Fastmarkets

# Policy-driven market shifts in the soybean complex

David Alley

Head of Agriculture and Biofuels Analytics

david.alley@fastmarkets.com

# Shifting trade and biofuels policy is driving a global soy complex reorganization

### 1. Soybean trade

US/China trade relations are driving further growth in Brazil production and exports.

### 2. Biofuel trade

Trade policy is shuffling low CI feedstock trade.

### 3. Biofuel policy

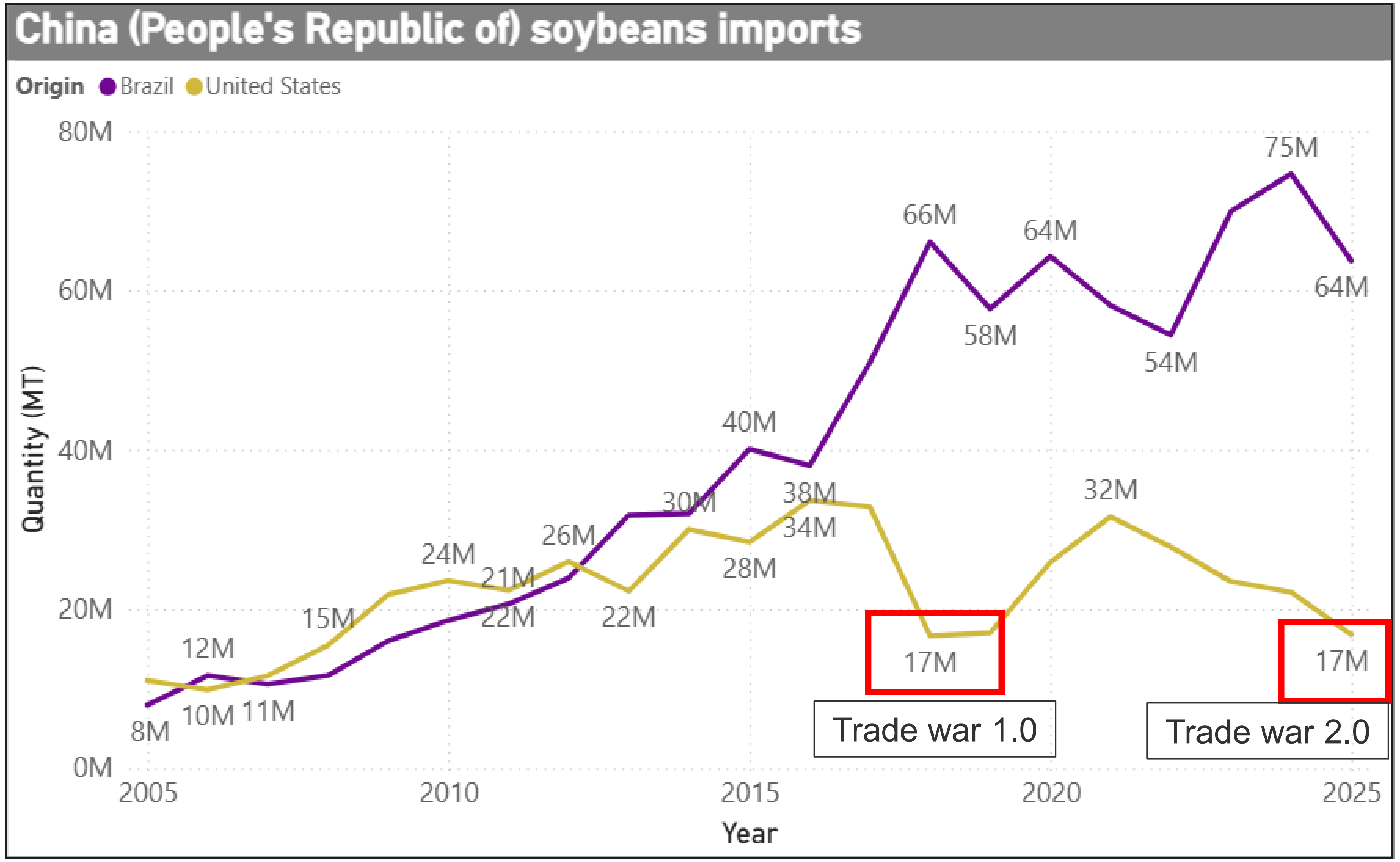
Global policy shifts are tightening low-CI feedstock markets, driving SBO demand.

### 4. Soybean meal

Strong oil share is supporting crush and expanded soybean meal production.

# China/US trade tensions helped establish Brazil as the dominant world bean exporter

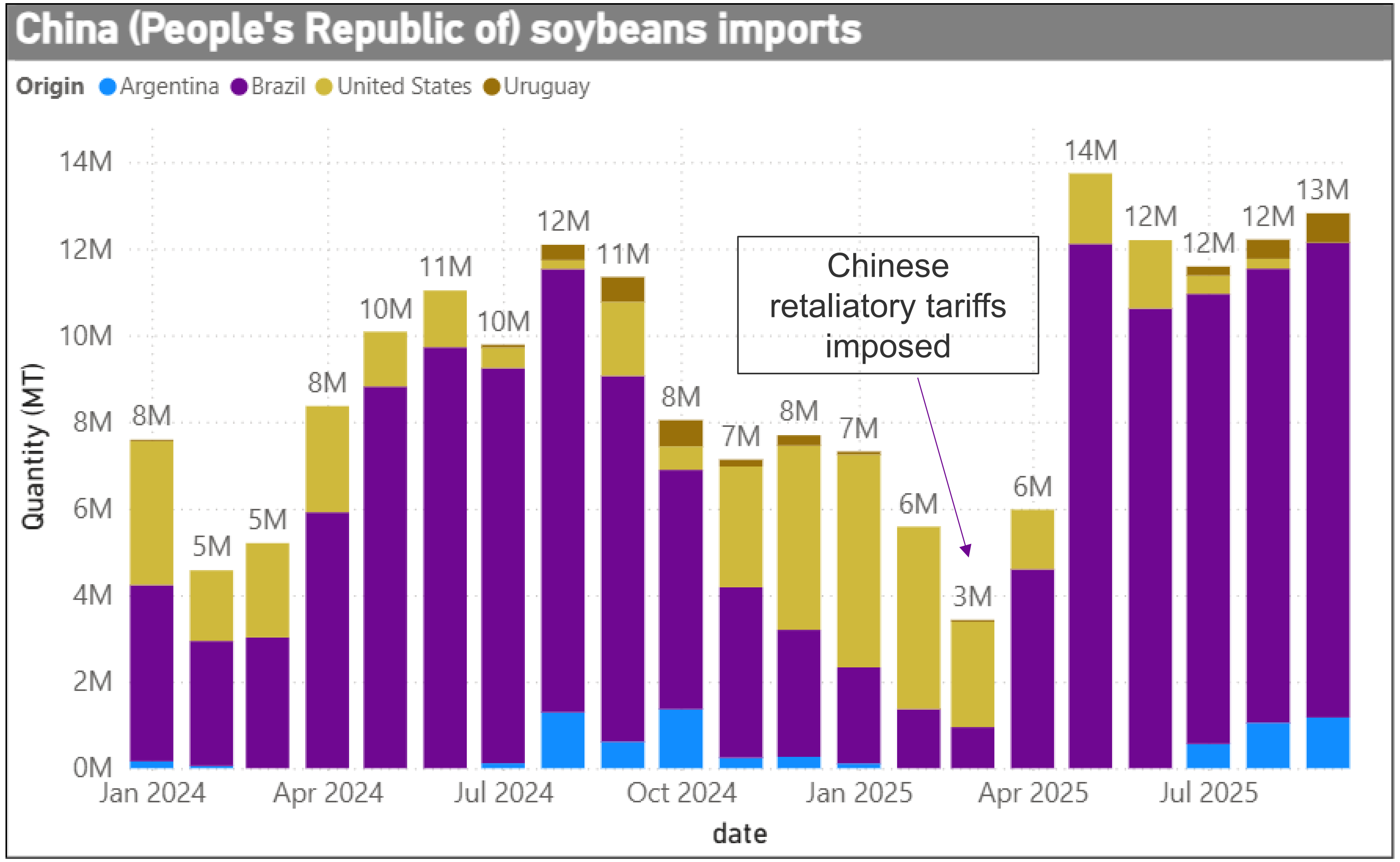
- In 2018, China imposed a 25% tariff on soybean imports from the US. US soybean exports to China fell by almost 50% while Brazil exports grew by 30%, placing Brazil firmly in the export lead.
- The US has not recovered from Trade War 1.0




