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Pulse Annual 2012

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Report Highlights:
Marketing Year (MY) 2012/13 (October-September) total pulse production is estimated to increase five percent to 4.4 million tons on high kidney and broad bean production. However, many farmers opted to plant corn over pulses, which has caused other pulse production and acreage to decrease from last year.

General Information:

Marketing Year (MY) 2012/13 (October-September) total pulse production is estimated to increase five percent to 4.4 million tons on high kidney and broad bean production. However, many farmers opted to plant corn over pulses, which has caused other pulse production and acreage to decrease from last year. Pulse production accounts for less than one percent of China's annual grain and feed output, and receives no production support from the central government.

Production:

Kidney Bean Production Rebounds to 900,000 tons on Expectations of High Prices

For MY 2012/13, kidney bean production is estimated to increase 20 percent to 900,000 tons on expanded acreage due to farmer expectations of continued high prices. Last year production declined around 20 percent on poor weather (See GAIN CH11060), which caused total supplies to drop and prices to rise. Heilongjiang, Inner Mongolia, Xinjiang, Yunnan, and Shanxi are major kidney bean producing provinces in China.

Chinese industry believes that domestic kidney bean acreage will shrink in the long term. Because of Chinese domestic support for corn and relatively higher corn prices, next year some state-owned farms reportedly plan to increase corn acreage at the expense of kidney beans. Local kidney bean farmers may also have little incentive to plant pulses if corn prices remain high.

For MY 2012/13 higher kidney production has not resulted in lower export prices (most kidney beans are exported; see Trade and Consumption Section). Chinese industry believes elevated prices are due to: 1) higher costs such as land, labor, and fertilizer; 2) hoarding; 3) low carry-in stocks; and 4) less available "export quality" product due to heavy rains in many areas in the northeast. According to industry sources, in January 2013 the price of black kidney beans and speckled kidney beans (which together comprise the largest acreage of all kidney bean varieties) was RMB 4,700-4,800 per ton (USD $746-762 per ton) and RMB 7,800-8000 per ton (US$1,238-1,270 per ton), up 5.2 and 16.5 percent from last year.

High labor costs have caused more farmers to use machinery for harvest and planting. Many machines are engineered for smaller plots of land, which are generally 0.5 hectare (HA).

Broad Bean Production Up 10 Percent on High Prices

For MY 2012/13, broad bean production is estimated to increase 10 percent to two million tons due to an acreage increase and expectations of high prices. Farmers in some major producing provinces (such as Yunnan, the largest broad bean producing province in China) continued to experience higher profit margins for broad beans than for other crops such as wheat. For MY 2011/12, the average purchase price for Yunnan broad beans was RMB 5.5 per kg ($0.4 per lb), while wheat prices were RMB 2.6 per kg ($0.19 per lb).

China produces autumn (planted in autumn) and spring (planted in spring) broad beans, which are 90 and 10 percent of China's total broad bean production. Autumn broad beans are produced in Yunnan, Guizhou, Sichuan, and Hubei, and spring broad beans are produced in Gansu, Qinghai, and Ningxia.

Mung Bean Production Down seven percent on High Corn Acreage and Poor Weather

In MY 2012/13 mung bean production is estimated at 880,000 tons, a seven percent decline due to less acreage and unfavorable weather in Inner Mongolia and Jilin, the largest mung bean producing provinces (together account for over 45 percent of China's total mung bean production). Mung bean acreage is shifting to corn due to expectations of higher profit margins.

Because of low Chinese consumption last summer, Chinese industry believes high carry-in stocks may help mitigate price

increases. Mung bean consumption is generally high during hot weather as many Chinese believe eating mung beans will "cool" their body temperature. During cooler weather, consumers purchase less beans. Reportedly, last summer domestic mung bean consumption was low due to colder weather conditions. In MY 2011/12, mung bean production was estimated around one million tons.

