

## Where Are Pulses Fitting In the Current World Market?

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Pulse markets are experiencing a tumultuous year. Despite what is happening around the world, pulse markets have seen improved demand and signs the 2019/20 marketing year is going to end on a strong note.

As consumers realized movement would be restricted because of the COVID-19 coronavirus pandemic, there was a round of panic buying which saw short-term demand for pulses skyrocket. Some domestic processors said domestic movement was more than double the previous year, as canners and packagers worked to resupply retailers.

Demand has since cooled down in domestic markets, but it seems likely that the supply chain needs to be restocked after the coming harvest. That could see better-than-usual movement through the end of the calendar year.

The bigger question is what will happen in 2021?

Sales of plant protein meat substitutes saw big increases in many countries. To the extent people liked the taste and mouth-feel of those products, some of that demand is going to be sustained as long as those products are price competitive with meat.

At the same time, restaurant closures forced more people to cook at home. Demand from people who already make pulses a normal part of their diet is not going to change. The bigger question is whether those people who are eating more pulses than normal will keep doing so.

One reason pulse consumption has risen is because of disruptions to meat processing capacity because of outbreaks of COVID-19 in those work places. If there is a parallel it might be the Great Depression. At the time average meat consumption in the United States dropped from 130 to 110 pounds per person per year, while the amount of dry beans eaten rose from 6-10 pounds per year.

What this means is that just because more people are eating pulses instead of meat, we cannot keep this demand unless pulses are interesting and tasty.

Interestingly, some companies in India are working to solve the same issue. India is seen as a mainly vegetarian country, but only 28% of its people are strict vegetarians, while 72% eat meat at least once per week. One of India's leading manufacturers of plant-based meat alternatives is working to change this with products made from soybeans, pea protein, and flours from other pulses. It wants to expand the usage of protein from pulses, but currently faces obstacles sourcing product at prices which keep retail values low enough to encourage consumers in India to switch to meat substitutes.

India's minimum support system, high import duties on pulses, and restrictions on how many peas and beans can be imported is helping keep prices to farmers at more reasonable levels, only by making pulses more expensive for food manufacturers and consumers.

Demand for pulses could be helped by rising prices for poultry and other meats because of some key markets and food distribution companies have been closed.

Perhaps to help relieve price pressure on consumers, India reduced import duties on lentils from 30% to 10% for all countries except the United States (U.S.). Duties on U.S. lentils dropped from 50% to 30%. Duties will go back to normal on August 31. However, global supplies of old crop lentils are tight and the August 31 deadline is too early for new crop. As a result, India may not see a big jump in imports.

Events which might be helping demand for pulses in India could start playing out in more countries. The Organization for Economic Co-operation and Development (OECD) thinks the world could be in the worst recession in 100 years because of sharp drops in economic activity, as countries try to control the spread of the COVID-19 coronavirus.

Countries such as Canada and the U.S. have taken steps to keep money in the pockets of consumers, but there are limits to how long this can be done. Spending deficits are jumping as countries print instead of borrow money to cover the cost of helping people and businesses. There is a limit to how much they can print without causing serious inflation.

As it stands, the OECD thinks the global economy will contract 6%. If there is a second outbreak later this year and governments again restrict people's movements, the economy could shrink 7.6%. Things are expected to look better in 2021, but the world will not get back to where it was before the virus erupted. This could see people eating more pulses longer than currently expected.

Demand is not likely to get back to what was seen during the 2016/17 marketing year when Canadian exports approached 4 million (M) tonnes for peas and 2.5 M tonnes for lentils. Unless more peas and lentils were planted this year than suggested by the seeding intentions, or farmers are holding more product than thought, exports will likely be lower in the coming season. Seeded acres will be high enough to result in a huge drop in next year's carry-over. That ought to see prices set their season lows early in the coming marketing year.

If acreage is a lot higher, there is a good chance we will simply sell more. Having said that, you need to remember markets tend to think in terms of what they know. More than once, demand for peas or lentils was a lot bigger than people imagined was possible. We could very well be entering a time when demand outstrips our imagination.

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