



Pulse Guidance Notes

~ Guidance notes for the Australian Pulse Value Chain ~

Edition 8, March 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 pulse area and rotations can be made with more confidence, while the processing, trading and logistics sectors can better plan for the year ahead.

Key Points

- **Disruptions to container trade are promoting bulk exports from Australia**
- **India and Pakistan pulse harvests slightly lower than expectations due to drier conditions**
- **Indian political situation still blocking most pulse imports; hope for lentils**
- **Export trade of 2020 crop progressing, with many elements to consider for 2021**

COVID-19 and Pulses

Perhaps the biggest challenge from COVID-19 for the Australian pulses sector has turned out to be disruptions to logistics systems and the problems involved with moving product to other countries.

Strategies to control COVID in Australia and many other countries have involved lockdowns and border closures, which despite the best intentions to keep freight flowing, have disrupted world supply chains. Instead of

containers reaching destinations when expected, being emptied, then going on to the next cargo, delays have occurred. Too many full containers sitting on ships and in container parks mean not enough empties. Shipping lines have followed market demand and rerouted ships to the most valuable traffics, with fewer services to and from Australia.

While pulses are typically exported from Australia in containers, the difficulties in containers this year are making bulk more attractive. A number of bulk cargoes of faba beans have already gone to Egypt and a recent bulk shipment of chickpeas to Pakistan.

To add to the disincentive to ship in containers, stevedoring charges have increased significantly in many Australian port-based container terminals. Grain Trade Australia and its Australian Grain Exporters Council are some of the many industry bodies pursuing these local issues, with many industries seeking regulatory solutions.

What does all this mean? Growers used to the dynamics of the box trade for pulses are seeing more bulk activity, with different cargo assembly arrangements and market movements – something to be aware of.

Driven by shipping demand, world bulk freight rates have risen substantially in recent weeks, rebalancing the cost equation somewhat, but the risk and unreliability of container trade continues as a real challenge.

If the container issues are not significantly resolved in the next 6-9 months, growers and traders can expect more bulk trade for the 2021 harvest.

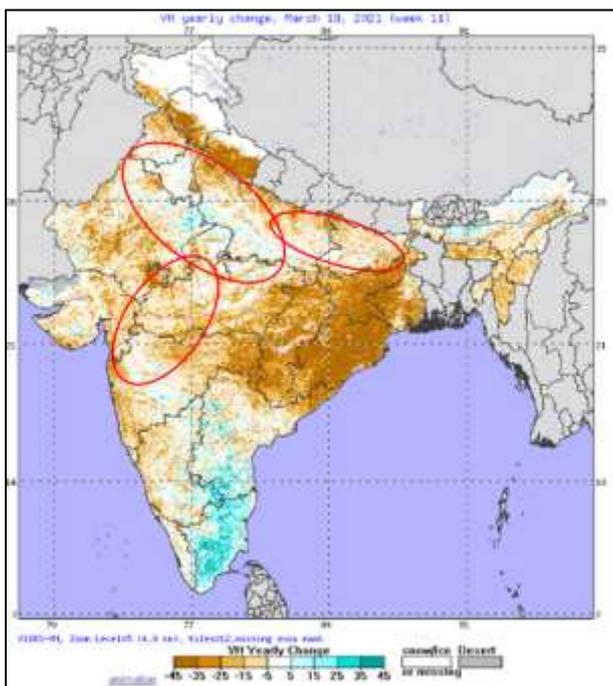
Sub-Continent Seasonal Update

India would normally be the driver for Australia's pulse outlook, although we are currently blocked from this market by tariffs and biosecurity challenges. These can change

though, so it is always wise to check on the India situation.

The rabi (winter) season (chickpeas, lentils, peas) harvest is now well underway, with India's Ministry of Agriculture and Farmers Welfare in late February releasing its official 'Second Advance Estimate' for 2020/21 pulse production of 24.4 million tonnes. It included 8.4Mt of kharif (summer) season pulses harvested in late 2020, thus putting rabi season pulses at 16.0Mt. These numbers were slightly down on the Ministry target of 25.6Mt. As always happens whenever governments release official estimates, in the weeks following there have been many industry analysts discussing whether the true numbers are higher, lower or about right. Most commentators seem to hold that India's estimates are slightly overstated.

The vegetation index map below indicates 'Vegetation Health Change' – the difference between March 18, 2021 and March 18, 2020. India's major pulse growing areas are inside the areas marked in red.



