Soybean & Corn Advisor, Inc.

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2009-10 S. American Soy Crop 124 mt, 27.5 mt More Than 2008-09

South American farmers are poised to greatly increase their soybean production in 2009-10. Soybean acreage is expected to expand nearly one and two thirds million hectares (43.28 million hectares in 2008-09 vs. 44.93 million hectares in 2009-10) and yields are expected to return to more normal levels after the extremely dry growing season of 2008-09. Below is a breakdown by country for the 2009-10 soybean and corn crops.

Brazil To Produce 62.5 mt Of Soybeans In 2009-10

Weather - Rainfall has returned to southern Brazil after a relatively dry 2008-09 growing season. In fact, there has been too much rain for the developing wheat in southern Brazil, but on the positive side, the rainfall has recharged the soil moisture. Temperatures in southern Brazil have been warm and seasonal for this time of year. In central Brazil there were some showers in Mato Grosso two weeks ago and again over the weekend. Temperatures in Mato Grosso are very hot (plus or minus 100 degrees) which is typical for this time of year. I would categorize the Brazilian weather as improving in southern Brazil and seasonal in central Brazil where the rainy season may start earlier than last year.

Field activity – In southern Brazil they just wrapped up the harvest of some of the late-planted *safrinha* corn crop. The winter wheat in southern Brazil is now flowering. Farmers are preparing for corn planting which will start any time now, in fact, a few fields may already be planted. Farmers are also preparing for soybean planting which will start in late September and early October. In Mato Grosso farmers are preparing for soybean planting, which will start on September 16th or whenever there is ample soil moisture after that date. By law, they cannot start planting soybeans until the 90-day soybean-free period ends on September 15th.

Crop estimates – Last year, Brazilian farmers planted 21.6 million hectares of soybeans, which ended up producing 57.5 million tons of soybeans. For the 2009-10 growing season, it is estimated that the Brazilian soybean acreage will increase 700,000 hectares to 22.3 million hectares, which represents an increase of 3.2%. The majority of the increase will come from switching out of full-season corn in southern Brazil into additional soybean acreage. There will probably be only limited expansion of soybean production into the new lands of central Brazil.

Domestic soybean prices are not that outstanding, but they are good enough to make some money growing soybeans in southern Brazil and they are certainly much better than the domestic corn prices. Last week, I reported that it would take a May 2010 CBOT price of US$

10-11 to make a profit growing soybeans in central Mato Grosso. But, in southern Brazil, it is much cheaper to grow soybeans due to the reduced cost of transportation and in Parana for example, farmers can make money growing soybeans with a May 2010 CBOT price of US$ 8-9. Therefore, nearly all the new soybean acreage in Brazil will be the result of switching out of full-season corn production into soybeans.

The total 2009-10 Brazilian soybean production is expected to be approximately 62.5 million tons, which would represent an increase of five million tons over last year or an increase of 8.6%. The nationwide soybean yield is projected at 2810 kg/ha (40.7 bu/ac), which is certainly higher than last year's drought affected crop (2629 kg/ha or 38.1 bu/ac), but slightly lower than the type of yields recorded during good growing seasons.

There are several reasons why I plugged in a slightly lower yield. First, the soybean acreage increase will come mostly from southern Brazil and while the yields in Parana are comparable to Mato Grosso, the yields in Rio Grande do Sul and Santa Catarina are generally lower than in Mato Grosso. The other reason why I choose a slightly lower yield is due to the fact that I think Brazilian farmers will continue to be conservative in their fertilizer applications which would make it two years in a row of reduced fertilizer application, thus holding down the yield potential.

The Brazilian corn acreage is expected to fall 600,000 hectares to 13.5 million hectares. Nearly all the declines will occur in southern Brazil where depressed corn prices are pushing farmers to switch some of the full-season corn acres into additional soybean production. The total Brazilian corn production is estimated at 53.0 million tons, which would represent 3 million tons more than last year. The 2009-10 nationwide corn yield is estimated at 3,925 kg/ha or 60.5 bu/ac, which is an improvement over the drought reduced 2008-09 corn yield of 3,532 kg/ha or 54.4 bu/ac.

Argentina To Produce 53 mt Of Soybeans In 2009-10

Weather – After an extremely dry 2008-09 growing season, the winter rains have been better in eastern and southern Argentina, but still sparse and insufficient in western and northern Argentina. The soil moisture is being recharged in Buenos Aires, in Entre Rios, and in northeastern Argentina. The rainfall in Cordoba, Santa Fe, and La Pampa has been too light to recharge the soil moisture. Temperatures in Argentina during the winter have been normal to below normal. I would categorize the Argentine weather as showing signs of improvement, but not good enough to completely over come the effects of the 2008-09 drought.

