

# 2024 Illinois Farm Economics Summit

## South America's Crop Production Under the El Niño Influence



College of Agricultural,  
Consumer &  
Environmental Sciences

UNIVERSITY OF ILLINOIS URBANA-CHAMPAIGN



**Joe Janzen**  
jjanzen@Illinois.edu



**Joana Colussi**  
jcolussi@Illinois.edu

*Image by Ricardo Polo Rotilli*

# 2024 Illinois Farm Economics Summit

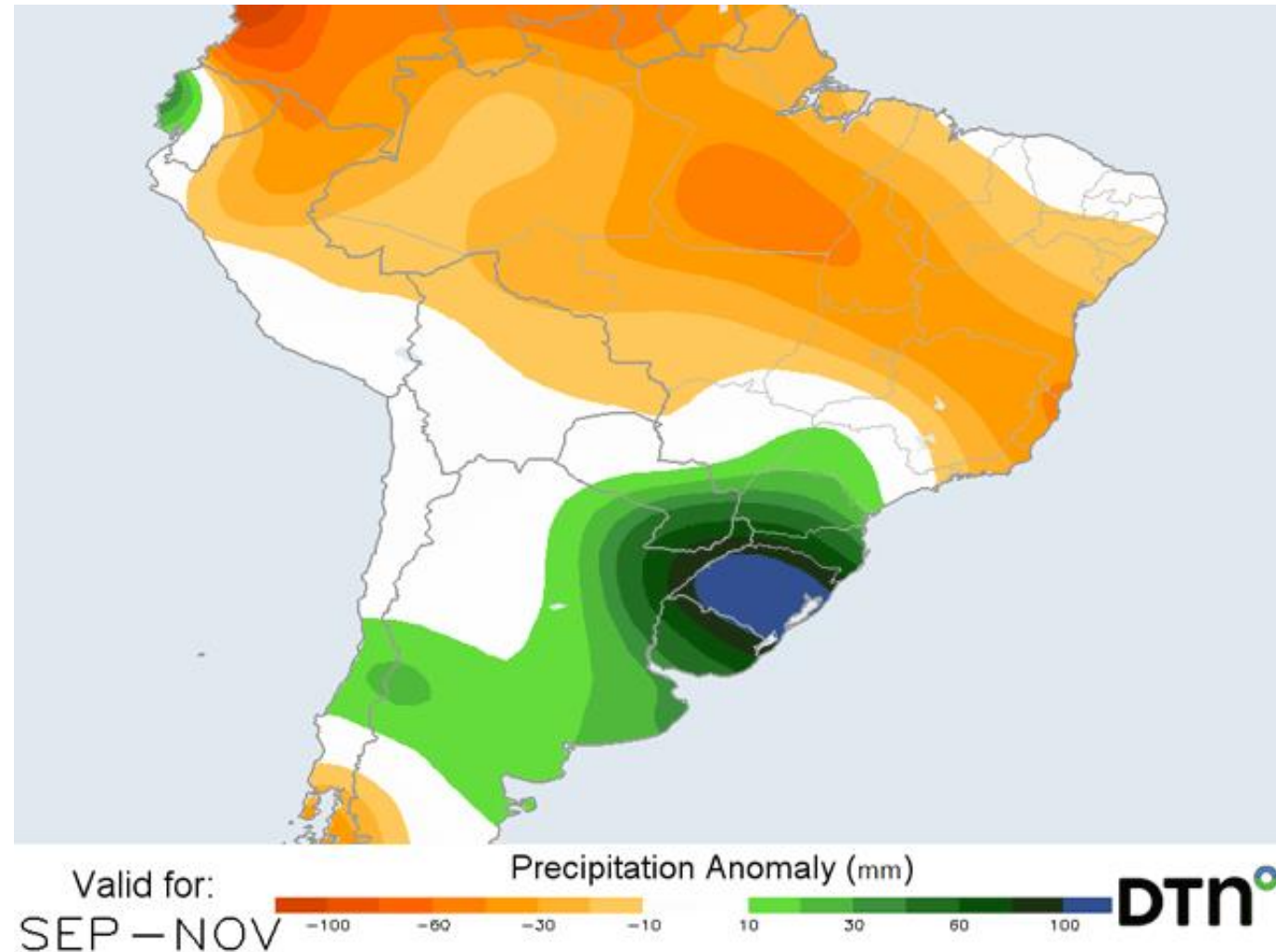
## Outline

- From La Niña to Strong El Niño
- Soybean Production and Trade
- Corn Production and Trade
- Crop Prospects in Argentina
- South American Production



# From La Niña to the “Strong” El Niño

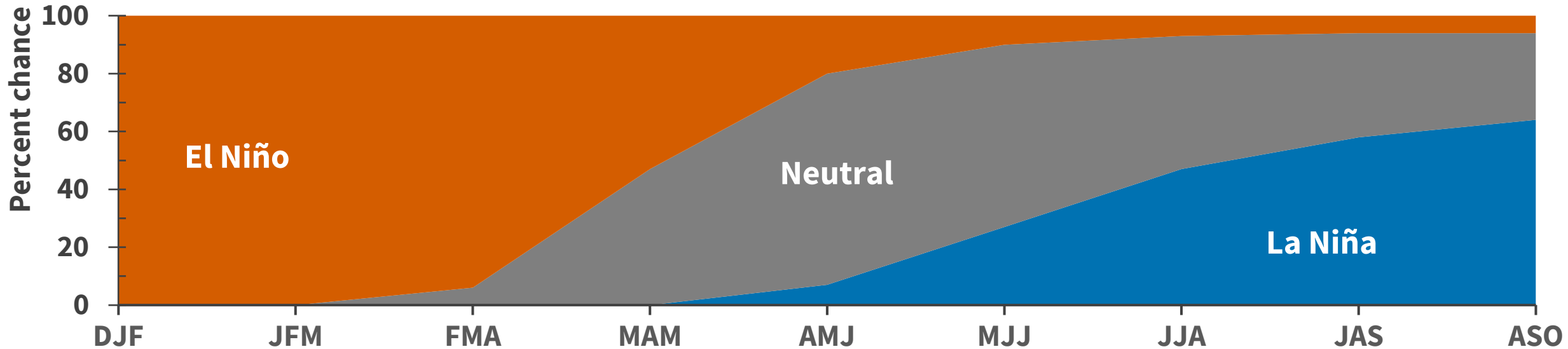
- **Weather under El Niño** for this crop season has differed from the previous growing seasons.
- **Dryness** has impacted Center-West of Brazil at the soybean crop season.
- Meanwhile the southern part of Brazil has **seen too much rain** since September.



