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To cite this article: Valdemar João Wesz Junior, Fabiano Escher & Tomaz Mefano Fares (2021): Why and how is China reordering the food regime? The Brazil-China soy-meat complex and COFCO's global strategy in the Southern Cone, The Journal of Peasant Studies, DOI: [10.1080/03066150.2021.1986012](https://doi.org/10.1080/03066150.2021.1986012)

To link to this article: <https://doi.org/10.1080/03066150.2021.1986012>



Published online: 10 Nov 2021.



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Why and how is China reordering the food regime? The Brazil-China soy-meat complex and COFCO's global strategy in the Southern Cone

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ABSTRACT

Chinese agricultural investments in the Southern Cone and the Brazil-China soy-meat complex are playing a pivotal role in the international reordering of the contemporary food regime. China's neo-mercantilist strategy, as exemplified by COFCO, carries elements of both continuity and rupture with this process. With an assertive yet flexible strategy, COFCO has adapted to China's internal requirements, the specificities of host countries, the geopolitical tensions with the US, and global competitors' corporate power. COFCO's strategy reflects the successful Chinese integration into the capitalist world system and the pursuit of a self-reliant food security policy by setting its own terms for global agribusiness engagement.

KEYWORDS

China; COFCO; Brazil-China soy-meat complex; Southern Cone; food regime analysis

1. Introduction

China's resurgence as a great power is at the foreground of major trade, investment, finance, technology and geopolitical transformations in the twenty-first century. As a result, the entire international division of labour and the global dynamics of capital accumulation have rapidly gravitated eastward (Hung 2016; Jenkins 2019). Beyond narrative disputes over the responsibility for the COVID-19 outbreak and achievements in combating the pandemic (Brown and Wang 2020), such is arguably the underlying motivation of the current US–China trade war, the proposals for 'decoupling' their economies and the discussions about the possibility of a 'new cold war' (Dupont 2020). In South America, the rise and fall of 'pink tide' centre-left governments was closely related to the commodity boom (and bust) driven mainly by Chinese demand for energy, mineral and agri-food resources and the upward effect on their prices. Primary exports to China have enabled economic growth and socio-distributive policies in the region since the mid-2000s, counteracting, to some extent, the neoliberalisation process in force since the 1990s. However, with the drop in commodity prices from 2012, following the deceleration in Chinese growth rates, South American growth rates also sank, shrinking together the fiscal space of their governments to continue making the progressive policies that have sustained their success so far (Ellner 2019; Kay and Vergara-Camus 2017; Tilzey 2019).

Brazil, in particular, faces a contradictory set of impacts associated with the so-called 'China effect'. The Brazilian economy has been chronically affected by the process of

'regressive specialisation' whose origin dates back to the neoliberal reforms carried out by the Brazilian Social Democracy Party governments (PSDB, 1994–2002). This process continued during the Workers' Party governments (PT, 2003–2016) and gained even more dramatic contours with the 'coup of 2016' and the ulterior rise of Bolsonaro's far-right government (since 2019). Regressive specialisation is marked by the reprimarisation of exports, dominated by commodities and resource-based products, and by premature deindustrialisation, with loss of participation of the manufacturing industry in the GDP and employment structures, both accompanied by financial integration and foreign direct investments complementary to these regressive patterns. Brazil-China trade relations, anchored in exports of soybeans and iron ore and imports of machinery, equipment and electronics, as well as the loss of competitiveness of Brazilian manufacturers in foreign markets to China, only reinforce this trend. Moreover, China is increasingly present in South America, while Brazil is retreating, which is yet another factor compromising the already weakened regional integration (Saad-Filho, Grigera, and Colombi 2020; Hiratuka 2018). Therefore, it is not by chance that China–South America relations have been interpreted as the reproduction of a core–periphery structure or a new situation of dependency, even though China itself is not necessarily seen as a new imperialist power (Bernal-Meza and Li 2020; Rodrigues and Moura 2019; Stallings 2020).

Against this background, recent debates regarding the political economy of agriculture and food have gained momentum. One set of contributions, more theoretically orientated, approach the continuities, contradictions and changes brought about by China's rise in the international food regime. Belesky and Lawrence (2019) analyse the role of the Chinese state and capital in shaping an increasingly multipolar global agri-food system, facilitating new East-South and South-South flows of trade, investment, technology and finance. For them, the contemporary food regime is in a period of transition or interregnum whose contours cannot be adequately understood without recognising the state-led variety of Chinese capitalism and its neomercantilist agri-food strategy. This is revealed by the mergers and acquisitions (M&As) through which central state-owned enterprises (SOEs) like COFCO, its largest food processor and commodity trader, and ChemChina, its largest agrochemical and seed industry, are 'going out'. McMichael (2020), in turn, offers a food regime analysis of China's Belt and Road Initiative (BRI) as a global strategy reflecting its growing political-economic power in a moment of international disorder. He examines how China has set future food security requirements via domestic and international food provisioning and situates its recent 'going out' policy with respect to food regime transition. For him, ChemChina reshapes power relations in the commercial seeds and agrochemical industries. Yet, COFCO is better poised to take advantage of and lead China's agri-food interests in the BRI. However, whether Chinese neomercantilism prefigures a subsequent food regime 'model' is still an open question.¹

¹The notion of neomercantilism, which dates back to the critique of classical liberalism by thinkers such as Alexander Hamilton and Friedrich List, is employed in food regime literature by Belesky and Lawrence (2019) and McMichael (2020) to analyse the Chinese agrifood strategy based on protection and control of the domestic market and internationalisation of domestic companies. Economic nationalism and national security concerns present in the 'going out' and BRI strategies, as well as in China's food security policy, can be grasped by this interpretation. The key argument is that in the current juncture of food regime transition, rather than relying exclusively on the 'neoliberal market rule',

Another, more empirically oriented but not merely descriptive set of contributions analyse the growing agri-food trade, investment and financing relations between China and South America. Escher and Wilkinson (2019) document the emergence of an interdependent Brazil-China soy-meat complex and argue that it represents a polycentric shift in global agri-food relations towards a South-East direction, challenging the North Atlantic corporate power. Oliveira (2017) explains why most Chinese firms that tried to purchase land for direct cultivation and prematurely announced large-scale greenfield investments in Brazil failed, whereas COFCO and a few other enterprises that conducted M&As of firms with well-established regional operations succeeded. Wilkinson, Wesz Jr., and Lopane (2016) contend that due to the scale of its demand for food and raw material, China adopts 'more-than-market' strategies, moving towards 'hands-on' control over resources in Brazil, Argentina and Paraguay, with COFCO as its key global trader and value chain manager. Meanwhile, McKay et al. (2016) suggest that the economic and political relationships between China and countries like Argentina and Brazil are replacing the previous 'Washington Consensus' with a new 'Beijing Consensus' of resource control. Fares (2019) proposes that besides supplying the Chinese feed industry with raw material and accessing profitable foreign markets, COFCO's financially-driven expansion through M&As also functions as an escape valve to China's industrial overcapacity by providing advantageous conditions for the export of surplus capital. And Giraudo (2019) forewarns, as a corollary, that the increasing Chinese presence in the Brazilian and Argentine soy complexes reproduces a North-South satellisation and deepens dependency in South America, limiting the region's capacity for autonomous development.

Despite the importance of these two sets of contributions to a renewed research agenda in the global political economy of agriculture and food, the dialogue between them is still relatively underdeveloped. Whilst the former offer a robust conceptual framework built on empirically-grounded theoretical generalisations, the operating mechanisms of the 'going out' Chinese enterprises in the national and regional contexts where they are 'arriving in' are usually addressed in a somewhat quick and generic way. The latter, in turn, characterises with specificity and details the operating mechanisms of Chinese enterprises in South American territories and interprets their broader significance. However, little has been done to build a more comprehensive theoretical account with such rich empirical and analytical findings. Our purpose is to contribute to filling this gap in the literature. Why and how is China reordering the international food regime? How do Brazil and the other key soy producing countries of Latin America's Southern Cone fit into this process? What are the global implications of COFCO's operation in the region for the food regime reordering?

This paper raises the hypothesis that COFCO's global strategy in the Southern Cone, especially in the Brazil-China soy-meat complex, plays a pivotal role in the international reordering of the contemporary food regime. Once concluded the acquisitions of Hong Kong-based Noble Agri and Dutch-based Nidera in 2016, COFCO joined the top list of agricultural traders in leading exporting countries, such as Brazil, Argentina, Paraguay and Uruguay. With its assertive yet flexible investment and operational strategies, COFCO not only favours the integration of the Chinese economy into global capitalism but

state intervention has been increasingly deployed to secure and guarantee direct access to global food, feed and fuel supply chains through foreign direct investments.

also establishes differentiated and interconnected relationships with the Southern Cone independently from the North Atlantic corporate power. Its international expansion provides a platform for disposing of domestic overcapacity through the export of surplus capital and, by mimicking methods of newly acquired firms, accumulating capital abroad adapted to the specificities of each host country. Furthermore, COFCO has implemented China's self-reliant food security policy through a neomercantilist strategy for global agribusiness engagement. The expansion of China's consumer market towards diets increasingly rich in animal protein is facilitated by COFCO's provision of raw material to the domestic feed and livestock industries. Hence this neomercantilist strategy works as a transitional mechanism that carries elements of both continuity and rupture with the neoliberal features of the international food regime. It is not an end in itself, but a means for COFCO to conquer more advantageous positions in the world market and for China to win over the current hegemonic disputes. Finally, by expanding globally, COFCO projects Chinese interests abroad, not only counteracting the US strategic influence but also contributing to further reordering the food regime towards a multipolar direction. This is demonstrated by the observation that while COFCO operates according to market imperatives, it also acts in coordination with the Chinese state, playing a strategic role in line with the policies deployed by the government amid ongoing geopolitical tensions.

