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THE GRAIN SITUATION IN ARGENTINA

Ottawa, August 17, 1940 - The correspondent of the Dominion Bureau of Statistics in Buenos Aires has forwarded the following report, under date of August 5, 1940, dealing with the grain situation in Argentina.

Crop Conditions

The abnormally rainy weather of the previous two months continued throughout July, and it is many years since an equal period of detrimental crop weather has been experienced in the Republic.

In the province of Buenos Aires, normally producing nearly half the Argentine wheat crop, about a third of the land which had been destined for wheat is either under water or is so supersaturated as to be unworkable. Entre Rios, a much smaller producer, is in about equally bad shape. In the Pampa and in the provinces of Cordoba and Santa Fe conditions are much better, seeding having been effected under more nearly normal moisture conditions. But as it is now very late for planting wheat, the acreage under that crop in the country as a whole will probably show a reduction instead of the hoped for increase.

In the case of linseed the acreage may not be affected to the same extent, as later planting is possible, although some risk is involved.

The Official Report: The official monthly report on crop conditions made its appearance two days ago. Its principal features are reproduced below.

The Weather: During July the frequency of the rains was unfavourable for the crops and for rural work throughout the eastern part of the cereal regions, i.e., the provinces of Entre Rios and Santa Fe, the eastern parts of Buenos Aires, and the portions of Cordoba bordering on Santa Fe. In the remainder of the country climatic conditions were relatively favourable.

The Wheat Crop: The state of the wheat fields is considered below normal. There are various plagues, the propagation of which is favoured by the excessively humid weather. In western Entre Rios and central Santa Fe rust is prevalent, particularly striped rust, also some leaf rust. In the low lands of western Buenos Aires and in Entre Rios the wetness of the soil and the lack of sunny days have yellowed the wheat plants. For these reasons the condition of the wheat crop at the present time must be regarded as below normal.

In general the crop was seeded late, the greatest delay being in Entre Rios, where a substantial decrease in area is anticipated. In Cordoba also a lower area is probable, due to a lack of seed grain of good quality. In the Pampa, on the other hand, there is a greater area seeded than in recent years.

The Linseed Crop: Planting of this seed in the provinces of Cordoba and Santa Fe has been late, this being due not alone to the excessive rains but also to the delay in removing the maize crop. Should weather conditions improve, it is anticipated that linseed planting will be normalized. The plants above ground in Cordoba and Santa Fe look very well. But this does not apply to Entre Rios, where the soil is far too wet, and where in some fields which were planted very early, the leafage is now too far advanced.

The Maize Crop: Picking of the maize crop is practically finished; but quite the contrary is the case with the shelling, which has been only commenced in order to fulfil contracts for delivery.

The yields of the few lots shelled during the month of July did not fundamentally modify the calculations which had previously been made. The quality up to now is good, but the moisture content is in excess of the maximum admitted, and there are already some cribs with weevil damage. The quality must deteriorate since the majority of the cribs are roofless.

In the central part of Cordoba the corn in some of the cribs on being shelled shows a proportion of heated grains, which is attributed to the poor conditions under which the picking was done. In the north of the same province rats, which have multiplied extraordinarily, are causing damage in the cribs.

The Barley Crop: In the south-west of Buenos Aires and the Pampa lands are being prepared for the crop of malting barley, the planting of which has been commenced here and there. In the Andean provinces seeding is already finished. An increase in the area under this crop is probable. The condition of the plants already above ground is generally good.

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Supplies and Markets

Wheat: Shipments in July showed a further decline in volume, the wheat and flour combined total only reaching 9,069,000 bushels (9,006,000 bushels of wheat and 63,000 bushels of flour in terms of wheat), as against the June combined total of 15,422,000 bushels.

In the middle of the month the Ministry of Agriculture issued a revised calculation of the exportable surplus of wheat on hand, which added 27,557,000 bushels to the old figures. No indication is given as to whether the extra grain is derived from the 1939-40 crop or is an addition to the carry-over from 1938-39.

