



# Bi-weekly Bulletin

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## EUROPEAN UNION: PULSE CROPS SITUATION AND OUTLOOK

The European Union (EU) is an important market for Canadian dry peas, dry beans, lentils and chickpeas. Exports of Canadian pulse crops to the EU averaged about \$250 million per year over the past five years. However, the EU is also a competitor with Canada in world markets for dry peas and fababeans. This issue of the *Bi-weekly Bulletin* examines the situation and outlook for the production and trade of pulse crops in the EU.

### PRODUCTION

The EU is a large producer of dry peas and fababeans, and a smaller producer of vetches, lupins, dry beans, chickpeas and lentils. Dry peas, fababeans, vetches and lupins are produced mainly for the livestock feed market, especially for feeding hogs; whereas dry beans, lentils and chickpeas are produced for the human food market. During the past ten years, there was a slight downward trend in total pulse crops seeded area and production.

#### Dry Peas

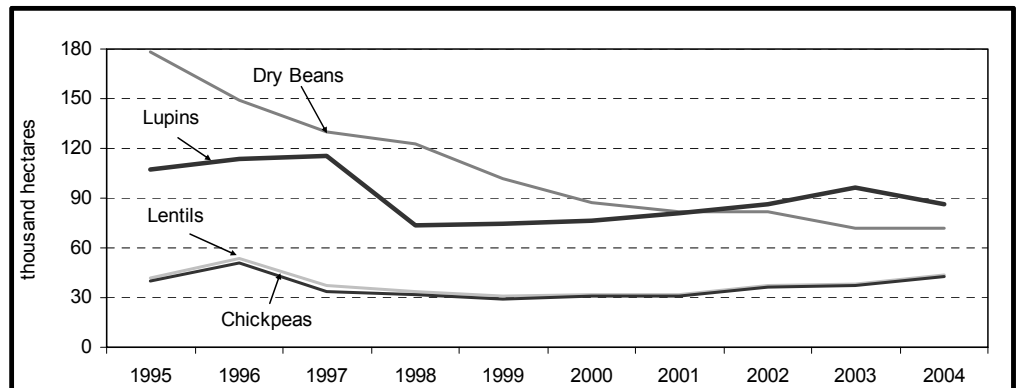
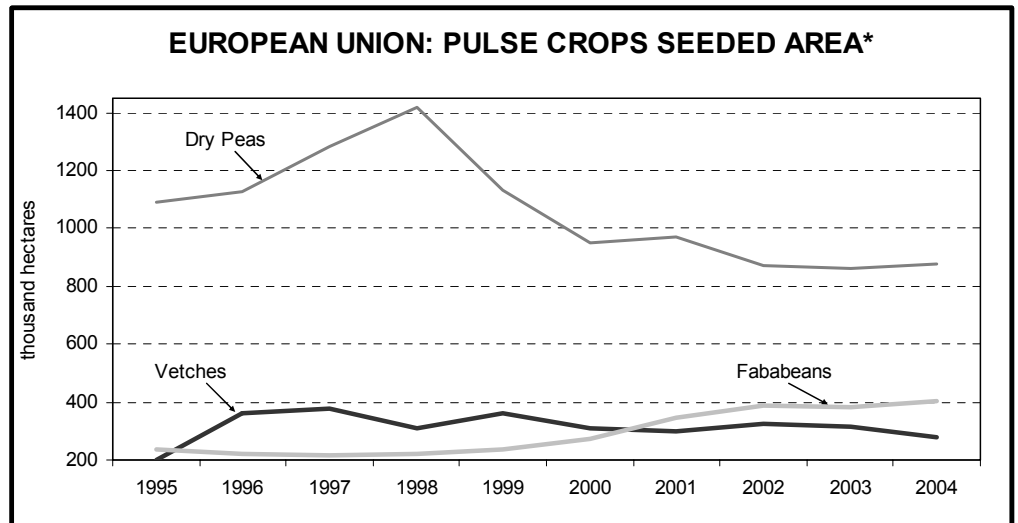
Dry peas are the largest pulse crop produced in the EU. However, there has been a pronounced downward trend in seeded area and production during the past ten years because for some producers returns from alternative crops, such as cereal grains and fababeans, were higher. Most of the dry peas produced are the yellow type, but green, green marrowfat and other types are also produced. Average yields have been relatively stable over this period. Although nearly all EU countries produce dry peas, France is the largest producer, followed by Germany, the United Kingdom (UK), and Spain. Production has been trending upwards in Spain and the UK, trending downwards in France and has been relatively stable in Germany.