Methodologically, our analysis is built on previous research by the authors and a set of new data. Along with relevant literature, we deploy a vast number of secondary sources, such as business press from China, Brazil, Argentina, Paraguay, Uruguay and the US; institutional reports from COFCO and other firms; and information gathered in fieldwork carried out in China, Brazil and Paraguay – with key interviews. We also use official statistical databases from China, Brazil, Argentina, Paraguay, Uruguay and the US. As official data on foreign trade by company and product is not always available on a yearly basis, we built a more detailed historical series by combining data from Trase until 2017 and Reuters for 2018 and 2019.

The article is divided into six sections, including the introduction. The second section reviews some vital theoretical debates in agri-food studies and sheds light on why and how China is at the centre of the contemporary food regime reordering. The third section accounts for COFCO's corporate history, analysing its growth strategy and the main determinants of its international expansion. The fourth section assesses the recent dynamics of the Brazil-China soy-meat complex in the context of the Southern Cone and the changing global agri-food trade flows amid current geopolitical tensions. The fifth section analyses COFCO's global strategy in the Southern Cone and its implications for the North Atlantic's corporate power. The final section summarises our main findings and draws some conclusions.

2. China's 'going out' and food regime reordering

Friedmann and McMichael's (1989) influential article launched a new research programme with the purpose of exploring the role of agriculture in the development of the capitalist world economy and the trajectory of the state system. Its analytical core revolves around the concept of food regime, which links international relations of food production and consumption to forms of capital accumulation, broadly distinguishing successive

periods. The first, the colonial-diasporic regime (1870–1914/30) rested on the British Empire’s hegemony and the Gold Standard monetary system. Under the ideology of free-trade imperialism, the dominions and peripheries (either colonial or dependent) spread across the Americas, Oceania, Asia and Africa were stimulated or compelled to supply cheap food and raw material to the industrialising metropolises to help to keep the wage value of reproduction of their labour force low. The second, the mercantile-industrial regime (1945–1973/85) was built upon the US hegemony and the Bretton Woods monetary system. During the Cold War period, its defining features were the flow of American agricultural surpluses to the ‘third world’ through ‘food aid’ (dumping) programmes and the worldwide diffusion of green revolution’s technological packages. Friedmann and McMichael, however, found disagreement on how to define the third regime (1995–today): McMichael (2005) framed it as a consolidated ‘corporate food regime’ and Friedmann (2005) as an emergent ‘corporate-environmental food regime’. Nonetheless, both agree that the restored US hegemony based on the post-Bretton Woods monetary system of flexible exchange rates is inherently unstable. They also indicate that the World Trade Organization (WTO) and the Agreement on Agriculture (AoA) created in 1995 provided the institutional structure that enforced agricultural and food trade liberalisation, lesser state intervention and regulation on rural and agri-food policies, and the proliferation of private quality, social and environmental standards (Friedmann 2009; McMichael 2009).

Despite some controversies about how to characterise and interpret the new period², the notion of a third food regime has served as an umbrella for a wide range of inter-related topics covered by critical agri-food studies.³ It articulated international hegemony and monetary systems, governance rules, legitimising ideologies, technological changes and contestation movements. In the wake of the recent debate between Bernstein (2016), McMichael (2016) and Friedmann (2016), interest in questions of theory, method and empirical evidence in food regime analysis rekindled. Bringing a number of understudied historical instances from different countries and regions throughout the three regimes, Wilkinson and Goodman (2017) argue that food regime analysis puts too much emphasis on systemic ruptures and makes excessive and inaccurate generalisations based strictly on the history of hegemonic powers. Consequently, multipolarity and historical continuities in the agri-food accumulation strategies pursued by ascendant powers in the evolving capitalist world system – such as the BRICS – are often shadowed. Niederle (2018) and Niederle and Wesz Jr. (2020) also argue that food regime analysis has dealt poorly with heterogeneity and transition by framing the hegemonic powers at the core of the

²For example: Pritchard (2009) sees the collapse of the WTO’s Doha Round as the crisis of the second food regime and questions the very existence of a third food regime; Pechlaner and Otero (2008) argue that a ‘neoliberal food regime’ emerged alongside the diffusion of biotechnology; and Burch and Lawrence (2009) see in the 2008 twin financial and food crises the deadlock of a ‘financialised food regime’ enabled by the diffusion of new information and communication technologies.

³For example: the intense financialisation of land, agriculture and food-related activities (Isackson 2014) and concentration of corporate ownership and control (Clapp 2019); the spread of food retail revolution (Arboleda 2020) and nutrition transition across developing countries (Otero et al. 2018); the upsurge of global land grabbing (Edelman, Oya and Borras Jr. 2015) and expansion of ‘flex crops’ (Borras Jr. et al. 2015); the repositioning of food and agriculture within an ecological political ontology (Moragues-Faus and Marsden 2017) and the emergence of new social movements engaged in food activism, both through politics and markets (Holt-Giménez and Shattuk 2011); and the continuing role of the state, even during the neoliberal era, both promoting rural development and food security policies and supporting the expansion of agribusiness (Escher 2021).

capitalist world system primarily as a source of structural constraints homogeneously extended to the peripheries and semi-peripheries. While scanning the history of the Brazilian agri-food system, they draw attention to the need for a more careful empirical account of the specificities of non-Northern/Western countries within the food regime framework. In the same line, Gaudreau (2019) observes that despite China being drawn up into contemporary food regime analysis, the country is notably absent from its wider historical narrative, notwithstanding China's non negligible involvement in international agri-food trade and its relevance to the foreign policies of both Britain and the US during the first and second food regimes.

Meanwhile, issues of hegemony, multipolarity and transition have been timely debated with respect to the contemporary food regime. Belesky and Lawrence (2019) assume that transitional periods between successive food regimes are characterised precisely by fluidity and increasing multipolarity, with the proliferation of SOEs, national champions and sovereign wealth funds (SWFs) from the emerging powers (especially China and other BRICS) taking powerful positions in global agri-food complexes. COFCO and ChemChina thus evince China's neomercantilist strategy employed in response to its mistrust of global agri-food markets controlled by large transnational corporations (TNCs) of the North Atlantic to provide the country with food security. Escher's (2021) comparative analysis of the BRICS varieties of capitalism also shows that a few state-backed agri-food TNCs from these countries (especially China and Brazil) are challenging the longstanding North Atlantic dominance. As they enter the global oligopoly competition for resources, markets, profits and power, an international reordering of the food regime has taken place. He further maintains that to understand the role of these countries in food regime reordering it is essential to analyse their internal processes of agrarian change and rural class dynamics, their changing patterns of urban food consumption amidst nutrition transition, and the ambiguous and shifting character of the agri-food policies deployed by each state.

Following these lines of inquiry, the reasons *why* China is reordering the international food regime are thus largely explained by internal changes in its own agri-food system – without losing sight of the external context. Rising incomes and rapid urbanisation are driving structural changes in the Chinese food consumption patterns, which have shifted from an 8:1:1 ratio of grains and oils: fruits and vegetables: meat, fish, eggs and milk towards a 4:3:3 ratio (Huang 2017). At the heart of this process lies the 'meatification' of Chinese diets, more pronounced among the upper and middle classes but also visible among the workers and peasants (Schneider 2014). As a result, the average meat consumption in China increased from only 16 kg per capita (excluding fish and seafood) in 1990 to 49 kg in 2018. Pork epitomises this dietary change: from 15 kg in 1990, it reached 31 kg per capita in 2018 (OECD-FAO 2020).⁴ At the same time, China's livestock production has experienced unprecedented specialisation and industrial scaling-up in the form of 'concentrated animal feeding operations' (Schneider 2017). Until 1987, 75% of peasant households produced virtually all of China's pork. In 2012, however, just over 20% of households produced pigs, and a clear differentiation emerged among producers: about 35% of the hogs slaughtered come from 'backyard farms' (1–49 pigs/year); 29%

⁴For comparison, pork consumption per capita in the US and Brazil in 2018 was 23kg and 13kg, respectively (OECD-FAO 2020).

come from 'specialised family farms' (50–499 pigs/year); and 36% come from 'large-scale commercial farms' (more than 500 pigs/year) (Qiao et al. 2016).

Such changes are in line with the consolidation of domestic agro-industrial complexes. Notably, ownership and control in the operations of China's meat and feed industries are predominantly domestic, dominated by the so-called 'dragon-head enterprises' (DHEs) – processing and distribution firms that meet a set of operational and financial criteria to get government funding (credit and subsidies) at the national level to source primary products from rural producers through vertical integration and contract farming. By 2011, DHEs integrate operations of around 70% of livestock production (pigs and chickens). Among the top 10 firms by sales, 60% of pig breeding, 80% of pig slaughter, 90% of pork processing, 80% of pork retail brands and 50% of feed manufacturing were then controlled by DHEs. Shanghai, which after the acquisition of the American Smithfield in 2013 changed its name to WH Group and became the largest pork processor and distributor in the world, along with Jinluo and Yurun, are top DHEs in the business (Schneider 2017). In the feed industry, the top 10 firms, all DHEs, were producing 50% of the total output in 2014 (Sharma 2014). In the list of the 100 largest feed companies in the world, 21 are Chinese, of which eight are among the top 20, accounting for 31% of the total production. New Hope, Wen's and Muyuan respectively rank second, fifth and sixth in the list (WATT 2020).

