Global Pulse State of Play

~ Guidance notes for the Australian Value Chain for the 2018 season ~

This global pulse update has been initiated by Grains Industry Market Access Forum (GIMAF), Pulse Australia and Grain Producers Australia with the support of GRDC. Turmoil in the pulse market over the last 6 months has necessitated a greater focus on understanding the global supply and demand situation with a particular focus on India and the policy settings of their government as it impacts on the pulse industry. The information will provide growers with an independently sourced basis to assist in farm production decisions.

Global Demand Factors

Fundamentals remain strong for pulses globally, with a number of factors underpinning a positive outlook, including:

- Indian economic growth (>7%) providing more disposable income for the poorer quartile, driving increased in-home and snacking pulse consumption. The long- term growth in demand for pulses continues unabated.
- Chinese demand for peas continues to grow, with imports now greater than 1mmt p.a, driven by their extensive and growing fractionation operations.
- North American (and to a lesser degree, domestic) growing demand for hummus impacting trade flows, with Canada reportedly importing kabuli chickpeas to meet burgeoning demand.
- Canadian demand for peas has switched to Canadian domestic stockfeed, providing a workable outlet (although at lower prices) for peas otherwise destined for India.
- Indian restrictions on imports of yellow peas will increase consumption of other pulses, particularly chickpeas thereby helping to reduce stocks of pulses in India.
- Domestically, feed shortages are presenting favourable positions for faba beans, lupins and peas.
- Pakistan remains in short supply of pulses and will require imports to meet demand in 2018, however Government interventions have impeded trade (reportedly due to a shortage of foreign exchange reserves).

Global Supply Factors

India is reported to be sitting on large supplies of pulses. These are being reduced through domestic consumption, and significantly, by the quota restriction on peas driving dahl and flour production to utilise more of the chickpea supplies.

The 2018 Kharif season (summer) crop in India is forecast to produce up to 1.3 million tonnes less than the 2017 season (mainly pigeon peas) due to lower prices, ineffective minimum support prices mechanisms hence lower plantings.

The monsoon season in the Indian subcontinent is currently predicted to be close to normal although it should be noted that the regional distribution of rainfall can obviously have an impact on production outcomes for pulses.

Current low prices for chickpeas are likely to result in reduced plantings of this crop in the rabi (winter) season – late 2018. This follows two record production seasons in India and farmer planting decisions are heavily influenced by prices received in the previous season.

Season-starting dry conditions in Canada and Australia has the potential to limit pulse export supply, with seeding delayed in both countries. Lower prices for the major pulse crops traded to India are also influencing grower planting decisions in major producing countries.

Commodity specific

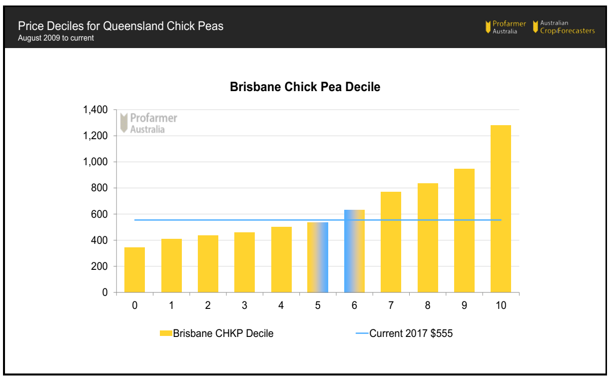
Chickpeas

Prices remain firm for kabuli chickpeas at this time, with reports that Canadian farmers plan to massively increase land in chickpeas this year. Statistics Canada report that area for chickpeas to be more than double the previous five-year average. Consequently, Canadian growers are being advised to quickly move their harvest during autumn to reduce their exposure to the risk of price declines in 2019.

For desi chickpeas, India remains the key driver, with current stocks in India at record levels. Indian analysts believe that the price in India is at the bottom of the cycle and prices should trend higher from now with quantitative restrictions on yellow pea imports forcing consumers towards chickpeas, lentils and other pulses grown in India.

Demand from Bangladesh remains stable with small growth opportunities (up to 250,000 tonnes total demand).

Pakistan consumes about 700,000 tonnes of desi chickpeas; their 2017/18 harvest fell short of this demand by 300-350,000 tonnes so will need to import another 250-300,000 tonnes before their 2019 harvest if their government allows the trade to proceed.



Decile pricing shows chickpeas to be in the middle ground area of decile 5-6.

