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THE GRAIN SITUATION IN ARGENTINA

Ottawa, December 14, 1940.- The correspondent of the Dominion Bureau of Statistics in Buenos Aires has forwarded the following report, under date of December 4, 1940, dealing with the grain situation in Argentina.

Seeded Areas - Third Official Estimate

Based on the reports supplied by the inspectors of the Department of Rural Economy and Statistics, the Ministry of Agriculture has issued its third estimate of the areas seeded to wheat, linseed, oats, barley and rye for the 1940-41 season, this being presumably the final calculation.

Each of the items shows an increase, but the variations from the earlier figures are only slight, as will be seen from the comparative statement of the first and third estimates set out below.

	Third estimate			First estimate		
	hectareas		acres	hectareas		acres
Wheat	7,110,000	or	17,568,800	6,900,000	or	17,049,900
Linseed	2,735,500		6,759,400	2,700,000		6,671,700
Oats	1,578,000		3,899,200	1,500,000		3,706,500
Barley	865,800		2,139,400	832,000		2,055,900
Rye	1,113,100		2,750,500	1,100,000		2,718,100
Totals	13,454,100		33,117,300	13,082,300		32,202,100

In comparison with the acreages of last season, the above figures show a decrease in the case of wheat of 1.5 per cent, and of linseed 11.1 per cent; but the other crops show increases respectively of oats 13.1 per cent; barley 0.8 per cent; rye 19.8 per cent.

Of the area planted with barley there are 1,349,000 acres of malting varieties.

To facilitate comparisons with other recent seasons, the various crop acreage totals are reproduced below.

	Wheat	Linseed	Oats	Barley	Rye
	acres	acres	acres	acres	acres
1940-41	17,568,800	6,759,400	3,899,200	2,139,400	2,750,500
1939-40	17,832,700	7,599,600	3,446,200	2,121,500	2,295,700
1938-39	20,867,600	6,607,500	3,360,600	2,053,400	2,253,600
5-year average	18,576,300	7,300,400	3,546,800	1,900,700	2,479,700
10-year average	18,972,300	7,501,000	3,588,800	1,771,500	2,062,400

Official Minimum Prices for Wheat and Linseed

As a result of constant pressure by rural organizations, with considerable backing from the public press, the Government on November 20 by Decree established minimum prices for wheat and linseed as from December 1, of 6.75 pesos per 100 kilos for wheat (say 54¾ cents per bushel); and 9.25 pesos per 100 kilos for linseed or say 70 cents per bushel. No private transactions will be permitted at lower prices.

The scheme will be partly financed by the official Board in charge of selling wheat to the local millers at 9. pesos per quintal. If the millers purchase wheat elsewhere than through the Board they must pay to it 2.25 for each 100 kilos so bought.

The official Board is now purchasing all wheat or linseed offered at the basic prices established.

In a statement on the subject the Ministry of Agriculture pointed out what is involved in the measure, saying in part:

The purchase of these products will absorb approximately 500,000,000 pesos, the greater part of which the Government has no assurance whatever of being able to recover, in view of the very poor prospects of selling the grain and linseed abroad, owing to the war. On this point it is only necessary to say that in normal times our exports of grains to Continental Europe represent more than 50 per cent of our total grain exports, and this business is now totally paralysed by the blockade.

It is not too much to say that of the total which may be invested in the purchase of wheat and linseed of the new crop, at the end of next year there will remain about 160,000,000 pesos without much prospect of recovery. To this there may have to be added the possible loss on the purchases of maize of the last crop, calculated at approximately 90,000,000 pesos, besides a balance which is still owing to the National Bank of more than 130,000,000 pesos, loss sustained by the Government on the purchase of wheat of the last crop. So that the Government will have to face obligations totalling about 400,000,000, with small prospects of recovery.

In addition, it is necessary to bear in mind that in April of next year a new crop of maize will be harvested, which if the war continues as at present there will be no better prospects of marketing than there are for the current crop. Hence the farmers will have to bear in mind the obligations already undertaken by the Government and the possible losses, and realize that it would be very difficult for it to offer the same assistance with the new crop as is being accorded with the old one.

Crop Conditions

Weather conditions during the month of November were quite favourable for the grain and seed crops, the state of which is, generally speaking, rather better than normal, although some light damage has been sustained from various causes in some of the districts.

The Official Report, which made its appearance this morning, contains the following information about the several crops:

The Wheat Crop: Considered as a whole, the state of the wheat crop is somewhat superior to normal. The first yields in the northern part of the cereal zone, while not being extraordinary as had been foreseen by some authorities, are nevertheless fully satisfactory. Some fields in the northern part of Cordoba, although affected by rust, yielded more than 1000 kilograms per hectarea (14⅞ bushels per acre.)

Light damage to some of the wheat fields has been caused by root-rot in Central Santa Fe, parts of Cordoba and south-western Buenos Aires. There is a wide diffusion of rust almost throughout the cereal zone, especially with certain varieties of wheat. Hail caused local damage in various provinces, especially in Entre Rios and Cordoba.