All of these changes in China's food consumption, livestock production and the meat industry would not be possible without increasing amounts of imported soybeans, the basic ingredient for feed manufacturing. In 1996, the Chinese government temporarily slashed the import-quota tariff for soybeans from 114% to 3% to stimulate the domestic feed and livestock production from coastal regions (Yan, Chen, and Ku 2016). When China joined the WTO in 2001, the liberalisation of soybean imports became permanent, while rice, wheat, and corn – the three 'strategic crops' at the basis of China's food security policy – were kept under the 'red line' for grain self-sufficiency, which currently determines that 95% of total consumption must be domestically produced. The conversion of soybean from food crop to animal feed and its liberalisation allowed the Chinese government to sustain the official policy narrative that equates 'food security' (*shipin fangyu anquan*) with 'grain self-sufficiency' (*liangshi anquan*) under the '9-21 Challenge' political slogan – according to which China feeds 21% of the population in the world with only 9% of its arable land (and 7% of its fresh water) (Schneider 2014).

The explanation of *how* China is reordering the international food regime then lies precisely in China's trade and investment relations with the main exporting countries, as well as their far-reaching global implications. McMichael (2020) argues that China's engagement in world agricultural trade – as the largest importer (oilseeds, grain, sugar, meat, milk) and the third largest exporter (fish, fruits, vegetables, processed foods) – both embraces and reshapes the liberal system instituted by the WTO. Drawing a historical parallel, he suggests that China may emerge as a commanding pole of a new food regime, analogous to the first, British-centred food regime, albeit in a world very different from that of the nineteenth century.

The British and Americans deployed the food regime to cheapen wage-foods and subsidize economic (workshop of the world) and political-economic (Cold War alliances) relationships. In the twenty first century, with the politics and depredations of the (continuing) food crisis revealing the fragility of neoliberal WTO multilateral governance (in an asymmetrical state system), mercantilist principles have resurfaced to protect/secure food supplies – not simply

for wage-and affluent-consumer foods, but also to stabilize political orders. Agro-security mercantilism also aligns with the appearance of a 'post-Washington divergence', which informs the notion of a 'Beijing consensus' as an antidote to the crisis of neoliberalism, and the growing weight of the Chinese economy in the world market. (McMichael 2020, 20–21)

China's current neomercantilist food security policy thus follows the principle of 'self-reliance'. China protects its domestic agri-food industry, cooperates global agribusinesses operating at the internal market, and cultivates its own agribusiness to 'go out' and compete with them on the world market (Gaudreau 2019). This includes central SOEs entrusted and supervised by the State-Owned Assets Supervision and Administration Commission (SASAC) like COFCO, ChemChina, Sinograin and CNADC, as well as several State Farms and DHEs (Zhang 2018). The dynamics of concentration and internationalisation of these firms roughly follows the same purposes as defined in the scope of BRI projects: to expand global trade and investment networks; to guarantee access to natural resources and raw materials; to export domestic overcapacity and surplus capital; to obtain technological advantages and promote upgrading in global value chains; to create channels to internationalise the RMB; and to rebalance power relations in an unstable and uncertain geopolitical scenario (Li 2019).

Food regime analysis allows us *inter alia* to map corporate power, international division of labour and inter-state relations connected to historically specific 'agri-food commodity complexes' (Friedmann 2009). With the escalation of the US–China trade war, the so-called Brazil-China soy-meat complex has experienced an upward trend.⁵ Nevertheless, Chinese firms have made efforts to increase their presence in agriculture in the other countries of the Southern Cone amid recent diplomatic hostilities by the current Brazilian government against China. The following sections show that the Brazil-China soy-meat complex has played a pivotal role in the ongoing neomercantilist tensions and take COFCO's trajectory in the Southern Cone as a parameter to analyse the main features of food regime reordering.

3. COFCO's growth strategy and international expansion

Since the liberalisation of China's soybean imports, North Atlantic-based TNCs reinforced their global hegemony by subjecting the Chinese soybean complex under their control and establishing a global division of labour described as 'South America produces soybeans, China buys soybeans, and the US sells soybeans' (Yan, Chen, and Ku 2016, 375). With the 'soybean crisis' of 2005, they and the Asian-based Wilmar and Noble benefited from most soybean commodity chain segments by controlling exports to China and using financial mechanisms – mainly through price speculation – to expand their procurement and processing capacity within China (Oliveira and Schneider 2016). Nevertheless, since 2008, state intervention and government efforts to protect the domestic ownership in the feed and livestock industry allowed Chinese agri-food corporations like COFCO to recover their crucial position as soybean importers and processors (Sharma

⁵Our notion of 'Brazil-China soy-meat complex' rests on McMichael's analysis (2013) of world agri-food markets as articulated by distinct 'importing poles' and 'exporting poles', as well as on Weis's (2013) conceptualisation of the 'industrial grain-oilseeds-livestock complex', which explains how agri-food landscapes around the world are increasingly likened to 'islands of concentrated livestock within seas of monocultures'.

2014). As a result, the market power of North Atlantic corporations was contained and, by 2018, COFCO became China's leading importer alongside Wilmar/ADM. Even though the ABCD are still important players, they have lost the centrality they once had in the Chinese market (Figure 1). Amidst the domestic recovery, the increasing presence of COFCO and other Chinese companies in the South American agricultural sector has reshaped the global distribution of markets, profits and power. To understand this process, we analyse the dynamics that underpinned COFCO's growth domestically and paved the way for its expansion abroad.

COFCO originated from the North China Foreign Trade Company, established in Tianjin in September 1949 and converted into a national trading company a year later. In the 1990s, COFCO went through corporate reforms, becoming a national market-driven conglomerate with diversified business operations. From 2004 to 2016, the company merged and acquired 15 national and international firms from different segments, becoming a leading agri-food player (Table 1). Through these M&As, it fully integrated into upstream (credit provision and seeds and input distribution) and downstream (agricultural feed and livestock production, meat processing, beverage manufacturing and branding, sales platforms, technical, storage, financial and insurance services, output distribution, online food retailing) stages of the agri-food value chains, as well as other branches (from bioenergy to hotel management).

COFCO has experienced a long trajectory of internationalisation, which allowed it to set the bases for its subsequent global expansion. Until the early 1990s, COFCO was among the few Chinese commercial agencies to operate cross-border agricultural commodity trade (McCorriston and MacLaren 2010). It served as the gateway for TNCs like Coca-Cola Co. Ltd. to enter China (owning 65% of its shares up today) and made early soybean supply and processing agreements with the American-based ADM and the Singaporean-based Wilmar International (Fares 2019). During the 1990s and 2000s, market-driven corporate reforms in the Chinese state sector allowed COFCO to expand its operation and management structures overseas. COFCO created subsidiaries listed in the Hong Kong stock exchange, opened many representative offices abroad to establish its

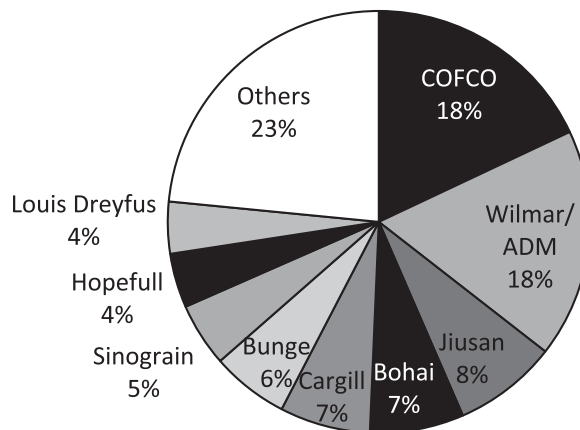


Figure 1. China's soybean import shares by enterprise, 2018. Source: COFEED (2019), elaborated by the authors.

Table 1. COFCO’s main M&As.

Year	Mergers	Acquisitions
2004	China Native Produce & Animal By-Products Import & Export Corporation (TUHSU)	
2005	Xinjiang Tunhe Investment Co., Ltd. Xinjiang Sifang Sugar (Group) Co., Ltd.	37.03% of the equity in China Resources Biochemical 100% of the equity in China Resources Alcohol 20% of the equity in Jilin Fuel Ethanol
2006	China Grains & Oils Group	BBCA Biochemical
2010		Chateau de VIAUD
2011		Tully Sugar
2013	China Grains & Logistics Corporation	
2014	China Huafu Trade & Development Group Corporation	Noble Agri (completed in 2016) Nidera (completed in 2016)
2016	Chinatex Corporation	

Source: COFCO Intl (2020), elaborated by the authors.

trading networks, and integrated into other business segments, such as real estate and securities. By the mid-2000s, COFCO transferred its core business to Hong Kong’s subsidiaries (a springboard to negotiate trading contracts and attract foreign investors), including its Oils and Fats Department, responsible for most of its operations downstream the Chinese soy complex (Yu 2009). Through joint ventures with its foreign counterparts and acquisitions of smaller competitors, COFCO built large-scale soybean processing infrastructure. Between 2013 and 2019, it evolved from China’s third largest soybean processors to the single leading one (Figure 2).

