

Pulse Guidance Notes

~ Guidance notes for the
Australian Pulse Value Chain ~

Edition 10, April 2022

This update has been prepared by Pulse Australia and the Grains Industry Market Access Forum (GIMAF – now part of Grains Australia), 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 last season's crop and planning for the coming season can be made with more confidence, while the processing, trading and logistics sectors can better plan for the year ahead.

Key Points

- **Pulses for nitrogen**
- **Ukraine situation means market disruption and uncertainty**
- **Shipping challenges will continue to impact box/bulk balance**
- **Watch Canada's weather – too dry?**
- **India monsoon outlook neutral**
- **India FTA skips chickpeas**
- **Export prospects strong in 2022 for most pulses**

Pulses, Rotations and Nitrogen

Fertiliser prices have rocketed upward and look likely to stay high in the near-medium term. Nitrogen is expensive, yet as every grain grower knows, a good pulse crop can play a strong part in laying down good nitrogen stores this year for the next season.

Is this season the year to boost your pulse area, and how would this fit in with crop rotations?

Ukraine and Uncertainty

There has been much in the news about the effect of the war in Ukraine on Black Sea wheat exports. Ukraine is not a large pulse producer, so it might appear on the surface that the war has little relevance to pulses. Not so!

The question is whether the disruption to world wheat supply and resultant price jump causes a shift into wheat sowing in various countries, at the expense of pulses.

And what about oilseeds? Germany's "Union for the Promotion of Oil and Protein Plants" (UFOP) recently reported that up to the end of February, Ukraine had supplied 86% of EU sunflower oil imports for 2021/22 – some 1.09Mt. EU rapeseed oil imports are greater in tonnage terms, with 50 per cent or around 1.6Mt from Ukraine in the same period. As a result, [vegetable oil prices have reached all-time highs](#).

This pressure to address the wheat and oilseed shortage (depending on how long the war lasts and any ongoing effects of sanctions) may have market implications for the global area sown to pulses.

Shipping challenges for boxes

"A significant slice of the supply chain is broken". "Freight is expensive and hard to get, movement is not as obtainable as it was".

These are quite common views expressed about the container trade due to the COVID-induced disruptions of 2020-2021, into 2022.

Shipping lines have followed market demand and rerouted container ships to the most valuable traffics, limiting containers coming into Australia and thus availability for export. Box demand has always meant large numbers of containers are reloaded empty on ships out of Australia for use with higher value goods

elsewhere, but reports suggest this is now even worse than usual, exacerbating the problem.

It's not just an Australian issue either. Even if boxes of pulses can be loaded here, container trans-shipment ports such as Singapore and Colombo favour higher-paying cargoes. This affects all exporters of pulses into South Asia, from any origin.

Pulse exporters have responded to box constraints by moving to bulk shipping where possible. Limits tend to be whether the intended markets can physically and financially handle bulk, and whether bulk shipping slots are even available, given the major bulk export programs for other grains.

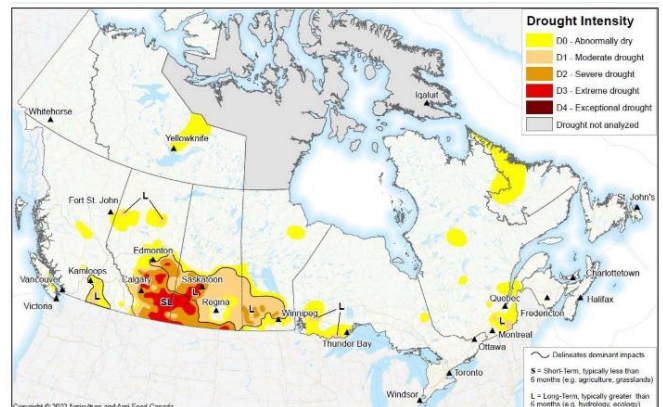
Market power for the present has clearly shifted to those pulses with bulk capacity – countries such as India, Egypt, Bangladesh and to some degree Sri Lanka.

When will container shipping return to normal? Nobody knows, but expectations are for little change before 2023, given ongoing COVID effects in China and elsewhere.

Bottom line: it's not that buyers and sellers don't want to transact – they certainly do – but they struggle to meet in the middle due to logistics constraints. What this means is that high pulse prices do not necessarily guarantee that all available demand for Australian product will be met in a timely manner, potentially leading to carryover tonnages.

Canada dry into spring

Canada suffered from drought last season and heading into their spring (now), significant parts the pulse growing areas of Saskatchewan and Alberta (the southern half) have had a very dry start to the season, with first rain only falling recently. These conditions extend south to almost the entire western half of the United States, including significant areas in extreme drought.



