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Edible Beans Annual 2011

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Report Highlights:
MY 2011/12 (October-September) total pulse production is estimated at 4.2 million metric tons (MMT), a 7 percent increase on higher broad bean production. Kidney bean production is forecast to drop 20 percent, as more farmers have switched to corn because of rising labor costs and high corn prices, which provide relatively larger potential profit margins. In MY 2011/12, China's dry pea imports are expected to decline 10 percent on high global prices.

General Information:

MY 2011/12 (October-September) total pulse production is estimated at 4.2 million metric tons (MMT), a 7 percent increase on higher broad bean production. Kidney bean production is forecast to drop 20 percent, as more farmers have switched to corn because of rising labor costs and high corn prices, which provide relatively larger potential profit margins.

Pulse production accounts for less than 1 percent of China's annual grain and feed output, and receives no production support from the central government. Please refer to CH1016 for more general information regarding China's pulse harvest procedure, processing operations, and transportation details.

Production:

Kidney Bean Production Drops 21 Percent on Less Planted Acreage

For MY 2011/12, kidney bean production is estimated at 750,000 MT, a 21 percent drop due to less planted acreage. Kidney bean acreage declined over 30 percent in Heilongjiang and Inner Mongolia, the top two kidney bean production areas (Xinjiang, Yunnan and Guizhou are also major kidney bean producers). Because of rising labor costs and high corn prices, which provide relatively larger potential profit margins, most farmers planted corn in lieu of kidney beans, although a few planted soybeans and mung beans. Local kidney bean farmers noted from 2009 [1] to 2011 labor costs climbed significantly, rising from RMB 600 to 800 per HA ($80 to $110) to RMB 1,200 to 1,500 per HA ($190 to $240), almost a 140 percent increase. Chinese labor is paid by the amount of hectares harvested, not by the hour.

Because of higher profit potential in corn, industry contacts believe that kidney bean acreage may continue to decline, which will keep kidney bean prices elevated. For example, from November to August 2011, the price of speckled kidney rose 68 percent to RMB 6,700 per MT ($1,055 per MT). During the same timeframe, the price of dark red increased 16 percent to RMB 8,000 per MT ($1260 per MT).

Broad Bean Production to Rebound to 1.8 MMT due to Favorable Weather

For MY 2011/12, broad bean production is estimated at 1.8 million metric tons (MMT), 13 percent up from the previous year on favorable weather. Last year, a severe drought in Yunnan province, which comprises over 30 percent of China's total broad bean planting area, caused production to drop 30 percent.

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

Mung Bean Production Grows to 980,000 MT on Increased Acreage

In MY 2011/12, mung bean production is projected at 980,000 MT, up 3 percent due to increased acreage on expectations of continued strong profits. As total supplies are higher than domestic demand (for the last few years extremely high mung bean prices caused many vermecilli processors to substitute mung beans with imported dried peas (see Consumption and Trade section)), mung bean prices are not expected to remain strong. According to industry sources, in November 2011, mung bean prices were RMB 7,000 to 8,000 per MT ($1,100 to $1260 per MT), 22 percent less (RMB 9,000 to 12,000 per MT ($1420 to $1,890 per MT) than the same period last year. Jilin, Inner Mongolia, Anhui, and Henan Provinces are the largest mung bean producers in China, accounting for over 60 percent of total acreage.

Adzuki Bean Production increases 10 percent

For MY 2011/12, adzuki bean production is estimated to rise 10 percent to 275,000 MT on good weather conditions in major producing areas, especially in north China. Heilongjiang, Inner Mongolia, Jilin, and Hebei Provinces account for 50 percent of China's total production area. Spring adzuki beans (planted in May-June and harvested in September to October) account for about 70 percent of China's total adzuki production (produced in Heilongjiang, Jilin, Liaoning, Inner Mongolia, and Hebei). Summer adzuki beans (planted in middle of June and harvested in middle of October) account for 30 percent of

production, and are primarily grown in Shandong, Anhui, Shaanxi, and Henan.

