

## Pulse Guidance Notes

~ Guidance notes for the  
Australian Pulse Value Chain ~

Edition 9, November 2021

This global pulse update has been prepared by Pulse Australia, and the Grains Industry Market Access Forum (GIMAF), with the support of the Grains Research and Development Corporation, to inform the Australian pulse value chain about the trends and drivers in the global pulse market.

The aim is to have a better-informed industry so that grower decisions around marketing this season's crop and planning for next season can be made with more confidence, while the processing, trading and logistics sectors can better plan for the year ahead.

### Key Points

- **Shipping disruptions impacting trade**
- **India monsoon strong, too much for some places**
- **Indian tariffs may favour lentils**
- **Export prospects strong for 2021 as Canada supply reduced by drought**
- **European pulses grow in area**
- **New Agricultural Counsellor for India**

### COVID-19, Pulses and Ships

Earlier in 2021 we noted that perhaps the biggest challenge from COVID-19 for the Australian pulses sector was disruptions shipping, in particular, securing container freight.

Shipping lines have followed market demand and rerouted ships to the most valuable traffics. Fewer services have come to and from Australia and industrial action in several Australian ports has only made things worse.

This was reiterated in last week's [ACCC review into the Australian shipping industry](#), noting that grain shipments were being particularly impacted.

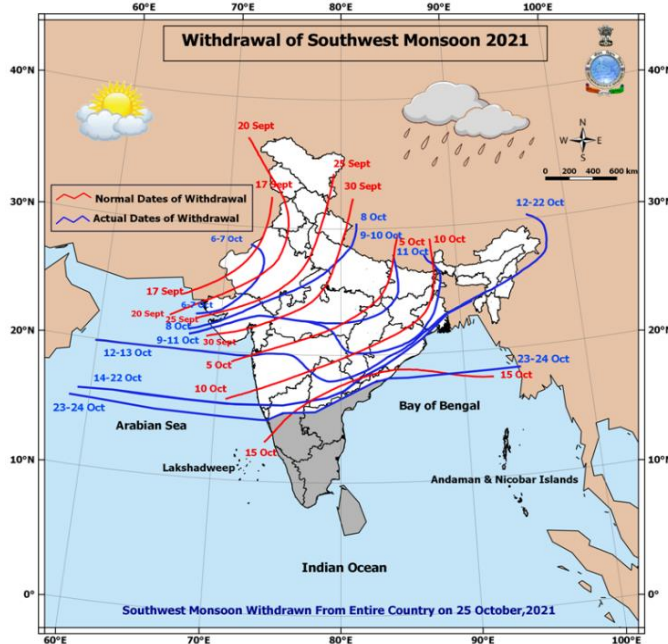
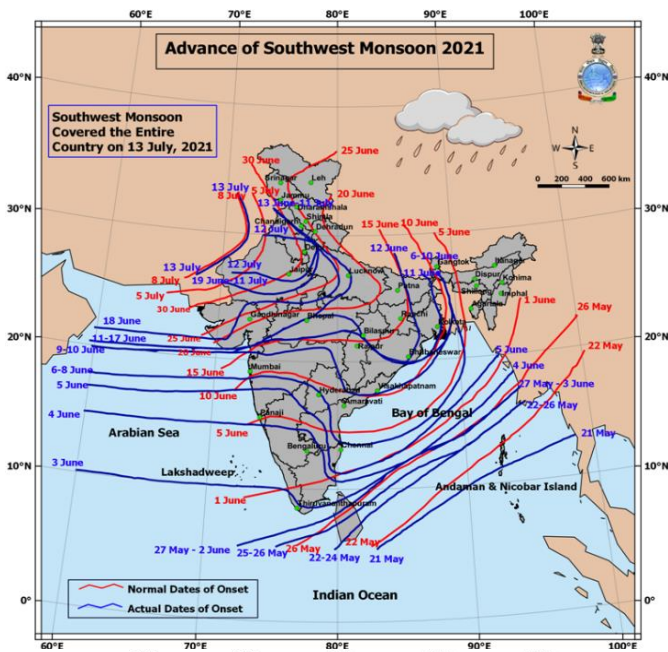
The container problem has seen over one million tonnes of pulses shipped as bulk commodities from the 2020 harvest and this is expected to continue for the 2021 crop, despite bulk freight rates in October 2021 peaking at the highest for 13 years, before dropping back.

