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Embracing Change: A Strategy for Increasing Global Pulse Consumption
The Colombo Accord

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GPC Convention 2018 at Colombo, Sri Lanka, in May this year will probably be remembered most for launching of the Colombo Accord – a set of guiding Trade Policy principles. The aim is adoption by GPC’s 28 National Pulse Industry associations as a framework to approach individual governments in each country for Trade Policies which are transparent and predictable.

The “elephant in the room” throughout the conference was the damage suffered this season by Pulse Industry participants, due to the introduction without notice of import quotas & reinstatement of import duties by India – the world’s biggest importer. Following two consecutive years of bad monsoons in 2014/2015, India needed to import 7 million tons in 2016-2017 to achieve Food Security. Pulses are an essential food-stuff in India where about a Billion Hindus follow a vegetarian diet and rely daily on pulses for protein.

Overnight on Nov 9th 2017, effective Indian import duty payable on Peas increased 55% (50% + 10% tax on 50%), which particularly hurt shippers with bulk cargoes afloat, who faced extremely challenging situation with their buyers. It is one thing to quote Gafta terms “Import duty, taxes or levies for Buyers account”, it is quite another to get documents collected from presenting banks when there is an unexpected additional 55% of unavoidable costs to be absorbed.

Starting Dec 21st 2017, import duty for Chickpeas increased in two stages to 44%, and Lentil 33%, causing similar havoc. Indian import quotas for Tur (Pigeon Peas), Urid (Black Matpe) & Mungbeans effectively ruled out further arrivals as the quota volumes were already —

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filled by quantities already imported at the date of the quota announcement.

East African nations had been encouraged by the Government of India in 2015/2016 to step up their production of Tur (Pigeon Peas). When the surprise introduction of Indian import quotas effectively stopped new shipments dead in their tracks, growers and processors in East Africa have been severely hurt. So much so, growers were reported to not even bother to harvest new crops, leaving crop to rot on the vine, as they couldn’t sell current crop which they held in store, without buyers.

There are on-going uncertainties regarding India’s insistence that imported pulses should be fumigated prior to shipment with Methyl Bromide (MBr.), a treatment that is banned in most origins under the Montreal Protocol (but still permitted in India). A temporary phyto derogation due to expire at the end of June has been extended till the year-end. However, shippers are obviously unwilling to take the risk of moving cargo to port for loading if there is a risk that destination authorities will not allow import if cargo has not been treated with MBr.

Gafta collaborated with GPC in designing and launching at last year’s GPC Convention the new GPC Contract #1 for cif/cfr shipments (heavily based on Gafta 88). GPC contract #1 relies on Gafta Arbitration rules 126 for settling disputes.

2019 GPC Convention will take place in Rio de Janeiro, Brazil in early June 2019. This will be a welcome “first” as most people in the pulses trade know little about Brazil, despite having the second highest consumption of pulses in the world, mainly domestically produced, unusually with 3 crops per year.
The OECD-FAO Agricultural Outlook 2018-2027

Predictable agricultural trade conditions will be crucial for addressing global food security challenges and achieving Zero Hunger

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The Organisation for Economic Co-operation and Development (OECD) and the United Nations Food and Agriculture Organization (FAO) released recently their new report, the OECD-FAO Agricultural Outlook 2018-2027, providing projections for agricultural and fish markets over the next 10 years up to 2027.

According to the report, prices of agricultural commodities should remain broadly at their current levels. A decade after the food price spikes of 2007-08, conditions on world agricultural markets are very different. Production has grown strongly across commodities, and in 2017 reached record levels for most cereals, various meat types, dairy products and fish, while cereal stock levels climbed to all-time highs. At the same time, demand growth has started to weaken and this is expected to persist over the coming decade. As a result, prices of agricultural commodities are expected to remain low. Current high levels of cereal stocks also make a rebound in prices unlikely within the next few years.

The report also stresses the increasing role played by agricultural trade in promoting global food security, highlighting the need for a favourable trade policy environment. It is clear that predictable agricultural trade conditions will be crucial for effectively addressing food security challenges and achieving the 2nd Sustainable Development Goal (SDG 2), also known as the ‘Zero Hunger’ goal.
Consumption – growth in demand projected to decelerate over the next decade

Over the last decade, agricultural markets experienced a strong increase in demand across a wide range of commodities. Much of the growth was driven by non-food uses, mostly feedstock for biofuel production and animal feed. While food demand stagnated in the developed world, biofuel mandates led to increased demand for maize, sugarcane and vegetable oils as feedstock. In parallel, higher incomes in China and other emerging economies raised demand for meat, which has in turn boosted demand for animal feed on global markets. Although biofuels and demand growth in China will continue to be important factors, their role in influencing global agricultural markets is diminishing and they are not being replaced by new sources of demand growth, whether for food, feed or fuel uses.