Source: Agriculture and Agri-Food Canada

The big question is whether this situation will change sufficiently to bring in good crop yields, or will Canada once again fall short. Canada is the world's largest pulse exporter, in 2020 reportedly 62% of world lentil trade, so their capacity to supply is important. What is also important to note (but perhaps of little consolation) is that the Canadian pulse industry also has a strong conversation going about the challenges for container exports!

India monsoon outlook "normal"

India's rabi season harvest is all but complete, the main pulse crop in this period being chickpeas. The official Indian government forecast for chickpea production issued on 16 February was 13.1Mt, although local commentary suggests 10Mt is more likely. Lentil production was estimated at 1.6Mt and is thought to be close to the mark. Wheat was forecast at 111.3Mt although might be closer to 100Mt.

Regardless of the wheat outcome pulses are an important protein source, so while India's 60% tariff keeps Australian chickpeas out, the numbers suggest optimism for continued strong demand for Australian lentils.

The kharif season is when the southwest monsoon arrives (usually 1 June) bringing all-important rainfall for summer crops (pigeon pea, moong, rice and maize) and all-important recharge to irrigation water for the following rabi season.



On the back of a wet 2021-22, the Indian Meteorological Department on 14 April forecast the 2022 monsoon to be “normal” across most of the country, with some areas above/below. Overall, this presents a picture of few crop concerns for the year ahead.

India FTA skips chickpeas

The Australia-India Economic Cooperation and Trade Agreement (AI-ECTA) signed on 2 April 2022 is a positive for Australia in many respects, including showing a willingness to strengthen trade relations. For pulses though, the gains in the immediate future are small.

As we know, there is currently (and temporarily) zero tariff on lentils. On 13 February 2022 India dropped the tariff until 30 September 2022. Will it be reinstated then? That will depend on India’s view closer to the time.

Nevertheless, the IA-ECTA provides a 50% discount on the legislated tariff for Australia for the first 150kt in a year. This means if the tariff resumed at 30%, it would only be 15% for Australia. Bear in mind Australia has rarely exceeded 150kt of lentils to India in a single year, so time will tell how this pans out.

Chickpeas did not get a look-in with this agreement, which is a disappointing outcome. India is yet to fully appreciate the opportunity to develop policies to underpin *food security*, preferring instead to develop policies around *self-sufficiency*. Until Indian policy begins to recognise that food security is a greater imperative, there will be reluctance on the part of pulse-producing countries such as Australia to gear production towards Indian demand.

The Agreement at this stage is an interim one, with some months to pass before it passes into law in Australia. (a separate Bill is not required from the Indian side). Meanwhile, negotiations are ongoing for the final AI-ECTA (expected in early 2023) and there

remains scope to continue to develop concessions for chickpeas.

Taking our 2022 pulse

Faba beans: Egypt showed record demand for beans in 2021, with this continuing into 2022 and likely to keep going. Normally Egypt would take a lot of beans from Eastern Europe (mainly Estonia and Lithuania) but with war on their doorstep this is now uncertain.

Shipping challenges are a major issue for beans, with containers costly and less available. Customers are paying the increased prices because people have to eat, but the clear trend is to favour bulk exports and those parts of Australia with bulk capacity.

South Australia will continue to show a bulk premium compared to other states, although like everywhere after big harvests, the export chain is full and shipping slots are hard to come by. SA growers have the advantage of being close to ports, thus landside logistics delays are not the issue seen elsewhere.

Bean exports will continue right through 2022, with potential for a small carryover to 2023.

Domestic buyers are interested in beans as the stockfeed market is short on protein. Beans (and field peas) are replacing more expensive imported soymeal and given the challenges of international trade at present, domestic buyers are likely to find willing sellers.

The recent announcement of a [\\$378 million pulse fractionation plant in South Australia](#), expected to rely heavily on faba beans, provides further long-term support for the future of faba beans in SA and Vic.

Chickpeas: Growers are aware that India remains closed for chickpeas. The market for desi types is being driven by a poor crop last year in Pakistan. Watch this, because if Pakistan does not come back again, we will

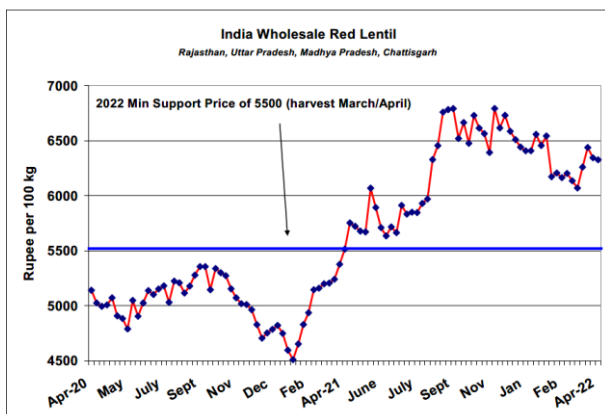
likely have too much tonnage to place – a carryout is already likely. Bangladesh is a stable market but would not absorb the extra.