In summary, despite a strong harvest locally, getting product to export customers in the current environment is expensive, difficult, and risky.

### Sub-Continent Update

India's kharif (summer) season is vital for India's whole agricultural year. It is the principal monsoon period providing heavy rains for high-water crops such as rice and maize, but also irrigation water for later use in the dry rabi (winter) season. The kharif monsoon arrival is highly predictable and tracked daily, with variations of even a week potentially impacting farmer activities and subsequent production. The two maps overleaf detail the 2021 monsoon progress and withdrawal. Late arrival of the monsoon delayed sowing of pulse crops in some areas while the slower retreat of the monsoon led to prolonged heavy rain resulting in flooding. Considerable damage was caused in some areas to soybean, cotton and pulse crops and quality downgrades are being reported in harvested product.

The kharif harvest period is only just starting and actual production is unclear. India's "First Advance Estimates" from its Ministry of Agriculture and Farmers Welfare released on 21 September put the kharif pulse crop at 9.45Mt. Other estimates at the time were a million tonnes less and some now suggest even lower due to rain damage. Kharif pulses



Source: India Meteorological Department

(notably moong and pigeon pea) are typically around one third of India's annual production. How much the rain damages the kharif crop vs promoting more production in the subsequent rabi crop will be important in assessing India's likely import demand.

Rabi season sowing has begun and while it's still early, some reports suggest oilseeds are popular, taking area from cereals and pulses. Within the pulse sector, lentils look attractive for farmers as they have traded above the

Minimum Support Price (MSP) for some time, whereas chickpeas are below MSP.

## India's Tariffs

In July this year the effective tariff was dropped from 30% to 10% in an attempt by the Indian Government to boost supplies to try to stem price inflation on lentils. The duration of this tariff reduction is unknown, creating a risk aversion amongst Australian exporters to commit to forward selling new crop lentils. However, the tariff reduction has had the desired effect, with substantial shipments from Canada and Australia reaching India in recent months.

Slow progress continues on negotiations with Indian government officials around biosecurity issues that have been ongoing for some time. It is hoped an outcome will be reached concerning phosphine fumigation later this year. Issues relating to weed seed levels and types remain unresolved.

## New Ag Counsellor for India

Australia is to have a new Agriculture Counsellor in India, with Kiran Karamil starting in New Delhi early in 2022. We wish him every success in his new role.

Kiran will replace John Southwell, who has completed his term in the post. We thank John for his efforts and dedication on our industry's behalf, addressing many issues and challenges during his time in India.

Kiran has confirmed he is keen to connect with anyone doing business into India. Contact him via email to [kiran.karamil@awe.gov.au](mailto:kiran.karamil@awe.gov.au).

## The European Pulse

Germany's "Union for the Promotion of Oil and Protein Plants" (UFOP) recently reported [\*Another increase in EU legume crop\*](#), with



increased sowings boosting production by 10% in the recent harvest to almost 6.8Mt. It marks the third year in a row of increased production, while still just under the EU’s record 7.0Mt crop in 2017.

Soybeans made up around 2.8Mt of the total, with field peas 2.3Mt and faba beans 1.3Mt.

### Pulses are now Grains!

While Australia has viewed pulses as part of our grain industry for a long time, it’s not always the case elsewhere. On 1 November the [International Grains Council \(IGC\) announced](#) that “with effect from 1 November 2021, pulses, such as lentils, dry peas, chickpeas, dry beans, other pulses will be included in the definition of “grain” or “grains” under Article 2(1)(e) of the Grains Trade Convention, 1995”.

IGC will now increase the market information it releases on pulses with the aim of increasing market transparency. This information will be available in the IGC bi-monthly Grain Market Review, along with other material on its member-only website.