Source: US National Oceanic and Atmospheric Administration Center for Satellite Applications and Research

This satellite imagery would appear to show mostly neutral or less favourable conditions in 2021. It would tend to accord with Indian analysts' commentaries that while some areas of India received 'normal' moisture from the monsoon season, others were deficient.

Extending the satellite imagery across to Pakistan shows a similar pattern, with early comments suggesting a poorer crop than 2020.

India's rabi harvest is expected to complete around mid-April, with sufficient volumes expected to reach the market by mid-June to enable a more accurate production picture.

Any indication of a shortage in production of either this rabi season or the coming kharif season will place pressure on the Government to review the current restrictive import conditions (quotas and tariffs).

A big factor for sales of Australia's 2021 season pulses will of course be the success of India's 2021 monsoon, which arrives in June and runs until October. Current forecasts suggest a 'normal' monsoon, although small variations can have quite an impact so this will be a factor to watch over the year.

India's Farmer Protests

It's thought that somewhere between 50% and 60% of India's population is involved in some way with agriculture, either directly as a farmer or elsewhere in the supply chain which explains why politics and agriculture are closely intertwined in India.

In September 2020 India's parliament passed three pieces of legislation to make changes to its agricultural marketing system – essentially to bring in a level of market deregulation. The need for marketing reform in India had been discussed for decades, so it was perhaps predictable that making the changes would not be easy, especially with the added pressures of COVID already causing stress.



While some farmers supported the changes, others did not. Protests erupted and have taken a very visual element, with what is said to be thousands of protesting farmers camped for over three months now outside the Indian capital New Delhi.

This issue matters when considering pulse market outlooks because India's protectionist policies have driven import-blocking tariffs in recent years, and any step towards market liberalisation (less government intervention) could be a step closer to less tariff/quota interventions.

The implementation of the reforms, and associated grower discontent amongst some, has been diverting India's focus from resolving a number of issues Australia has raised with India in relation to grain biosecurity. On a more positive note, as reported in the recent [GIMAF Update March 2021](#), there has been some positive engagement with India in early 2021 regarding weed seed levels and phosphine fumigation. If negotiations continue to progress this year, we may see a positive outcome in 2022

To add to market disruption, as reported in an earlier [Pulse Australia communique](#) to members, India has restructured its tariffs into a standard basic customs duty for all pulses at 10%, but at the same time introduced its 'Agriculture Infrastructure Development'(IAD) cess ('cess' is an old English term for a tax, used in India to refer to a tax for a specific purpose).

The cesses applying to pulses have been constructed to result in a nil change to effective import duties/taxes, with tariff plus IAD cess equating to the same as the prior tariffs (chickpeas 60%; lentils 30%; field peas 50% after quota). On top of this is the 10% social welfare cess, which has been in place for some time. The degree to which the Indian Govt is prepared to vary the IAD cess is

unknown (given it is aimed at raising funds for a specific purpose) as opposed to varying tariffs, which may be easier to implement, as we saw with lentils in 2020 (tariff reduction from 30% to 10% for selected periods).

Taking our 2020 pulses

Australian 2020 winter pulse production vs 10-year average

	2020 Harvest ('000t)	10-year ave ('000t)
Lentils	565	358
Faba Beans	448	351
Field Peas	343	235
Lupins	714	490
Chickpeas	802	776

Source: Pulse Australia

Faba beans: With the big bean crop, traders are reporting prices have fallen to stockfeed levels and the export market is flat, notwithstanding cargoes to Egypt. Australian stockfeed mills are seeing beans as the cheapest form of protein. Accordingly, growers have sold wheat, barley and canola, but are holding beans in the hope of improved feed demand. The big question is how much can the local feed market consume before the next crop, especially with recent rains in eastern Australia providing plenty of fodder for the coming season.?

Chickpeas: India is not buying, although prices are holding thanks to demand from Pakistan, Bangladesh and Dubai. With Australian 2020 production at around 800kt, it is debatable whether these markets can absorb the 2020 crop, so some growers are reporting to be holding stocks, waiting to see how the subcontinent production eventuates.

Lentils: Prices are well-supported at present. Market talk is whether India will drop tariffs to encourage imports, as happened in 2020. Lentil imports are less sensitive in India and is likely to need 800kt-1000kt to meet demand. Bangladesh imported over 500kt in 2020 to



cater for increasing lentil consumption and this looks set to continue.