Source: Global Trade Tracker (GTT)
Note: 2025 data through September

# Trade War 2.0 further escalated China's dependence on Brazilian soybeans

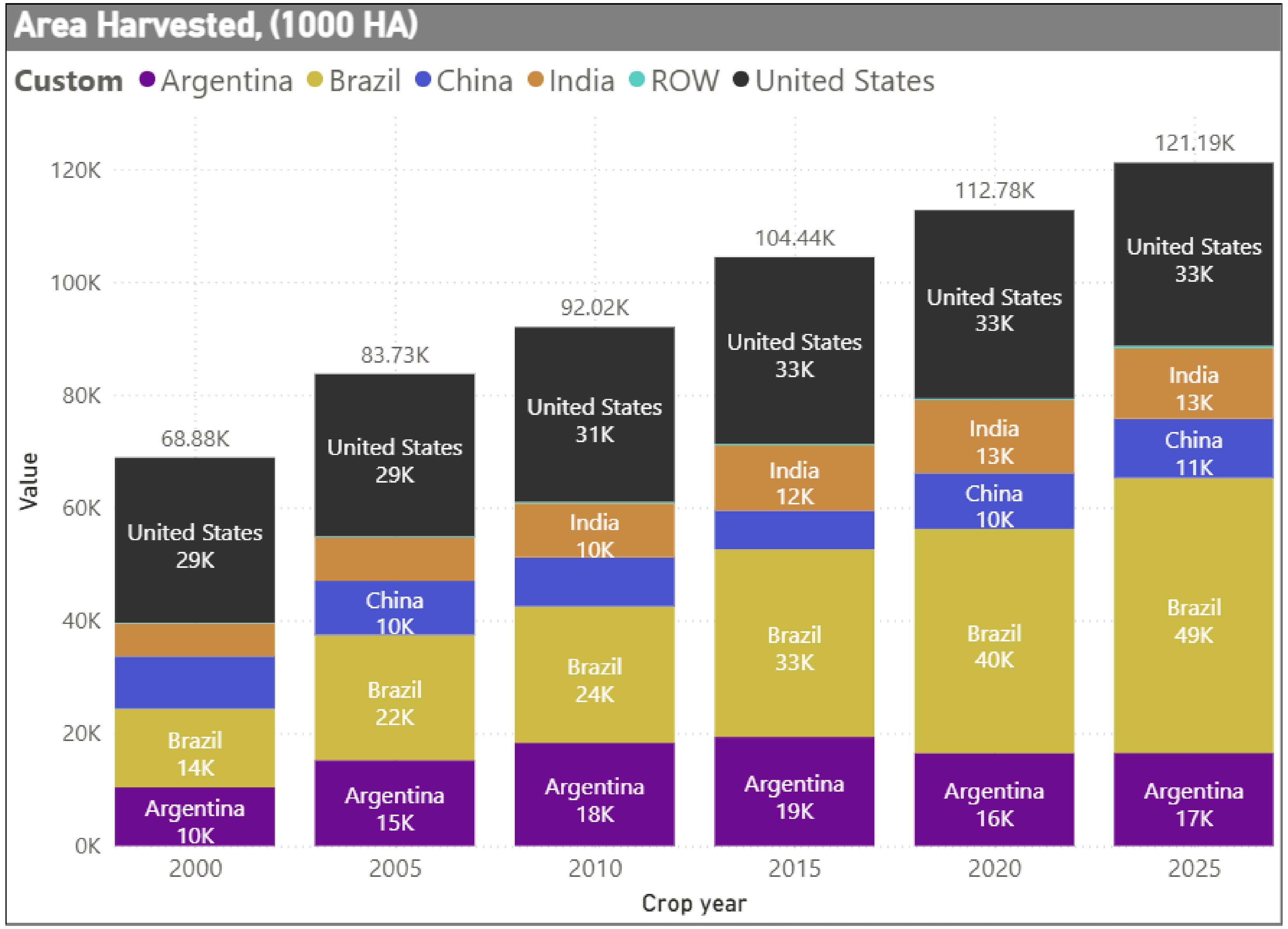
- In March, China imposed a retaliatory tariff on US soybean.
- This is a period when China typically does not import US soybeans, but it also didn't forward purchase from the US, instead adding Brazilian purchases.
- China suspended the retaliatory tariff as of November 1 and pledged to increase soybean imports.




Source: Global Trade Tracker (GTT)
Notes: Data through September 2025

# Trade demand has driven increased Brazil soybean area by 3.5 times over the last 25 years

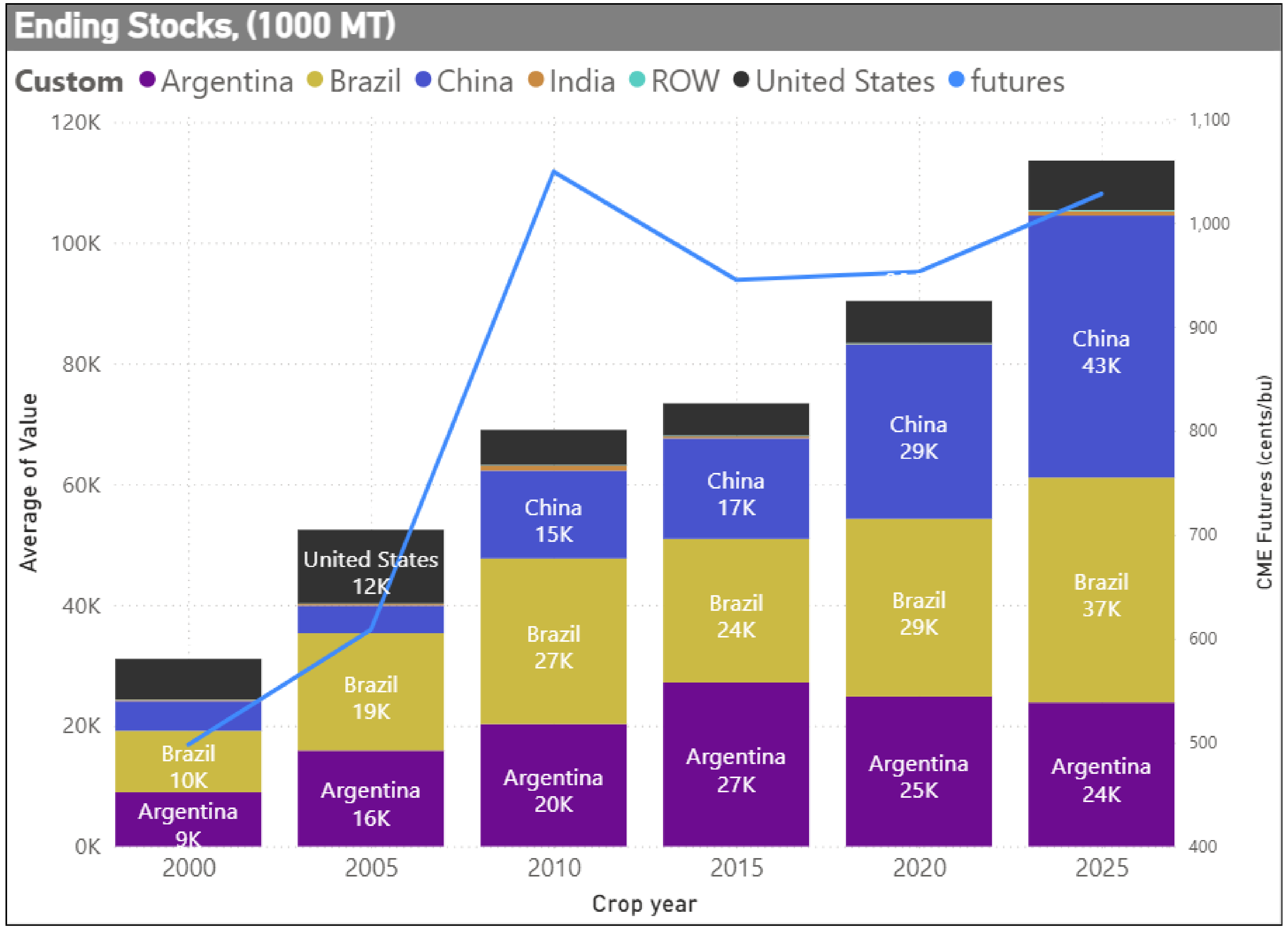
- Brazil harvested area expanded from 14 million hectares in 2000 to 49 million hectares in 2025 as exports to China surged.
- Over the same period, US soybean area has remained relatively flat.
- Yields in the US and Brazil have converged. Both countries are reliant on drought and herbicide resistant GMO varieties.




Source: Global Trade Tracker (GTT)

# The Brazilian area expansion has kept the market well supplied while Chinese stocks grow

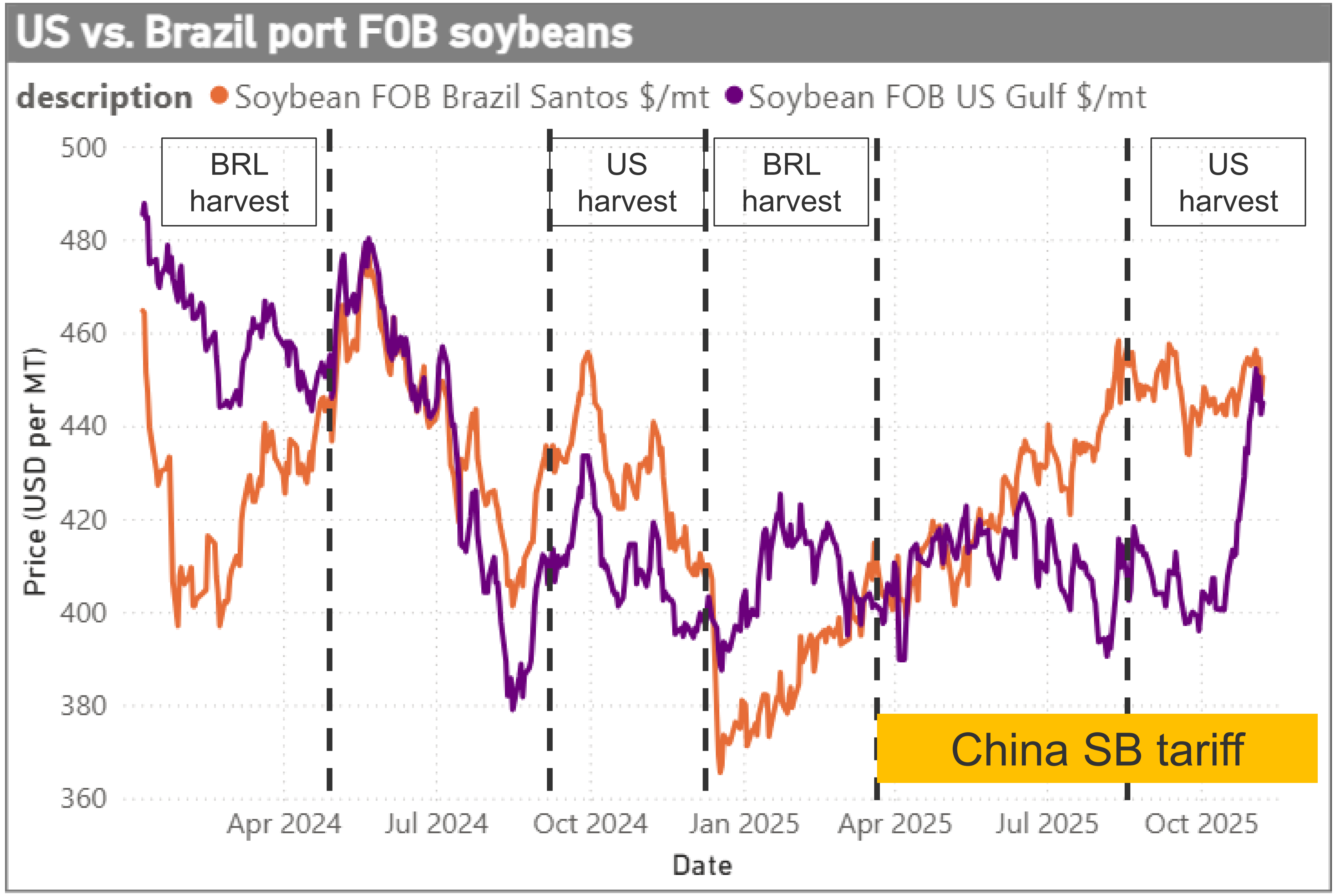
- China has built sizeable stocks, estimated at 43 MMT by the end of the current crop year.
- A string of record production years in Brazil have left global stocks at an all-time high.
- In addition to growing arable land, a study by the University of Missouri found that, in 2023, production costs in Brazil were 90% of those in the US with similar yields