### Taking our 2021 pulse

*Australian 2021 winter pulse production vs 10-year average*

	2021 Harvest Estimate ('000t) PA/ABARES	10-year ave ('000t) ABARES
Lentils	710/639	424
Faba Beans	400/442	369
Field Peas	320/250	280
Lupins	850/748	694
Chickpeas	870/844	789

*Source: Pulse Australia/ABARES (Sept 2021)*

**Faba beans:** The volume exported from last harvest suggests the crop was larger than indicated, with ships still loading in October and another big crop on the way. Traders are reporting prices are currently slightly above

feed value but could drift back to feed mill levels as harvest supply lifts.

Given last year’s carryover shipping is driving this market and the container issue is highly relevant for beans, the impact will be dependent upon location.

In QLD/NNSW boxes are short, with no apparent path to bulk export as shipping slots are fully booked. This means limited export scope and prices driven locally, which may encourage growers to hold stocks.

In southern regions bulk beans have shipped from Portland and Viterra facilities in SA. Egypt takes around 70% of bean exports, especially in bulk, perhaps placing SA growers in the best position.

**Chickpeas:** Despite another fair to average crop in CQ, southern Qld and NSW look to produce a solid chickpea harvest this year. Prices for 2020 crop are said to have held fairly well, but the same container issue applies in this region as for beans. Growers with no easy access to bulk and who don’t have sufficient storage may face some challenges.

It’s important to understand that in the current environment the market risk for container packers is far higher than normal, hence far less aggression in buying for the box trade.

The 60% effective tariff on chickpeas to India continues, blocking this market. Other markets are insufficient in a normal year to take all of Australia’s supply, but for 2020 crop Pakistan came to the rescue for around 370kt.

**Lentils:** Exports of 2020-season lentils to India have been strong from Australia since the tariff drop in July, with Canada remaining the largest supplier. This smaller Canadian crop this year should work to Australia’s advantage. However, demand-filled prices have recently softened and Indian buyers are currently reluctant to commit, being aware of a



big Australian crop close to harvest. They are also impacted by government restrictions on stock that can be held in various sectors of the pulse supply chain, so are avoiding stockpiling. Along with uncertainty about how long the reduced tariff will last, there is substantial caution about booking lentil trade to India; it's a high-priced risk to take, for all involved.

The same container/bulk issue applies to lentils as for other pulses, so competition to export will likely be greatest from those with a strong bulk pathway.

**Lupins:** Soybean meal prices are the indicator for Australian lupins, with soybean prices driven by demand from China. Import demand from China for soybeans has softened recently and US soymeal prices have fallen from their January peak, so this can be expected to impact lupin prices into the key markets of the Netherlands and South Korea.

**Field Peas:** India is not buying peas at present as there is zero import quota (effectively an import ban); it's thought they would buy if they could. With Canada's drought and resultant high prices, scope for Australian peas to fill export demand has been much stronger. As one example, Malaysia bought its largest tonnage from Australia in 10 years (26kt since Sep 2020). This bulk export demand seems likely to continue. It's a feed market though and potentially volatile, given debate about feed demand into China.

**Overall trade patterns** are likely to be:

Market	Main Crop
1. Bangladesh	Chickpeas/lentils
2. Egypt	Faba beans/bulk lentils
3. Sri Lanka	Lentils
4. Pakistan	Chickpeas
5. India	Lentils
6. China	Peas

### Bottom Line


Pulses continue to grow as a proportion of the Australian total winter cropping area. Seasonal challenges in some parts of WA, SA and Vic seem unlikely to stop those states producing substantial tonnages, with favourable rains in NSW and QLD pushing chickpeas forward in particular. Australia is well-placed to gain market share given the reduction in supply from drought-ravaged Canada.