Adzuki Bean Production Falls due to Higher Corn Acreage

For MY 2012/13, adzuki bean production is estimated at 225,000 tons, a 10 percent decline on more corn production due to high corn prices. This shift mainly occurred in spring adzuki production areas (accounts for 70 percent of China's total adzuki production), which include Heilongjiang, Jilin, Liaoning, Inner Mongolia, and Hebei. Heilongjiang is the largest adzuki producer in China, comprising over 30 percent of China's total production. Summer adzuki beans (planted in middle of June and harvested in middle of October) represent 30 percent of total adzuki production (Shandong, Anhui, Shaanxi, and Henan are major producing provinces).

Dried Pea Production Down on Higher Corn/Potato Acreage and Drought

In MY 2012/13 dried pea production fell 12 percent to 350,000 tons because more farmers planted potatoes and corn in lieu of peas. According to an industry survey, pea acreage declined in most major producing provinces, such as Yunnan, Gansu, Sichuan, Xinjiang, Qinghai, Ningxia, and Yunnan. In addition, Yunnan, Xinjiang, and Gansu experienced low yields due to drought.

China produces autumn (planted in autumn) and spring (planted in spring) dried peas. Autumn dried peas are mainly produced in Yunnan, Sichuan and Jiangsu. Spring dried peas are mainly produced in Gansu, Qinghai, Shaanxi, Ningxia, and Xinjiang.

Lentil Production Unchanged at 25,000 tons

For MY 2012/13, lentil production is estimated at 25,000 tons. Gansu is the largest lentil producing province in China, representing over 70 percent of total lentil acreage. Other lentil producing provinces include Shaanxi and Ningxia.

Consumption:

Broad Beans

Fresh broad beans are a seasonal vegetable, usually available from March to June. Industry sources believe broad beans appeal to Chinese consumers for its nutritional value (protein, fiber, and starch) and cooking local cuisines (e.g. Yunnan province).

Dried broad beans are mainly used for aquaculture and dairy feed. High quality dried broad beans are processed into snack foods, vermicelli, starch, and spicy bean sauce/paste.

Mung and Adzuki Beans

Although mung and adzuki bean productions are primarily consumed domestically, a small quantity is exported to neighboring Asian countries, such as South Korea and Japan. Mung bean and adzuki beans are traditionally used to prepare local porridge, especially during the summer (see Production Section).

Adzuki and mung beans are also processed into bean paste, either for domestic pastry production or for export as an intermediate product. Total bean paste production is estimated at over one million tons (adzuki and mung beans account for 50 and 10 percent of production).

Kidney Beans

Most kidney beans are exported and are not consumed domestically. Beans that remain in China are primarily processed into paste. In order to increase fiber and protein content, some Chinese industry contacts believe food manufacturers may substitute more kidney beans for wheat flour in noodles and breads.

Dried Peas

Industry sources report that general food, vermicelli noodle, feed, and starch production accounts for 40, 25, 20 and 15 percent of total dried pea production. In general, imported dried peas are mostly used for vermicelli, starch, and feed production, while domestically produced dried peas are used for starch and other food processing.

