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South America Poised to Expand Soybean Acreage, Further Pressuring Soybean Prices

Joana Colussi, **Nick Paulson**, and **Gary Schnitkey**

Department of Agricultural and Consumer Economics
University of Illinois

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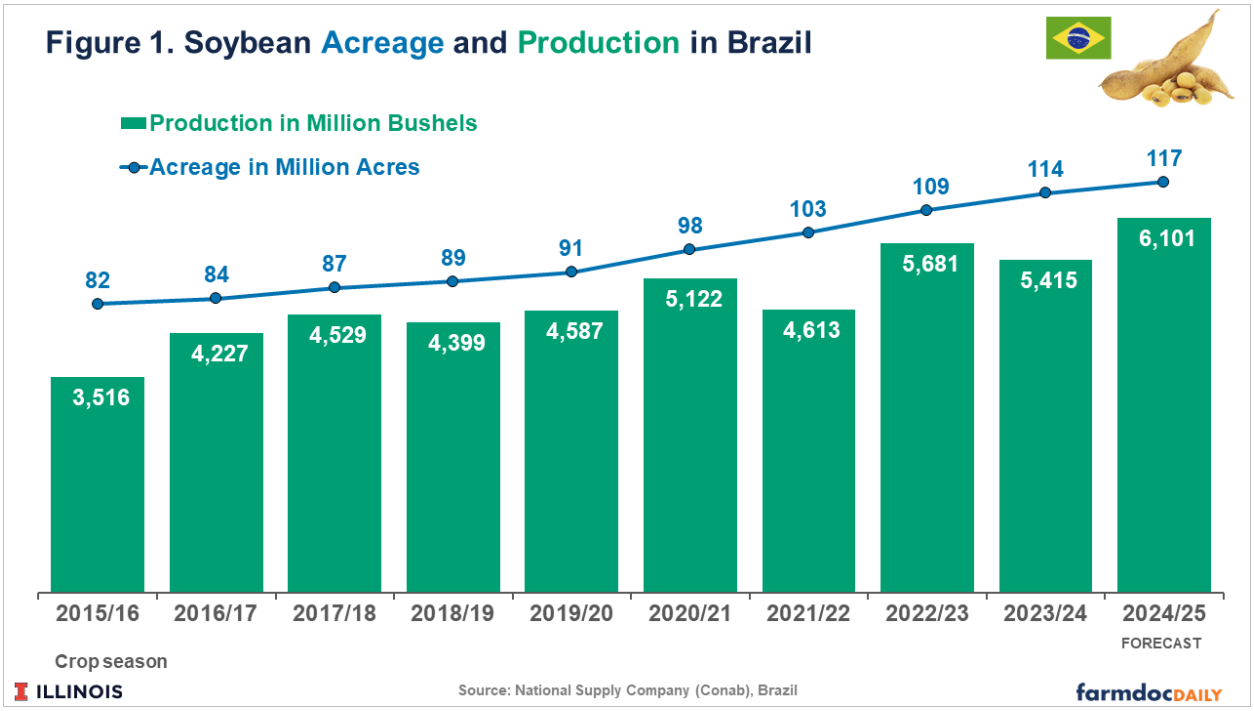
As the U.S. soybean harvest concludes with what are expected to be record yields, South American farmers are advancing the 2024-25 planting season. Argentina may see its largest soybean acreage expansion in over a decade. Brazil's plantings are also expected to grow, albeit at their slowest pace in ten years. This surge in supply, driven by potential record production in both countries, could further depress international soybean prices in the coming months. This article highlights the latest estimates for the 2023-24 soybean crop in Brazil and Argentina, which together account for 60% of global production, and provides perspectives on international soybean markets.

Brazil Expected to See Slowest Acreage Growth in a Decade

Brazilian soybean acreage is projected to grow by 2.8%, reaching 117 million acres, according to the first estimates for the 2024-25 crop season from the National Supply Company (Conab), the country's food supply and statistics agency. This marks the slowest growth in a decade, driven by lower profit margins for farmers, which aligns with low farm incomes across all regions of Illinois (see *farmdoc daily*, September 24, 2024). Despite this, if weather conditions are favorable, the 2024-2025 soybean crop is forecasted to hit a record 6,101 million bushels, a 13% increase over the previous harvest, when drought reduced production in the Center-West states (see Figure 1). Brazil remains the world's top producer and exporter of soybeans.



