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Pulse Annual

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Grain and Feed
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Report Highlights:
China's 2019/20 total pulse production is forecast at 4 million tons, down about ten percent from 2018/19 due to lower area harvested and unfavorable weather in major producing provinces. Low pulse prices (especially for mung and adzuki) helped drive plantings down year-over-year. China's annual pulse consumption per-capita is roughly 1.7 kilograms, leading East Asia as the fastest growing market. Pulses are increasingly deemed as a healthy and convenient food option. Rising incomes and greater nutrition awareness (health benefits of high fiber and vegetable protein diets) have strengthened demand. Robust demand is especially evident for dried peas (food and feed use), which are the fastest expanding market for pulses.

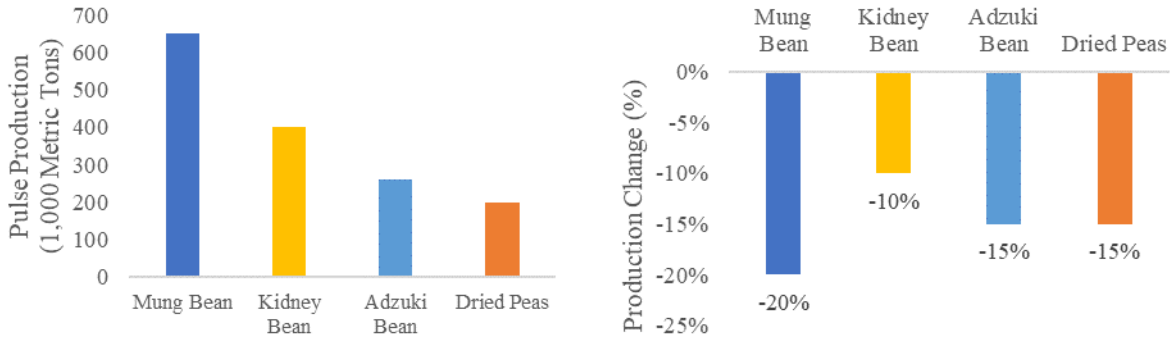
Note: The term "Pulses" refers to the Food and Agricultural Organization (FAO) definition: Legumes dried for food and not devoted for oil purposes or harvested green (fresh). Examples include dried beans, peas, lentils, and other dried leguminous crops. Oilseed legumes (e.g. soybeans) are not included and can be found in FAS-Beijing's Oilseeds GAIN reports.

PRODUCTION

China's 2019/20[1] total pulse production is forecast at 4 million tons, down about ten percent from 2018/19 due to lower area harvested and unfavorable weather in major producing provinces. Low pulse prices (especially for mung and adzuki) helped drive plantings down year-over-year. Pulse area was shifted to soybeans in North East China due to higher subsidies (relative to last year) for the latter;[2] Yunnan (a significant pulse-producing province) endured the worst drought in ten years.

Pulse production accounts for less than one percent of China's row crop output and receives no support from the Central Government. Challenges to expanding China's production include limited research, poor access to quality seeds, a lack of improved varieties, and limited planting and harvesting equipment. As production costs for rent and labor have risen, production margins have lowered.

China 2019/20 Pulse Production Forecast Down



Mung Beans

Production in 2019/20 is forecast at 650 thousand tons, down one-fifth from the previous year due to a significant decline in planted acreage.[3] Low market prices have discouraged plantings – border trade (predominantly with Burma) is suspected to have driven overall prices lower. In August 2019, the price of Burmese mung beans averaged six yuan per kilogram, about twenty percent cheaper than domestic mung beans.

Kidney Beans

[1] Oct. – Sep.
[2] Please refer to the September Oilseeds Update for more information regarding the soybean area expansion.
[3] Jilin, Inner Mongolia, Anhui and Shanxi provinces account for over half of China's total mung bean production.

Production in 2019/20 is forecast at 400 thousand tons, down 10 percent on lower area harvested which is projected to fall 15 percent in Northeast China as soybean area expands. However, acreage of dark-red kidney bean (Shanxi province) and large-white kidney bean (Yunnan province) increased over 20 percent from the previous year due to favorable returns. Large-white kidney bean prices reached a record high at 2,500 yuan per ton in August 2019 due to strong domestic demand.

Adzuki Beans

China is the largest adzuki bean producer in the world. Production in 2019/20 is estimated at 260 thousand tons, down about 15 percent from the previous year due to lower area harvested. Higher production and larger imports have resulted in high carry-over stocks since 2016 and driven prices down. As a result, low prices have incentivized farmers to shift to other crops for better returns.[4]

Dried Peas

Production in 2019/20 is projected at 200 thousand tons, down approximately 15 percent from the previous year on lower area harvested. [5] Acreage declined once again due to uncompetitive returns, as low-priced imports have helped reduce domestic prices.