In terms of food demand, per capita consumption of many commodities at the global level is expected to stay flat, for staple foods such as cereals as well as for meat. Some low-income regions which currently have low per capita consumption levels of meat, such as Sub-Saharan Africa, are not expected to increase these levels significantly due to a lack of sufficient income growth. Some emerging economies, in particular China, have already transitioned to relatively high levels of per capita meat consumption. In India, where income growth is stronger, rising incomes translate into increased per capita demand for dairy products as preferred animal protein, rather than meat.

Given that per capita food consumption is projected to be flat, population growth will be the principal determinant of food demand growth over the coming decade. The bulk of additional food consumption is expected to originate in regions with high population growth such as Sub-Saharan Africa, South Asia, and the Middle East and North Africa. Demand patterns in these regions will increasingly influence international agricultural markets.

The demand for feed, meanwhile, will continue to outpace food demand as livestock production intensifies. A large share of the additional feed demand will come from China, as in the previous decade. Yet, demand growth for feed is expected to slow down globally compared to the last decade. The growing need for animal feed will push the crop mix towards maize and soybeans.

Finally, recent developments in biofuel policies, combined with the assumption of a relatively moderate increase in the crude oil price, suggest a more modest growth in the use of agricultural commodities to produce biofuels. This is in contrast with the past decade, when the expansion in the production of biofuels led to more than 120 million tonnes of additional demand for cereals, predominantly maize.

As a result of these developments in food, feed, and fuel uses of agricultural commodities, a slower growth in global demand for agricultural commodities is expected in the coming decade.
Production – developing regions to expand and intensify agricultural production

While the last decade was characterized by robust demand and high agricultural prices, leading to strong production growth across commodities, the coming decade will see global agricultural production grow more slowly. Agricultural and fish production is expected to grow by 1.5% per year for a total expansion of 16% up to 2027. Most of this growth will be the result of increasing productivity, with no major increase in agricultural land use at the global level, although this varies by commodity and by region.

The expansion of agricultural production is projected to be disproportionately concentrated in the developing world. The fastest growth is expected in Sub-Saharan Africa and South and East Asia, with the latter also expected to show the greatest growth in absolute terms. Overall, output is expected to expand less in developed economies, notably in Western Europe, where agricultural and fish production is only projected to grow by around 3% over the whole outlook period.

Improved availability of high-quality seeds, fertilisers and other technologies will favour production, while sustainability concerns may impose constraints. Agricultural policies worldwide will also shape global production decisions. India’s agricultural policies are focused on stimulating agricultural growth in order to meet domestic food security objectives, while other countries such as China and Argentina are aligning more closely with global markets.

Trade – an enabling trade policy environment is essential

With slower consumption and production growth, the growth of agricultural trade volumes is expected to slow down significantly over the next decade. The highest expected growth rate (for rice) is only 2.2% per year, while some commodities (e.g. biofuels) will barely register any trade growth at all. Net exports are expected to increase from land-abundant countries and regions, notably the Americas. Countries with high population growth rates, in particular in the Middle East and North Africa (MENA), Sub-Saharan Africa and Asia, will see their trade deficits (net imports) expanding.

For nearly all agricultural products, exports are projected to remain concentrated among a number of key supplying countries. A notable change is the emerging presence and increasing role of Russia and Ukraine in world cereal markets, which is expected to persist. The high concentration of export markets could increase the susceptibility of world markets to supply shocks, stemming from either natural or policy factors.

The OECD-FAO report highlights that beyond the traditional risks that affect agricultural markets, there is an increasing uncertainty with regard to agricultural trade policies and concerns about the possibility of rising protectionism globally. Agricultural trade plays an important role in contributing to world food security, and this role is projected to grow further especially in the context of climate change. This underscores the need for an enabling trade policy environment. Trade disputes will not benefit anyone and can only cause harm.
India Staring at One More Large Harvest

G. CHANDRASHEKHAR*

After two successive years (2016-17 and 2017-18) covering four successive seasons of relatively large harvests, India is again likely to produce a large crop of pulses in the upcoming kharif season harvest slated to begin mid-September.