Dried Pea Production Falls due to Higher More Competitively Priced Imports
In MY 2011/12, dried pea production is estimated at 400,000 MT, down 20 percent on less demand as higher labor, input, and other production costs continue to push up prices, causing processors and end-users to substitute more competitively priced imported dried peas. However, for this year, because of higher imported dried pea prices, imports are expected to fall, and industry contacts believe processors will utilize more commercial stocks (see Trade section). China's major dried pea producing provinces are Sichuan, Gansu, Yunnan, Shanxi, and Ningxia Provinces.

Lentil Production Unchanged at 25,000 MT
For MY 2011/12, lentil production and planted area are projected at 25,000 MT and 50,000 HA, respectively. Gansu is the largest lentil producing province in China, accounting for over 70 percent of total lentil acreage, followed by Shaanxi and Ningxia.

Consumption:

Broad Beans
Domestically produced broad beans are primarily used for feed. Industry contacts estimate over 50 percent is mixed on-farm with other grains such as corn and soybeans, while another 30 percent is processed into industrial feed for aquaculture and dairy. Broad beans can significantly improve the quality of fish meat, such as grass carp, which can be sold for a premium. High quality dried broad beans are processed into snack foods, vermicelli, starch, and spicy bean sauce/paste. Fresh broad beans are generally consumed as a seasonal vegetable in China, usually available from March to June.

Mung and Adzuki Beans
Mung beans are popular for Chinese consumers who value its health benefits. Mung beans are traditionally prepared in gruel and mixed with rice and nuts, as well as used to grow sprouts, a popular vegetable in China. It also is widely utilized in bean paste, starch, and vermicelli noodle production. Although most mung beans are consumed domestically, some are exported to neighboring countries, like Japan and South Korea.

A large amount of adzuki beans are processed into bean paste, which is used for pastries, or exported to neighboring countries. Adzuki and mung beans account for about 50 and 10 percent of China's total bean paste production, which is estimated at over 1 MMT per year.

Kidney Beans
Every year, approximately 80 percent of China's total kidney bean production is exported. Beans that remain in China are primarily processed into paste. Industry contacts believe that many Chinese consumers understand kidney bean nutritional benefits; however, it is not as popular since it takes a long time to cook at home. "Ready-to-eat" kidney bean products, or possibly canned kidney beans, may receive a greater reception at the marketplace.

Dried Peas
Domestic dried peas are used in producing starch, vinegar and bean sauces; while imported dried peas are used for vermicelli and starch. According to industry statistics, China has about 300 vermicelli processing plants (40 percent are located in Yantai, Shandong province). In 2010, China's total vermicelli production was 900,000 MT. Industry contacts report that dried pea vermicelli accounts for around 20 percent of China's total vermicelli production, and is the most popular ingredient since in the last few years it has been relatively less expensive than mung beans, which experienced exorbitantly high prices. However, this year, some processors may use more mung beans, as prices have dropped compared to last year (see Production section). Mung beans are preferred by processors who want to serve a higher-end niche market (which implies a price premium), since it produces a higher quality vermicelli noodle. Other types of vermicelli may use potatoes, sweet potatoes, and/or lotus as the main ingredient.

Feed
In the future, depending on prices, opportunities may exist in substituting corn, soybeans, or domestically produced broad beans with imported dried peas in feed formulas. Dried pea nutrition density also means fewer pounds of feed may be

needed, which could lower overall costs. The price of imported Canadian dried peas (TRQ+VAT+basis) is around RMB 2,500 per MT ($400 per MT). The current northeast corn price (farm gate) is RMB 2,100 per MT ($330 per MT), and US soybeans are approximately $525 per MT (fob). Domestic dried broad beans, which are used in dairy and aquaculture feed, are more expensive than imported dried peas and sell for RMB 3,600 per MT ($570 per MT).

Trade:

Kidney Bean Exports to Fall 20 percent on High Prices

In MY 2011/12, kidney bean exports are forecast at 720,000 MT, a 20 percent decline on high prices. As mentioned in the production section, more farmers opted to grow corn, which lowered kidney bean acreage. This resulted in lower overall total domestic supplies and higher prices. It is uncertain if farmers will continue to plant corn in lieu of kidney beans, which might cause China to become less competitive in the kidney bean export market.