Australia finished last season with an estimated 200,000 tonnes unsold, representing a stock/use level of 21%. In a typical year, stocks/use would be expected to be <10%.

Lentils

Canadian inventories of lentils remain very high, pushing global stock/use to a very high 21% or over 1 million metric tonnes. Lower prices are forecast to reduce plantings in Canada by up to 20% (along with current dry conditions).

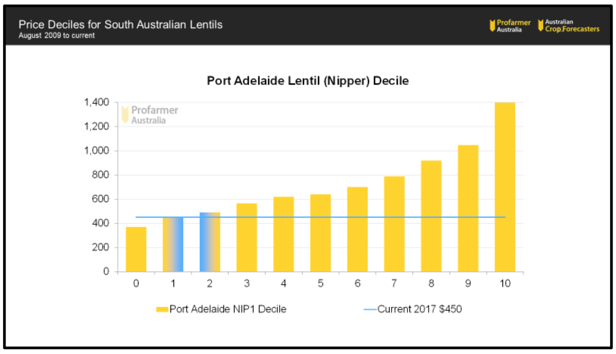
Australia is reported to still be holding inventories of 2016 lentil season in addition to stocks from 2017 season.

Turkey is holding stocks of 100,000 tonnes, mostly bought at higher than current prices levels

Egypt consumes between 90-120,000 tonnes per year (20-25% imported from Australia), however devaluation of the Egyptian pound has resulted in a major decline in imports to around 75,000 tonnes.

India is estimated to have produced 1.2 million tonnes in 2017/18, about the average level of consumption however there is some scepticism about this production figure, so there may be an opportunity for imports if tariffs are reduced.

Despite the current global oversupply of lentils, the long-term outlook remains positive for sustainable lentil production in countries like Canada and Australia.



The global and local oversupply of lentils is driving domestic prices lower to decile 2-3.

Peas

Globally, peas in particular have returned to more typical price relativity to grains and oilseeds, with the Canadian system holding upwards of a million tonnes from last season.

There is a risk that India may not be a major buyer of peas until 2020, suggesting Canadian (and thus world) prices need to remain at levels which compete with other livestock feed ingredients to ensure Canada does not end up with almost one year's supply. There is a price point at which China will step in to buy peas for livestock (in addition to fractionation use).

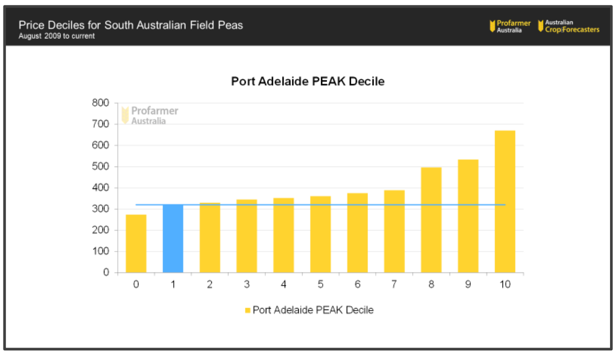
Canadian area sown to peas is expected to fall significantly this season.

Russia produced 3.2 million tonnes in 2017 (a high production season) – much of this being consumed in animal feed. 2018 production is projected at 10-15% lower due to dry planting conditions and lower prices. Other Eastern European cropped areas are predicted to drop by 15% also.

France will maintain its cropped area and average production of around 600,000 tonnes with continuing strong local demand (no exports).

Australia and global pea balance sheets are relatively good, with year ending 2017 stocks to use at 8% and 12% respectively.

It is clear that the Indian government does not want desi chickpea replacement pulses entering India and eroding prices prior to the election due before May 2018 and yellow peas normally fill a major part of this trade.



Pea prices domestically remain subdued at decile 1.

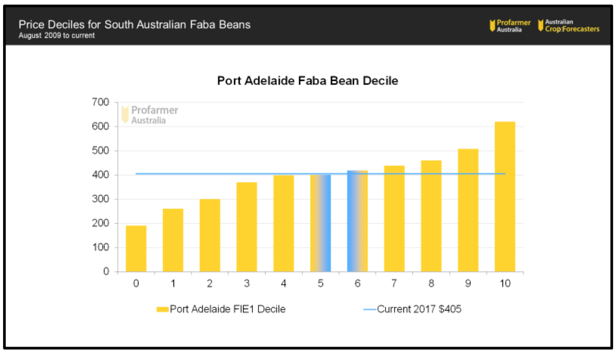
Faba Beans

Domestic Faba bean outlook remains reasonably positive driven by the demand for high protein feed in the light of feed shortages in drought impacted areas of NSW and Qld.