The Linseed Crop: The linseed fields have maintained the good prospects mentioned in the last report, excepting a slight deterioration noticeable in the north of Santa Fe and the south of Entre Rios, due to the growth of weeds in the crop. In northern Entre Rios, Santa Fe and Cordoba cutting is well advanced, and a start has also been made in the southern parts of these provinces.

The Maize Crop: The state of the maize fields is very good throughout the Republic. Opportune rains in the month of November have helped them. In southern Buenos Aires planting is still going on, and in the northern maize region the soil is being prepared for late plantings. Although generally there seems a possibility of a reduction of the area planted with maize, in some zones, as in the Pampa, last year's area is being maintained because of the convenience of being able to use the maize fields for pasturing livestock during the winter.

The Old Maize Crop: The proportion of weevil-damaged maize in the cribs in Santa Fe and Cordobe is increasing, but to a less extent than might have been anticipated at this season of the year. Nevertheless in Northern Santa Fe some badly infected cribs have had to be abandoned or used locally because of the impossibility of shelling the corn.

The Barley Crop: The condition of the fields of malting barley is very good in general. Cutting has been started in the Pampa, where the greater part of the crop will be stacked to wait for an improvement in prices. In Southern Buenos Aires white grubs have caused the loss of some fields, without changing the satisfactory condition described above.

Other Crops: Oats, Rye and Feed Barley, to an important extent will not be harvested for threshing, because of the low quotations for these grains. The fields which it is intended to thresh have a better than normal appearance.

Supplies and Markets

Wheat: Shipments of wheat in November reached a total almost identical with that of the preceding month, 6,771,000 bushels, as compared with 6,790,000 bushels. The November shipments consisted of 6,589,000 bushels of grain and 182,000 bushels of flour in terms of wheat.

The last month of the year commences with the supply position as indicated below:

Third official estimate 1939-40 crop		119,452,000 bu.
Carry-over from 1938-39 (Revised)		119,638,000 "
Total supplies		239,090,000 "
Deduct for seed and domestic requirements		101,044,000 "
Balance for export (Revised)		138,046,000 "
Shipments to) Wheat	127,815,000 bu.	
November 30) Wheat as flour	3,149,000 "	130,964,000 "
Balance still available		7,082,000 "

The adjustment in the above figures is necessary in order to bring them into line with the official statistics, the balances shown in which have borne little relationship to the official crop estimates. The balance still available for export in the foregoing statement is practically identical with that shown as at November 30 in the official published figures.

There was very limited activity in the wheat market during the month. Buying was practically confined to Brazil and the local millers, and the transactions were mostly for new crop grain. It is understood that most of the balance of old crop grain has been sold although not yet shipped. Of the new crop the United Kingdom is reported to have purchased 100,000 tons (3,674,000 bushels). While extensive orders from this source are not looked for at present, it is anticipated that a certain quantity of Argentine wheat will be required for mixing with the strong Canadian wheat if and when boat space is available.

While the official Board is open to purchase all wheat offered by growers at the minimum price recently established, which is above the world price by about 10 per cent, a number of transactions are said to be taking place between the millers or the exporters and the growers at a price somewhat below the official minimum, the inducement being that a prompt cash settlement is effected in full, whereas a sale to the Government usually means a delay which may be inconvenient.

Much of the buying by millers will probably still be direct from the grower, although there may be no financial advantage as compared with purchasing from the Board. The millers are accustomed to buy on sample parcels of wheat suitable for their "mix", and are likely to continue to do this for part of their requirements rather than rely solely on Argentine official grading in filling their needs. They are making an official protest to the authorities against the imposition of the tax of 2.25 per 100 kilos which they must pay on purchases not made through the Board.

With little of the new crop yet threshed, the probable volume is a subject of constant discussion. The general conclusion appears to be that with a continuation of present weather conditions, there will be about 4 million tons (146,972,000 bushels) of wheat to dispose of after local consumption and the demand from neighbouring countries have been provided for. Present prospects for marketing it are not very bright.

As a step towards guarding against future over-production, power has been conferred on the official Board to require producers selling their grain to it to undertake not to increase their acreage under wheat next season, and if later required to do so to reduce their wheat acreage to an extent not greater than 10 per cent. This year's wheat area is unusually low.

At the close of the month there were no official quotations for wheat, registration of transactions at lower than the Government's minimum price of 6.75 pesos per quintal (54¾ cents US per bushel) being prohibited. The prevailing price prior to the appearance of the minimum was 6.30 (51 1/8 cents per bushel). New crop wheat for February delivery closed the month at 6.79, or say 55 1/8 cents per bushel. On the same day in Winnipeg December wheat closed at 72½ cents.

Linseed: November exports were 1,189,000 bushels, which compares with 1,804,000 bushels in the preceding month.

