



LSE Commodities
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ANALYST REPORT

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OPEC's Struggles and Brent Crude Volatility

- **OPEC Challenges:** Internal conflicts and falling market share threaten its influence
- **Geopolitical Pressures:** U.S. production, Middle Eastern conflicts, and policy shifts add instability
- **China's Weak Demand:** Slow recovery and trade risks weigh on global oil prices

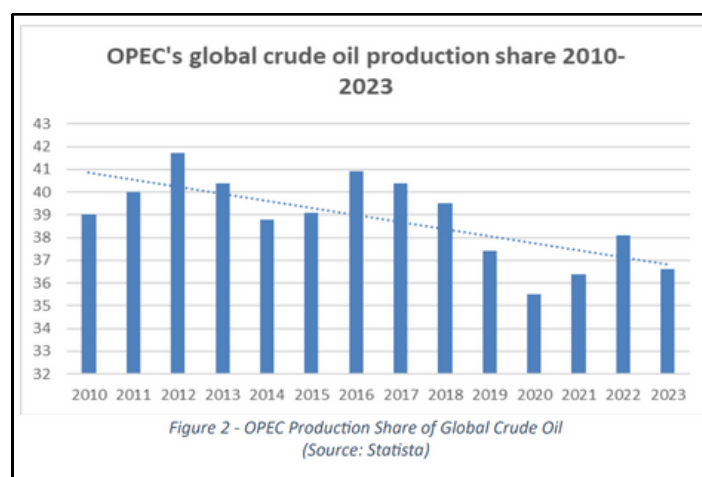
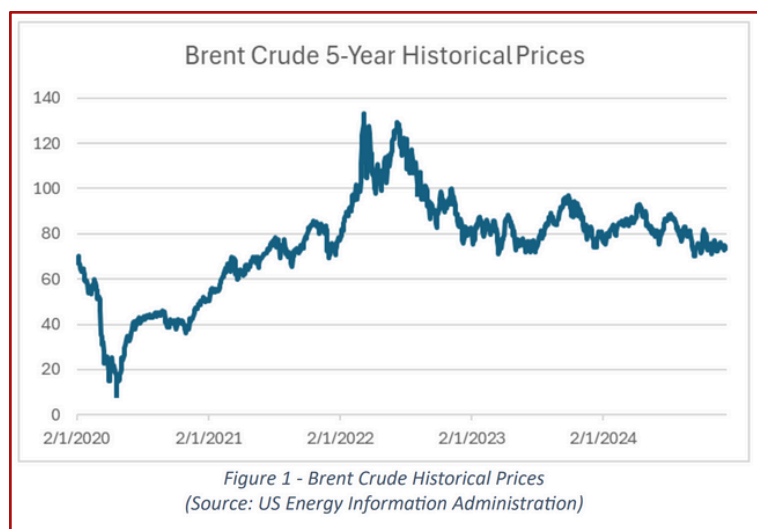


In December 2024, after delays and postponements of key meetings, **OPEC** had finally agreed on extending its production cuts to **stabilise prices**. This comes in the wake of a decision just one month prior, by 7 of the major oil-producing members of OPEC, to delay its production hike that was to reduce the production cuts that the cartel had made to deal with falling demand, primarily due to a **slowdown in consumption in the Chinese economy**. This decision will serve to meet the cartel's reported aims to stabilise Brent crude prices in the short-term. However, due to increasing divergence among members, a lack of solid recovery in the Chinese economy, and increasing oil production capabilities of the US, prices of Brent Crude will be seen to fall significantly in the long run.

Internal conflicts

First, to understand OPEC's prolonged inertia in **extending production cuts**, we must understand their dilemma in doing so. In the aftermath of the October 7th attacks, prices of Brent Crude declined from **~USD 94.33 bbl to USD 74.11 bbl** in the span of 2 months. Rising geopolitical tensions and strife in the Middle East because of the conflict surrounding Israel has led to **increasing volatility** around prices, inducing OPEC to move to stabilise prices to ensure its own market share. However, this has not been very successful for multiple reasons.

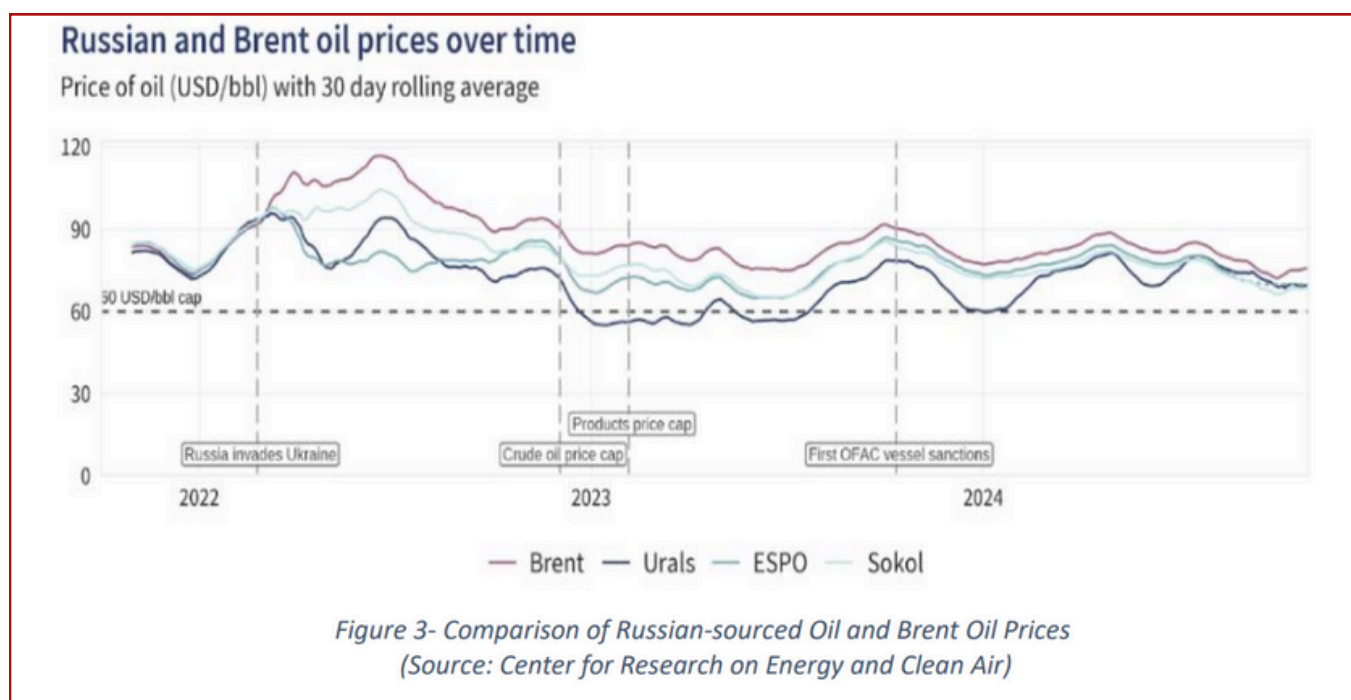
Firstly, due to OPEC delaying production hikes and keeping oil prices relatively high at the **75 - 85 range**, it has seen a significant reduction in its market share (namely, its production share of global crude oil. This has fallen from a high of **41% in 2016 to 36.6% in 2023**. Simultaneously, significant economies of scale in the fracking industry in the US has led to the US producing more energy than it consumes, with 34% of production sources being petroleum - crude oil,



