

China Is Finding Ways to Replace American Farmers

China has long relied on the U.S. for soybeans. But with new steep tariffs, it is likely to look even more to Brazil and Argentina.

Tariffs are “a threat to our continued way of life,” said Heather Feuerstein, shown on her farm near Grand Rapids, Mich. Credit...Taylor Ballek for The New York Times

By Kevin Draper and Jack Nicas

Kevin Draper reported from Kansas City, Mo., and Jack Nicas from Rio de Janeiro.

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Consider the soybean.

A legume about a centimeter in size, it is eaten from the pod as edamame or processed into tofu, soy milk and other products. But that is not why it is one of the world’s most lucrative commodities. High in fat and protein, soybeans are what much of the world’s livestock eat.

And now the humble crop is at the center of the trade war between the United States and China.

The United States sells more soybeans to China, by value, than any other single product. Last year, that amounted to more than 27 million metric tons, worth \$12.8 billion, or about 9 cents of every dollar of goods the United States sold to China.

But with the enormous tariffs erected between the two countries over the past two weeks, those sales are likely to suffer soon. That is bad news for the American farmers who grow soybeans and the Chinese chicken and hog farmers who buy them — and potentially very good news for the nation ready to step in: Brazil.

American soybean farmers are worried about whether their biggest customer will keep buying. More than half of U.S. soybean exports went to China last year, but the price just went up 135 percent under the tariffs China installed in response to President Trump’s 145 percent tax on Chinese imports.

A soybean processing business in Binzhou, China. China increased its soybean imports from Brazil during a trade war with the first Trump administration. Credit...Agence France-Presse — Getty Images

“Farmers deal with bad weather. We deal with pests. We deal with tractors breaking,” said Heather Feuerstein, who owns a farm near Grand Rapids, Mich. “That’s our lives.”

But tariffs? “This is a threat to our continued way of life,” she said.

While Mr. Trump says his bulwark of tariffs will create a renaissance in American-made goods, thousands of soybean farmers like Ms. Feuerstein fear he will devastate American agriculture in the process.

At the same time, he could, inadvertently, be helping soybean farmers in Brazil and Argentina.

The two South American countries produce 52 percent of the world’s soybeans, including 40 percent from Brazil alone, compared with 28 percent for the United States. No other nation is close.

“Once they can’t get it from the U.S., they’ll need to take more from Brazil,” said Neusa Lopes, a top executive at Girassol Agrícola, a major soybean producer in Brazil’s biggest soybean state, Mato Grosso. “And to take more from Brazil, they will have to pay more for it.”

The soybean market involves a complicated web of commodities traders, shipping companies and futures contracts, so prices are often a moving target, but spot prices last week showed that South American soybeans had become more valuable in the wake of the tariffs.

Ms. Lopes, whose company plants soybeans and corn across more than 170,000 acres, an area nearly the size of New York City’s five boroughs, said she could now sell a 130-pound sack of soybeans for about \$21, up 10 percent from last month. Most of her crop goes to China, which is already by far Brazil’s largest soybean buyer. But now Ms. Lopes hopes to earn more for the same crop.

The prices are rising later than the Brazilian and Argentine farmers would have wanted. Harvest season is ending in South America, and they have already sold nearly three-quarters of their stocks, said André Nassar, president of the Brazilian Association of Vegetable Oil Producers, which represents the nation’s largest soybean producers. But those who haven’t yet sold are now capitalizing — or holding off and betting that the trade war will last, likely meaning even higher prices ahead.

In other words, the South Americans are sitting pretty.

“I would love a crystal ball right now,” Ms. Feuerstein said. “I think everything is changing from minute to minute.” Credit...Taylor Ballek for The New York Times

Some 4,000 miles to the north, Ms. Feuerstein is in a bind. The annual turn of seasons means she must begin planting her more than 200 acres soon. If she works hard, the

weather cooperates and the bugs are managed, in late fall she will harvest 10,000 or more bushels, over 600,000 pounds of soybeans.

Some might be sold to local dairies or a nearby crush facility, where the soybeans are processed into oil and meal. Others will be sold immediately after harvest to a local grain elevator, or stored on the farm to sell later.

“I would love a crystal ball right now,” Ms. Feuerstein said. “I don’t think anything that we have traditionally done is necessarily what we should be doing right now. I think everything is changing from minute to minute.”

American soybean farmers say there isn’t much they can do besides plant and hope for the best. Many rotate their fields between corn and soybeans, to improve soil health and for diversification. But they have already bought their seeds, fertilizer and other equipment and cannot pivot on a dime.

Instead, their hopes lie in longer-term alternatives, ones that cannot possibly replace China today but maybe can in a decade or two. Organizations like the U.S. Soybean Export Council and the American Soybean Association are trying to develop larger markets in countries like India, Egypt and Mexico. New soybean crush plants are coming online in the United States, and researchers are studying soy as a biofuel and other non-feed uses.

The United States has gone down this path before. During his first administration, Mr. Trump initiated a trade war against China, and Brazilian soybean farmers were the beneficiaries. From 2017, just before that trade war, to last year, China increased its annual imports of Brazilian soybeans 35 percent to 72.5 million metric tons while cutting imports of U.S. soybeans 14 percent to 27 million metric tons, according to data from the two countries.

“This hasn’t reversed. It’s remained,” Mr. Nassar said. “If China maintains high tariffs on American commodities, the same will happen. There will be another substitution of American exports with Brazilian ones.”

What is different this time — aside from much higher tariffs — is that China has poured money into warehouses, railroads, ports and other infrastructure in Brazil over the past decade to get more of the country’s soybeans onto Chinese ships.

A soybean farm in Paraná State, Brazil. The country produces 40 percent of the world’s soybeans. Credit...Rodolfo Buhner/Reuters

That includes the opening this year of a giant terminal at Latin America’s largest port in Santos, Brazil. Cofco, a Chinese state food giant, is behind the nearly \$500 million project, which will become its largest port outside China.

China appears eager to reaffirm those ties. This week, China's vice minister of agriculture met with Brazil's top agriculture officials. And Brazil's president, Luiz Inácio Lula da Silva, announced last week that he would travel to Beijing to meet with his Chinese counterpart, Xi Jinping, next month. Mr. Lula has not yet spoken with Mr. Trump since each was elected.

The only thing that prevented ruin for American farmers during the last trade war was a \$23 billion government bailout program. The Trump administration is again contemplating an agriculture bailout — a tacit acknowledgment that retaliatory tariffs will hurt farmers — but there is no guarantee it would make up for all losses.

"We were very grateful for the emergency assistance we received," Ms. Feuerstein said, "but it did not make our farms whole, and it killed our largest export market."

Ju Faddul contributed reporting from São Paulo, Brazil.

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