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Report Name: Assessment of Soy China Initiative in Brazil

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Report Highlights:

Brazil and the People's Republic of China (PRC) are in the initial stages of potentially developing a dedicated soybean supply chain tailored to meet Chinese sustainability and quality standards. Inspired by the successful Boi China beef model, this production line could boost Brazilian soybean market dominance while directly challenging U.S. exports.

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT POLICY

Assessment of "Soy China" Initiative in Brazil

The recently proposed sustainability initiative between Brazil and the People's Republic of China (PRC), popularly known as "Soy China," aims to develop a dedicated soybean supply chain cultivated in accordance with sustainability and quality standards defined by the PRC.

It is essentially a customized, exclusive soybean production model designed to meet Chinese import needs and standards, especially regarding environmental, social, and traceability criteria.

This new model has mainly been inspired by the idea of "Boi China" ("China Beef" in Portuguese), which refers to Brazilian cattle and beef that are produced specifically to meet Chinese import standards.

Introduced in the Brazilian market in 2019, "Boi China" is a certification or production standard for beef that complies with Chinese sanitary and quality requirements. These standards are more restrictive than those for other markets and include the following key characteristics:

- **Age Limit:** Cattle must be under 30 months old at the time of slaughter.
- **Traceability:** Cattle must be fully traceable from birth to slaughter.
- **No Hormones or Certain Additives:** Animals must be raised without growth hormones or banned substances that are not allowed in the PRC.
- **Slaughterhouse Approval:** Beef must come from certified slaughterhouses that are authorized by Chinese health authorities.

This new segment of beef yields higher prices and helps Brazilian producers gain access to a large export market, which can lead to increased profits.

Expected Sustainability Parameters Implemented with Soy China

The sustainability standards under negotiation are likely to mirror those imposed by the EU Deforestation Regulation (EUDR) but with less strict policies. The EUDR is a European Union regulation that aims to prevent the import of products linked to deforestation by requiring companies to prove goods are deforestation-free and legally produced. In Brazil, this includes commodities like soy, beef, and wood, which must be traceable to land that has not been deforested after December 31, 2020.

Post anticipates sustainability efforts for the "Soy China" initiative will mainly focus on defining and monitoring land expansion, as well as strengthening enforcement of Brazil's low-carbon agriculture policy (e.g. ABC+ Plan), with exporters being required to submit emissions data.

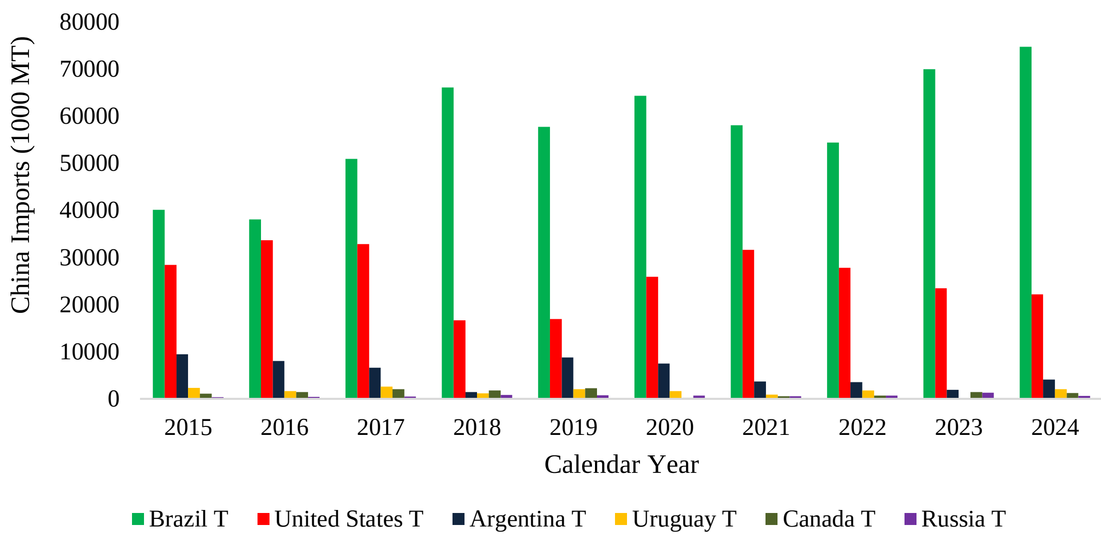
An increased use of renewable energy sources across the supply chain is also anticipated. New restrictions may be imposed on certain pesticides currently permitted in Brazil but banned in other major soybean-producing countries. This approach would help Brazil align with the Chinese Maximum Residue Limits (MRLs).

Global Agricultural Trade Dynamics

In 2024, 71 percent of total soybean imports by the PRC came from Brazil. Should Brazil produce a soybean variety specifically tailored to Chinese standards, this share would likely increase, leading to a reduction in soybean imports by the PRC from other major suppliers, including the United States.

Figure 1

China Soybean Imports from 2015-2024



Source: Trade Data Monitor (TDM) | Chart elaborated by Post Brasilia (Office of Agricultural Affairs – OAA).

Other exporting nations such as Argentina, Uruguay, and Canada may also experience marginal impacts. For other countries, particularly in Asia, trade relationships are primarily driven by geographic logistics rather than market realignment. Thus, a trade impact is unlikely to negatively reach other suppliers in that region.