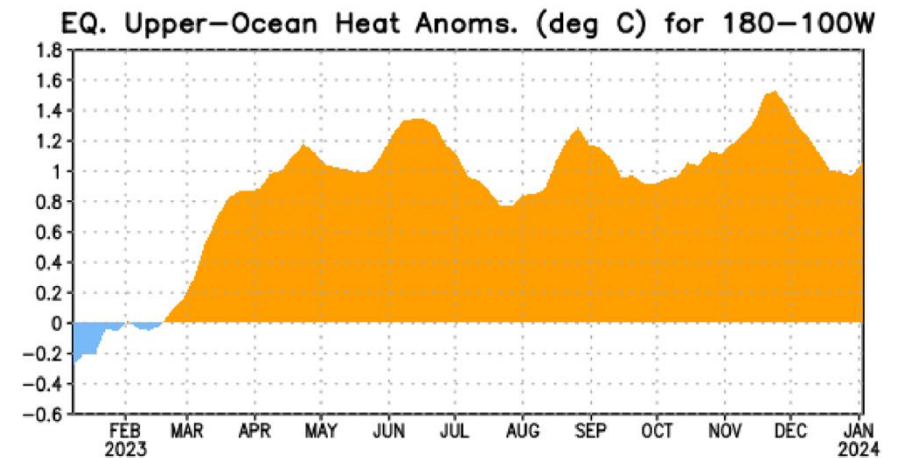
# CPC Probabilistic ENSO Outlook

## Official NOAA CPC ENSO probabilities (issued January 2024)

based on  $\pm 0.5^\circ\text{C}$  thresholds in ERSSTv5 Niño-3.4 index

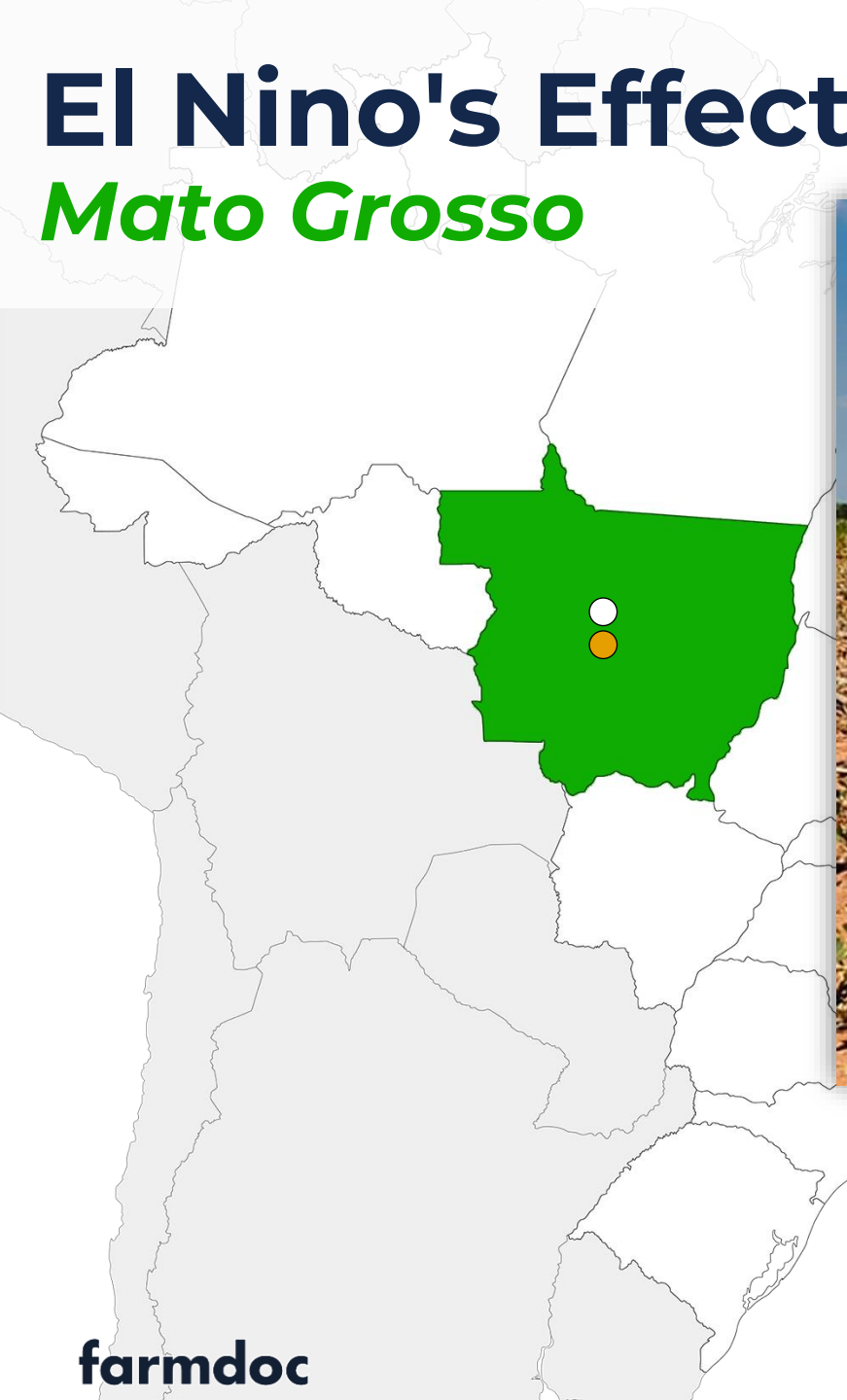


- **El Niño** has been present since March 2023.
- NOAA models suggest **El Niño will continue until March 2024**, with a transition to Neutral during April-May-June (AMJ) 2024 (73% chance).



# El Nino's Effect on the Planting Season

## Mato Grosso



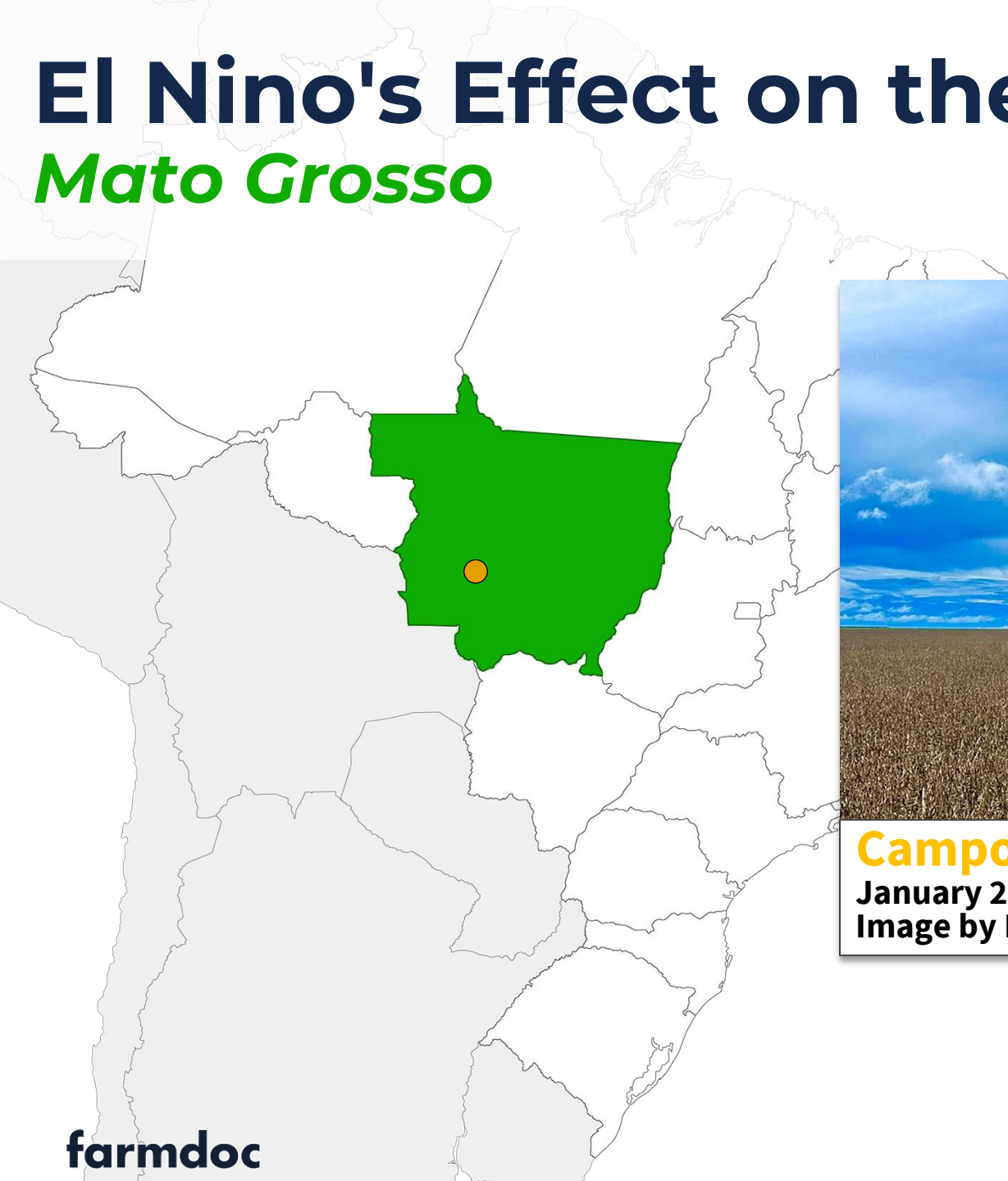
**Lucas do Rio Verde**  
November 20, 2023  
Photo by Aprosoja Mato Grosso



**Sorriso**  
December 10, 2023  
Photo by Ferrarin Group

# El Nino's Effect on the Harvest Season

## *Mato Grosso*



**Campo Novo do Parecis**

January 2, 2024

Image by Ricardo Polo Rotilli

# Good yields in many farmlands

*December 2023*



**Sorriso, Mato Grosso**  
*Guerino Ferrarin Group*

**farmdoc**



**Lucas do Rio Verde, MT**  
*Guerino Ferrarin Group*



**Santa Rita do Trivelato, MT**  
*Guerino Ferrarin Group*

# El Nino's Effect in the Southern Brazil

## *Rio Grande do Sul*



**Espumoso**  
December 26, 2023



# Soybean Production and Trade

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# How It's Going So Far

- As of Jan 27, **9% of the soybean** were harvested in Brazil (Conab).
- In Mato Grosso, the production is expected to **reduce by 14%** (Imea).
- **Higher yields** in crop fields planted later. Rainfalls in December helped.
- In contrast, southern states are expecting a **full soybean crop**. February will be crucial for them.

