

agribusiness



# IN FOCUS: PULSES

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## Important Notice

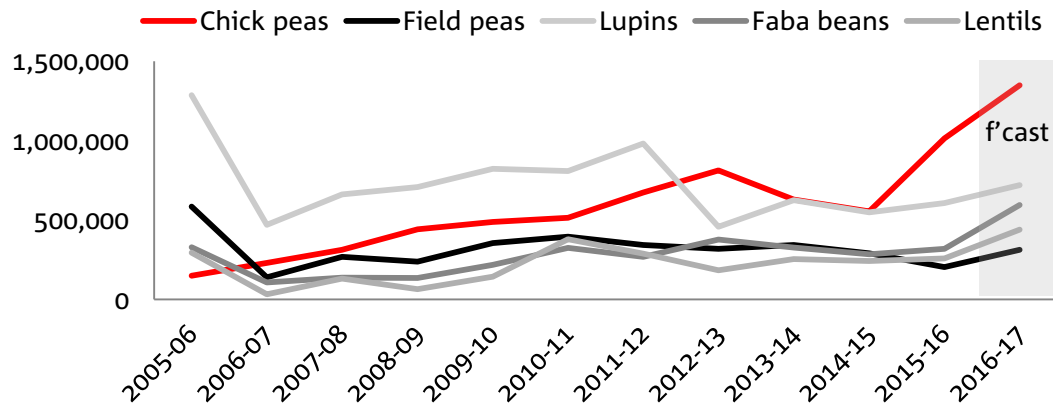
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# KEY POINTS

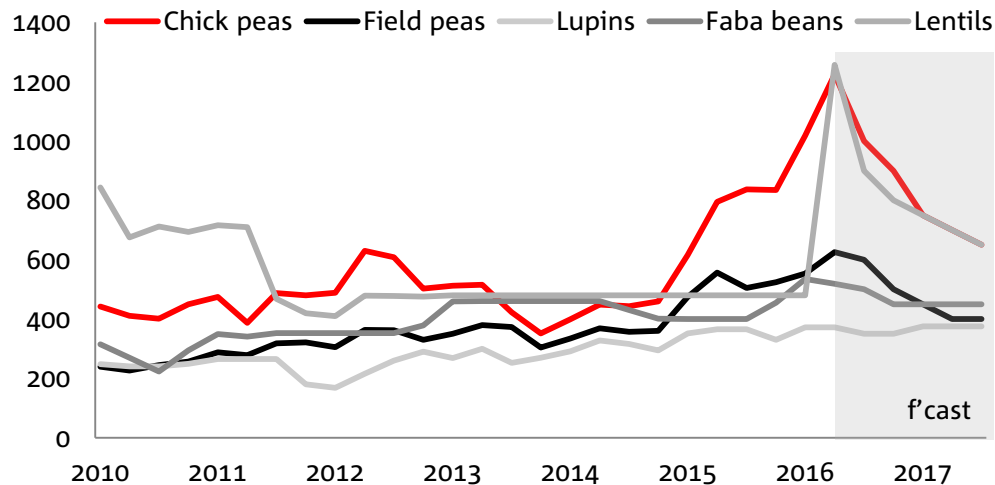
## PRODUCTION OUTLOOK – AUSTRALIA

Tonnes



## QUARTERLY PRICE OUTLOOK

AUD/tonne



In this report we present a strong outlook for Australian pulses production, reflecting the exceedingly favourable season so far and greater plantings for some varieties. Our forecasts point to 2016-17 harvests being substantially higher than the patchy 2015-16 season. We see production for chick peas up 33.0%, lupins up 18.6%, lentils up 69.9%, field peas up 52.8% and faba beans up 86.1%.

We are, however, substantially more circumspect when it comes to the outlook for prices. This is particularly the case for pulses predominantly destined for India, such as chick peas and lentils. Prices for both exceeded AUD1,200/tonne this year following two poor Indian monsoon seasons. However, we are already seeing the return of more favourable conditions to India this season, and should the monsoon continue to perform, it is likely that Indian pulse production will be well up on last season. This will likely diminish demand for Australian chick peas, lentils and field peas and prices will respond accordingly. Further, we expect Canadian lentil production to be strong on enthusiastic planting. We see chick pea and lentil prices below AUD700/tonne by the September quarter 2017. While this represents a significant decline from the peaks earlier this year, prices are likely to remain well above wheat and other major grains.