#### Fababeans

There has been an upward trend in the EU fababean seeded area, average yields and production. Fababean production is mainly in the UK and France. Production has been trending upwards in the UK, France and Spain, but trending downwards in Italy. Although the average yields for fababeans are still lower than for dry peas (in 2004, 3.24 tonnes per hectare (t/ha) for fababeans versus 3.63 t/ha for dry peas), the difference in yields has been narrowing. Fababeans

EUROPEAN UNION MEMBERS				
Austria	Estonia*	Hungary*	Luxembourg	Slovakia*
Belgium	Finland	Ireland	Malta*	Slovenia*
Cyprus*	France	Italy	Netherlands	Spain
Czech Republic*	Germany	Latvia*	Poland*	Sweden
Denmark	Greece	Lithuania*	Portugal	United Kingdom

\*Countries which joined the EU in 2004



Source: Union Nationale Interprofessionnelle des plantes riches en Protéines (UNIP) and FAO, \*Includes countries which joined the EU in 2004.

have a protein content of about 27%, versus 22% for dry peas, which gives them an advantage in livestock rations requiring higher protein levels.

#### Vetches

EU production of vetches has been variable, due to a high variability in yields, as the seeded area has been relatively stable. Spain accounts for a large majority of vetch production in the EU.

#### Lupins

EU seeded area, yields and production of lupins has been relatively stable after a sharp drop in 1998. Germany, France and the UK are the main producing countries.

#### Dry Beans

EU seeded area for dry beans has been trending downwards. Production has also been trending downwards, but at a lower rate due to an upward trend in yields. Several classes of white and coloured beans are produced in the EU. The main producing countries are Poland, Greece, Italy and France.

#### Lentils

EU lentil production has been variable during the past ten years, due partly to a seeded area which trended downward until 1999 and has been trending upwards since then, and partly due to highly variable yields. The EU produces green and brown lentils. Spain accounts for most of the production and the only other significant producers are France, Italy and Greece.

#### Chickpeas

EU chickpea production has been variable during the past ten years, due partly to a seeded area which trended downward until 1999 and has been trending upwards since then, and partly due to highly variable yields. The EU produces kabuli chickpeas. Spain accounts for most of the production and the only other significant producers are Italy, Greece and Portugal.

## TRADE

The EU is a large importer of dry peas and lupins, mainly for the livestock feed market, and of dry beans, lentils and chickpeas for the human food market. The EU is a major exporter of dry peas and fababeans into food markets. This analysis deals with calendar years 1995 to 2003, as complete data for 2004 is not available.

#### Dry Peas

EU dry pea imports have been variable, depending on supply and prices, but Canada's share of the imports has been increasing. Imports from Canada fell sharply in 2002, due to low Canadian supply, but rose in 2003 and rose further to 612,500 tonnes (t) in 2004, as Canadian supply increased. Canada has become the largest supplier of dry peas to the EU. Other significant suppliers are Ukraine, Russia and United States (US). Spain accounts for most of the EU dry pea imports from outside the EU. Other significant importers are Belgium, Netherlands, Germany, Italy, Ireland and Poland.

EU dry pea exports have been trending upwards, with a peak in 2002. In that year, there was a world shortage of dry peas and prices in the food markets were very high. Therefore, a significant portion of the dry peas produced in the EU were diverted to export food markets from domestic feed markets. France accounts for a large majority of EU dry pea exports with most of them going to India, Bangladesh and Cuba.

#### Dry Beans

EU dry bean imports have had a slight upward trend. However, imports from Canada have been trending upwards at a higher rate and Canada's share of the imports has been increasing. Canada has become the largest supplier, with most of the remainder coming from the US, China and Argentina. The main importing countries are UK, Italy, France, Netherlands, Spain, Portugal, Belgium,

Greece and Germany. The largest class of dry beans imported is white pea, but many other classes, white and coloured, are also imported.

#### Lentils

Total EU lentil imports and imports from Canada have been variable, but with no significant trend. Canada normally accounts for most of the imports, but imports from Canada dropped in 2002 and 2003 due to a sharp decrease in Canadian supply. The remainder comes mainly from the US, China and Turkey. The main importing countries are Spain, France, Italy, Belgium, Netherlands, UK, Germany and Greece. The EU generally imports green and brown lentils.

#### Chickpeas

EU chickpea imports have been variable, but with no significant trend. Imports from Canada peaked in 2002, but dropped sharply in 2003 due to reduced supply. Most of the EU chickpea imports come from Mexico, with Turkey, US and Canada the only other significant suppliers. Spain, Italy, France, Portugal and UK are the main importing countries. The EU generally imports large kabuli chickpeas.

#### Fababeans

EU fababean imports have been trending downwards, while exports have been trending upwards, reflecting the rise in EU production. Imports are no longer significant. EU fababeans are exported mainly to the Middle East, especially to Egypt. Nearly all of the exports come from the UK and France.

