China halts U.S. soybeans purchases as trade war escalates

Beijing, May 31 (RHC)-- China is halting purchases of soybeans from the United States amid the growing trade war between the world's two largest economies, according to a report, increasing economic pressure on U.S. farmers.

China, the world's largest soybean buyer, doesn't plan to cancel orders it's already made in the US, Bloomberg News reported on Thursday, citing people familiar with the situation.

Chinese buyers haven't received any further orders from Beijing to continue with the so-called goodwill buying given the lack of agreement in trade negotiations, said the people, who asked not to be named because the information is private.

China bought about 13 million metric tons of US soybeans after the countries agreed to a trade truce and launched trade talks in December, in a move that showed goodwill toward getting the trade dispute resolved.

A senior Chinese official says the United States is practicing "naked economic terrorism" by engaging in a trade war on China.

US President Donald Trump escalated his trade war with China in May, increasing tariffs on about $200 billion of Chinese goods from 10 percent to 25 percent, prompting Beijing to retaliate with further duties of its own.

The US Agriculture Department data showed that China is yet to take delivery of about 7 million tons of US soybeans that it has committed to buy in the current marketing year.

Halting American soybean purchases is a direct strike at Trump’s political base. In the 2016 US presidential election, Trump won eight of the 10 states with the largest soybean production, all of them in the Midwest.

The state of Iowa, the country’s second-largest soybean producer after Illinois, swung from Democrat to Republican in the last election and could swing back again in 2020.

Trump moved to maintain support in rural America immediately as he escalated the trade dispute earlier this month, announcing an aid package for US farmers worth $16 billion.

Overall, US farm income dropped 16 percent last year to $63 billion, about half the level it was as recently as 2013, compounding the strain of five years of falling commodity prices.

There are signs China is replacing US soybeans with Brazilian supplies. “Brazil will supply China almost exclusively from now on,” said Pedro Dejneka, a partner at Chicago-based MD Commodities.

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