



Issue Brief

Chasing Slower Growth in Soybean Trade

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Key Points

- **Since 2000, China's soybean imports have increased seven-fold, and now account for two-thirds of total world imports.**
- **China's soybean imports will continue to grow through 2020, but at a slower pace.**
- **Brazil is more favorably positioned than the U.S. to capture an increasing share of the expanding Chinese market due to its ample arable land and comparative advantage in soybean production.**
- **U.S. soybean exports to China are projected to rise by 16 percent by 2020, while Brazil's soybean trade with China is forecast to increase by 27 percent.**
- **One caveat is that for Brazil to take on, and maintain, a leading role in soybean trade, it must make significant, long-term investments to improve its agricultural and transportation infrastructure.**

China's Rise to Soybean Supremacy

Up until the late 1990s, China was a net exporter of soybeans, and an important supplier of the oilseed to other Asian countries. Since then, however, China has outgrown its ability to produce enough soybeans for its own use, let alone be a supplier to greater Asia. As its population has grown and appetites have changed, China's imports have grown nearly seven-fold since 2000, elevating the Asian powerhouse to a position where it now commands two-thirds of the world's soybean imports.

Instrumental to this rise of importance in global soybean trade was China's policy of grain self-sufficiency. For decades now, China has prioritized grain commodity production over oilseeds, claiming that grains are principally important to national security. As a result, its soybean production has remained stagnant for 20 years, while corn, wheat, and rice production have all climbed appreciably. (See Figure 1.)

While soybeans remained a low priority in Chinese farm policy, incomes in urban China tripled from 2002 to 2012, affording millions of Chinese consumers the ability to purchase more dairy and meat products. China now ranks among the world's four largest consumers for chicken, beef, pork, and dairy products, and nearly all of that meat and dairy is produced domestically. (See Figure 2.)

The rapid rise in consumption of animal products in China was accompanied by an equally impressive surge in the demand for soybean meal (SBM) used as animal feed and for soybean oil (SBO) for cooking purposes. Since 1990, the use of soybean meal in China has grown 53 times over, and soybean oil consumption has increased by a factor of 14. (See Figure 3.)

If at all possible, China does not import processed agricultural products. Instead, it imports the agricultural raw materials that can be turned into higher value goods. This is the case for meat and dairy products, and also for SBO and SBM. Therefore, nearly all of the soy imports that enter China arrive as whole soybeans, and are then processed into oil and meal at one of China's numerous crush facilities.