To deal with the complex financial operations of the COFCO Group, the China Agri-Industries Holdings Limited was established in an agreement with the China Investment Corporation (CIC) in which the Chinese sovereign fund that controls 19.9% of its stakes and COFCO controls 80.1% (Escher, Wilkinson, and Pereira 2018). By 2013, COFCO had created up to 164 offshore subsidiaries, nine of them listed in stock exchange markets and more than a hundred located in tax havens – with a large part of their equities

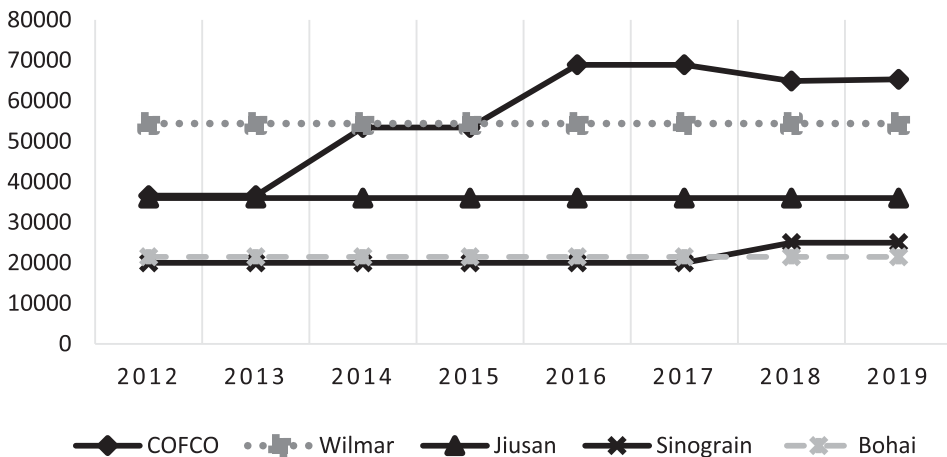


Figure 2. Soybean processing capacity of China’s top 5 enterprises, 2007–2019. Source: Qichacha (2019); Sublime China Database (2018), elaborated by the authors.

accredited to intermediary investment funds and financial holdings (Fares 2019). Although generally controlled by Beijing headquarters, COFCO's ownership structure had already developed mechanisms to raise capital overseas and integrate into global agribusiness. In 2014, before acquiring Noble Agri and Nidera, 41% of COFCO's soybean crushing assets were controlled by Hong Kong-based investment funds, 24% by offshore subsidiaries, 17% by China Agri, 15% by foreign investors and 3% by COFCO Group itself (Fares 2019).

Moreover, China's economic and political reconfigurations after the 2008 global financial crisis further stimulated COFCO's recent international expansion. On the one hand, COFCO's operations in the global agricultural markets not only allowed it to profit from commodity trade but also guarantee strategic control over resources for China's domestic consumption as the Chinese government reinforced macroeconomic mechanisms to boost the domestic market (Escher, Wilkinson, and Pereira 2018; Gaudreau 2019). On the other hand, COFCO's expansion through M&As represents an efficient way of exporting capital, functioning as an escape valve for China's industrial overcapacity and overaccumulation (Fares 2019; McKay et al. 2016).⁶ Regarding the latter factor, in the Chinese soy complex, the crushing capacity-utilisation rate dropped from 56% in 2010 to 47% in 2018 (Figure 3). At the same time, COFCO and other central SOE's borrowings have risen rapidly, with their liabilities to assets ratio reaching an average of 66.7% in 2016 (Xiao 2018).

With the need to secure raw material supply at stable price levels and address domestic overaccumulation, COFCO found strong state support to further develop financial mechanisms for its global expansion. The company received a record number of subsidies and bank credit during the Xi Jinping administration (Fares 2019). Moreover, the State Council reorganised part of the state assets into COFCO's control: China Grains & Oils Group in 2006, China Grains & Logistics Corporation in 2013, and Chinatex in 2016. In 2014, the company established a multinational investment group headquartered in Geneva, called COFCO International Corporation (CIL), whose assets entailed a variety of international financiers. Besides the 48% of CIL's shares held by Beijing's parent COFCO Corp. and 12% by CIC, the sovereign wealth fund, China Investment Corp the London-based Standard Chartered, the Singaporean state investor Temasek, the Hong Kong-based equity firm HOPU Investments, and the World Bank's investment fund International Finance Corporation (IFC) held 40% of CIL's shares. After acquiring Noble and Nidera, COFCO's businesses reached over 140 countries worldwide, and 50% of all its earnings in 2018 were obtained overseas (Fares 2019). This capital-exporting drive has caused about a third of COFCO's soy crushing capacity to be currently located abroad (30 million out of 90 million tonnes). Meanwhile, the company began to raise the maxim 'buy from the world, sell to the world' as a benchmark for its engagement in the global procurement and trading networks (COFCO Intl 2020). In this process, China reduced its dependence on the ABCD oligopoly, challenged the North Atlantic corporate power, and shifted the dynamics of the food regime.

⁶As the level of indebtedness of the whole economy reached a proportion of 230% of GDP by 2015, the return rates of investment projects became progressively lower. Thus, even though state investments in productive capital – which most borrowings were used for – safeguarded China from the negative impacts of the crisis, it also raised the volume of capital stock in the economy, aggravating industrial overcapacity (Kroeber 2016).

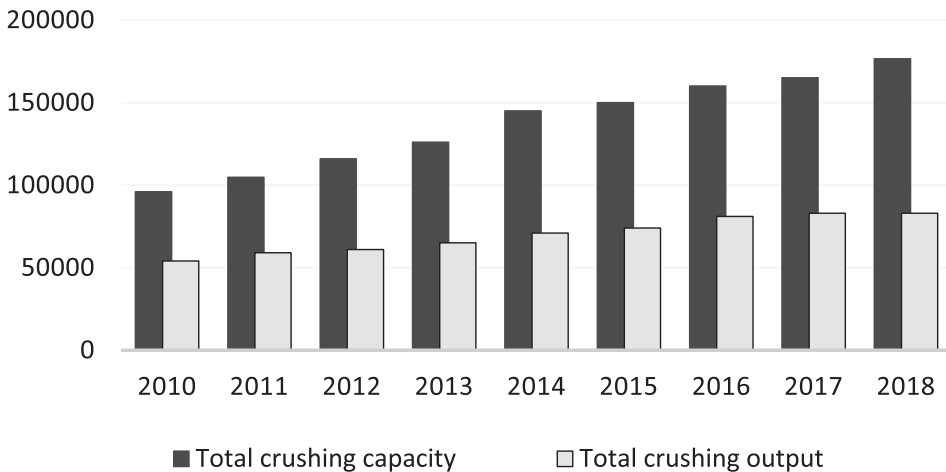


Figure 3. China's soybean crushing capacity and output (1000 Tonnes). Source: BRIC Agri Consulting (2019), elaborated by the authors.

4. Shifts in global agri-food trade amid geopolitical tensions

The soy market is the largest and most concentrated segment of global agricultural trade (Gale, Valdes, and Ash 2019). World soybean production in the 2019/20 harvest reached almost 340 million tonnes, in which approximately 44% went to cross-border trade. Notably, the global soy trade dynamics experienced radical changes through regional rearrangements in the past two decades. Soybean export and import flow moved toward the South America-China nexus. For instance, China long replaced the EU as the largest soybean importer, accounting for 60% of the world purchases. Simultaneously, Brazil surpassed the US leadership in both soybean exports in 2011 and production in 2016. Since 2018, Brazil accounts for nearly half of the world exports, while the US accounts for less than a third. The rest is fulfilled mostly by the other Southern Cone countries, especially Argentina (Table 2) – in addition to small fractions provided by countries like Canada, Ukraine, Russia and a few others (USDA 2020).

The US–China trade war further reshuffled the world soy market. After the US announced a second round of tariffs by June 2018, China imposed a set of counter-tariffs of 25%, targeting primarily American soy (Cowley 2020; Zhong, Pu, and Lv 2019). Moreover, with the spread of the African Swine Fever (FSA) in China, about 32% of the country's pig herd had to be culled to stop the spread of the disease. The level of consumer food prices rose from 0.7% in February 2019 to 22% in February 2020, mainly driven by the price of pork, which rose by 154% in that period (Chen, Xiong, and Zhang 2020). Both factors contributed to the fall in American soy exports to China. Meanwhile, the Brazilian soy complex seems to consolidate itself as the biggest beneficiary of the trade war. Accordingly, while the value of China's soy imports from the US fell by almost 50% compared to 2017, its imports from Brazil rose by 38% – with the Brazilian amount being four times higher than the American (Figure 4).⁷

⁷China's total soybean imports in 2020 closed at US\$ 38.8 billion (just below the US\$ 39.6 billion in 2017), with Brazil accounting for 64.2% (compared to 65.1% in 2019) and the US for 27.4% (compared to 18.9% in 2019) of this total

Table 2. World soybean production and trade, 2010/11–2019/20 (MMT).

Year	World (total)		US (%)		Brazil (%)		Argentina (%)		Paraguay (%)		Uruguay (%)	
	Prod.	Exp.	Prod.	Exp.	Prod.	Exp.	Prod.	Exp.	Prod.	Exp.	Prod.	Exp.
2010/11	264.180	92.420	34.3	44.3	28.5	36.6	18.5	11.2	2.7	5.7	0.7	2.0
2011/12	240.427	92.186	35.1	40.3	27.7	34.6	16.7	6.6	1.7	3.9	1.1	2.8
2012/13	268.824	100.802	30.8	35.8	30.5	42.5	18.3	7.8	3.1	5.5	1.4	3.5
2013/14	283.115	112.769	32.3	39.5	30.6	40.6	18.9	6.6	2.9	4.3	1.1	2.8
2014/15	319.001	125.962	33.5	39.8	30.5	43.4	19.3	9.3	2.6	3.6	1.0	2.5
2015/16	315.897	132.232	33.8	40.0	30.5	39.4	18.6	6.8	2.8	3.8	0.7	1.6
2016/17	348.298	146.933	33.6	40.1	32.9	46.8	15.8	4.9	2.6	3.7	0.9	2.2
2017/18	341.744	153.076	35.1	37.9	35.7	54.7	11.1	2.5	3.1	3.9	0.4	0.8
2018/19	360.257	148.300	33.5	32.1	33.0	49.5	15.4	6.9	2.5	3.3	0.8	1.9
2019/20	338.971	153.976	28.4	31.4	36.3	49.7	15.6	5.2	2.9	3.8	0.6	1.2

Source: USDA (2020), elaborated by the authors.

