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Brazil and China's Strong Ag Relationship: Opportunity or Overdependence?

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As global markets react to trade tensions between the United States and China, another bilateral relationship has gained attention: Brazil and China. Over the past two decades, China has become Brazil's largest agricultural trading partner, accounting for one-third of the value of Brazil's total agricultural exports. With the latest tariff escalations, Brazil is expected to strengthen its trade ties with China (see 5-min farmdoc video, April 9, 2025). However, this deepening relationship raises questions about long-term risks for Brazil having relied heavily on Chinese trade, particularly considering forecasts for slower Chinese economic growth in the coming years. This article examines the role of Chinese demand in driving the expansion of Brazil's agricultural sector in the last 20 years. It also discusses the implications of growing export concentration from a market diversification and risk exposure perspective.

China's Growing Share of Brazil's Export Market

China became Brazil's largest agricultural trading partner in 2013, twelve years after China joined the World Trade Organization (WTO). China now surpasses the European Union and the United State as Brazil's largest trading partner. Over the past two decades, China's share of Brazilian agricultural exports increased from just 7% in 2005 to 30% in 2024, according to the Foreign Trade Secretariat (Secex). During the same period, the European Union's share declined from 30% to 14%, while the United States' share fell from 14% to 7% (see Figure 1).

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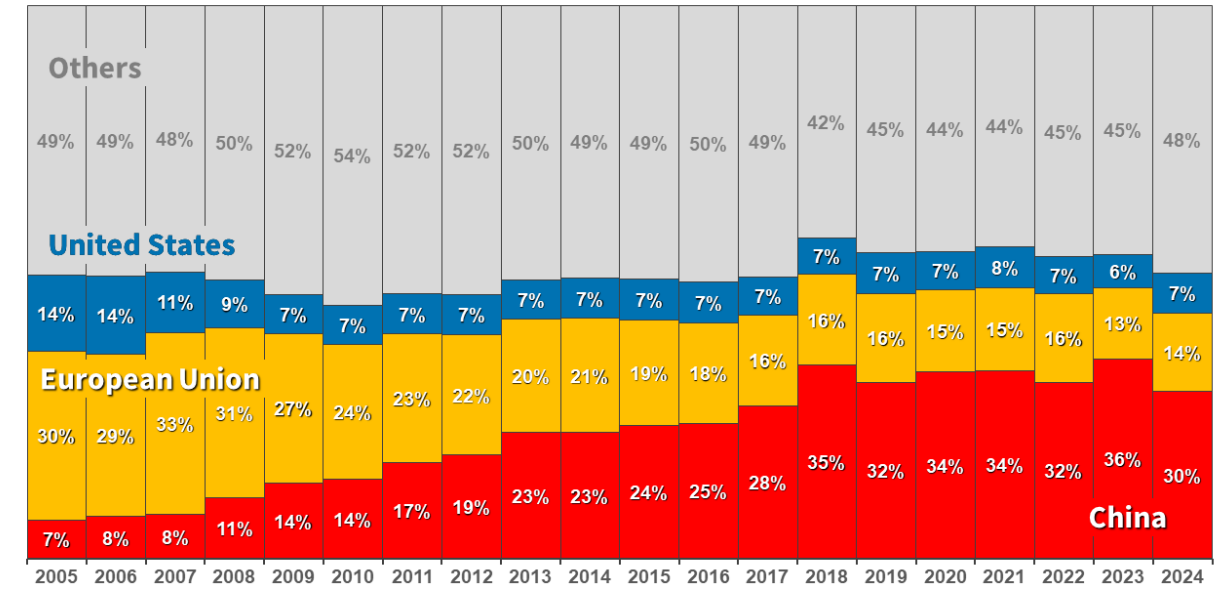
Figure 1. Total Brazilian Agricultural Exports by Destination