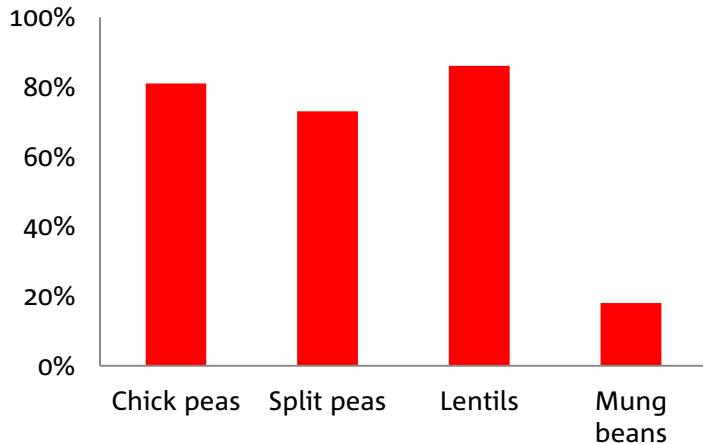
For pulses less dependent on the Indian market, such as faba beans and lupins, the price gains have been smaller. However, we expect prices for these to remain reasonably stable over the coming year.

Source: ABARES, AEGIC, Pulse Australia, Australian Bureau of Statistics, Bloomberg, Profarmer and NAB Group Economics

# MARKET IN FOCUS: INDIA

## SUBCONTINENT EXPORT SHARE

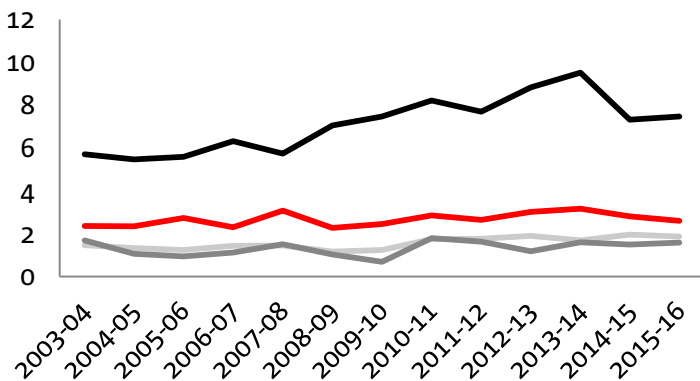
Australian exports, per cent, 5 year ave.



## PULSES PRODUCTION - INDIA

Million tonnes

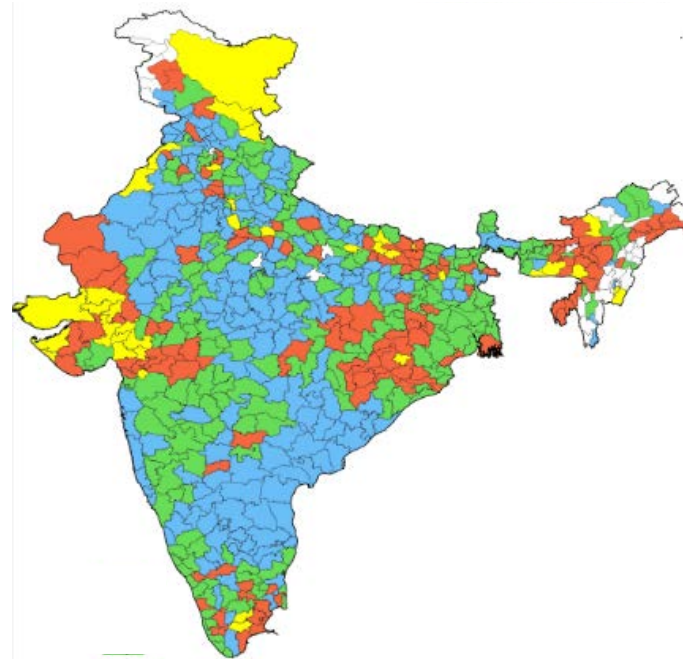
— Tur (pigeon pea)      — Gram (chick pea)  
— Urad (black lentil)      — Moong (mung bean)