Kabuli types are a more attractive picture, if volatile. Eastern Europe is normally a supplier but as mentioned earlier, is now uncertain. Australian product is trading at higher prices into Pakistan and many other markets, being easy to place. The issue is that this is a box trade, with all that entails.

Lentils: Lentils have been the standout performer from 2021, largely driven by Canada’s poor crop and inability to supply.

Lentil outlook in the short term is very positive while demand continues. Bulk markets offer strong opportunity, especially from South Australian ports. Bangladesh, India and the UAE are strong buyers that fit this pattern.

In India, red lentils continue to trade above the Minimum Support Price (MSP), with a lift in pricing post-harvest, possibly indicating harvest volumes below expectations. This contrasts with desi chickpeas where the rabi harvest was in line or above expectations, and consequently, pricing has fallen below MSP.



Source: Kostal Ag Consulting

The tight lentil supply and/or lentil role in food price inflation will be a major consideration for policy makers as the September 30 deadline to restore lentil tariffs to previous levels approaches.

The crunch time for Canada will be August/September. By then we will know likely volumes and their return would surely drop prices. On the other hand, world lentil consumption continues to rise.

Container shortages will likely contribute to an Australian export carryout, so this will be something to watch as the year progresses.

Lupins: Soybean meal prices are the indicator for Australian lupins, with soybean prices driven by demand from China. The messages here are mixed, because while Chinese government policy declared in February (repeated from 2021) to increase domestic soy production and reduce imports is important, forecasts suggest China’s import demand could reach a record 100Mt in 2022/23. Soy prices have shown a steady upward (mostly) trend since November.

Lupins benefit from being a bulk trade, with exports to Europe growing steadily. The year ahead would seem to offer good demand for Australian product to replace peas from Ukraine and potentially Russia. Another view is that lupins look cheap into the Australian domestic market compared with other proteins for stockfeed.

Field Peas: As with lentils, Canada’s loss was Australia’s gain when it comes to field peas. Boxed peas have replaced Canadian peas into China (in contrast to elsewhere, a freight destination that has been readily available).

While this has meant a great opportunity in the short term, the Canadian outlook will determine whether it happens again. If Canada returns, then peas will revert mainly to domestic demand and the need for protein. This is not limitless though, with beans and lupins also seeking to claim a share of the interest from feed compounders.

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, with their positive picture for soil nitrogen looking very attractive amidst high fertiliser prices.

International demand has come at a perfect time for Australia's large crops from the 2021/22 season.



Chickpeas and Lentils Webinar

29 April 2022

Pulse Australia, in conjunction with Austrade and the India Pulse & Grains Association (IPGA), will be co-hosting a webinar later this week, providing a review on the rabi harvest, with a focus on **chickpeas** and **lentils**, and providing expert views on the pulse prospects for year ahead.

When: Friday, 29 April, 2022

Time: 3.30pm (AEST)

Please RSVP to register your interest in this webinar. The link to the webinar will be issued after registration.

[Webinar RSVP](#)

Will it continue? With the two major factors of COVID and Russia's invasion of Ukraine dominating market influences, predicting the future has become even harder than usual, so we can only consider what we know and keep watching for ongoing developments.

The challenges of container freight are not likely to be resolved anytime soon, pointing more Australian product towards markets that can accommodate bulk shipments. This, coupled with high cereal and canola prices, is putting pressure on pulse production.

Parts of Australia already have good levels of stored soil moisture or a seasonal break from recent rains, so the outlook for growers would seem to present a range of choices.

Canada still looks like the biggest weather question when it comes to competing supplies into the markets Australia targets.

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PRESENTS

CHICKPEAS AND LENTILS WEBINAR

Friday, 29th April 2022
11.00 AM (INDIA TIME) | 3.30 PM (AUSTRALIA TIME)

India Pulse & Grains Association (IPGA), Pulse Australia and Austrade are co-hosting a webinar on the Indian - Australian pulses industry on Friday, 29th April, 2022.

The webinar will aim to present an update on the Indian crop status covering two specific pulses - Chickpeas and Lentils.

The webinar will be hosted as a panel discussion with two expert speakers from India discussing aspects like production in the last season, supply-demand scenario, expected trade volumes as well as the impact of the ongoing COVID-19 pandemic on production as well as trade.

The webinar is organised as a part of the Australian Government's Australia India Business Exchange (AIBX) program, aimed at growing two-way business literacy and commercial partnerships between Australia and India.

We invite you to **SAVE THE DATE FOR THE WEBINAR**, and join us on the date to get an in-depth insight about the supply side as well as demand side for Australian pulses to be able to make informed trade.

Invitation to join webinar is via email from Pulse Australia only.