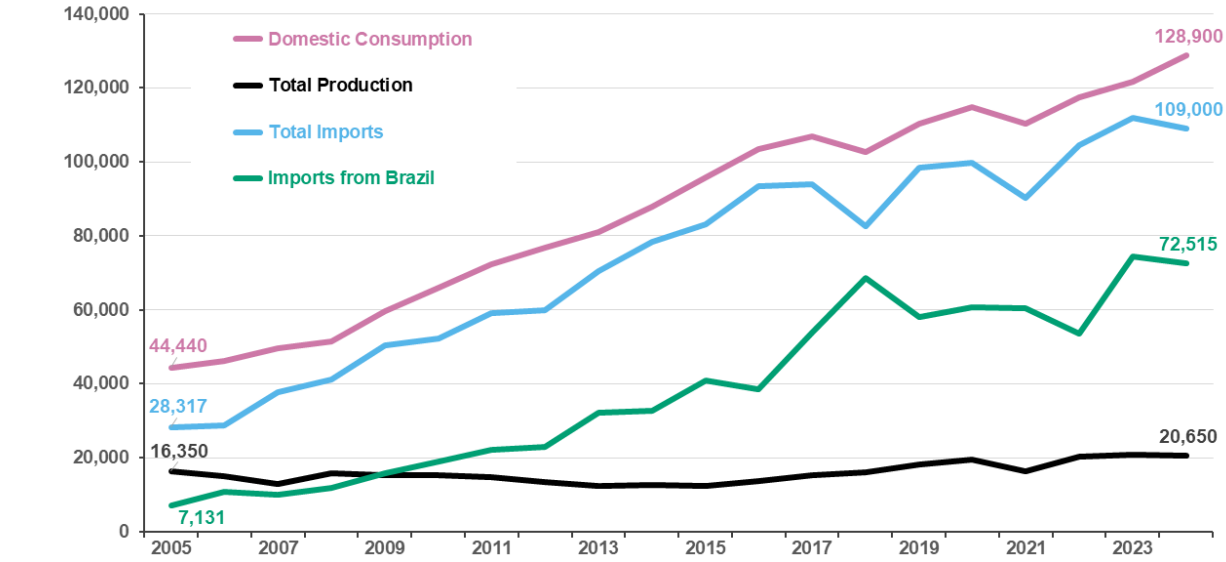
China is currently the leading importer of several major Brazilian agricultural and forestry products, accounting for 73% of Brazil's soybean exports, 49% of cellulose (a plant-based material widely used in paper), 46% of beef, 33% of cotton, 29% of sugar, 19% of pork, and 11% of poultry in 2024, according to Secex data. Over the past two decades, Brazil's total exports grew at a compound annual growth rate (CAGR) of 6%, while exports to China grew significantly faster, with a CAGR of 15% (Markestrat, 2025). This reflects a strong connection between Brazilian exports and China's economic growth.

In addition to boosting Brazilian exports, China's rapid economic growth has contributed to the appreciation of farmland in Brazil. Cropland prices in Brazil have risen significantly over the past decade, driven by high commodity prices caused in part by strong Chinese demand and a favorable exchange rate for Brazilian exporters. The most significant increases in land values have occurred in grain-producing regions, in the Center-West and South of Brazil, particularly those areas specializing in soybean production—the leading agricultural export to China (see *farmdoc daily*, April 28, 2023).

China's Soybean Deficit and Brazil's Role

Among all agricultural products, Brazil's greatest export dependence on China is in soybeans, with an average of 75% of its soybean exports destined for the Chinese market over the past decade (see *farmdoc daily*, January 21, 2025). This strong demand is pushed mainly by China's limited domestic soybean production and its need to support large-scale production of fish, meat, dairy, and eggs—collectively referred to as protein (Bouratoglou et al., 2025). In 2024, for example, China produced just 21 million tons of soybeans, while domestic consumption reached a record 129 million tons. Imports accounted for approximately 84% of the country's soybean supply, with 67% of those imports coming from Brazil (see Figure 2).