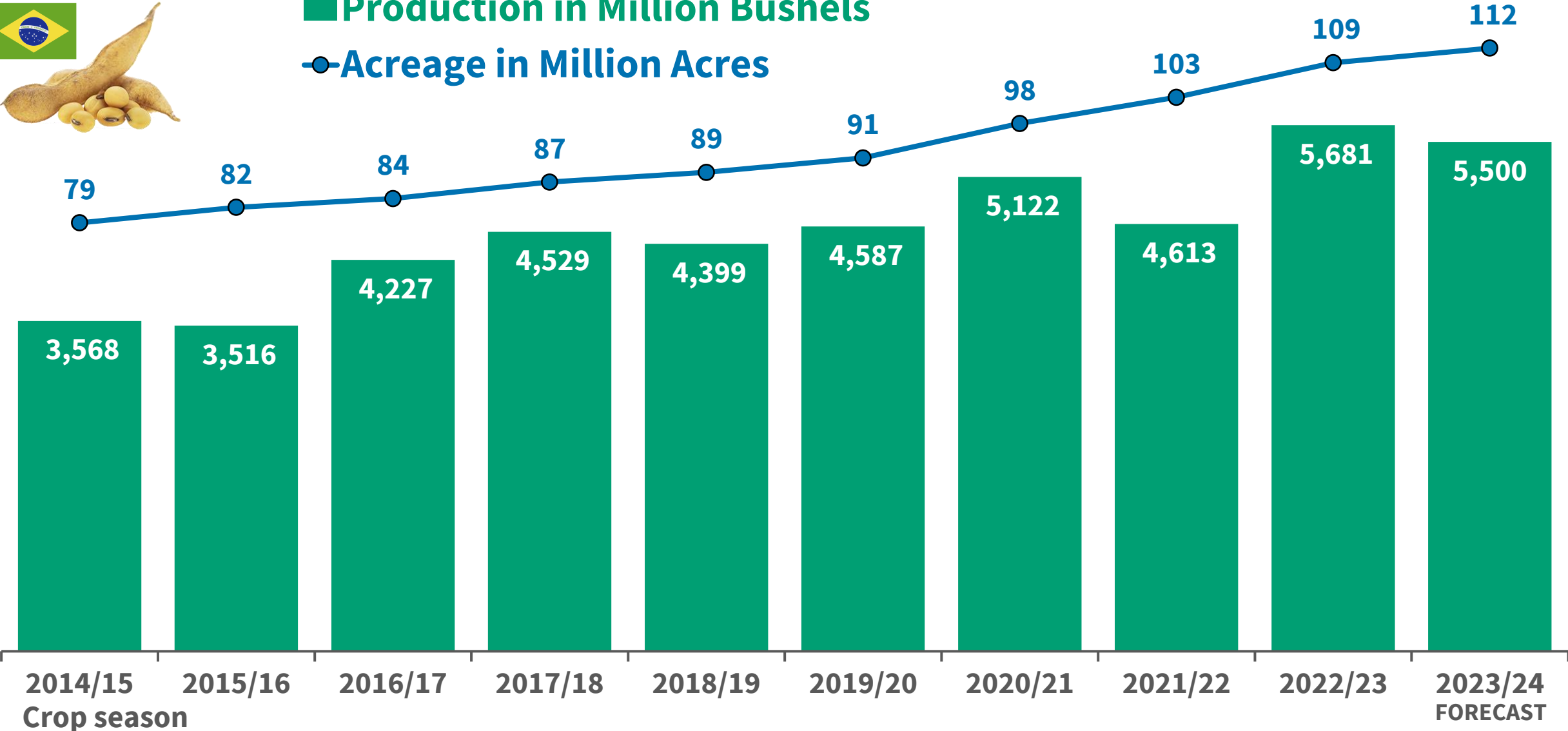


**Itanhangá, Mato Grosso**  
January 24, 2024  
Image by Iury Rodrigues (Imea)

# Soybean Acreage and Production in Brazil

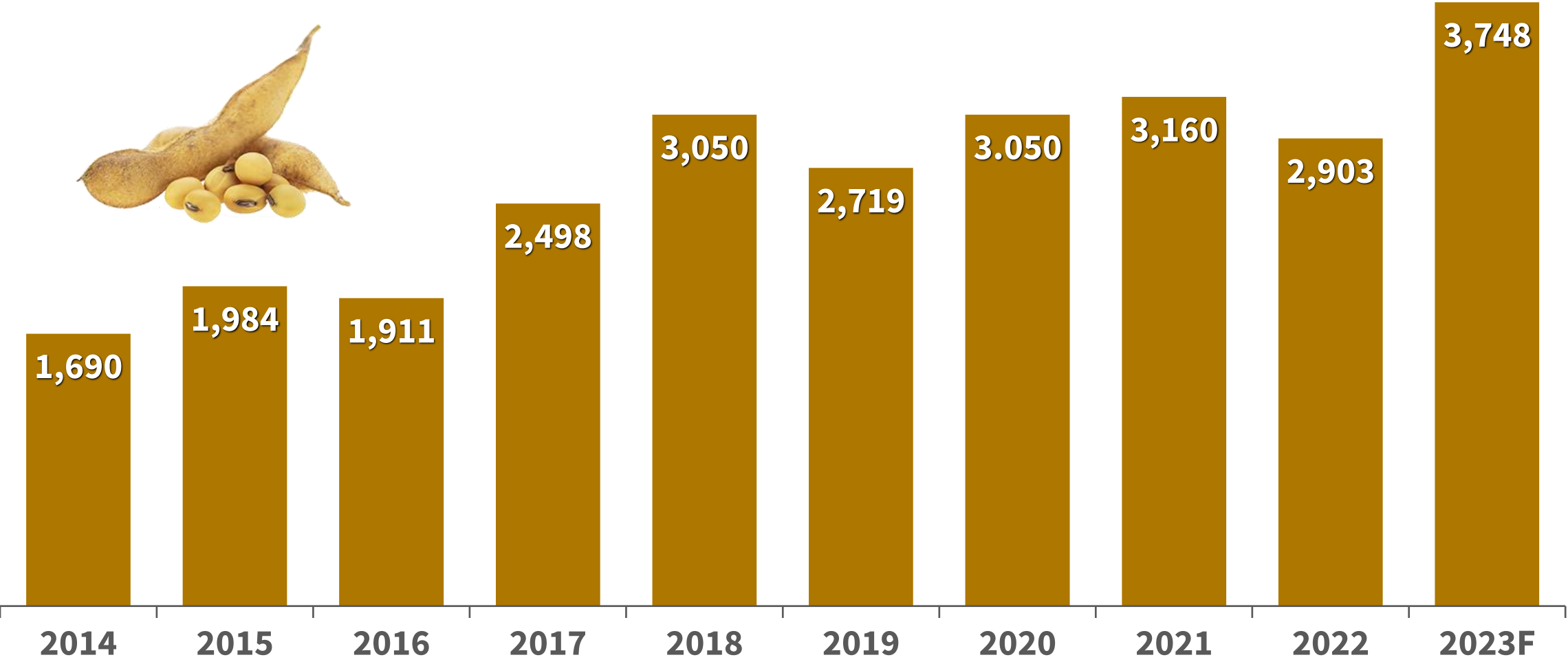


■ Production in Million Bushels  
● Acreage in Million Acres



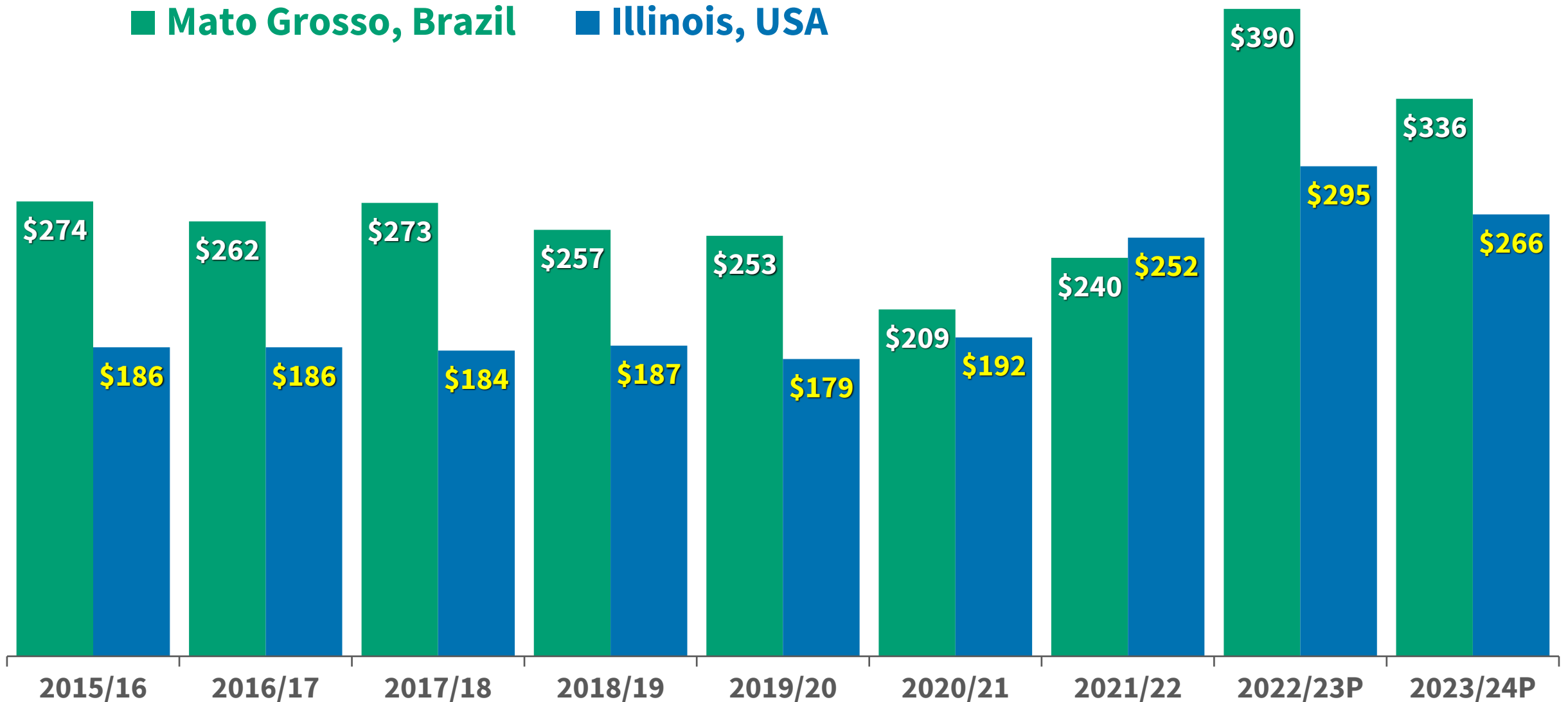
# Brazil Have Broken Soybean Export Record

*in million bushels*



# Soybean Average Total Direct Costs (US\$ per acre\*)

\*Prices were converted from BRL to USD on average currency relative to each year



# Corn Production and Trade



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# How It's Going So Far

- **Second corn crop** will likely be impacted by the delay in soybean season due to the short window.
- As of January 27, **10% of the second corn crop** was planted in Brazil (Conab).
- Brazil's 1<sup>st</sup> and 2<sup>nd</sup> crop corn production are expected to **decline by 11% and 12%**, respectively (Conab).