Source: USD Production, Supply, and Disposition (PS&D), CME

# Outcome: trade tensions have distorted soybean price relationships

- Relative soybean values in the US and Brazil follow seasonal patterns. Prices tend to be lower for the harvesting country.
- Because of China's tariffs on US soybean exports, Brazilian soybeans have become uncharacteristically expensive relative to US beans.




Source:Fastmarkets

# US biofuel feedstock trade policy is disrupting trade flows

### 1. Soybean trade

US/China trade relations are driving further growth in Brazil production and exports.

### 2. Biofuel trade

Trade policy is shuffling low CI feedstock trade.

### 3. Biofuel policy

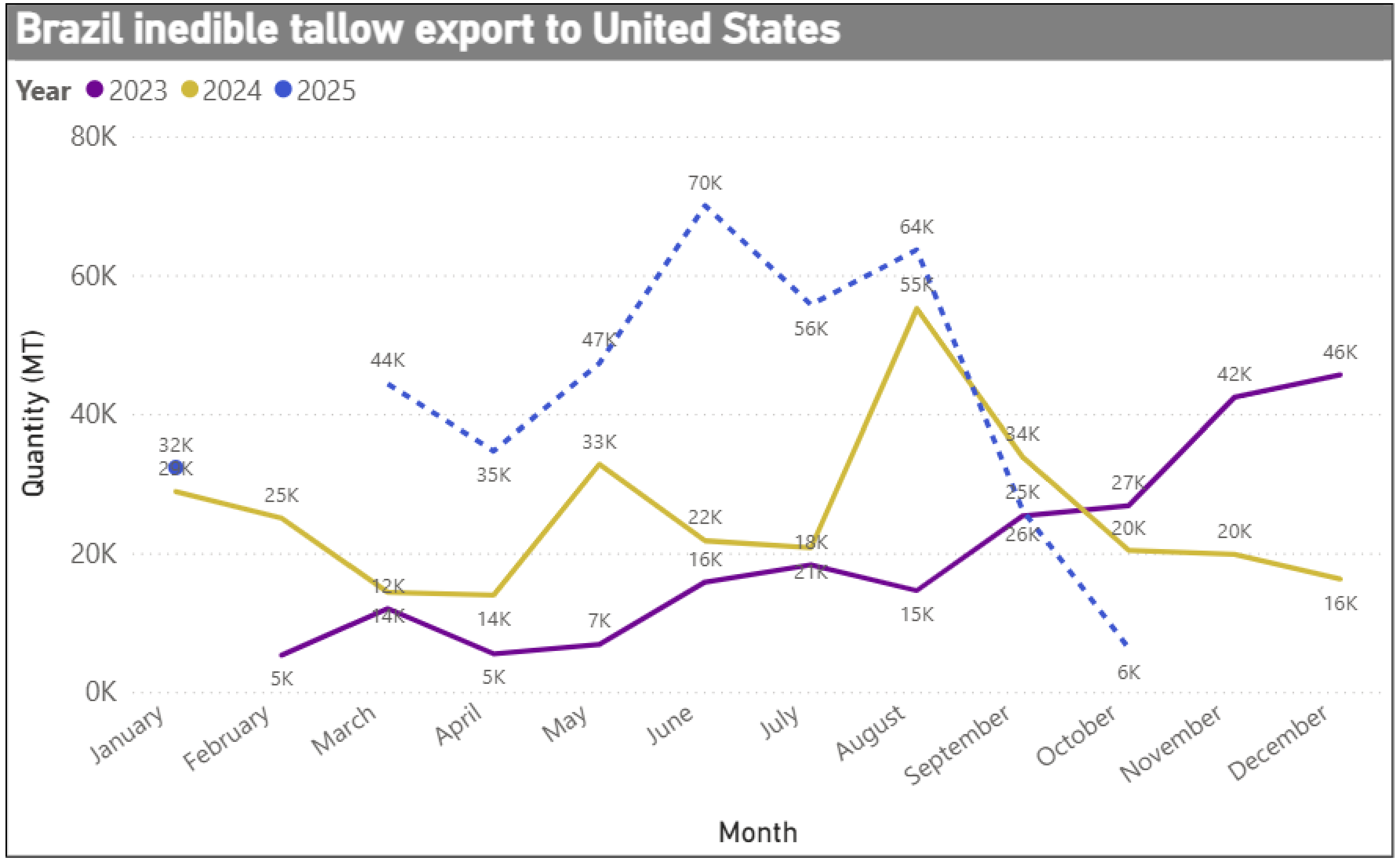
Global policy shifts are tightening low-CI feedstock markets, driving SBO demand.

### 4. Soybean meal

Strong oil share is supporting crush and expanded soybean meal production.

# Brazilian tallow exports to the US were robust until September, when increased tariffs were implemented

- On August 4th, the US imposed a 50% tariff on tallow imported from Brazil.
- Consequently, Brazilian exports to the US fell by 90% per month between August and October.
- Brazil's lost US exports were largely not re-routed to other export destinations.  Instead, most of the product was used to feed Brazil's growing domestic biofuel production.




Source: Global Trade Tracker (GTT)

# Agenda

**1. Soybean trade**

US/China trade relations are driving further growth in Brazil production and exports.

**2. Biofuel trade**

Trade policy is shuffling low CI feedstock trade.

**3. Biofuel policy**

Global policy shifts are tightening low-CI feedstock markets, driving SBO demand.

**4. Soybean meal**

Strong oil share is supporting crush and expanded soybean meal production.

# Disjointed biofuels policies can have unintended consequences

## Biofuels policies are intended to benefit society

- Historically, the negative impacts of GHG emissions are not borne only by those undertaking the polluting activity, but by the whole of society.
- Biofuels policies endeavor to shift the economic burden of emissions from society to those benefitting from the polluting activity.

## But fuel and agriculture systems are complex

- Disparate application of policy across governments can result in unintended outcomes.
- Global programs such as the Paris Agreement are meant to coordinate decarbonization efforts, but do not have the power to align global initiatives.
- There are also competing priorities such as energy security and economic growth.

# Ongoing biofuels policy changes are shifting the agriculture landscape

## Biofuels policy developments

- Clean Fuel Production Credit (IRS Section 45Z) foreign feedstock and production exclusions
- Donald Trump’s One Big Beautiful Bill Act (OBBB) 45Z ILUC changes and foreign feedstock exclusions
- An Environmental Protection Agency (EPA) proposed half RIN credit for foreign feedstocks and product

Likely to shut out foreign feedstocks

- The EU Renewable Energy Directive (RED) III blending targets and 7% vegoil cap
- ReFuelEU SAF mandate