Source: India Meteorological Department, Australian Bureau of Statistics, India Department of Agriculture, Business Standard, NOAA, Pulse Australia and NAB Group Economics

## RAINFALL VARIANCE - INDIA

1 June to 6 July 2016



■ Excess (20% or more above ave.)  
■ Normal  
■ Deficient  
■ Scarcity

India, with its high preponderance of vegetarianism, is the world's largest chick pea producer and a huge consumer of pulses for their high protein content. Australia's chick pea, split pea and lentil producers are focussed largely on the Indian market.

Over 90% Australian chick peas and lentils are exported, of which over 80% are destined for the subcontinent. Consequently, the performance of Indian domestic chick pea (gram) and lentil (urad) crops is a major driver of Australian prices.

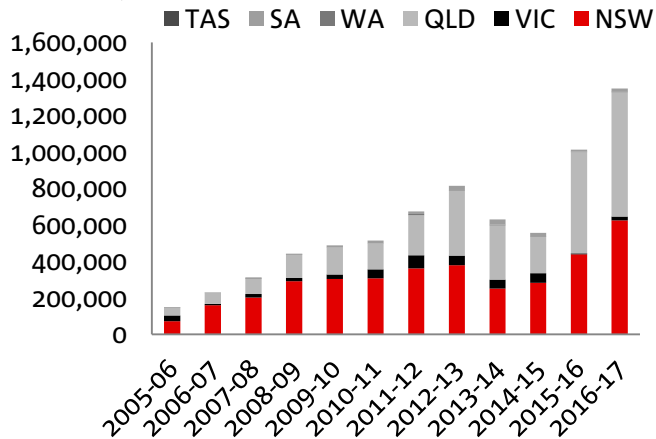
The last two Indian monsoon seasons (June to September) were generally disappointing, with the 2015-16 El Nino biting hard. [NOAA reports](#) that this is only the fourth instance of two below average monsoons in a row in 115 years of records.

However, the monsoon season this year has been broadly favourable in most (but not all) regions, presenting an upside for Indian yields. Further, official estimates of the area planted to pulses in 2016-17 look to be substantially – around one-quarter – higher than 2015-16. The combination of increased planting and better yields presents an upside for Indian production and therefore some downside risk for demand for Australian pulses.

# CHICK PEAS

## AUSTRALIAN CHICK PEA PRODUCTION

Tonnes, actual and 2016-17 forecast



## 2016-17 CHICK PEA FORECASTS

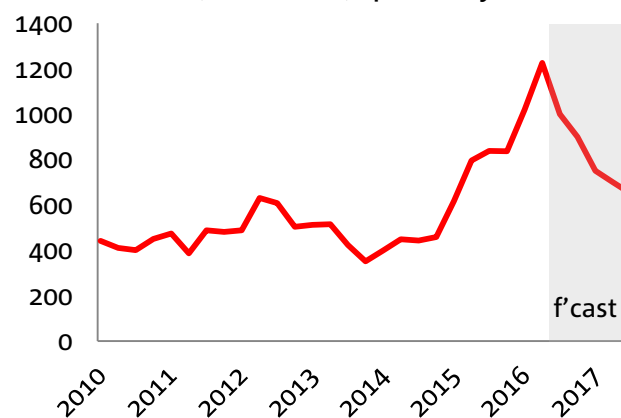
NAB estimates, except area planted as per ABARES

	NSW	VIC	QLD	WA	SA	TAS	AUS
<i>Production</i>							
Million t.	0.62	0.02	0.68	0.00	0.02	NA	1.35
Change %	42.50▲	289.45▲	22.79▲	30.01▲	48.25▲	NA	33.02▲
<i>Yield</i>							
t/ha	1.87	1.36	1.98	1.26	0.91	NA	1.88
Change %	23.69▲	230.52▲	20.30▲	5.89▲	39.19▲	NA	22.77▲

Source: ABARES, AEGIC, Pulse Australia, Australian Bureau of Statistics, Bloomberg, Profarmer and NAB Group Economics

## CHICK PEA PRICES

AUD/tonne, Brisbane, quarterly ave.