Brazilian farmers began planting their 2024-25 soybean crop in the western states around mid-September. After an extended period of very dry conditions, recent rains have allowed farmers to progress with soybean planting. As of October 20, 18% of the expected crop had been planted, 11 percentage points behind the same period last year, according to Conab. Rainfall helped advance fieldwork in several states, but overall progress remains the slowest for this period since 2020-21, with planting in Mato Grosso, the top grain-producing state, still lagging. As of October 13, only 25% of the expected crop had been planted in Mato Grosso, less than half the rate of the same period last year, according to the Mato Grosso Institute of Agricultural Economics (Imea).

Except for the southern states of Rio Grande do Sul and Santa Catarina, which have received substantial rainfall, most producers in other regions are still waiting for more consistent rains to accelerate planting. Additionally, the National Oceanic and Atmospheric Administration (NOAA) predicts a 60% chance that La Niña will persist from January to March 2025. Typically, under a La Niña weather pattern, northern and central Brazil receive adequate rainfall, while southern Brazil tends to experience drought.

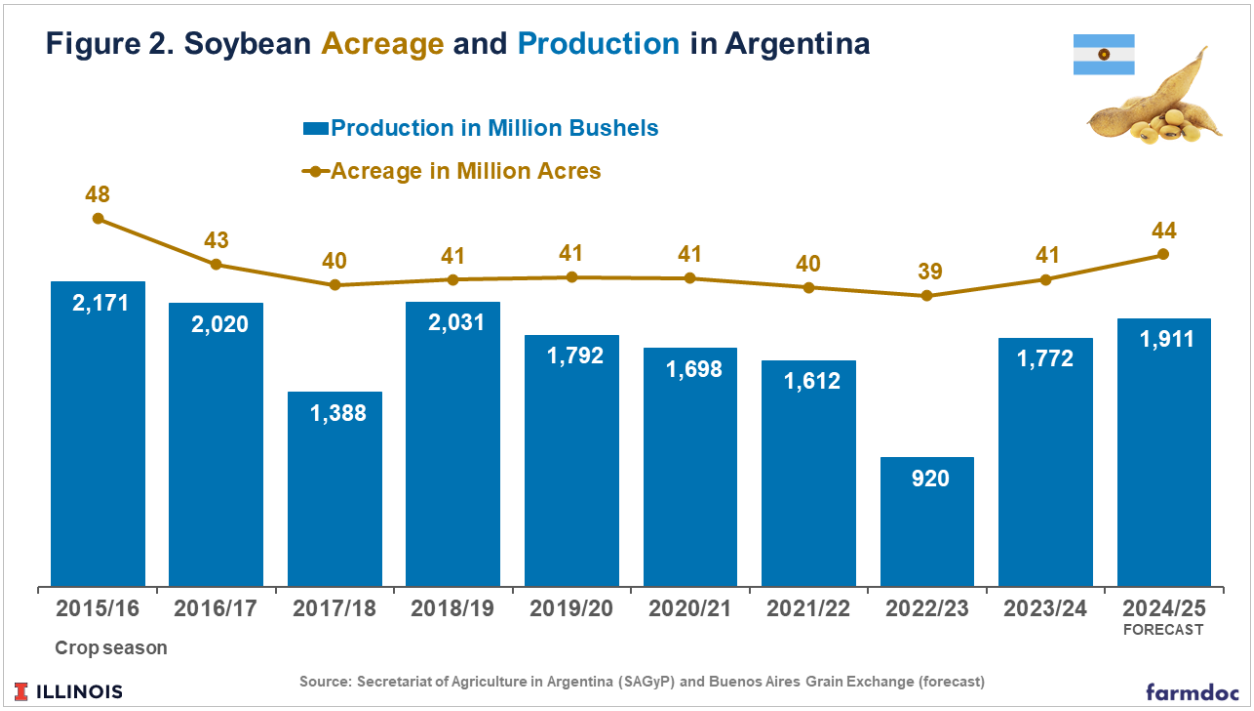
Slow planting progress in the Center-West for the soybean crop increases the likelihood of delays in planting the second corn crop, known as safrinha, which could lead to additional challenges. The safrinha must be planted within a specific window, typically from January to early March, to avoid maturing during the dry season, which begins in mid-April. So far, Conab projects a 3.5% increase in the total corn harvest (including the first, second, and third crops) compared to the last year, with the planted area remaining at 52 million acres. The safrinha corn crop accounts for about 75% of Brazil's total corn production.