Increased demand for low CI feedstocks

- Canada Clean Fuel Regulations (CFR)
- Brazil blending mandate

Increased demand for SBO/Canola oil

- Indonesia B40 mandate

Increased demand for palm oil

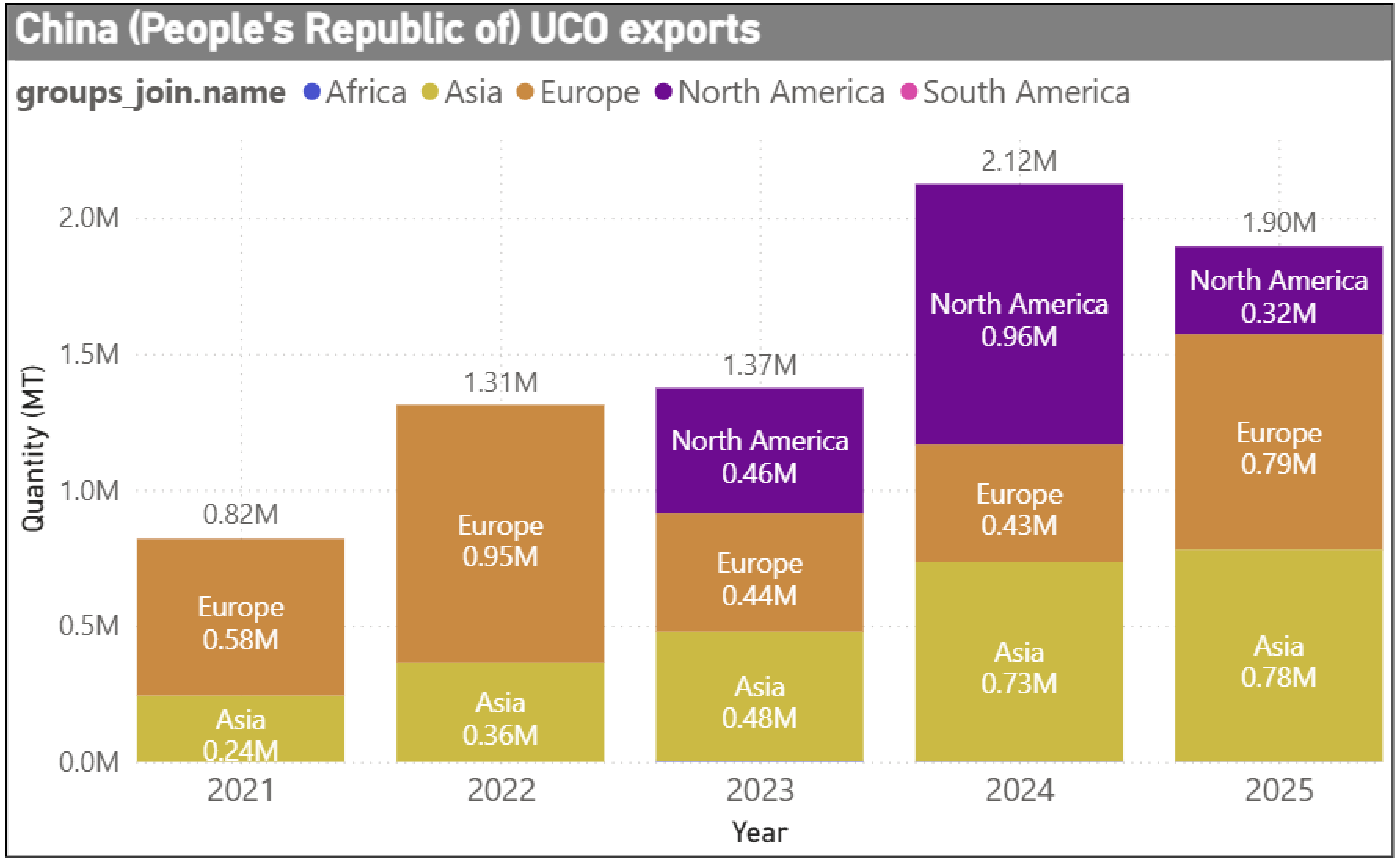
- California LCFS GHG emission target reductions

Decreased demand for veg oil

Source: Fastmarkets

# Policy changes are shifting UCO imports away from the US

- The 45Z tax credit specifically excluded imported UCO over verifiability issues.
- A portion of Chinese UCO exports have shifted to Europe, but overall exports are down as China feeds its domestic BBD production
- Shutting out Chinese UCO increases the need for domestic soybean oil.

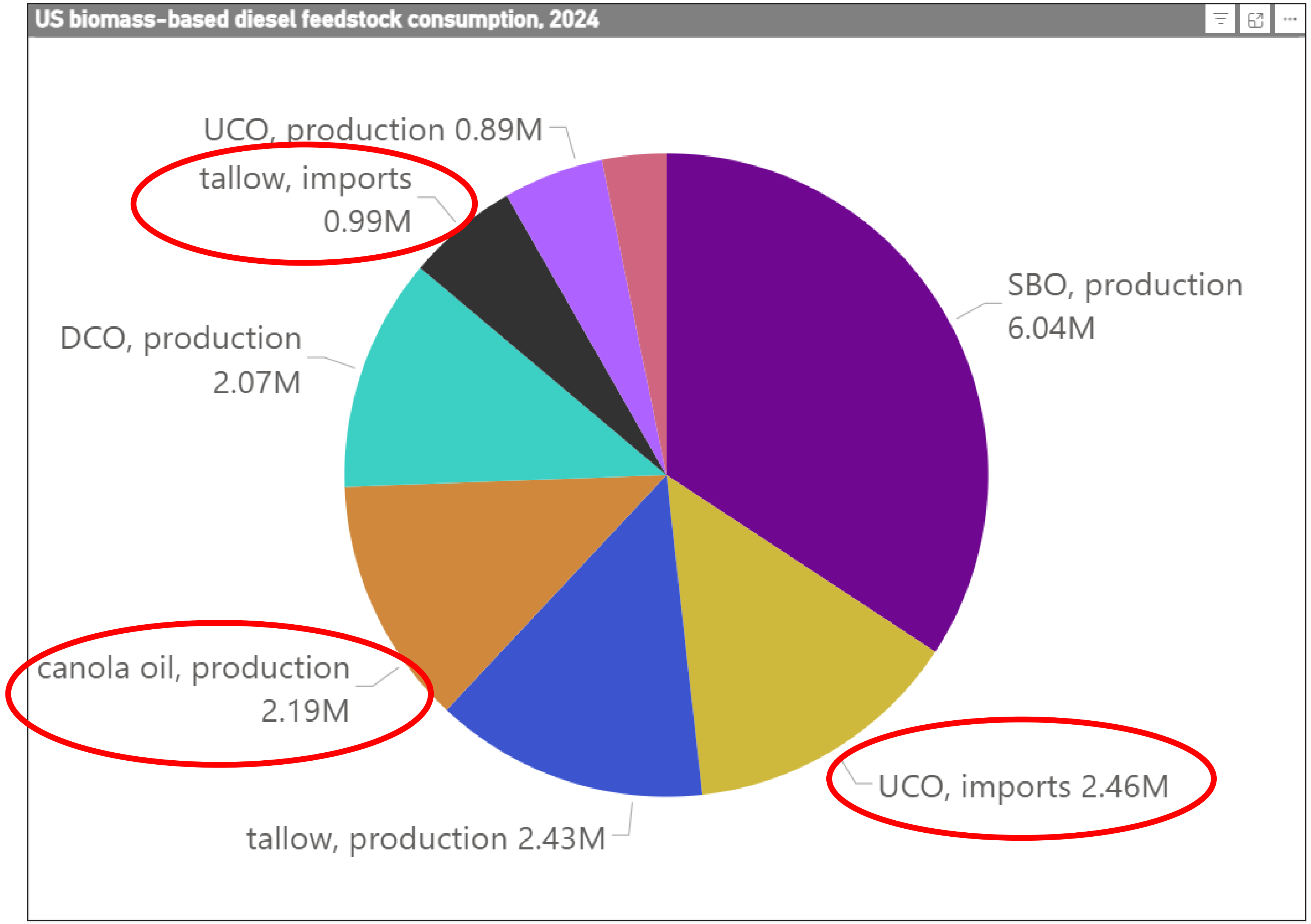



Source: Global Trade Tracker (GTT)
Notes:
Each year through September. Total exports for 2024 were 2.95 MMT.

# Outcome: a significant portion of biofuel feedstocks will likely be unavailable in the US

**In 2024, the US imported for biofuels use:**

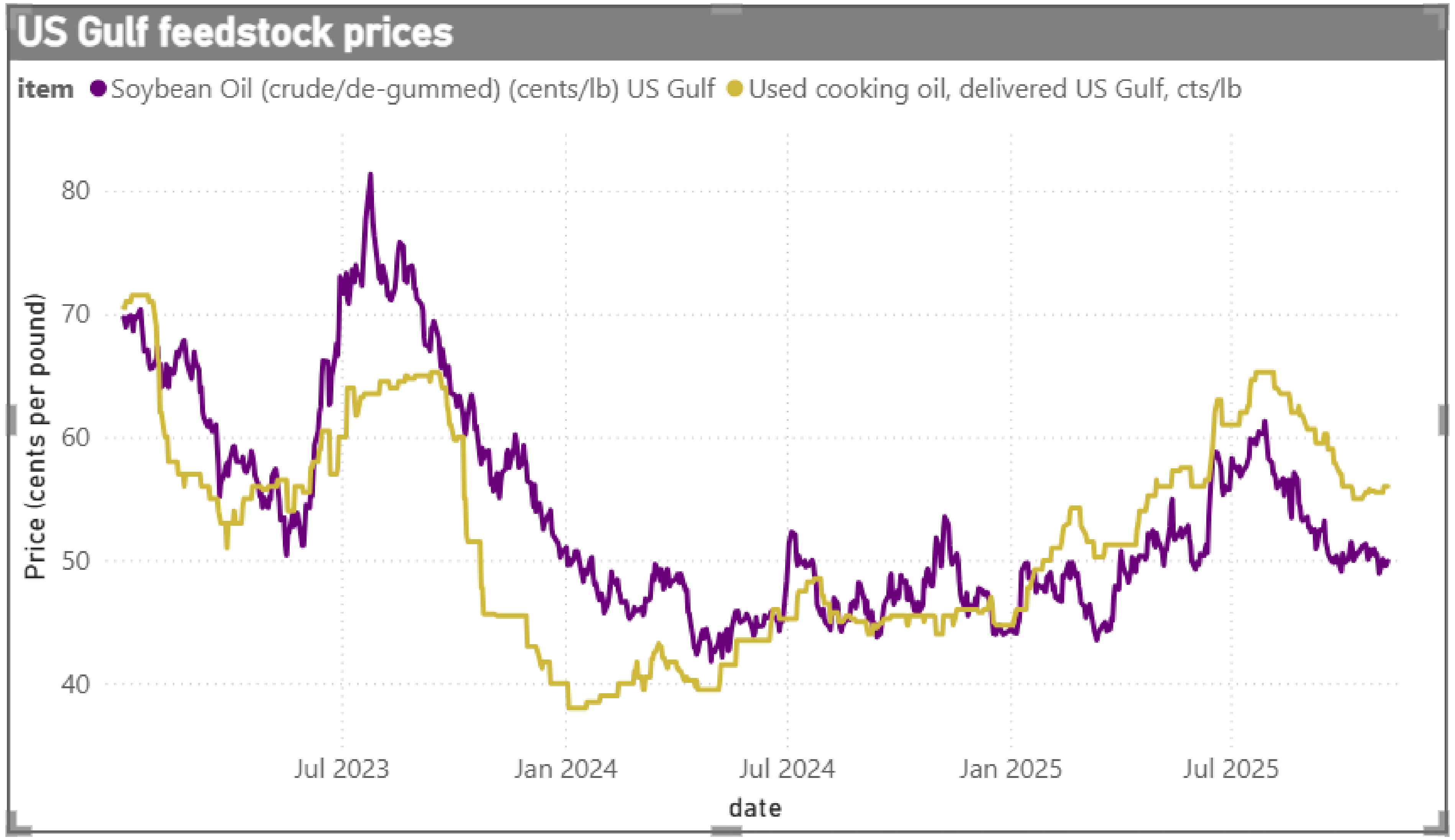
- 2.46 MMT of UCO
- Almost 1 MMT of tallow
- 2.19 MMT of canola oil, mostly imported from Canada was also used in 2024. This volume is eligible for incentives under US programs




