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Overview of Pulses Supply and Demand in Russia

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Report Highlights:
Domestic production of pulses in Russia has been expanding in recent years, and has increased from 1.29 million metric tons (MMT) in 2007 to a record 2.45 MMT in 2011 and 2.17 MMT in 2012. Area sown to pulses has steadily increased for 5 consecutive years, rising from 1.1 million hectares in 2007 to 2.0 million hectares in 2013. Despite the steadily increasing area, production still depends on yields, and in the dry year of 2012 pulses production was 2.17 MMT, lower than in 2011. Increased production has been driven by growing export demand and Russia's export of pulses increased by more than 10 times from 73,680 metric tons (MT) in 2008 to 770,846 MT in 2012. In addition to exports, a significant portion of domestic production of pulses is used for animal feed. There are no official data on the domestic consumption of pulses, but industry analysts report that human consumption of pulses has begun growing in the last 3-5 years driven by growing demand for ethnic foods, on one hand, and the demand of retailers and restaurants in big cities, which serve consumers interested in protein-rich foods. The demand from these consumers has largely been met through different varieties of imported pulses, including pulses imported from the United States. Imports from the United States increased from 7 MT in 2003 to 3,062 MT in 2012.

General Information:

Domestic production of pulses in Russia has been expanding in recent years, and has increased from 1.29 million metric tons (MMT) in 2007 to a record 2.45 MMT in 2011 and 2.17 MMT in 2012. Area sown to pulses has steadily increased for 5 consecutive years, rising from 1.1 million hectares in 2007 to 2.0 million hectares in 2013. Despite the steadily increasing area, production still depends on yields, and in the dry year of 2012 pulses production was 2.17 MMT, lower than in 2011. Increased production has been driven by growing export demand and Russia's export of pulses increased by more than 10 times from 73,680 metric tons (MT) in 2008 to 770,846 MT in 2012. In addition to exports, a significant portion of domestic production of pulses is used for animal feed. There are no official data on the domestic consumption of pulses, but industry analysts report that human consumption of pulses has begun growing in the last 3-5 years driven by growing demand of ethnic foods, on one hand, and the demand of retailers and restaurants in big cities, which serve consumers interested in protein-rich foods. The demand from these consumers has largely been met through different varieties of imported pulses, including pulses imported from the United States. Imports from the United States increased from 7 MT in 2003 to 3,062 MT in 2012.