**São Jose do Rio  
Claro, Mato Grosso**  
January 25, 2024  
Image by Milena Habeck (Imea)

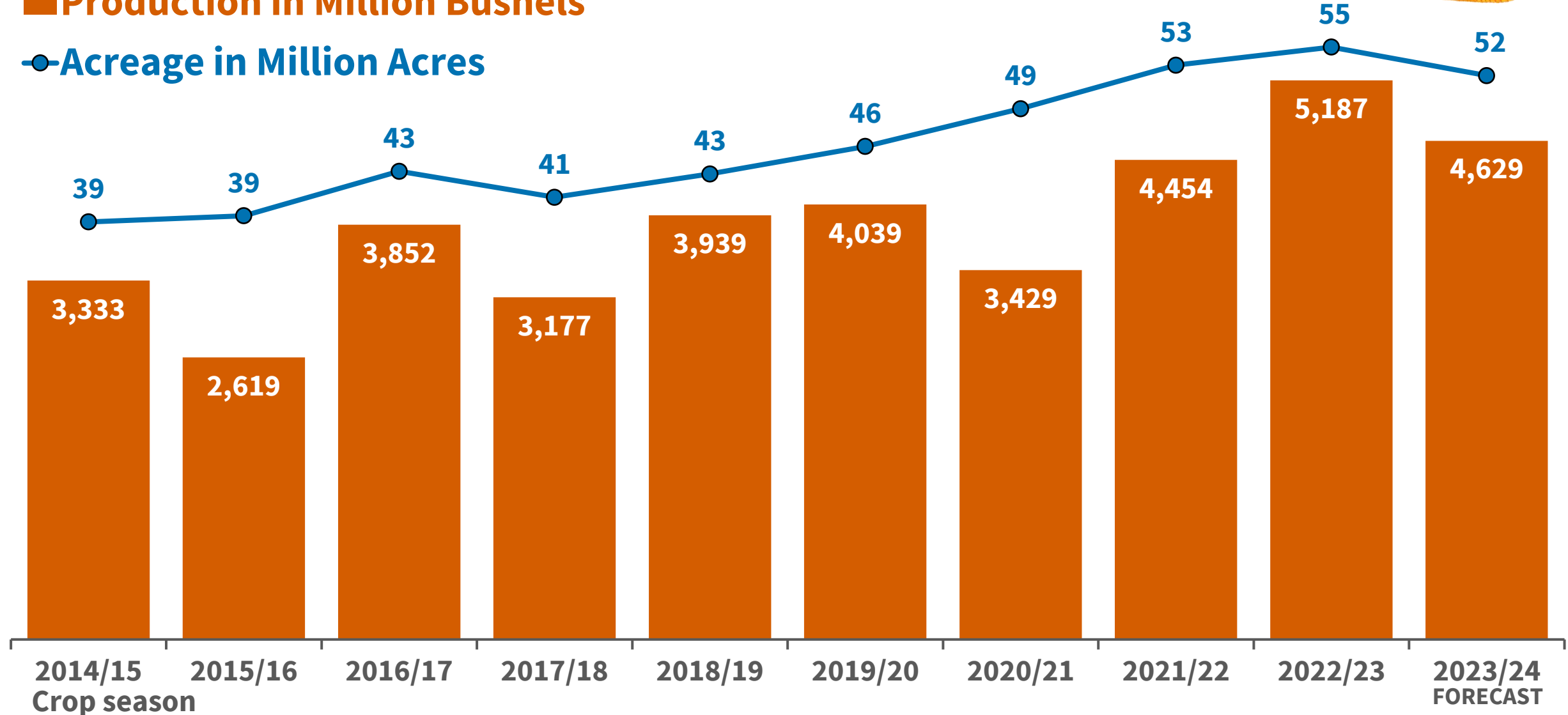


# Total Corn Acreage and Production in Brazil



■ Production in Million Bushels

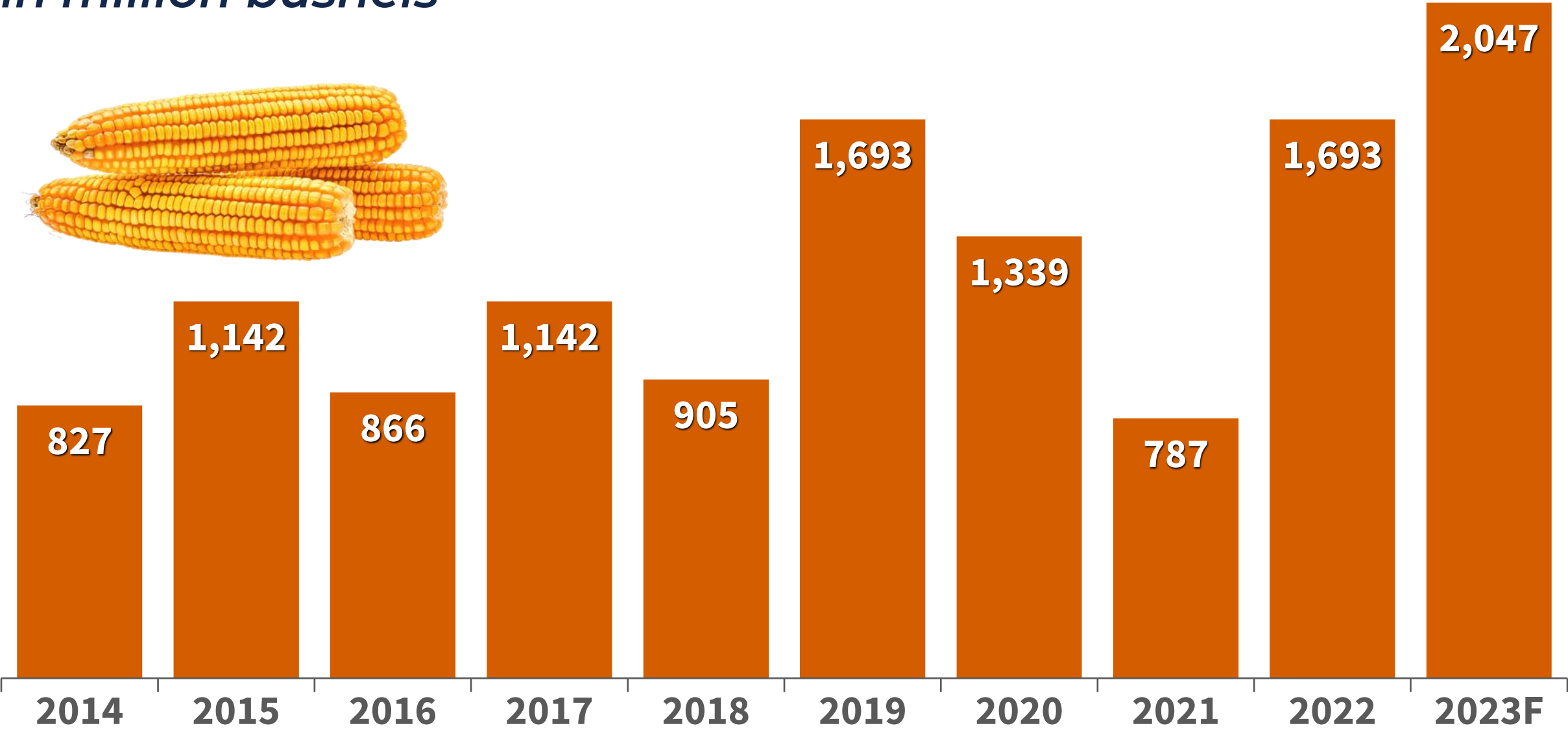
● Acreage in Million Acres





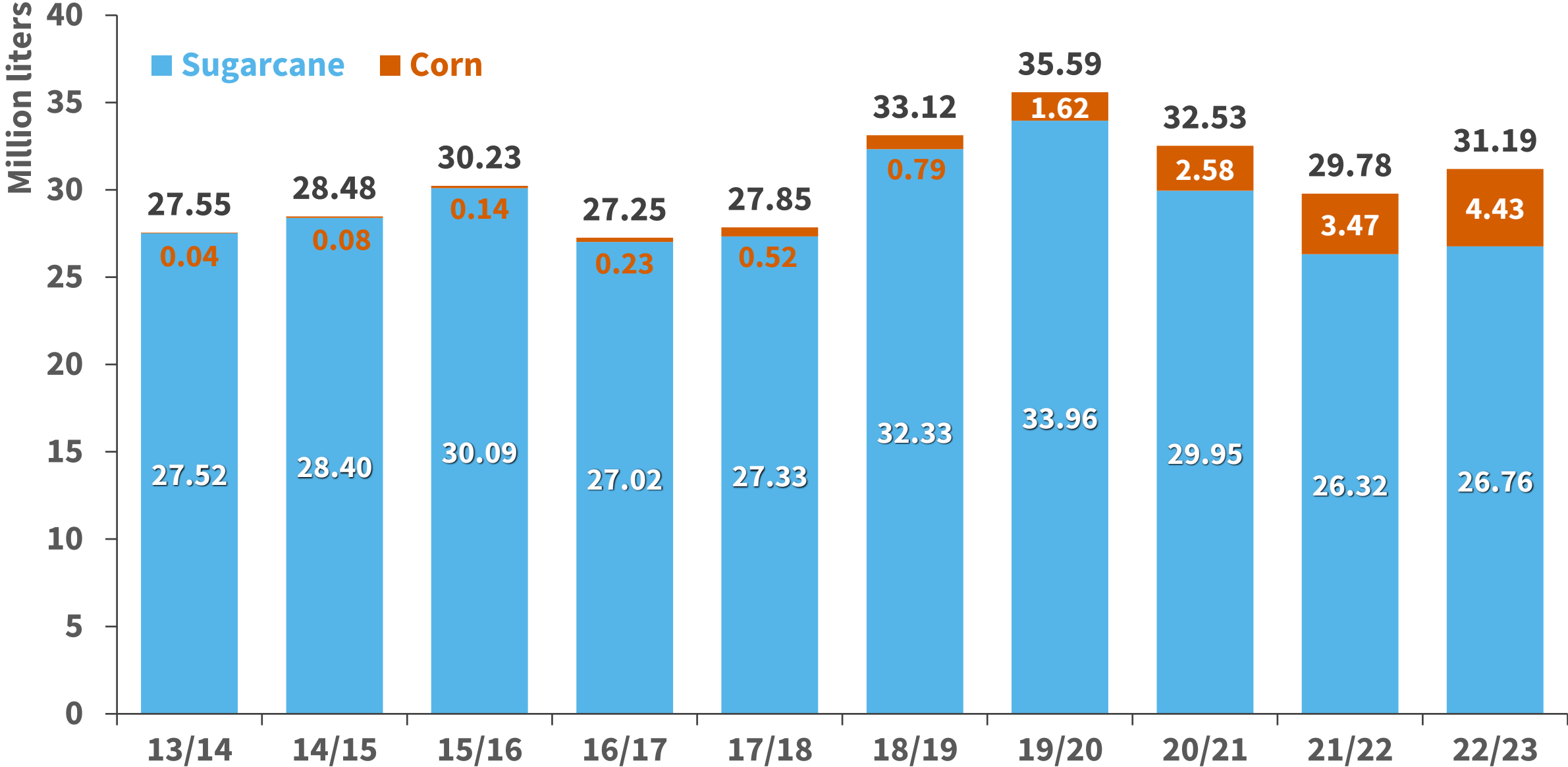
# Brazil Have Broken Corn Exports Record

*in million bushels*



Source: Brazilian Foreign Trade Secretariat (SECEX)

