

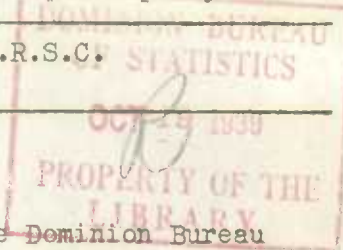
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THE GRAIN SITUATION IN ARGENTINA

Ottawa, October 18, 1939:- The correspondent of the Dominion Bureau of Statistics in Buenos Aires has forwarded the following report, under date of October 4, 1939, dealing with the grain situation in Argentina.

Seeded Areas, First Official Estimate

The first calculation made by the staff of the Ministry of Agriculture of the probable areas seeded to the principal field crops (excluding maize) for the 1939-40 season, was issued to the public in the middle of the month.

The estimate shows a total area of 33,729,000 acres, which is smaller than that of last season by 642,000 acres.

In the statement appearing below will be found the areas devoted to the five crops dealt with, and the percentage of increase or decrease as compared with the 1938-39 season:

| | Acres | Comparison with 1938-39 |
|---------------|------------|-------------------------|
| | | % |
| Wheat | 18,533,000 | Decrease 11.2 |
| Linseed | 7,413,000 | Increase 12.2 |
| Oats | 3,459,000 | Increase 2.9 |
| Barley | 2,174,000 | Increase 5.9 |
| Rye | 2,150,000 | Decrease 4.6 |
| Totals | 33,729,000 | Decrease 1.9 |

According to the official memorandum accompanying the statistics, the decrease in the area planted with wheat is due principally to the low quotations for that grain throughout the seeding season, and an added factor was the lack of rains especially in the western regions which have been affected by soil erosion in recent years.

Favourable weather conditions while linseed and barley were being planted, with the attractive prices then being quoted for these crops, influenced the increases in areas.

For purposes of comparison, the acreages planted in recent seasons are reproduced below:

| | Wheat | Linseed | Oats | Barley | Rye |
|---------------------|------------|-----------|-----------|-----------|-----------|
| | (acres) | | | | |
| 1939-40 | 18,533,000 | 7,413,000 | 3,459,000 | 2,174,000 | 2,150,000 |
| 1938-39 | 20,015,000 | 6,869,000 | 3,361,000 | 2,026,000 | 2,100,000 |
| 1937-38 | 19,219,000 | 7,023,000 | 3,254,000 | 1,942,000 | 2,184,000 |
| Five-year Average . | 17,951,000 | 7,201,000 | 3,251,000 | 1,969,000 | 2,074,000 |
| Ten-year Average .. | 18,826,000 | 7,350,000 | 3,461,000 | 1,750,000 | 1,775,000 |

Of the 2,174,000 acres devoted to barley it is noteworthy that 1,334,000 acres have been planted with malting varieties. This figure is said to be 8,000 acres lower than that of last season.

Crop Conditions

Frequent rains and moderate temperatures during September brought the various field crops into excellent condition, and even in the semi-arid sections of the country reports on the wheat crop are quite optimistic.

A special official report issued in mid-month, dealing with the effects of the frost of late August, made it evident that the total losses were relatively small, and that the damaged areas had made a good recovery, thanks to the subsequent favourable weather conditions.

Another period of frost danger will shortly be due, when the wheat kernels enter the milk stage; but at the moment plants generally are strong and healthy, moisture supplies are ample, and temperatures are seasonable for early spring.

The official report on crop conditions during the month of September, published by the Ministry of Agriculture, made its appearance this morning. The contents are summarized below:

The cereal and linseed crops experienced an appreciable improvement during September, on account of the very favourable weather conditions, and at the present moment the state of the wheat and linseed crops as a whole may be considered as somewhat superior to good.