More than 80% of Australia's chick pea crop is destined for the Indian subcontinent, making Indian production a major determinant of Australian chick pea prices. Two poor Indian monsoon seasons in a row sent chick pea prices on a stellar run, with prices surging from less than AUD500/tonne at the end of 2014 to over AUD1,200/tonne this year.

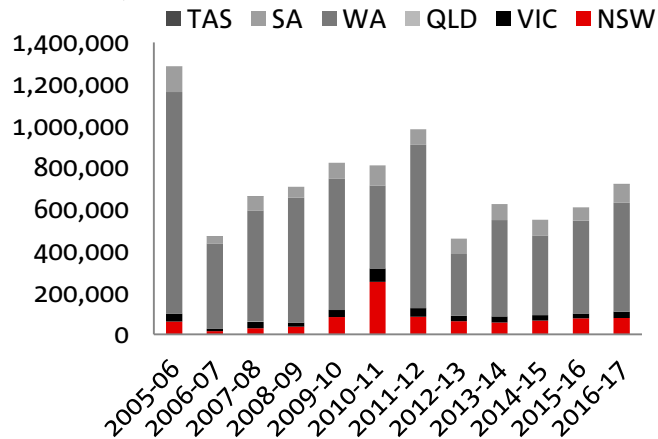
This trend appears to have slowed following a strong start to the Indian monsoon following difficult growing conditions in India last season. Chick pea prices rose 2.2% (AUD) in June. We expect closer to average growing conditions in India to push prices lower in the coming year – much closer to pre-2015 levels.

While there are risks to prices, the so far excellent season, combined with increased plantings in Queensland and New South Wales (which combined account for over 95% of Australian chick pea production), point to much higher production. We see Australian chick pea production at 1.35 million tonnes in 2016-17, an increase of 33.02% on last season.

# LUPINS

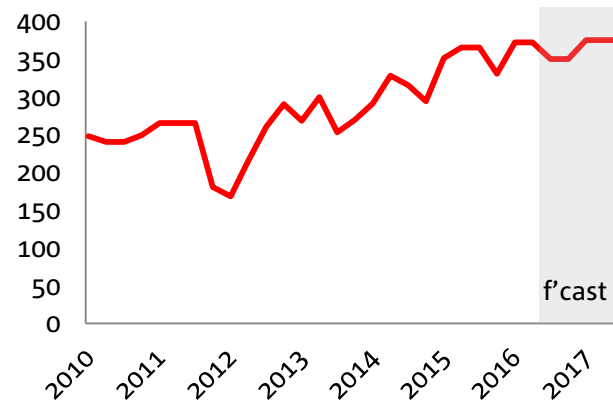
## AUSTRALIAN LUPIN PRODUCTION

Tonnes, actual and 2016-17 forecast



## LUPIN PRICES

AUD/tonne, Port Adelaide, quarterly ave.



## 2016-17 LUPIN FORECASTS

NAB estimates, except area planted as per ABARES

	NSW	VIC	QLD	WA	SA	TAS	AUS
<i>Production</i>							
Million t.	0.08	0.03	NA	0.52	0.09	NA	0.72
Change %	2.24▲	28.38▲	NA	17.28▲	44.20▲	NA	18.60▲
<i>Yield</i>							
t/ha	1.53	0.92	NA	1.45	1.23	2.00	1.39
Change %	23.69▲	28.38▲	NA	5.89▲	39.19▲	#DIV/0!	12.39▲

Australian lupin production is dominated by Western Australia, which we forecast will contribute over 70% of the national harvest this season. Around half of Australian lupin production is exported, largely to destinations in Asia, the Middle East, North Africa and North America.

As lupins are not predominantly exported to India, they have not seen the same run-up in prices experienced by chick peas, field peas and lentils. Consequently, we do not expect the same downside risk to prices, with our forecasts pointing to broadly stable Australian prices in the coming year.