Source: Global Trade Tracker (GTT), EIA, USDA, Fastmarkets

# Outcome: biofuels policy has tightened markets and shifted relative feedstock prices

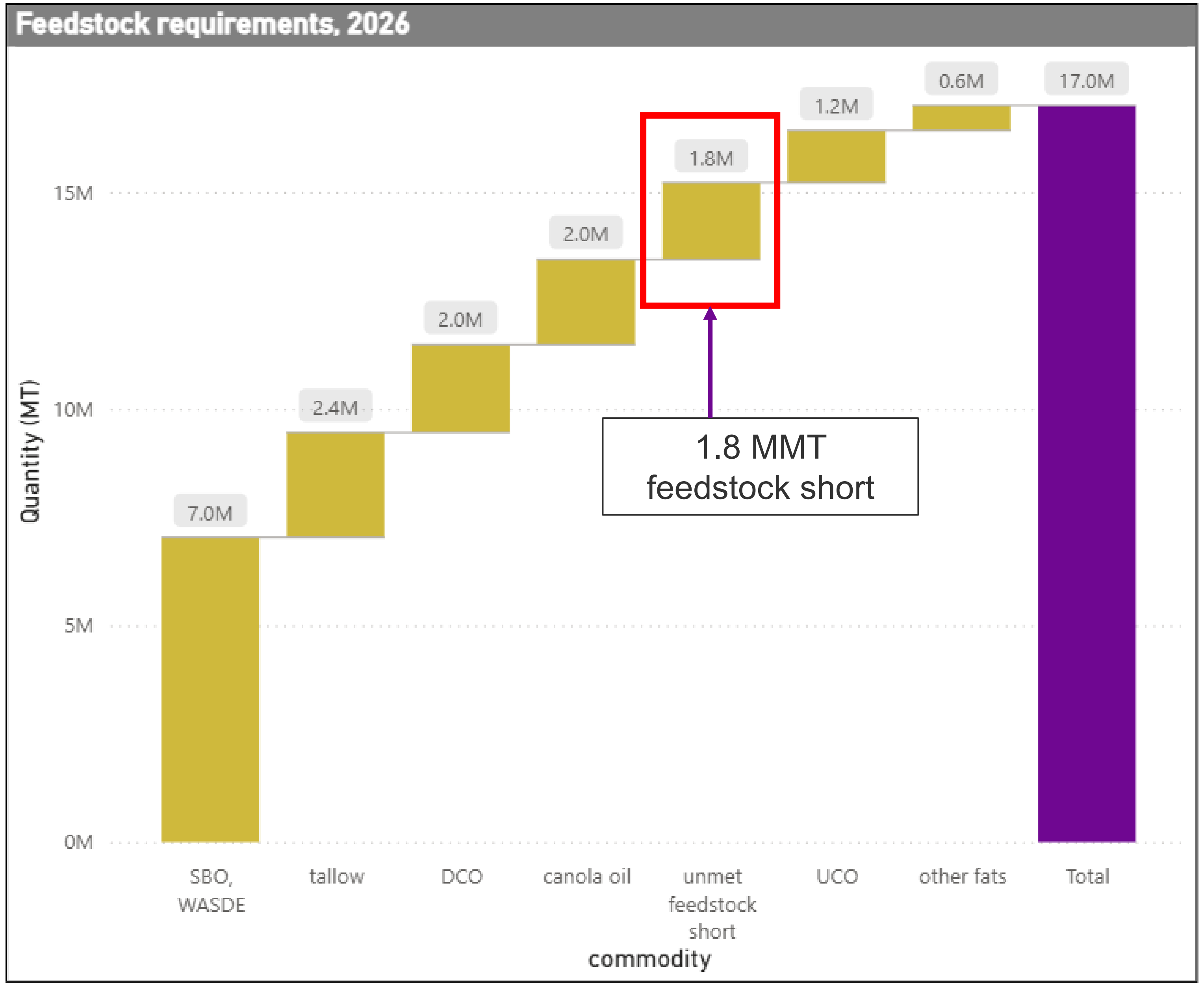
- As carbon intensity-based incentive programs have grown, low CI feedstocks have become more expensive relative to higher CI feedstocks.
- Carbon intensity-based programs, coupled with tight supply, will drive feedstock indifference for biomass-based diesel production.
- There is likely to be a similar price spread between imported and domestically produced soybean oil in 2026




Source: Fastmarkets

# Under current and proposed policy, the US will likely be short total feedstock in 2026

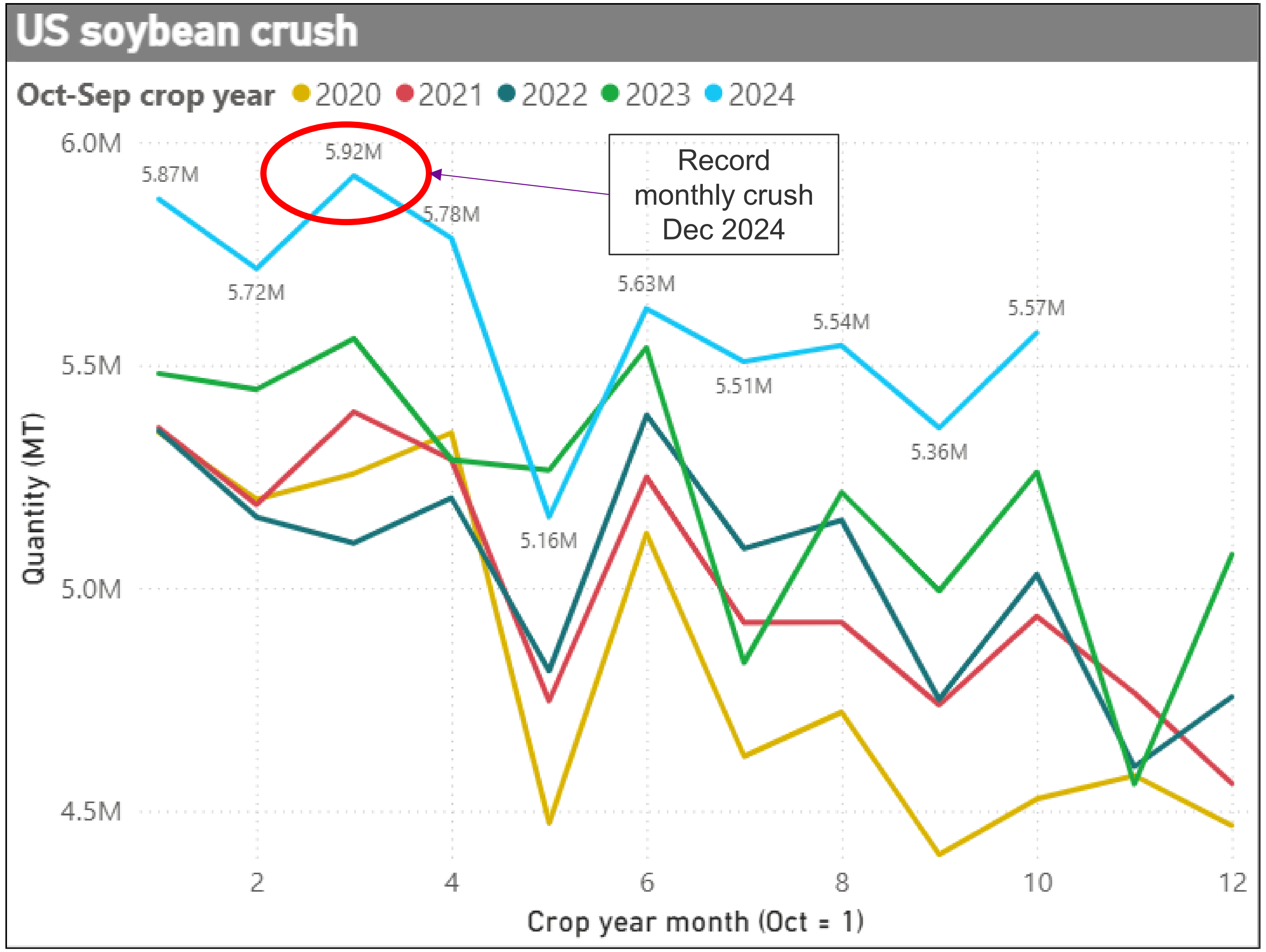
- The last USDA World Agricultural Supply and Demand Estimates (WASDE) estimated that 15.5 billion lbs (7.03 MMT) of soybean oil would be used for BBD production in 2025/26 (Oct-Sep)
- The US will likely be short about 1.8 MMT (3.89 billion lbs) of feedstocks, equivalent to 9.63 MMT (353.87 million bushels) of soybeans