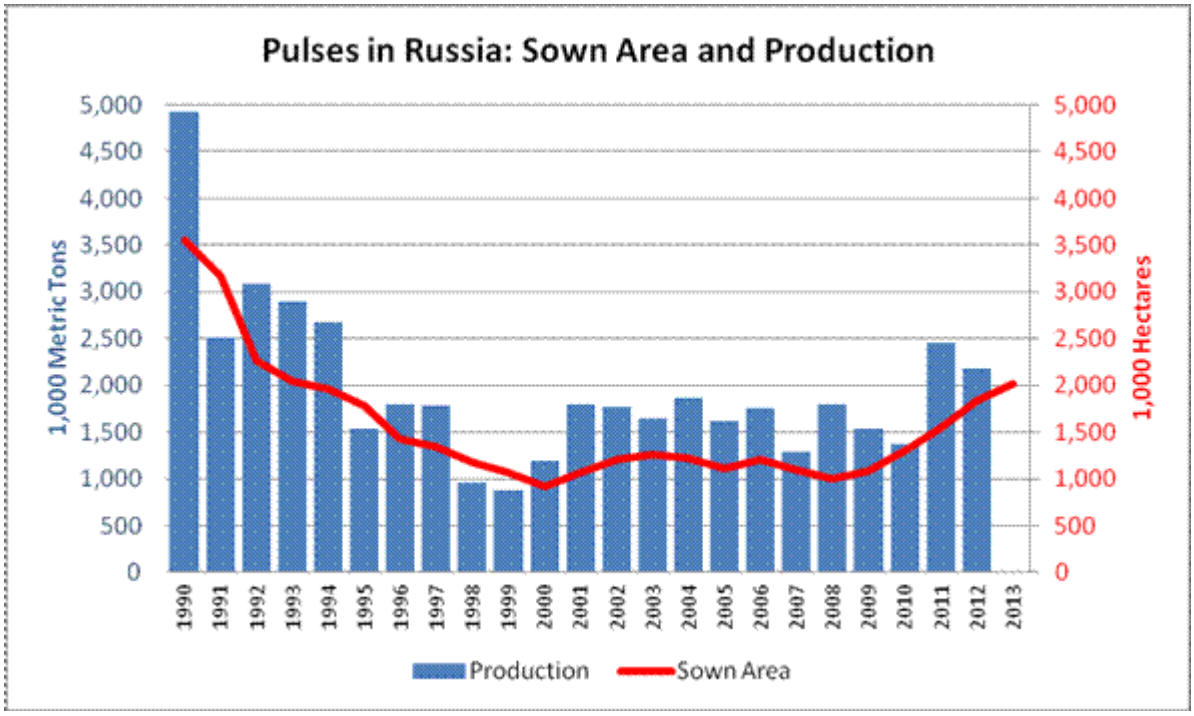
Production

Production of pulses in Russia dropped sharply after the breakup of the Soviet Union, from 4.92 million metric tons (MMT) in 1990 to a low of 0.88 MMT in 1999. In recent years there has been a strong increase in both planted area for pulses, and in production, although the share of pulses in Russia's total crop production remains small. In recent years, farmers have been increasing area sown to pulses, and it has nearly doubled from 1.1 million hectares in 2007 to 2.02 million hectares in 2013. Yields of pulses are still low and depend significantly on climate, and despite the steady growth of sown area, production continues to fluctuate from year to year according to weather (Chart 1).

The increase in pulse production in Russia has been driven primarily by increasing export demand, while domestic consumption of Russian pulses has remained largely stable. Another factor behind increased sown area is greater diversification by farmers and greater realization of the agronomic benefits of pulses in crop rotations.

Because of the strong demand for exports of pulses, the largest concentration of production is in Southern growing areas not far from export port terminals, with Stavropol kray being by far the largest producer (Chart 2).

Chart 1. Pulses in Russia: Sown Area and Production, 1990-2012



Source: Russian State Statistical Service (Rosstat)

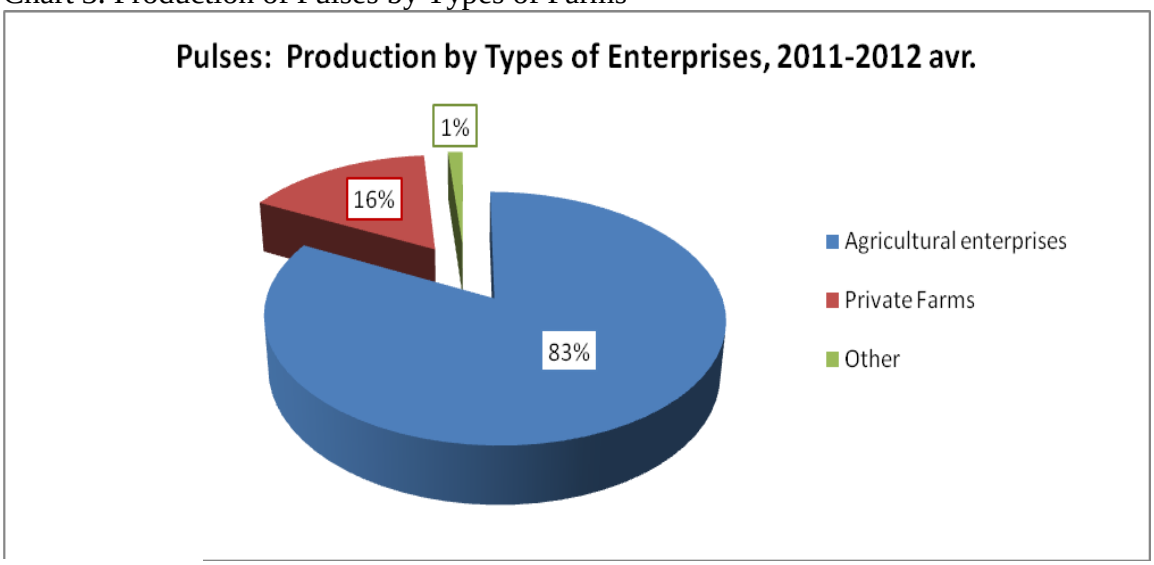
Chart 2: Largest Pulse Producing Oblasts in Russia
Avg of 2011-2012 Production

