

# 2023 Illinois Farm Economics Summit

## South America: Agricultural Production, Markets, and Trade

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Agricultural & Consumer Economics

COLLEGE OF AGRICULTURAL, CONSUMER  
& ENVIRONMENTAL SCIENCES

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**Joana Colussi**

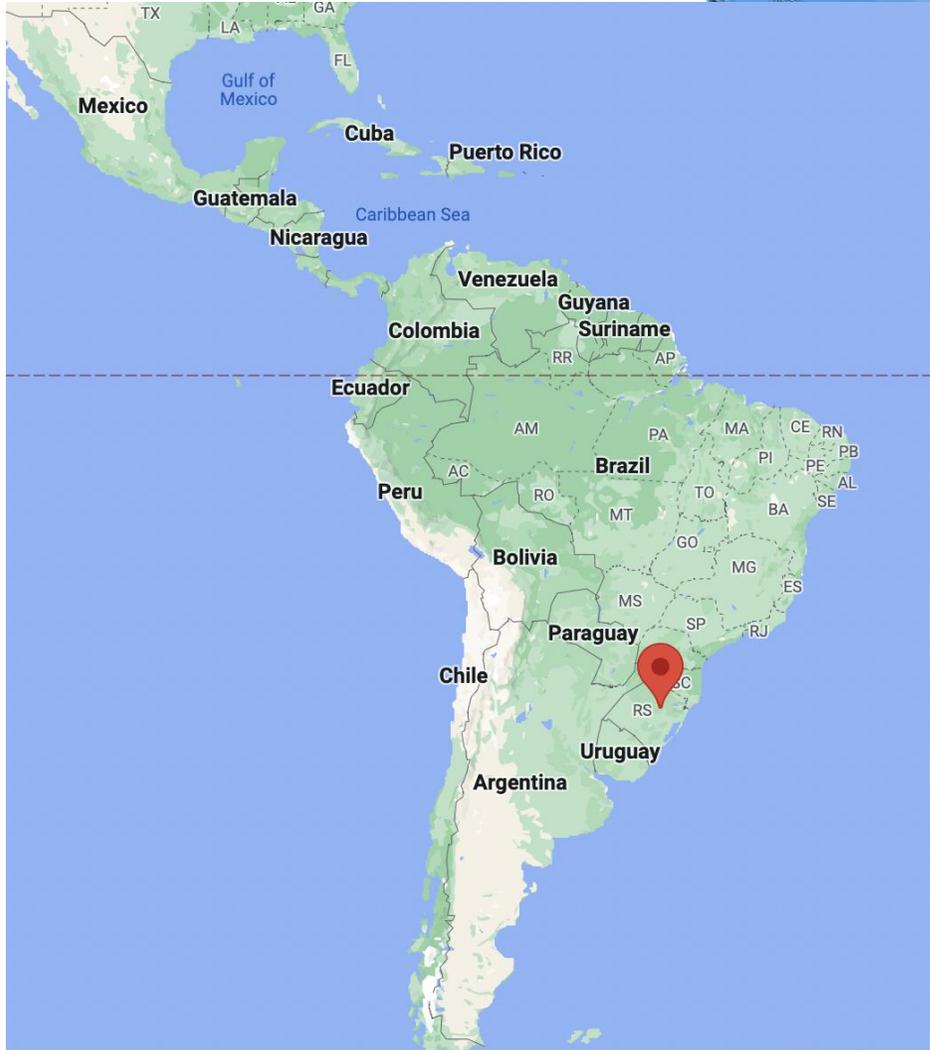
# 2023 Illinois Farm Economics Summit

## Topics

- ✓ South America Overview
- ✓ Crop Projections in Brazil
- ✓ Crop Prospects in Argentina
- ✓ Topics to keep an eye on



# Background



# South America Overview



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# Soybean Production



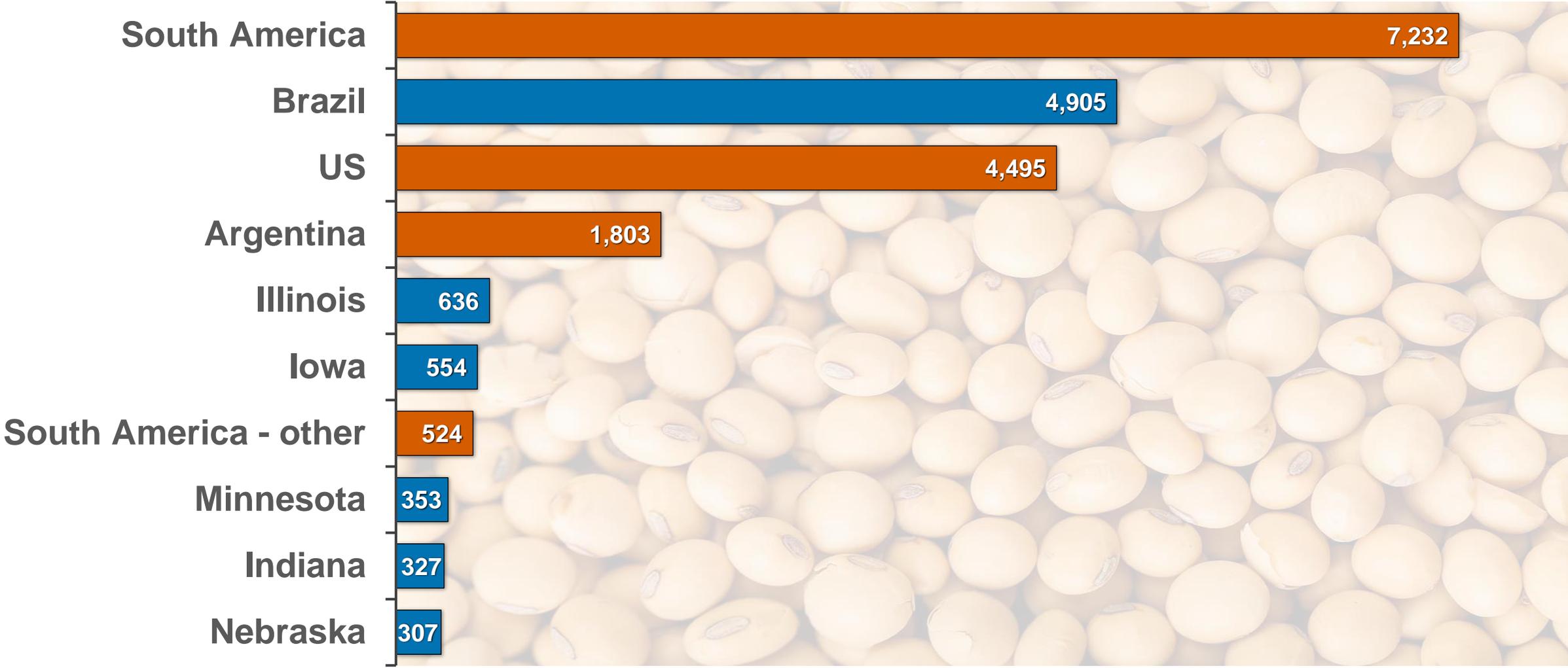
In total, South America produces **7.2 billion bushels of soybeans.**

## World shares of soybean are:

- 54% for South America:
  - 37% for Brazil
  - 13% for Argentina
  - 4% for the rest of South America
- 34% for the United States.



# South American soybean production in US perspective (million bushels), average for 2018-2022 crop years



# Corn Production



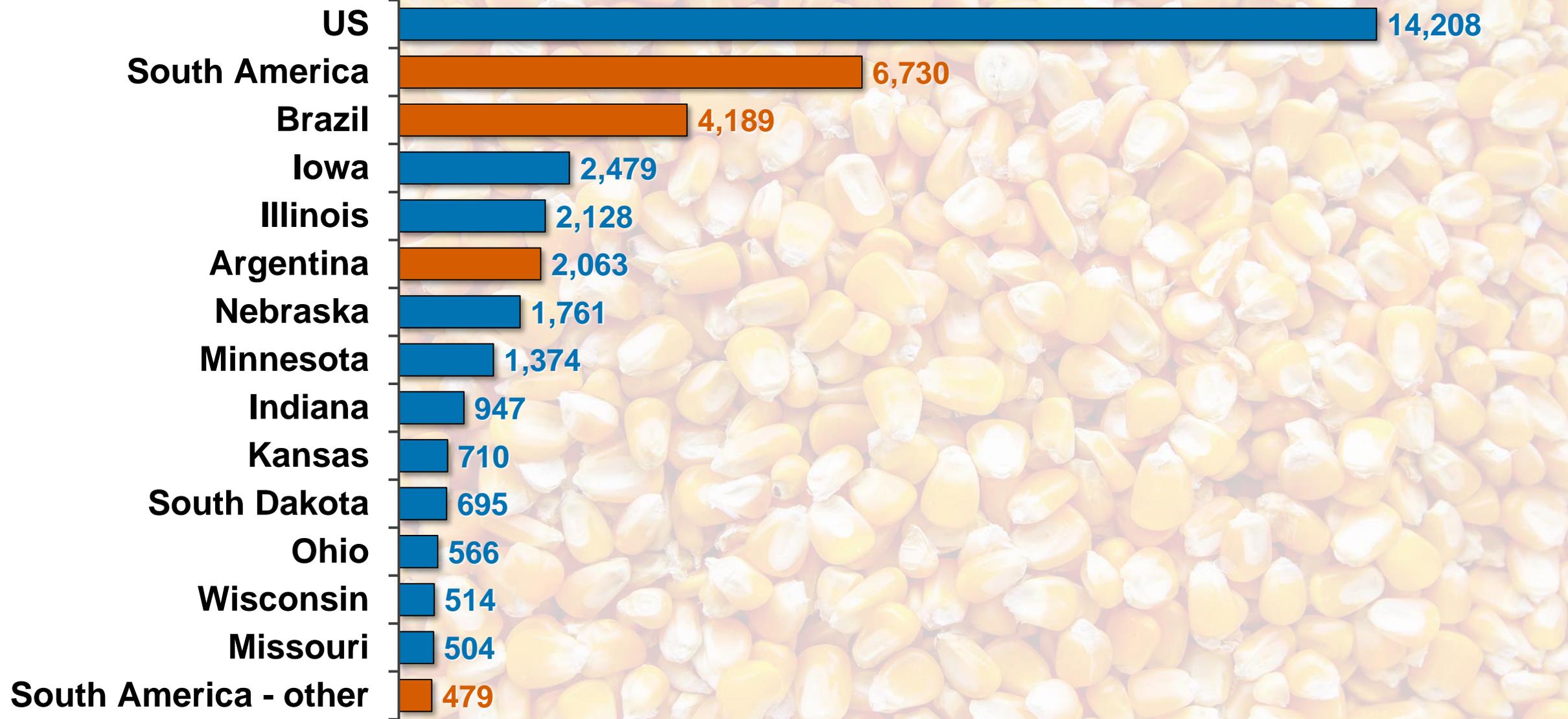
In total, South America produces **6.7 billion bushels of corn.**

## World shares of soybean are:

- 31% for the United States
- 15% for South America:
  - 9% for Brazil
  - 5% for Argentina
  - 1% for the rest of South America



