



Economic Review

Reshuffling in Soybean Markets following Chinese Tariffs

by: Cortney Cowley

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Chinese tariffs on U.S. soybeans could reduce the global competitiveness of U.S. soybeans in the longer term.

In 2018, China significantly increased tariffs on imports of several agricultural commodities from the United States, including a 25 percentage point rise in the tariff on soybeans. China has been the primary foreign destination for U.S. soybeans over the past decade, accounting for a majority of U.S. soybean exports. A disruption in soybean markets could have broad implications for the U.S. agricultural sector, where soybeans have made up a majority of the growth in exports of bulk agricultural commodities and a growing share of crop production and farm revenues.

Cortney Cowley examines the initial market responses and potential long-term implications of Chinese tariffs amid other supply and demand disruptions. She finds that although some U.S. soybean exports reshuffled to other trading partners, total exports of soybeans declined 21 and 14 percent relative to the previous five-year average in 2018 and 2019, respectively, following the implementation of tariffs. Despite the signing of a “phase one” trade deal in January 2020, tariffs could, in the longer term, lead to expanded production in and exports from other countries, a further reshuffling of global soybean exports, and reduced competitiveness for U.S. soybeans in world markets.

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