Dark Green = >300,000 MT
Green = 100-200,000 MT
Light Green = 50-100,000 MT

Russia's top 10 provinces in production of pulses (average 2011 and 2012) are the following:

1. Stavropol kray (327,450 MT);
2. Rostov oblast (167,895 MT)
3. Saratov oblast (149,876 MT);
4. Altay kray (143,198 MT);
5. Voronezh oblast (110,324 MT);
6. Tatarstan Republic (106,781 MT);
7. Tambov oblast (92,548 MT);
8. Bashkortostan Republic (91,340 MT);
9. Krasnodar kray (88,726 MT);
10. Belgorod oblast (85,674 MT)

Chart 3. Production of Pulses by Types of Farms

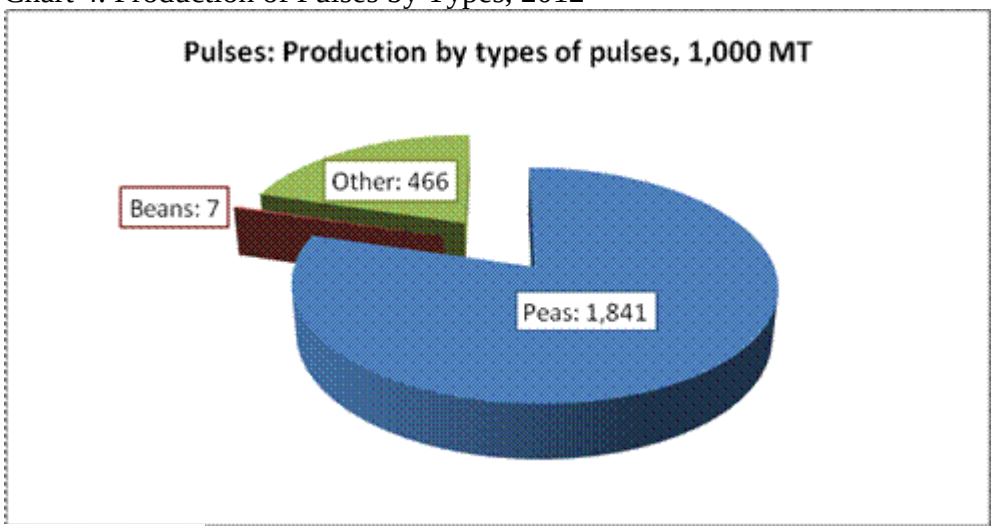


Source: Rosstat

Pulse production is concentrated in agricultural enterprises. The Russian State Statistical Service (Rosstat) separates peas and beans in the total pulses' crop, but does not specify peas and beans by types, although there are many types of peas and beans[1] that are produced or may be produced in Russia. According to industry analysts, in the last 5 years production of chick peas, which are in high demand in the Middle East, has been growing faster than production of any other pulses, but there are no separate statistical data on production of chick peas, although export data shows strong growth in chick pea exports. Due to the lower water requirements of chick peas, farmers have reported that they have started planting chick peas as a hedge in case dry weather impacts their other crops.

[1] In the Customs Union's Technical Regulation on Safety of Grain they provide characteristics of several types of legumes, including peas, lentils, chin, chick-peas, beans, mash, broad, beans, vetch (FAS/Moscow Gain report: Customs Union Technical Regulation on Safety of Grain_8-16-2012.pdf)

Chart 4. Production of Pulses by Types, 2012



Source: Rosstat

Trade

Exports of Pulses

A large percentage of pulses produced in Russia are sold for export, and in 2012 this reached 32 percent of production. Russia began increasing exports of pulses in 2008, and exports have increased tenfold from 73,680 MT in 2008 to 770,846 MT in 2012. Exports in 2013 so far have been down as a result of a smaller crop in 2012 as a result of dryness. Thus, in January – September 2013 exports were 364,210 MT, 34 percent lower than in the same period 2012.

