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SOYBEAN MARKETS – CONSEQUENCES OF THE TARIFFS WAR

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Introduction

Following President Trump's extensive list of tariffs applied and the Chinese retaliation, where it has been applied a specific 20% on soy, the American Farm Bureau Federation indicated a 78% reduction on American soy exports to China from January to August in comparison with the same period of last year, when the Asian country has been responsible for almost half of all these exports.

Added to the latter, there's a strategic repositioning on Chinese imports dependance, from an instable USA to closer commercial allies, in order to reclaim its stronger position and bargain power.

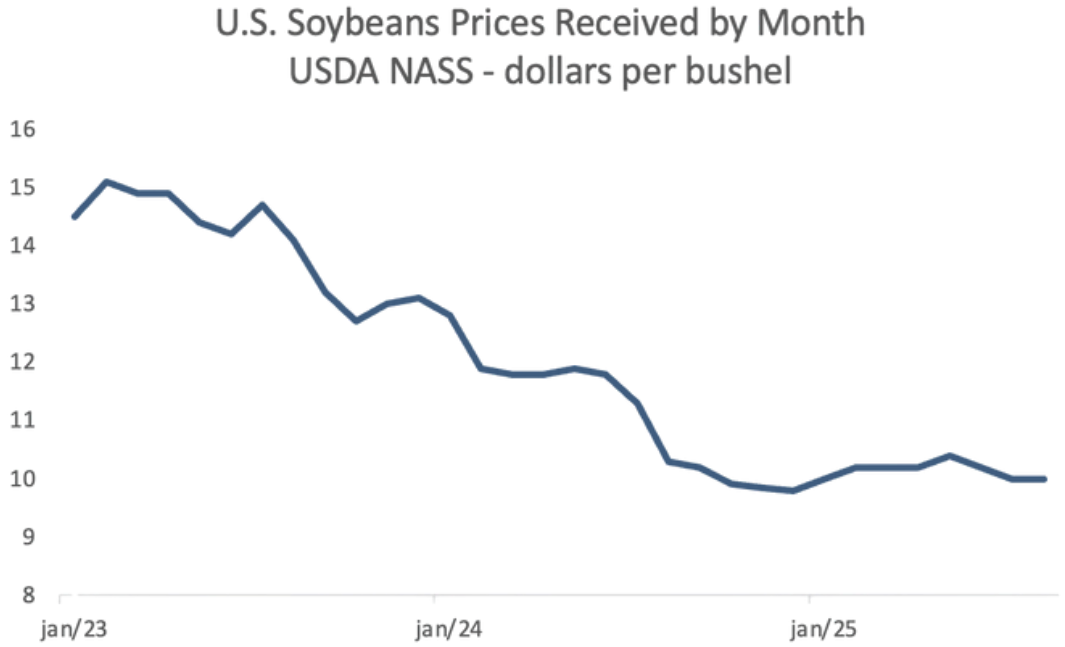
China's demand for soy, however, is beating all-time highs, being around 60% of global production. The direct consequence is that it has been redirected to those allies and USA's competitors, tariff-free countries, such as Brazil and Argentina.
According to USDA FAS Export Sales data, China has not made purchases of soybeans from the United States since May 2025 and, as of September had not made any purchases of new soybeans crops. Currently U.S. soybeans face a 23% tariff to enter China, making them uncompetitive in the commercial market, even though prices in the U.S. have been around 10% lower than Brazilian's.

Soybean Market: Growth Rate by Region (2022-27)



Source: Mordor Intelligence

That means that, although American production has been strong, with relative competitive prices, the exports to China neither recovered nor stabilized, as a consequence of this strategy. All of this has sharply reduced soy prices in the U.S., but still not enough to regain its competitiveness in the market, neither to convince the Chinese to begin loosening the commercial war.