The Wheat Crop: In the province of Buenos Aires and the territory of La Pampa the crop has not been affected by adverse factors from the time it was sown to the present moment, and its condition is somewhat better than good. In Santa Fe, the eastern part of Cordoba and the west of Entre Rios, the frosts of late August caused losses varying from two to eight per cent of the total area seeded in this region. In these abandoned areas are included some which were ploughed under. Other areas into which live stock were turned to pasture immediately after the frost, have had the animals withdrawn again and have recovered in excellent form. In the western part of Cordoba the abandoned areas are greater because of the drought which prevailed at the beginning of the growing period, followed by the August frosts. Green fly has caused some losses in eastern Entre Rios and northern Cordoba. All the damage to which reference has here been made occurred prior to September; and during the last month the crops have developed under very good conditions.

The Linseed Crop: With the exception of the south-west of Santa Fe and south-east of Cordoba, where the frosts thinned out the fields and caused the loss of a certain proportion, it may be said that the current year is one of the best as regards linseed prospects, not only because of the present condition of the crop but also in respect of the area planted, which is appreciably greater than that of last year. In the districts affected by the frosts referred to there is an exceptional growth of weeds, which may lead to the abandonment of some fields.

Maize: Ploughing and planting are proceeding with the greatest activity, and during September the work was performed under perfect conditions. The proportion of land ploughed and planted is already equal to the total area allotted to maize in other years, so that the prospect of an increased maize area appears confirmed. The condition of the fields recently germinated is very good in general.

Barley: The condition of the fields of malting barley is excellent in the south-west of the province of Buenos Aires, in the Pampa and in Mendoza, districts where the cultivation of this crop is widespread.

Supplies and Markets

Freights: The outbreak of a major war in Europe has of course completely changed the Argentine picture by creating an abnormal demand at a time when unusually heavy supplies of grain are on hand. But while the potential outlet has been greatly enlarged, the means of transportation have become unusually restricted. Foreign buying of most raw materials produced in the Republic has been very active; but the ocean freight market has almost disappeared.

British ships are normally the biggest factor in transportation to and from the River Plate. Now all British ships have been taken over by the Imperial Government. German boats, which in recent years have attained an important position in the trade, quickly disappeared on the outbreak of war. Many of these appear to have taken refuge in Brazilian ports and have laid up there. The limited

freight business which is being done is therefore confined to neutral ships carrying cargoes to neutral countries. For these there is a brisk demand, with few ships available.

Rates naturally have soared to unusual heights. The Imperial Government has fixed the comparatively moderate rate of 32s.6d. per ton for freight from the River Plate to United Kingdom ports. But this is no indication of what has to be paid for ships of other flags. Recent bookings of Italian boats to Genoa are said to have been at the equivalent of 57s.6d. Some neutral space for Belgium is said to have been booked at about the same figure, although as high as 65s.0d. has previously been paid for Antwerp. For small parcels for ports of Northern Europe as much as 72s.6d. is the current rate.

Exchanges: Another very disturbing factor in Argentine business conditions at the present moment is international exchange. Traditionally the Argentine peso is linked to the pound sterling; but when late in August England removed the sterling from the dollar it was anticipated that the Argentine Central Bank would shift the peso peg from the pound to the dollar. Instead of this, after some delay the official buying rate was tied to the dollar, while the official selling rates remained tied to the pound at the rate of 15 pesos for the importation of essential goods and 17 pesos for other authorized importations.

A great deal of confusion has resulted from the apparent lack of a definite policy, and shipping firms have been handicapped accordingly. At one time the Central Bank would not buy sterling at any price, and it was necessary to resort to other markets to convert pounds to dollars and make settlement here in the latter currency.

The United Kingdom being much the largest buyer of Argentine grain, the selling of wheat was seriously obstructed by the exchange situation. But a new arrangement has now been made which is hoped will facilitate the business. Exporters are now to be permitted to deposit in London the sterling value of their purchases from the Argentine Grain Board of wheat destined for the United Kingdom.

At the close of the month the official buying rate for exporters' bills was 13.37 pesos to the pound sterling; and the free market rate 16.90.