In MY 2010/11, Brazil was the largest buyer of Chinese kidney beans, and imported 97,487 MT. Although Brazil is a large kidney bean producer and consumer, imports surged last year because of low Brazilian production. During the same time period, South Africa, India, Pakistan, Italy, and Venezuela were also top export markets, accounting for 46 percent of China's total kidney bean exports.

Dried Pea Imports to Decline 10 percent on High Prices

In MY 2011/12, dried pea imports are projected to decrease 10 percent to 580,000 MT due to a 13 percent drop in global exportable supplies, which are expected to cause prices to rise. Canada, which dominates the global market (40 to 50 percent of total global market share), experienced a 25 to 30 percent decline in production on poor weather. Other potential suppliers such as the US and France also had production declines. In October 2011, in comparison to last year, import prices for dried peas climbed 40 percent to $447 per MT. Some vermicelli processors noted they would use commercial stocks or, because of relatively lower mung prices (compared to prior years), may utilize more mung beans to sell to higher-end niche markets.

In MY 2010/11, China's dried pea imports increased 40 percent to 639,164 MT on strong demand from various food processing sectors. Canada and the United States are the lead suppliers for China's imported dried pea market, accounting for 91 and 8 percent.

Policy:

Reside Levels

On January 24, 2011, China's Ministry of Health announced that in accordance with *the Food Safety Law* and *the Administrative Measures on National Food Safety Standards* and the approval of the National Food Safety Standard Review Committee, the previous selenium tolerances have been modified (old tolerance levels are located in *Contaminant Limits in Food (GB2762-2005)*). This announcement took effect upon publication. Industry believes the new policy will facilitate more dried pea imports.

Marketing:

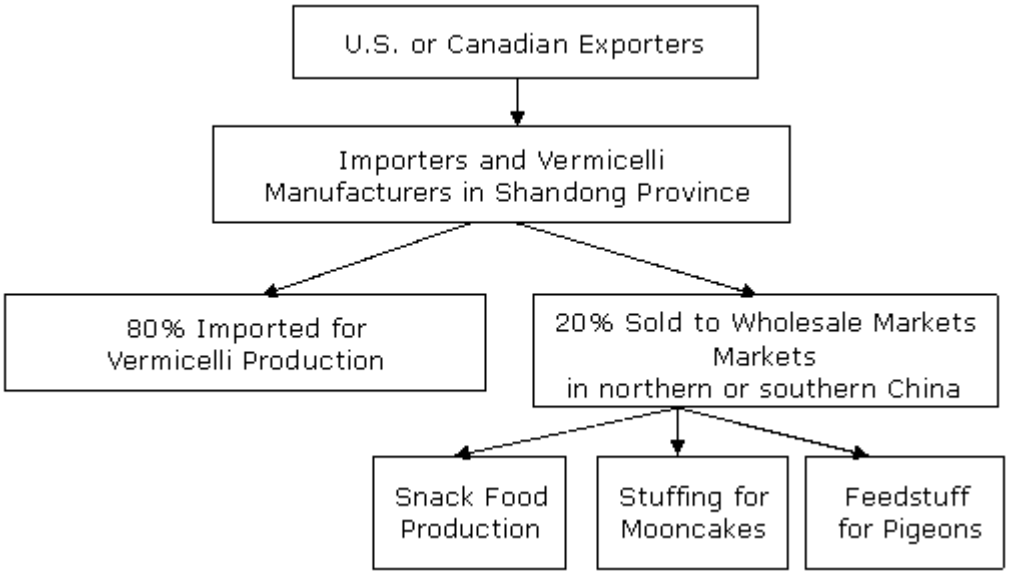
China's imported dried peas are primarily used for vermicelli and starch production. Industry contacts believe that China's vermicelli processors primarily rely on Canadian imports due to price competiveness and familiarity. That being said, other marketing opportunities might exist in other industries that produce high value products, including snack foods, moon cake filling, and bakery goods.

In the future, market potential may exist for imported dried beans. Although for many years dried beans have not been a major part of the Chinese diet, because of increasing awareness among consumers on its health benefits, dried beans are being utilized more in both traditional and other food products.