# Corn Ethanol Production Remains Growing in Brazil

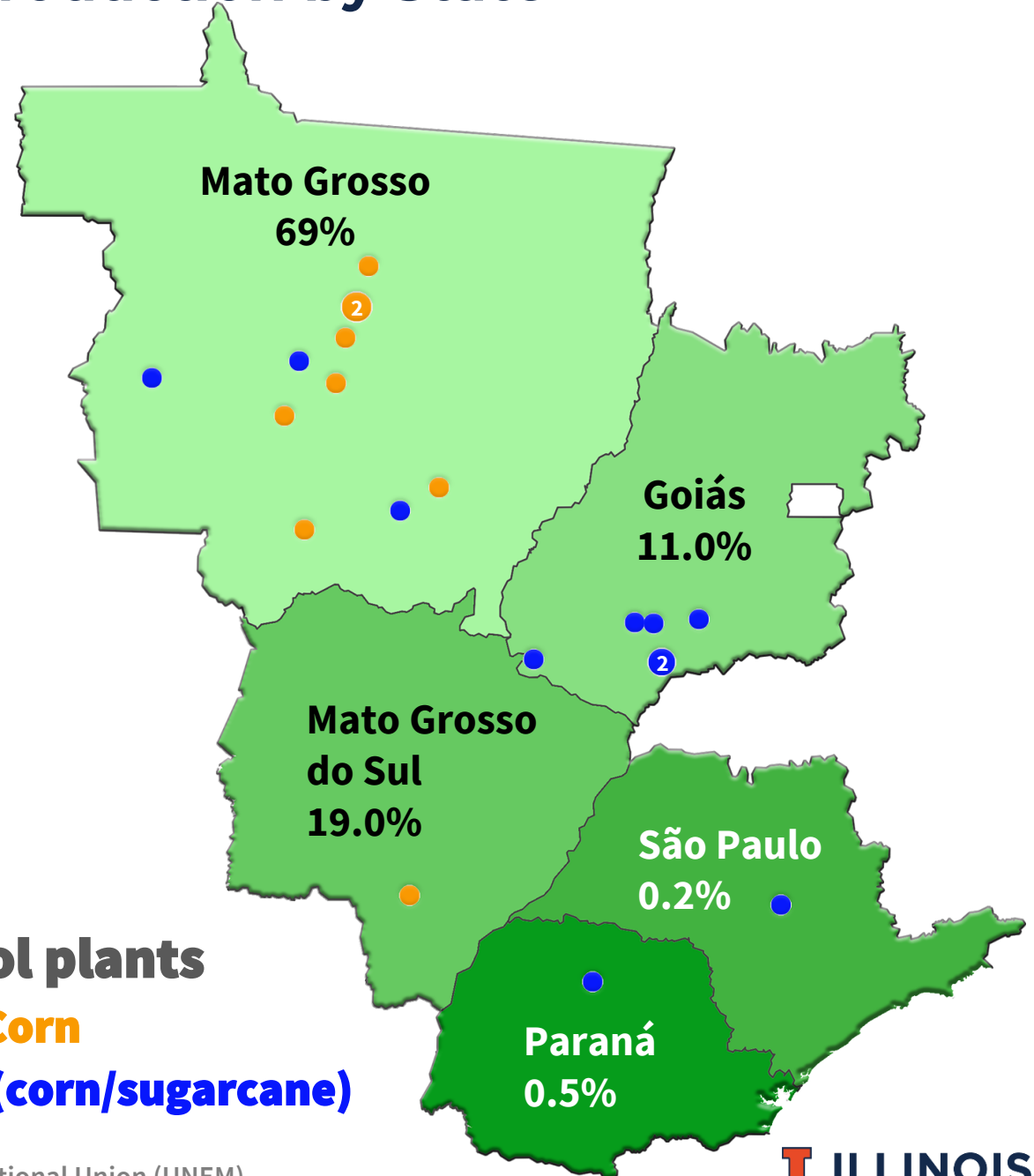


# Forecast for Brazilian Corn Ethanol Production by State (2023/2024 season)

**6 Billion Liters**

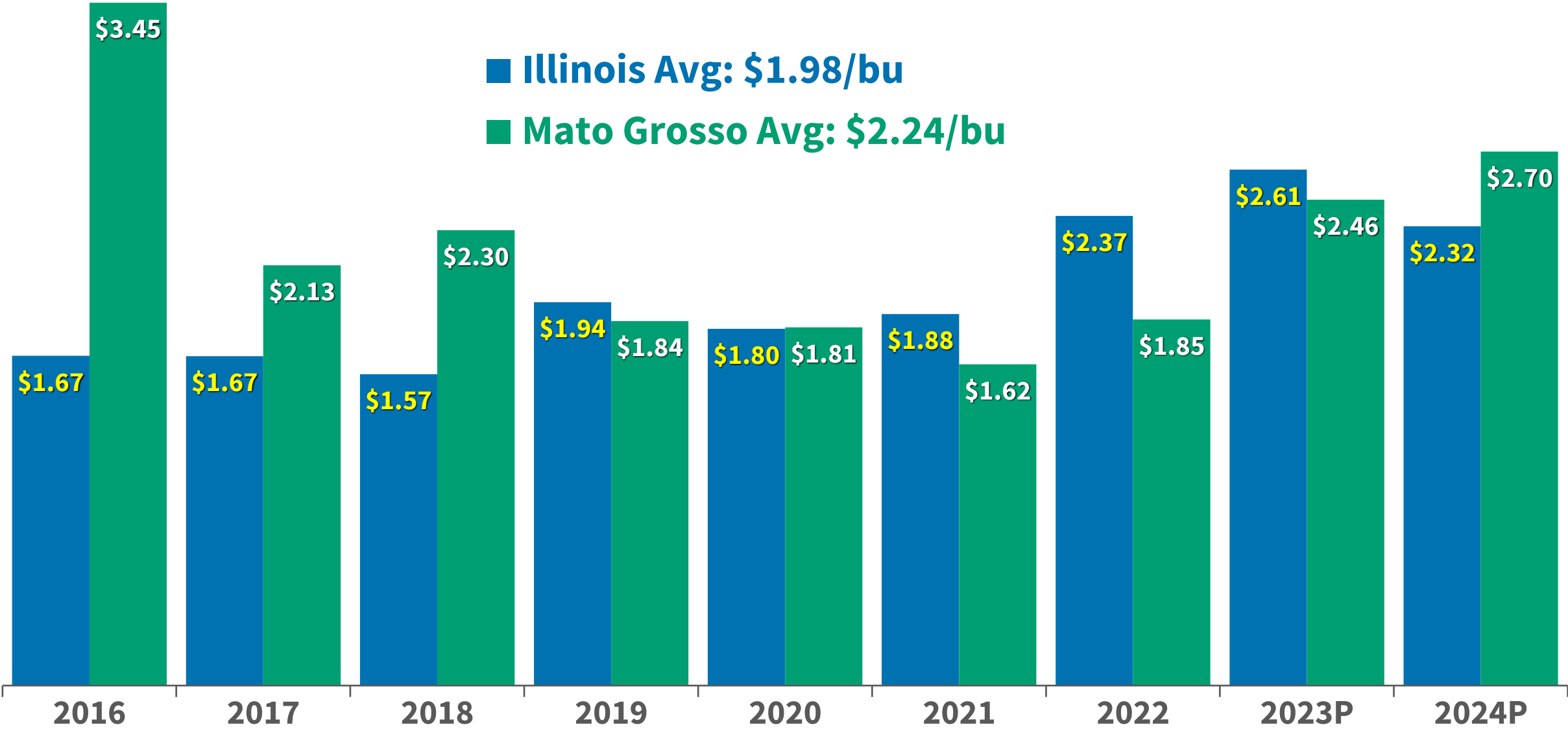


São Paulo 0.01  
Paraná 0.03



# Corn Average Total Direct Costs (US\$ per bushel)

\*Prices were converted from BRL to USD on average currency relative to each year