LNG, etc. This has allowed the US to capture significant market share, **reducing Western dependence** on OPEC for energy. Placing significant downward pressure on oil prices and OPEC's share in global crude oil production, despite best efforts.

Secondly, because of **US economic sanctions on Russia** in the aftermath of its invasion of Ukraine in 2022, Russia had increased its oil exports to Asia, eventually increasing to **3.41 million bpd in 2023**.





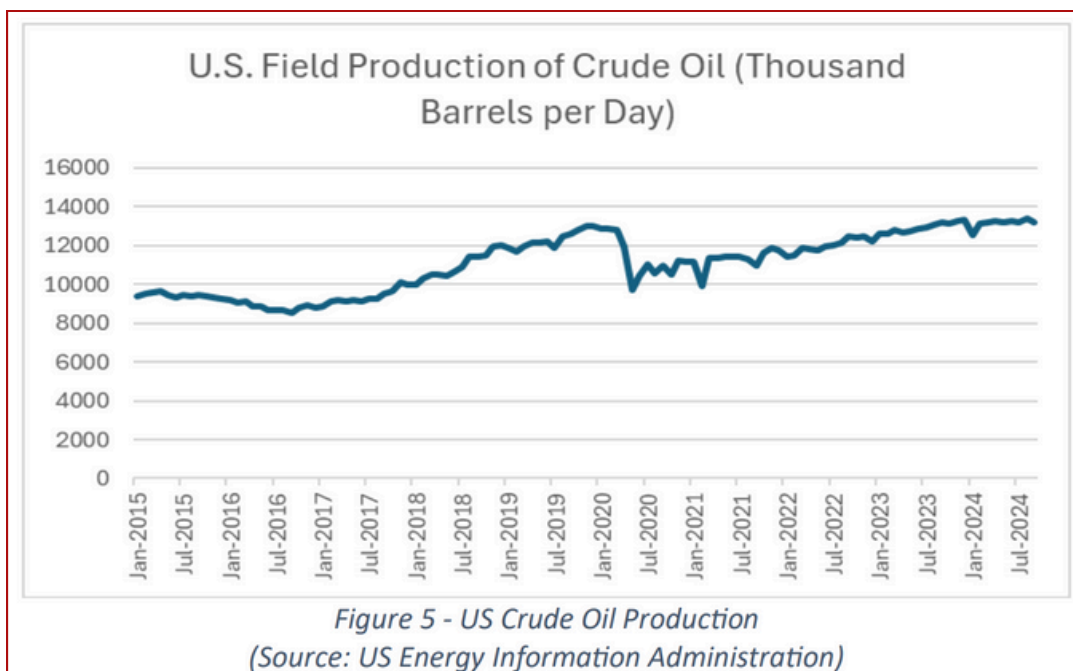
While Saudi Aramco has moved to cut oil prices now that there is some demand recovery in China, one of Russia's biggest oil purchasers, there has now been a perception amongst OPEC members that the oil production delays are detrimental to the overall influence wielded by the cartel, especially as countries like USA and Russia are able to undercut them by selling oil to the largest consumers of oil in Asia - India and China. These disagreements were publicly revealed when a key member of the Iranian delegation published a now-deleted op-ed in his country's state-run news agency warning against further support to prices, as it encouraged countries outside the cartel to ramp up production to capture market share.