Dry beans are traditionally used in gruel or soup (especially in north China) called babaozhou, which also contains rice and/or millet. Babaozhou is also massed produced as a convenience food, and can be found canned for a quick meal.

Dried beans are used as paste for moon cakes, fried cakes, and other snack food fillings or toppings. However, some of these products are seasonal, such as moon cakes that are sold only during the Mid-Autumn Festival, which occurs every year around mid September. Although soybeans are used to produce bean milk, a very popular breakfast beverage, dried beans and other ingredients are also utilized to introduce new flavored products.

Distribution Channel for Imported Peas



The Agricultural Trade Offices (ATOs) have worked with the U.S. Dry Pea and Lentil Council and several other cooperators to expand the use of U.S. products in the bakery industry, including featuring recipes with U.S. dried pea, bean, and lentil products. FAS/China will continue these cooperative market development efforts.

Production, Supply and Demand Data Statistics :

Table 1. China's Pulse Imports

(MT)	Description	3rd	4th	1st	2nd	3rd Qtr 2011

		Qtr 2010	Qtr 2010	Qtr 2011	Qtr 2011	
071310	Peas	117,922	165,910	209,399	116,807	147,048
071390	Legumes	7,757	7,412	6,882	10,796	11,819
071331	Mung Beans	30,762	6,419	1,300	10,511	2,456
071333	Kidney Bean	775	184	489	2,429	721
071340	Lentils	286	32	28	85	69
071332	Bean, adzuki	0	105	777	154	70
071339	Beans, Other	0	0	7	41	0
071320	Chickpea	49	13	24	0	1
071350	Broad Bean	5	0	0	0	32
0713	Pulse	157,555	180,076	218,916	140,822	162,215

Table 2. China's Dried Pea Imports

Country (MT)	3rd Qtr 2010	4th Qtr 2010	1st Qtr 2011	2nd Qtr 2011	3rd Qtr 2011
Canada	107,695	139,796	189,746	110,906	143,544
United States	9,624	25,542	18,422	4,120	2,088
Others	603	573	1232	1,781	1,415
Total	117,922	165,910	209,399	116,807	147,048

Table 3. China's Pulse Exports

(MT)	Description	3rd Qtr 2010	4th Qtr 2010	1st Qtr 2011	2nd Qtr 2011	3rd Qtr 2011
071333	Kidney Bean	141,150	282,942	273515	224921	115382
071331	Mung Beans	16,433	39,514	39101	32233	15439
071332	Bean, adzuki	11,171	14,086	15918	14788	7210
071340	Lentils	1,610	9,043	6337	5781	2568
071339	Beans, Other	4,739	5,045	5421	2431	1392
071350	Broad Bean	1,961	4,825	6,827	4,185	2,585
071390	Legumes	469	1,934	1,455	742	468
071310	Peas	698	813	732	469	344
071320	Chickpea	5	0	1	0	0
0713	Pulse	178,231	358,202	349308	285551	145387

Source: Global Trade Atlas

Table 4. China's Kidney Bean Exports

Country (MT)	3rd Qtr 2010	4th Qtr 2010	1st Qtr 2011	2nd Qtr 2011	3rd Qtr 2011

India	23,901	10,765	31,805	28,428	6,419
United States	6,242	3,574	1,330	6,813	10,331
Pakistan	13,925	16,510	16,660	29,893	11,775
South Africa	21,832	17,978	21,401	29,661	23,053
Brazil	3,747	15,317	46,590	22,532	18,844
Costa Rica	2,591	7,421	10,734	6,804	3,753
Italy	5,619	5,380	16,084	14,997	12,462
United Kingdom	2,086	1,330	936	2,302	2,210
Congo Dem. Rep.	3,878	2,194	3,723	4,233	3,692
Dominican Republic	2,939	784	2,201	1,539	2,886
Turkey	3,875	876	22,770	12,919	4,080
Guatemala	1,944	3,478	4,368	6,114	5,516
United Arab Emirates	3,889	6,158	11,514	14,317	13,329
Others	63,999	49,385	92,832	92,962	106,573
Total	160,460	141,150	282,942	273,515	224,921

Source: Global Trade Atlas