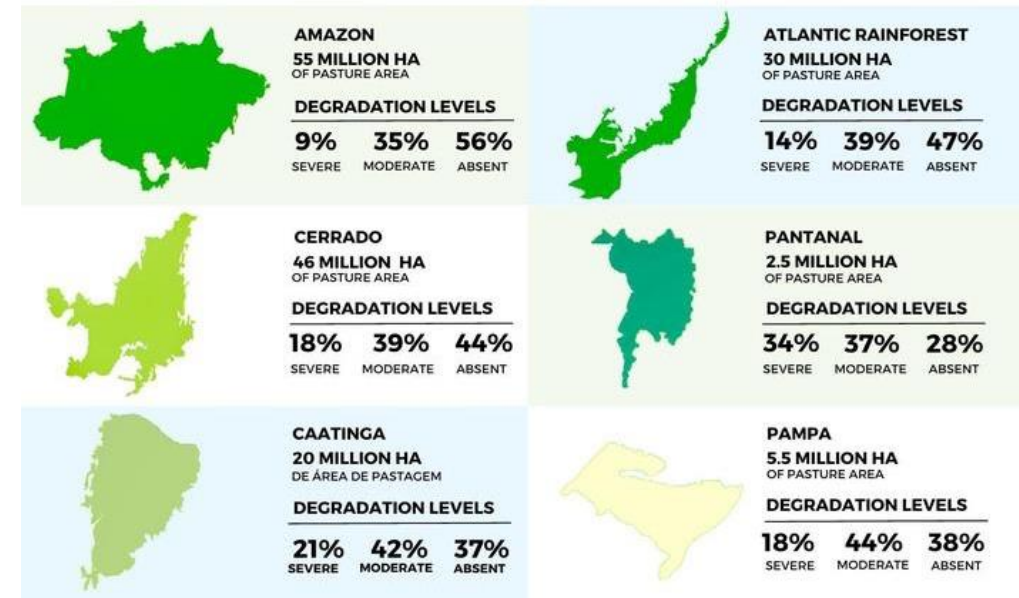


# Potential of Ag Expansion in Degraded Pasture Lands

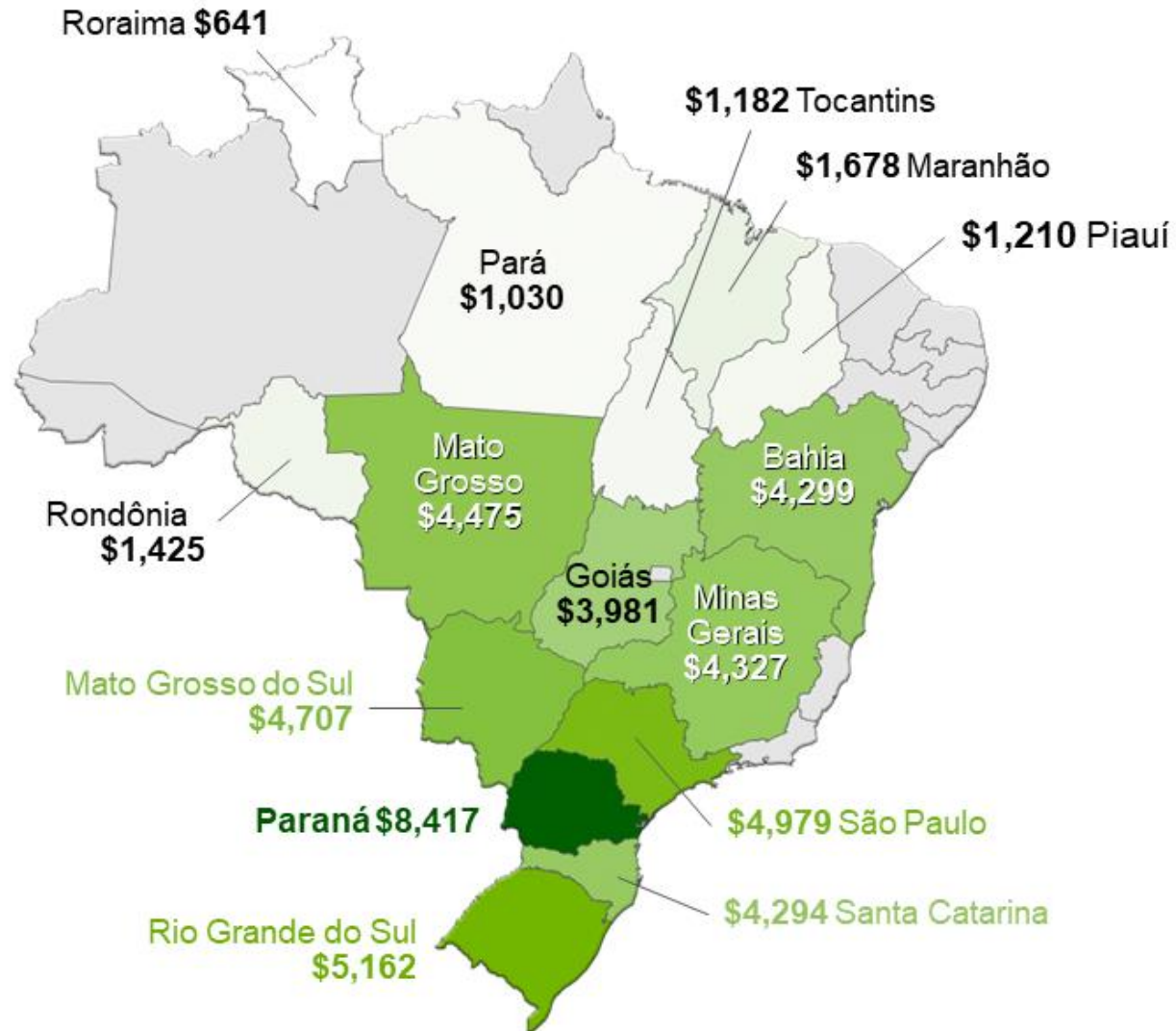
- Recovery of **degraded pastures** helps to increase agricultural area without deforestation.
- Brazil recovered **21 million ha (52 million acres)** of degraded pastures from 2000 to 2021 (Federal University of Goiás).
- Embrapa study indicates the potential for converting **28 million ha (69 million acres)** from pasture into cropland.



Source: Lapig



# Price of Cropland in Brazil by state (\$/acre)



\* Prices were converted from BRL to USD (5.053 BRL equals 1 USD on April 26, 2023)

Source: S&P Global Commodity Insights

# Crop Prospects in Argentina



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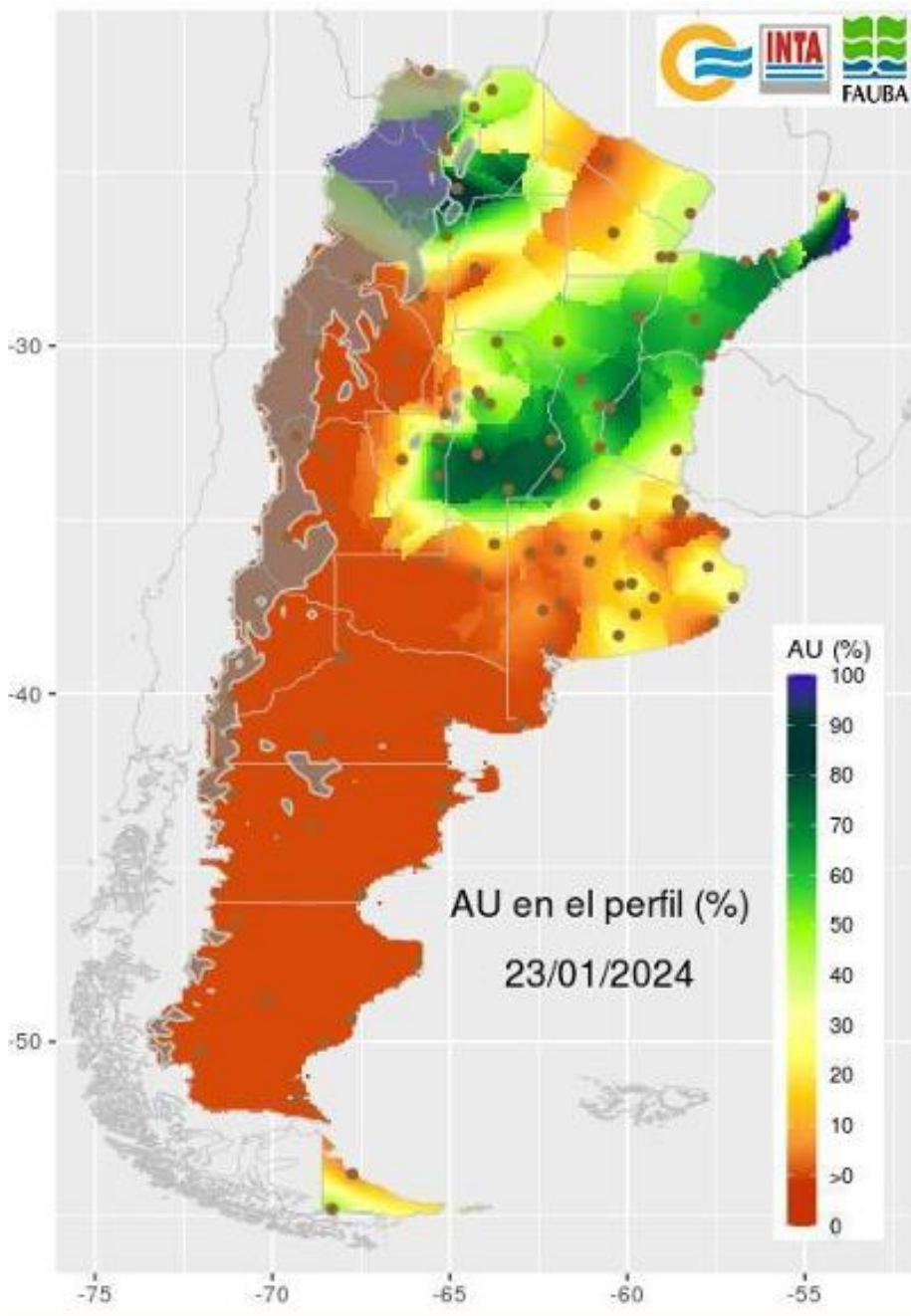
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Agua útil (%) en el perfil del suelo.

# How It's Going So Far

- ✓ Outlook for the **crop season is good** for Argentina, despite some areas needing rains next weeks to avoid yield reductions.
- ✓ The **crop fields are excellent** in the provinces of Córdoba, Santa Fé, and Entre Rios.
- ✓ However, the provinces of Buenos Aires and La Pampa are **waiting for more rains**. **February will be crucial** for the soybeans.
- ✓ After three years of serious weather problems, caused by La Niña, Argentina sees the chance of a **full soybean crop**.



# Comparing soybean fields in Argentina

## *La Niña Year*

## *El Niño Year*

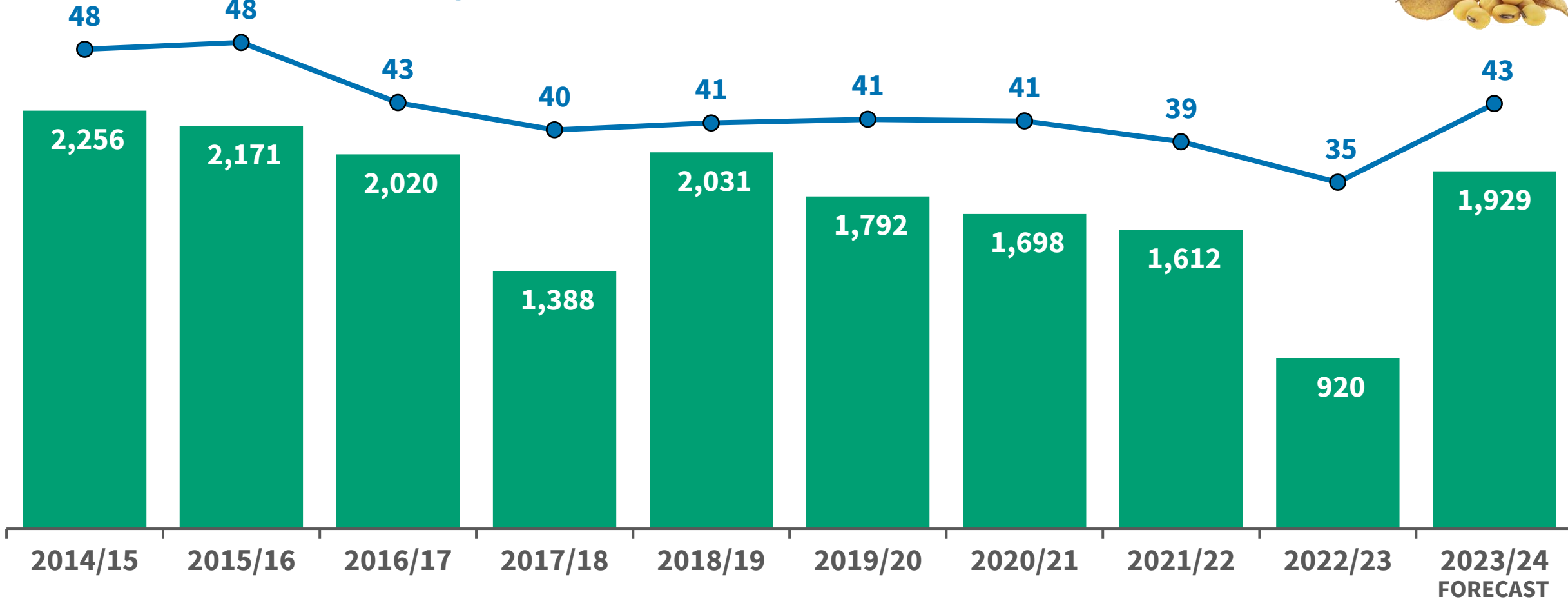
**Pergamino, Buenos Aires**  
December 14, 2022  
Image by INTA