The statistical statement appearing below has been adjusted in accordance with the new official figures.

Third official estimate 1939-40 crop .....	119,452,000 bushels
Carry-over from 1938-39 crop .....	68,566,000 "
Official addition to stocks, July 17, 1940 .....	<u>27,557,000 "</u>
Total supplies .....	215,575,000 "
Deduct for seed and domestic needs .....	<u>101,044,000 "</u>
Surplus available for export .....	114,531,000 "
Shipments ) Wheat .....	90,806,000 bushels
to July 31) Wheat as flour ..	<u>469,000 "</u>
	<u>91,275,000 "</u>
Balance still available .....	23,256,000 "

A note accompanying the official memorandum with regard to the exportable surplus of wheat states that the investigation of the stocks was delayed for fear of embarrassing the official Grain Control Board in its operations.

It is now understood that all the holdings of old crop wheat of the official Board have been sold, although there is still a quantity in the ports awaiting shipment to Europe.

At the close of the month a Decree was issued by the Government prohibiting any further exports of wheat as from the date of the Decree (July 29th), except under permits which the Ministry of Agriculture was empowered to grant in the case of shipments to neighbouring countries, or in the case of contracts entered into prior to the date of the Decree, and provided always that the domestic requirements remained covered.

While some grain trade organizations took exception to the Decree, which apparently caught them unprepared, the measure was generally considered reasonable in view of the comparatively small surplus on hand and the time which must elapse before wheat of the new crop could become available.

Prior to the issuing of the Decree business during the month had been fairly satisfactory, shippers for Brazil being active purchasers and the British buying Commission coming repeatedly into the market. Activity on the part of the local millers also helped to sustain prices, which were fairly firm until the Decree caused a slump which brought them down to the official minimum and completely paralyzed business.

At the close of the month Spot wheat was quoted 8.65 pesos per 100 kilos, equal to 70 $\frac{1}{4}$  cents United States per bushel at official rates of exchange; and the October option 9.02 (73 $\frac{1}{4}$  cents); whilst in Winnipeg on the same day October wheat closed at 73 5/8 cents.

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Maize: July shipments were unusually small, dropping to 3,187,000 bushels from the June total of 6,619,000 bushels, and leaving the statistical position as shown below:

Second official estimate 1939-40 crop .....	418,878,000 bushels
Less seed and domestic requirements .....	98,421,000 "
Surplus available for export .....	320,457,000 "
Shipments April 1, 1940 to July 31, 1940 .....	35,424,000 "
Balance still available .....	285,033,000 "

It may be pointed out that the continued wet weather has undoubtedly so damaged the maize on the farms that the exportable balance shown above is likely to prove unduly high.

Trading during the month was very slow. For obvious reasons exporters showed a lack of interest in acquiring maize, while on the other hand there was an equal absence of selling pressure, due largely to the bad weather conditions making either shelling the grain or loading it equally impossible.

The matter of giving assistance to the growers of maize is still under consideration. Both the Chamber of Deputies and the Senate have shown a disposition to extend help in some form; but discussion is still going on, revolving largely around the old familiar problem of production costs. The main proposal is to give loans up to 4.50 pesos per 100 kilos on the security of stored maize. The current price is 4.20 laid down in the port; and a loan of 4.75 is the proposal of some enthusiasts. The decision is in the hands of Parliament.

The investigation of the possibilities of using maize for fuel apparently reveals slight prospects of being able to dispose of more than a million tons (approximately 39,368,000 bushels) in this way, while falling prices for hogs and unusually good pastures this year have dampened the enthusiasm of some of those who advocated converting the corn into pork or beef.