# South American corn production in US perspective (million bushels), average for 2018-2022 crop years



# Crop Projections in Brazil



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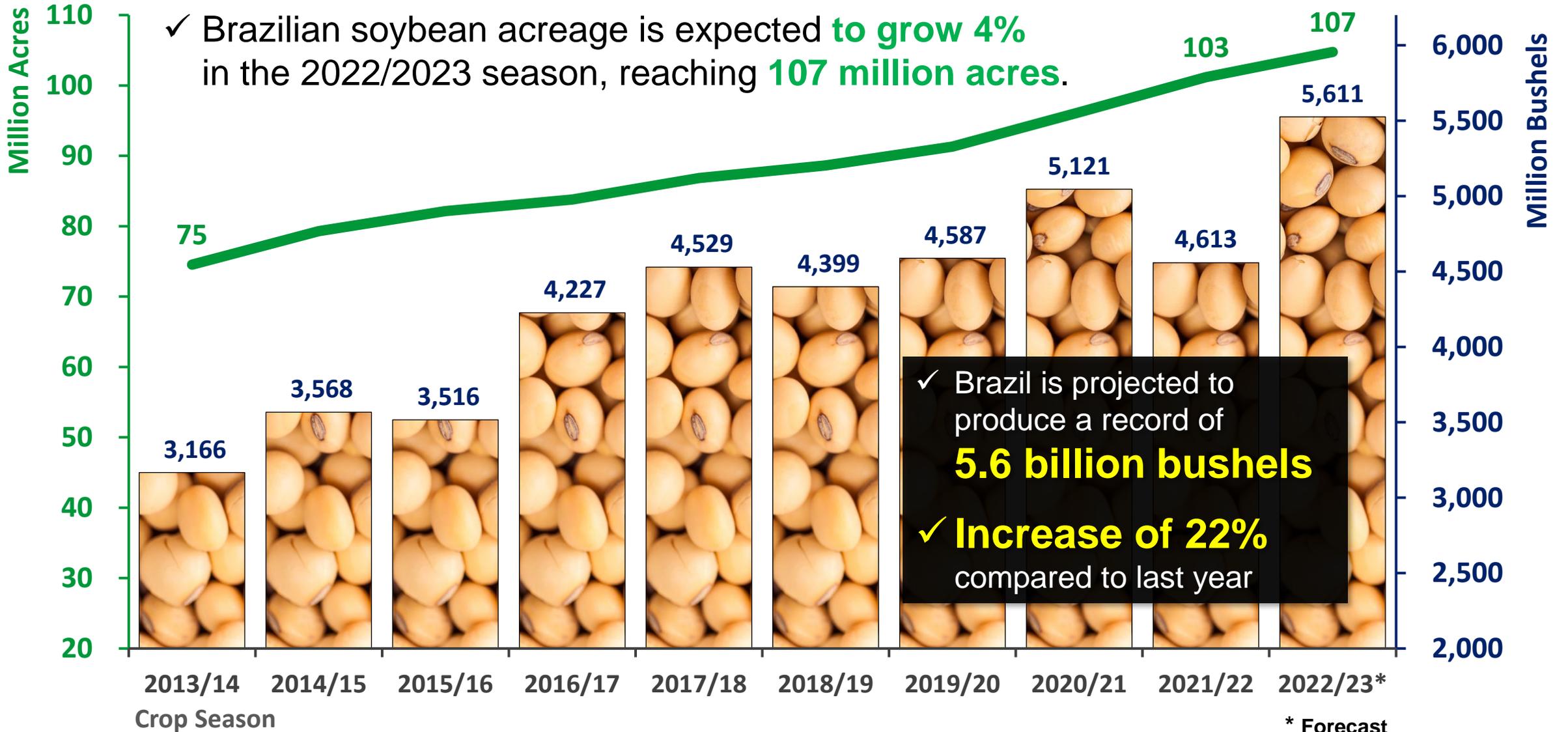


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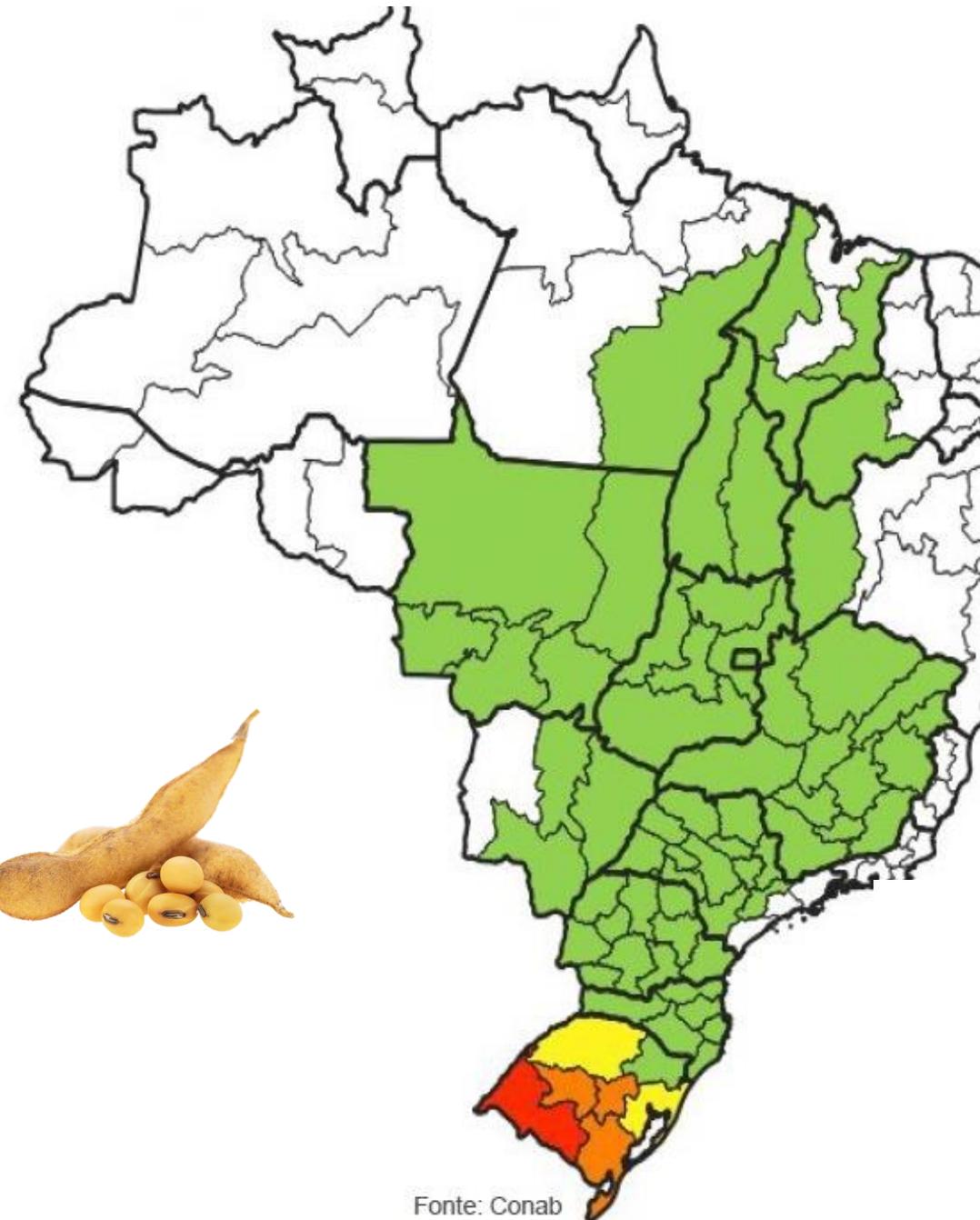
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# Soybean Acreage and Production in Brazil



# Cropping Conditions (1<sup>st</sup> week of Feb)

- **Favorable conditions (green areas)** in most regions, such as Center-West, Northeast, and parts of the Southeast.
- **Light drought (yellow areas)** and **moderate drought (orange areas)** in the South (Rio Grande do Sul), where soybean yields are made in Jan and Feb, and the harvest will start in March.
- **Severe drought (red areas)** in the west of Rio Grande do Sul state.



Fonte: Conab

# A new record on the horizon in the Center-West

Soybean harvest in Querência, Mato Grosso state.  
January 2023 (Photo courtesy of Fazenda Schneider).



# Drought in the South of Brazil (again!)

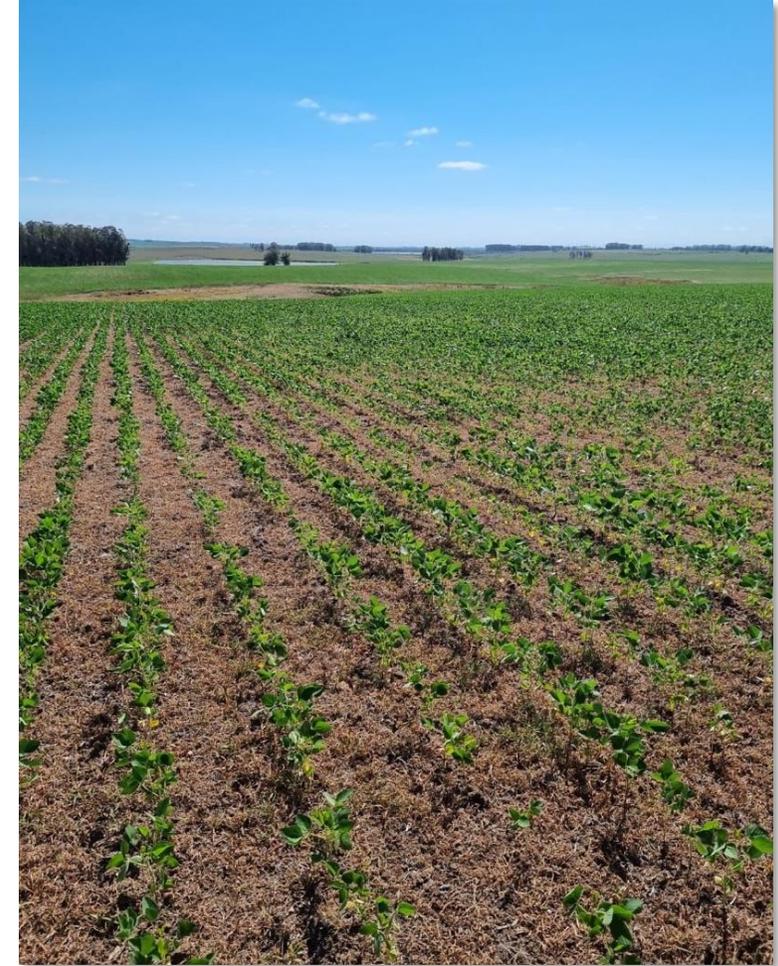
Soybean in Passo Fundo, North of Rio Grande do Sul. Jan. 2023  
(Photo courtesy of Detec Agrofel).



Soybean in Santa Maria, Central of Rio Grande do Sul. Jan. 2023  
(Photo courtesy of Detec Agrofel).