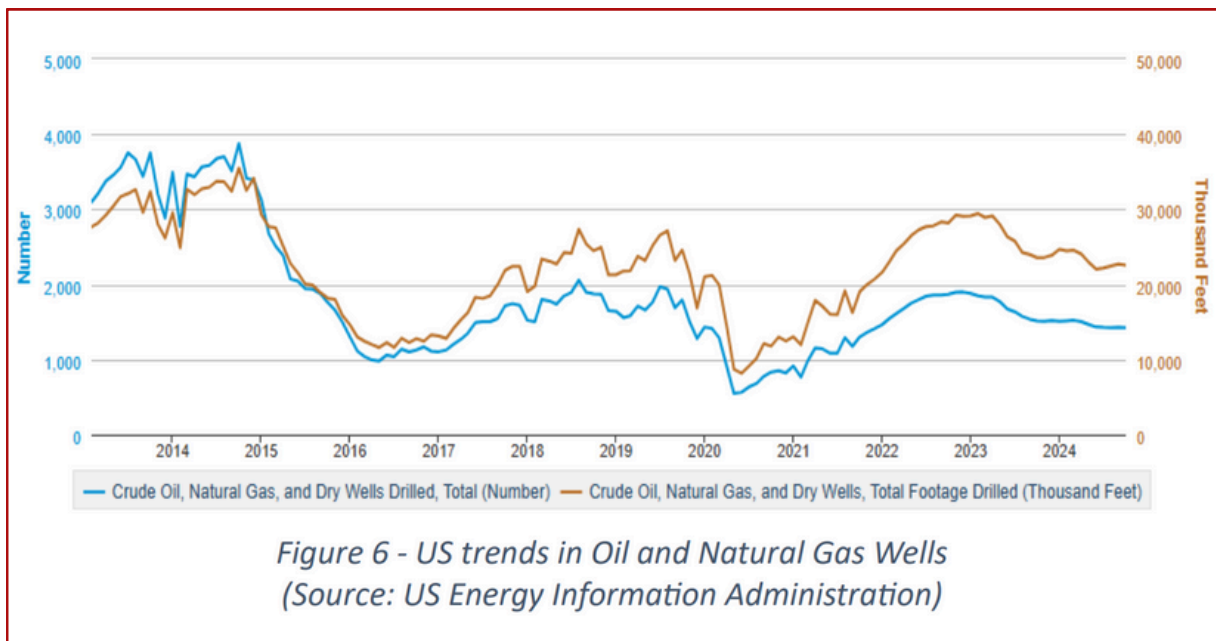
In 2023, a similar output production cut caused the Angolan delegation to take the decision of leaving the cartel entirely. Within the cartel itself, countries like the UAE, Russia, and Kazakhstan have ramped up production facilities. Kazakhstan's USD 46.2 billion investment in its own Tengiz oil field expansion is expected to come online at the end of this year, when the original output hike was set to start. For now, due to relatively stable prices in weeks after the announcement, markets have not priced in the fact that countries like Kazakhstan, UAE, and Iraq are known to regularly flout OPEC rules on production to secure their own revenue. Should Kazakhstan, like UAE and Iraq, also choose to increase its own production, disregarding OPEC's decision, oil prices will certainly see increased price erosion in Brent Crude in the near-term. OPEC members' willingness to adhere to the set rules will affect price volatility and increase risks in Brent futures in the short-term. Any member nation taking a similar step to Angola in December 2023 and exiting OPEC will certainly be detrimental to the standing of OPEC in the Oil & Gas industry.

External Factors

Other than internal conflicts, external factors threaten to **weaken OPEC's market power** over Brent crude and the wider oil industry. As the US expands its oil production facilities, and **increases exports** to more countries, they **reduce OPEC's ability** to set prices by controlling production. Furthermore, as the Middle East likely descends into **further conflict** because of the rebel takeover in Syria, and the increasing number of strikes against key Iranian defence facilities **protecting energy sites** (upon which oil **prices fell 5%**, showcasing market relief at avoiding direct strikes on oil and gas plants in Iran), leaves the market for oil increasingly volatile. Conflicts in the Middle East, combined with **reducing market share** of gulf countries over oil, will lead to **increased competition** for reliable sources of oil that come from outside the Middle East, which form the main bulk of the executive of OPEC. Ongoing strife in the Middle East, and potential spillover effects will be the second contributor to driving up **risk premiums** and volatility in the market for Brent Crude in the short-term.

The results of the U.S. election could significantly impact oil production, especially if pro-energy policies come to the forefront under a Republican-controlled administration. Historically, administrations favouring reduced regulations have encouraged higher domestic oil and gas production by easing drilling restrictions, opening federal lands for exploration, and expediting permitting processes, best described by President-elect Trump's "drill baby drill" approach to fracking and extraction of oil wells across the United States, which has already been on the rise in the aftermath of post-COVID global energy shortages, primarily due to Western sanctions on Russian oil and gas driving up the political will required to expand fracking and extraction of US oil and gas.





While the number of wells drilled has not gone back to 2016 levels, Trump's potential pro-drilling policies will benefit **US crude production** next year. Such policies will massively increase U.S. crude output, leading to a supply glut. **Increased U.S. production** could place downward pressure on **Brent Crude prices**, especially if global demand remains stable or weak. Additionally, higher U.S. output could **intensify competition** with OPEC+, undermining their efforts to **stabilise prices** through production cuts, creating an environment of **sustained price volatility**.

Lastly, one of the key reasons behind the output hike delays in the first place was due to a **slowdown of growth and demand in China**, one of the most populous countries in the world, and the single largest importer of Brent crude in the world, more than any other country. Weak demand and imports had been placing downward pressure on the oil market for the past year. Even after the **aggressive fiscal stimulus** by authorities, consumer prices rose only by 0.2%, underperforming expectations. Producer price index While the state has promised more aggressive fiscal and monetary measures, the efficacy of such **expansionary fiscal policy** remains to be seen, given China's current untenable ~300% debt-to-GDP ratio. Moreover, there is still the possibility that the incoming US administration will immediately embark on a new slew of **tariffs** against the recovering economy. Increased tariffs against the largest purchaser of crude will unleash headwinds against Brent Crude prices. Should China's economic recovery falter over the next year, there will be increasing pressure on OPEC to function as a bloc to maintain Brent prices at a stable level to **maintain their influence** over the energy sector, and global consumers at-large.



How will **China's** planned infrastructure (*Fiscal stimulus*) spending in **late 2024** influence copper market surplus?

- **Copper Prices Decline:** Prices have dropped since May 2024 due to bearish market sentiment
- **Weak Global Demand:** Weakening demand and increasing supply pressure prices downward
- **Resistance Levels:** Key support and resistance levels show continued downward momentum

Copper **demand expected to fall** – [trade recommendation]. With the **inability of China's fiscal stimulus** to spur the economy, the second term of U.S. President Donald Trump, protectionism, stronger USD, and a decline in energy subsidies are expected, forming **significant headwinds to global copper demand** – further tampered by decline in Mainland China property / industrials. In China, existing fiscal stimulus is insufficient. Continued surplus in the refined market expected, prices may then fall to correct.