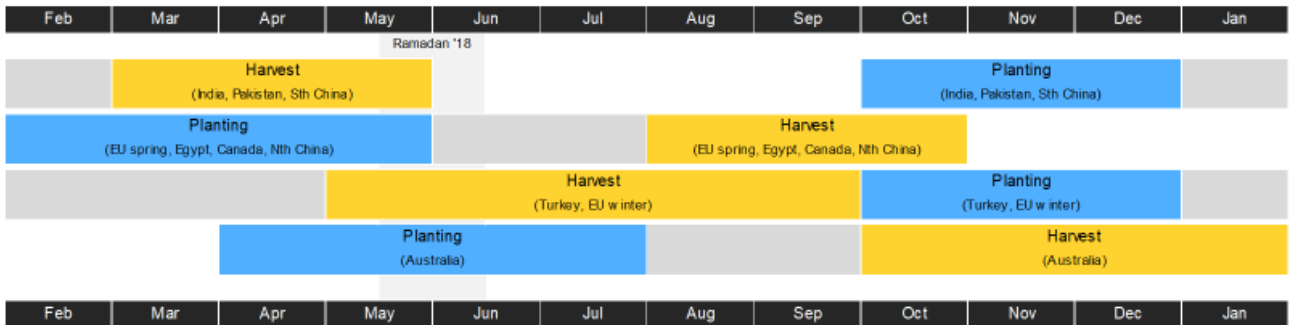
Clearly there are substantial challenges in the container trade that will not be resolved quickly, although these are not unique to Australia and add substantial cost pressure into the mix for importing countries.

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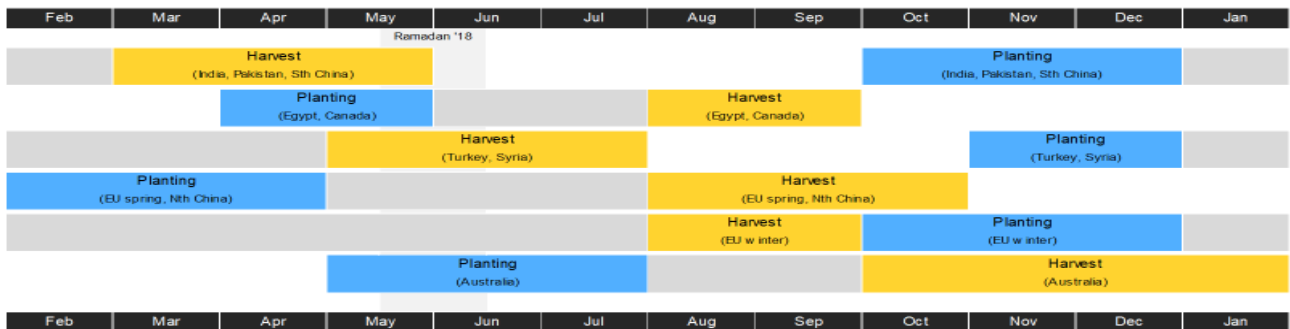



~ Global Pulse Production Calendars ~

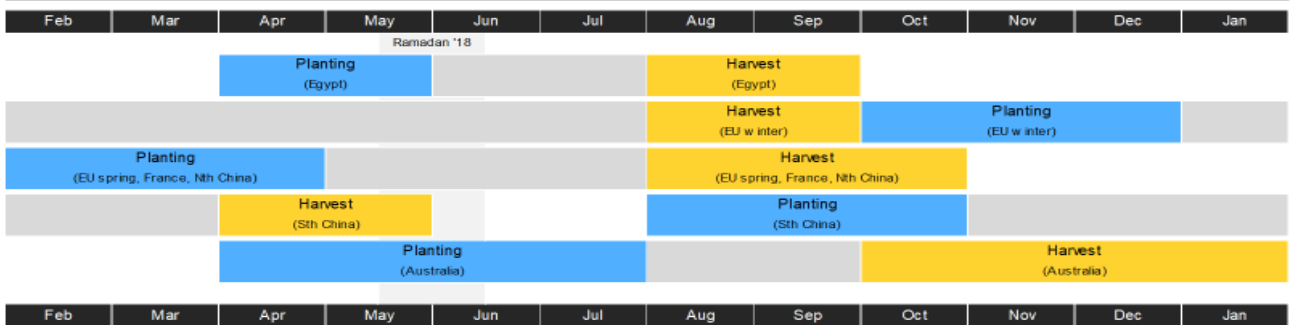
**Chick Pea and Field Pea production calendar** 



**Lentil production calendar** 



**Faba Bean production calendar** 



**Lupin production calendar** 