

Role of China in pulses industry

The growing population and the economic performance for the past few years has kept the world guessing about china's role in the market for any product in the world. However, recently, China's economic growth has slowed down. The growth rate in 2015 was 6.9%, much below the recent average. The Chinese authorities describe it as stable. Further, the projections for 2015-2019 periods suggest an economy value in excess of 15 trillion dollars by 2019.

The slowdown in China has affected the areas like investment, retail sales and industrial output, one industry that kept growing is the Food Industry. In 2014, the revenues from the food industry in China were an estimated 2 trillion USD. This is the impact of the massive urbanization, which has spurred the demand for the packaged food. This industry will continue to grow over the years as the population of 1.3 billion, the rising middle class and the urbanization will keep the demand for better and healthier food rising. This will also have an impact on the food habits and demand of type of food.

One industry that has seen the impact is pulses. China had become the net exporter of pulses, whereas it has now turned into a net importer. China's annual grain and feed production has less than 1% share coming from Pulse and as a result, this sector does not receive any production support from the government. As per estimates, China's pulses production for year 2014-15 (October to September) was around 4 million tons. However, lower export prices have kept the production of beans lower. The prices of Black Beans were at around 4000-4100 RMB per ton in November 2014, as against 5000 RMB per ton in the previous season. This led to the traders holding on to the stock and the prices going further down. As a result, the crop for next year was lesser.

China in early 90s started the export of beans. It was low quality but cheaper beans. This led china to be a major player and an exporter of kidney beans, green mung beans, adzuki beans. The economic growth, growing domestic demand and the changing dietary pattern led to the reduction of exports except for kidney beans that china still plays a major role.

China has also been a consumer of pulses like Dry peas. China started importing the peas in early 1990s and since then has continued doing that. This has only increased over the years and the changing dietary patterns have added to its demand.

The demand from the food processing sector, like the processors for vermicelli and the protein producers keeps this demand higher. Some new factories were commissioned by China in past years. In addition, some have been upgraded. This expansion of production capacity for starch for Vermicelli and Pasta has led to the increase in demand for dry peas. The carry over stock last year kept the imports low to a level of 700-800 thousand tons, but in long term it is expected to rise.

The sources that China imports from are Canada and USA. The industry is expanding, but not with a very rapid pace. In addition to the Dry Peas, the import of Green Gram is also increasing in China. The increase in demand for dry snacks and packaged food has also contributed to the rise in demand.

However, the Chinese pulses industry is less organized as compared to other crops. The pulses industry is dominated by small holder producers with small parcels of land. Hence it is not very efficient. The industry also is not a priority industry for the government. The support of other crops poses a challenge for pulses in China as the acreage can be diverted to crops like vegetables or Corn.

The role China used to play in the global pulses industry is reversing. The export of black beans to Brazil is still there, but the rising costs and the factors associated with their domestic production as well as Argentinian crops keeps China's export uncertain. China may see itself as a major importer, then being an exporter soon. The Kidney beans is finding a new market as local packaged food manufacturers are using local Chinese beans for their canned products. The Chinese consumers still have not embraced the nutritive value of pulses and still, the pulses do not find its way into traditional Chinese food. But, with the urbanization, and more and more people becoming aware of healthier foods and western food culture picking up, the demand for pulses will rise. This may not be sudden, but slowly China is making its way into the list of major importers.