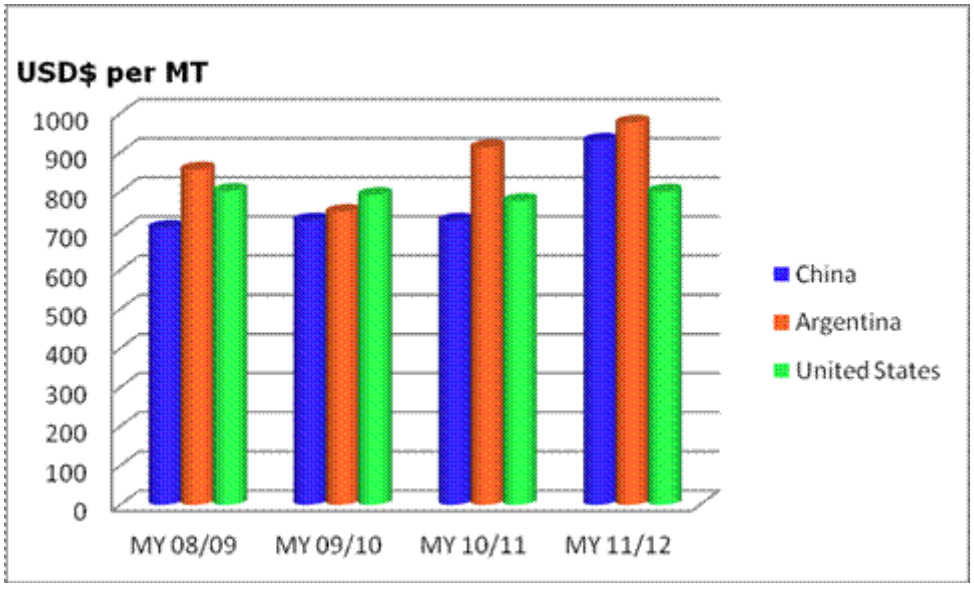
Trade:

Kidney Bean Exports to Rise 4.2 percent on Strong Brazilian Demand

In MY 2012/13, kidney bean exports are estimated to rise 4.2 percent to 730,000 tons on strong global demand, primarily lead by Brazil (see last paragraph below). However, even with strong exports, Chinese global market share (China is currently the largest exporter) is declining due to less competitive export prices (partly attributed to the suspension of the value-added tax (VAT) rebate (see Policy Section)). According to Chinese Customs data, in MY 2011/12 Chinese kidney bean export prices (fob) rose 28 percent to USD $930 per ton. During the same period, Argentine and U.S. (the second and third largest exporter) export prices (fob) were USD $975 per ton and USD $806 per ton, respectively (see figure 1 below).

For MY 2013/14, if farmers produce more corn at the expense of kidney beans (see Production Section), total Chinese exportable supplies will drop. Even if farmers use machinery to offset some production costs, this cost saving would not help increase exportable supply.

Figure 1. Kidney Bean Export Prices for Major Suppliers



(Source: Global Trade Atlas)

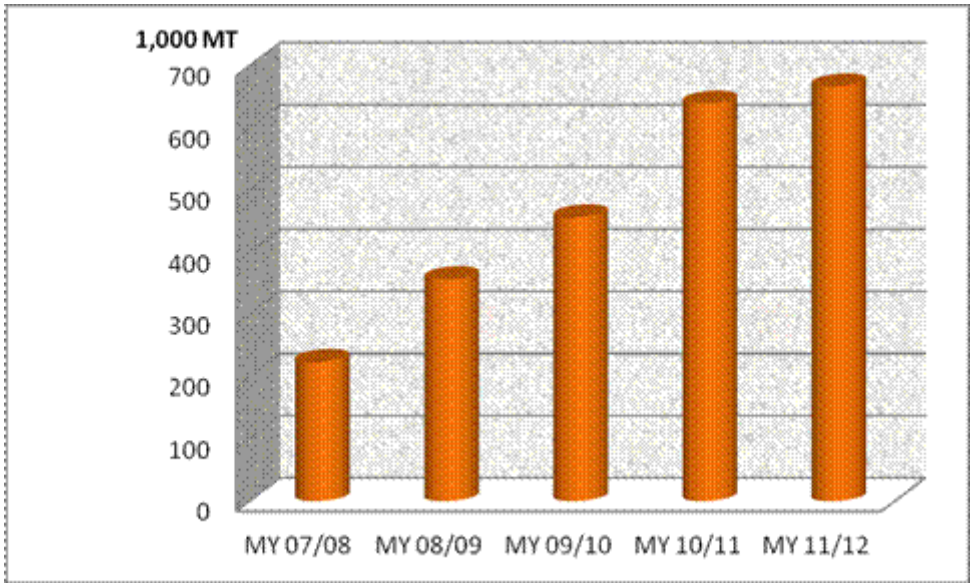
In MY 2011/12, Brazil was the largest buyer of Chinese kidney beans, and imported 128,257 tons (18 percent of China's total exports). Although Brazil is a large kidney bean producer, imports remained strong due to low Brazilian production.