Source: Fastmarkets, WASDE

# Additional domestic SBO cannot fill the gap in the short term because of crush capacity constraints

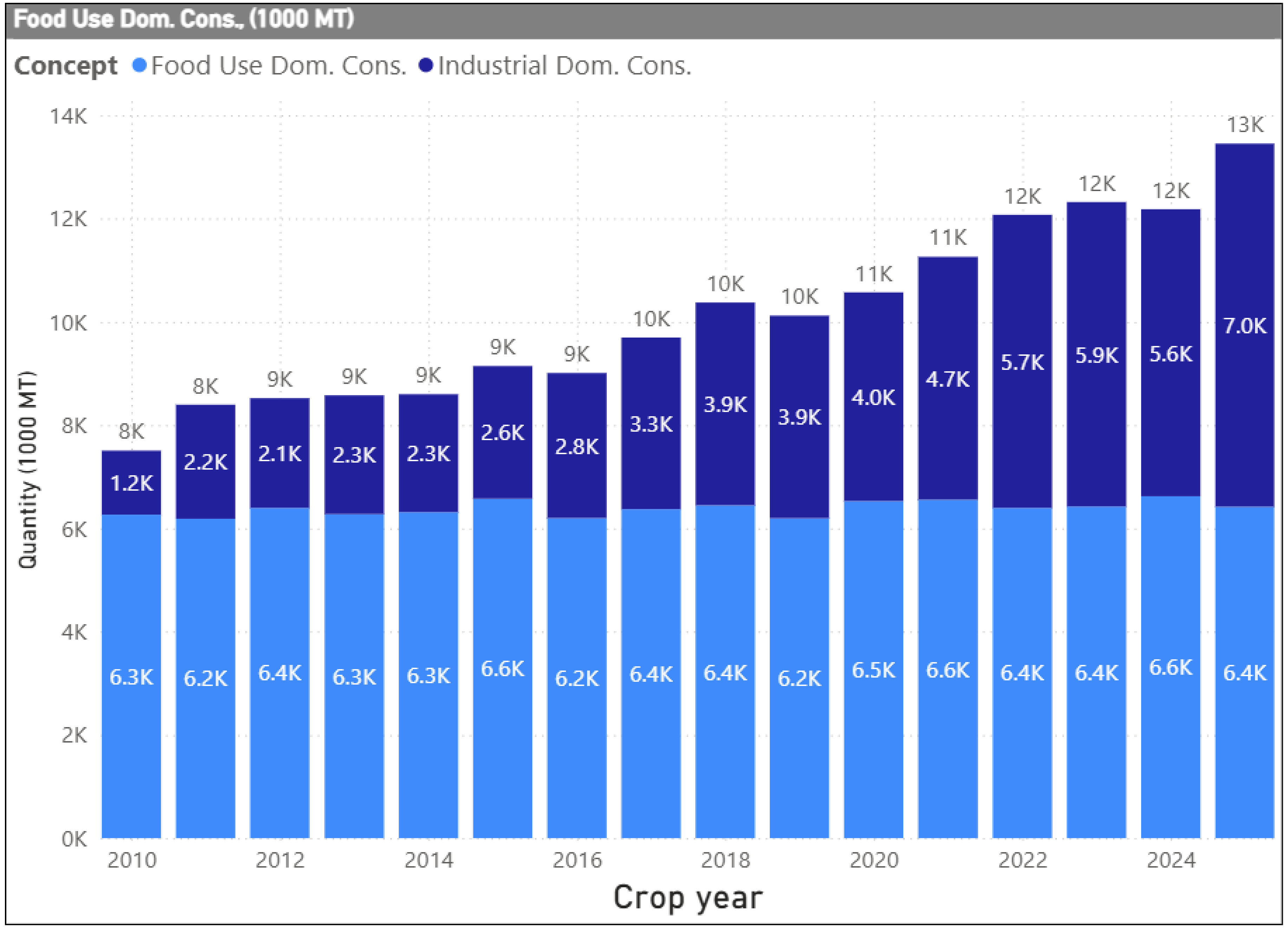
- In April, the American Soybean Association reported that US crush capacity is 2.55 billion bushels (69.39 MMT). An additional 35 million bushels of capacity reportedly came online in October.
- Assumed maximum domestic soybean oil production is 13.8 MMT, which is approximately equal to WASDE forecasted production.
- Where will US BBD producers source additional feedstock?




Source: NASS

# Shifting from food use is likely not feasible-US soybean oil food use is inelastic

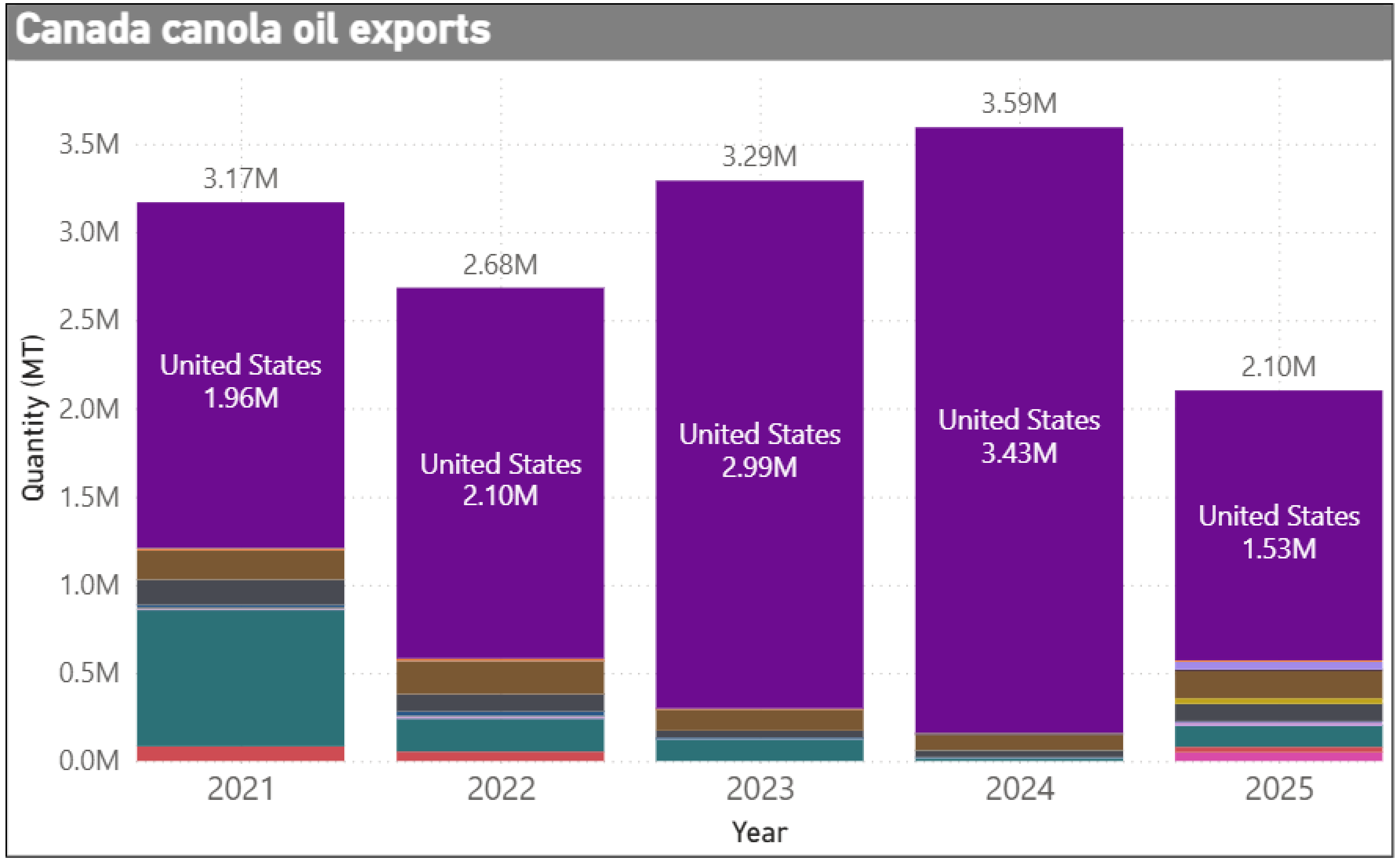
- The US consistently consumes approximately 6.5 MMT of soybean oil for food.
- One partial solution to the feedstock shortage in the US may be able to import additional vegetable oil for food use and then shift a larger portion of domestically produced soybean oil into biofuel production.




Source: PS&D

# The US has relied heavily on Canadian canola oil imports, but supply may become more constrained

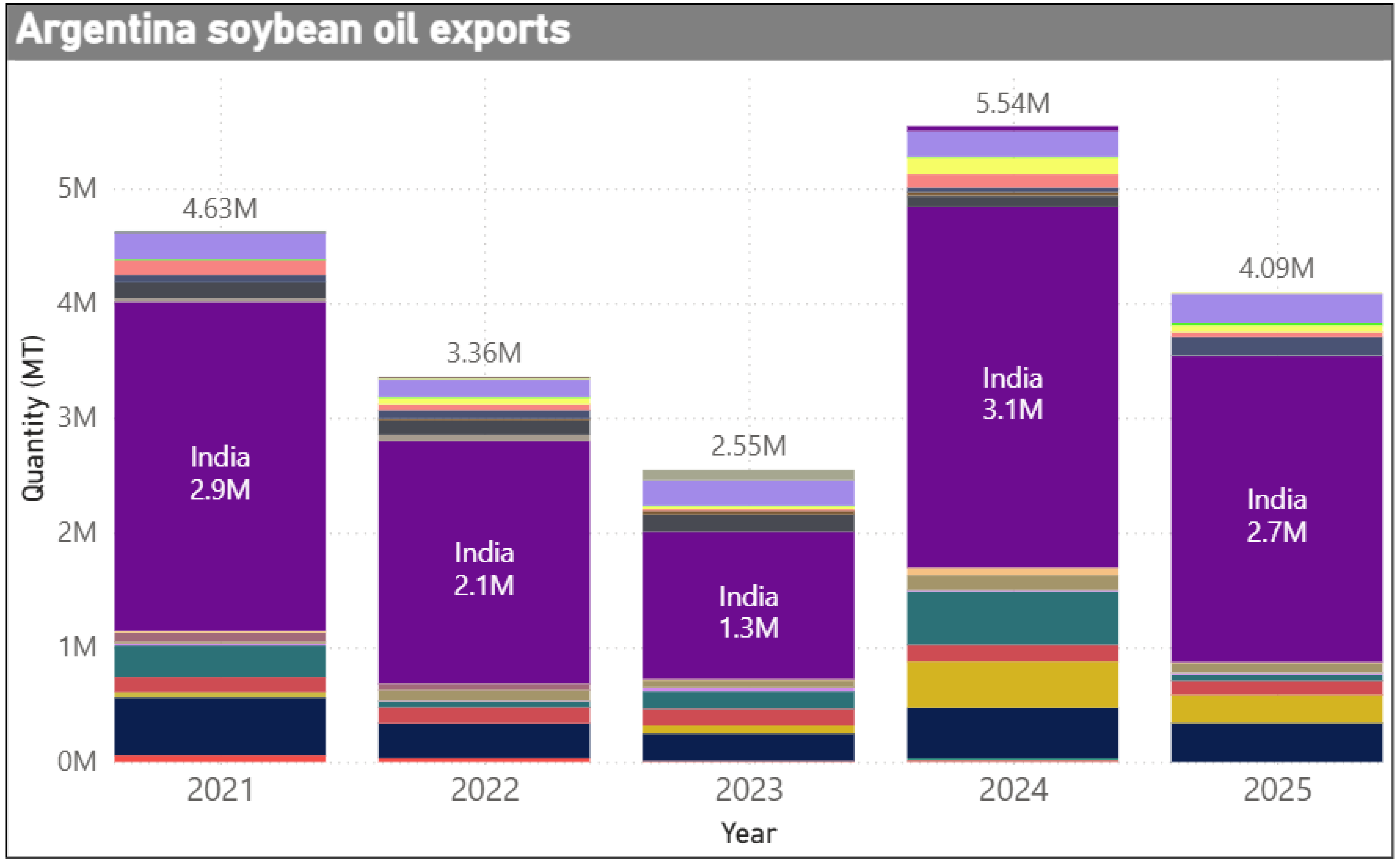
- In 2024, Canada exported 3.59 MMT of canola oil to all destinations with 96% bound for the US, both for food and biofuel use
- There is likely some additional canola oil available to ship to the US, but Canadian domestic demand is growing under the Clean Fuel Regulation.
- Imperial Oil recently began RD production in Strathcona, Alberta, which will consume nearly 1 MMT of feedstocks per year.




