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THE GRAIN SITUATION IN ARGENTINA

Ottawa, June 19, 1940.- The correspondent of the Dominion Bureau of Statistics in Buenos Aires has forwarded the following report, under date of June 4, 1940, dealing with the grain situation in Argentina.

Third Official Forecast of Crops

With its calculations based upon returns received from the threshers on 104,000 farms, the Ministry of Agriculture on May 22 published its third forecast of the volume of the five principal field crops, excluding maize. The figures are reproduced below, with those of the second forecast for comparison.

	Third Estimate	Second Estimate	Percentage Change
	bushels	bushels	p.c.
Wheat	119,452,000	118,019,000	+ 1.2
Linseed	39,935,000	44,368,000	- 10.0
Oats	56,581,000	59,914,000	- 5.6
Barley	39,091,000	36,744,000	+ 6.4
Rye	13,582,000	15,196,000	- 10.6
Totals	268,641,000	274,241,000	- 2.0

It is to be noted that of the barley crop of 39,091,000 bushels, 27,558,000 bushels are classified as Malting grain and the balance of 11,533,000 bushels Feed grain.

The official memorandum points out that the differences in the estimates are principally due to a readjustment made in the average yeilds of the several grains and seeds, and a special investigation which was made of the stocks of each in order to secure greater exactitude.

To facilitate comparisons, the new crop figures are reproduced hereunder together with the final totals of last season and the five and ten-year averages.

	Wheat	Linseed	Oats	Barley	Rye
			(bushels)		
1939-40 third estimate.	119,452,000	39,935,000	56,581,000	39,091,000	13,582,000
1938-39 final	336,199,000	55,509,000	47,335,000	20,209,000	10,826,000
5-year average 1935-39.	230,607,000	66,629,000	47,256,000	24,054,000	8,900,000
10-year average 1930-39	229,459,000	67,516,000	54,615,000	23,606,000	8,262,000

Crop Conditions

Generally speaking, during the month of May the weather was unseasonably warm, with frequent and abundant rains. The conditioning of the heavy crop of maize was thus hampered considerably. But on the other hand the preparing of the land for the planting of the new wheat and other crops was facilitated, and in spite of occasional stoppages satisfactory progress has been made with the work.

The official monthly crop report which was released on June 1 contains the following information:

The frequent rains and excessive humidity caused delay in the preparation of the land to be seeded with wheat, but the conditions were very favourable for the pastures of natural grass and the alfalfa fields.

Throughout the Republic ploughing for the new wheat crop has been proceeded with, and the work generally has been done under good conditions, exception being made of the central and south-western parts of the province of Buenos Aires and the northern portion of Entre Rios, where the excessive moisture of the soil slowed up the work.

In the south-west of Buenos Aires and in the Pampa planting of slow growing varieties of wheat has been finished, and the intermediate kinds are being sown. In the west of Buenos Aires seeding of Lin Calel, Black Hull and Acero wheats is proceeding; and in Central Cordoba planting of 38MA wheat and Klein 32 has begun. In the rest of Buenos Aires and Cordoba and in Santa Fe and Entre Rios wheat seeding has not yet commenced. The delay in the picking of maize has contributed greatly to the delay in planting wheat.

No linseed has yet been planted, but the fields are being very actively prepared in Santa Fe, Cordoba, Entre Rios and northern Buenos Aires.

Picking and shelling of maize proceeds slowly, owing to the unfavourable weather. For the time being, it has been quite suspended by the rains, particularly in the centre and east of Buenos Aires, in Entre Rios and south-eastern Santa Fe. Another influence has been the low quotations for the grain, which makes sales difficult.

In central Cordoba and southern Santa Fe it is noticeable that many fields have been picked when the weather was too humid, owing to the necessity of fulfilling contracts for delivery.

With regard to maize yields, in northern Buenos Aires these are hardly average, the early plantings being the most deficient, and the later ones giving the best results. In the centre of the province the yields exceed anticipations; but new abandonments are taking place, the fields being used for pasturing live stock, due to grain having lodged and sprouted during the heavy rains.

In Santa Fe recent yields have not modified the previous estimates. But in Cordoba exceptional results are being obtained in many cases.

In Entre Rios the yields, although low, are rather better than were expected; and in the Pampa and San Luis they are also low, but are considered satisfactory in relation to the normal results in the zone.

In the Chaco good yields are being obtained. In some cases they are very high.

The quality of the crop, which up to a month ago was very good, has deteriorated because of the rains during the month of May and the exceptionally humid atmosphere then prevalent.

According to a crop report published yesterday by the Buenos Aires Provincial Department of Agriculture, the seeding of wheat in that province is being accelerated everywhere, and a somewhat larger acreage than last season is anticipated.