However, the unstable situation of Brazilian politics also brings uncertainties about its current trade dynamics with China. The growth of deforestation and fires in the Amazon, Cerrado and Pantanal biomes coinciding with Bolsonaro's dismantling of environmental institutions put the interests of Brazilian soy producers and agribusiness in a difficult position vis-à-vis the European market. It may even hinder the signing of the EU-Mercosur Free Trade Agreement currently under negotiation (Rajão et al. 2020). Besides, the successive diplomatic tensions with China caused by hostile statements by the president's son and his ministers created embarrassment for Brazilian agribusiness leaders, even though most of them have been Bolsonaro's allies since his election campaign (Ibañez 2020).⁸ It is not by chance that the special advisor to the Ministry of Agriculture, Livestock and Supply (MAPA) for China Affairs and the superintendent of International Relations of the National Agriculture Confederation (CNA) left a clear warning to their audience in the Brazilian business press. They stressed that Chinese companies and banks operating in the international agricultural market are adopting sustainability criteria due to concerns about their own reputation (see next section). They also stressed that despite difficulties in measuring immediate impacts on Brazilian soy exports, ignoring the growth of China's environmental concerns is not an option (Wachholz and Dutra 2021).

Symptomatically, amid the trade war with the US and diplomatic uneasiness with Brazil, China has pursued multiple strategies to decrease the dependence of these countries for its soy provision. The China Agricultural Outlook 2020–2029, published by the Ministry of Agriculture and Rural Affairs (MARA), projects that domestic soybean production will grow at an average annual rate of 2.1% in the next decade, expanding from 18.1 to 22.2 million tonnes, a 22.7% increase. These projections are anchored in a set of government policies foreseen in the Soybean Revitalisation Plan, including promoting various breeding and high-quality cultivation techniques to expand the planted area

(GACC 2020). This indicates that the effective impact of the US-China Phase One Trade Agreement, which came into effect in February 2020, was quite positive for the US but not so harmful for Brazil, while the Covid-19 pandemic, strictly speaking, did not impact Chinese demand for soybeans at all.

⁸It should be noted that despite the harsh 'wolf warrior'-style of public statements made by the Chinese Ambassador to Brazil Yang Wanming against the infamous manifestations of Congressman Eduardo Bolsonaro and then Ministers Abraham Weintraub and Ernesto Araújo – fruit of the ideological alignment of Brazilian foreign policy with defeated Trumpism –, the Chinese government, always pragmatic and attentive to long-term relations and the principle of non-interference in internal affairs, did not promote any type of commercial retaliation, even though this case may have created a situation of discomfort and mistrust (Ibañez 2020).

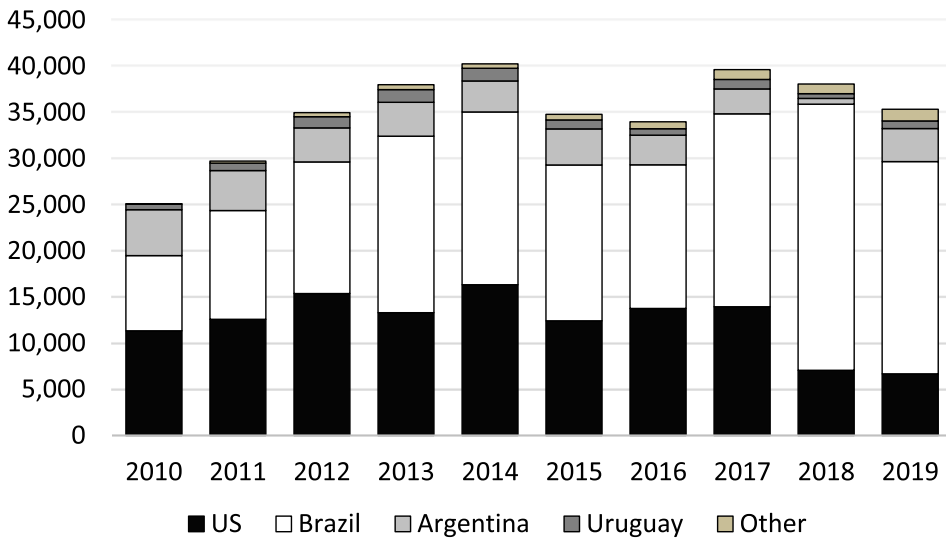


Figure 4. China's soybean imports by country, 2010–2019 (billion US\$). Source: GACC (2020), elaborated by the authors.

and increase yields (MARA 2020). In October 2018, the China Feed Industry Association launched new standards for swine and poultry feed, reducing crude protein levels by 1.5% and 1%, respectively – which, according to MARA, could reduce China's annual soybean use by 14 million metric tonnes (Cowley 2020). In December 2019, biosafety certificates were granted for GM corn and soybean traits developed by Beijing Dabeinong Technology Group Co Ltd, as well as a double-stacked corn product developed by Hangzhou Ruifeng Biotech Co Ltd and Zhejiang University, and a GM soybean developed by Shanghai Jiaotong University. In June 2020, MARA approved the import of GM soybean products developed by Dabeinong for industrial use, which since February 2019 had its seeds approved for commercial cultivation in Argentina (Global Times 2020). Furthermore, the Chinese government launched a plan in 2016 with the primary objective of decreasing the country's meat consumption by 50% by 2030 to reduce carbon emissions and prevent obesity. Meanwhile, China's plant-based meat market is set to reach US\$ 12 billion by 2023 from around US\$ 10 billion in 2018 (Vegconomist 2020).

China has also accelerated the implementation of measures that were already being adopted to promote international agricultural investments and cooperation with strategic trade partners seeking to cultivate new food suppliers, diversify its imports and improve its pricing power (Zhang 2018). For instance, China eased customs regulations for soy shipments from Kazakhstan, Russia and Ukraine, which is already China's leading corn supplier (Reuters 2020). Xi Jinping also announced a soybean industry alliance with Russia to eventually account for 10% of China's overall imports (SCMP 2020a) and an agricultural deal with Tanzania to promote soy production and exports to China (SCMP 2020b). Lastly, Syngenta (ChemChina) and Sinograin signed an agreement to spur investments and increase imports of soy and its by-products from Argentina by up to 25% (Valor 2020), as well as a contract of US\$ 3.8 billion to build 25 plants in Argentina to produce

900.000 tonnes of pork to export exclusively to China, among a wide range of investments in other sectors (Dinatale 2021).

Should these initiatives thrive and gain scale, they may alleviate the demand for soybeans to manufacture pig and chicken feed in China and reinforce polycentric shifts in the global agri-food trade.⁹ Taking these measures into account, the Brazilian soy and animal protein sectors are in a less confident and glorious situation than their agribusiness elites might predict,¹⁰ as Wachholz and Dutra (2021) help to elucidate. In the short-medium term, the US will likely remain essential but in decline in the world soy market. In contrast, Brazil will probably remain the world's soybean production and exporting hub, followed by the other countries in the Southern Cone. Yet, although China will undoubtedly continue to account for the bulk of demand, the Brazilian soy complex may face challenges in the longer term.

Regardless of national specificities and geopolitical tensions, the main beneficiaries of such a 'soycisation' of agriculture in the Southern Cone have been the export-oriented large-scale capitalist producers and corporate agribusiness whose gaze initially turned to Europe and now to China – although in the case of Brazil, the domestic market is also highly relevant (Escher and Wilkinson 2019; Oliveira and Schneider 2016; Wesz Jr. 2016).¹¹ While their expansion trajectories are, to different forms and degrees, inseparable from the active role of the state due to a varied set of binding policies (Giraudó 2020; Wesz Jr. 2016), the 1990s' economic liberalisation and financial deregulation have integrated the countries of the region into global value chains controlled by the ABCD – so much so that the entire Southern Cone became known to the moniker of the 'United Republic of Soy' (Turzi 2017).¹²

The Chinese engagement with the Southern Cone thus reproduces previous relations of dependency while introducing a new range of diverse endeavours. Following the path of North Atlantic and Japanese-based TNCs, Chinese companies also began to make themselves increasingly present in the soy complex of Brazil, Argentina, Paraguay and Uruguay. Beyond trade relations, they have employed distinct investment strategies in the region. Several Chinese SOEs, State Farms and DHEs made previous attempts to purchase land for direct cultivation, mainly in Brazil and Argentina – sometimes also promising to make greenfield investments in processing capacity. Nonetheless, the unfamiliarity of most Chinese investors with local production conditions and environmental and labour regulations – as well as their overreliance on local government officials and insufficient employment of management teams with local experience – contributed to attracting negative media coverage and disproportionate political reaction,

⁹Nonetheless, with the drop in domestic pork supply, China has become the world's largest meat importer. In 2020, Spain ranked as China's first pork supplier, followed by the US, Germany, Brazil and Denmark, and Brazil as its first beef supplier, followed by Argentina, Australia, New Zealand, Uruguay and the US (GACC 2020).