Figure 2. Two Decades of Soybean Supply and Demand in China
in Million Metric Tons

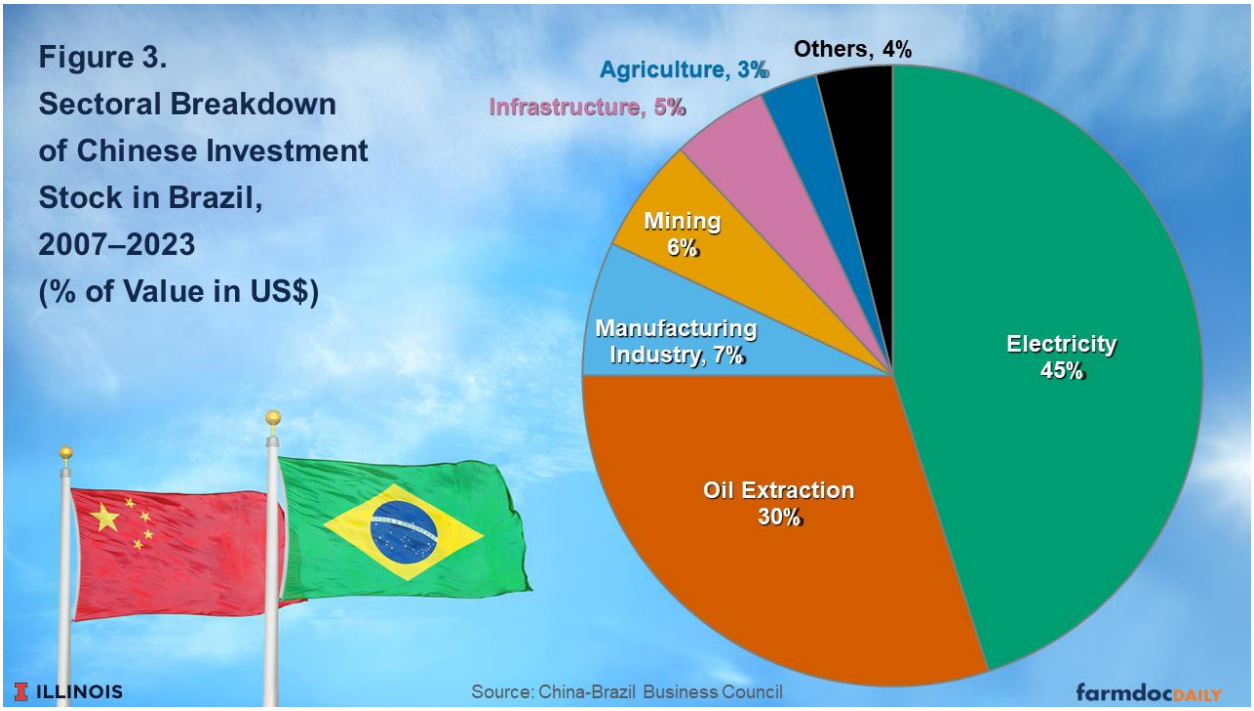


Brazil's reliance on the Chinese soybean market has deepened over the past two decades, driven by a sustained rise in China's domestic leading to higher reliance on imports. Between 2005 and 2024, China's soybean consumption increased from 44.44 million to 129.90 million tons—an increase of 190% (see Figure 2). In contrast, domestic production grew by 26% over the same period. This widening gap has been met through imports, which surged nearly 300%, with imports from Brazil alone increasing nearly tenfold.

As a result of this sharp increase in domestic consumption, China accounts today for approximately 60% of total global soybean imports, with Brazil and the United States as its main suppliers. For both countries, soybeans are the top agricultural export to China. Historically, the United States was the world's largest soybean exporter, but in 2013, Brazil surpassed the United States in soybean shipments for the first time. Since then, Brazil's share of the global soybean trade has continued to grow steadily (see *farmdoc daily*, February 20, 2024).