Recent Dates:

- 16 Dec. 2024, 1:30 AM UTC – China House Price Index YoY: -5.7% (30 bps higher than expectations)
- 16 Dec. 2024, 2:00 AM UTC – China Industrial Production YoY: 5.0% (400 bps lower than expectations)
- 27 Dec. 2024 – China Industrial Profits
- 30 Dec. 2024, 01 Jan. 2025 – NBS Manufacturing PMI, Caixin Manufacturing PMI
- 20 Jan. 2025 – Second inauguration of U.S. President Donald Trump



Major and Anticipated Developments

- Persistent weakness in China properties, fiscal stimulus fails – Persistent from earlier periods, the Chinese property sector faces continued weakness, indicative of larger macro events in the Chinese economy. The current stimulus remains insufficient.
- US President-elect Trump deprioritizes energy transition, ups protectionist decoupling – The election of Donald Trump has already made market waves, contributing to USD appreciation and preliminary trade adjustments from entities worldwide. As he comes to power, we expect tariffs / anti-China trade decoupling to rise and the green energy transition to be deprioritized, dampening significant areas of copper demand.



Introduction

Copper is an incredibly versatile and widely used metal with a range of applications¹. Its material properties make it **indispensable across various industries**, a testament to the essential role it plays in modern technology and infrastructure. The metal’s top use is in the construction sector; 46% of the global copper production makes its way into essential building infrastructure, including roofing, cladding, HVAC, plumbing, and home electrical wiring/components. Its resistance to corrosion and ability to form watertight joints make it ideal for pipes and fittings, and its durability ensures long-lasting infrastructure for water supply and heating systems. Due to its excellent conductivity, it is a go-to choice for electrical circuits, transformers, and motors, and finds itself essential to the manufacturing of consumer electronics (smartphones, computers, and televisions).

In emerging technology, copper has become an **essential metal to the energy transition**. Copper is already essential for transportation—brakes, bearings, connectors, motors, radiators, and wiring—and electrical vehicles require 2-4x more copper than a conventional vehicle. EV charging stations themselves need large amounts of copper, and solar tech, wind farms, and battery energy storage systems also find the metal essential. **Achieving net-zero carbon emissions by 2035 has been estimated to require a near-doubling of global copper demand**. Given this variety of essential use cases, copper (“Dr. Copper”) is often considered a leading indicator of (China-led) global economic cycles. The mainland constitutes about 55% of global demand, around 30% of which is associated with its building and construction sector¹. It leads globally as the fourth top copper producer and top global copper refiner. Lately, sophisticated statecraft, infrastructure investments, and trade policy under the Belt and Road Initiative have strengthened its position over LatAm and African producers. These arrangements continue, even as the majority of national production is shipped off raw to be further refined abroad, extracting value-adding processes away from local mineral producers⁵. As such, understanding China dynamics are essential for understanding the direction of copper pricing.

Top Exporters and Importers of Copper

Country	Amount in Million Metric Tons
Chile	5.48
Peru	2.43



1 <https://investingnews.com/daily/resource-investing/base-metals-investing/copper-investing/copper-uses/>
4 <https://investingnews.com/daily/resource-investing/base-metals-investing/copper-investing/copper-price-today-overview/>
5 <https://www.csis.org/analysis/de-risking-critical-mineral-supply-chains-role-latin-america>

China	1.78
Democratic Republic of the Congo	1.63
United States	1.20
Australia	1.00
Zambia	0.83
Russia	0.82
Mexico	0.76
Indonesia	0.75

Table 3: Top 10 Copper Producing Nations²

Country	Amount in Million Metric Tons
China	27.53
Japan	4.80
Germany	1.23
Spain	1.15
India	1.01
Bulgaria	0.91
Philippines	0.89
Finland	0.43
Sweden	0.35
Poland	0.27

Table 4: Top 10 Copper Importing Nations³



Market View

UBS

UBS expects rising prices and thus higher demand for copper. UBS expected that most copper smelters are suffering losses, due to historically low treatment charges (TC). The main source of revenue for smelters, TC/RCs are paid by miners when they sell concentrate, or semi-processed ore, to be refined into metal. Furthermore, UBS expects demand from new energy vehicles, solar, wind and China's grid investment remains resilient. Copper can benefit from high-growth industries like data centres for artificial intelligence (AI) and defence needs.

Goldman Sachs

Goldman Sachs raised its 2025 copper price forecasts citing higher demand potential in top consumer China following stimulus measures.⁴

Citi

Citi has noted weakening confidence in mainland China industrials and protectionist changes to US policy are expected to dampen copper demand through manufacturing and construction channels. Even then, the extensive usage of copper for emerging cleantech implementations, suggests persistent demand as demand for electrification continues, barring rising economies of scale towards a hypothetical similarly conductive metal.

Personal Analysis

In our opinion, continued weakness in Chinese economic sectors, combined with rising resource protectionism in a Trump-led US, will depress the demand for copper. The larger global push for sustainables, amid a dampening from US-based demand, may provide some insulation.



The Trump Trade: US-China Decoupling, FX

Among the key tenets of **Donald Trump's 2024 presidential campaign** has been a return to an “America First” economic policy; in global trade, gains from multinational tariffs—particularly towards China, but **including targets worldwide**—have been proposed as measures to close the national deficit. Domestically, “Trumponomics” continues its attack on the national deficit through an opposition to climate-friendly industrial policy enacted by Joe Biden's administration. Having secured a government trifecta (party representation in executive branch and both chambers of the legislative branch), alongside a predominantly conservative Supreme Court, Trump is more situated than ever to see his policy proposals enacted on the global stage.

