

Structural changes in the Brazilian soybean industry: A study of focusing on the Soybean trading business

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Summary

In terms of both soybean production and export volumes, Brazil has reached a level that is comparable with the U.S.A and is one of the most important countries in soybean trading. Soybeans are also a major export product for Brazil and hold a strong position economically.

However, in recent years, some multinational grain traders, such as ADM, Bunge, Cargill, and Louis Dreyfus, and Japanese trading companies (e.g., Sogo Shosha) have experienced a decline in the profitability of soybeans in Brazil and are reviewing and restructuring their businesses.

Behind this seemingly contradictory situation, the characteristics of Brazil's soybean supply chain have changed, especially regarding the soybean trading industry, which is said to be dominated by multinational companies, and the change may have affected the profitability of these companies. Using Porter's "Five Competitive Forces Shaping the Industry (2001)" as a framework, I examine the recent structural changes in the Brazilian soybean industry.

The results revealed that the competitive environment has intensified since the 2010's following the improvement of the Brazilian macro economy, and the improvement of soybean producers' bargaining power as sellers and that of soybean crushing companies as buyers; the profitability of soybean collectors has fallen as a result.

Keyword: Brazil, Soybean trading industry, Multinational grain traders, Japanese trading company, Industrial structural change