The condition of the sprouted fields is from good to very good.

Supplies and Markets

Wheat: Shipments overseas during the month of May were fairly heavy, 18,855,000 bushels of wheat and 65,000 bushels of flour in terms of wheat, a combined total of 18,920,000 bushels, were exported. This compares with a combined total of 15,013,000 bushels in the preceding month.

On the basis of the new official estimate of the volume of the crop the following is now the statistical situation:

Third official estimate 1939-40 crop		119,452,000	bushels
Carry-over from 1938-39 crop		68,566,000	"
Total supplies		188,018,000	"
Deduct for seed and domestic needs		101,044,000	"
Surplus available for export		86,974,000	"
Shipments) Wheat	66,407,000 bushels		
to May 31) Wheat as flour	377,000 "	66,784,000	"
Balance still available		20,190,000	"

It may be mentioned that some members of the grain trade are of the opinion that the volume of wheat still to be disposed of is somewhat greater than is here shown. The doubtful factor is the quantity of wheat of the old crop still in the hands of the official Board, as to which no figures have been given out. But the quantities used in the above statement are based upon official data so far as available.

Trading during the month was far from active. In the early days the market was strong. The export demand was slow, but speculation was active, and prices tended upward. Then the invasion of the Low Countries completely changed the picture, and a sharp drop in prices followed, with an extremely nervous market and violent fluctuations. An effort was made by the National Government to steady the situation by limiting the daily fluctuations permitted in the option markets; but the result did not fulfill expectations. Hence the further step was taken of fixing minimum prices for the several grains traded in on the futures markets, but without undertaking to purchase produce offered for sale at those prices. This practically put a stop to business, as exporters and millers were unable to pay the minimum prices fixed. Traders on the futures markets have no prospect of being able to cover their positions when contracts mature if there are no buyers at the official pegged prices. It is anticipated that some new measures will be devised which will be both effective and practical in protecting grain values, and the Government is understood to be carefully studying the situation to that end.

During the month the British buying agency purchased about 2,939,000 bushels of Bahia Blanca and Rosafe wheats, but not for immediate delivery. No other sales of importance were recorded.

Remaining stocks are not of such proportions as to cause uneasiness. Brazil and other South American markets will absorb most of what unsold wheat is still on hand.

The closing quotations were 8.50 for Spot Wheat and 8.82 for August delivery, equivalent to 69 cents and 71½ cents United States per bushel respectively at current official exchange rates. These prices compare with 74¼ cents for July wheat in Winnipeg at the end of the month.

Linseed: Exports during May were 3,207,000 bushels, a substantial drop from the April total of 4,824,000 bushels.

Using as a basis the new official estimate of the volume of the crop, the statistical position is now as shown below.

Third official estimate 1939-40 crop	39,935,000	bushels
Exports prior to January 1, 1940	197,000	"
Stocks as at January 1, 1940	39,738,000	"
Deduct for seed and domestic consumption	7,874,000	"
Exportable surplus	31,864,000	"
Shipments to May 31	25,126,000	"
Balance still available	6,738,000	"

As in the case of wheat, the linseed market was violently affected by the European events of early May. A good deal of linseed had been sold in previous months for shipment to the Low Countries and Norway, but had not yet been shipped. The buyers cancelled these cargoes, which were then sold locally, severely depressing prices which fell 21 per cent, and reached the lowest point since the outbreak of war. The official stabilizing measures pegged them at that level.

The statistical position as shown above would appear to warrant higher prices, but there is a lack of confidence in the market, due largely to fears that buying by the United States may disappear as the export markets of that country have now been cut off to a great extent.

At the close of the month Spot linseed was quoted 15.11 pesos per 100 kilos, equal to 114¼ cents United States per bushel; and the August option 15.45 (116¾ cents per bushel). In Duluth on the same day September seed closed at 178 cents.

Maize: May exports amounted to 12,993,000 bushels, a figure little changed from that of April, 12,624,000 bushels.

The statistical position is now as indicated below:

First official estimate 1939-40 crop	434,153,000	bushels
Less seed and domestic requirements	98,421,000	"
Surplus available for export	335,732,000	"
Shipments in April and May	25,617,000	"
Balance still available	310,115,000	"

The huge volume of the maize stocks continues to be a source of worry to all concerned. The price is low, but buyers are few. Some of the best markets for Argentine maize in normal times have now been closed through being under German domination.

The Government has announced the reaching of an agreement with Italy for the purchase of 13,779,000 bushels of maize. The terms have not yet been disclosed; but it is understood that deliveries will be spread over the remainder of the current year, the prices paid to be those prevailing in this market, f.o.b. Buenos Aires, at the dates of the respective shipments.