For United States currency the official buying rate was 335.04 pesos per 100 dollars; and the open market rate 422.50.

If war conditions continue and the Republic is able to keep on selling its grain and meat, experts are of the opinion that there will be a steady improvement of the Argentine peso in relation to other currencies.

Wheat: Wheat moved out freely in September, 13,810,000 bushels of the grain and 145,000 bushels of flour in terms of wheat, being shipped, a combined total of 13,955,000 bushels. This however is below the August total of 15,858,000 bushels. The statistical position is now as shown below:

| | | |
|--|--------------------|---------|
| Third official estimate 1938-39 crop | 336,199,000 | bushels |
| Carry-over from 1937-38 crop | 8,296,000 | " |
| Total supplies | <u>344,495,000</u> | " |
| Deduct for seed and domestic consumption | <u>99,206,000</u> | " |
| Surplus available for export | 245,289,000 | " |
| Shipment to) Wheat | 127,852,000 | bushels |
| September 30) Wheat as flour . | <u>810,000</u> | " |
| Balance still available | <u>116,627,000</u> | " |

As has been mentioned previously in these reports, some members of the grain trade are of the opinion that the surplus still on hand is much higher than is shown above, there being probably another half million ton available for export. But the real figures are known only to the official Board, and it is against their policy to divulge them.

Immediately following the outbreak of war there was considerable activity in the wheat market, and prices rose for the first time above the official minimum of 7 pesos per quintal. Much of the business done was purely speculative. To combat this the National Government took the step of abolishing the official minimum price and announced that no more wheat would be bought on that basis. Coming without warning, this measure created considerable consternation amongst the speculators, with whom the guaranteed minimum has provided a useful basis for their

operations. Prices immediately dropped, and they have remained consistently below the former official minimum.

Considerable wheat was sold by the official Board for export during the first half of the month, the Imperial Government being the chief buyer, with Belgium, Holland and Switzerland also purchasing freely. The buyers in neutral countries were principally interested in acquiring grain afloat and near at hand, for which they were willing to pay quite high prices.

Sales made by the Grain Board were on the basis of 6 pesos per 100 kilos for Rosafé wheat, with Barilo 2 per cent higher, and Barusso 10 per cent above Rosafé, and it is understood that these prices are still maintained, although sales recently have dropped off. One of the principal difficulties in the way of additional business with the United Kingdom has been the exchange situation, as referred to elsewhere in this report.

At the close of the month Spot wheat was being bought by local millers at 6.65 pesos per quintal (equivalent to 54 cents United States per bushel at current official exchange rates); and the November option 6.80, or say 55 1/4 cents per bushel; while on the same day December wheat closed in Winnipeg at 73 cents.

As mentioned on the first page, the first forecast of the area seeded for the new crop is 11 per cent below this year's acreage. Early private estimates of the next crop, based on current conditions, are around 238,830,000 bushels.

Maize: September shipments of maize totalled 10,966,000 bushels, which compares with the August figure of 12,098,000 bushels, and leaves the supply position as set out below:

| | |
|--|---------------------|
| Second official estimate 1938-39 crop | 202,746,000 bushels |
| Carry-over from 1937-38 crop | 9,921,000 " |
| Total | 212,667,000 " |
| Deduct for seed and domestic needs | 61,021,000 " |
| Surplus available for export | 151,646,000 " |
| Shipments from April 1, 1939 to September 30, 1939 ... | 87,193,000 " |
| Balance still available | 64,453,000 " |

During the first few days of the month trading in maize was very heavy, and prices rose by 25 per cent. This appears to have been largely due to shorts in Buenos Aires and Rosario rushing hurriedly to cover their commitments when war was declared. Prices were carried beyond the ability of importers to follow, with freight rates soaring and space difficult to obtain. A decline therefore followed; but later prices were again carried upward on reports of purchases by the United Kingdom and France. Free offerings of old crop maize from the United States had a curbing influence on Argentine prices, but the demand continues good.