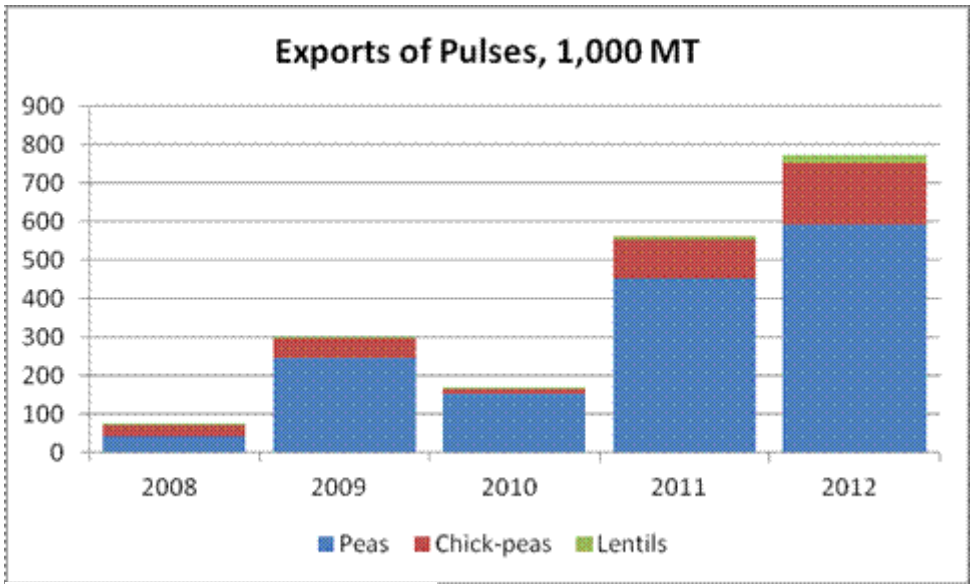
Chart 5.

Source: Rosstat

Peas (HS number 0713 10) comprise the bulk of Russia's export of pulses. In 2012 Russia exported

590,643 MT of peas, or 77 percent of all pulses exported. Peas are followed by chick-peas (HS number 0713 20), or Garbanzos. In 2012, exports of chick peas was 161,321 MT. Exports of lentils (HS number 0713 40) was only 18,786 MT, or 2 percent of the total. While India had been the largest importer of pulses from Russia in 2012, in 2013 Turkey has become the largest buyer for all three of these pulses. In fact, so far in 2013 shipments to Turkey have accounted for 41 percent of pea exports, 65 percent of chick pea exports, and 43 percent of lentil exports. Shipments to Turkey are extremely convenient as transportation time is only a few days from Russia's Black Sea ports.

Chart 5.