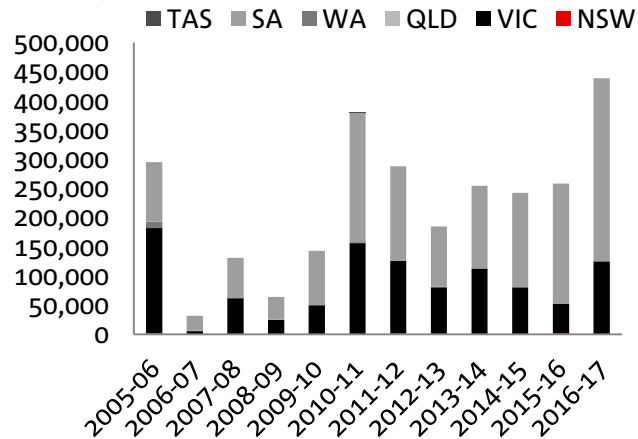
Production has been highly variable over the years and this season we expect to see a crop of just under 720,000 tonnes, up 18.6% on last season. The progress of the season so far points to yields being 12.39% higher than last season.

Source: ABARES, AEGIC, Pulse Australia, Australian Bureau of Statistics, Bloomberg, Profarmer and NAB Group Economics

# LENTILS

## AUSTRALIAN LENTIL PRODUCTION

Tonnes, actual and 2016-17 forecast



## 2016-17 LENTIL FORECASTS

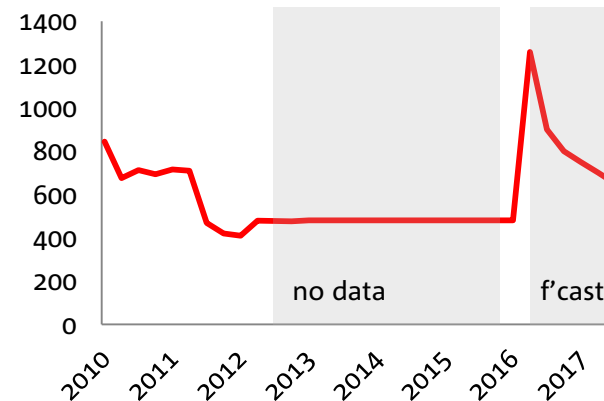
NAB estimates, except area planted as per ABARES

	NSW	VIC	QLD	WA	SA	TAS	AUS
<i>Production</i>							
Million t.	0.00	0.12	NA	NA	0.31	NA	0.44
Change %	81.30 ▼	146.90 ▲	NA	NA	52.63 ▲	NA	69.89 ▲
<i>Yield</i>							
t/ha	1.05	1.13	NA	NA	2.21	NA	1.73
Change %	23.69 ▲	123.44 ▲	NA	NA	39.19 ▲	NA	55.64 ▲

Source: ABARES, AEGIC, Pulse Australia, Australian Bureau of Statistics, Bloomberg, Profarmer and NAB Group Economics

## LENTIL PRICES

AUD/tonne, Port Adelaide, quarterly ave.



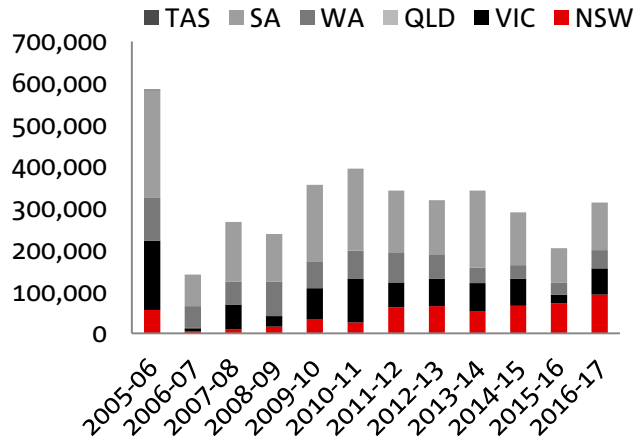
Lentils – key ingredients in dhal – are even more focussed on Indian exports than chick peas. Pulse Australia reports that 86% of our lentil harvest is sent to the subcontinent (five year average). Prices responded to Indian shortages and patchy Canadian crop quality by skyrocketing to over AUD1,200/tonne this year. Reflecting our expectation of a good Indian monsoon season this year and increased plantings elsewhere, we see lentil prices falling in the coming year.