As the month closed Spot corn was being quoted 4.20 pesos per quintal, equal to 31 $\frac{3}{4}$  cents United States per bushel at current official exchange rates; and for October delivery 4.38, or say 33  $\frac{1}{8}$  cents per bushel; while in Chicago September corn closed the month at 62  $\frac{1}{8}$  cents.

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Linseed: Shipments during July were limited to 941,000 bushels, as compared with the June total of 1,255,000 bushels.

In the following statement of the statistical position an adjustment has been made in order to bring the figures into line with a recent official statement of the remaining exportable surplus.

Third official estimate 1939-40 crop .....	39,935,000 bushels
Probable underestimate .....	2,953,000 "
Total supplies .....	42,888,000 "
Exported prior to January 1, 1940 .....	197,000 "
Stocks as at January 1, 1940 .....	42,691,000 "
Seed and domestic requirements .....	7,874,000 "
Exportable surplus .....	34,817,000 "
Shipments to July 31 .....	27,323,000 "
Balance still available .....	7,494,000 "

Business conditions during the month were very unsatisfactory. Great Britain, almost the only remaining buyer, having taken over the sales made to France and other allied countries, found herself fully stocked and withdrew from the market.

Reports of an unusually heavy linseed crop in the United States had a depressing influence on prices, which became merely nominal at the minimum level of 15.25 fixed by official Decree in May last, now probably 5 or 10 per cent above actual values. This completely stopped business.

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Oats: Exports during the month were only 244,000 bushels, which compares with 707,000 bushels in June and leaves the statistical position as shown hereunder:

Third official estimate 1939-40 crop .....	56,581,000 bushels
Carry-over from 1938-39 crop .....	<u>1,106,000</u> "
Total supplies .....	57,687,000 "
Less seed and domestic requirements .....	<u>29,827,000</u> "
Exportable surplus .....	27,860,000 "
Shipments to July 31, 1940 .....	<u>14,405,000</u> "
Balance still available .....	<u>13,455,000</u> "

Very little of this grain changed hands during July. The official minimum price of 4.80 per quintal is higher than shippers are able or willing to pay. Hence the very moderate supplies coming forward are all absorbed for local consumption at prices varying from 5.30 for the general run up to 6.20 for choice lots, or a shade lower than a month ago.

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Barley: Barley exports were again very small, only 360,000 bushels moving out, as against 436,000 bushels during June. The supply position is now:

Third official estimate 1939-40 crop .....	39,091,000 bushels
Disappearance prior to January 1 .....	<u>500,000</u> "
Supplies as at January 1, 1940 .....	38,591,000 "
Deduct for seed and domestic needs .....	<u>16,075,000</u> ""
Surplus for export .....	22,516,000 "
Shipments to July 31 .....	<u>18,121,000</u> "
Balance still available .....	<u>4,395,000</u> "

Conditions in the market were a little better in July than in the preceding month. There was more demand for export, with the United Kingdom displaying a moderate interest, and at the same time domestic buyers somewhat more active. Offers from country points were only small. Hence prices showed a welcome improvement, Malting barley closing the month at 4.85 pesos per 100 kilos, as against 4.35 at the end of June, and Feed barley 4.65, as compared with 3.95.

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Rye: Only 12,000 bushels of Rye were shipped out during July, as compared with 303,000 bushels in the previous month.

The statistical position is now as shown below:

Third official estimate 1939-40 crop .....	13,582,000 bushels
Seed and domestic consumption .....	<u>3,740,000</u> "
Exportable balance .....	9,842,000 "
Disappearance prior to January 1 .....	<u>104,000</u> "
Surplus as at January 1, 1940 .....	9,738,000 "
Shipments to July 31 .....	<u>6,214,000</u> "
Balance still available .....	<u>3,524,000</u> "

Rye as a bread grain provides very cheap food at 3.80 pesos per quintal, the nominal price, and there are buyers willing to purchase it. But unfortunately there are no sellers at that price; the farmers are content to hold their grain in the hope of an improvement. Hence there has been no business passing in recent weeks.

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