Future Horizons Institute

Strengthening sustainable trade for food security

Pathways towards sustainability in the China-Brazil soy trade

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The Brazil–China soy trade is one of the most strategically important commodity relationships in the global economy, linking food security, climate risk and land use governance. China depends on imports to meet most of its soybean demand, with more than 70% of Brazilian exports destined for the Chinese market.[1] At the same time, soy plays a central role in Brazilian agricultural exports, with production projected at 177.6 million tonnes in 2025/26, representing 36% of global output, across 49.1 million hectares.[2]

Climate change impacts are on the rise

Brazil's National Climate Plan (2026) identifies agriculture, responsible for 68% of national GHG emissions,[3] as a central challenge. Soy expansion is a major driver of deforestation and emissions, generating an estimated 121 million tonnes of CO_2 annually, around 9% of Brazil's land-use emissions,[4] particularly in the Cerrado, where deforestation rates are significantly higher than in the Amazon.[5]

Deforestation reinforces a negative feedback loop in which declining water availability and soil fertility undermine long term agricultural productivity. Irregular rainfall, rising temperatures and soil degradation are already reducing yields and increasing financial volatility,[6] with implications for both Brazil's competitiveness and China's long term supply security.

These impacts are most visible in the Cerrado, which faces the country's highest conversion pressure. The consequences of climate impacts are also increasingly reflected in the financial system, through rising insurance claims, higher premiums and growing exposure to credit risk.

Legislation and contested sustainability

Brazil's environmental legal framework is relatively robust, centred on the Forest Code and the Cadastro Ambiental Rural (Rural Environmental Cadastre, CAR), and supported by instruments such as the Amazon Deforestation Action Plan and rural credit conditionality. In practice, however, enforcement remains uneven. CAR validation is slow, institutional responsibilities are fragmented, and state capacity varies. These gaps cannot be explained by capacity alone. State-level budget allocations show that higher environmental spending does not necessarily translate into stronger enforcement, indicating that outcomes reflect political choices as much as administrative constraints.

This reflects broader political economy dynamics, in which agribusiness actors exert significant influence over policymaking, particularly through the ruralist caucus, which commands a majority in the Brazilian Congress with 341 out of 513 seats and shapes both legislation and enforcement priorities.[7] CAR validation remains extremely low, at around 9% nationally, with 9 states below 1% as of November 2025,[8] despite a robust legal framework. The suspension of the Amazon Soy Moratorium in 2026 illustrates this dynamic and has been widely interpreted as a politically driven rollback of voluntary environmental governance.[9] More broadly, sustainability is often contested as a political issue rather than treated as a technical one, with legal enforcement priorities shifting across political cycles. As a result, agreements negotiated today may be reversed under future administrations, undermining credibility and weakening long term incentives for compliance.

Voluntary sustainability frameworks, including certification schemes and corporate zero-deforestation commitments, have improved traceability and monitoring capacity in Brazil. Yet their uptake remains limited and uneven, covering only a small share of total production. At the same time, financial systems are only beginning to integrate environmental and climate risks in ways that significantly influence capital allocation.

These dynamics also vary territorially. Soy expansion into native vegetation continues in frontier regions such as Matopiba,[10] where compliance with legislation and enforcement are weaker. The challenge is not simply stopping expansion but shifting incentives so that production growth happens in Mato Grosso's consolidated production areas, where productivity gains can be achieved through intensification on already converted land, rather than in Matopiba frontiers.

In the absence of binding import requirements, financial conditionality or price premiums, and uneven compliance with environmental legislation, sustainable production is compromised, as market signals continue to reward volume and cost efficiency over sustainability.

While China is advancing green finance and climate reporting and disclosure frameworks, these have yet to translate into mandatory requirements for agricultural imports. For example, China's Corporate Sustainability Disclosure Standards adopted in December 2025 require large firms to disclose Scope 3 emissions,[11] including those linked to soy supply chains. While this may increase pressure for traceability, it does not impose binding sourcing requirements.

This weak alignment of incentives has contributed to segmented supply chains, with higher environmental compliance flows directed to the European Union, while most production serves the domestic Brazilian market and China, as well as other markets with lower requirements. In this context, a sustainability transition driven solely by supply-side reforms appears unlikely. Political constraints and governance instability limit the effectiveness and long term of supply-side reforms, shifting greater responsibility to major importers such as China, as well as traders and financial institutions.

Key messages and recommendations: A sustainable transition pathway

- Climate change impacts are increasing, governance remains contested, and current market incentives continue to favour land use expansion. A transition is possible, but requires realigning incentives.
- As long as major markets prioritise price and volume without integrating deforestation and climate risk, producers will have limited incentives to change. Stronger demand-side requirements, particularly from China, are therefore critical.
- Sustainability must be embedded in trade and finance. Integrating deforestation risk into import standards, procurement, and green finance, while linking credit and insurance to verified compliance, can shift incentives across the value chain.
- Policy responses must reflect territorial realities. Redirecting growth towards consolidated areas through intensification and restoration is more viable than continued expansion into frontier regions.
- Ecosystems such as the Cerrado and the Amazon are critical infrastructure for long-term agricultural productivity and must be treated as such.

This policy brief summarises key findings from the full report: *Strengthening sustainable trade for food security: Pathways towards sustainability in the China-Brazil soy trade (2026)*, published by Future Horizons Institute. The complete report is available at: www.futurehorizonsinstitute.org

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[10] Matobipa is a major agricultural frontier in Brazil encompassing parts of Maranhão, Tocantins, Piauí, and Bahia, characterised by large-scale soy expansion and rapid land-use change, particularly in the Cerrado biome.

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