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Soya bean remains at the heart of US-China trade war

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Soya bean production remains at the heart of the US-China trade war, hence prices were under pressure on Friday (6 July 2018) on the back of the introduction of tariffs. For context, China is the world's largest soya bean consumer and heavily reliant on imports.

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The key underpinning factor behind the country's appetite for soya beans is the growing demand for animal feed, which in turn has been stimulated by increases in the demand for high protein food. China is a leading market for the United States (US) soya bean exporters; therefore tariffs could negatively affect US farmers' incomes.

The United States Department of Agriculture (USDA) forecasts China's 2018/2019 soya bean imports at 103 million tons, which equates to a 65% share of global imports. This is 6% higher than the previous season. In the 2017/2018 season, the leading suppliers of soya beans to China were the US, Brazil, Argentina and Uruguay.

Soya bean production demand

The Chinese demand is expected to shift towards South American countries in the next couple of months. Brazil is likely to be the biggest winner due to its large supplies. Brazil's 2017/2018 soya bean production was at 119 million tonnes, which is 35% of global soya bean production, and at par with the US harvest. The forecast for the 2018/2019 production season point to percentage point increase to 120 million tons is according to data from the International Grains Council.

Overall, in the near term, the US will probably boost its soya bean exports to alternative destinations which could include Mexico, Netherlands, Japan, Spain and Indonesia, amongst others. These are not big soya bean users, but they are amongst the top ten importers, according to data from Trade Map.

Back on home soil, the harvest process for the 2017/2018 soya bean crop is almost complete. At the end of last month (June), about 94% of the estimated 1.6 million tonnes of production had already been delivered to commercial silos.

Read the original article on AgriOrbit.

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