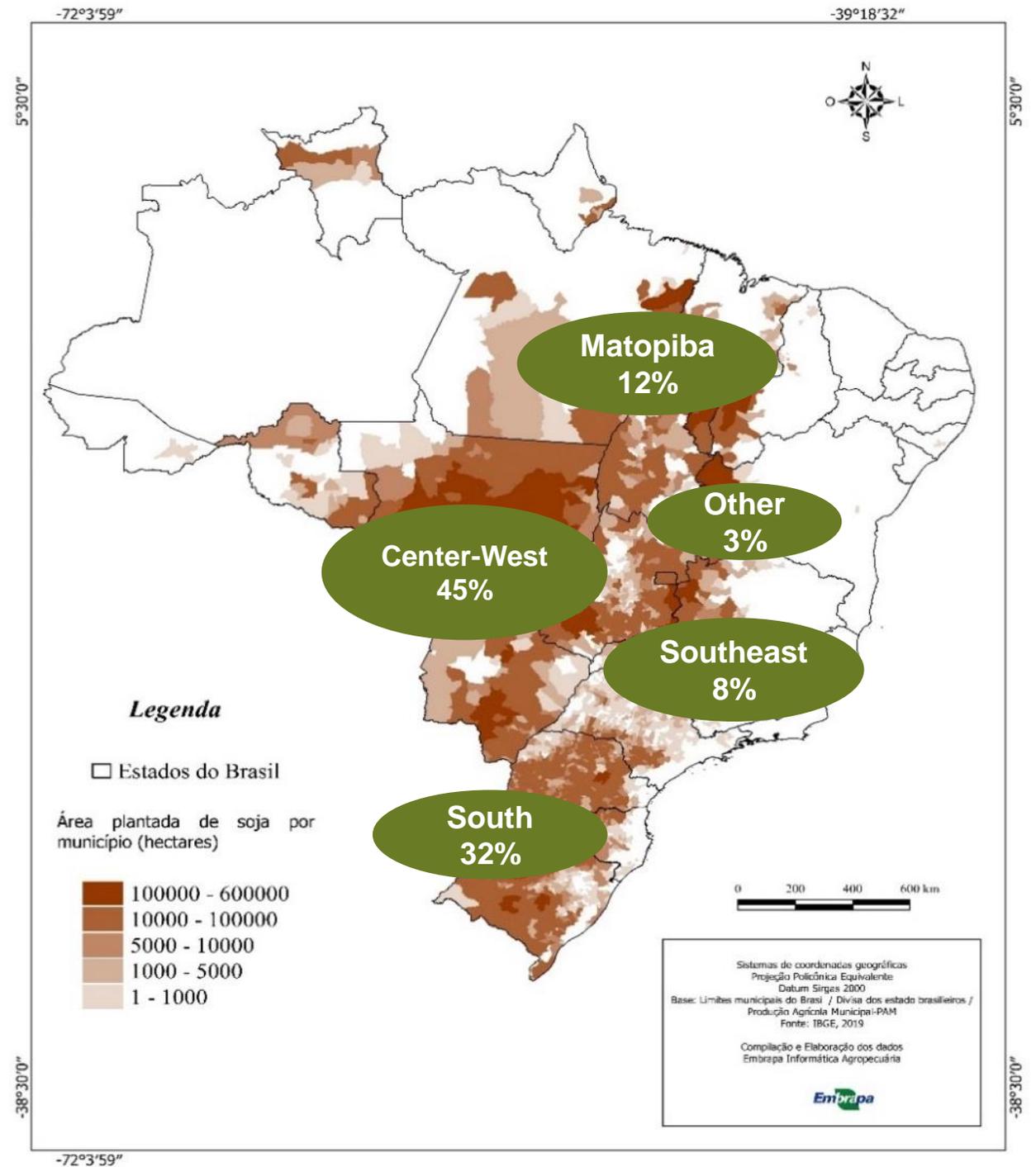


Soybean field in Santa Maria, Central of Rio Grande do Sul. Jan. 2023  
(Photo courtesy of Detec Agrofel).

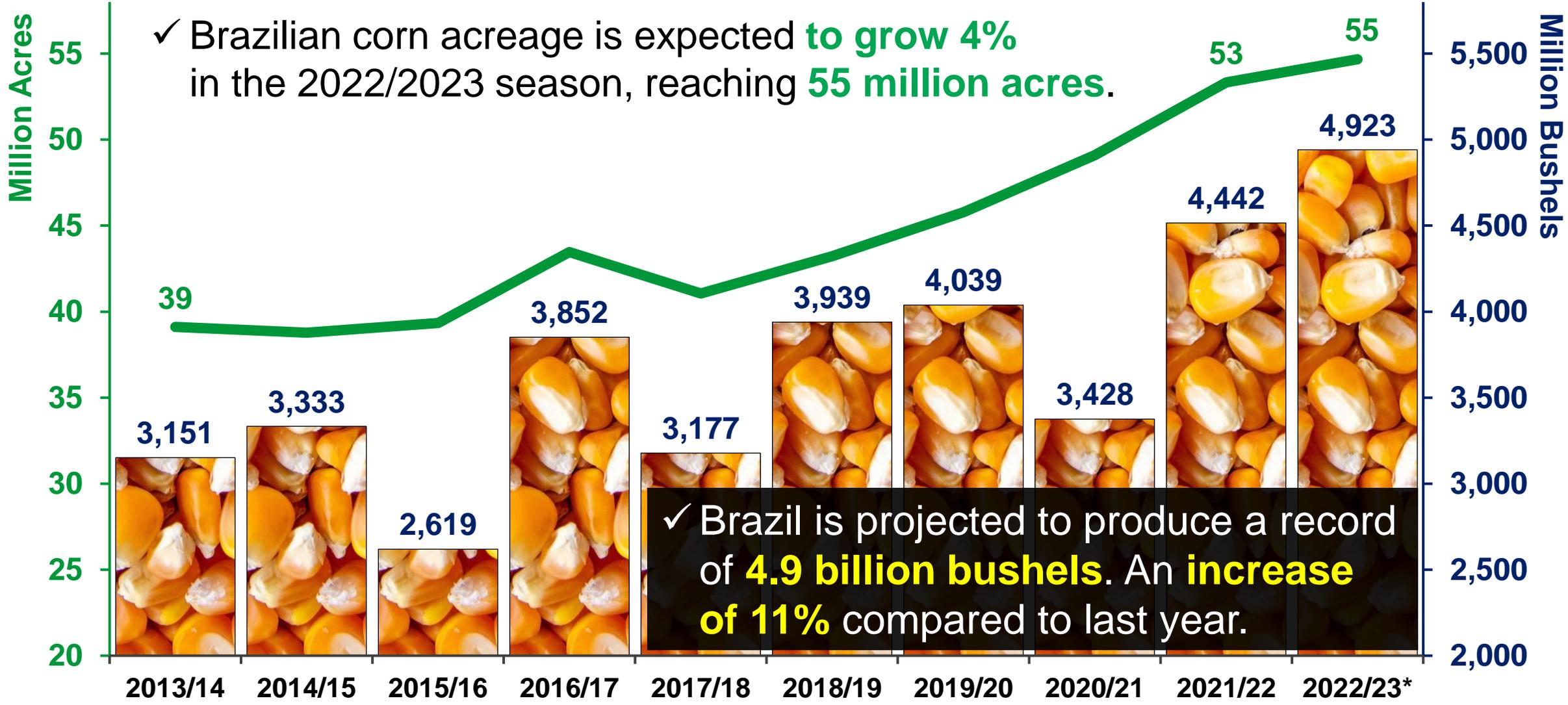


# Soybeans by region

- There will yield losses in the south of Brazil. However, **yield gains in Mato Grosso** and surrounding states should offset it.
- **Three states in the Center-West** (Mato Grosso, Goiás, and Mato Grosso do Sul) represent **45% of soybean** production in Brazil.
- **Rio Grande do Sul** state represents around **15% of soybean** production in Brazil.



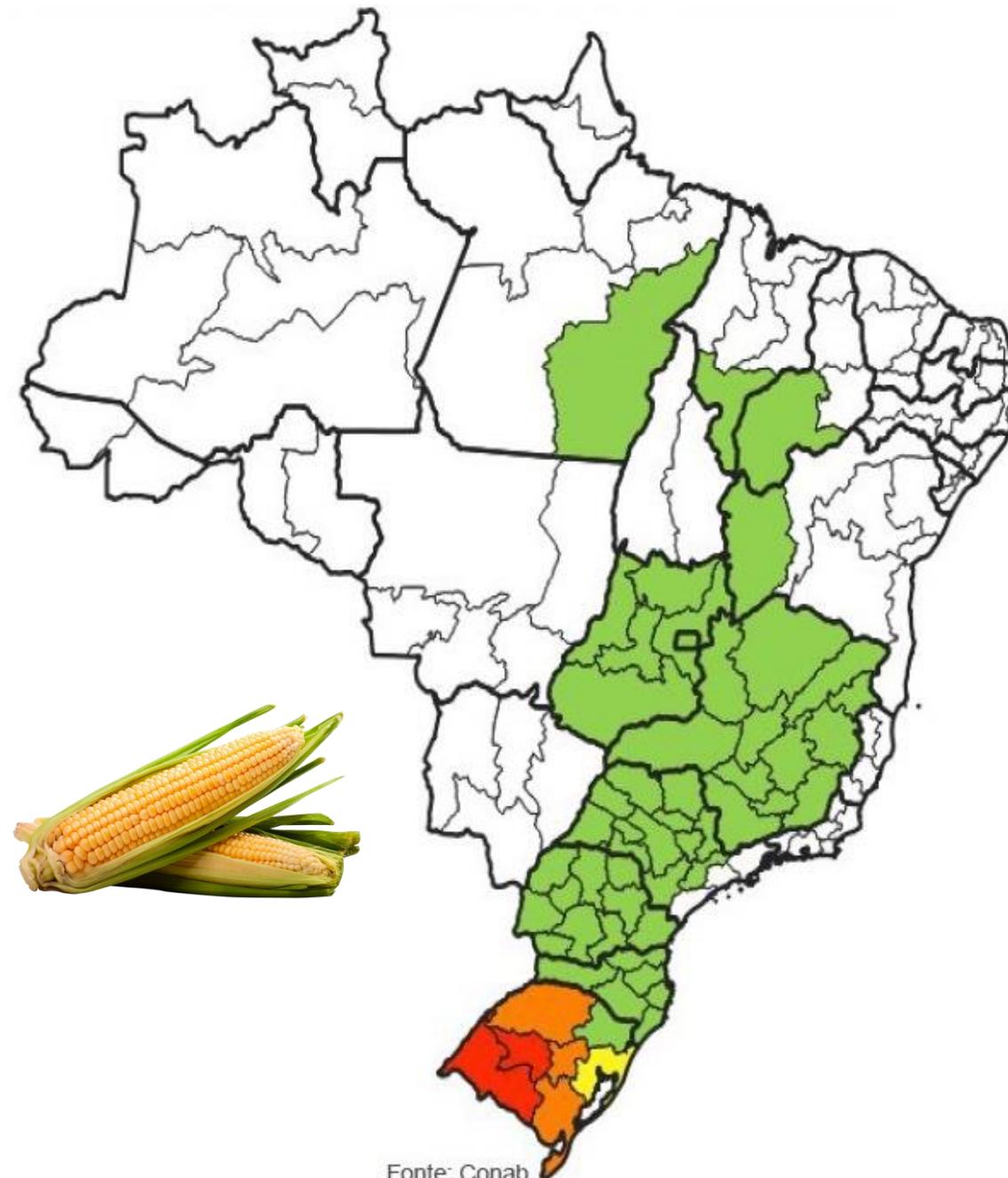
# Corn Acreage and Production in Brazil



# Cropping Conditions

## 1<sup>st</sup> crop (1<sup>st</sup> week of Feb)

- **Favorable conditions (green areas)** in parts of Southeast and Northeast.
- **Light drought (yellow areas)** and **moderate drought (orange areas)** in the South (Rio Grande do Sul), where the harvest started in January
- **Severe drought (red areas)** in Rio Grande do Sul Northwest.