Chinese Direct Investment in Brazilian Agriculture

Although China is the main destination for Brazilian agricultural exports, Chinese foreign direct investment (FDI) in Brazil's agriculture sector over the past two decades has been relatively limited compared to other sectors of the economy. According to the China-Brazil Business Council—a non-profit institution representing nearly 80 Brazilian and Chinese companies—Chinese investment in Brazil totaled US$73 billion across 264 confirmed projects between 2007 and 2023. The electricity sector received the largest share, attracting US$33 billion (45% of the total), followed by oil extraction with US$22 billion (30%) (see Figure 3).



The manufacturing sector received US$5.3 billion in Chinese direct investment between 2007 and 2023, accounting for 7% of the total. The mining sector attracted 6% (US$4.4 billion), while infrastructure projects absorbed US$3.3 billion (5%). Agriculture received just US$2.4 billion, or 3% of total Chinese investment in Brazil during the period (see Figure 3). Still, agriculture — like other sectors — benefits indirectly from electricity and infrastructure investments.

Some factors help explain the low level of Chinese direct investment in Brazil's agricultural sector, such as legal restrictions around foreign farmland ownership and high and complex operational costs. For many Chinese firms unfamiliar with these dynamics, investing directly in production may seem less attractive than purchasing commodities on the global market. Therefore, investments have remained concentrated in production inputs (such as chemicals, seeds, and machinery) and infrastructure, including port and storage facilities.

Risks from Slowing Chinese Demand and the Push for Self-Sufficiency

China’s soybean imports have seen periodic disruption since 2019. These fluctuations have been associated with the impacts of the COVID-19 pandemic and outbreaks of African swine fever within China’s pork industry. Some analysts believe that China’s soybean imports may have already peaked, given slower growth expected in meat consumption in China, leading to less of a need for protein consumption. This outlook is based on projected declines in income growth and urbanization rates. By 2029, the output of China’s protein industries is projected to increase by just 1.5 million tons to 210 million tons. This represents an average annual growth of only 0.12% and is far slower than the 1.8% growth rate observed over the decade up to 2023 (Bouratoglou et al., 2025).

Although China relies heavily on imports to meet domestic demand, it has been actively pursuing a strategy to diversify its supply sources and reduce its dependence on Brazil. As part of its Five-Year Agricultural Plan, which runs through 2027, China has prioritized increasing self-sufficiency in soybeans and other grains and oilseeds. In recent years, China has increasingly approved the cultivation and commercialization of genetically modified (GM) crops, particularly corn and soybeans, to boost food security and reduce reliance on imports. China’s 2024-2033 Agricultural Outlook Report targets a 75% increase in soybean production over the next decade.

The combination of potential growth in domestic grain production and a projected slowdown in demand from the feed industry is creating growing uncertainty in China’s soybean market—and consequently for major suppliers that rely heavily on it, such as Brazil and the United States. In recent years, Brazil’s agricultural sector has been discussing strategies to rely less on export commodities and alternative

markets to China. Among the options are increasing domestic crushing of soybeans for meal and oil and expanding biodiesel and Sustainable Aviation Fuel (SAF) production. In addition, increasing participation in emerging countries where demand for protein is expected to grow alongside increases in per capita GDP and total population, such as in African and Southeast Asian countries.

Final Thoughts

The expansion of Brazilian agriculture over the past two decades is closely linked to rising demand from China, which has become Brazil's main agricultural trading partner in products such as soybeans, cellulose, beef, cotton, sugar, pork and poultry. In 2024, one-third of Brazil's total agricultural export value was destined for the Chinese market, highlighting the country's significant dependence on commodity exports to China. With ongoing trade tensions between the United States and China, Brazil is expected to gain even more ground in the Chinese market in the coming years.

However, this strong trade relationship also exposes Brazil to growing risks associated with market concentration. As China works to increase self-sufficiency and diversify its supply sources, Brazilian agriculture could face uncertainty in the medium and long term. A slowdown in Chinese demand—combined with rising domestic production—may limit future Brazilian export growth. To address these risks, Brazil could pursue strategies such as expanding value-added processing, investing in biofuels, and strengthening trade ties with emerging markets beyond China – steps the United States, in many ways, has been ahead on in recent years.

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