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THE GRAIN SITUATION IN ARGENTINA

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

Crop Conditions

During August a complete change in weather conditions took place, the abnormally mild and wet weather of the preceding three months giving place to clear skies with a dry atmosphere and frosty nights. The water has been slowly draining off the inundated areas, permitting the soil to dry out and work on the land to be resumed.

In spite of the great efforts made to complete the seeding of wheat, it is practically certain that the area will fall short of that intended, as much of the crop had to be planted later than is normally considered prudent. In Entre Rios some of the wheat fields were four weeks late in being seeded. There is more risk of weather damage to such late-sown grain.

The official forecast of the area seeded will not be known until about the 18th of this month. Private estimates average about 16 to 16 1/2 million acres under wheat, as compared with the 1939 acreage of 17 3/4 millions, and a five-year average of a little more.

Light rains again fell in the closing days of the month.

The Official Report. The monthly official report on crop conditions made its appearance this morning. The principal contents are embodied in the following extracts:

The Wheat Crop. In general, the dry and cold weather, especially in the last half of August, permitted the condition of the crop to improve, and it can now be considered as quite good, except in the province of Entre Rios, where the excessive humidity and lack of sunshine have made the plants weak and yellow. The frosts which occurred between the 22nd and 27th, especially the last, damaged some early wheat fields in Santa Fe and Cordoba which had already formed the stalks; but it is too early to estimate losses, as the humidity of the soil may have diminished and even nullified the effects of the frosts.

In Cordoba some fields attacked by green fly have been ploughed up and planted with linseed or reserved for maize.

Both in Cordoba and Entre Rios the area seeded to wheat must be somewhat below that of last year, especially in the latter province, where the backwardness in the work of ploughing and seeding did not permit it to be done in the normal season.

The attacks of rust in western Entre Rios and central Santa Fe which were mentioned in the last report, have not spread.

The Linseed Crop: Planting linseed has practically been finished in Santa Fe and Cordoba under conditions which may be said to be normal in spite of its being a little late. In Entre Rios, if weather conditions permit, the planting will probably be completed by using quick maturing varieties.

In Buenos Aires, in the northern linseed zone, planting proceeds normally; in the centre and south efforts are being made to hasten the completion of the work.

The condition of the growing crop is regarded as from good to very good, even in Entre Rios, where there has been much improvement.

The Maize Crop: Shelling proceeds slowly. The quality continues to be good, although weevil damage is to be noted, especially in the bottom of the cribs. In the west-central zone of Buenos Aires shelling is being hastened in order to meet the local demand.

The Barley Crop: Seeding in the Pampa has been finished as regards malting barley, and also in the Andean provinces. In Buenos Aires the planting is being done under good conditions. The growing crop is developing satisfactorily. It is generally agreed that there is an increased area planted to this grain.

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Supplies and Markets

Wheat: Shipments in August were slightly higher than those of the preceding month. A total of 10,197,000 bushels was exported (10,175,000 bushels of wheat and 22,000 bushels of flour in terms of wheat), as against the combined total of 9,069,000 bushels in July.

The statistical position is now as shown in the following statement:

Third official estimate 1939-40 crop .....	119,452,000 bushels
Carry-over from 1938-39 crop .....	68,566,000 "
Official addition to stocks, July 14, 1940 .....	27,557,000 "
<u>Total supplies .....</u>	<u>215,575,000 "</u>
Deduct for seed and domestic needs .....	101,044,000 "
<u>Surplus available for export .....</u>	<u>114,531,000 "</u>
Shipments ) Wheat .....	100,980,000 bushels
to August 31) Wheat as flour ,	491,000 "
	<u>101,471,000 "</u>
<u>Balance still available .....</u>	<u>13,060,000 "</u>

As mentioned in last month's report, in the closing days of July further exports of wheat were prohibited by the Government except in the case of contracts entered into prior to the date of the Decree, and shipments to neighbouring countries accustomed to obtaining their wheat from Argentina. Private estimates since made indicate that from 300,000 to 350,000 tons (11,023,000 to 12,860,000 bushels) will be required to cover shipments under these two headings, thus absorbing practically all the available balance shown above.

In the middle of August a further Government Decree cancelled the minimum prices for grain established at the end of May. The effect of this, on top of the reports of the very heavy wheat crop expected in Canada, was a heavy drop in the price of wheat on the Buenos Aires Futures Market, which has, however, since been recovered in part.

There is very little business passing, the local millers being perhaps the most active.

There has been some speculative selling of wheat of the new crop in the northern provinces, where the prospects appear to be very good, but growers generally are in no hurry to sell, preferring rather to take a chance on the vicissitudes of war re-opening closed markets in Europe, where a wheat shortage appears to be certain.

As the month closed, Spot wheat was selling at 7.95 per 100 kilos, equal to 64 1/2 cents United States per bushel at current official exchange rates; and for November delivery 3.35 pesos per 100 kilos (67 3/4 cents United States per bushel). In Winnipeg on the same day December wheat closed at 75 3/4 cents.

Maize: Exports of maize improved a little in August as compared with July, but they are still insignificant in relation to the surplus available, 4,709,000 bushels being shipped, as against 3,173,000 bushels in the previous month.

The statistical position is left as 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 August 31, 1940 .....	40,133,000 "
Balance still available .....	280,324,000 "

The market was quiet during the month. Offerings were small, but the tone of the market was generally firm in anticipation of the Government commencing to purchase maize at 4.75 per 100 kilos, which is much in excess of the market value. Legislation authorizing this has been passed by Congress, but the necessary arrangements for putting it into effect have not yet been made by the Ministry of Agriculture. A recent announcement promises early action in the matter.

