

US soybeans a big loser amid rising trade tension

US farmers have gotten caught up in trade tensions once again. While retaliatory tariffs from China have been relatively measured so far, there is room for escalation. Furthermore, broader trade tariffs mean it's not just US flows to China at risk



China targets US agricultural products

The Chinese government was quick to react to the US increasing tariffs on imports from China from 10% to 20%. China has decided to largely target the US agricultural industry by imposing additional tariffs ranging between 10-15%.

An additional 10% tariff will be imposed on US soybeans, sorghum, pork, beef, aquatic products, fruits, vegetables and dairy products. A further 15% tariff will be imposed on US wheat, corn, cotton and chicken. These tariffs are set to come into force on 10 March. We will focus on the impact on soybeans, corn and wheat.

Currently, the most favoured nation (MFN) tariff rate on soybean imports into China is 3%, while for corn and wheat, this tariff is 1% for in-quota imports and 65% for out-of-quota imports. China never officially removed previous tariffs imposed on US agri imports during the 2018 trade war.

Therefore, the tariff for US soybeans is 30.5%, while for corn and wheat, it is 26% for in-quota imports and 90% for out-of-quota imports. While China never officially lifted these tariffs, it provided tariff waivers, which effectively saw imports from the US attracting the same duties as other supplies.

In turn, we believe that China has been fairly restrained in its response; the government could have simply removed the tariff waivers that were provided in recent years, which would have seen imports from the US charged a significantly higher tariff than they are set to be charged from 10 March. It's possible that China is holding back in case the US moves to raise tariffs further.

While CBOT prices came under some initial pressure following the announcement from China, markets have all moved higher since. Given the weakness seen in these markets in the lead-up to China's retaliatory tariffs, it seems to be a story of sell the rumour, buy the fact. In addition, the market is possibly of the view that the level of tariffs is not as bad as feared.

Chinese import tariffs

| Commodity | Most Favoured Nation rate | 2018 trade war tariffs | 2025 additional tariffs on US | Total tariff on US in 2025 |
|--------------------|---------------------------|------------------------|-------------------------------|----------------------------|
| Soybeans | 3% | 30.50% | 10% | 13% |
| Corn in-quota | 1% | 26% | 15% | 16% |
| Corn out-of-quota | 65% | 90% | 15% | 80% |
| Wheat in quota | 1% | 26% | 15% | 16% |
| Wheat out-of-quota | 65% | 90% | 15% | 80% |

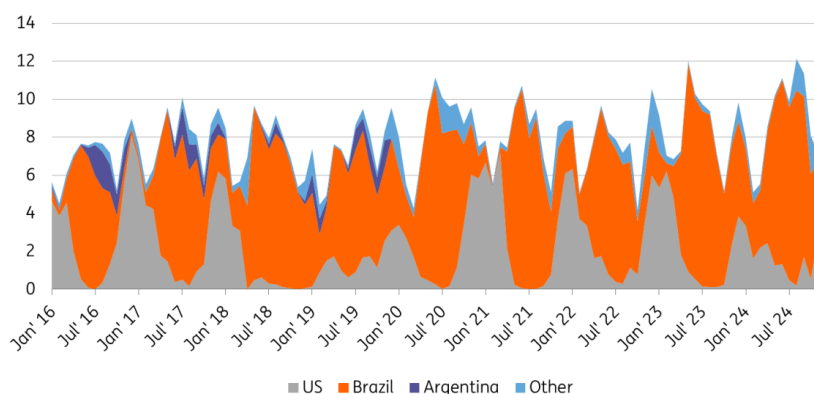
Source: USDA, ING Research

Note: China provided a tariff waiver on imports from the US, which effectively meant that up until now, imports from the US paid a similar tariff to the MFN rate

The US soybean industry needs China more than China needs it

Firstly, it is important to point out that there is seasonality in soybean supply, and we are moving to a period where supplies usually shift away from the US to Brazil. The impact of these tariffs will therefore be more limited – at least in the short term. US export sales for the current marketing year suggest that of the roughly 21mt tonnes of soybeans sold to China, only 1.5m tonnes remain to be shipped. Some of these volumes will likely be shipped before tariffs come into effect on 10 March (products in transit have until 12 April to clear China customs), which means a fairly small volume of US soybean sales to China will likely be cancelled.