Australian supply to Egypt has softened as the Egyptian pound is weaker, with any potential domestic oversupply readily taken by the feed market.

The high protein level of faba beans is also gaining the attention of the pet food industry, which may further improve the long-term prospects for this pulse.

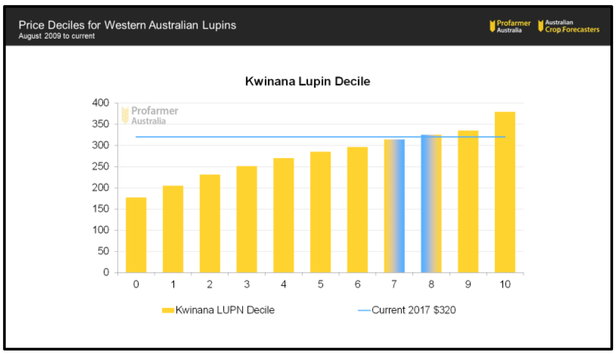
The relative strength of faba beans is holding prices to middle ground, decile 5-6.



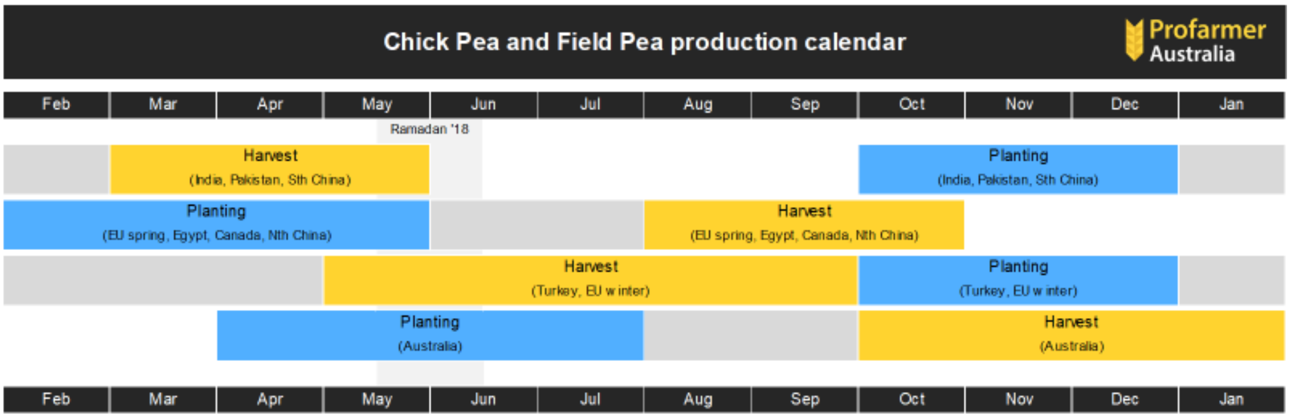
Lupins

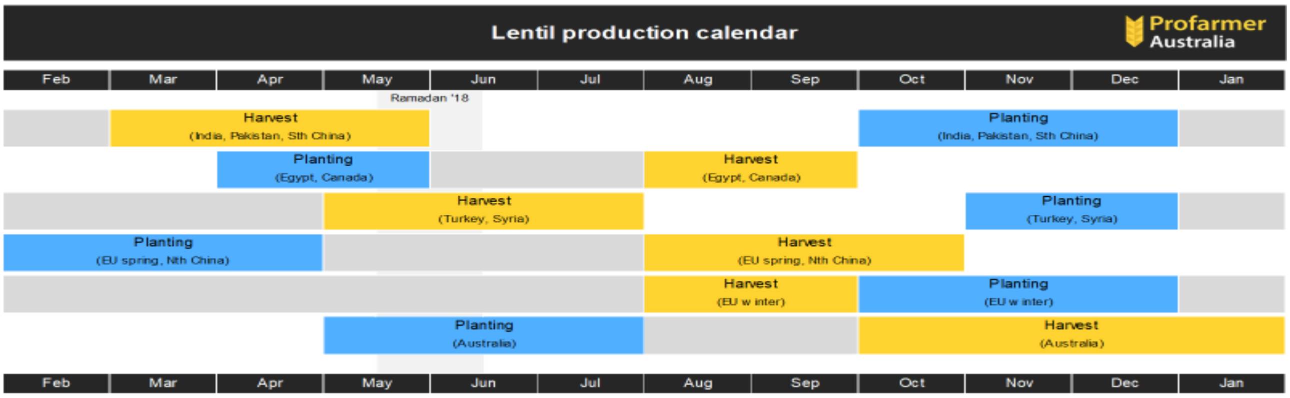
Similar to Faba beans, domestic lupin outlook remains reasonably positive driven by the demand for high protein feed in the light of feed shortages in drought impacted areas of NSW and Qld.