Third official estimate 1939-40 crop	39,935,000 bu.
Probable under-estimate (Revised)	2,756,000 "
Total supplies	42,691,000 "
Exported prior to January 1, 1940	197,000 "
Stocks as at January 1	42,494,000 "
Seed and domestic requirements	7,874,000 "
Surplus for export	34,620,000 "
Shipments to November 30	30,987,000 "
Balance still available	3,633,000 "

The market continues dull. Some sales were made during the month, principally to the United States. The United Kingdom apparently still prefers to fill her current requirements in India, although Calcutta prices are higher than they are here. But for the new crop seed it is thought that there may be some British orders come to Buenos Aires.

With the new crop coming along in good shape, if on only a moderate acreage, the present outlook for disposing of the probable surplus is not very bright, especially as the United States appears unlikely to be a heavy buyer next year, in view of her own ample production. Hence there is a certain amount of pessimism evident in the market.

The official minimum price of 9.25 pesos per 100 kilos is that prevailing in the market at the time it was fixed. As compared with the wheat price it is a little low, and growers say it does not cover production costs. But the low price may encourage foreign buyers and avoid piling up stocks.

At the close of the month seed for February delivery was quoted 9.43 pesos per 100 kilos, or say 71½ cents US per bushel, while in Duluth at the same time December linseed was selling at 156 cents.

Maize: November shipments were only 267,000 bushels, as against 2,926,000 bushels shipped during October.

The statistical position is now as shown below:

Third official estimate 1939-40 crop	408,445,000 bu.
Seed and domestic consumption	98,421,000 "
Surplus for export	310,024,000 "
Shipments April 1 to November 30, 1940	45,975,000 "
Balance still available	264,049,000 "

There was a lifeless market during November. Few buyers were in evidence, but these had no difficulty in acquiring unlimited quantities of shelled maize at 2.90 pesos per quintal from growers who preferred to dispose of their rapidly deteriorating grain at this low rate rather than suffer loss of weight and condition while waiting their turn to deliver to the official Board.

Purchases by the Board terminated at the end of November, at which date about 5¼ million tons had been acquired, but of course only a portion had been delivered. The only transaction of any importance during the month was a sale on a barter basis of 13,779,000 bushels of maize to Spain, at a price of 4.08½ pesos per quintal. Payment is to be taken in steel for the Argentine State Railways, and shipment is to be at the rate of 1,968,000 bushels per month. When delivery can commence is uncertain, not much boat space being in sight at the moment.

The Grain Board is now offering corn for sale for local consumption on the basis of 3. pesos per 100 kilos for shelled grain on waggons in Rosario. For use as fuel, unshelled maize is offered at 20. pesos per ton at the local station of origin; or shelled and delivered at the railway station of destination 25. pesos per ton.

On the Grain Exchange at the close of the month Spot maize was quoted at 2.94 pesos per quintal, equal to 22¼ cents US per bushel, and for January delivery 3.08 (23½ cents per bushel), as against the official minimum price of 4.75 (35 7/8 cents per bushel). In Chicago on the same day December corn closed at 62 5/8 cents.

Oats: During November 355,000 bushels of oats moved out, as compared with 49,000 bushels in the preceding month, leaving the supply position as indicated hereunder:

Third official estimate 1939-40 crop	56,581,000 bu.
Carry-over from 1938-39 crop	1,106,000 "
Total supplies	57,687,000 "
Seed and domestic requirements	29,827,000 "
Exportable surplus	27,860,000 "
Shipments to November 30	15,044,000 "
Balance still available	12,816,000 "

Apart from the local demand, which was fairly active, the only transaction was a sale of some parcels for shipment to Switzerland by way of Spain. There was very little grain offering, producers being far from satisfied with the price situation, which they say will cause much of the new crop to remain uncut. It is understood that an official minimum price will be set in the near future. Meanwhile, a very slight improvement in prices resulted from the restricted offerings, and at the close of the month White oats of export quality were quoted 3.95 pesos per 100 kilos; while Superior grain for the local market was selling at 5.55.

Barley: Barley exports totalled 684,000 bushels in November, which compares with 786,000 bushels in the preceding month. Of the original exportable surplus of 22,516,000 bushels, 20,948,000 bushels have now been shipped, leaving still available the modest balance of 1,568,000 bushels. With low prices and small stocks farmers are naturally not eager sellers. Only the best of the new crop is likely to be cut for sale to the local brewers. An idea is prevalent that an official minimum price may be fixed, with a levy on the brewers for the barley they use, as in the case of the flour millers with their wheat. But nothing definite is yet known. Malting barley closed the month at 2.90, and Feed barley 2.75 with no business passing.

Rye: Exports during November were 120,000 bushels which brings the total shipments to 6,601,000 bushels out of the original exportable surplus of 9,738,000 bushels, leaving 3,137,000 bushels still available.

The market is stagnant, and as with all the other coarse grains prices quoted are unprofitably low, killing business. For export rye only 3.05 pesos per quintal is offered.