Lupins: The market is strong at present to Europe and South Korea, with prices supported by strong demand for soybean meal.

Field Peas: India is not allowing imports, without which there is little opportunity for Australian exports. As such the trade for Australia's crop is essentially domestic.

Overall trade patterns are likely to mirror that of the last two years:

Market	Main Crop
1. Bangladesh	Chickpea/Lentils
2. Egypt	Faba beans
3. Sri Lanka	Lentils
4. Pakistan	Chickpeas
5. India	Lentils

News on Mung Beans

The Indian Government has recently announced the quota for mung beans for the

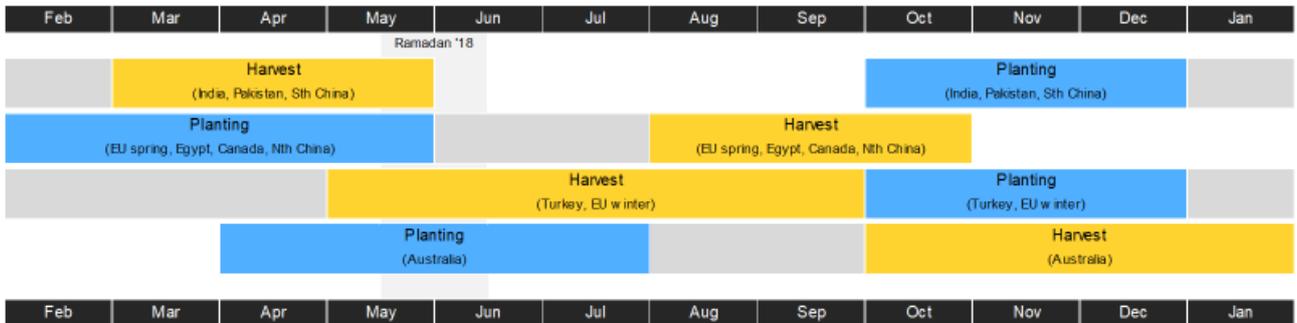
2021-22 Financial year (April 2021-March 2022) shall be set at 150,000 tonnes and will be allocated to a predetermined number of Indian millers/traders through an algorithm-based lottery system. This may provide a good opportunity for Australia to access the Indian market, given the expected good mung bean harvest this year (and potential disruptions with trade ex-Myanmar due to civil unrest).

Bottom Line

Pulses continue to grow as a proportion of the Australian total winter cropping area. The prospects for 2021 are looking strong from a soil moisture and rainfall prospect, with market access constraints now fully realised in market pricing. Notwithstanding any unforeseen factors, the 2021 pulse season is one that is likely to be strong and deliver total production 5-10% above the 10-year average off an area representing 8-9% of the winter cropping area.

~ Global Pulse Production Calendars ~

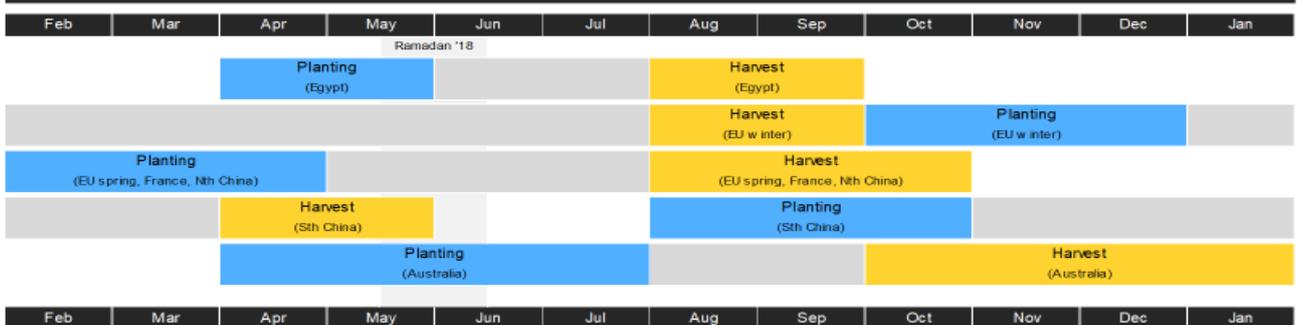
Chick Pea and Field Pea production calendar 



Lentil production calendar 



Faba Bean production calendar 



Lupin production calendar 