This may be followed with a **block on existing Biden-era industrial policy**—best represented by the Inflation Reduction Act, CHIPS and Science Act, Infrastructure Investment and Jobs Act, as well as various mandates from the Environmental Protection Agency—with crucial implications for US economic positioning. Biden-era EV consumer tax credits are expected to be shuttered, with industry-wide effects. For instance, it is expected that Trump would remove the \$7,500 consumer tax credit currently placed on electric-vehicle purchases as part of broader tax-reform legislation⁵.

These policies are likely to curtail EV and greentech production, dampening US-based demand for copper inputs.

A report by the U.S. Senate Environment and Public Works Committee Republicans shows that the cost of just a few of Biden's environmental proposals would exceed **\$845 billion**⁶. However, with Trump's win and Republican control of the Senate, House, and Presidency, it is expected that such excessive expenditure on environmentally friendly initiatives could be curtailed successfully.

Outside of the US, Trump has also leveraged the **exacerbating trade deficit with China** to drum up support for imposing more trade tariffs on China and other nations. Currently, Trump is aiming to impose a 10–20% tariff on most foreign goods, with a 60–100% tariff on China imports.⁷

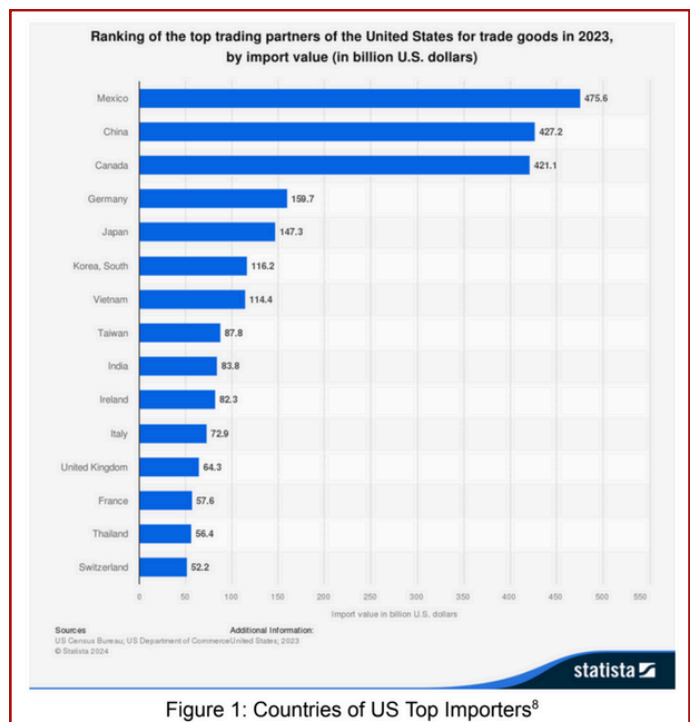


Figure 1: Countries of US Top Importers⁸



⁵ <https://www.reuters.com/business/autos-transportation/trumps-transition-team-aims-kill-biden-ev-tax-credit-2024-11-14/>

⁶ President Biden's Green Agenda: A Nearly Trillion-Dollar Burden on Americans | The U.S. House Committee on the Budget - House Budget Committee

⁷ <https://www.theguardian.com/business/2024/nov/26/trump-tariffs-china-mexico-canada>

⁸ <https://www.statista.com/statistics/186601/ranking-of-the-largest-trading-partners-for-us-imports/>

Given the huge amount of trade between the US and China, we foresee that Trump's aggressive trade tariffs could **potentially cut the demand for copper excessively**, leading to lower copper prices. Additionally, with the recent US Presidential Election and Trump's win, the prevalence of Trump Trades has led to immense demand for equities in the financial markets, like the S&P 500⁹. As international retail traders and institutions increase their demand for US equities, this would increase the demand exerted on the USD. Being a free-floating exchange rate, the USD would naturally appreciate until an equilibrium is reached. Furthermore, since copper is traded in the US currency, the demand for copper is inversely proportional to the strength of the USD. Such an appreciation of the USD would cause non-US companies to incur higher costs of procuring copper, which subsequently dampens the demand.