# Drought in the South of Brazil

Cornfield in Tupanciretã, Central of Rio Grande do Sul. Jan. 2023  
(Photo courtesy of Detec Agrofel)



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Cornfield in Salto do Jacuí, Central of Rio Grande do Sul. Jan. 2023  
(Photo courtesy of Detec Agrofel)



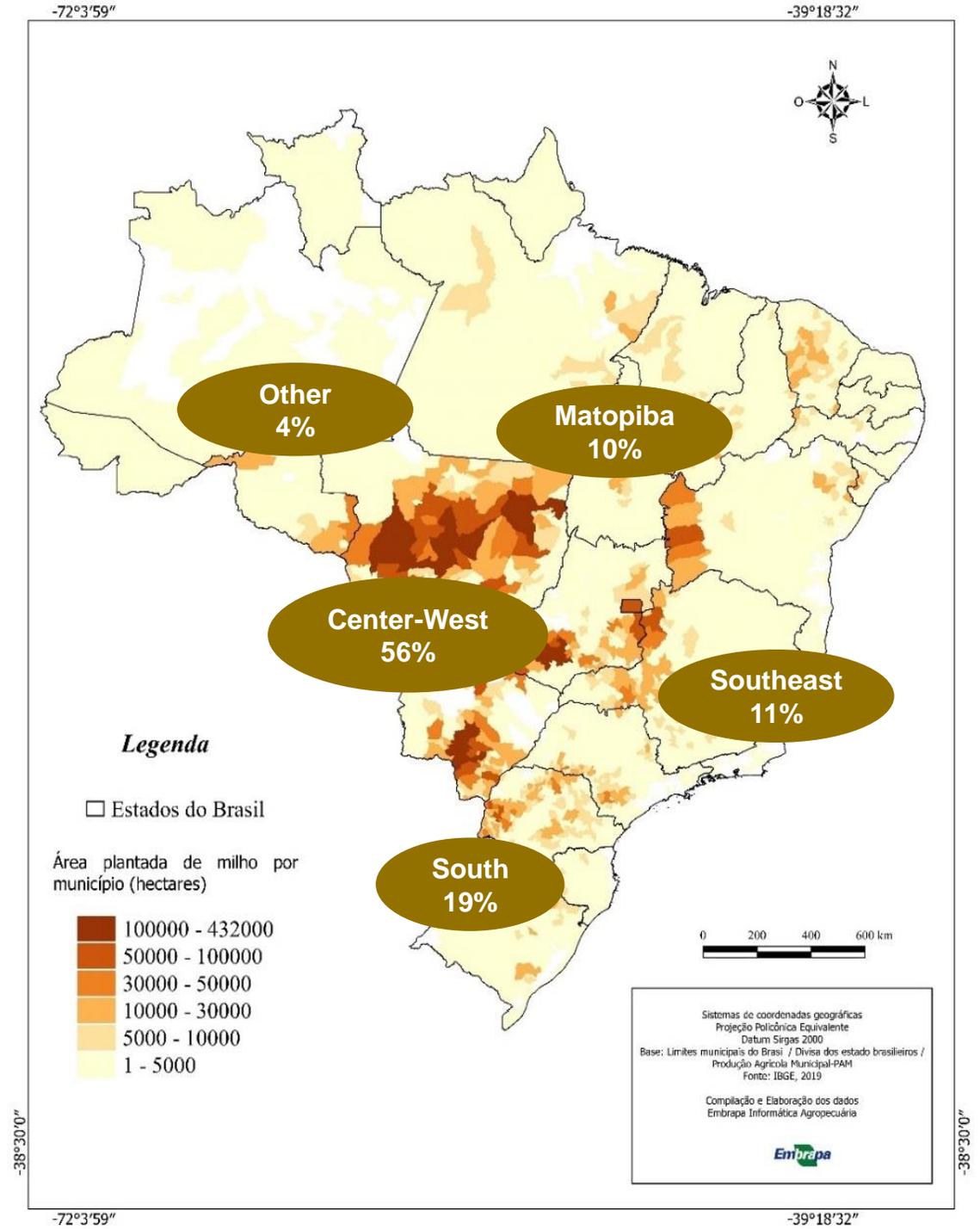
Cornfield in Santa Rosa, Northwest of Rio Grande do Sul. Dec. 2022  
(Photo by Joana Colussi)



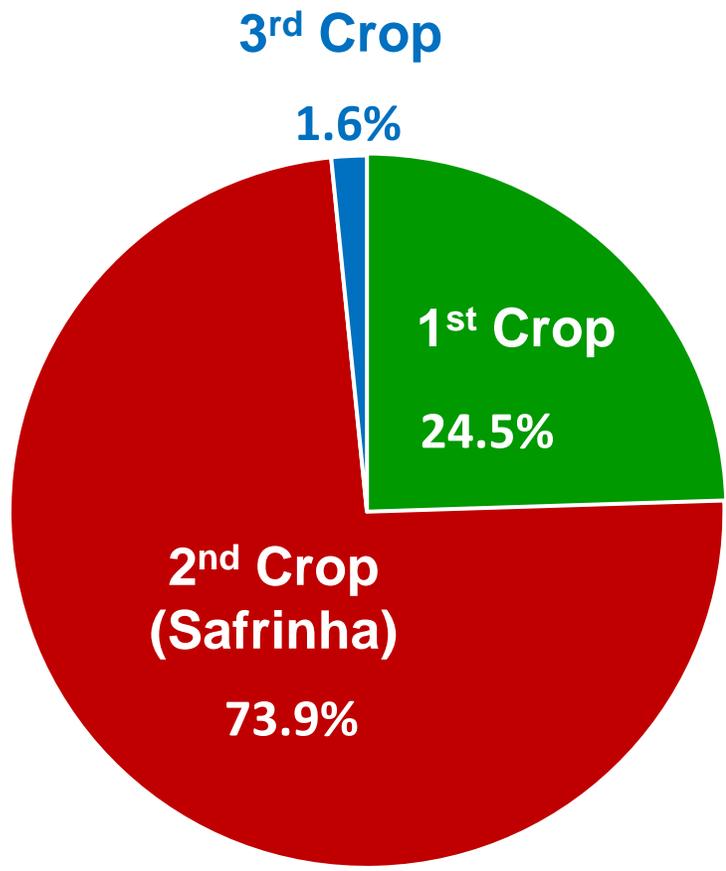
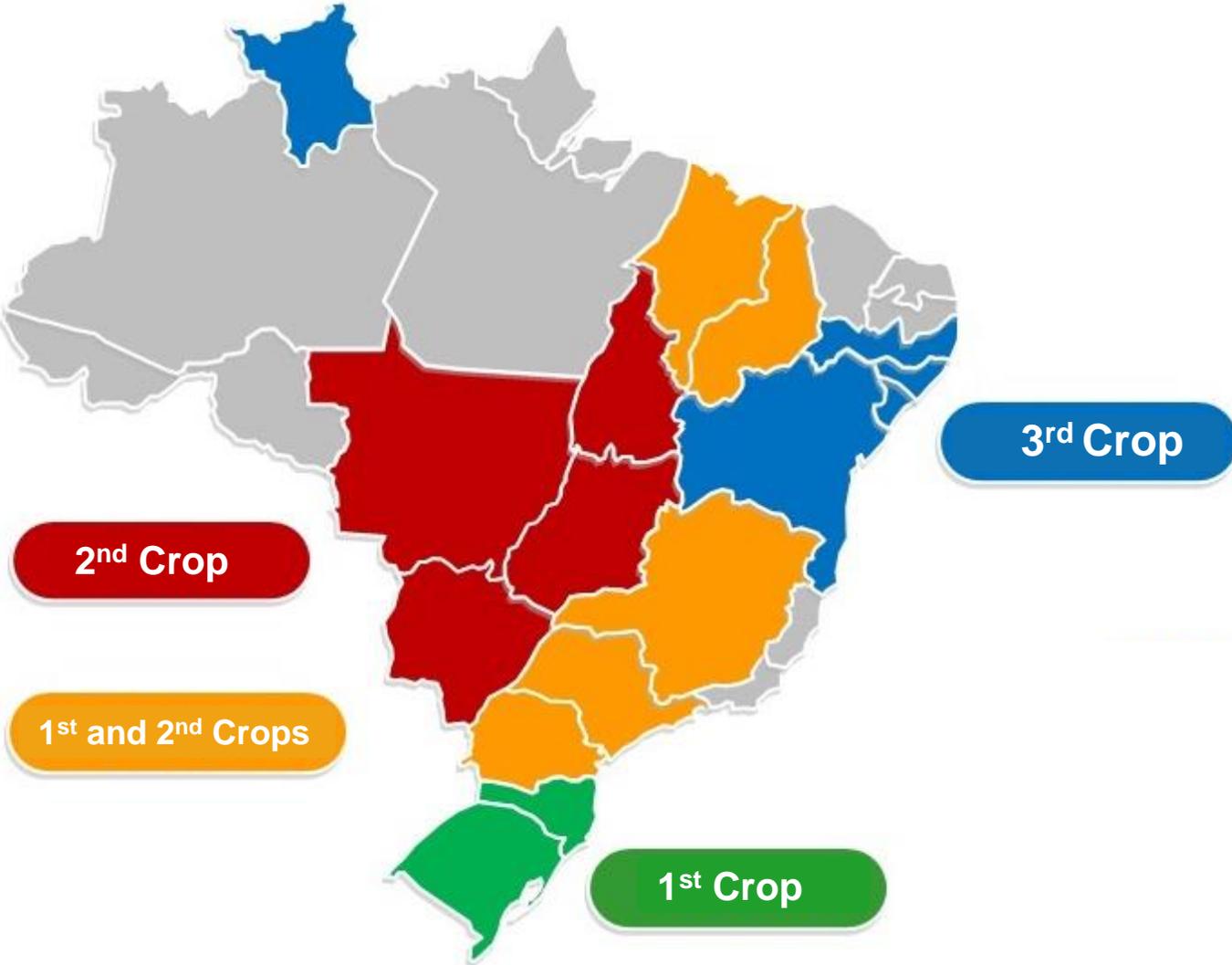
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# Corn by region

- **More than half** of corn production is concentrated in the Center-West as a second crop, planted right after the soybean harvest.
- Corn production is also advancing as a second crop into the new agricultural frontier, **Matopiba**.
- The **growth in the second corn crop (safrinha)** is an opportunity for Brazil to double its corn production in the coming years.