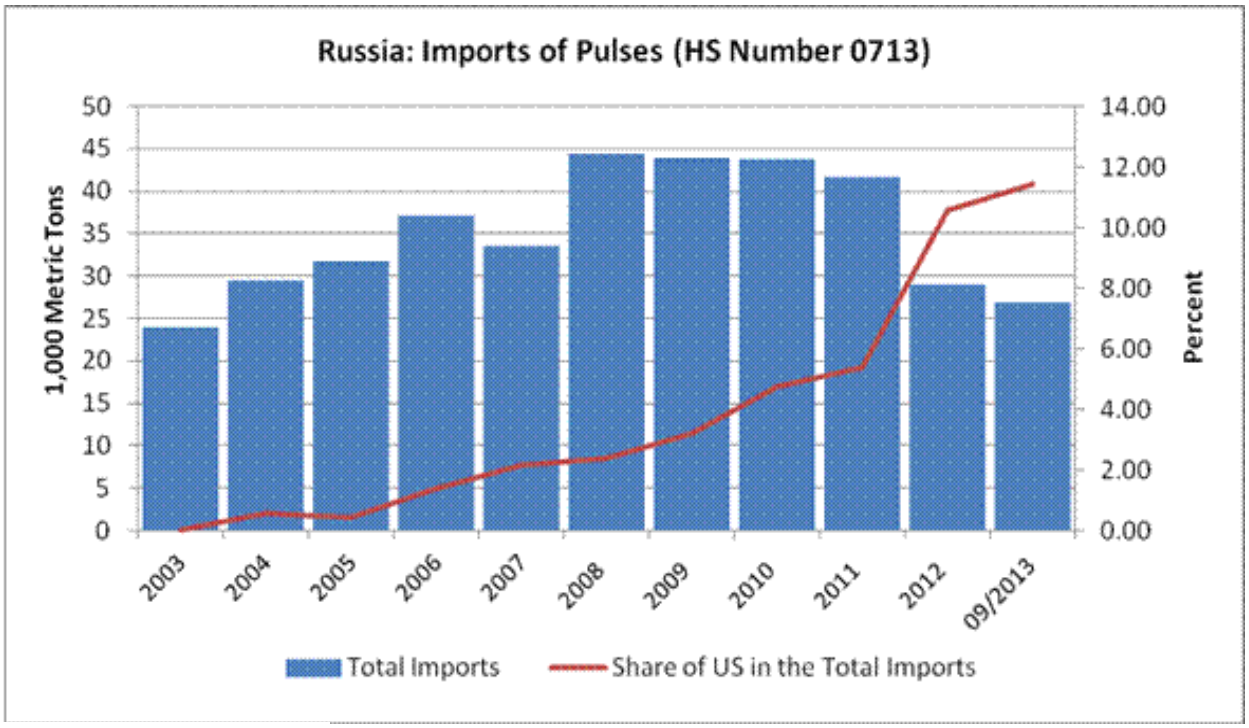
Source: Russian Customs Service

Imports

With increasing domestic pulse production, imports of pulses have also fallen in recent years, from a high of 44,000 MT, to 29,000 MT in 2012. However, despite large production and exports, imports continue as large grocery wholesalers have continued to purchase foreign pulses for restaurants and retail chains in major cities. The preference for imported pulses was based on the following factors: more uniform high quality, timely delivery, and their ease to pack into retail packages.

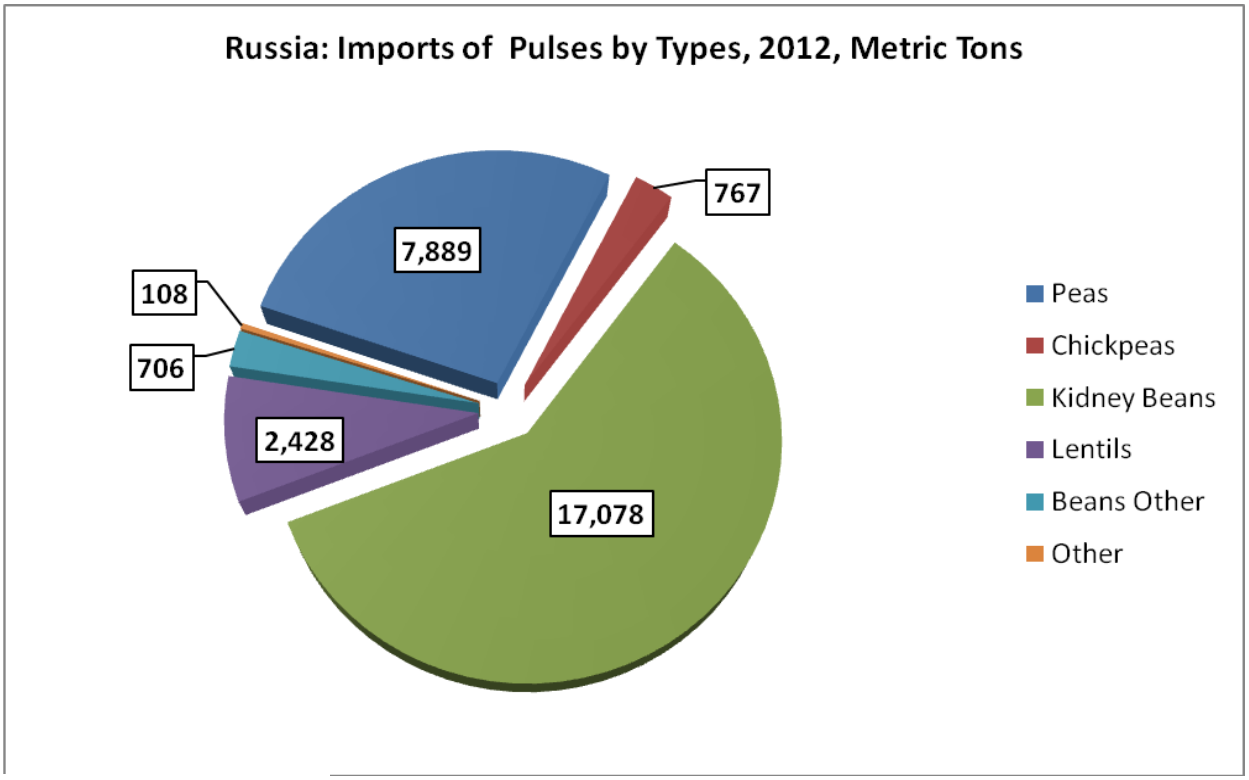
Despite some decline in total imports, purchases of high quality pulses (peas and beans) from the United States have been growing steadily, and increased from 7 MT in 2003 to 3,062 MT in 2012. In the January – September 2013 Russia imported 3,079 MT of legumes from the United States, which is almost 50 percent more than during the same period last year. In 2012 the United States became the No. 3 supplier of pulses (total) to Russia after Kyrgyzstan (6,820 MT) and China (3,584 MT). In the first 9 months of 2013, supplies from the United States (3,079 MT) have only been surpassed by supplies from Ethiopia (8,250 MT).