Regards

Bimal Kothari
 Chairman
 INDIA PULSES AND
 GRAINS ASSOCIATION

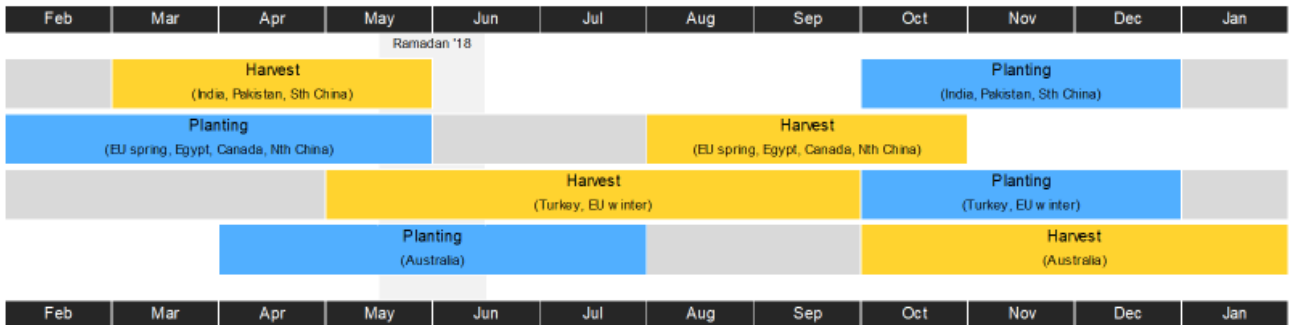
Georgie Aley
 Chair
 PULSE AUSTRALIA

Munish Sharma
 Trade Commissioner
 AUSTRADE INDIA

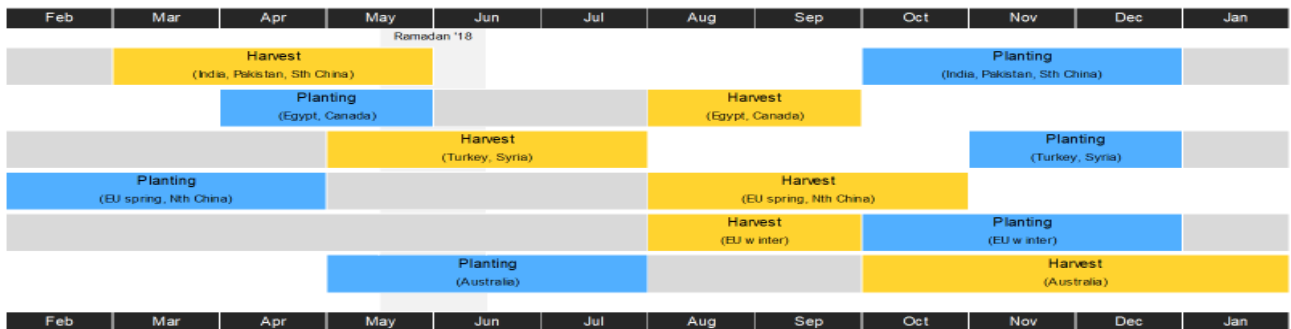


~ Global Pulse Production Calendars ~

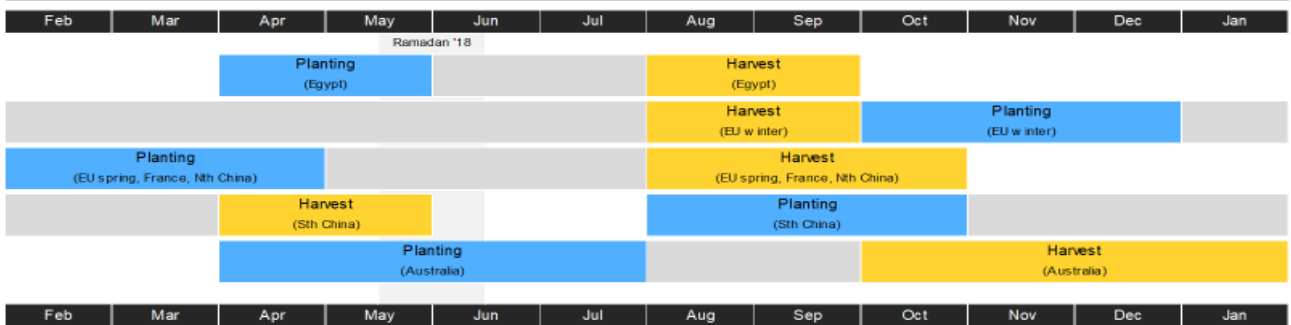
Chick Pea and Field Pea production calendar Profarmer Australia



Lentil production calendar Profarmer Australia



Faba Bean production calendar Profarmer Australia



Lupin production calendar Profarmer Australia