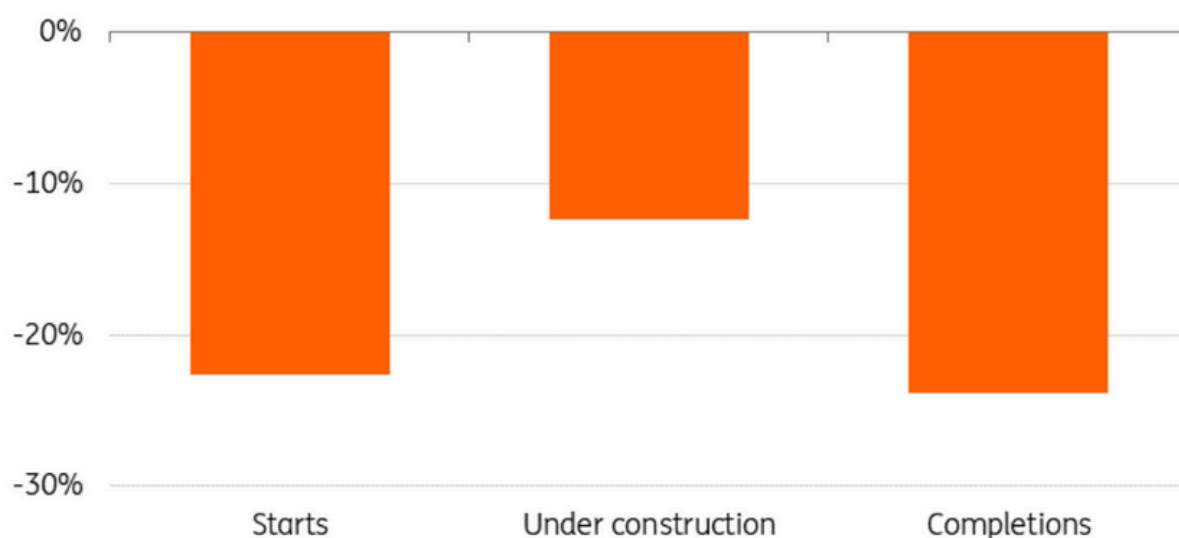


Figure 2: China's Slowing Property Sector & its Impact on Copper¹⁵

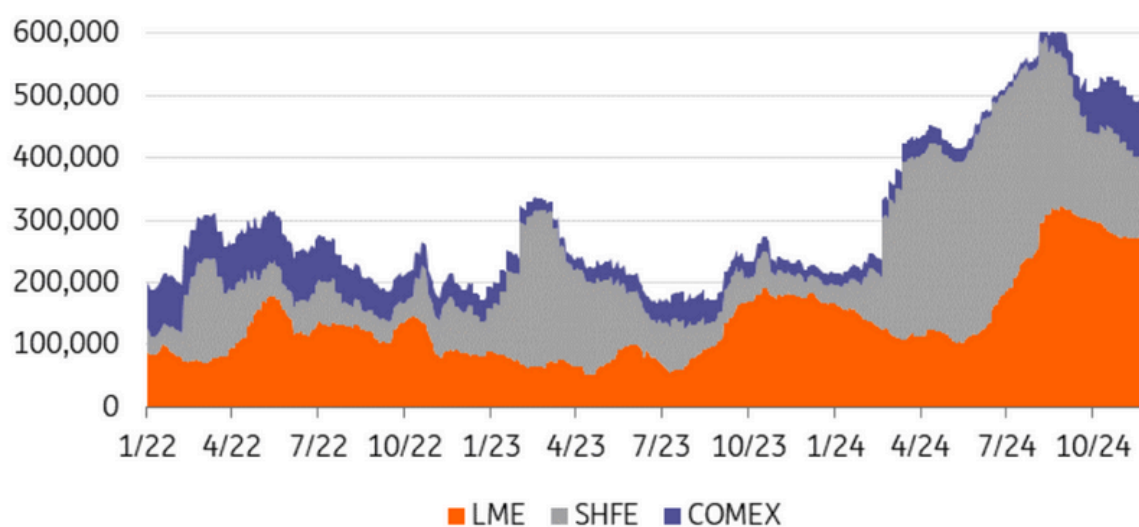


Figure 4: Rising Surplus of Copper¹⁶

Though these factors may depress copper demand, The International Copper Study Group anticipates a slight decrease in world copper mine output in 2024, with growth at 1.7%, compared to 2% in 2023. However, in 2025, it is expected to see higher growth at 3.5%, driven by increased capacity at mines in the DRC, including Kamo-a-Kakula, and in Mongolia's Oyo Tolgoi and the reopening of the Malmyzhskoye mine in Russia. Additional production will come from various mine expansions and the opening of new medium and small mines. Such a rise in supply would potentially exacerbate current copper surpluses and exert a downward pressure on the demand for Copper.

Technical Analysis



Figure 5: Technical analysis of Copper Prices



Figure 6: Technical analysis of Copper Prices

In my opinion, I believe that copper prices are currently on a downward trend after hitting an all-time high around mid-May 2024. The present yellow lines reflect the key support/resistance levels for copper prices, while the blue lines show the support and resistance levels of copper as it is currently on its downward trend. As shown above, bullish sentiments for copper have been weak since May 2024, due to the lower highs and lower lows. This reflects the bearish sentiments for copper outweighing the bullish sentiments, leading to such a down channel on copper. Currently, copper prices do not seem to be consolidating, showing the downward momentum of copper prices now, which should persist into the future due to the weakening global demand and ballooning supply of copper.



How will the **recent regulatory changes** implemented by the **DOI affect** wind energy development and market competitiveness?

- **Streamlined Regulations:** Simplified processes and clearer rules boost efficiency and investor confidence
- **Cost Savings and Competitiveness:** \$1.9B in projected savings enhances market growth and innovation
- **Improved Infrastructure:** Promotes shared transmission systems, reducing costs and environmental impact



*The United States Department of the Interior (DOI) has recently implemented regulatory changes, specifically the **Renewable Energy Modernisation Rule** (The Rule) created and put into place by the Bureau of Ocean Energy Management (BOEM) and the Bureau of Safety and Environmental Enforcement (BSEE), that will likely have a significant impact on both wind energy development and innovation, along with market competitiveness. By analysing these alterations, this report will explain how the rule, along with other changes, will **streamline processes, reduce costs, and enhance regulatory certainty** for offshore wind energy projects. Not only do these reforms align with the ambitious renewable energy goals of the Biden Administration, but also create a better environment for both development and investment in the wind energy sector.*

Regulatory Changes and Certainty

The rule itself, finalised recently, on April 24, 2024, comes as a direct result of the DOI's goal of enhancing the offshore wind industry. Enhancing regulatory certainty for producers is one of the primary aims of the Rule. The Rule standardises the majority of safety regulations related to offshore wind by outlining more clearly the **Safety Management System (SMS)** regulations and incentivising the use of third-parties for SMS certifications. This is a drastic, but essential, change for offshore wind developers who used to face a thoroughly ambiguous regulatory landscape which **delayed development and innovation**. Now, as a function of the rule, lessees are capable of self-inspecting developments under specific criteria and require updated verifications for facility design, installation, and fabrication. Essentially, operators can now ensure safety while enhancing efficiency using a performance based approach.

The increase in regulatory certainty created by the rule will be pivotal in attracting investments in offshore wind projects. **Unpredictable regulatory environments** can cause investors to become hesitant about committing capital. By introducing a public renewable leasing schedule that is updated every two years, stakeholders will be provided with even greater certainty for planning projects. Through to 2028, this schedule includes 12 potential offshore **wind energy lease sales**, which allows a predictable framework to be established for both developers and investors. This assurance of a structured leasing project allows for and encourages new entrants into the market by showcasing opportunity while also **increasing competition** in the existing market, thus leading to increased innovation and cost effectiveness of solutions. Historically, similar regulatory changes in the **solar energy sector**, such as the introduction of streamlined permitting processes and **financial incentives**, have significantly accelerated market growth and could suggest that the current reforms will similarly enhance the offshore **wind market's competitiveness** and expansion.



