

Aggregate acreage in Argentina like in the U.S.: Stable and always in use

The recent pressure on soybean prices results from a combination of good weather in the Midwest crop growing areas and increased production levels in Argentina and Brazil. In Brazil much of the increase in production comes as the result of opening up new land that previously had not been used for soybean production. The increase in tillable acres in Brazil will continue to increase for the foreseeable future, much as tillable acres in the United States increased as settlers moved across what is now the corn belt.

While the situation in Brazil is much like it was in the United States in the 1800s, the situation in Argentina is similar to the U.S. today. Nearly all of the potential agricultural acreage has been identified and is currently under production. There are only small areas where the land is being deforested and opened up to agricultural production.

For the crop year that just ended, the area of soybean production increased by 9.4% over the previous year. With little new area available, the area used for

the production of other crops declined, while total area devoted to agricultural production remained stable.

The acreage devoted to a given crop can rise and fall depending on the relative profitability of a crop compared to its alternate. Farmers have always been good at switching from one crop to another as circumstances change. Over the short to medium range what stays constant is the aggregate acreage.

Farmers may change their crop mix, but they don't leave significant areas unplanted unless forced to do so by weather. As we think about agricultural policies, the thing we have to keep in mind is that it is aggregate acreage that counts.

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