Meanwhile, little corn is being shelled, and stocks in the ports are relatively small, thanks to the official propaganda to encourage storing on the farms, unshelled in open cribs. In this form it will be readily available for use as fuel should an opening for it as such be developed, and should the period of storage be prolonged there will be a smaller percentage of damage than in the case of shelled corn.

Exporters are showing no interest in maize. Great Britain, Canada and the United States are practically the only markets, and they show no willingness to pay current prices, which are above world values.

If and when the Government commences to buy, it is likely that the farmers will prove willing sellers. But the prospects are that an enormous loss will have to be shouldered by the National Treasury.

At the close of the month Spot maize was quoted 4.07 pesos per 100 kilos, equivalent to 30 3/4 cents United States per bushel; and for October delivery 4.30, or 32 1/2 cents per bushel. In Chicago on the same day December corn closed at 57 3/4 cents.

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Linseed: Shipments in August fell to the very low figure of 265,000 bushels, which compares with 941,000 bushels in July.

The supply position is now as shown in the following statement:

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 August 31 .....	27,588,000 "
Balance still available .....	7,229,000 "

Trading during the month was negligible. Purchases by the United States were very small, and the British Government bought no linseed either in July or in August from the Argentine.

The Government in May fixed a minimum price for August at 15.45. This practically paralyzed business in the Futures Market, and when in the middle of August the "peg" was removed and trading was resumed at a level 30 per cent below it, the pressure of heavy liquidations by speculators who had built up a big bull position in the expectation that the Government would buy the seed, carried the price 11 per cent still lower. The decline was not stopped until the end of the month, when with the greater part of the speculative purchases sold out, quotations had dropped well below the cost of production.

The outlook at the present time is very uncertain. Production has been increased in the United States and Canada, normally two good customers for Argentine

seed, and it is too early yet to form any idea as to the prospects of the new crop here. Meanwhile, demand is almost nil.

Quotations at the end of the month were 10.80 pesos per quintal for Spot, or 81 5/8 cents United States per bushel, and 11.38 (86 cents per bushel) for November delivery. At the same time in Duluth September seed closed at 157 cents per bushel.

Oats: August shipments were very small, only 71,000 bushels moving out, which compares with 244,000 bushels in July, and leaves the supply position as follows:

Third official estimate 1939-40 crop .....	56,581,000 bushels
Carry-over from 1938-39 crop .....	1,106,000 "
Total supplies .....	57,687,000 "
Less seed and domestic requirements .....	29,827,000 "
Exportable surplus .....	27,860,000 "
Shipments to end of August .....	14,476,000 "
Balance still available .....	13,384,000 "

There was a stagnant market during the month. As in the case of other grains, the nominal minimum price was removed in mid-August. It had only been 4.80. The price immediately dropped to 4.10, but even at that level no business was possible, so complete was the lack of demand for export.

The only business passing is a little buying for local consumption. A few parcels classed as Superior have changed hands at 5.50 pesos per quintal. For the general run of White oats 4.10 is the quotation, and for Yellow 3.90.

Barley: Exports of barley in August were 319,000 bushels. This shows little change from the July figure of 360,000 bushels. The supply position is left as shown below:

Third official estimate 1939-40 crop .....	39,091,000 bushels
Disappearance prior to January 1 .....	500,000 "
Supplies as at January 1, 1940 .....	38,591,000 "
Deduct for seed and domestic needs .....	16,075,000 "
Surplus for export .....	22,516,000 "
Shipments to August 31 .....	18,439,000 "
Balance still on hand .....	4,077,000 "

The market was dull, with little business passing. Great Britain was the only buyer for export, taking some small parcels. Offerings are small; nevertheless prices weakened for lack of demand, closing at 4.90 for choice lots of Malting grain for local buyers, while for export the quotations were 4.25 for malting barley and 4.05 for feeding purposes.

Rye: No exports of rye were recorded in the month of August. The supply position, therefore remains as at the end of July, as repeated below:

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, 1940 .....	9,738,000 "
Shipments to August 31 .....	6,214,000 "
Balance still on hand .....	3,524,000 "

The market during the month was weak and inactive. There are some accumulated stocks in a southern port, but buyers do not appear to be interested. There is no export demand. Prices, which are more or less nominal, have declined

in sympathy, with those of other grains. Export quality rye is now quoted at 3.40 per 100 kilos, as compared with 3.80 a month ago.

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#### Argentine Soft Wheat

An interesting announcement has been made by the Argentine National Grain & Elevator Board, to the effect that it is studying the possibility of suppressing the production of wheats of the "Soft" types in the Buenos Aires and Bahia Blanca zones, just as it has done in the Rosario zone.

This is in line with the policy pursued by the Board which is to encourage the cultivation in the Republic only of wheats for which its climate and soil conditions are best adapted and which can be marketed to advantage in importing countries, that is to say "filler" wheats, and to encourage the use only of the best varieties of those wheats as determined by careful breeding and experimentation.

In accordance with the practice of the Board of consulting the interested parties before deciding on important changes, arrangements have been made for a meeting for the discussion of the subject. To this meeting, which is to be held in the near future, a large number of organizations have been invited to send representatives.

Another change contemplated by the Board is to separate the province of Entre Rios from the Buenos Aires commercial zone, and constitute it a new zone.

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