¹⁰Asked about the EU pressure to commit to eliminating deforestation in the soy complex, the president of the Brazilian Association of Soy Producers (APROSOJA), who is closely aligned to Bolsonaro, implied that the Chinese market does not care about the environmental issues affecting its main supplier. He stressed that 'in no way will this affect our business. Our market is Asian. European demand is insignificant.' (Valor 2019).

¹¹To illustrate: in 2018, soy covered 65% of the total arable land in Brazil, 44% in Argentina, 74% in Paraguay, and 55% in Uruguay, while the aggregate value of the soy complex (grains, meal and oil) in the total agricultural exports accounted for 17% in Brazil, 21% in Argentina, 40% in Paraguay and 7% in Uruguay (FAO 2020).

¹²Here, it is important to highlight the interconnectedness of the soy complex across the countries of the Southern Cone, for example, through the controversial expansion of Brazilian agricultural mega-firms in Paraguay and Bolivia, and Argentina's pools *de siembra* seeking direct and/or indirect control over land, resources and markets in the region (Oliveira and Hecht 2016; Wesz Jr. 2015; Gras and Hernández 2014).

frustrating most of their attempts (Oliveira 2017). To avoid further setbacks, COFCO and other enterprises bet on brownfield investments through M&As of strategic assets of companies with well-established regional operations. They aimed at controlling and managing the value chains in the soy complex and other vital commodities in the main exporting areas within the Southern Cone – sometimes followed by the construction of logistics (such as port terminals) and storage (silos and warehouses) infrastructures. Yet, the highest expectations for Chinese agribusiness-related investments refer to several railway construction projects in Brazil and South America, most of which still unfulfilled (Oliveira and Myers 2020; Escher and Wilkinson 2019; Giraudo 2019).

In most of these endeavours, COFCO is at the forefront as a major stakeholder. Recent dynamics of the Brazil-China soy-meat complex and COFCO's operations in the Southern Cone are part and parcel of the polycentric shifts taking place in international agri-food trade, investment and power relations. Therefore, the ongoing food regime reordering is intimately connected to China's self-reliant food security policy and its ability to bypass the North Atlantic agribusiness oligopoly. This trajectory corroborates Belesky and Lawrence's (2019) characterisation of China's rise as the projection of a state-led variety of capitalism and agri-food neomercantilism. Indeed, as we shall discuss, COFCO's global strategy is becoming increasingly sensitive to China's geopolitical and – to a certain extent – environmental concerns, in addition to strict economic interests. Besides, as an early internationalised enterprise, COFCO adopts flexible operational methods with a far-reaching global range, which further instigates the debate around the Chinese prominence on food regime reordering.

5. COFCO's global strategy in the Southern Cone and its implications

We now turn to the global implications of COFCO's operation in the Southern Cone in restructuring agricultural markets historically controlled by the ABCD. COFCO quickly entered the entire region by acquiring Noble and Nidera – the former with a stronger presence in Brazil and Paraguay, the latter in Argentina and Uruguay. In 2013, before the acquisitions, the two companies together accounted for 2.9% of crushing capacity and 6.1% of soybean exports in Brazil (Trase 2020). In Paraguay, where they lack crushing units, they exported 11% of soybeans (Aduanas 2020). As for Argentina, they accounted for 12.8% of the country's crushing capacity and exported 2% of its meal, 15% of its oil and 15% of its soybeans (MAGYP 2020). In Uruguay, with less relevance, they accounted for only 1.9% of exported soybeans (Uruguay XXI 2020). On this basis, COFCO entered the region already controlling the fifth largest market share in the soy complex, just behind the ABCD (Wilkinson, Wesz Jr., and Lopane 2016). Due to the dense network of strategic assets located in the main soybean production areas (Brazilian Cerrado, Argentine Pampa, Paraguayan Oriente and Uruguayan Coast) and logistical outlets (Rosario, Santa Fé and Buenos Aires in Argentina, Nueva Palmira in Uruguay, Villeta and Encarnación in Paraguay, Rio Grande, Santos and São Luiz in Brazil), the region soon concentrated most of COFCO's global operations (Figure 5).

Within its overall neomercantilistic approach focused on sourcing raw soybeans to the Chinese domestic market, COFCO's global strategy in the Southern Cone is rather flexible and adaptable to each country's specificities. In this direction, media reports show that from 2014 to 2020, COFCO did not make significant investments and operational

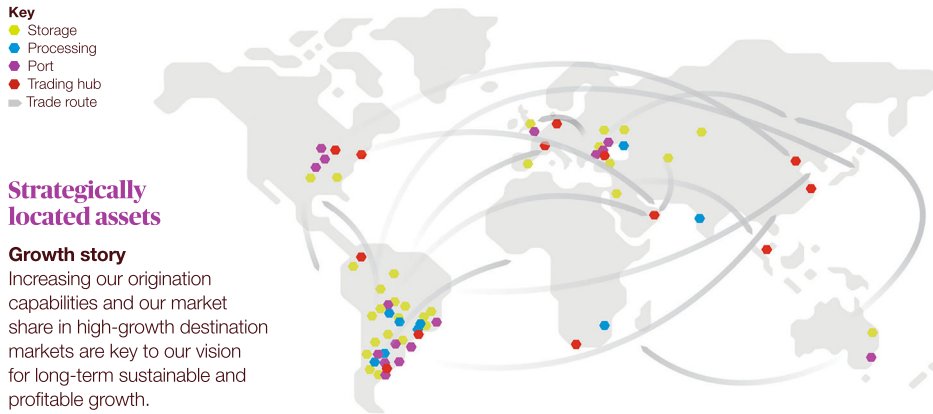


Figure 5. COFCO International's strategic assets localisation around the globe. Source: COFCO Intl (2020).

rearrangements but took full advantage of the structure inherited from Noble and Nidera and strengthened some strategic links.¹³ At the same time, COFCO chose to dry up and concentrate its processing capacity, as it has much idleness in China. For instance: it stopped the construction of new crushing units that were in the plans of Noble and Nidera (Villeta in Paraguay and Canoas in Brazil); paralysed operations and reduced its installed capacity in Brazil by 2.1% in 2020 (ABIOVE 2020); reduced its capacity to process refined oils by 10% by discontinuing production at the Valentín Alsina plant in Argentina; and closed down Noble's unprofitable processing units in China (Infopymes 2019). In doing so, it adds to reinforcing the specialisation on raw soybean exports in Brazil and the region.¹⁴ Nonetheless, as the company did not eliminate profitable processing units, it can also take advantage of opportunities in the Brazilian domestic market, as well as in other European and Asian markets beyond China.¹⁵

¹³Regarding transport and storage logistics, COFCO owns ten port terminals in the four countries (Atomic Agro 2019), as well as 22 silos in Brazil, 14 in Argentina and seven in Paraguay and Uruguay (Meyer 2018). COFCO's president in Brazil informed that between 2017 and 2019, US\$ 30 million were invested in four silos in Mato Grosso, which will increase its storage capacity by 300 thousand tonnes. He commented that 'there has been a lot of efficiency gain, and currently there is idle capacity in ports such as Santos (SP), Paranaguá (SP), São Francisco do Sul (SC) and Tubarão (SC), among others. Rio Grande (RS) is an exception, but the situation is much better [than before]' (Biodiesel BR 2019). He further explained that thus far, COFCO has no plans to invest in the ports of Arco Norte (in the Tapajós River Valley, in the Amazon region), as the company has a long-term contract with the waterway transport operator Hidrovias do Brasil. The priority is to invest in the ports of the Southern region. In Argentina, the company also doubled its operating capacity at the port of Rosario (Netnews 2020). COFCO is interested in investing in railroads in large soy producing areas in Brazil (such as Ferrogrão and the Cerrado Railways). However, there are few concrete results so far (Oliveira and Myers 2020).

¹⁴Alongside the continued Chinese demand, the specialisation of Brazilian exports is conditioned by two other inter-related factors: the exchange rate devaluation, which between January 2002 and December 2014 remained at a monthly average of 2.24 USD/BRL, when it starts to fluctuate, with a constant downward trend, until in March 2020 it extrapolated the level of 5 USD/BRL (BCB 2021); and the soy price, which peaked at US\$42.8 per bag in September 2012, fluctuating with a downward trend until reaching a minimum of US\$ 19.6 in May 2020, when it starts to increase, being above US\$ 33 per bag since May 2021 (CEPEA 2021). Such conditions led Brazil to export more than 70% of all soy produced in the country since 2018 (see below), when sporadic shortages began to appear in the home market, forcing the importation of soy from the US, with tax exceptions, to compensate for the drop in domestic supply. This has generated speculation in Brazil and elsewhere, which we will not be able to assess here due to space constraints, about the possibility of a 'new commodity boom'.

¹⁵Throughout 2018 and 2019, about 60% of COFCO's exports from Brazil and Argentina went to China, while the remaining 40% went elsewhere, showing the great importance of third markets (Trase 2020).