The forecast for soybean exports in the 2024-25 season has been revised upwards to 3,748 million bushels, surpassing the previous season's estimate of 3,638 million bushels (USDA, 2024). This revision is based on increased expectations of abundant supplies and a highly favorable exchange rate. Market expectations indicate that the Brazilian real will continue trading at around R$5.5 to USD $1 in 2025. A weaker real makes Brazil’s agricultural commodities highly competitive in international markets.

Argentina Projected Largest Acreage Growth in 8 Years

Argentina's soybean planted area is expected to grow by 7% in the 2024-25 crop season, reaching 44 million acres, according to initial estimates from the Secretariat of Agriculture. This marks the largest expansion in soybean planting since the 2015-16 season. The 2024-25 soybean crop is projected to reach 1,911 million bushels, a slight increase over the previous harvest (see Figure 2). Argentine farmers

are expected to allocate more land to soybeans, reducing the area planted with corn by approximately 4 million acres after the previous harvest was severely impacted by corn stunt disease.



Unlike in Brazil, soybeans and corn share the same planting period in Argentina, competing for the same growing area. Last season, corn faced significant losses due to a bacterium spread by the leafhopper pest, which stunts crop growth. Many farmers lost their entire corn crop to the disease, making them particularly cautious this season. In previous years, corn stunt was mainly present in the country's northern region, but the 2024 season marked the first time this disease has affected Argentina's central corn production region (see *farmdoc daily*, May 28, 2024).

Soybean planting in Argentina is set to begin in November, with concerns about dry conditions due to the La Niña phenomenon, which typically reduces rainfall in the region. In the last two growing seasons (2021-22 and 2022-23), Argentine farmers dealt with La Niña, resulting in lower-than-normal soybean yields both years (see *farmdoc daily*, March 31, 2023). In the 2022-23 season, Argentina experienced one of the worst droughts in its history. As a result, Brazil surpassed Argentina as the leading exporter of soybean meal for the first time in 25 years.

In August, Argentina reclaimed its position as the world's top exporter of soybean meal. The country also leads in soybean oil exports. The Rosario Grain Exchange projects Argentina's soybean crush for 2024 at 42.4 million tons, a 37% increase from the previous year. While the U.S. and Brazil crush much larger volumes of soybeans, this doesn't necessarily mean a stronger presence in the global export market. The key factor is domestic consumption patterns, with both the U.S. and Brazil directing a significant share of their production to meet local demand.

Surge in Supply Likely to Further Depress Prices

The expansion of soybean acreage in Brazil is slowing down, not only due to tighter profit margins but also because of uncertainties in the global market. In Argentina, the increase in soybean planting is largely motivated by concerns over potential corn losses due to the spread of corn stunt disease. The world will be facing record soybean volumes. South America alone is projected to produce 8,745 million bushels of soybeans, according to the United States Department of Agriculture (USDA), which will help push global production to a record 15,736 million bushels.

With global soybean production expected to reach record levels, supplies are likely to increase significantly. The USDA projects that global soybean stocks will hit an all-time high in 2024-25, rising by

nearly 808 million bushels compared to the previous year. This surge in supply, also fueled by a record American soybean harvest expected this year, could put further downward pressure on soybean prices.

Except for the U.S. harvest, which is nearly set, the South American crop season is just beginning and will heavily depend on weather conditions. Given the potential impact of La Niña, which typically brings adequate rainfall to northern and central Brazil while causing drought in southern Brazil and Argentina (see *farmdoc daily*, May 23, 2022) any production forecast or market analysis at this stage should be approached with caution. In the coming months, attention will need to shift to the Southern Hemisphere.

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