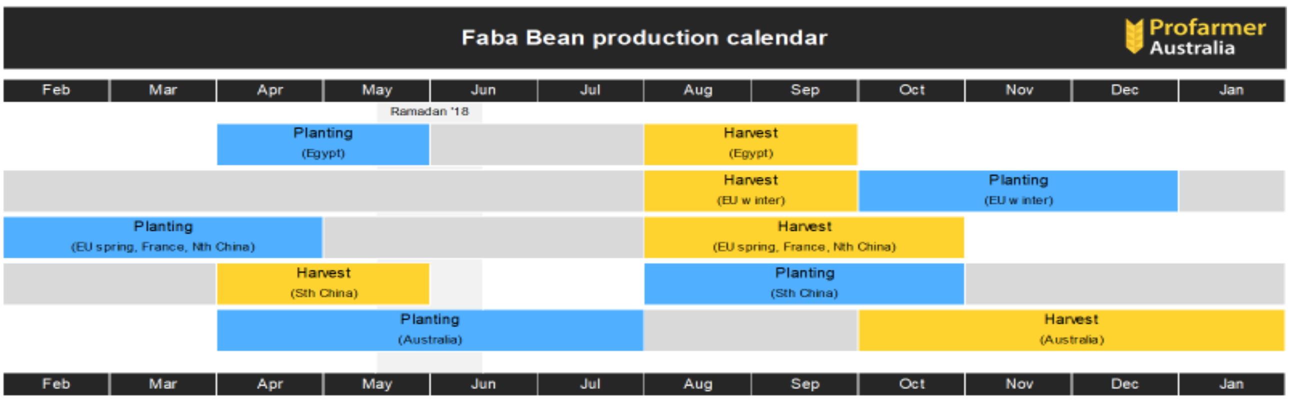
The feed demand is resulting in stronger prices, currently at decile 7-8 levels.

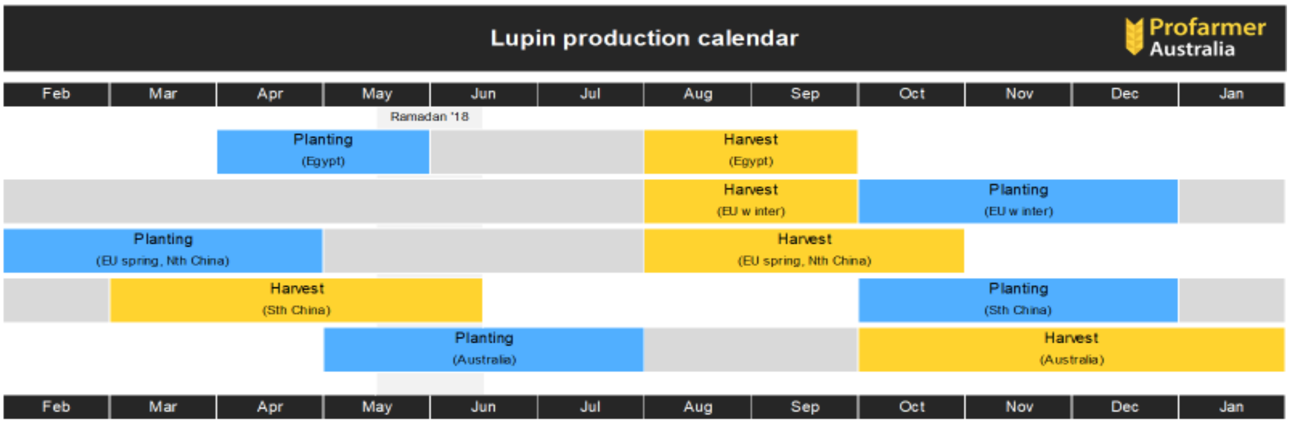


~ Global Pulse Production Calendars ~









This report has been compiled by GIMAF and Pulse Australia, with the support of GRDC. Decile pricing and global production calendar charts supplied by Australian Crop Forecasters.

Information has primarily been sourced from published reports and data presented at the Global Pulse Confederate Meeting, Colombo, 7-9 May 2018.