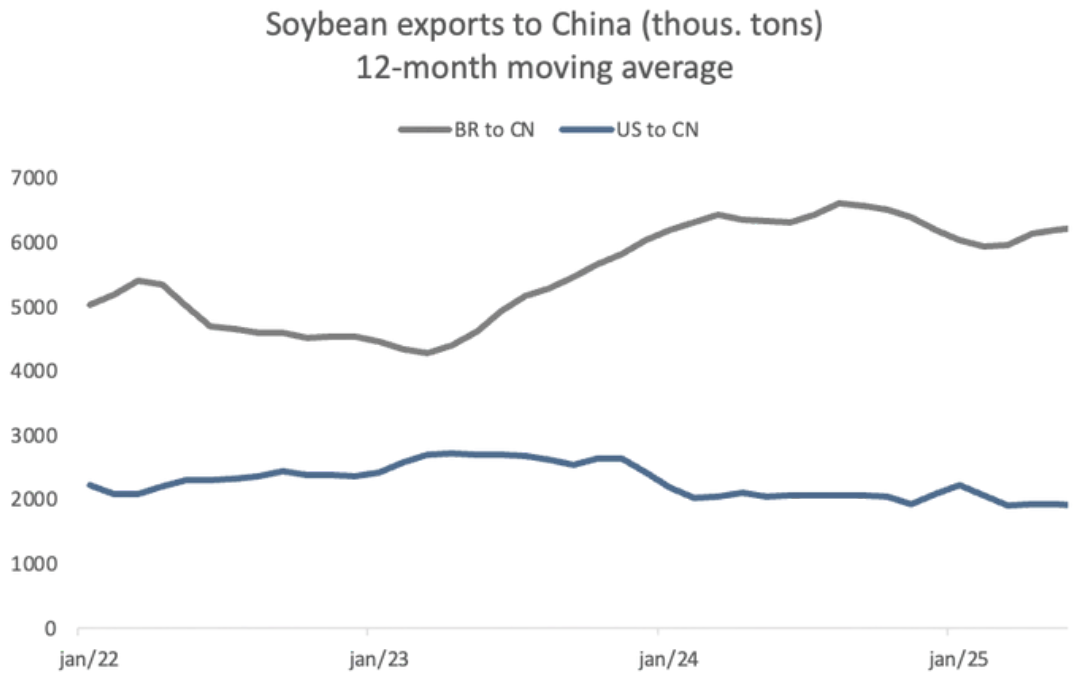
Initial winners

China's willingness to diversify has been successfully accomplished so far. By establishing stronger commercial relations with alternative suppliers, it not only has reduced its U.S. dependence, but also regained a strong position that allows for more bargain power, as these other countries benefit and need the huge Chinese demand, as tariffs has also importantly affected them.

For instance, Brazilian soybean exports have summed up to 102 million tons from January to October (accounting for already scheduled shipments), more than the hole years of 2024 and 2023, even though facing a 50% tariff from the U.S. – which indicated an also successful diversification. While exports to the U.S. declined 18% in September-October, it has increased by 21% to China in the same period, showing a volume absorption capable of offset Trump's tariffs. Industry associations indicates that China has been close to 80% of Brazilian soy exports, reaching 90% monthly at times.

Nonetheless, to keep up with the Chinese demand, there has been an extra purchase from Argentinian and Paraguayan soybeans, as Brazil still couldn't reach it all.

All this diversification may also harden a future re-shift to American productions – as relations and logistics in the alternative markets are well stablished, it won't be an easy task to return to older volume levels.



Short and long-term implications

From the leash of mutual dependance between Beijing and Washington arise a need for redirecting the American soy production. This, however, is nowhere an easy task, as, without China, there's a fragmented demand around the world.

