to be in need of the grain. However, as in the case of wheat, the freight situation is an important factor handicapping the free movement of maize overseas.

Prices at the close of business for the month were approximately 5 per cent above those at the end of July, Spot being worth 6.08 pesos per quintal, equivalent to 44⅝ cents U.S. per bushel at current official rates of exchange (somewhat depreciated); and the November option 6.28, or say 46⅛ cents U.S. per bushel. In Chicago on the same day September corn closed at 43¼ cents and December 44 cents per bushel.

Linseed:- Exports of linseed during August were 3,799,000 bushels which compares with the July figure of 4,343,000 bushels, leaving the supply position as indicated below:

Third official estimate 1938-39 crop	55,509,000	bushels
Carry-over from 1937-38 crop	1,871,000	bushels
Total supplies	57,380,000	bushels
Deduct for seed and domestic requirements	7,874,000	bushels
Exportable surplus	49,506,000	bushels
Shipments to August 31	39,610,000	bushels
Balance still available	9,896,000	bushels

The market was slow in the earlier part of the month. News of the unusually heavy crop in the United States was a depressing factor, although reports that the tariffs on linseed going to the States from the Argentine might be reduced in the new trade agreement now being discussed tended to mitigate this.

Frost damage to the Argentine crop was a bullish factor, offset in part by the existence of stocks of Argentine linseed in warehouses in Continental ports awaiting sale.

Prices closed firm on a slightly higher level than a month ago, with Spot seed 14.55 pesos per quintal, equal to 107½ cents U.S. per bushel; and October seed 14.67 pesos per quintal, or 108 cents per bushel.

At the present rate of shipment the stocks will last until the new crop begins to move.

Oats:- Exports during August were 2,260,000 bushels; during the previous month, 1,788,000 bushels. The supply position is now as shown hereunder:

Third official estimate 1938-39 crop	47,335,000 bushels
Seed and domestic requirements	22,695,000 bushels
Surplus for export	24,640,000 bushels
Shipments to August 31	14,262,000 bushels
Balance still on hand	10,378,000 bushels

The market for export showed a certain weakness during the month; but for the local trade there was a fair demand, with a firm tendency.

Shipping houses are handicapped by existing conditions in respect to freights and exchange, and are not enthusiastic about seeking new business for the moment.

At the close of business for the month prices were a shade higher than at the end of July. Superior white oats were quoted at 5.50 to 5.80 per quintal. White oats of export quality were selling at 4.20, and yellow at 4.10 pesos per quintal.

Barley:- August shipments were 459,000 bushels which compares with 559,000 bushels in the preceding month.

The supply position is now as shown below:

Third official estimate 1938-39 crop	20,209,000 bushels
Carry-over from 1937-38 crop	1,837,000 bushels
Total supplies	22,046,000 bushels
Less seed and domestic requirements	11,023,000 bushels
Exportable surplus	11,023,000 bushels
Shipments to August 31	9,239,000 bushels
Balance still available	1,784,000 bushels

While some business was done for export, there was really little activity in the market, and the tone generally was weak. But towards the end of the month, in sympathy with other markets, prices made an appreciable rise, good malting barley selling in the local market for 5.80 pesos per quintal, with best feed grain 5.25.

Rye:- Rye exports in August reached 451,000 bushels as against 714,000 bushels in July. There are still ample supplies on hand, as is shown in the following statement:

Third official estimate 1938-39 crop	10,826,000 bushels
Less seed and domestic requirements	3,740,000 bushels
Exportable surplus	7,086,000 bushels
Shipments to August 31	3,928,000 bushels
Balance still available	3,158,000 bushels

Generally the market was quiet, with little export demand; but locally a firm tone prevailed, and prices were maintained at about the same level as in the previous month, export quality rye selling at 4.55 per quintal, with superior grain a few centavos higher.