Planted acreage continues to stay at elevated levels despite continued low farm-gate prices. Area sown is currently estimated at 13.1 million hectares, about 300,000 hectares lower than this time last year. However, yields risk a decline as the temporal and spatial distribution of rainfall has been less-than-satisfactory during most of June, July and August.

The Ministry of Agriculture has set a production target (tentative) of 8.9 million tons of kharif pulses, mainly tur/arhar (pigeonpea), urad (black matpe) and moong-bean (green-gram). The government’s production estimate for last year kharif is 9.3 million tons.

This season, in particular, the planted area for black matpe (urad) is seen at 3.7 million hectares, lower by about 500,000 hectares as compared with last year. Surprisingly, pigeon pea which bore the brunt of poor prices for well over one year now, has witnessed acreage unchanged from last year at 4.4 million hectares.

The government has begun to liquidate large inventory of pulses it is holding estimated at 4.0 million tons including 2.5 million tons of desi chickpea (chana). This open market will help meet the upcoming festival demand during August, September and October and contain any undue upside movement in pulse prices.

On current reckoning, the trade and tariff policy for pulses as well as domestic price situation is unlikely to change in a hurry. The farm-gate prices of kharif pulses are unlikely to rise to the level of minimum support price. This will once again force the government to intervene in the market and undertake price support operation that is procure pulses from growers at MSP.

As this writer has been highlighting from time to time, the way forward for India is to adopt policies that would boost domestic consumption of pulses in order to advance nutrition security. This would call for constant interaction with policymakers by individuals and institutions that present a credible voice.

Pulse consumption can be boosted by including it in various publicly funded welfare programs. Given that general elections are only months away, it should be possible to guide the policymakers into accepting the suggestion as it would be a politically expedient move for the government.

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Brazilian pulse producers have heaved a sigh of relief following the announcement of EMBRAPA, a public research company for the agricultural sector, that it is stopping research on genetically modified dry beans.

A majority of those involved in the production of pulses in Brazil have welcomed the announcement because, after long years of research and despite dominating technology, they have chosen to suspend research on transgenic Carioca Beans because of limited success.

The fact is, in the domestic market, a good part of the pulse consuming population is not in favour of consuming transgenic Carioca Beans. Importantly, even after years of research work, the researchers could not develop varieties with resistance to the golden mosaic and the Carlavirus at the same time. If anything, if one issue is addressed, the other issue worsens.

On the other hand, what has increased year after year is the consumption of organic beans. With a strict inspection of production, more and more producers show interest in seeking to meet the requirements of the most respected international quality labels; and thus, the Brazilian consumer feels secure in consuming more of organic beans.

For the same reason, producers have been striving to promote pulses within the standards of traceability. These pulses can meet the global demand for food with sustainability.

Rodrigo César Madeira of Correpar Food Brokers commented that he has noticed the growing search by Brazilian producers of Brown Eye Beans, Cow Pea, Black Eye Beans and Mung Beans with biological treatment. “Nowadays, as far as farmers are concerned, the use of organic products still represents a higher cost for crops; but as they grow in scale, they must be increasingly used,” notes Mr. Madeira.

The optimism in the sector is heartwarming. Another reason for optimism is that it is the first year that Brazil produces Cranberry Beans and Black Eye Beans, with the country’s own seeds developed for the tropical climate. Production this year may not be higher than 5,000 tons and most of it will be consumed in the domestic market. The grain size of most of the production will be between 200/220 grains in 100 grams.

Mr. Regis Ferreira of BR Pulses said that in September about 400 tons of the first production of Cranberry Beans with 140/160 grains in 100 grams should be available from the production area.

In 2019, Brazil will be in a position to meet the demand for larger quantities of this variety. But because productivity is low and production costs are high, a price level of US $ 1,200 a ton would be attractive for producers.
The Black Sea region traditionally uses mostly spiked cereals and corn for food and feed purposes. At the same time, pulses consumption in the Black Sea countries is traditionally low.

Remarkably, the region’s crops recently followed a steady upward trend. In particular, pea production in Ukraine rose rapidly in 2015-2017. The increase was achieved due to expanding acreage and favorable weather conditions that resulted in high yields.