Field activity – Argentine farmers have wrapped up planting a very disappointing wheat crop. Estimates are that the wheat acreage could be as low as 2.8 million hectares, which would be 40% less than the 4.7 million hectares planted last year. The five-year average wheat acreage in Argentina is approximately 5.4 million hectares.

Argentine farmers have just started to plant their 2009-10-corn crop and it too is probably going to be very disappointing. It is estimated that the 2009-10 Argentine corn acreage could be as low as 2.0 million hectares, which would be 19% less than last year's 2.46 million hectares and 25% below the five-year average of 2.7 million hectares. The total 2009-10 Argentine corn crop is estimated at 14.5 million tons, which is 1.5 million tons more than the very disappointing 2008-09 crop. Argentine farmers are just now starting to plant their 2009-10-corn crop with less than 5% of the crop in the ground.

The big change in Argentina is going to be the soybean crop. It is expected that Argentine farmers will switch some of the corn acreage into soybean production. It is also expected that some of the wheat acreage that was not planted will also go into additional soybeans. Additionally, there will be less double crop soybeans and more full season soybeans due to drastic reductions in the wheat acreage. Soybeans are favored over corn because they are cheaper to plant; they are planted later in the spring (November is the main planting month) allowing more time for the soil moisture to recharge, and the federal government doesn't restrict the exports of soybeans. Granted, the export tax is higher for soybeans (35%) and lower for corn, but the government is always trying to restrict corn exports while they have a hands-off policy concerning soybean exports.

Therefore, it is estimated that Argentine farmers will plant 19.0 million hectares of soybeans in 2009-10, which would represent an increase of 1.5 million hectares over last year's acreage (17.5 million hectares) or a 9% increase. The Argentine soybean crop is estimated at 53.0 million tons, or 21 million tons more than the drought afflicted crop of 2008-09. The nationwide yield is estimated at 2,789 kg/ha or 40.4 bu/ac. These estimates are based on a return of more normal weather to Argentina due to El Nino conditions in the eastern Pacific. Generally, an El Nino results in better than average rainfall in southern Brazil and Argentina, but as always; the growing season weather is yet to be determined.

Paraguay To Produce 6.0 mt Of Soybeans In 2009-10

In addition to prices and weather, the soybean farmers in Paraguay have to also worry about the social/economic situation in the country. Last year there were violent conflicts between landless squatters and Brazilian soybean farmers in eastern Paraguay. Violence erupted as squatter groups tried to seize property and disrupt farming operations on land owned by Brazilians. These groups, which were encouraged on by the federal government, feel that the Brazilians purchased the land illegally and that they should be forced out. The situation has calmed down for the time being, but it remains to be seen if these groups resume their protest activities as the planting season approaches.

It is estimated that the soybean acreage in Paraguay will be unchanged from 2008-09 (2.3 million hectares), but I will be the first to admit that the situation could change very quickly if the landless squatters decide to resume their disruptive protests. Soybean acreage in Paraguay has been increasing steadily for a number of years; so holding the acreage unchanged would be going against the recent trend.

The total soybean production in Paraguay is estimated at 6.0 million tons, which would be a significant improvement over the 3.8 million tons produced last year. Last year's production was probably an aberration due the severe drought in the region and the social conflicts that disrupted the planting of the crop.

Bolivia To Produce 1.5 mt Of Soybeans In 2009-10

Soybean farmers in Bolivia are also facing significant social and political pressures. The farmers in the eastern lowlands are in a bitter struggle with the indigenous-run government of the western highlands. Its almost like there are two different countries inside of Bolivia. The eastern lowlands is where the agriculture, industry, and natural gas is located, but the western highlands holds the majority of the population. The indigenous-run government is trying to exert more control over the resource-rich lowlands, which has resulted in violent clashes between the two groups. The soybeans in Bolivia are grown in these eastern lowlands by mostly Brazilian farmers who moved to Bolivia in search of cheaper land. Needless to say, the attitude toward the Brazilian farmers has turned hostile and it is uncertain how all this will play out.

Brazilian farmers are going to be very cautious about investing their limited resources in Bolivia because no one knows if there will be allowed to stay in the country. Under such uncertainty, it is estimated that the Bolivian soybean acreage will be less than last year (0.75 million hectares vs. 1.3 million) and the total Bolivian soybean production will be only 1.5 million tons.

