

# COMMODORE RESEARCH

## Brazil Buoying the United States

There remains a chance that China could place tariffs on US soybean cargoes -- and this continues to represent one of the largest US-China trade war risks to the dry bulk shipping market. It is important to note, though, that Brazil is the world's only other major soybean exporter (according to the United States Department of Agriculture, Brazil and the United States together are responsible for 84% of the world's soybean exports) and Brazil would not be able to compensate for a stoppage in Chinese imports from the United States. Even prior to the trade-war developments, Brazil had long been expected to tap into its existing soybean stockpiles to meet global demand, and Brazil cannot serve as an adequate replacement for the United States going forward.

According to the United States Department of Agriculture, Brazil has been expected to harvest 113 million tons of soybeans during the current 2017/18 grain cycle. Prior to the trade-war developments, Brazil's soybeans exports had been forecast to total 70.5 million tons and its soybean consumption had been forecast to total 46.5 million tons. This works out to a total of 117 million tons, which is larger than the 113 million ton expected harvest. As a result, Brazilian soybean stockpiles have been anticipated to be destocked by about 4 million tons to accommodate for an increase in exports. Brazilian soybean stockpiles historically have stood at the very least at 15 million tons, and they are not expected to be allowed to fall much further than the 21.7 million tons currently forecast. Overall, Brazil cannot come close to making up for any stoppage in Chinese soybean imports from the United States.

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