The expansion of plantings is driven mostly by the export focus of pulses. For instance, over 70% of the harvested pea crop was shipped abroad in MY 2017/18. Other noteworthy incentives for growth of the planted area include the necessity of observing crop rotation requirements and high value of peas as a predecessor of cereals and oil crops.

Pea consumption inside the country grows at a far slower pace. Peas are used mainly for feed purposes, as an additive to compound feeds. The food industries in the Black Sea region also actively produce polished split peas. However, the lion’s share of the product is ultimately exported as well. In the 2017/18 season, the top buyers of Ukrainian polished peas included countries such as Somalia, Turkey, Malaysia, Yemen, and Sri-Lanka.
Embracing Change: A Strategy for Increasing Global Pulse Consumption

The global pulse industry has a lot to talk about. World pulse trade changed drastically this past year along with the trade policies in one of our key importing markets. The food system is also undergoing a major transformation. Demand for protein is projected to double by 2050 with the growth of the global middle class. The world is under increasing pressure to provide a growing population with affordable and sustainable nutrition.

Something all pulse producing nations share is passion for pulses, and the crucial role we know pulses can play in solving today’s environmental and nutritional challenges. Now, as the global pulse industry reacts to the changes in food markets, the industry also needs to work together to leverage new opportunities for pulses within the evolving global food system.

Consumers are altering food purchasing and preparation habits. Taste, affordability and convenience are key drivers of purchasing decisions, but nutrition and environmental sustainability are increasingly a top priority. For instance, consumers in North America are incorporating more plant-based foods into their diets and many are even willing to pay more for plant-based options. Nielsen data reveal that 60% of American consumers report that they are cutting back on meat and 39% are actively trying to incorporate more plant-based foods into their diets.

These changes in consumer demand are putting increasing pressure on the food industry to deliver healthy and convenient food products while also reducing their environmental footprint. Earlier this year, McDonalds announced a commitment to reducing greenhouse gas emissions by 36% by 2030, becoming the first (but certainly not the last) restaurant chain to set a science-based emissions target that has been approved by climate change experts.
A solution for food companies to help meet evolving consumer demand lies in food product reformulation. This creates a major opportunity for pulse ingredients. Pulses can help food companies deliver affordable, nutritious food products while also lowering the environmental footprint of their supply chains. For example, a study published by Pulse Canada and ETH Zurich this past winter shows that reformulating cereal-based products like bread, pasta or breakfast cereal to include 30% whole yellow pea flour can improve their nutritional content and dramatically reduce their carbon footprint.

Growing consumer interest in plant-based ingredients is generating innovation in other categories beyond cereal-based foods. Plant-based beverages, meats and even seafood are increasingly showing up on grocery store shelves in Europe and North America. According to Euromonitor, U.S. retail sales of plant-based milks are projected to grow by 3 per cent this year alone. This phenomenon is not limited to North America and Europe. Consumer appetite for plant-based foods is also growing in countries like China, representing a major opportunity to drive volume use of pulse ingredients.

Opportunities to grow demand for pulses also exist within the foodservice sector. For example, consumers in North America now eat 50% of their meals outside of the home. The Culinary Institute of America is encouraging foodservice operators to blend traditional animal meat foods, such as burgers, with plant-based meat ingredients to reduce the calories, fat content, cholesterol and carbon footprint of these foods while still meeting consumer expectations for flavour and nutrition. The Canadian pulse industry is working with North American foodservice companies to explore options for increasing pulse utilization such as plant meat and animal meat blends using pulses.

The growing interest in plant-based foods is not a trend. Rather, it’s symptomatic of a bigger shift occurring within the world food system toward greater recognition of the role of food in creating a healthy population and a healthy planet. Now is the time for our industry to create a strategy that will help us prepare for these changes in the food system, and use them to drive sustainable demand for pulses over the long term.

At the Pulses 2018 conference in Colombo in May, the Global Pulse Confederation presented the Colombo Accord, a blueprint for growth for the pulse sector. The Colombo Accord focuses on increasing both production and consumption of pulses worldwide. Importantly, the Colombo Accord emphasizes collaboration and cooperation between countries through increased transparency and predictability of trade. Achieving these conditions is paramount to ensuring worldwide pulse production and consumption continue to grow.

(This article is contributed by Pulse Canada)