Chart 7.



Source: Russian Customs

Chart 8.



Source: Russian Customs

Trends in Consumption

There are no official data on the pulses consumption in the Russian Federation. According to industry analysts, the consumption of pulses in Russia continues to expand. One of the factors driving consumption is increasing awareness of consumers of the nutritious benefits of pulses and that they can be an important source of protein. Another factor is the sizeable and expanding population in Russia from former Soviet Republics such as Azerbaijan, Tajikistan, and Uzbekistan, as peas, lentils, chick peas are an important part of national cuisines. The growing demand also is being driven by the expanding number and popularity of Middle East style restaurants in Russia.

Peas

Peas are the most broadly known and used pulse in Russia. According to Euromonitor, in 2011 pea consumption in Russia was around 1.5 million tons, from which 90 percent went to food and feed processing and the rest for retail sales. Retail usage accounted for 9 percent of total pea consumption in 2011. The retail channel is forecast to grow for dried peas as consumers in Russia consider peas one of very important ingredients in soups, main meals and a inexpensive source of protein. In 2014, the retail market is estimated to grow to 142,000 tons.

Peas are available in all retail channels but in some channels such as convenience stores, distribution is very limited. Open markets still play a huge role with 42 percent share in 2011, but the share is expected to decrease to 37 percent in 2014. This decline is due to the growing importance of supermarkets and hypermarkets. Supermarkets and hypermarkets are expected to account for 45.2 percent of total retail distribution of peas in 2014.

Table 1. Sales of Dried Peas by Distribution Channels 2008/2011/2014, % retail volume

	2008	**2011**	**2014f**
Supermarkets/hypermarkets	29.7	37.9	45.2
Independent food stores	10.6	9.5	8.9
Convenience stores	1.9	1.6	1.7
Open markets	45.8	42.1	37.5
Others	12.0	8.9	6.7
Total	100.0	100.0	100.0

Source: Euromonitor

Chickpeas

Chickpeas are not a traditional product for Russia. However, according to the industry analysts, the market for chickpeas in Russia is growing. This is largely due to expanding populations in Russia from Central Asia, whose cuisine contains chickpeas. Chickpeas have become more readily available in supermarkets, typically in 0.5 kg packaging or in open air markets in bulk.

Lentils

Lentils are less popular in Russia than dried peas or beans, although historically this product was broadly used as a basic product. Now interest in lentils is rising again due to the view of lentils as a nutritious product. Russians are incorporating lentils into their diets, primarily soups, and salads. However, lentil popularity depends on its price relative to peas. Another factor driving the demand in lentils in Russia, increasing usage of the product by Mediterranean, Indian, Uzbek, Turkish restaurants,

these cuisines traditionally are very popular and broadly visited in Russia.

According to the Euromonitor, the retail sector sold 5,100 tons of lentils in 2011, which accounted for 94.4 percent of domestic consumption. Food processors and foodservice accounted for the remaining 5.6 percent of total domestic consumption in 2011. In Russia, yellow, green, red and black lentils are available. The product is sold mainly packed in 0.5-1 kg packaging. The retail market is expected to grow to 6,000 tons by 2014. Overall, lentils are forecast to grow at a moderate pace due to their relatively high price compared to other pulses.

Table 2. Retail Market Size for Lentils in Russia 2009-2014

Dried lentils	2009	2010	2011	2012e	2014f
Market size in US$ million	16.4	23.9	33.1	36.1	42.5
Market size in RUB million	471.2	688.8	952.4	1,038.7	1,224.4
Market size in tones ('000)	4.7	5.0	5.1	5.4	6.0

Source: Euromonitor