China soybean imports by source (m tonnes)



Source: China Customs, ING Research

When it comes to China's reliance on US agricultural imports, it is soybeans that receive the most attention and deservedly so. Of the 105m tonnes of soybeans China imported in 2024, 21% originated from the US. However, while this is a sizeable share, China has reduced its reliance on the US by increasingly turning to South American supply, specifically from Brazil. China is therefore relatively better positioned than it was in the 2018 trade war – in 2017, the US made up 34% of Chinese soybean imports.

A factor which has helped this move towards Brazilian soybean supply is that Brazilian output has grown significantly in recent years. In the 2017/18 season, Brazil produced 123m tonnes of soybeans, for 2024/25, production is estimated to total 169m tonnes. Brazilian supply is also more competitive than US supply, and the weakness in the Brazilian real only helps in this regard. When taking into consideration the additional 10% tariff on US supplies, this will widen the gap between Brazilian and US competitiveness into China even further.

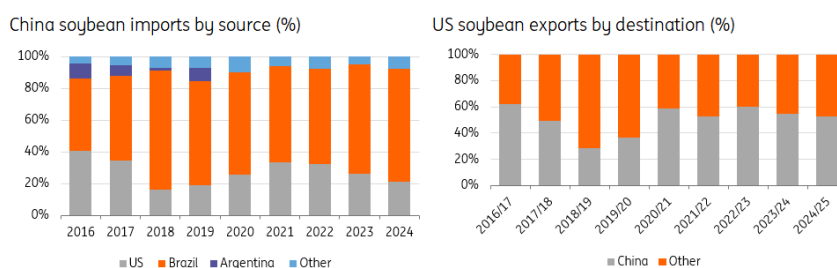
Tariffs will only reinforce this move towards Brazilian supply for China. As seen in the previous US/China trade war, trade flows will shift; China takes more Brazilian soybeans, while other buyers turn increasingly to the US. However, a factor potentially complicating this trend is that trade tensions this time around are not isolated to the US and China, but a number of the US's key trade partners, including Mexico and Canada, at least for now. Therefore, there may be multiple buyers looking to Brazil as an alternative to the US.

The US is more dependent on China as a buyer of its soybeans. While this dependency has fallen over the years, it is still significant. So far in the 2024/25 marketing year, the US has shipped 37m tonnes, of which 52% has gone to China. This is down from 62% before the 2018 trade war. Furthermore, the US is exporting a smaller share of its production overseas due to an increase in domestic crush capacity driven by growing demand from the biofuel sector.

While retaliatory tariffs will naturally be a concern for US farmers, at least the timing of these tariffs still provides farmers the opportunity to adjust their planting plans for the 2025/26 crop. Prices were already telling US farmers to reduce soybean plantings and increase corn plantings. These tariffs will likely only reinforce that view and in fact increase the potential for an even larger shift from soybeans to corn plantings this spring.

This suggests that CBOT soybean prices will likely have to remain under pressure (relative to corn) to send the right signal to farmers – otherwise, we risk seeing the US sitting on a growing amount of soybean stocks.

China has done a better job cutting its reliance on the US than the US has done with China



Source: China Customs, USDA, ING Research

China tariffs to have less impact on the corn and wheat market

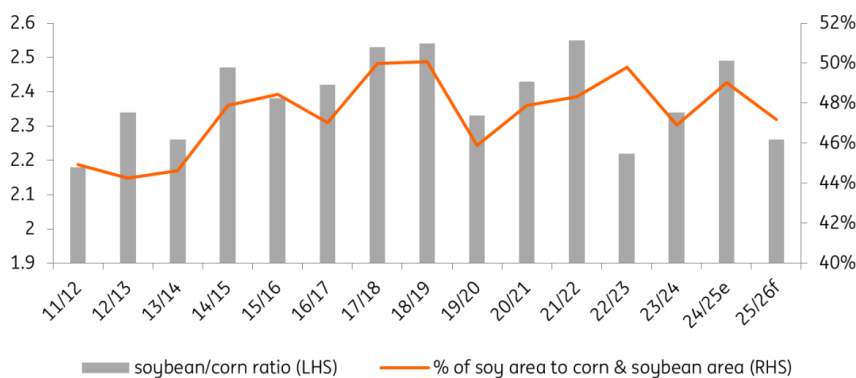
The retaliatory tariffs on US corn and wheat are less impactful for the market. This is also reflected in the fact that the Chinese government was willing to put a higher tariff of 15% on these two commodities compared to the 10% on soybeans.