# Corn Production: 3 Crops per Year



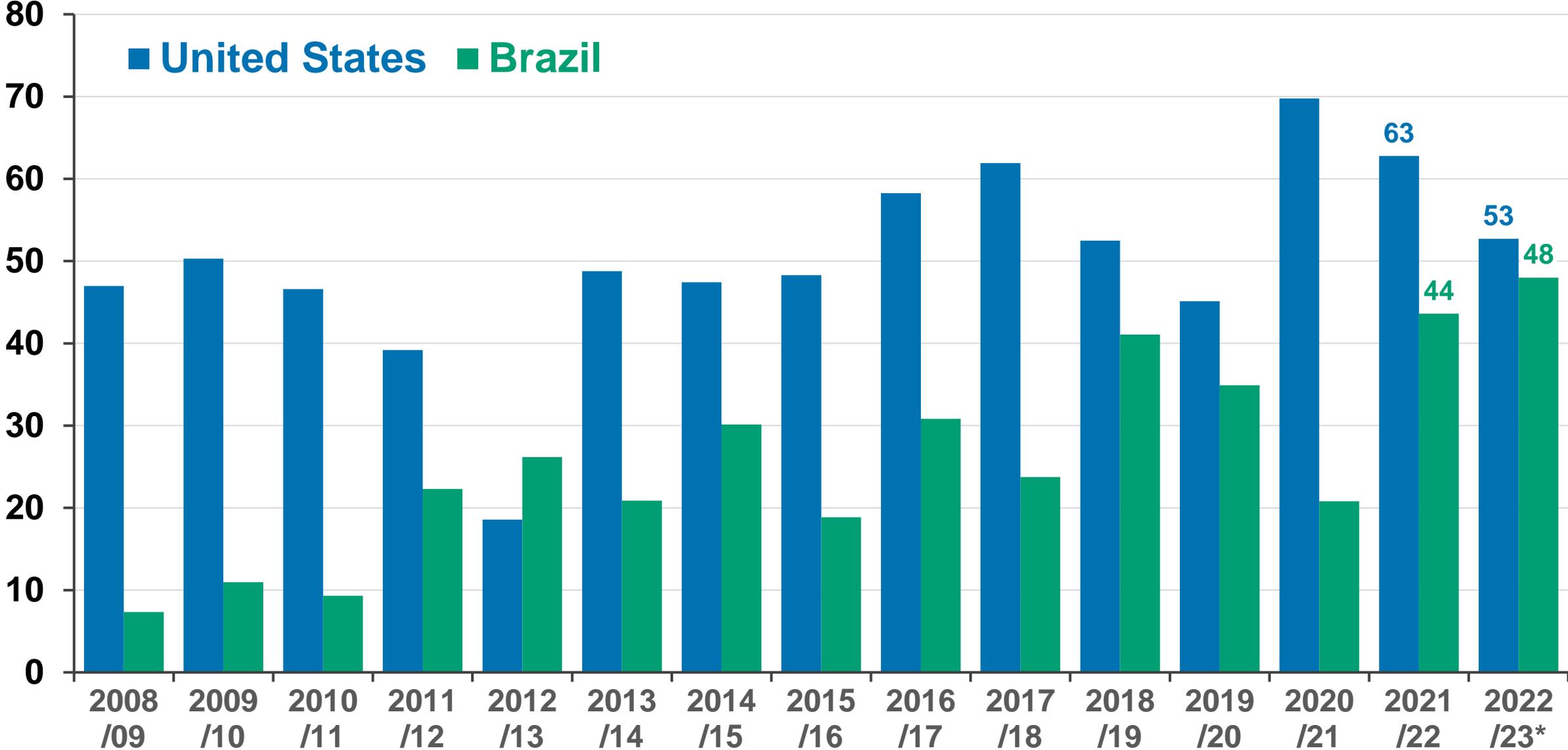
Source: National Supply Company (Conab), Brazil

Source: Cogo Intelligence in Agribusiness

# Could Brazil surpass the United States as the world's top corn exporter soon?

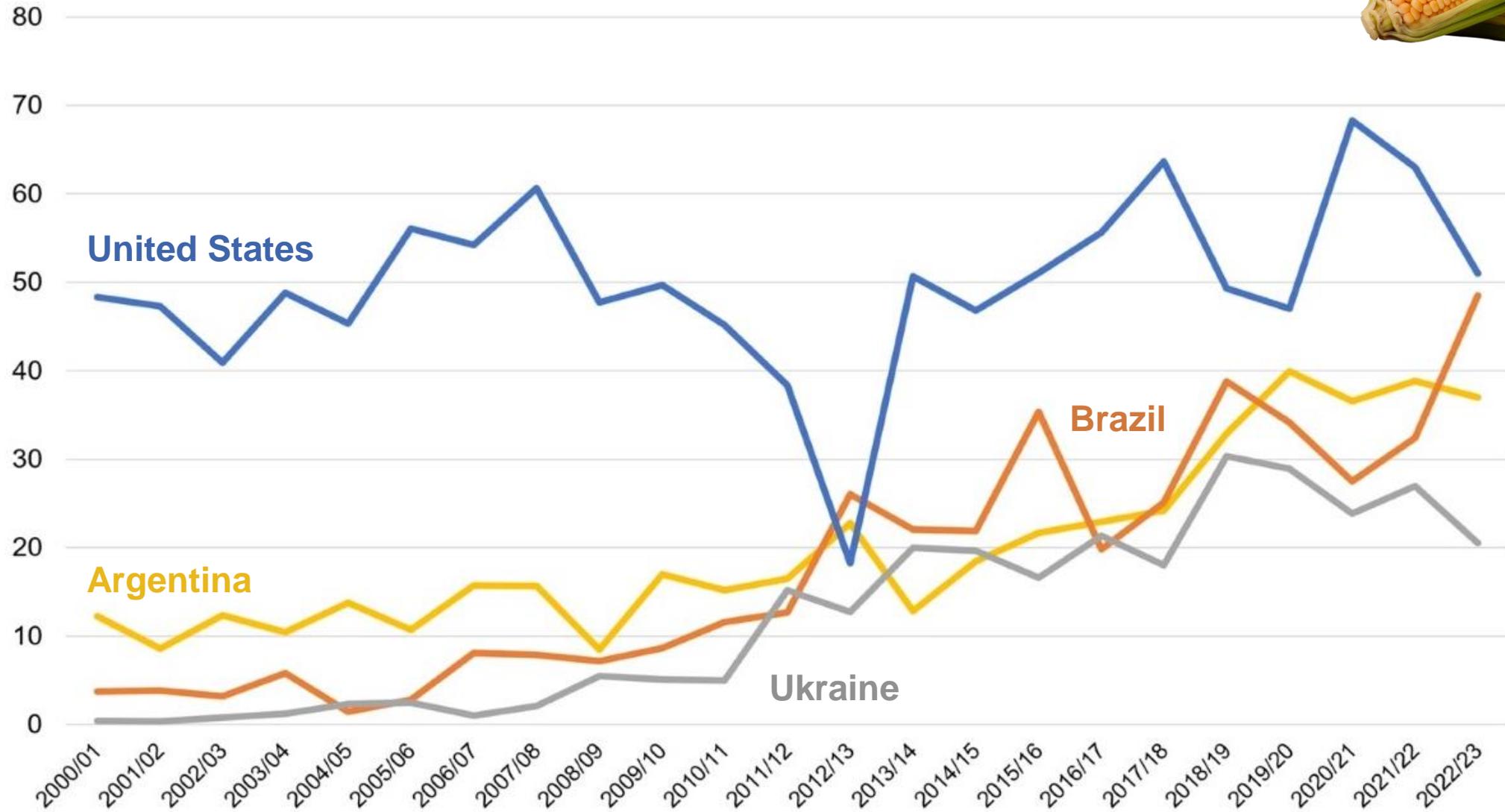
- Yes
- No
- I am not sure

# Corn Major Exports: US x Brazil in Million Metric Tons



# Annual Corn Exports: Top 4 Global Suppliers

Millions of tons: October-September trade year shown



# Grain Market Outlook in Brazil

- **High domestic demand** and **global prices** are drivers for the expanded planting area in the current season.
- Depreciation of the **Brazilian currency** relative to the dollar (1 USD = 5.40 BRL)
- The expected **margins for soybean and corn remain positive**, despite the rise in production costs.
- Brazil is expanding its **ethanol corn production**. Currently, 17 corn ethanol plants are in operation.

# Crop Prospects in Argentina

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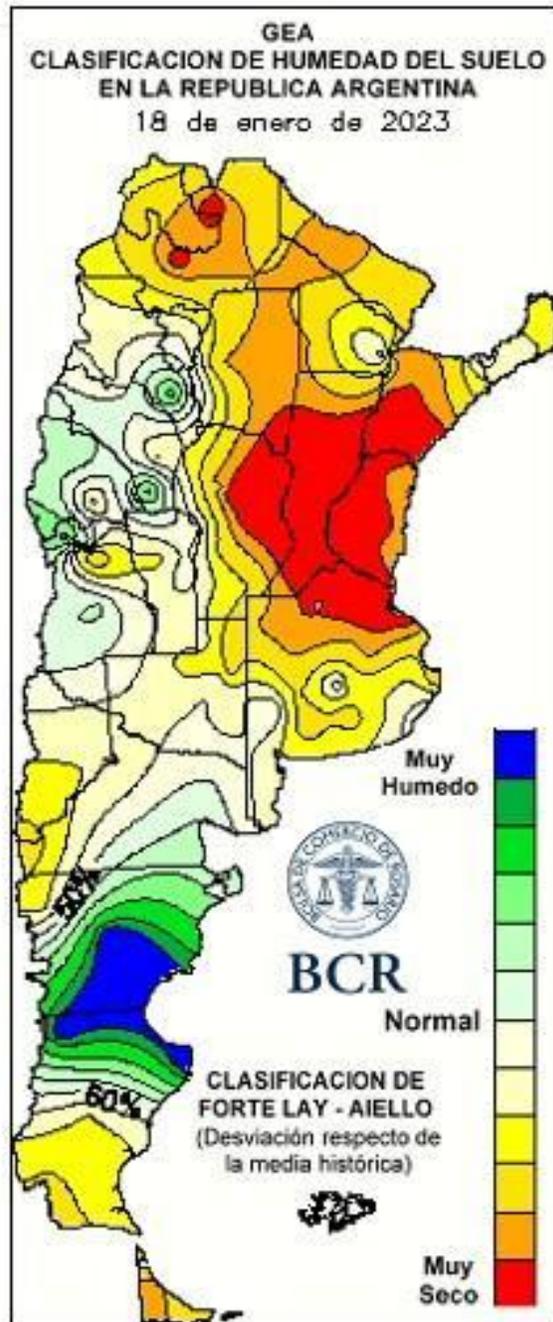
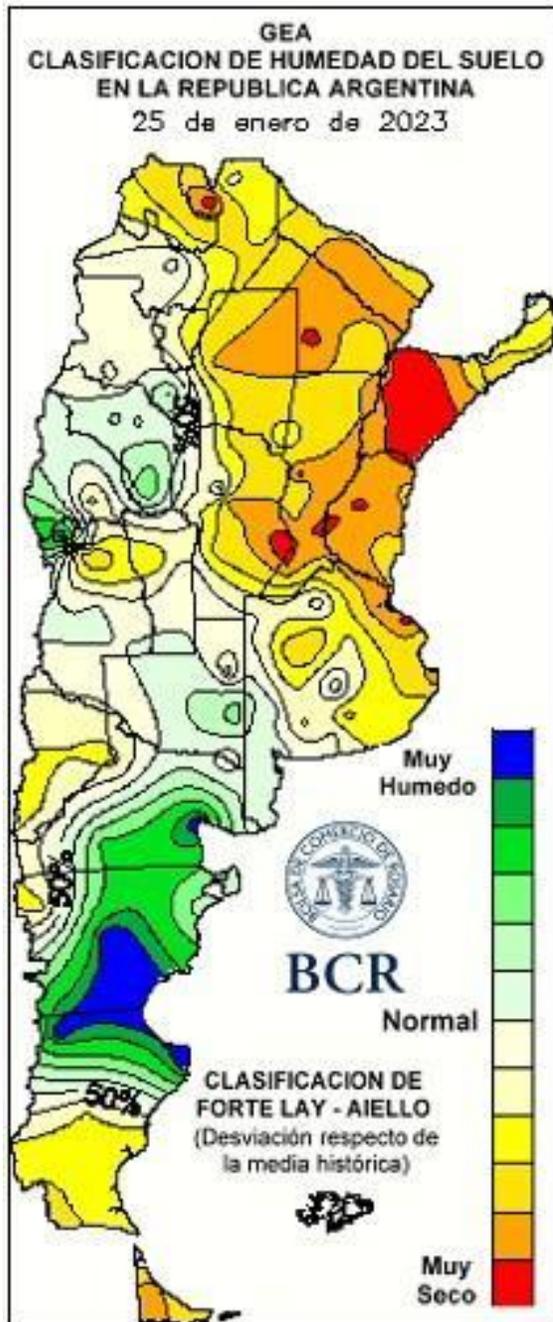