Implications for Investors and the Market

It is also important to consider the financial implications of the Rule being put into place. The DOI predicts that efforts to modernise the offshore wind industry will yield an estimated **\$1.9 billion in cost savings for the industry** over the next two decades. The reduced cost will increase market competitiveness, particularly as the Wind Energy Index has remained **relatively stable since 2023** (as shown in the graph below), indicating a level of price consistency that supports long-term growth and stability in the sector. Indeed, the rule will help alleviate the financial burdens caused by compliance and permitting, thus allowing developers to allocate resources with greater effectiveness and invest in advanced technologies that will, in the long run, **lower the cost of energy production**. The market competitiveness will be even further increased by the Rule's updates to BOEM's renewable energy auction regulations, which include alterations to bidding systems. It is likely that the Rule will increase projects that prioritise domestic supply chains and community benefits, since it formalises how the BOEM considers advantages in development and advancements in public policy.



Furthermore, this financial certainty provided by the Rule reaches as far as the assurance mechanisms for developers. The rule allows for the **incremental funding** of decommissioning accounts and the inclusion of letter of credit as acceptable financial assurance, both of which are crucial factors for developers since they will allow them to showcase their financial strength with a much greater flexibility, and allow them to attract a wider range of participants to the offshore wind market. In addition to this, the introduction of credit ratings to measure financial capability will allow for a better judgement of a producer's ability to meet goals, benefitting smaller companies looking to enter the market.

Transmission and Infrastructure



One final, but critical, topic addressed by the Rule is that of transmission solutions, which is essential for optimising grid integration of offshore wind energy into the existing grid. The Rule looks to facilitate agreements that promote shared transmission infrastructure along with grid interconnection. Essentially, this means that developers must collaborate to create new shared transmission infrastructure and the overall efficiency of the offshore wind sector will be enhanced. Collaboration in this sector is particularly important since developers often tend to operate in close proximity to each other and shared infrastructure could decrease not only costs but also environmental impacts significantly.

Potential Challenges and Risks

While examining the wider effects of these regulatory changes, one must also realise that they are part of a **larger plan to establish the United States as a global leader in renewable energy**. The urgency and importance of these changes is evident in the Biden Administration's goal of deploying 30 gigawatts of offshore wind by 2030. However, we must also consider the potential challenges that will likely arise during the implementation phase. Indeed, even with the Rule, the offshore wind industry still faces headwinds in relation to supply chain constraints, economic fluctuations, and the recent political change in the form of Trump being re-elected.

There have been recent cancellations of several projects, such as those off the coast of New York, due to supply constraints. Previously, such cancellations have led to increased investor hesitancy and fluctuations in market confidence, suggesting that without addressing these issues, future projects will likely face similar challenges and delays. A clear vulnerability within the industry. Although the rule intends to streamline processes and reduce costs, it may take time for us to see results and overcome the challenges mentioned. Moreover, changes in federal legislative and executive branches, as a result of the **re-election of Trump** could **re-introduce uncertainties** that will slow down the establishment of a robust offshore wind ecosystem. Regardless, the Rule is an obvious indicator of the DOI's commitment to offshore wind.



Conclusion

In summation, the regulatory changes implemented by the DOI, specifically the Renewable Energy Modernisation Rule, signify an important step forward for both wind energy development and market competitiveness. The Rule aims to **enhance regulatory certainty, reduce costs, and promote collaboration**, to ultimately create a **more favourable environment** for the **execution of offshore wind energy projects**. This report explains how regulatory clarity, financial assurance, and a structured leasing process, when in effect together, will **foster significant growth** and innovation in the industry. In contrast, we must also remain vigilant to the challenges that will arise, especially those related to the re-election of a President with different goals, and continue to advocate for policies that will foster the development of a **sustainable** and competitive offshore wind market.

The pathway to a clean energy future is ambiguous, but these regulatory changes form a solid starting point for the advancement of offshore wind energy in the US.





Going into 2025 and the **Trump administration**, what is likely to happen to the **price of US soybeans**?

- **Regulatory Certainty:** Standardized rules and predictable leasing schedules attract investment and boost innovation in offshore wind projects
- **Cost and Competitiveness:** \$1.9 billion in projected savings and updated auction processes foster market growth and accessibility
- **Infrastructure Efficiency:** Promotes shared transmission systems to reduce costs, improve grid integration, and support U.S. renewable energy goals



The price of U.S. soybeans has seen significant fluctuations in recent years, reflecting broader shifts in both domestic and global agricultural dynamics. After peaking at \$17.68 per bushel in June 2022, the price of U.S. soybeans has been on a downward trajectory, reaching \$9.77 per bushel in December 2024, and recovering slightly to \$10.36 per bushel in January 2025. This **overall decline** is driven by a combination of factors that are likely to continue influencing the market into 2025.



Among the key drivers of this trend are the increasing production of soybeans in Brazil, the rise in China's domestic soybean production, and the **potential for new tariffs** under the Trump administration. Each of these factors suggests a reduced demand for U.S. soybeans, contributing to a further decrease in prices. In addition, external variables such as shifting global trade relationships and technological advancements in agriculture are set to play an important role in shaping the market in the near future.

Brazil's rapid expansion of soybean production is one of the primary forces putting downward pressure on global soybean prices. Over the past decade, Brazil's soybean output has soared, from 97.1 million metric tons in the 2014/2015 marketing year to an estimated 169 million metric tons in 2024/2025. Brazil's aggressive expansion strategy includes a mix of factors, including significant government subsidies and the use of previously underutilized land in regions like the Cerrado savanna. These areas, once seen as unsuitable for large-scale agriculture, have been transformed through advanced agricultural techniques, including the development of more climate-resilient soybean varieties by organizations such as Embrapa, Brazil's state-backed agricultural research entity.