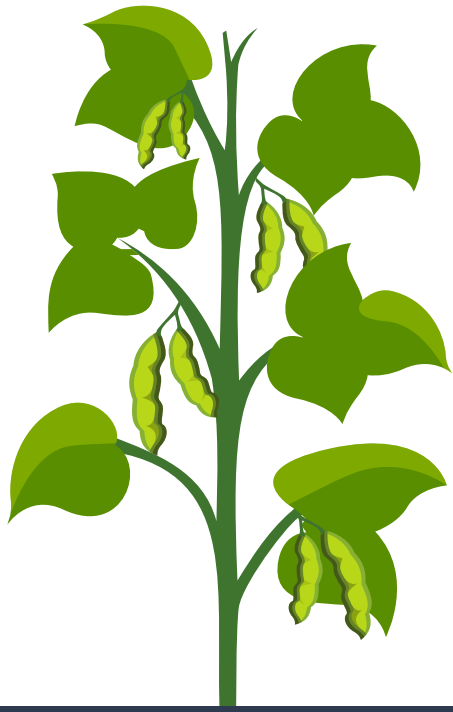
U.S. commercial partners, such as Mexico and Egypt, have been increasingly absorbing part of this excess, but, as the USDA FAS reported, at this pace, it won't be sufficient to maintain the production sustainability in the short-term. One good news is that part of this supply is being redirected to internal use, on crushing and soy oil production to the biofuel industry. One bad news, nonetheless, is that producers are having their margins compressed and increasingly large stocks waiting for a destination – a scenario that has already pushed many to become "miserable".

In the other hand, an expected meeting between Xi Jinping and Donald Trump could mean a possible tariff loosening. In fact, this is the main hope for a short-term resolution – possibly the only one. Even though the Chinese has been shifting their major suppliers to South America and plan to maintain it this way for the future, an immediate soy price increase in Chicago aligned with a tariff reduction would immediately relief producers' margins and stocks and help to restore Americans sustainability and perspectives.

Meanwhile, Brazilian premiums tend to stay sustainably strong, due to both its well positioned infrastructure and logistics, and the export demand, helping to maintain their production bulking. Record excepted crops in Brazil due to the country's expertise in the commodity and favorable climate conditions also leverage this continuous bulk.

Brazil also benefits for having a more productive, technological agriculture than USA in this scenario. The increasing export demand has been and is expected to keep being matched by the production expansion. For instance, U.S. planted area is around 34M hectares, against 49M in Brazil, according to The Economist – plus, while the Midwest plantation area may not be so expansible, Brazilian lands are.

Brazil's biofuel outlook is as well broadly supportive for soy: policymakers reaffirm a trajectory toward higher biodiesel mandates. Even after struggling with approving B14 in February, the CNPE moved to authorize B15. Soybean oil remains the dominant feedstock, consistently >70–75% of inputs, according to ANP-based industry data; against that policy backdrop, Brazil's soy complex is also well-positioned to supply a rising crush need with the referred logistics pace and a record 2025/26 soybean crop estimated around 177.6 million tons.