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Image by Diogo Zanatta

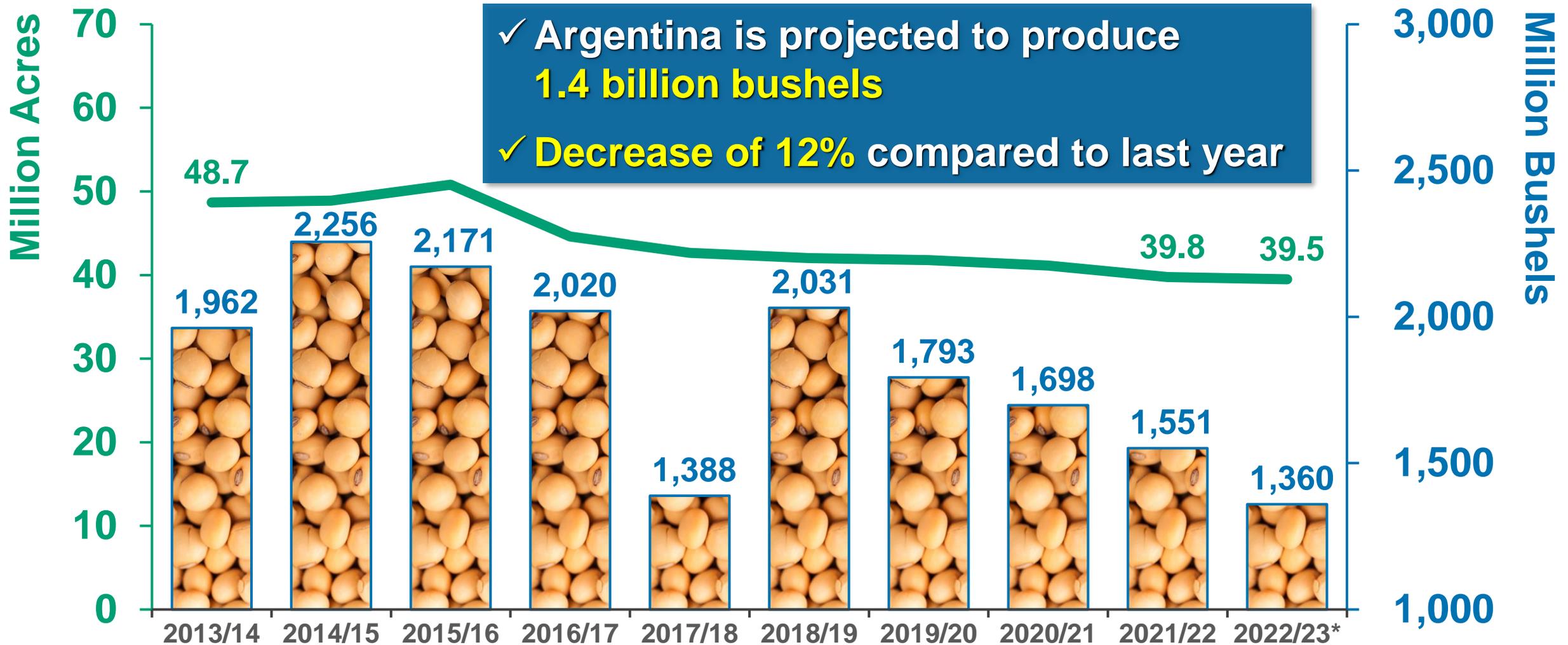


# Cropping progress

- ✓ **94% of Argentina's corn and 99% of their soybeans** were planted as of January 27. (Secretary of Agriculture in Argentina).
- ✓ **Months of drought** have delayed planting and forced cuts to projected harvests.
- ✓ **Recent rains** have relieved much of Argentina's agricultural areas.
- ✓ Precipitation over Argentina's central agricultural area has **prevented new cuts** to Argentinian soybean and corn harvests.

# Soybean Acreage and Production in Argentina

Acreage is expected to decrease 1% in the 2022/2023 crop, around 40 million acres



\* Forecast by Rosario Grain Exchange – 2021/22 and 2022/23  
Source: Secretary of Agriculture in Argentina (SAGyP)

\* Forecast

Soybean in northern AR, Jan. 2023  
(Photo courtesy of Martín Canteros)



## Soybean field situation

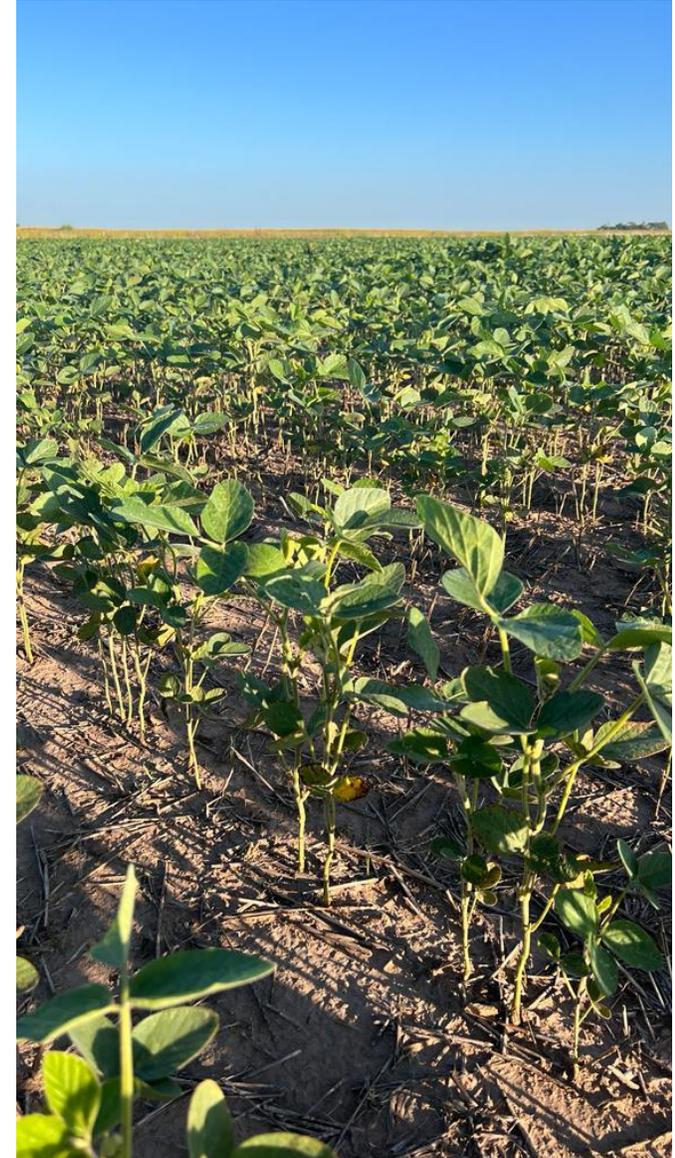
Many areas in Córdoba, Buenos Aires, and Pampas have received different amounts of rain over the last two weeks. In those areas, **crops have improved a lot.**

Soybeans planted early (Oct) faced a severe drought. As a consequence: **losses and lower yield potential.**

Soybeans planted later (Dec) are in **much better shape.** Rain in the coming weeks will be crucial for the fields.

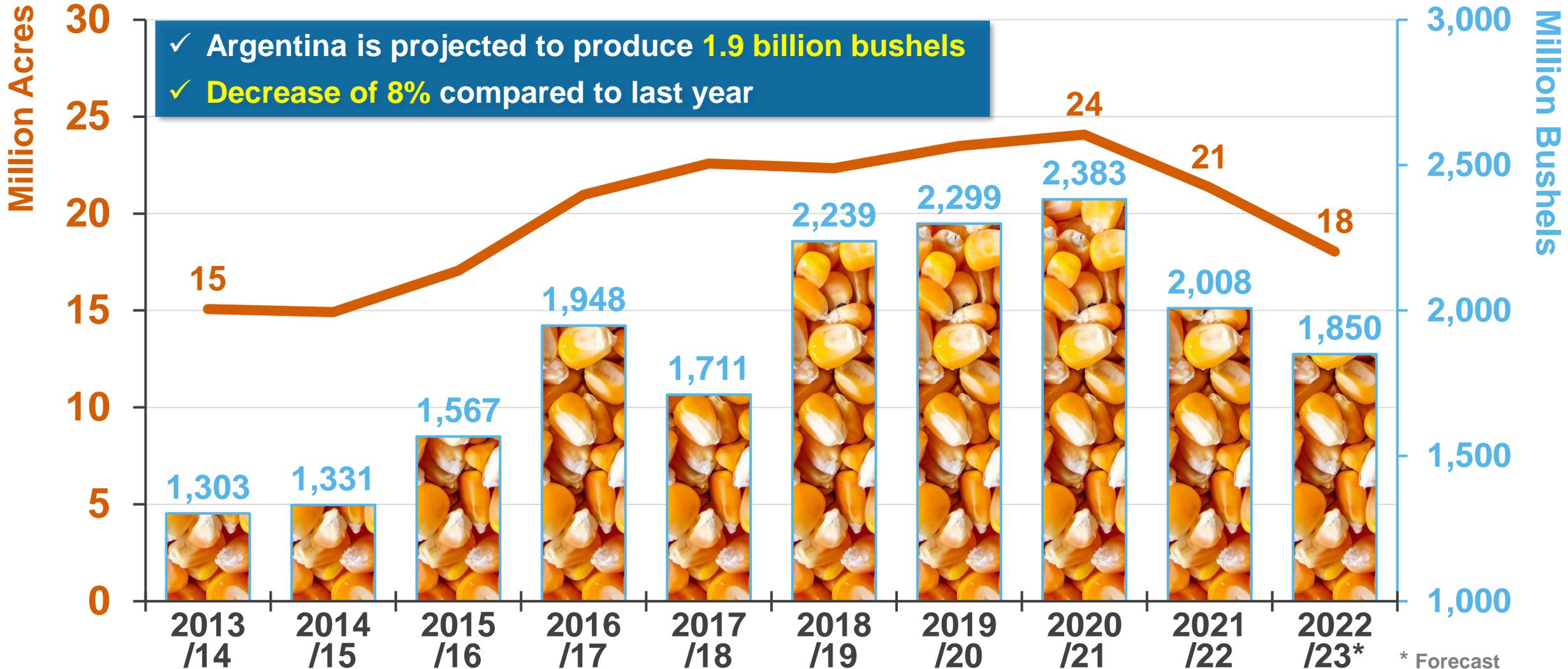
Source: Paulina Lescano, Agronomic Engineer.