Summary For 2009-10 South American Soybean Potential

As you can see from the charts below, South American farmers have the capacity to greatly expand their 2009-10-soybean production. At this early stage in the growing season, there are a lot of uncertainties such as weather, prices, credit availability, government policies, and social unrest so we won't have a complete picture of the planted area until later in November or December. Only a few fields of corn have been planted in South America and no soybeans have yet been planted.

2009-10 South American Soybean Production

Country	Current Estimate	Maximum	Minimum	2008-09 Production	Five Year Average
		million metric tons			
Brazil	62.5	64.0	60.0	57.5	57.4
Argentina	53.0	55.0	50.0	32.0	41.3
Paraguay	6.0	6.5	5.0	3.8	4.8
Bolivia	1.5	2.0	1.2	2.3	1.6
Uruguay	1.0	1.2	0.8	0.9	0.7
Total	124.0	128.7	117.0	96.5	105.8

2009-10 South American Corn Production

Country	Current Estimate	Maximum	Minimum	2008-09 Production	Five Year Average
		million metric tons			
Brazil	53.0	54.0	51.0	50.0	47.3
Argentina	14.5	15.5	13.0	13.0	18.7
Paraguay	1.5	1.8	1.2	1.6	1.4
Total	69.0	71.3	65.2	64.6	67.4

2009-10 South American Soybean and Corn Acreage

Country	Soybeans 2009-10	Soybeans 2008-09	Soybeans 5-Year Ave	Corn 2009-10	Corn 2008-09	Corn 5-Year Ave
	millions of hectares			millions of hectares		
Brazil	22.3	21.6	21.7	13.5	14.1	13.4
Argentina	19.0	17.5	15.7	2.0	2.25	2.73
Paraguay	2.3	2.3	2.3	0.55	0.50	0.52
Bolivia	0.75	1.3	1.6	-	-	-
Uruguay	0.58	0.58	0.4	-	-	-
Total	44.93	43.28	41.70	16.05	16.85	16.65

U.S. Corn Estimate Increased Slightly, Soybeans Hold Steady

Corn – The recent temperatures in the western Corn Belt have been above normal which is what was needed to speed along the development of the crop. In the eastern Corn Belt, the temperatures have been below normal, which is not what the corn crop needs. Probably the most beneficial aspect of the recent weather has been the bright sunny days, which allows for higher photosynthetic activity. The final corn yield is probably still going to be determined by the weather during the second half of September and when the first frost occurs. The areas most at risk continue to be the Dakotas, Minnesota and Michigan.

The nationwide corn yield was increased this week by 1.0 bushel to 161.0 bu/ac. The weather during the first ten days of September has been beneficial, but the forecast for the second ten days looks like its going to be cooler and wetter, which would not be good news for

the corn crop. If we can avoid a frost until late September or early October, then the corn yield would probably move higher.

Soybeans – The bright and sunny weather is encouraging the soybean crop to shift from pod filling to maturity. When the weekly crop reports come out on Tuesday, there should be a significant increase in the percent of the crop dropping leaves. Since the crop was planted later than normal and is now maturing at a normal pace, the result is going to be that the growing season for the soybeans is going to be shorter than normal. I think this is a continuing problem for the soybeans. As a result, the soybean yield was left unchanged this week at 42.0 bu/ac. The final soybean production will also be determined by the weather during the second half of September and when the first frost occurs.

2009 U.S. Crop Estimates

	Current Estimate	Maximum	Minimum	2008-Production
		billion bushels		
Corn Production (80.0 million harvested)	**12.88** (161.0 bu/ac)	**13.20** (165 bu/ac)	**12.56** (157 bu/ac)	**12.101** (153.9 bu/ac)
Soybean Production (76.7 million harvested)	**3.22** (42.0 bu/ac)	**3.33** (43.5 bu/ac)	**2.99** (39.0 bu/ac)	**2.959** (39.6 bu/ac)

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The Soybean And Corn Advisor is issued weekly and questions and comments can be directed to Dr. Michael Cordonnier, Soybean And Corn Advisor, Inc., and P.O. Box 86, Hinsdale, IL 60522 (630) 325-0192; FAX (630) 325-8227; email soycorn@comcast.net. Projections and estimates are based on information, which is believed to be accurate. No representation is made that the estimates will, in fact, be realized. The Soybean And Corn Advisor, Inc., assumes no liability whatsoever for the use of this information.