As a result of this dramatic increase in soybean production, Brazil has become an even more formidable competitor in the global market, reducing the market share held by the U.S. Brazil's competitive pricing, bolstered by the country's trade relationship with the largest soybean importer, China, has allowed it to capture significant portions of global trade, further pushing U.S. soybeans out of certain markets. This rise in Brazilian production, along with Brazil's lower production costs, has placed pressure on U.S. soybean farmers, who face stiffer competition for export opportunities. As Brazil continues to increase its output and market share, the price of U.S. soybeans is expected to continue to face downward pressure.

China's push for self-sufficiency

China, the world's largest consumer of soybeans, has historically been the U.S.'s top trading partner for soybeans, accounting for more than half of U.S. soybean exports. However, China's evolving agricultural policies and its strategic push toward **greater food security** are gradually reducing the nation's reliance on imported soybeans. The Chinese government has encouraged domestic soybean production through the provision of direct subsidies and by promoting the use of **advanced farming technologies**. For instance, the Chinese Academy of Agricultural Sciences has developed genetically enhanced soybean varieties that are better suited to the local climate and agricultural practices. These steps have contributed to a steady increase in domestic soybean production, making China less reliant on foreign suppliers like the U.S.

In 2023, China accounted for 55.1% of U.S. soybean exports, but this proportion could shrink as China continues to ramp up its own production. This shift reflects China's broader strategy of achieving greater self-sufficiency in agriculture, driven by rising food security concerns and an effort to mitigate the risks associated with over-reliance on external markets. As China reduces its imports of U.S. soybeans, the demand for American exports will likely diminish, exerting **further downward pressure on U.S. soybean prices**. Moreover, China's ongoing efforts to strengthen trade relationships with other major soybean exporters, like Brazil, will reinforce this trend, as China diversifies its sources of soybeans.

Potential Trump Tariff Impacts

Perhaps the most significant factor that could influence U.S. soybean prices in 2025 is the possibility of tariffs being reintroduced under a second term of the Trump administration. In 2018, under the first Trump administration, the U.S. initiated a trade war with China that included the imposition of **25% tariffs on Chinese imports**, including soybeans. This led to significant disruptions in global agricultural markets, as China retaliated with its own tariffs on U.S. soybeans. As a result, U.S. soybean prices fell from **\$10.50 per bushel to \$8.50 per bushel**, as Chinese consumers shifted to Brazilian soybeans, leading to a surplus of U.S. soybeans on the market.



Now, with Trump's return to office following the 2024 election, the rhetoric around economic nationalism has already started to resurface. Trump has made clear his intention to **prioritize American economic interests**, with a particular focus on reducing trade deficits and challenging China's economic rise. Bolstered by a stronger electoral mandate compared to his 2016 victory, Trump may feel emboldened to implement stricter trade measures, including tariffs on Chinese imports. These tariffs would likely target key industries, including agriculture. Trump's pick for Commerce Secretary, Howard Lutnick, has been an advocate of tariffs, describing them as a necessary tool to protect U.S. workers and industries.

If the U.S. were to reintroduce tariffs on China's soybean imports, the immediate **consequences would likely be similar to those seen during the 2018 trade war**. As in 2018, China would likely shift its purchases to Brazil, and U.S. soybean prices could see a sharp decline as a result. This would not only affect soybean producers but also the broader agricultural sector, which could face increased volatility as tariffs extend to other crops and products, such as pork and corn. While it's difficult to predict the exact magnitude of the impact, the U.S. agricultural sector would likely face significant challenges, including lower demand for U.S. soybeans and other agricultural exports.

Growing Competition and Market Dynamics

In addition to the competition from Brazil and China, other global dynamics are influencing the soybean market. Countries like Argentina and India are growing in importance as soybean producers, which further intensifies competition for U.S. soybeans in the global market. Argentina, for instance, is a major producer of **soybean meal and oil**, while India's growing agricultural sector is making it an increasingly important player in global agricultural trade. These countries, while not yet direct competitors to the U.S. in terms of raw soybean exports, contribute to a more competitive and saturated market, further reducing U.S. market share.

The soybean trade is also subject to **fluctuations in logistics, exchange rates, and geopolitical tensions**. For example, disruptions in global shipping, changes in currency values, or the rise of trade agreements between other major soybean-exporting countries could further shift global demand away from U.S. soybeans. As the global agricultural landscape evolves, the U.S. soybean industry must adapt to these changes or risk losing its competitive edge.



Conclusion

Several interconnected factors point to a continued decline in U.S. soybean prices in 2025. The increasing production of soybeans in Brazil, China's rise in domestic production, and the **potential reimplementation of tariffs** under a second Trump administration all suggest a reduced demand for U.S. soybeans. While the extent of these declines remains uncertain, the global agricultural market is experiencing a shift toward more diversified sources of soybean supply. Factors such as competition from **emerging producers** and the potential for continued trade disruptions will likely compound the pressure on **U.S. soybean prices**. However, the exact impact of these changes will depend on the interplay of domestic policies, global supply and demand shifts, and unforeseen events like weather patterns or international trade agreements.



About LSE Commodities Society

Established in 2024, the LSE Commodities Society is the first of its kind at the London School of Economics (LSE), dedicated to exploring the dynamic world of commodities. Our mission is to provide students with unique insights into market trends, emerging opportunities, and the broader impact of commodities on the global economy.

We pride ourselves on fostering meaningful connections with leading industry professionals and firms, creating a platform for knowledge exchange and career development. Through events, workshops, and speaker sessions, we aim to bridge the gap between academia and the professional commodities sector.

Our growing alumni network reflects our commitment to diversity and collaboration, empowering members to navigate and excel in this ever-evolving field. Whether you're passionate about energy, agriculture, or metals, the LSE Commodities Society is your gateway to a deeper understanding of this vital industry.

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