Soybean in Córdoba, Jan. 2023  
(Photo courtesy of Magalí Suppo)



# Corn Acreage and Production in Argentina

Corn acreage expected to decrease 17% in 2022/2023 to 18 million acres



\* Forecast by Rosario Grain Exchange – 2021/22 and 2022/23

Source: Secretary of Agriculture in Argentina (SAGyP)

Corn in Entre Ríos, Jan. 2023  
(Photo courtesy Lorena Buenar)



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# Cornfield situation

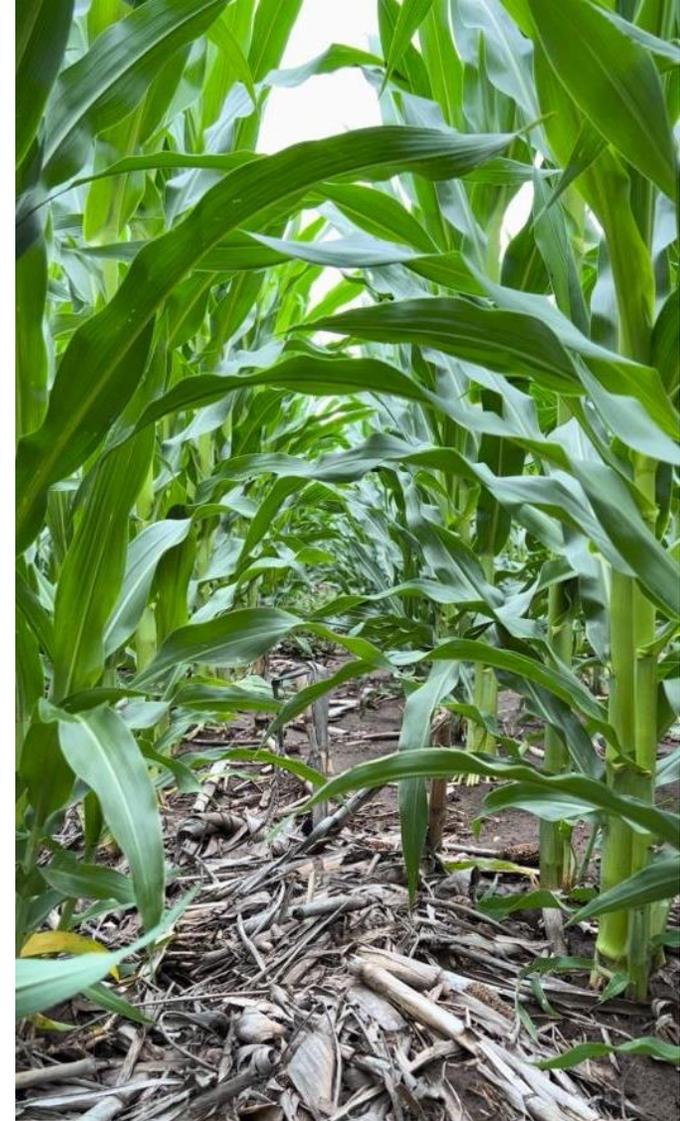
There are **three non-recoverable situations** in the corn planted early:

- Areas could not be planted.
- Crops planted, but they have died.
- Plants that survived with lower yield potential.

On the other hand, **corn planted late is in much better condition**. The silk emergence is in February. Then, it would be essential to follow it.

Source: Paulina Lescano, Agronomic Engineer.

Corn in Córdoba, Jan. 2023  
(Photo courtesy of Magalí Suppo)



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**With Argentina's corn crop stressed, could the U.S. have a better chance at selling corn before Brazil's safrinha harvest in July?**

**Yes**

**No**

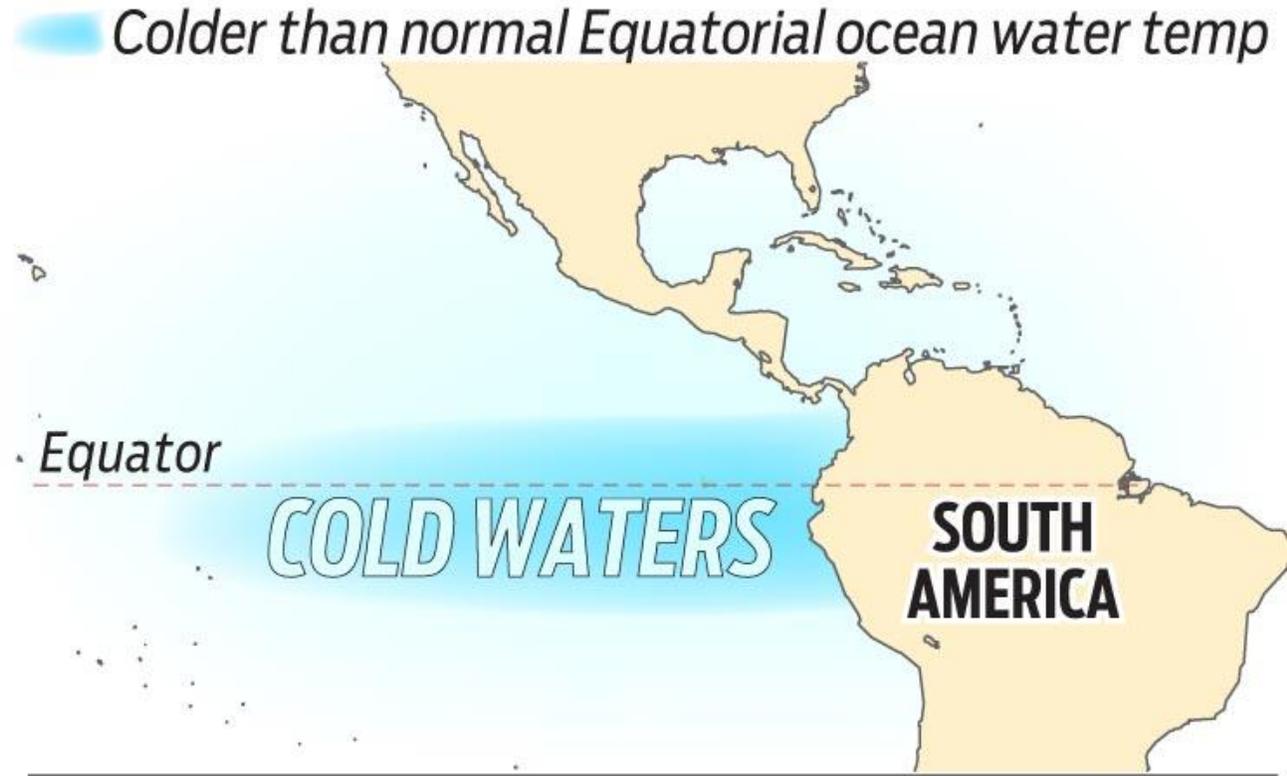
**I don't know**



# The third straight La Niña year

- La Nina usually creates a **hotter and drier summer** in Argentina and, so far, has been doing so.
- August through December for the past three years was among the **driest in over 30 years in Argentina.**
- Argentina's 2022/23 wheat harvest was the **lowest in seven years.** The production was 456 million bushels, 45% down compared to the last year.

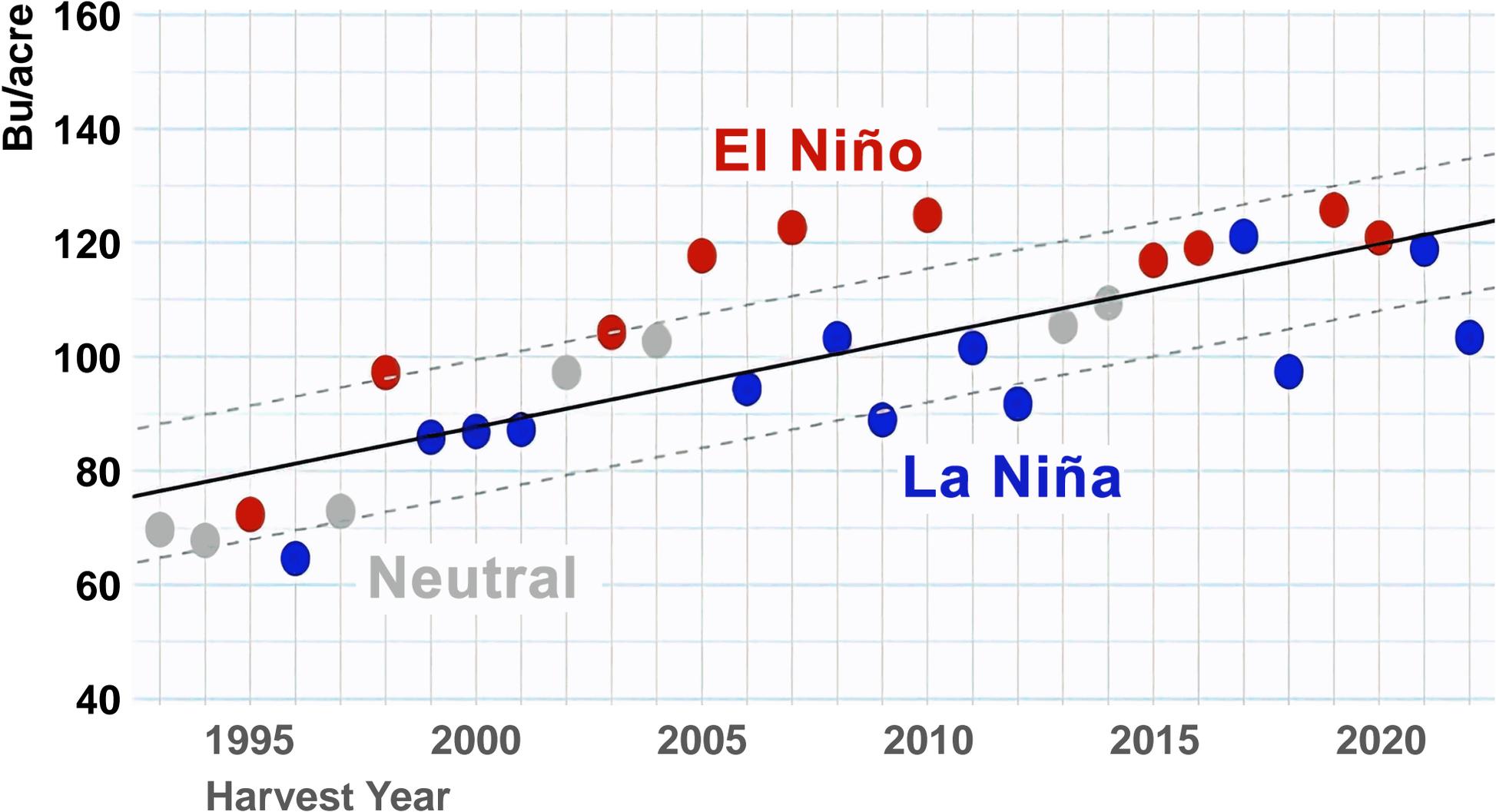
## La Niña pattern in place



- Earlier this season, warmer and drier conditions have had some effect on crop health and **delayed planting in Argentina.**