CONSUMPTION

China's annual pulse consumption per-capita is roughly 1.7 kilograms, leading East Asia as the fastest growing market. Robust demand is especially evident for dried peas (food and feed use), which are the fastest expanding market for pulses. Kidney beans consumption is also experiencing rapid growth.

Consumer Trends

Pulses are increasingly deemed as a healthy and convenient food option. Rising incomes and greater nutrition awareness (health benefits of high fiber and vegetable protein diets) have strengthened demand. Domestic consumption has increased rapidly with consumers diversifying diet. Consumers continue to include pulses in their daily diet to enrich their source of fiber, protein, vitamins, and minerals. See GAIN report SH0032 for more information about consumer-market trends in China.

Retail sales for pulse products are usually divided between ready-to-eat preparations and dry beans for at-home preparation. Demand growth is expected for ready-to-eat preparations (e.g. pulse-based porridges and sweetened pastes), which are incorporated into breakfast and snack formats.

Mung and Adzuki Beans

Mung beans and adzuki beans are traditionally used to prepare local porridges and bean sprouts. Both types are also processed into paste, either for domestic use or export. Domestic paste is often sweetened and used in fillings for rice-based confections, flour-pastries, and baked goods.

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[4] Heilongjiang, Inner Mongolia, Jiangsu, Yunnan and Shaanxi provinces account for nearly 60 percent of national adzuki bean production.

[5] Ningxia, Gansu, and Qinghai (western provinces) account for roughly two-thirds of China's production.

Kidney Beans

Domestic consumption remains strong, as industry sources predict that the canned-food sector (canned beans and porridge) represent the best opportunity for greater consumption and growth.

Dried Peas

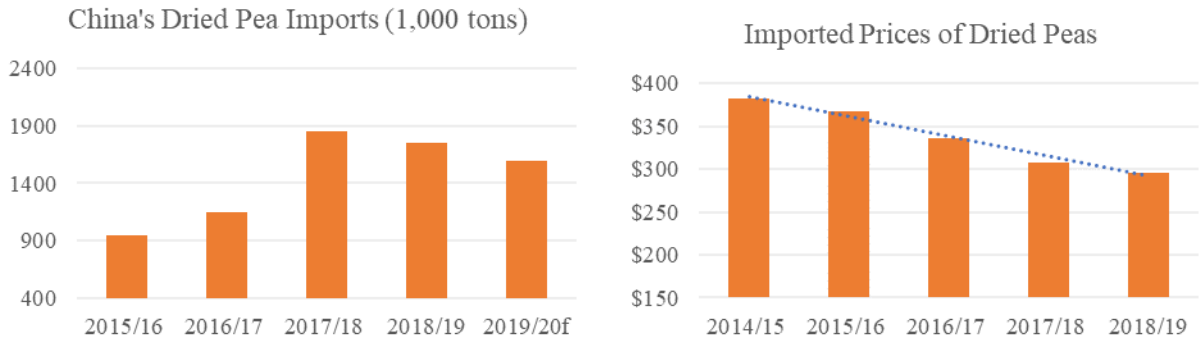
Dried peas are consumed for food use and increasingly incorporated into livestock and aquaculture feed formulations. For food use, peas are usually processed into starch, protein, and/or fiber for processed products. Pea starch is used to produce vermicelli and other types of noodles, while pea protein and pea fiber are processed into health food products.

Demand for livestock and poultry feed is growing due to competitive import prices. According to industry sources, import prices averaged 2,000 to 2,100 yuan per ton. However, FAS-Beijing doubts demand will growth much further for feed use, due to difficulty for most livestock in digesting large volumes.

TRADE

Imports

Dried pea imports in 2019/20 are forecast at 1.7 million tons, a 10 percent decrease due to high 2019 stocks.[6] High levels of imports have generated larger stocks, as attractive import prices (low relative to domestic) in 2017/18 and 2018/19 spurred significant demand.



Source: Global Trade Atlas. Note: 2019/20f is a forecast

[6] HS code: 07131090

Canada continues exporting the largest quantity of dried peas to China, accounting for nearly all imports in the first seven months of 2019. China's dried pea imports from the United States were less than half the quantity in 2018 (first seven months).

Exports

Kidney bean exports in 2019/20 are forecast at 140 thousand tons, down about 20 percent from 2018/19 on smaller domestic production and increasing domestic consumption.[7] Industry predicts China to become a net kidney bean importer in the future with surging domestic demand.

