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Demand from China reshaping Latin American agriculture


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As one of China's most reliable suppliers in agricultural products, Latin America is making strides to fulfill China's mounting needs. To accommodate that rising demand, Latin America has drastically increased its harvesting of soybeans — the most significant commodity needed to sustain China's population. For the Chinese, soya is a versatile product used for soy flour, soy milk, soybean oil, tofu, textured vegetable proteins and soy sauce, a Chinese staple.

With a population of 1.3 billion, China is the largest soybean importer in the world, consuming about 40 million tons annually. Forecasters predict that China may soon import over 50 percent of global soybean production.

This will necessitate an even greater reliance on Argentina and Brazil, two of the largest soya producers in the world. In 2009, China passed the U.S. as Brazil's biggest trading partner. Meanwhile, Argentina, once known for its cultivation of numerous types of crops and high beef output, now devotes over 50 percent of its farmable land to soybean production.

Chinese importation of soybeans is currently one of the most heavily monitored futures transactions in the international market. Soybean prices, demand and production are important indicators of global financial health. Economists closely monitoring soybean supply and demand are also keeping a steady eye on the thriving Sino-Latin American soybean trade.

If China's investment in Latin American agriculture is any indication, Sino-Latin American trade will continue to boom in for many years. Latin America's rich commodity resources will continue to appeal to Chinese investors — one reason for a steady increase in free trade agreements (FTAs). For example, on March 1, 2010, a bilateral FTA between China and Peru took effect. Peru's Foreign Trade and Tourism Ministry (Mincetur) projects that during the next decade, more than 10,000 new companies will begin exporting products to China. On April 8, 2010, Costa Rica signed a FTA with China, removing trade barriers and enhancing bilateral ties. As Asia's ninth largest trading partner in Latin America, Costa Rica hopes that the FTA will open more sectors for Chinese investment.

In an April 2010 visit to Latin America, Chinese President Hu Jintao and other officials began mapping out a strategy designed to further promote bilateral trade and encourage foreign direct investment. Colombia's President Alvaro Uribe is promoting a FTA to spur an increase in trade with Chinese markets.

To sustain its current economic expansion, China will undoubtedly become a leading purchaser and consumer of agricultural commodities. In exchange for massive exportation to China, Latin American nations continue to gain considerable foreign direct investment.

The soybean market, although immensely important to Sino-Latin American trade relations, is just the tip of the iceberg of the potential for vast trade and investment flowing between these two emerging regions. As more Latin American nations enter into free trade agreements with China, investors from both regions will discover new potential in commodity trade.

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