During the same marketing year, Venezuela, South Africa, India, and Italy were also top export markets, accounting for a total of 36 percent of China's total kidney bean exports.

Dried Pea Imports to Ease on High Prices

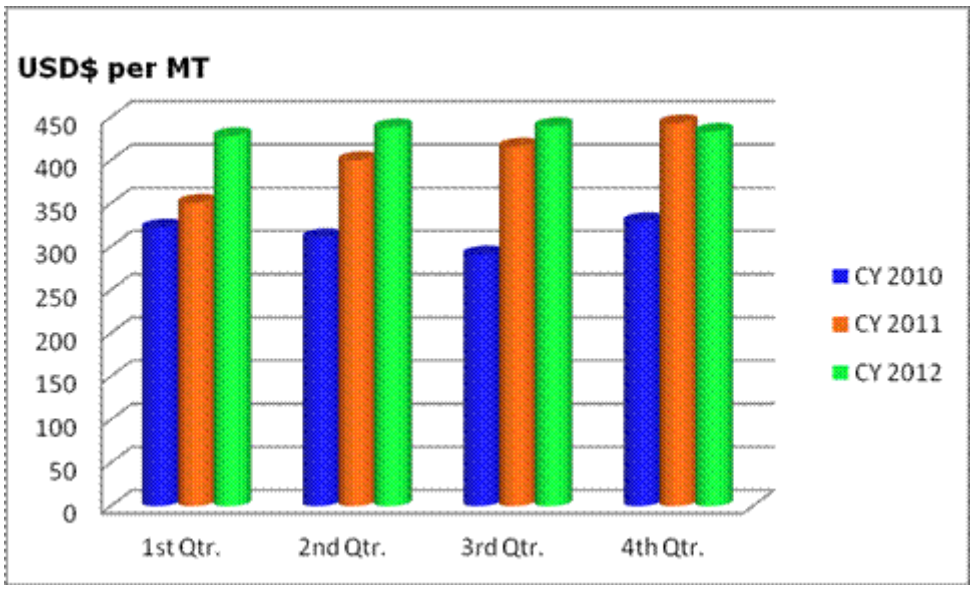
In MY 2012/13, dried pea imports are predicted to rise five percent to 670,000 tons. Although year on year imports dramatically increased in prior years (see figure 2 below), for the out-year industry contacts believe imports will moderately increase on less competitive international prices. For MY 2011/12 dried pea imports increased four percent to 666,678 tons. Canada accounts for 97 percent of China's dried pea imports. During the same marketing year, China imported 13,263 tons of U.S. dried peas, a 74 percent decline due to high U.S. prices.

Figure 2. Chinese Dried Pea Imports



(Source: Global Trade Atlas)

Figure 3. Chinese Dried Pea Import Prices (CIF)



(Source: Global Trade Atlas)

Policy:

On December 31, 2011, the Ministry of Finance and the State Administration of Taxation jointly released Circular 137, which provided a value-added tax (VAT) exemption to vegetable sales[1]. Some Post contacts believe the policy was implemented to mitigate price inflation, as vegetable prices have increased significantly since the 4th quarter of 2011.

On February 21, 2012, the State Administration of Taxation released Circular 61, which noted that from March 1, 2012 the VAT refund will no longer apply to vegetable exports. Before the new policy was launched, the VAT refund for vegetable exports was 5 percent of the sales value. Reportedly, the Chinese kidney bean industry is lobbying the central government to reinstitute the VAT export rebate.