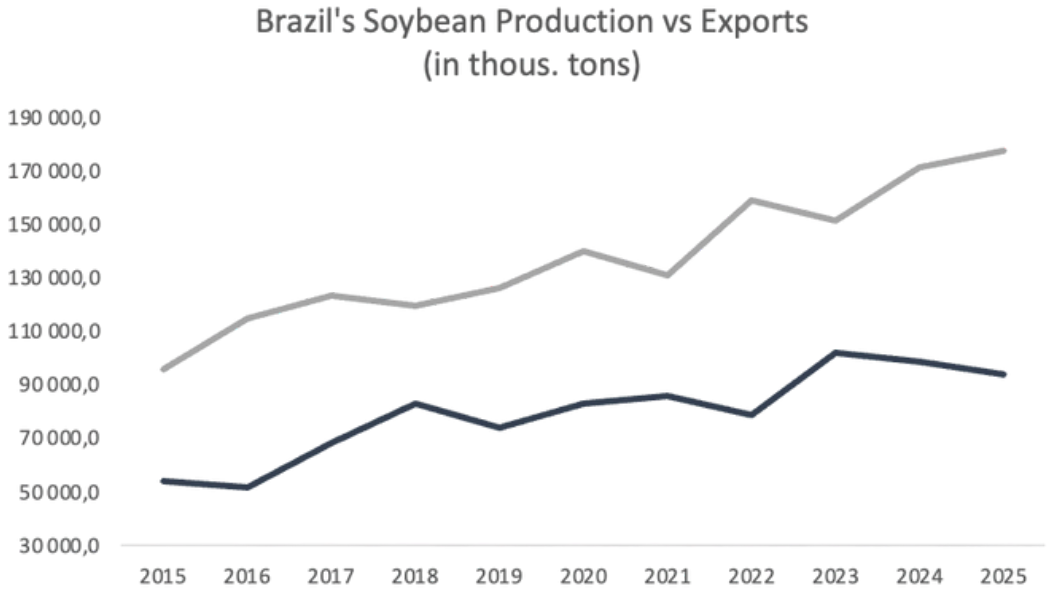
In opposite, it could be argued that a Chinese tactical buy hiatus and a supply explosion in the harvest season could bring premiums down – which may really happen, but not in a sustainable way. The main risks, in fact, for a well-founded decrease are a tariff relief and its subsequential Chinese reenter in the U.S. market, and an Argentinian competitive retrieval if crops recover and its political and fiscal decisions stabilize.

Both appointed reasons should translate to the return of competitiveness, which unarguably would bring premiums down, at the same time as put in risk Brazil's perspective on remain being the "soy superpower" in the future. Put into one phrase, the main risk for Brazil relies on an overdependence in China – which leaves it vulnerable to policy shifts.
Other South American producers such as Paraguay and Uruguay may only marginally benefit in the ST, mainly by using Brazilian logistics and "surfing" its export flows to Asia, because of their small production.

On the demand side, countries as Mexico and Egypt, as cited earlier, are expected to play an increasingly important role as constant buyers of the U.S. production. While not being able to replace Chinese scale, they may serve to diversify its export destinations and reduce its dependence on a single buyer. The overall structure of the market is therefore likely to evolve into a "dual track": Brazil supplying the bulk of China's soybean demand, while the U.S. plays a smaller role in exports - serving multiple mid-sized importers - at the same time that it strengthens its position as a major processor of soybeans for biofuel production.







Conclusion

In 2025, the soybeans market unveiled a structural repositioning: China abandoned the U.S. market and directed its purchases in Brazil, which delivered a record crop, improved logistics and the ability to ship large volumes precisely during the window when the U.S. had traditionally dominated. The immediate outcome has been a dual price dynamic: firm Brazilian premiums supported by Chinese demand and weaker U.S. basis/premiums as American line-ups lost their main anchor. This concentration strengthens Brazil's status as a soybean "superpower," but it also leverages exposure to weather risks, logistical bottlenecks, and Beijing's purchasing or policy decisions.

For the United States, the short-term adjustment involves redirecting exports to Mexico, Egypt, Southeast Asia, among others, while accelerating a shift toward domestic crushing for biofuels. These replacement buyers cannot match China's scale, so U.S. export volumes are likely to remain lower and more volatile as long as political and tariff war persist. If trade tensions loose, some U.S. sales to China might rebound, tightening Brazil's margins. If not, the "new normal" consolidates Brazil as China's dominant supplier and keeps the U.S. increasingly dependent on soy crushing and mid-sized consumer markets.

In China, the benefit is a stable supply through Brazil, but at the cost of heavy dependence on a single origin and on South America's crop calendar. Across the region, Paraguay and neighbors capture marginal gains through integration with Brazilian logistics, while Argentina remains inconsistent due to crop volatility, shifting export taxes and political uncertainty, with a stronger focus on meal and oil than on beans. In sum, the long-term directs to a dual-track market: Brazil as the central pillar of Chinese sourcing, and the U.S. as a smaller, yet huge, more diversified exporter and a processing powerhouse.



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SOURCES

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