**Pergamino, Buenos Aires**  
December 6, 2023  
Image by INTA



# Soybean Acreage and Production in Argentina

■ Production in Million Bushels  
● Acreage in Million Acres



Crop season

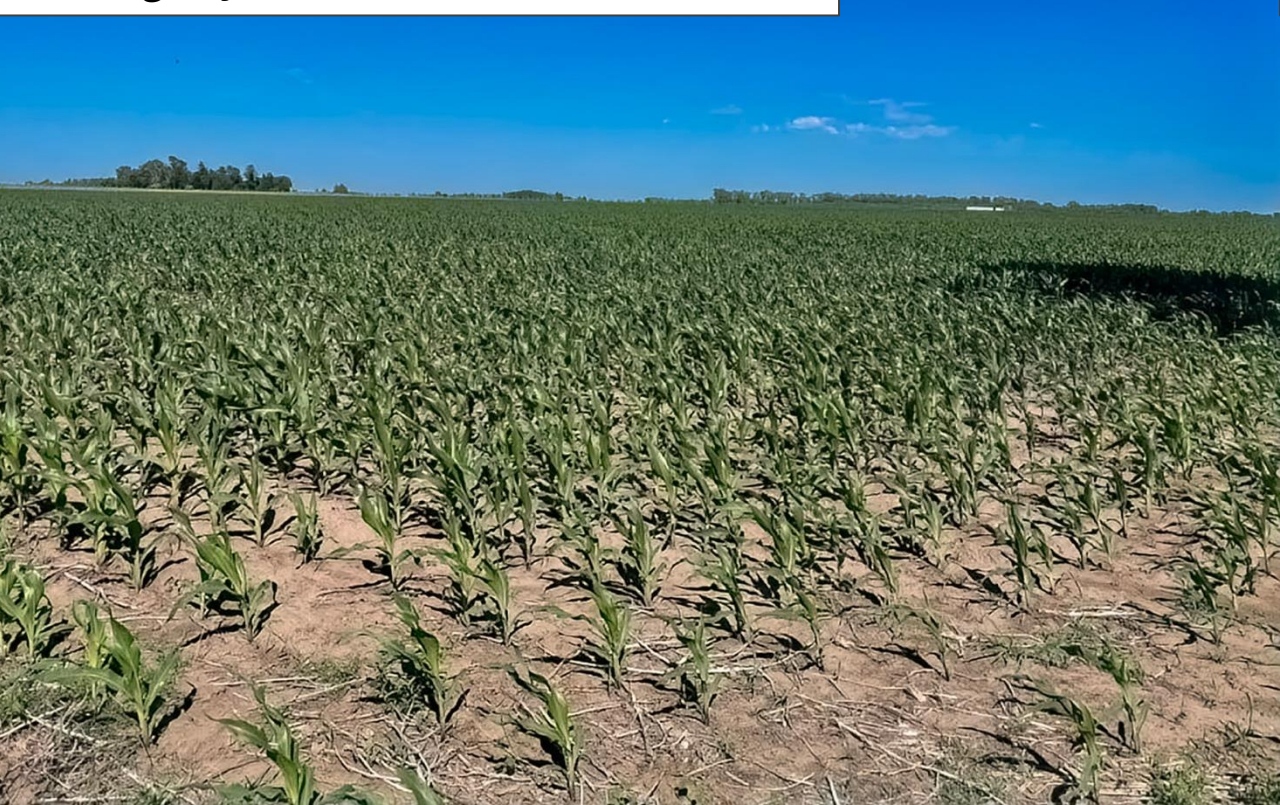
# Comparing corn fields in Argentina

## *La Niña Year*

**Pergamino, Buenos Aires**

December 6, 2022

Image by INTA



## *El Niño Year*

**Pergamino, Buenos Aires**

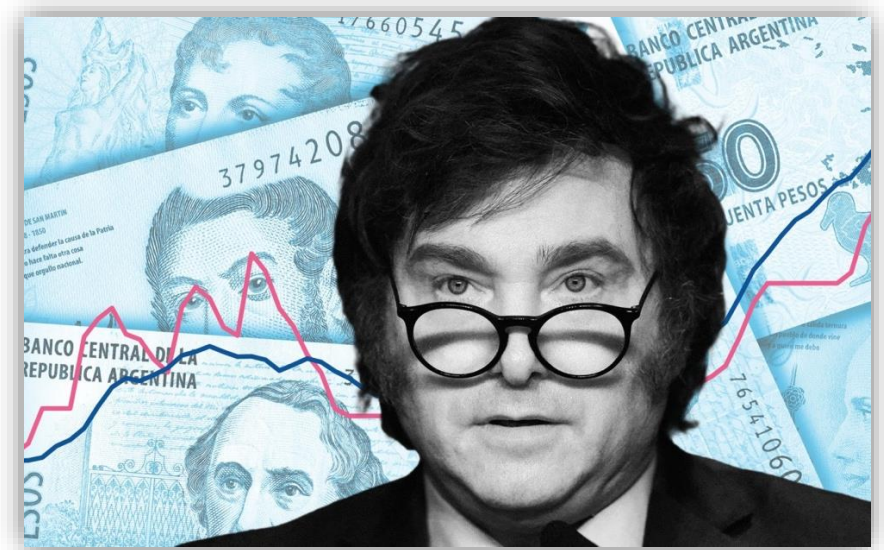
December 14, 2023

Image by INTA



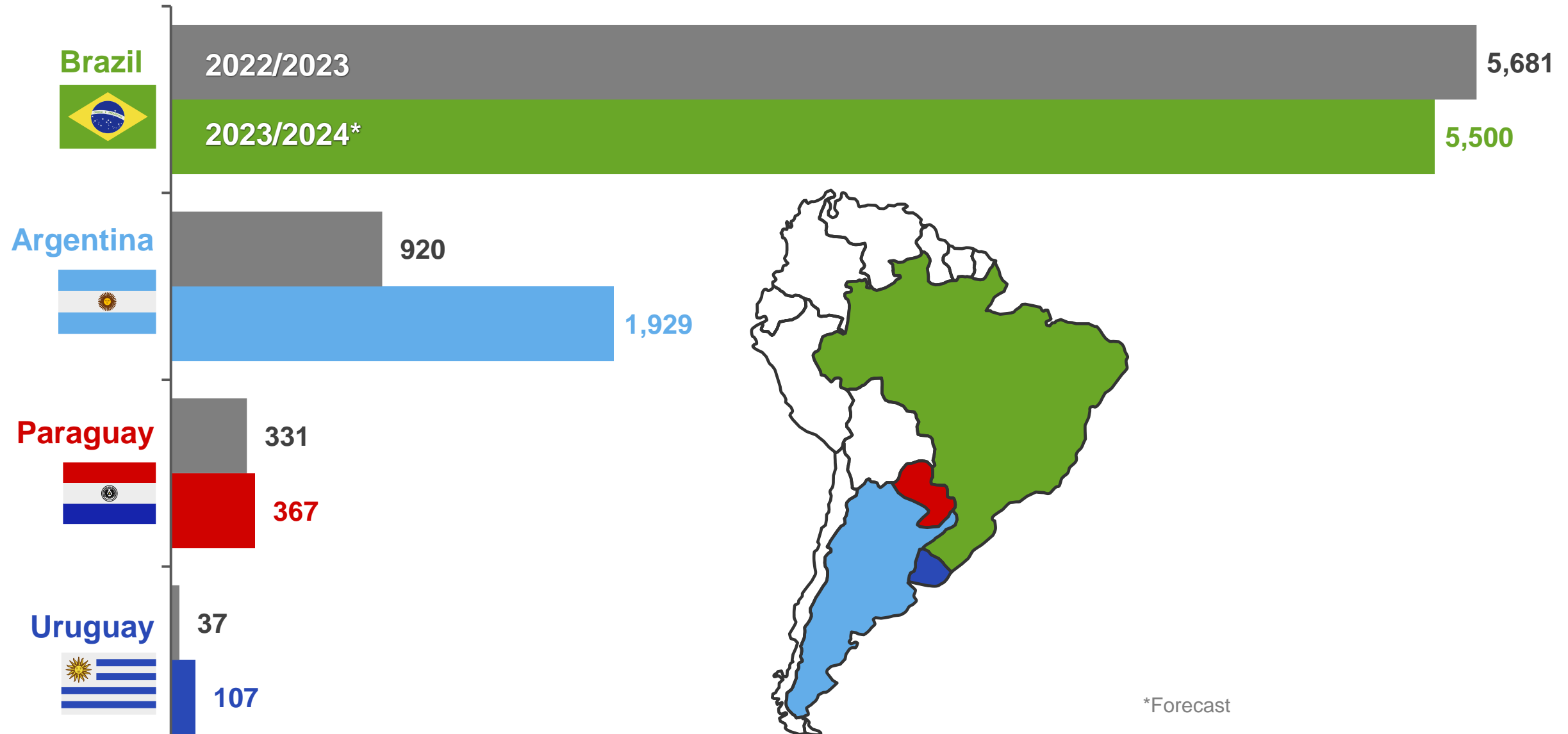
# A “shock therapy” to the economy

- Argentina is battling **inflation of over 200%**, 40% of the population in poverty, and high levels of national debt.
- President Javier Milei proposes an **"omnibus" bill**, a sprawling reform package ranging from **tax hikes to privatizations**.
- For **export taxes**, it is unlikely that the ag sector will have a reduction or removal during at least the first year.