Source: GTT
Notes: 2025 YTD through August

# Argentina is a significant soybean oil exporter

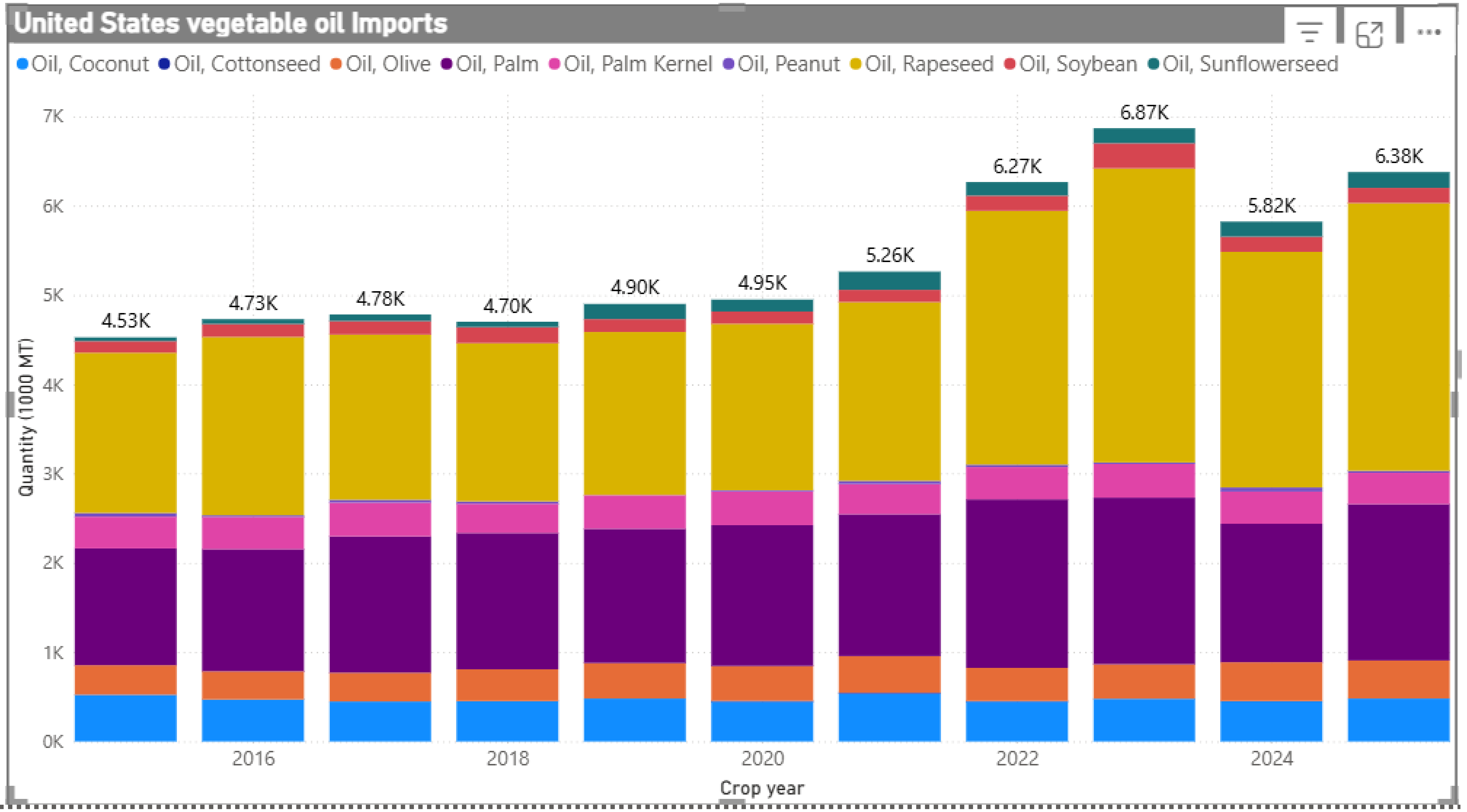
- Argentina is the largest exporter of soybean oil in the world with over half of exports destined for India.
- There are also strong exports to other South American countries, China, and Africa.
- Some global soybean use could be replaced by palm or rapeseed oil.




Source: GTT
Notes: 2025 YTD through September

# Outcome: the US will continue to be a net importer of vegetable oils

- US vegetable oil imports grew significantly from 2021 to 2025 as BBD production grew.
- Crop year 2024 saw a decrease in BBD production, resulting in a decrease in imported veg oil.
- 2025 crop year will likely be higher than forecast by the USDA due to new foreign BBD feedstock exclusions.




Source: Global Trade Tracker (GTT)

# Agenda

**1. Soybean trade**
US/China trade relations are driving further growth in Brazil production and exports.

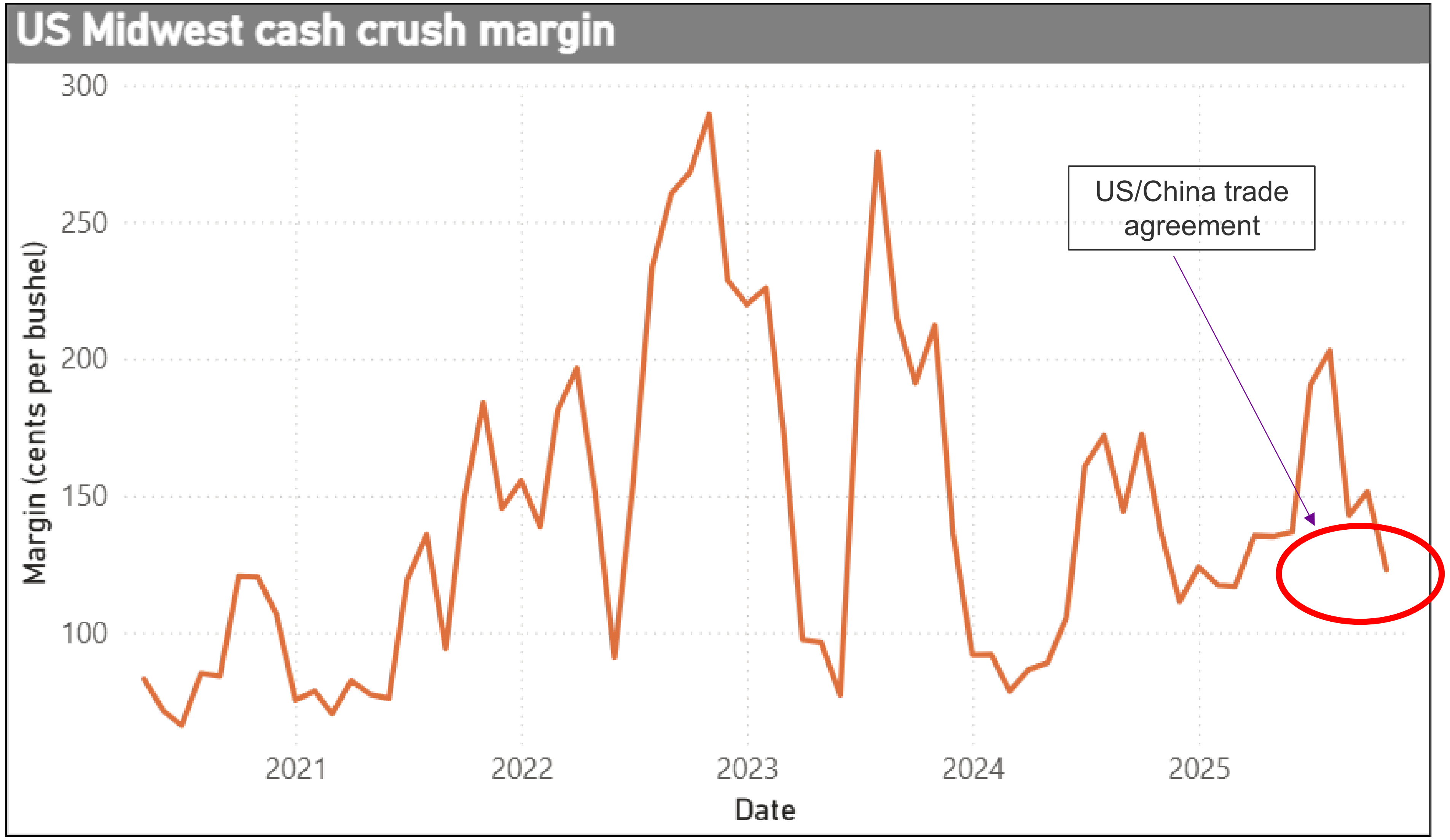
**2. Biofuel trade**
Trade policy is shuffling low CI feedstock trade.

