

## South American outlook

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*(David M. Bartholomew is a regular contributor to JAOCS. In this column, written March 19, 1984, he looks at oilseed plantings in South America and projects what production might result.)*



The Argentine growing season began under very questionable conditions. The climate was dry as farmers began to plant, and in fact remained drier than desirable throughout the planting during most of the spring. As a consequence, early sowings of soybeans, corn and sunflowers suffered and will not reach their usual level of performance.

Subsequent sowings, however, have done extremely well because moisture conditions improved dramatically. In fact, too much rain fell from late January until the last week of February. Some important areas received over 700 mm. This began to cause worries about the formation of fungus diseases, especially in the case of soybeans, where some limited development of *Sclerotinia* has been reported.

Some moisture has been received since that time but nothing exceptional. Of course, the fact that the rains have not ended entirely is good as the crops are in their seed-formation phase. This set of circumstances is causing a unique condition, especially in the soybean crop—the second crop is doing unbelievably well. This is the portion planted after the harvest of wheat and traditionally does not do so well as the first crop, which is planted as the primary crop. There is every reason to believe that this year the second crop in the better areas can attain yields exceeding 3,000 kilos per hectare and some will possibly even reach 4,000 kilos. On the other hand, the first crop may do no better than 2,200-2,800 kilos.

However, not all the potential of the second crop will be actually realized because of weed infestation caused by persistent rains. The principal problem is from what is locally called sorghum grass. In the United States it is known as Johnson Grass and is related to forage sorghum. Where it is serious, it can reduce harvesting efficiency.

Acresage is difficult to determine. We know that it increased significantly following the recovery of rains, so the area of the second crop is larger than originally expected. Generally it is felt that this year the second crop will represent about 70% of the total area. And since this majority portion will yield so well, the total production will probably exceed 5 million metric tons (MT) vs about 4 million MT last year. Some calculations run even to 5.5 million MT but traditionally skeptical trade sources will not yet accept such an ambitious forecast.

Instead they prefer to talk of the combination of soybeans and sunflower reaching 8 million MT. Still, they will point out that the sunflower crop may not reach the earlier expectation of 3 million as it nearly all had a dry beginning. Some trade sources would even prefer to simply say that the total oilseed crop should achieve 9 million MT vs about 7 million last season. This will leave about 2.5-3 million MT of seeds for export. The crushing capacity is scheduled to

exceed 6 million by the last half of 1984. Most of the seeds exported will be soybeans.

Export sales of soybeans probably will not materialize as rapidly as foreign crushers would like. Consequently, the cash basis probably will not be as low as is traditional and as would normally be expected from such a large crop. There are several reasons. Farmers would prefer to scatter sales throughout the year because of the inflationary problem. Holding the crop is more profitable than holding pesos. Also, shippers are behind on scheduled loadings of grain because of the rains, which delayed harvest. Moreover, the expansion of crushing capacity later this year means processors will attempt to protect supplies of seeds for crushing then. Furthermore, first indications of soybean area in the U.S. show a very modest increase of just 3% so South American farmers (including Brazilian) will be in no hurry to sell.

Brazilian harvest is progressing, especially in Parana. Portions of the west end of that state are 50% completed. It has begun in parts of states adjacent to Parana. Results from this area are disappointing at about 20% below earlier projections. The state of Parana is now expected to have only 4 million MT vs 4.8 million. Matto Grosso total probably only 2.7 million instead of 3 million. Rio Grande do Sul may reach 6 million as it escaped some of the early dry problems but still it also was unusually hot at a crucial time. Most estimates of the total Brazilian crop are about 15 million MT and may be less.

Brazilian farmers may be more active sellers earlier in the season than Argentine farmers because converting the crop to cash and investing in financial markets is advantageous. Also, domestic crushers are bidding aggressively because of a very strong domestic oil market. But this may be of short duration because the meal market is very weak. Export demand for meal and pellets is sharply discounted and still is moving slowly. Some of this is caused by the bad reputation for meal from southern ports where some shippers have intentionally added sand and other impurities to take advantage of quality tolerances. The USSR and others have registered complaints about these practices and consequently are reluctant to make new purchases. However, a Soviet delegation in Brazil the week of March 19 was expected to negotiate a purchase of 500,000 MT if adequate quality assurances were made. Poland is expected to

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make more purchases soon of meal or pellets as trade clearing credits have been provided.

Brazilian farmers do have an incentive to withhold sales as much as possible because of currency devaluations every few days. Also there is the possibility that almost any day the government will announce some favorable financing to encourage more orderly marketing, but this probably will be just to the end of June. Beyond that, the Brazilians would run into potential selling pressure from U.S. production of new crop.

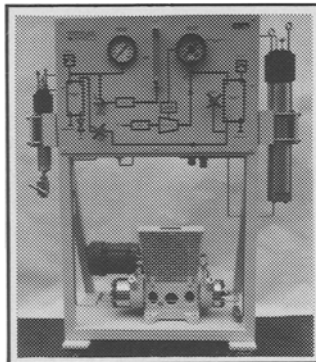
CACEX has gotten back into the export quota business against its own better judgment. It considered that the U.S. carry-over may be smaller than predicted and the new crop could have a problem as first acreage intentions were surprisingly small. Now it wishes the quotas could be removed but realizes that would weaken prices. Probably it will proceed to approve sales of meal and pellets beyond the quota without any public announcement. That is what I recommended but I do not know if that is what will be done.

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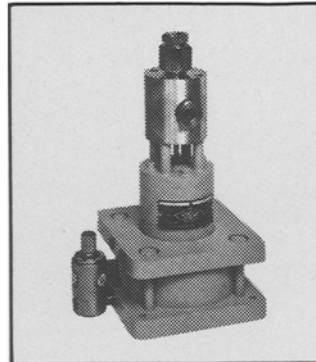
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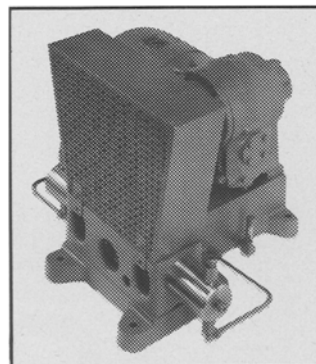


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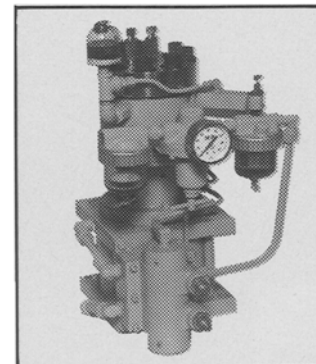
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