It is understood that a further sale of 150,000 tons (5,905,000 bushels) is being negotiated with Spain, payment to be partly in cash and partly in iron. The prospects for a successful conclusion are bright.

More important than either of these deals is one which is being discussed between the British and Argentine Governments for the barter of 3 million tons (118,105,000 bushels) of maize for 2 million tons of coal. About this the greatest official reserve is being maintained, and practically all that is known is that negotiations are taking place.

There is much talk of using maize as fuel in the event of its not being possible to dispose of it to advantage. This is an extreme measure which will probably only end in talk. The Republic is dependent upon imported coal, having no developed coal resources of its own, and on a former occasion of embarrassing stocks of maize, corn on the cob was used as fuel, with not altogether satisfactory results for chemical reasons, and it is unlikely that the experiment will be repeated except as a last resort.

The official and private propaganda for the feeding of maize to more hogs continues; but the farmer points to the already heavy offerings of hogs in the stock yards and the declining prices, and smiles.

There is no great pressure of deliveries of maize at country points. Both by propaganda and by financial assistance through loans from the official bank, the growers are being encouraged to retain their corn unshelled in the farm cribs, that being the cheapest and most effective form of storage. Provided the official regulations are complied with the grower is granted up to 3.00 pesos per 100 kilos as a loan on the security of the grain for an extended period. As this loan is equivalent to a price of about 4.20 in the port of Rosario, the chief shipping point, the arrangement really constitutes a guarantee of that price by the Government.

The closing price for Spot maize on May 31 was 4.08 pesos per 100 kilos, equivalent to 30 7/8 cents United States per bushel at current official exchange rates; and for August delivery 4.38, or say 33 1/8 cents was the quotation; while in Chicago September corn closed at 60 1/2 cents.

Oats: Exports during May were 1,317,000 bushels which compares with 3,029,000 bushels in the previous month.

With the revised official estimate showing a reduced production, the statistical position is now as shown hereunder:

Third official estimate 1939-40 crop	56,581,000	bushels
Carry-over from 1938-39 crop	1,106,000	"
Total supplies	57,687,000	"
Deduct for seed and domestic needs	29,827,000	"
Exportable surplus	27,860,000	"
Shipments to May 31	13,454,000	"
Balance still available	14,406,000	"

There was a little more activity in oats than in the other coarse grains during the past month, but owing to the disparity between the prices shipping firms were able to offer and those the growers were willing to accept, the volume of business was restricted. The high freight rates are an obstacle to exporters. Italy and Switzerland were both in the market for moderate quantities.

The local demand was surprisingly well maintained, in view of the very cheap maize obtainable.

Spot White oats for export closed the month at 4.98, as against 5.40 a month ago; while for Superior grade oats the local buyers were paying as high as 6. pesos per 100 kilos.

Barley: May shipments were 3,230,000 bushels, a substantial advance over the April total of 2,214,000 bushels.

On the basis of the new official estimate, the situation is now:

Third official estimate 1939-40 crop	39,091,000	bushels
Disappearance prior to January 1	500,000	"
Supplies as at January 1	38,591,000	"
Deduct for seed and domestic needs	16,075,000	"
Surplus for export	22,516,000	"
Shipments to May 31	17,325,000	"
Balance still available	5,191,000	"

Generally the barley market has been very weak, largely in sympathy with that of maize. There is practically no demand. On the other hand, stocks are low, and very little is being offered by the farmers. Some superior lots of feed barley are being placed locally at around 4. pesos per 100 kilos, and good malting grain has a value of 4.50; but very little is changing hands. These prices are approximately one peso lower than those of a month ago.

Rye: May shipments were 965,000 bushels, which compares with 1,485,000 bushels during April. These exports leave supplies as shown hereunder:

Third official estimate 1939-40 crop	13,582,000	bushels
Seed and domestic consumption	3,740,000	"
Exportable balance	9,842,000	"
Disappearance prior to January 1	104,000	"
Surplus as at January 1	9,738,000	"
Shipments to May 31	5,899,000	"
Balance still available	3,839,000	"

There was practically no activity in rye during the month. Sales which were made to Scandinavian countries and to Holland in months gone by cannot be shipped under prevailing European conditions, and the prospect of the resale of the cargoes in this market acts as a brake on business.

The current price for export rye is only 3.80 pesos per quintal, which is so completely out of line with the major bread grain that owners are more disposed to hold their rye than to press sales.

Parcels of good weight, clean rye, can be sold at around 4.00 pesos per 100 kilos.