At the heart of COFCO's global strategy lies its endeavour to establish closer ties with direct producers, aiming to strengthen its own origination capacity to bypass the dependence on global competitors. 'We need to gain scale in origination to continue supplying Chinese demand and growing as suppliers within our company', declared COFCO's president for South America (Bloomberg 2018). To this end, the company seeks to expand its expertise in each country's market, build trust relationships with producers and customers and strengthen its local embeddedness. A clear step in this direction involves keeping Noble and Nidera staff and hiring technicians and managers from other companies already working in the region. However, most decisively has been the intensity with which COFCO vertically integrated the soy complex and other commodity chains in all four countries. It has provided fertilisers (own brand, imported from China), seeds and agrochemicals (mainly from Syngenta and Nidera Seeds, owned by ChemChina), as well as financing and technical assistance to producers in exchange for direct access to their product – a practice known as 'barter' (Interview 8, COFCO, July 13, 2017, Brazil; Interview 114, COFCO, June 29, 2018, Paraguay).¹⁶

With this assertive yet flexible strategy, through which agri-food complexes from different countries in the Southern Cone preserve their own characteristics while developing interconnected links, COFCO has been able to increase its market share vis-à-vis most of its global competitors (Figure 6). 'All ABCD lost market share with the entry of COFCO and other companies [mostly Asian], although they maintained basically the same volume', said Bunge's commercial manager (Interview 3, Bunge, July 7, 2017, Brazil). In short, if the mechanisms by which COFCO integrates vertically and controls the soy complex do not differ substantially from the ABCD strategies in the Southern Cone (Wesz Jr. 2016), the availability of financial resources enabled greater aggressiveness in the origination of soy. This is reflected in the greater market power of soy exports, which reached 13% in the region by 2018, while Noble and Nidera, together, never exceeded 7% (Figure 6).

It granted COFCO the third position in the region's exports, behind Bunge and Cargill and ahead of Dreyfus and ADM. Other medium-sized firms (and coops) operating nationally, regionally and even globally, such as Amaggi, Coamo, ECTP (Brazil), Gavilon/Marubeni (Japan), Glencore (Switzerland), CHS (US), Sodrujestvo (Russia), NNC (Argentina), followed by several smaller ones, also hold a significant market share over the years. However, COFCO's exports from Brazil decreased by 66.2% between 2018 and 2019 (from 10.9 to 3.7 million tonnes), placing the company in the seventh position in the soy (and corn) ranking, behind the ABCD, Amaggi and Gavilon (Reuters 2020). The head of COFCO's grain and oilseeds division in Brazil had already warned about this scenario when he stated that 'if China and the US reach an agreement, soy exports through Brazil may decrease' (Batista 2019). In 2019, Brazil exported 73.5% of the 124 million tonnes of soy it produced (60% as grain and the remainder as meal and oil), equivalent to US\$ 32.6 billion: 63.2% to China, 15.5% to the EU and 21.3% to other destinations. Nevertheless, in 2018, under the effect of the trade war, Brazil exported 84.6% of the

¹⁶It is important to clarify that COFCO's control of soy production in the Southern Cone occurs primarily through value chain management, instead of land purchase or leasing by the company itself for direct cultivation. Such a strategy has already been observed by Wilkinson, Wesz Jr., and Lopane (2016), Oliveira (2017) and Escher and Wilkinson (2019). For further details on contractual transactions between traders, input suppliers and producers involving 'barter' relationships in the Brazilian soybean market, see Escher, Wilkinson, and Pereira (2018).

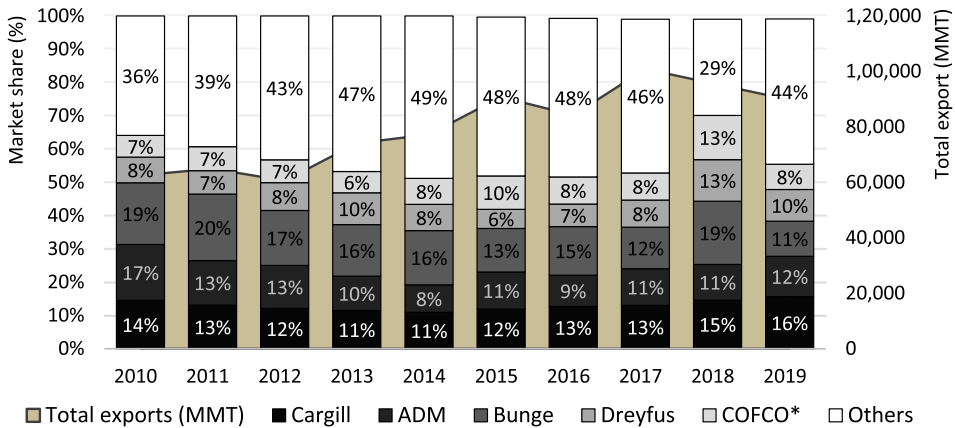


Figure 6. Market shares of soybean exports in the Southern Cone, 2010–2019. Source: MAGYP (2020), Aduanas (2020), CAPECO (2020), Trase (2020), Reuters (2020), Uruguay XXI (2020), elaborated by the authors. * Until 2013, Noble and Nidera; from 2014 onwards, COFCO.

119 million tonnes of soy it produced, equivalent to US\$ 40.7 billion, with China buying 67.4% (MAPA 2020). This means that Brazil's total soybean exports to China decreased only by 15.5% between 2018 and 2019, much less than the decline in COFCO's market share. One possible explanation is that the reduction of COFCO's market share in the Southern Cone was due to the decrease in its shipments from Brazil to expand its soybean purchases from the US.¹⁷ This episode shows that COFCO's operations are also sensitive to political and strategic concerns in addition to purely financial calculations, which corroborates the 'more-than-market' strategy related by Wilkinson, Wesz Jr., and Lopane (2016).

The same applies to concerns over environmental sustainability, insofar as this is reflected both in COFCO's reputation and China's international image, as Xi Jinping has expanded its leadership in this field vis-à-vis the US retreat from the 2015 Paris Agreements under Trump (Kuhn 2018). On 1 July 2020, COFCO's global head of sustainability promised to track more than 50% of the soybeans purchased in Brazil in 2020 and achieve full traceability for soybeans originated directly from producers by 2023. According to him, 'it is COFCO's direct interest in playing a leading role in combating deforestation and creating a sustainable supply base for the next generations' (Environmental Finance 2020). Noticeably, the company has a vital financial pursuit for such an initiative: in July 2019, COFCO International signed a US\$ 2.3 billion Green, Social and Sustainability Loan (GSS). This loan's interest rate is linked to environmental, social and corporate governance performance goals and should become one of the company's main financing mechanisms in the coming years (Environmental Finance 2020). Nonetheless, COFCO's innovative behaviour stands in stark contrast to the Bolsonaro government's environmental policy and the assumptions of Brazilian agribusiness elites (especially in the soy sector) about China, as seen in the previous section. Therefore, China's global expansion and increasingly proactive environmental agenda highlight COFCO's political-strategic

¹⁷As a matter of fact, COFCO established a partnership with the US farm cooperative Growmark Inc. in order to facilitate China's direct access to US soy imports without depending on the ABCD (Plume 2017).

role while using the domestic market as a trampoline to expand and access foreign markets – making the neomercantilist strategy a means to adapt the food regime to China's ends.

However, despite the diplomatic discomfort between China and the Brazilian far-right government, as well as the concessions to the US amid the Phase One Agreement to the detriment of Brazilian exports, COFCO has not abandoned its strategic focus in the Southern Cone. It has rather expanded its market share and consolidated its position among the leading agri-food exporters in the region.¹⁸ Accordingly, Argentina exported 18.5% of its 55.2 million tonnes of soybeans produced in 2019, equivalent to US\$ 3.4 billion. 87.2% of that amount went to China, 0.6% to the EU and 12.2% to other destinations.¹⁹ Until 2016, COFCO was the third largest agricultural exporter in the country (including barley, corn, wheat and sorghum, soybeans and sunflower, as well as their by-products), behind Cargill and Bunge and ahead of ADM and Dreyfus. However, from 2017 to 2019, COFCO overcame most of the ABCD and the Argentine Vicentín and AGD, yet trailing ADM in soybean and corn (MAGYP 2020). Paraguay exported 57.5% of its 8.5 million tonnes of soy produced in 2019, equivalent to US\$ 1.7 billion. 69% went to Argentina, 8% to the EU and 23% to other destinations (CAPECO 2020). According to the Paraguayan Minister of Industry, although the country recognises Taiwan and does not maintain official diplomatic relations with China, most of its exports go indirectly to mainland China (Valor Agro 2018). COFCO leads Paraguay's soy sales since 2016, ahead of Russia's Sodrugestvo and the ABCD (Aduanas 2020). As for Uruguay, it produced 2.8 million tonnes of soy in 2019. As a recipient and re-exporter of soy from other countries, it exported almost 3 million tonnes, equivalent to over US\$ 1 billion: 50% of Uruguay's sales went to China, 5% to the EU and 45% to other destinations. COFCO evolved from a marginal position in the country towards record soybean exports by 2019, second only by Cargill but ahead of Uruguayan Barraca Jorge W Erro, Dreyfus and CHS (Uruguay XXI 2020).

COFCO's achievements in terms of origination, verticalization and market power are impressive. However, these achievements cannot be interpreted simply as the result of a successful strategy of international expansion to conquer new markets abroad and ensure China's food security at home. Returning to the discussion held previously, it is reasonable to contend that they are also the result of the very contradictions of the Chinese economy, which resorted to high doses of financial leverage and indebtedness, particularly since the 2008 economic crisis – reflected in increased liabilities to assets ratio, industrial overcapacity and over-accumulation. The data compiled below (Figure 7) endorse this line of analysis, developed in greater detail by Fares (2019). Therefore, while COFCO's annual revenue surpassed Bunge, ADM and Dreyfus (trailing only Cargill) between 2014 and 2019, given China's high fixed and operating costs, its profit margins have been significantly below the average of the ABCD, despite showing an upward trend.

