



By: Jun Du

Soybean war – tariffs politics loses to supply chain economics



When a photographer recently captured US Treasury Secretary **Scott Bessent** reading a text message at the United Nations General Assembly, the image inadvertently revealed the scale of America's deepening agricultural crisis.

"We bailed out Argentina yesterday," read the message, apparently from Agriculture Secretary Brooke Rollins. "In return, the Argentine's [sic] are removing their export tariffs on grains, reducing their price, and sold a bunch of soybeans to China, at a time when we would normally be selling to China."

Within 48 hours of Argentina's decision to eliminate export taxes on grain products, Chinese buyers had purchased roughly 1.3 million tons of **Argentine soybeans** – just as US farmers began their harvest season with zero Chinese orders.

The surge in Argentine exports drove soybean prices lower, giving China even greater leverage over the United States.

This isn't merely a story about trade disputes or commodity flows. It's a case study in how US President Donald Trump's tariff-first trade policies fundamentally misunderstand 21st-century supply-chain economics, and how temporary shocks can trigger permanent structural shifts.

While the conventional narrative casts soybeans as a bargaining chip between the US and China, they are not a final consumer good.

Soybeans are an intermediate input within a tightly integrated agricultural-industrial supply chain.

Crushing facilities process soybeans into animal feed and oil, which in turn sustain livestock production and food security.

Disrupt one node, and the entire system reorganizes – and never returns to its previous form.

China learned this lesson the hard way in 2004, when global traders manipulated soybean prices – driving them from \$540 to over \$750 per ton, then announcing bumper harvests that sent prices crashing to \$500 and trapping Chinese processors in high-priced contracts.

Academic studies estimate that roughly 3,000 **soybean processors** went bankrupt, while foreign traders gained control of 70-85% of China's crushing capacity.

China didn't just lose money; it lost control over a critical link in its food-security supply chain.

Between 2011 and 2018, roughly 60% of all US soybean exports had gone to China. But by 2024, Brazil's share of Chinese soybean imports had risen to 71%

In response, it built vast strategic reserves through its state grain corporation, Sinograin, protected its remaining state-owned crushers, and began investing heavily in South American agricultural infrastructure.

Trump's 2018 tariffs accelerated these diversification efforts. Chinese investment had already financed the ports, railways, and logistics networks that now move South American soybeans efficiently to Asian markets, ensuring that by the time those tariffs disrupted US-China trade, the necessary infrastructure was in place.

As a result, what might once have taken two decades to unwind unraveled in just seven years.

Between 2011 and 2018, roughly 60% of all US **soybean exports** had gone to China. But by 2024, Brazil's share of Chinese soybean imports had risen to 71%, from just 2% in the 1990s.

China learned the lesson

US farmers are now paying the

price

Today's trade war, which completed the reorganization that began in 2018, reflects the inherent hysteresis of global supply chains.

When Brazilian and Argentine farmers expanded production, that capacity didn't disappear once tariffs were lifted.

Chinese crushers forged enduring relationships with South American suppliers, while ports and logistics networks were optimized for Brazil-China routes.

Global soybean prices, once centered on North American harvests, now follow South America's agricultural calendar.

Whereas China once faced overdependence on one supplier, US farmers are now paying the price of relying on a single buyer

The economic logic behind this shift is straightforward: concentrated buyers like China can diversify their supply sources far more easily than dispersed sellers like US farmers can find equivalent markets.

China **imports** 100-105 million tons of soybeans annually, dwarfing all other importers.

Because it accounts for 60% of the global soybean trade, US farmers cannot possibly replicate that demand elsewhere.

Whereas China once faced overdependence on one supplier, US farmers are now paying the price of relying on a single buyer.

No combination of smaller markets can compensate for the loss of their largest customer, which has invested in viable alternatives.

The incoherence of America's

current trade posture

All of this underscores the incoherence of America's current trade posture.

The US provided Argentina with roughly \$20 billion in **financial aid** to keep it from drifting further into China's orbit; Argentina responded by scrapping export taxes, instantly making its soybeans more competitive before selling them to China.

Meanwhile, US farmers, who received about \$28 billion in subsidies between 2018 and 2019, have watched their market share evaporate and are now bracing for another bailout.

What we really want is good relations with our trading partners. We want markets. We don't want bailouts - The Illinois Soybean Association

As a spokesperson for the Illinois Soybean Association recently **stated**, "What we really want is good relations with our trading partners. We want markets. We don't want bailouts." Yet the US continues to subsidize its farmers and bankroll its competitors.

These dynamics expose a deeper flaw in how the US approaches globally interconnected markets.

Tariffs may protect final-goods industries with high switching costs, but they are disastrous for intermediate goods in flexible supply chains where buyers can easily substitute links.

Evidently, US trade policy does not recognize this essential distinction.

The parallels with the UK's post-Brexit trade policy

The parallels with the United Kingdom's post-Brexit trade policy are striking.

Both countries' strategies reflect grand rhetoric about sovereignty and leverage while ignoring how complex supply chains adapt to disruption.



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By treating trade as bilateral when it is inherently multilateral, they overestimate their indispensability and underestimate adjustment costs.

My own research on **post-Brexit trade** reveals that disruptions intensify rather than ease over time – 2023 showed more pronounced trade declines than previous years – indicating deeper structural changes, not temporary adjustment.

The UK has been disentangled from EU value chains for consumer goods while remaining dependent on the EU for intermediate and capital goods.

Like US farmers losing Chinese market access, the party initiating the disruption faces asymmetric vulnerability: it's easier for buyers with options (the EU and China) to reorganize their supply sources than for sellers (the UK and the US) to find equivalent alternative markets.

The soybean saga offers a broader lesson. In modern trade, control over supply-chain nodes matters more than control over raw materials.

China lost control of its crushing capacity in 2004 and spent two decades ensuring it would

never be that vulnerable again.

The US is now losing access to its largest export market because it failed to grasp that once supply chains reorganize, they don't revert simply because tariffs change.

By the time Bessent read that text message, the outcome was already clear. He was, in effect, reading the obituary of a trade relationship that years of misguided policy had systematically dismantled.

The question now isn't whether it can be rebuilt, but whether American policymakers understand why it can't.

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