# South America Soybean Production Increasing in 2023/2024\*

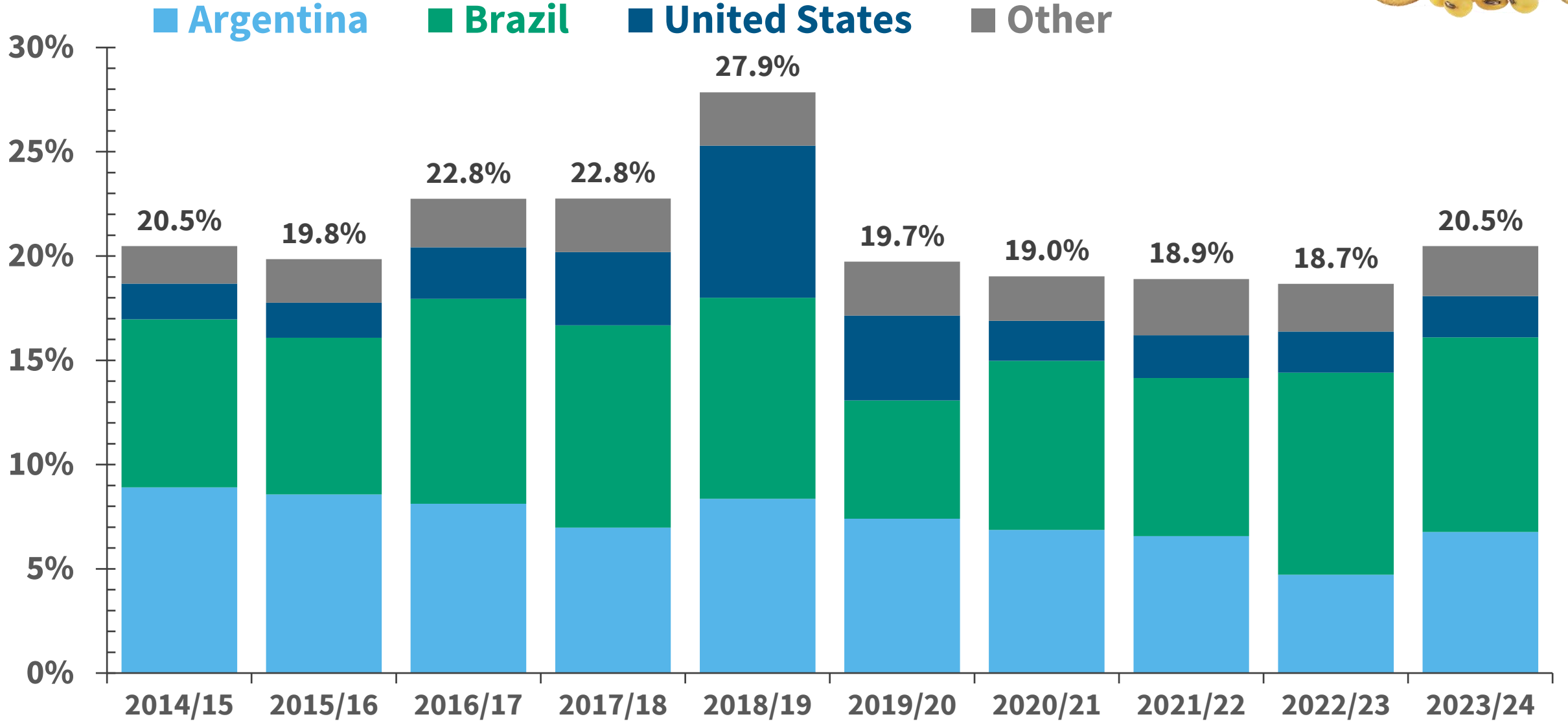
*in million bushels*



\*Forecast

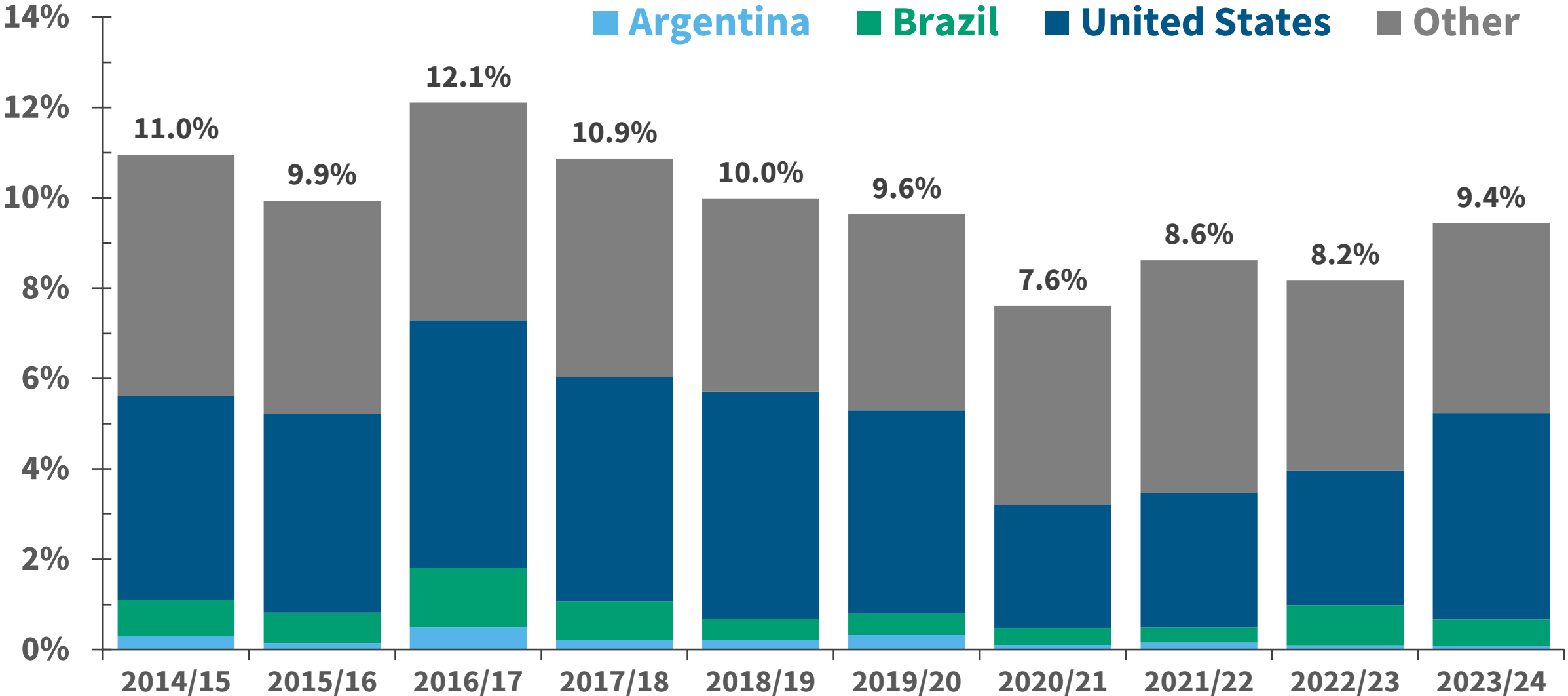
# World Soybean Stocks-to-Use Ratio

Excluding China Stocks, 2014/15-2023/24P



# World Corn Stocks-to-Use Ratio

Excluding China Stocks, 2014/15-2023/24P



# Soybean Spot Export Bids by Location

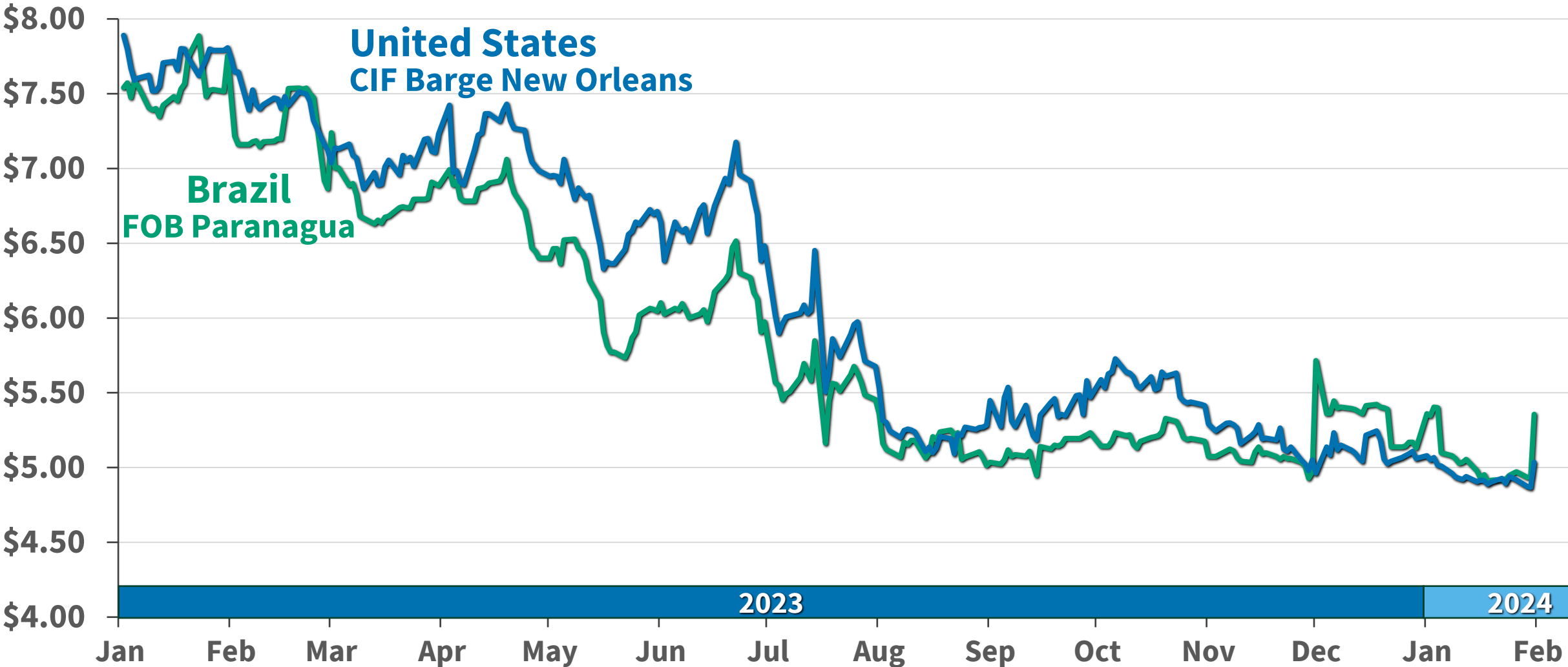
January 1, 2023 to January 31, 2024 in US \$ per bushel





# Corn Spot Export Bids by Location

January 1, 2023 to January 31, 2024 in US \$ per bushel



# Wrap Up



- Impacts of El Niño on Brazilian crop season
- No more forecasts of a soybean record crop in Brazil
- Higher chance of further problems for the second corn crop (safrinha)
- So far, lower Brazilian production estimates have not increased soybean and corn prices.

# Wrap Up



- Argentina has the chance for a **full crop under a new economic regulation.**
- A **bumper soybean crop in Argentina** should help offset a forecasted production decline in Brazil.
- For **export taxes**, it is unlikely that the ag sector will have a reduction or removal during at least the first year.

# Thank you! Muito obrigada!



[jcolussi@illinois.edu](mailto:jcolussi@illinois.edu)



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# Upcoming 2024 IFES Webinars

**February 8 at 2 pm**

**Grain Market Outlook**

*by Joe Janzen and Scott Irwin*

**February 15**

**Farm Policy: Current State & A Look Ahead**

*by Jonathan Coppess*

**February 22**

**The Renewable Diesel Boom: What Does the Future Look Like?**

*by Scott Irwin*



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