**3. Biofuel policy**
Global policy shifts are tightening low-CI feedstock markets, driving SBO demand.

**4. Soybean meal**
Strong oil share is supporting crush and expanded soybean meal production.

# Crush margins have been strong this year

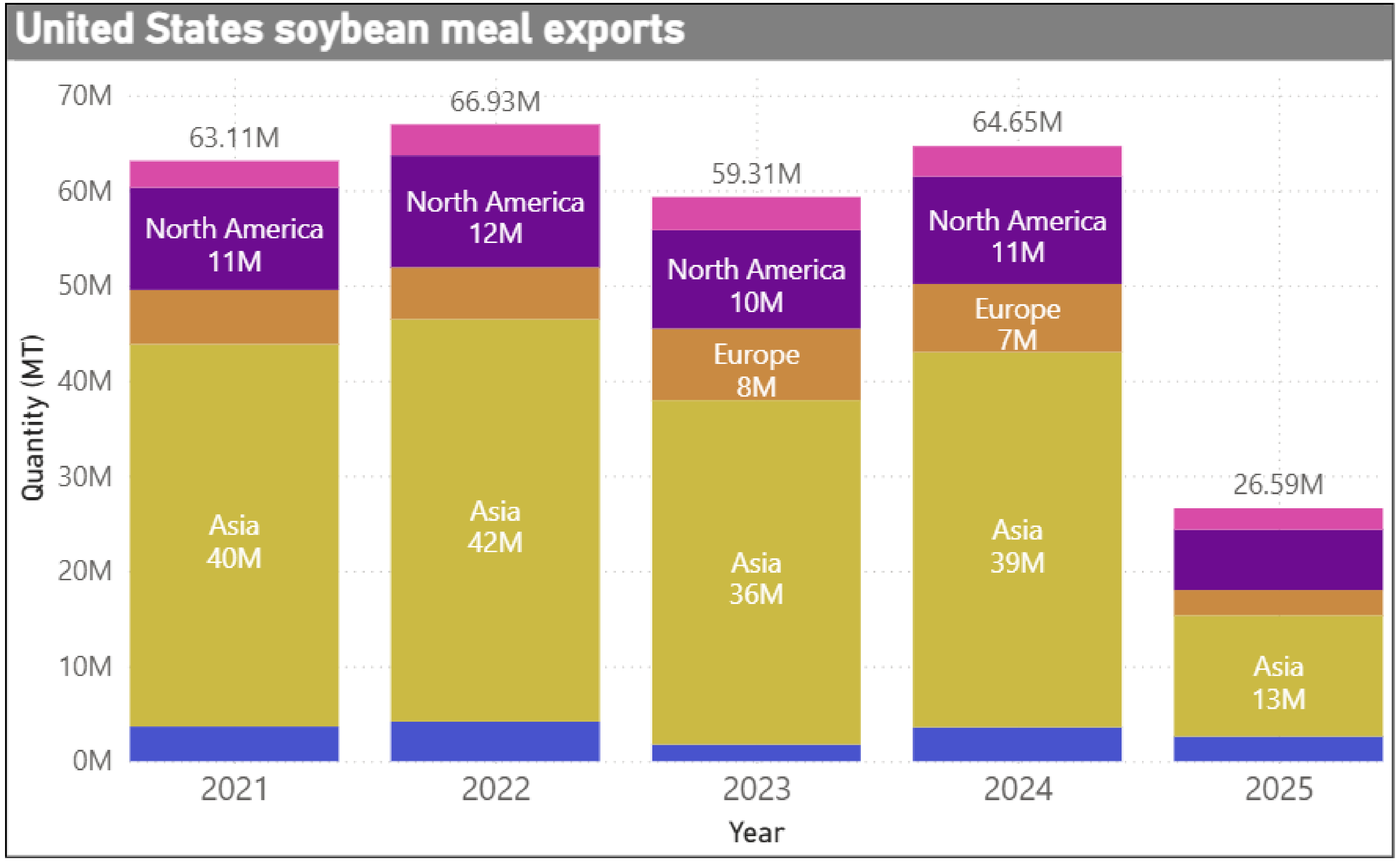
- US Midwest soybean crush margins have averaged 1.45 US per bushel in 2025, above long-run averages, but below highs during the renewable diesel capacity expansion in 2022-23
- Margins have contracted in November on higher priced soybeans following the US/China trade agreement




Source: Fastmarkets

# Stronger soybean crush will result in increased global meal production

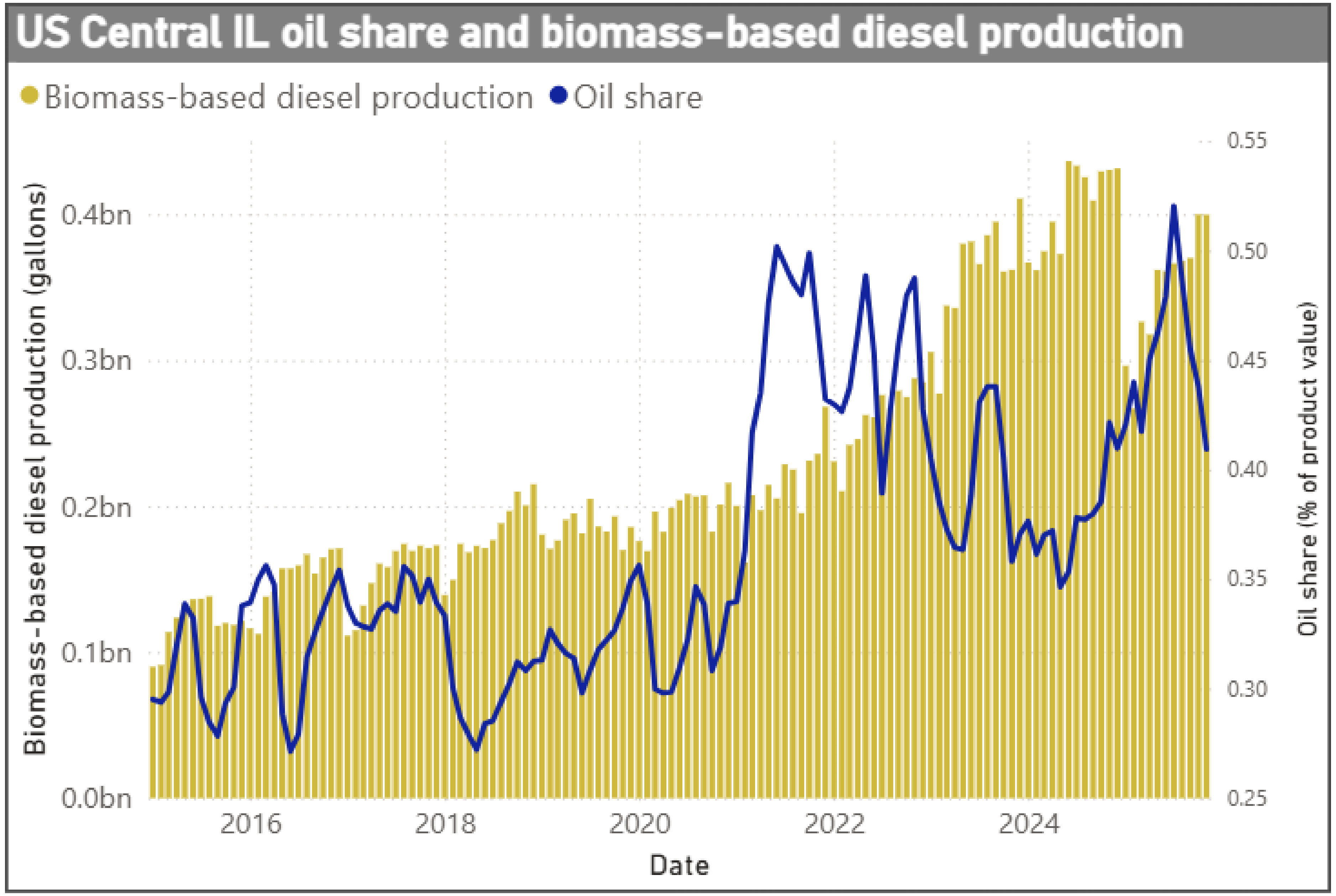
- In 2026, strong crush will continue.
- US feed demand for soybean meal has grown with inexpensive soybean meal.
- Additionally, increased meat demand and concentrated livestock feeding globally will continue to grow meal demand.




Source: GTT

# Oil share increased sharply as biomass-based diesel production increased and will stay strong in 2026

- The shift in soybean oil value share, a product of higher soybean oil prices from biomass-based diesel expansion and plentiful soybean meal supplies, is driven by biofuels policy.
- Global policies, and US policy in particular, will continue to drive a high oil share value in 2026.




Source: EIA, Fastmarkets

# Market distortions will continue in 2026 and beyond

1. China/US **soybean** trade may be normalizing to a degree, but the uncertainty of US trade policy will likely continue to uphold Brazil’s position as the chosen origin for Chinese soybean imports.
2. Global biofuels incentive programs and mandates will exceed the availability of low carbon intensity feedstocks and increase overall demand for **soybean oil** and other vegetable oils.
3. US biofuel policy as proposed will drive separate markets for **domestically produced and foreign produced biofuel feedstocks and vegetable oil**.
4. Crush economics will be distorted, resulting in **strong soybean oil share** and record production of soybean meal.

# David Alley

Head of Agriculture and Biofuels Analytics
david.alley@fastmarkets.com
https://www.linkedin.com/in/david-alley-co/