Brazilian farmers who do not adhere to the new production standards may face reduced demand, as the PRC is the main destination for Brazilian soybeans and the new Chinese requirements may introduce a shift that not all producers in Brazil will adopt immediately. However, overall Brazilian soybean exports are still expected to grow, as this shift would largely remain within the domestic market.

Strategic Move Through the 'Soy China' Initiative

The Soy China initiative signals a deeper alignment of Brazil's export strategy with Chinese agricultural demands. While Brazil currently prioritizes the Chinese market for soybeans exports, this initiative could institutionalize a segmented production line exclusively for the PRC, as the country seeks to expand its influence in the South American agriculture market.

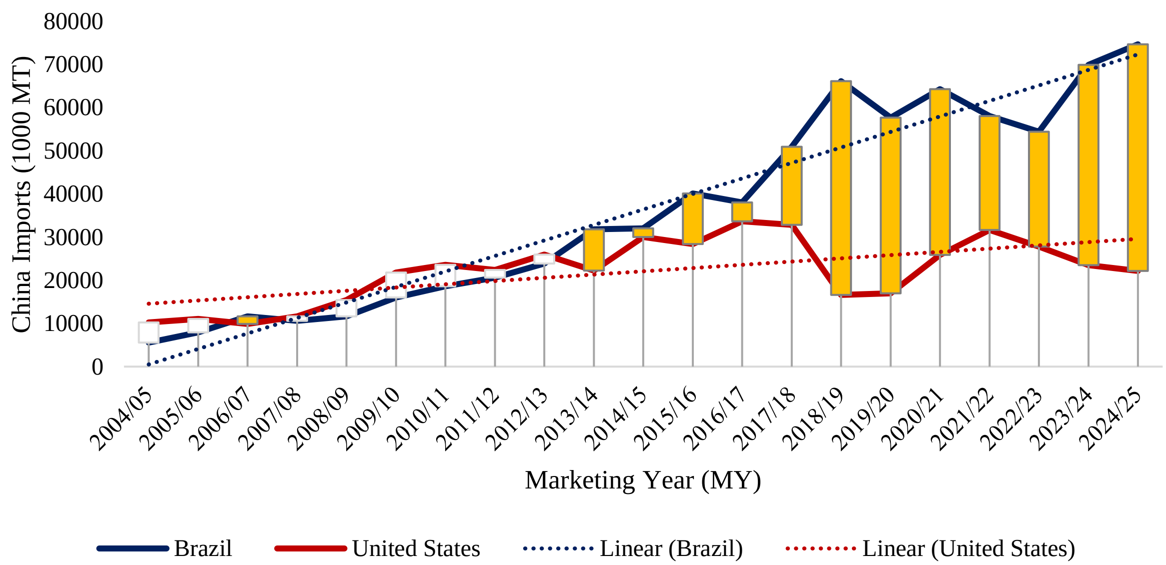
For years, many international parties have tried to find ways to circumvent Brazilian Law 5.709 of 1971, which establishes specific limits and conditions for land acquisition by foreigners in Brazil. For example, a foreign individual cannot acquire or lease more than 50 fiscal modules, and the total area owned by foreigners cannot exceed 25 percent of a municipality's territory. The implementation of "Soy China" may serve as a strategic avenue to reinforce Chinese influence in Brazil without violating legal boundaries.

Impact on U.S. Agricultural Exports and Food Security

This new focus for Brazilian soybean exports could pose strategic challenges for U.S. exporters. Over the past few years, U.S. soybean producers have exported an average of 25 million metric tons (MMT) of soybeans annually to the PRC. In 2024 alone, these exports were worth more than USD $12 billion, with PRC as the largest buyer.

Figure 2

Brazil vs U.S. soybean exports to China (MY 2004/05 – MY 2024/25)



Source: Trade Data Monitor (TDM) | Chart elaborated by: Post Brasilia (Office of Agricultural Affairs – OAA).

Since 2009, U.S. market share has steadily declined in soybean exports to the PRC, which has led Brazil to become the top soybean supplier to the same destination since 2013. Historically, U.S. market share losses have closely correlated with Brazilian soybean market growth, suggesting that Brazil has consistently served as the primary alternative source for soybean exports to the PRC when U.S. soybean exports decline. This trend is projected to intensify with the implementation of “Soy China” and amid recent developments such as increased tariffs and ongoing trade tensions.

Potential Economic and Environmental Benefits for Brazil

The “Soy China” initiative promises both economic and ecological advantages, as Brazil would solidify its position as the top soybean supplier to the PRC.

The PRC is also expected to inject capital into Brazil’s agricultural sector, particularly to support the recovery of degraded lands, advancing both sustainability and productivity. This initiative may bolster Brazil’s environmental credibility and reinforce programs and agreements, like the “Soy Moratorium”, potentially enhancing restrictions to ensure soy expansion is limited to already degraded areas. However, Post predicts that the Brazilian agricultural sector may face transitional hurdles, as the adoption of new cultivation methods for a specific type of soybeans and new sustainability standards may raise production costs.

The “Soy China” initiative could represent a major pivot in global agricultural dynamics. While Brazil stands to benefit both economically and environmentally, countries like the United States may need to reconfigure their agricultural export strategies to adapt to the shifting landscape.

Attachments:

No Attachments.