¹⁸COFCO exports corn and wheat, as well as soy and sunflower oil and meal from the four countries, and imports fertilisers from China. In Brazil, COFCO also operates in the coffee, cotton and sugar, ethanol and biodiesel markets, exploring opportunities around the so-called 'flex crops' (Wilkinson, Wesz Jr., and Lopane 2016).

¹⁹Nonetheless, in the same year, the country exported US\$ 12.5 billion in soy oil and meal, with only a tiny portion of that going to China (MAGYP 2020).

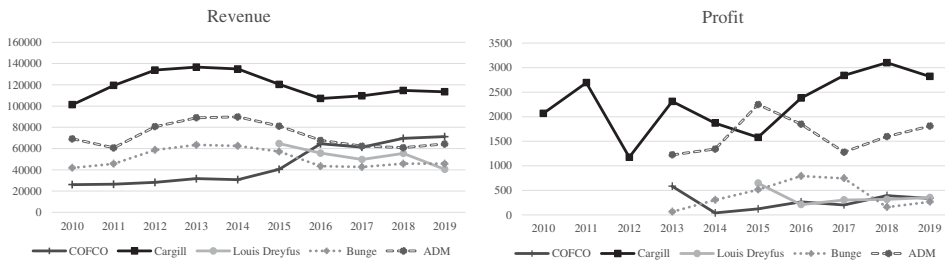


Figure 7. COFCO's and ABCD's revenues and profits, 2010–2019 (million US\$). Source: Fortune (2019); Shahbandeh (2019).

That COFCO's internationalisation serves as a platform for exporting surplus capital is not directly mentioned by the company's heads or even by its global competitors. However, what everyone emphasises is that the company has abundant resources and does not refrain from using them to gain market power, counting both with China's huge domestic market and the full support of the Chinese state for such endeavour. An executive of ECTP – a Brazilian trading firm founded by Ricardo Lehman, former president of Noble and partner of the bank BTG Pactual – elaborated this point with striking accuracy.

COFCO came in very aggressive. The difference is that they are within China, where besides having factories with huge crushing capacity, know the market very well and, as a SOE, have direct access to the government and its sovereign wealth funds. This is noticeable in the prices paid by COFCO, which are higher, especially when they want to close cargo. They work longer throughout the year, fill more ships, and close more volumes – the scale effect. (Interview 11, ECTP, July 14, 2017, Brazil)

The testimony of a Bunge's executive goes in the same direction: 'Their calculation is different. They are especially aggressive when they want to close a cargo, paying more than others.' (Interview 3, Bunge July 7, 2017, Brazil). Accordingly, the effects of COFCO's business approach are significant, as an ADM executive in Brazil told the authors:

Many companies have entered the market. They fight for cents in the price paid to be able to originate or buy volume. COFCO is the main one, both in the domestic market and in the foreign market. This led to a redistribution of market share and a dispute over origination among the companies. Of the volume exported [in 2017], 30% is originated, and 70% is FOB. Before the Chinese entry, it was 50% originated and 50% FOB. The price difference between originated and FOB is around 10%. Due to this lesser control and tighter price level, the profit margin decreased. (Interview 6, ADM, July 12, 2017, Brazil)

COFCO's commercial manager himself expressed reservations about claiming that the company is more aggressive or willing to operate at lower margins than its competitors. Even so, he ends up ratifying those perceptions. He suggests that because the company has vast resources available to achieve its objectives abroad, it can effectively reduce its profit margins and pay a higher price to close more shipments to either increase its competitiveness against global competitors or ensure China's food security.

In China, COFCO is the company with the largest storage and crushing capacity. The tendency [abroad] is for it to stand on its own feet first, consolidating competitiveness in a market environment. Once this is guaranteed, then the fundamental objective is food security. But

the calculation of margin formation is the same for COFCO and other companies. COFCO is not more aggressive than the others. We burn margins when we need to close cargo, which other companies also do. They are more afraid of what is to come than what is really happening. More potential than real fear. In any case, Chinese money will not be lacking for our expansion. (Interview 8, COFCO, July 13, 2017, Brazil)

All of this evidence testifies that COFCO has consolidated itself as a global trader. Although the Chinese market remains a priority, the company trades commodities between the Southern Cone countries and operates in all continents. Like its competitors, COFCO employs strategies for verticalization and control over the soy complex, perhaps even more effectively. This form of expansion is only possible thanks to the Chinese market as a guaranteed demand base from which COFCO can leverage its global performance, as well as the institutional support and immense availability of resources from the Chinese state. On the one hand, this paradoxically makes COFCO less dependent on Chinese domestic operations and more susceptible to external affairs, such as the obligation to buy soybeans from the US for geopolitical purposes. On the other hand, it gives COFCO greater ability to influence the world market dynamics, whether responding to its own interests in accumulating and pursuing profits or China's national interests regarding food security and environmental commitments.

6. Conclusion

China's crucial role in the international reordering of the food regime stems from changes taking place in its own agri-food system, such as meatification of diets, specialisation and vertical integration of livestock production, concentration in the feed and meat industries, and liberalisation of soy imports. As the leading Chinese state-owned agri-food conglomerate, COFCO's internationalisation combines strategic national interests based on a self-reliant food security policy with comprehensive integration into the world market. The Brazil-China soy-meat complex thus took centre stage. However, amid current geopolitical tensions, China seems to want to reduce its dependence on soy imports and diversify its supply sources. In this context, Argentina, Paraguay and Uruguay are of even greater importance. Our findings from extensive data collection and analysis allowed us to raise at least three theoretically relevant conclusions about the main features of the current process of food regime reordering.

First, as COFCO adapts to the specificities of each country of the Southern Cone by reproducing the practices and methods inherited from Noble and Nidera, it corroborates the consolidation of different yet interconnected global agri-food complexes. So far, COFCO has not been able to impose a strict formula on other countries or change accumulation patterns worldwide. Given the current tendency, the process of reprimarisation in the Southern Cone, particularly in Brazil, is nonetheless likely to continue. Therefore, although the food regime is going through a moment of transition from the neoliberal predicament (Belesky and Lawrence 2019; McMichael 2020), its reordering has more about continuity than rupture. Through an assertive yet flexible strategy, COFCO has expanded its influence and challenged the ABCD's trade oligopoly. The ABCD are vital in the region, but their exports to China have decreased. As COFCO sells mainly to China, the ABCD are under pressure to reorient their export markets. However, it is unlikely that this will result in a bipolar structure. Considering the

myriad of smaller national, regional and global companies operating in the world agri-food market alongside the ABCD and COFCO, a polycentric dynamic is the most likely scenario.

Second, as COFCO uses China's domestic market as a trampoline for accessing world markets, we assume that the neomercantilist strategy behind China's food security policy is not an endpoint but rather the means through which China reaches global prominence. Even though this is currently the tone of China's global agribusiness engagement, instead of characterising the legitimising ideology of a newly emerging food regime, neomercantilism serves as a transitory mechanism for reordering the contemporary food regime. The Brazil-China soy-meat complex and COFCO's operation in the Southern Cone are certainly paving the way for this transition. Nevertheless, its future directions rely on the hegemonic disputes that are taking place precisely in the current historical juncture.

Third, with China's growing presence in the global agri-food system, SOEs play increasingly important roles and become particularly sensitive to China's geopolitical strategy, despite COFCO's market-oriented and financially-driven internationalisation. While subscribing to private standards and corporate governance, SOEs like COFCO concomitantly operate as instruments of the powerful Chinese state. As McMichael (2020) puts it, China at the same time embraces and reshapes the WTO rules that regulate global agri-food trade. A similar trend is also observed, perhaps to a lesser degree, with SOEs or national champions from other emerging countries, such as the BRICS (Escher 2021). Therefore, COFCO will take an increasingly political and strategic role, and its trajectory will depend both on the internal determinants of China and the Southern Cone countries, as well as on the next moves of its global competitors and the unfolding of current geopolitical instabilities.

The impacts of the falling income level of the poorest populations on food (in)security due to the effects of social isolation and lack of social assistance are alarming. Likewise, the unavoidable demands for state action in light of the ongoing coronavirus crisis as a marker of epochal transition away from neoliberal globalisation are of far-reaching global significance. Whether China will be able to lead digitalisation, biotechnology, plant-based meat and other agri-food-related innovations, or even convert the Yuan into an international reserve currency – these are also critical issues in processes of hegemonic transition that deserve further in-depth investigation. What is already clear by now is that China is increasingly moving towards incorporating environmental commitments into its international agenda and taking greater leadership in the formulation of sustainability conventions. Whether this behaviour will find correspondence with domestic policies more conducive to the 'ecological revitalisation' of peasant agriculture or become benchmarks for investment and cooperation projects abroad is another matter. In any case, to the extent that COFCO assumes greater 'environmental responsibility', it might bring important repercussions to the regulation of the soy complex in Brazil and the Southern Cone – which has been a recurring target of contestations from consumer-led NGOs, rural social movements and critical scholars – and generate new contradictions within the relations of power in the international food regime.

Disclosure statement

No potential conflict of interest was reported by the author(s).

Funding

Valdemar João Wesz Junior received support of researcher from the National Council for Scientific and Technological Development (CNPq), grant/award number: 426036/2018-2. Fabiano Escher has received support from the Research Support Foundation of the State of Rio de Janeiro (FAPERJ), grant/award number: 202.420/2019.

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