Our forecasts point to Australian lentil production reaching 438,651 tonnes this season, based on substantially better yields in South Australia and Victoria. 2015-16 saw Victorian average yields at an exceedingly low 0.5 tonnes/hectare. We see Victorian yields returning to more average conditions this season.

# FIELD PEAS AND FABA BEANS

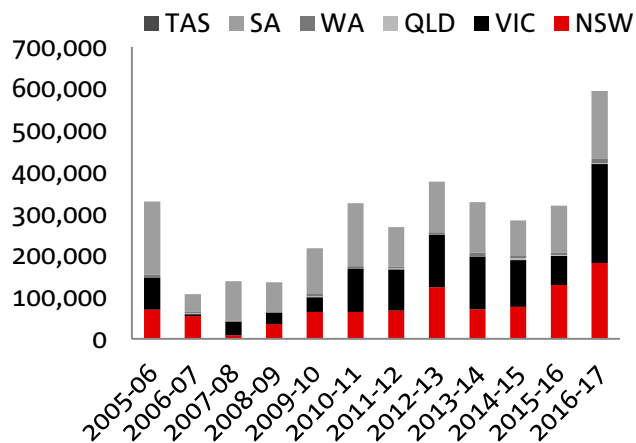
## AUSTRALIAN FIELD PEA PRODUCTION

Tonnes, actual and 2016-17 forecast



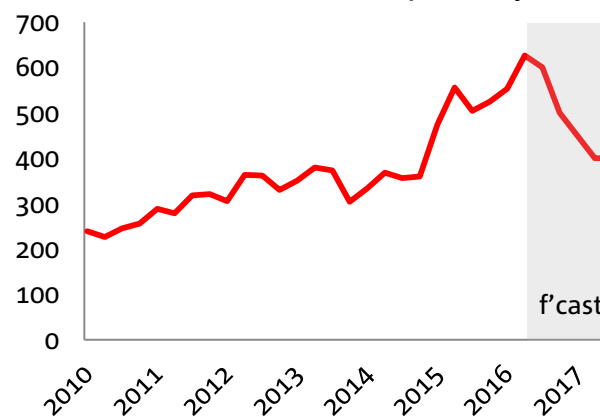
## AUSTRALIAN FABA BEAN PRODUCTION

Tonnes, actual and 2016-17 forecast



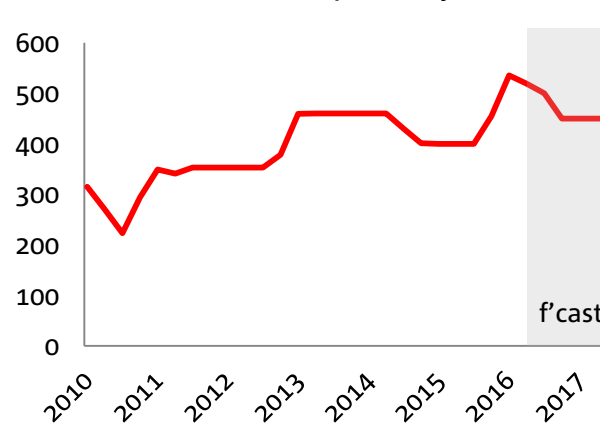
## FIELD PEA PRICES

AUD/tonne, Port Adelaide, quarterly ave.



## FABA BEAN PRICES

AUD/tonne, Portland, quarterly ave.



Field peas, like lentils, are often used in dhal and are very popular in India, where around three-quarters of Australian production is sent. This season, we see higher plantings in Western Australia and New South Wales, combined with improved returns across the board (but especially in Victoria) driving production 52.8% higher to 312,482 tonnes. Despite the Indian focus, field pea prices have not reached the heights of chick peas or lentils, reaching AUD640/tonne in June 2016. We see prices returning to more subdued levels in the coming year, reflecting improved Indian production.

Faba beans are on track to have an excellent season, particularly in Victoria, which we forecast to be Australia's largest faba bean producer in 2016-17 after a very poor 2015-16. We place Australian production 86.1% higher this season. There is moderate downside risk to prices, particularly if the crop performs in line with our forecasts.

Source: ABARES, AEGIC, Pulse Australia, Australian Bureau of Statistics, Bloomberg, Profarmer and NAB Group Economics