

China's Brazilian soy supply chains

China is the biggest export market for Brazilian soy and, as a result it is the most exposed to the risks of its supplies being linked to soy deforestation. But analysis using Trase data shows that the country's exposure is concentrated in a relatively small area and involves just a few companies. This creates a strategic opportunity for Chinese buyers to address this risk and minimise their impacts.

BRAZILIAN SOY IMPORTS TO CHINA

Between 2013 and 2017, 42% of all the soy produced in Brazil was exported to China (28% stayed in Brazil, 15% was exported to Europe, 15% to other countries). Over this period, the volume shipped to China increased by 65%, with 54 million tons of Brazilian soy imported in 2017.

Feeding China's demand for Brazilian soy in 2017 needed 128,600 km² of soy plantations, an area three times the size of the Netherlands.

As the largest importer of Brazilian soy, China was exposed to 223,000 hectares of soy deforestation risk between 2013 and 2017 (calculated by multiplying the total soy-related deforestation in producing localities by the share of that soy output imported to China).

However, per ton of imported soy, China is exposed to only half the deforestation risk faced by the European Union, due to differences in sourcing patterns.

Most of the Brazilian soy imported by China in 2013–2017 was produced in the south of Brazil, away from recent deforestation hotspots, but most of the soy shipped to Europe came from the Cerrado, where soy-related deforestation rates are high.

CHINA'S SOY DEFORESTATION RISK

Just eight percent of soy exports to China by volume came from Matopiba (the region which covers the state of Tocantins and some parts of the states of Maranhão, Piauí and Bahia). These exports accounted for over 80%

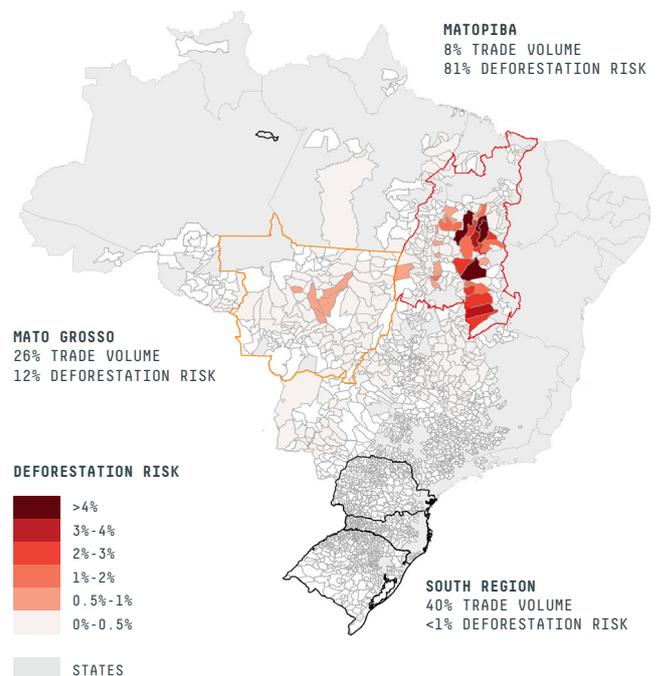


FIGURE 1

Soy deforestation risk of Chinese soy imports from Brazil, 2013–2017, by producing municipality, highlighting key regions.

of China's soy deforestation risk, as native vegetation in Matopiba was being cleared for soy in this biodiverse savannah ecosystem.

Some 12% of China's soy comes from the Amazon, where deforestation directly for soy has fallen sharply, particularly since the advent of the Soy Moratorium. Some indirect risks remain, however, as large areas of the Amazon are still being cleared, mostly for cattle pasture, which may then be converted to soy.

Forty percent of China’s soy imports (by volume) came from the South Region (Paraná, Santa Catarina, and Rio Grande do Sul), where soy deforestation risks are much lower.

This demonstrates that if China wants to reduce its exposure to soy-related deforestation in Brazil, it should focus attention on supplies from Matopiba.

WHO ARE THE MAJOR EXPORTERS?

Hundreds of companies are involved in the soy trade between Brazil and China, but just six accounted for 60%

of all the volume exported between 2013 and 2017 (Figure 2). The Chinese company COFCO accounted for 7%.

In Matopiba, three different traders play a significant role with Agrex, Amaggi, LD Commodities and Multigrain accounting for nearly 30% of exports. The top six companies accounted for over 70% of the total volume exported to China.

Trase data make it possible to identify where Chinese soy imports are linked to areas of high soy deforestation risk and the traders operating in those areas. This can help soy buyers prioritise efforts to address deforestation risks and improve the sustainability of soy production.

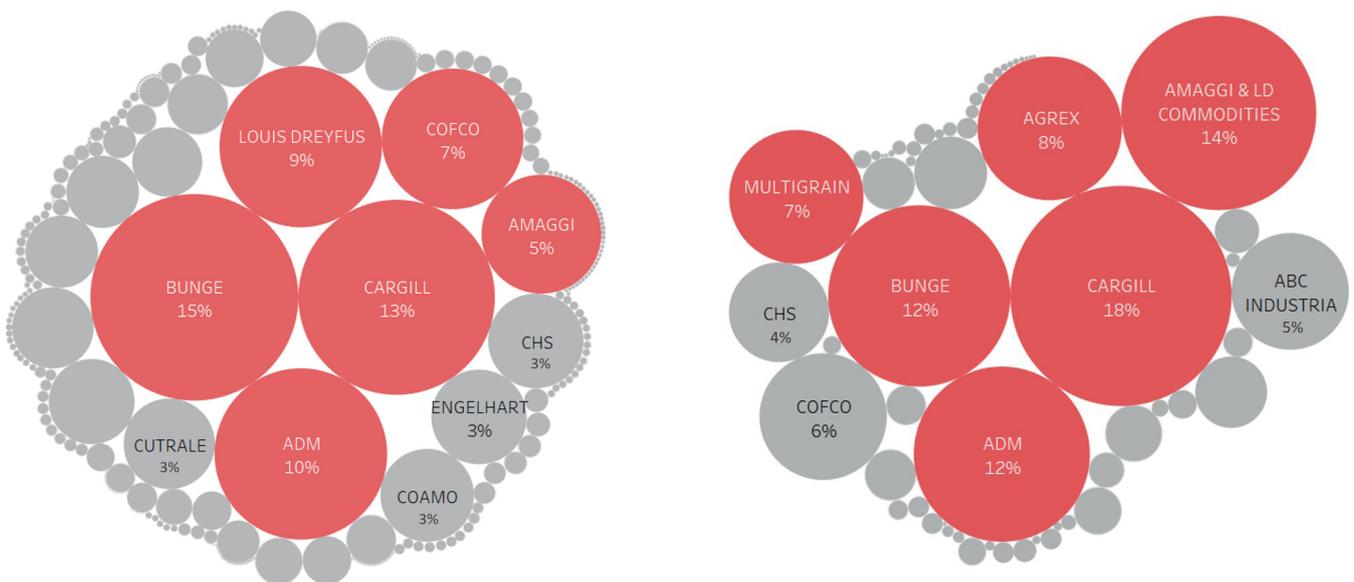


FIGURE 2 Major soy exporters from Brazil to China (on the left) and from Matopiba to China (on the right) between 2013 and 2017. Bubbles size reflects volume of soy.

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