In 2024, of the 13.7m tonnes of corn that China imported, 15% came from the US, while for wheat, 17% of the 11.2m tonnes imported originated from the US. It will be relatively easier for trade flows to adjust for these two commodities without significantly tightening the domestic Chinese market. As for soybeans, China has also increased the volume of corn imports from Brazil in recent years as domestic production has trended higher. As for wheat, Australia is the dominant supplier to China, and Australian wheat output is expected to recover this year after a poor crop last season.

For the US, Chinese tariffs on corn should be manageable. Export data for the 2024/25 marketing year (starting September 2024) shows only marginal volumes going to China, less than 1% (although admittedly volumes to China were much larger in the 2023/24 season). However, corn could be impacted indirectly by farmers switching from soybeans to corn, which would likely put downward pressure on US corn prices.

We see a similar story for wheat, with marginal US volumes going to China so far in the 2024/25 season. Export sales data shows less than 1% of wheat exports have made their way to China. Therefore, any direct impact should be fairly limited.

Soybean/corn ratio suggests US farmers should plant more corn relative to soybeans



Source: USDA, ING Research

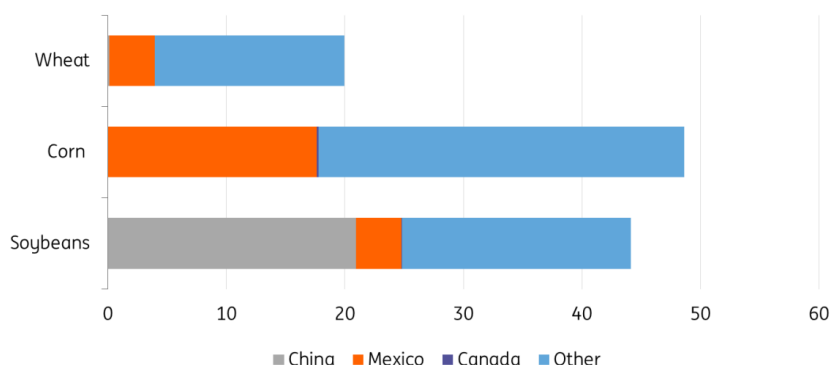
It isn't only US flows to China at risk

The above focuses on China, but the US is not only facing retaliatory tariffs from China – it faces retaliation from other key agri-trade partners, particularly Mexico, which is the largest destination for US corn and wheat, while also being the third largest buyer of US soybeans. Therefore, any retaliation from Mexico which targets these commodities would be a further blow to US farmers. Markets should get more clarity on how Mexico responds this weekend.

As for US soybeans, corn and wheat flows to Canada, the amounts are negligible, so less disruptive

for flows.

US 2024/25 export sales to key markets (m tonnes)



Source: USDA, ING Research

Tariffs also mean higher costs for US farmers

US import tariffs also increase the potential for higher input costs for farmers, with the most obvious being fertilizer costs. Import reliance on nitrogen and phosphorus fertilizers is relatively low, and the share of imports from Canada, Mexico and China is also small. Therefore, tariffs should have less impact on the cost of these fertilizers.

The US has an import reliance of around 90% on potassium fertilizers, of which more than 80% comes from Canada. This is a concern for farmers as they will face rising costs and lower prices for their output, which would squeeze margins. However, there would have likely been some front-loading in anticipation of these tariffs coming into effect. There is also some noise that the US may provide some exemptions on agricultural tariffs, which could include potash from Canada.

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