# Strong Relationship between Corn Yields and La Niña

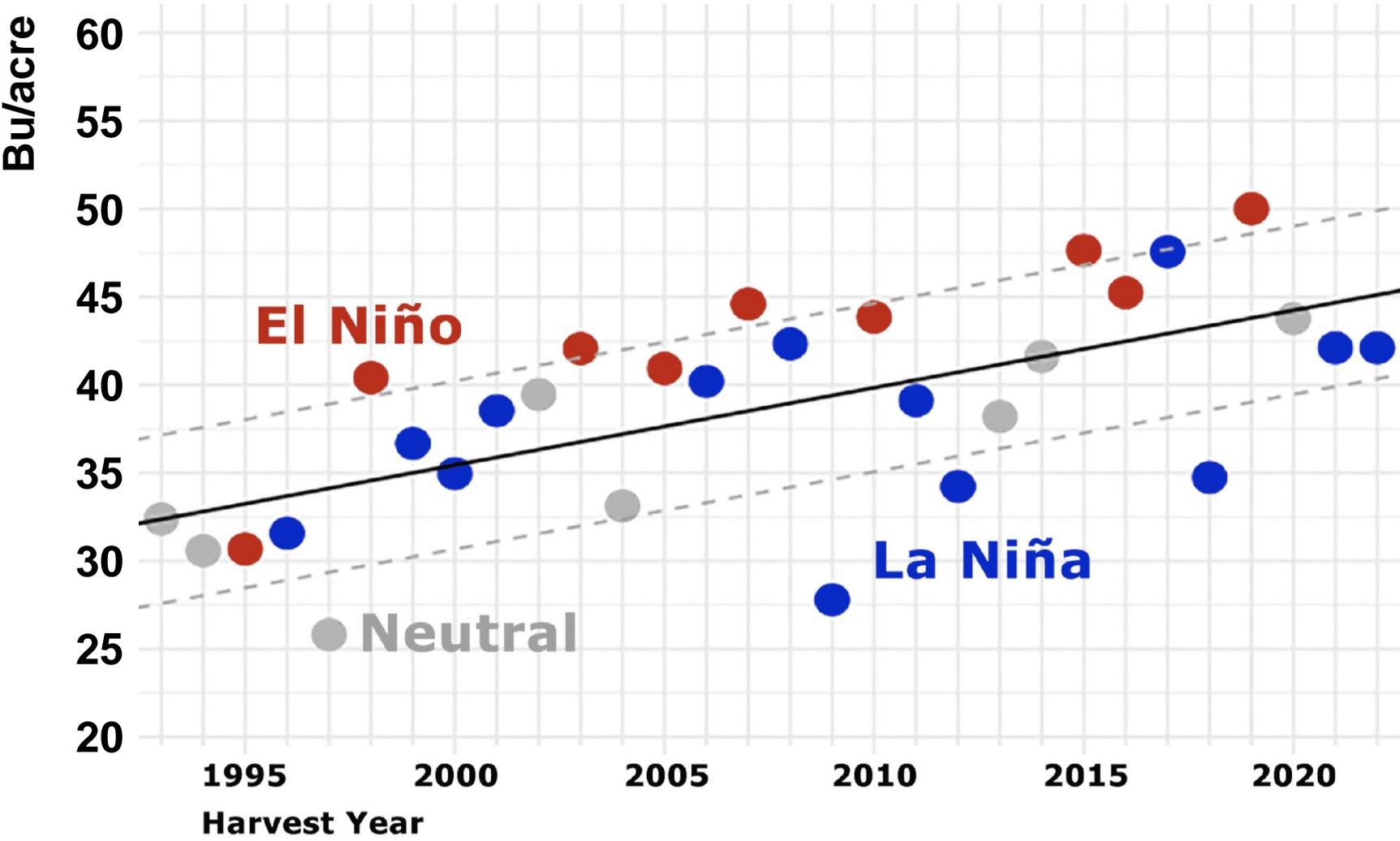
## 1993 to 2022



Note: The black line is the trendline for the period. The dashed grey lines are +/- one residual standard deviation from the trendline.

Source: Ministry of Agriculture, Livestock and Fisheries in Argentina (MAGyP-Argentina) and National Oceanic and Atmospheric Administration (NOAA).

# Strong Relationship between Soybean Yields and La Niña

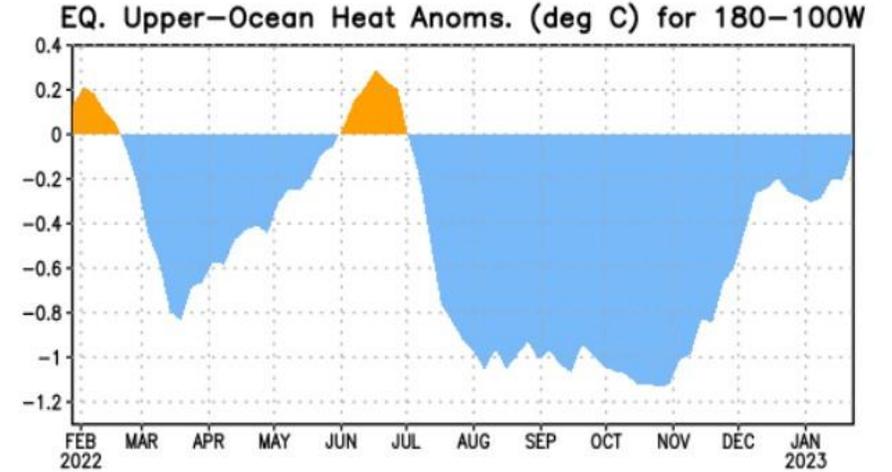
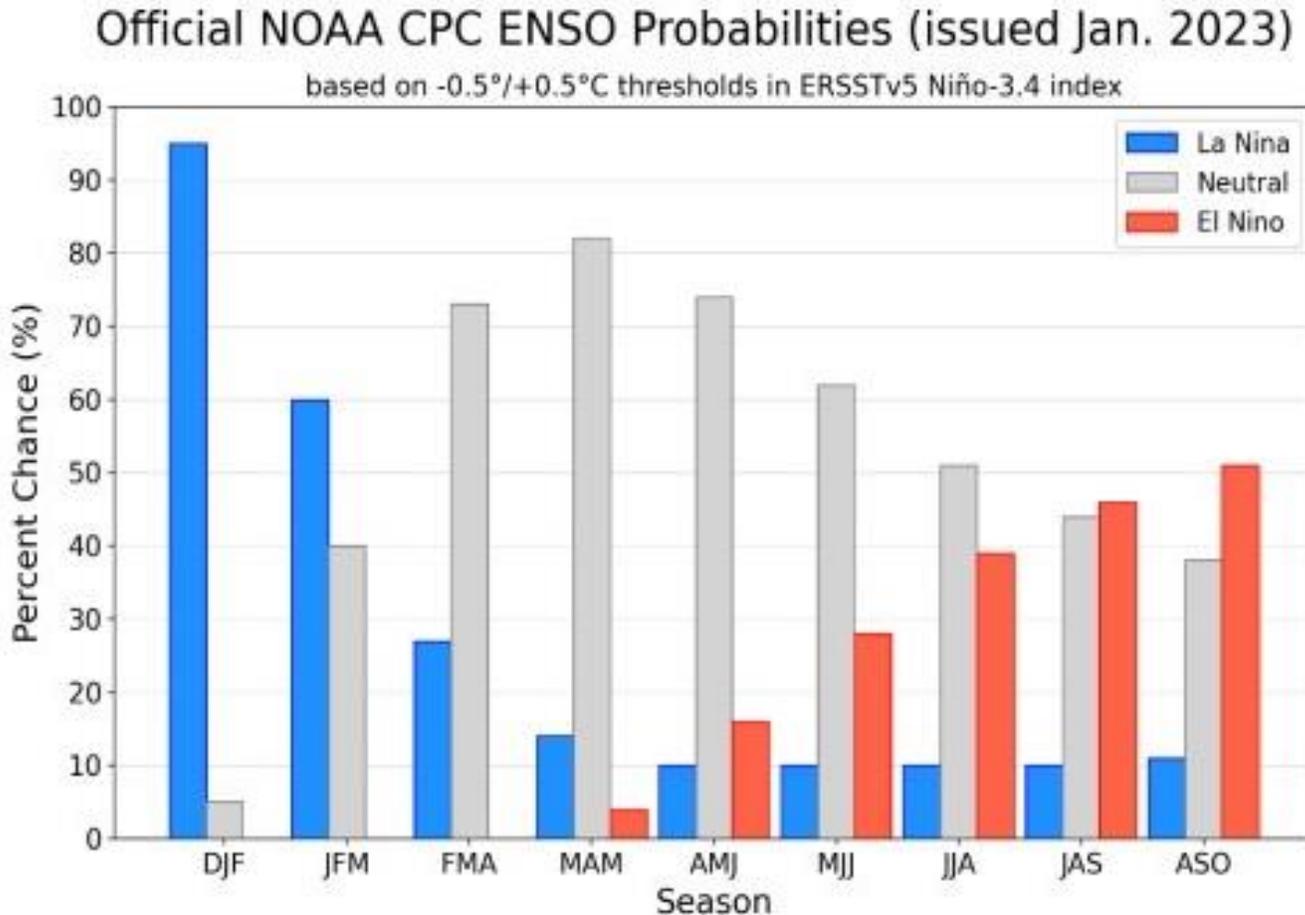


Note: The black line is the trendline for the period. The dashed grey lines are +/- one residual standard deviation from the trendline.

Source: Ministry of Agriculture, Livestock and Fisheries in Argentina (MAGyP-Argentina) and National Oceanic and Atmospheric Administration (NOAA).

# CPC Probabilistic ENSO Outlook

Updated: January 30, 2023



- **La Niña** is still present.
- A transition from La Niña to ENSO-neutral is anticipated during the **February-April 2023** season.
- By the Northern Hemisphere spring (March-May 2023), the chance for **ENSO-neutral is 82%**.

# Grain Market Outlook in Argentina



- Farmers are **selling small amounts** of grains because of yield uncertainty.
- At the same time, Argentinian farmers are "waiting" to see if the government decides to repeat the green dollar action (it **allowed farmers to tap a preferential exchange rate**, which is meant to attract US dollars for grain transactions).
- Last year, the government offered a **preferential exchange rate** twice, in September and December.

# What are topics we should pay attention to?



# Topics to keep an eye on in Brazil

- Potential of increase in **safrinha corn in Brazil** (2<sup>nd</sup> crop).
- Brazil has emerged as a **competitor to the U.S. in corn.**
- Expanding of **ethanol production** in Brazil.
- Environmental Issues and **Carbon Market.**
- **New president in Brazil**  
and relationship with agriculture.



# Topics to keep an eye on in Argentina

- Follow early corn development to see if the Argentinian farmers can accomplish all foreign **sales affidavits** for delivery from March to May.
- There are sales affidavits of **8 million tons from March to May**. There is no certainty if there will be this amount of corn harvested for that time.
- **General elections** in Argentina in October 2023.



# Thank you!

## Muito obrigada! Muchas Gracias!



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# 2023 Illinois Farm Economics Summit

**Thursday, February 9, 2023**

**2024 Farm Bill Update**

**Wednesday, February 15, 2023**

**Farmland Price and Interest Rate Outlook**

by Bruce Sherrick

**Thursday, February 23, 2023**

**Wrap up with the farmdoc team**

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