U.S. Pulse Exports to China

U.S. pulses were assessed a 25 percent additional duty on July 1, 2019. On August 23, 2019, China's State Council Tariff Commission (SCTC) announced new additional tariffs on certain U.S. products. Please see the next page **(Schedule of tariffs on U.S. pulse products)** for more information regarding tariff schedules. Also, please refer to GAIN Report CH19051 for the most updated tariff schedules for other U.S. agricultural and agriculture related products.

Similar to the United States, China also grants tariff exclusions to eligible products from the United States. China's Ministry of Finance (MOF) accepted exclusion applications from June 3, 2019 through July 5, 2019. Please see page six **(Applicable Pulse Products for Tariff Exclusion)** for the first list of applicable products. Exclusions granted will be made public, however, no records from the first application period have been published at this time. Please refer to GAIN report CH19032 for more information on the exclusion procedure. Currently, the application window for a second round of tariff exclusions for Chinese enterprises and associations is ongoing, and closes on October 18, 2019.

[7] H.S. code 07133390

Appendix

Schedule of tariffs on U.S. pulse products

HS Code (8-digit)	Product Description	MFN* Rate	232	301	Add'l tariff	Proposed add'l tariff	Total Applied Tariff
	Implementation Date	**1-Jan-19**	**2-Apr-18**	**1-Jun-19**	**1-Sep-19**	**15-Dec-19**	**15-Dec-19**
07131010	Seed Peas, Dried, Shelled	0%		25%			25%
07131090	Other Dried Peas, Shelled	5%		25%	5%		35%
07132010	Seed Chickpeas, Dried, Shelled	0%		25%			25%
07132090	Other Dried Chickpeas, Shelled	7%		25%	5%		37%
07133110	Seed beans, dried, shelled	0%		25%			25%
07133190	Other Dried Beans, Shelled	3%		25%	5%		33%
07133210	Other seed adzuki beans, dried shelled	0%		25%			25%
07133290	Other Dried Small Red (Adzuki) Beans (Phaseolus An	3%		25%	5%		33%
07133310	Seed Kidney Beans, Incl. White Pea Beans, Dried, Shelled	0%		25%			25%
07133390	Other Dried Kidney Beans, Incl. White Pea Beans, S	7.5%		25%	10%		42.5%
07133400	Dried Bambara beans (Vigna subterranea or Voandzeia subterranea), shelled	7%		25%	5%		37%
07133500	Dried Cow Peas, Shelled	7%		25%	5%		37%
07133900	Dried Beans (Vigna Spp./Phaseolus Spp.), Shelled, N	7%		25%	5%		37%
07134010	Dried Lentils, Shelled	0%		25%			25%
07134090	Other Dried Lentils, Shelled	7%		25%	5%		37%
07135010	Seed Broad Beans And Horse Beans, Dried, Shelled	0%		25%			25%
07135090	Other, Dried Broad Beans and Horse Beans, Shelled	7%		25%	5%		37%
07136010	Seed pigeon peas, Dried	0%		25%			25%
07136090	Other pigeon peas, Dried	7%		25%	5%		37%
07139010	Dried Leguminous Vegetables Seed Nes, Shelled	0%		25%			25%
07139090	Dried Leguminous Vegetables, Shelled, Nes	7%		25%	5%		37%

Applicable Pulse Products for Tariff Exclusion (1st Application Period May 13th 2019)

HS Code (8-digit)	Product Description
07131010	Seed Peas, Dried, Shelled
07131090	Other Dried Peas, Shelled
07132010	Seed Chickpeas, Dried, Shelled
07132090	Other Dried Chickpeas, Shelled
07133110	Seed beans, dried, shelled
07133190	Other Dried Beans, Shelled
07133210	Other seed adzuki beans, dried shelled
07133290	Other dried adzuki beans, shelled
07133310	Seed Kidney Beans, Incl. White Pea Beans, Dried
07133390	Other Dried Kidney Beans, Incl. White Pea Beans
07133400	Bambara beans, dried, shelled
07133500	Dried Cow Peas, Shelled
07133900	Dried Beans (Vigna Spp./Phaseolus Spp.), Shelled, N
07134010	Seed Lentils, Dried, Shelled
07134090	Other Dried Lentils, Shelled
07135010	Seed Broad Beans and Horse Beans, Dried, Shelled
07135090	Other Dried Broad Beans and Horse Beans, Shelled
07136010	Seed pigeon peas, dried
07136090	Other pigeon peas, dried
07139010	Dried Leguminous Vegetables Seed Nesoi, Shelled
07139090	Dried Leguminous Vegetables, Shelled, Nesoi