Marketing:

According to industry sources, Chinese per capita pulse consumption is around 1.2 kg per year, less than 1/10 of Brazilian per capita consumption. Nevertheless, Chinese industry believes more health-conscious Chinese consumers are experimenting and/or utilizing pulses, and has actively promoted the application of pulses in food processing.

[1] This measure applies to kidney beans, as well as fresh and preliminarily processed vegetables (cleaned, cut, dried, dehydrated, and frozen). Canned vegetables are exempt. Mung and adzuki beans are exempt since they are classified as a grain.

Production, Supply and Demand Data Statistics :

Table 1. Chinese Pulse Imports

(MT)	Description	3rd Qtr 2011	4th Qtr 2011	1st Qtr 2012	2nd Qtr 2012	3rd Qtr 2012
071310	Peas	147,048	257,230	169,976	131,638	107,834
071390	Legumes	11,819	9,110	11,548	10,252	4,045
071331	Mung Beans	2,456	1,187	2,243	11,822	15,082
071333	Kidney Bean	721	418	1,567	1,474	772
071340	Lentils	69	0	25	142	122
071332	Bean, adzuki	70	181	528	483	100
071339	Beans, Other	0	0	0	1	1
071320	Chickpea	1	0	0	0	27
071350	Broad Bean	32	0	0	0	0
	Total	162,215	268,126	185,888	155,812	127,983

(Source: Global Trade Atlas)

Table 2. Chinese Dried Pea Imports

Country (MT)	3rd Qtr 2011	4th Qtr 2011	1st Qtr 2012	2nd Qtr 2012	3rd Qtr 2012
Canada	143,544	252,416	165,280	124,257	103,118
United States	2,088	3,899	2,778	3,709	2,876
Others	1,415	916	1,919	3,672	1,839
Total	147,048	257,230	169,976	131,638	107,834

(Source: Global Trade Atlas)

Table 3. Chinese Pulse Exports

(MT)	Description	3rd Qtr 2011	4th Qtr 2011	1st Qtr 2012	2nd Qtr 2012	3rd Qtr 2012
071333	Kidney Bean	115,382	150,688	237,556	191,645	124,348
071331	Mung Beans	15,439	27,859	39,582	40,168	23,671
071332	Bean, adzuki	7,210	15,834	12,375	17,203	11,593
071340	Lentils	2,568	6,522	2,958	2,295	1,569
071339	Beans, Other	1,392	5,989	1,333	797	562
071350	Broad Bean	2,585	3,022	5,731	2,825	2,198
071390	Legumes	468	1,538	1,332	725	599
071310	Peas	344	272	255	189	101
071320	Chickpea	0	0	2	5	0
0713	Pulse	145,387	211,724	302,280	257,365	165,753

(Source: Global Trade Atlas)

Table 4. Chinese Kidney Bean Exports

Country (MT)	3rd Qtr 2011	4th Qtr 2011	1st Qtr 2012	2nd Qtr 2012	3rd Qtr 2012
Brazil	6,743	0	40,389	43,017	44,850
Mexico	0	0	0	6,248	14,877
Venezuela	4,107	7,691	48,245	16,199	11,875
South Africa	7,453	18,019	18,356	8,967	9,106
India	10,360	11,353	19,040	12,678	4,075
Costa Rica	6,906	12,395	1,751	8,823	3,148
Guatemala	3,438	2,173	1,350	66	3,202
Pakistan	7,903	7,148	13,268	3,551	2,862
United States	10,228	8,833	7,449	6,102	2,468
Yemen	3,074	5,886	6,407	2,722	2,475
Italy	5,528	13,601	10,955	11,825	2,457
Japan	1,181	1,197	3,331	1,695	1,905
Romania	3,321	2,713	2,286	1,163	1,836
United Kingdom	4,764	4,030	3,076	2,863	1,716
Others	40,376	55,651	61,657	65,727	17,499
Total	115,382	150,688	237,556	191,645	124,348

(Source: Global Trade Atlas)