Demand from China bolsters soya bean production in the US and Brazil

Article by IndexBox

The increasing demand for soya bean in biofuel production, animal feed and food products has outpaced production growth, resulting in a significant hike in soya prices. Along with expectations of further price increases, this contributes to rising costs of many downstream products and accelerates food inflation.

In China, the rebuilding of swine herds following African swine fever (ASF) outbreaks is a new driver for the global market. These factors highlight soya bean as an attractive commodity to invest in, leading to significant expansion of crops planted in the United States (US) and Brazil.

Key trends and insights

Global soya bean consumption increased steadily from 2020 to 2021, while global stocks have been rapidly depleting. The escalating demand in China, accounting for 60% of global soya bean trade growth, is currently the key driving force of the world market.

The expected recovery in biofuel demand as the economy re-emerges following the Covid-19 pandemic, also shapes expansion of the raw soya bean market. The high prices may yet curb the biofuel market's growth rate, removing soya bean fuel as a viable competitor in terms of conventional fuel types.

The fear that the demand for soya bean will soon exceed supply, combined with rising production costs, contribute to price increases. The average soya bean price (CIF Rotterdam, US origin) in 2020 stood at US$380/ton; in the first half of 2021, prices soared to US$544/ton. This should lead to higher prices for meat, animal feed and biofuel.

The high prices for animal proteins amplify the development of the market for alternative soya bean food. In 2020, global investment in the alternative protein industry saw a twofold increase from 2019. China is forecast to record the most significant rise in the consumption of soya bean meal in animal feed and soya bean-derived protein concentrates for food products.

The promising outlook for the soya bean market is attracting investment to expand potential crop plantings. Global production is set to increase by 23 million tons to reach 386 million tons due to the increase in the land being harnessed for crop production in the US and South America (particularly Brazil). Market performance is forecast to retain its current trend, expanding with an anticipated compound annual growth rate of +3,3% from 2020 to 2030, which is projected to bring the market volume to 489 million tons by the end of 2030 (*IndexBox* estimates).

Consumption by country

The value of the global soya bean market fell slightly to US$150,9 billion in 2020, stabilising at the 2019 level. This figure reflects the total revenues of producers and importers (excluding logistics costs, retail marketing costs, and retailers' margins, which will be included in the final consumer price).

China (132 million tons) had the largest volume of soya bean consumption, comprising approximately 37% of total volume. Moreover, soya bean consumption in China exceeded the figures recorded by the second-largest consumer – Argentina (48 million tons) – threefold. Brazil (46 million tons) ranked third in terms of total consumption with a 13% share.

In China, soya bean consumption expanded at an average annual rate of +5,8% from 2012 to 2020. The remaining consuming countries recorded average annual rates of growth, with +4,4% per year for Argentina and +4% per year for Brazil. In value terms, China alone (US$54 billion) led the market. The second position in the ranking was occupied by Argentina (US$19,9 billion), followed by Brazil.

In 2020, the highest levels of soya bean per capita consumption were registered in Argentina (1 059kg per person), followed by Brazil (214kg per person), the US (105kg per person) and China (90kg per person), while the world average per capita consumption was estimated at 45kg per person.

Exports by country

Brazil (75 million tons) and the US (65 million tons) prevail in soya bean exports, together constituting 85% of the total volume. They were distantly followed by Argentina (7,7 million tons), making up a 4,7% share of total exports. Paraguay (5 million tons) and Canada (4,4 million tons) each had a 5,8% share of total exports.

From 2012 to 2020, the most notable growth in terms of shipments among the key exporting countries was attained by Brazil, while others experienced more modest paces of growth.

In value terms, Brazil (US$29 billion), the US (US$25,9 billion) and Argentina (US$3,1 billion) had the highest levels of exports in 2020, together accounting for 90% of global exports.

The average soya bean export price stood at US$395/ton in 2020, almost mirroring the previous year. Average prices varied somewhat among the major exporting countries. In 2020, these countries recorded the following prices: Canada – US$437/ton, Argentina – US$407/ton, Paraguay – US$323/ton, and Brazil – US$387/ton.

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