Spot maize closed the month at 7.15 pesos per quintal, equal to 54 cents United States per bushel at current official rates of exchange, and for December delivery 7.38, or 55 3/4 cents per bushel. In Chicago on the same day December corn closed at 51 cents.

Linseed.- The September exports of 3,847,000 bushels show little change from the previous month's total of 3,799,000 bushels. Stocks now are very moderate, as will be seen from the following statement:

| | |
|--|--------------------|
| Third official estimate 1938-39 crop | 55,509,000 bushels |
| Carry-over from 1937-38 crop | 1,871,000 " |
| Total supplies | 57,380,000 " |
| Seed and domestic requirements | 7,874,000 " |
| Exportable surplus | 49,506,000 " |
| Shipments to September 30 | 43,457,000 " |
| Balance still available | 6,049,000 " |

The declaration of war brought great activity to the market for linseed. Prices immediately began to soar, and after heavy fluctuations by the third week of the month the high figure of 20.90 pesos per quintal was reached, an increase of nearly 44 per cent. This is the highest price recorded for linseed in Buenos Aires in ten years.

European crushers bought freely, but this business was of course not sufficient to account for the enormous activity that developed. Speculators, local and foreign, were responsible for this, and they are still busy.

The new crop is progressing well on an increased acreage, but it has a long way to go to maturity. At the close of the month Spot linseed was worth 18.41 pesos per quintal, or say 139 1/8 cents per bushel; November delivery 18.40, equal to 139 cents per bushel, while on the same day December seed in Duluth closed at 183 cents.

Oats.- Shipments of oats during September were 1,402,000 bushels, as compared with 2,260,000 bushels in the preceding month, leaving the supply position as shown below:

| | |
|--|--------------------|
| Third official estimate 1938-39 crop | 47,335,000 bushels |
| Seed and domestic requirements | 22,695,000 " |
| Surplus for export | 24,640,000 " |
| Shipments to September 30 | 15,665,000 " |
| Balance still on hand | 8,975,000 " |

A good demand developed for this grain, due in part to the shutting off of Polish supplies and lack of offers from the Baltic countries. France was the principal buyer, with the neutral countries also making purchases. A good business was done, but towards the close of the month the demand petered out, probably due to exchange and shipping difficulties; so that prices sagged again, finishing at 5.70 for White oats of export quality, as against 4.20 at the end of the preceding month.

Barley.- September shipments were 311,000 bushels, which compares with 459,000 during August, and leaves the statistical position as shown below:

| | |
|--|--------------------|
| Third official estimate 1938-39 crop | 20,209,000 bushels |
| Carry-over from 1937-38 crop | 1,837,000 " |
| Total supplies | 22,046,000 " |
| Less seed and domestic requirements | 11,023,000 " |
| Exportable surplus | 11,023,000 " |
| Shipments to September 30 | 9,550,000 " |
| Still available | 1,473,000 " |

Barley shared in the general activity during the month, and a number of parcels were sold to neutral countries, including Belgium and Holland, the latter country buying between 184,000 and 230,000 bushels. As in the case of oats, the volume of business affected was limited by the difficulty in securing freights.

Prices improved nicely, Malting barley of export quality closing the month at 7.20, with Feed barley 7.05; as compared with 5.80 and 5.25 respectively at the end of August.

Rye.- Rye was shipped out a little more freely during September, 687,000 bushels being exported as compared with 451,000 bushels in August. The supply position is now as shown hereunder:

| | |
|--|--------------------|
| Third official estimate 1938-39 crop | 10,826,000 bushels |
| Less seed and domestic requirements | 3,740,000 " |
| Exportable surplus | 7,086,000 " |
| Shipments to September 30 | 4,616,000 " |
| Balance still on hand | 2,470,000 " |

Less activity was noticeable in this market than in the others during the month. Nevertheless a welcome improvement in price levels took place, and rye for export was selling at 5.80 pesos per quintal as compared with 4.55 at the end of August.



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