#### Lupins and Vetches

Nearly all of the EU lupin imports are from Australia. There is no significant trade in vetches.

#### Prices

EU prices for pulse crops in the food market generally follow world prices adjusted for exchange rates. However, there are some

EUROPEAN UNION: PULSE CROPS PRODUCTION*										
	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
.....thousand tonnes.....										
Dry Peas	4 114	4 165	5 097	5 499	4 605	3 259	3 315	3 104	2 992	3 173
Fababeans	571	607	642	645	690	828	1 040	1 257	1 181	1 306
Vetches	116	267	229	159	122	164	117	163	180	172
Lupins	167	202	198	151	123	131	154	159	152	151
<b>Sub-total 1</b>	<b>4 968</b>	<b>5 241</b>	<b>6 166</b>	<b>6 454</b>	<b>5 540</b>	<b>4 382</b>	<b>4 626</b>	<b>4 683</b>	<b>4 505</b>	<b>4 802</b>
Dry Beans	191	178	185	185	168	142	140	141	126	126
Chickpeas	39	99	83	67	38	62	67	82	75	67
Lentils	19	39	27	27	22	37	28	35	34	32
<b>Sub-total 2</b>	<b>249</b>	<b>316</b>	<b>295</b>	<b>279</b>	<b>228</b>	<b>241</b>	<b>235</b>	<b>258</b>	<b>235</b>	<b>225</b>
<b>Total</b>	<b>5 217</b>	<b>5 557</b>	<b>6 461</b>	<b>6 733</b>	<b>5 768</b>	<b>4 623</b>	<b>4 861</b>	<b>4 941</b>	<b>4 740</b>	<b>5 027</b>
Sub-total 1: pulse crops used mainly for livestock feed										
Sub-total 2: pulse crops used mainly for human food										
*Includes countries which joined the EU in 2004.										
Source: Union nationale interprofessionnelle des plantes riches en protéines and FAO										

local preferences where people are willing to pay a premium for pulses which meet certain quality standards or which are produced locally. In the feed market, there is a preference with using dry peas, fababeans and lupins for feeding hogs and the feed industry is generally willing to pay some price premium over alternative feed ingredients, such as cereal grains, corn and protein meal. However, if the premium for dry peas, fababeans and lupins becomes too high, the feed users will partly shift to alternative ingredients.

## OUTLOOK

### EU 2003 Common Agricultural Policy (CAP) Reform

The 2003 CAP reform requires the decoupling of support payments from production. Decoupling officially begins in 2005, but individual countries may delay implementation until 2007. Regarding crops, nearly all EU countries plan to have full decoupling by 2006. The system of support in the ten countries which joined the EU in 2004 is somewhat more complex, but generally pulse crops in these countries will receive lower levels of support for a number of years.

Dry peas, fababeans and lupins are classified as protein crops. They are eligible for the same Single Farm Payment (SFP) as other types of production, plus a supplemental payment for protein crops of €55.57/ha (CAN\$83.35/ha at €1 = CAN\$1.50) on a maximum seeded area of 1.6 million hectares (Mha).

Chickpeas, lentils and vetches will have the same SFP as other types of production starting in 2006.

Dry beans are not eligible for support payments.

### Production and Trade 2005

Production of dry peas is expected to decrease from 2004 due to a lower seeded area and drought in Spain, while production of fababeans increases in line with a higher seeded area. Production of vetches, chickpeas and lentils is expected to decrease because of the drought in Spain. Production of lupins and dry beans is expected to be similar to 2004.

The production changes in 2005 are forecast to increase demand for imported dry peas, lupins, lentils and chickpeas, and

decrease EU exports of dry peas.

### Production Trends in the Longer Term

The maximum seeded area of 1.6 Mha eligible for the protein crops supplemental payment is higher than the total seeded area for these crops since 1998. The average seeded area for the 1999-2004 period was about 1.35 Mha. There was also a supplemental payment for protein crops under the previous support program. According to the report *Prospects for agricultural markets in the EU* prepared for the European Commission, the seeded area for protein crops is expected to stabilize at about 1.4 Mha for the 2005 to 2011 period, which is only slightly higher than the average for the previous six years. Of course, the mix within the protein crops group could change, with continued growth for fababeans and a decline for dry peas.

For the other pulse crops, the most likely increase in seeded area would be for vetches, which were limited in the area eligible for support payments and usually exceeded it, which reduced the support payments proportionally. For chickpeas and lentils, the area seeded was well under the previous area limit for support payments.

## EUROPEAN UNION: PULSE CROPS IMPORTS AND EXPORTS\*

calendar year	1995	1996	1997	1998	1999	2000	2001	2002	2003
<b>Dry Peas</b>									
Total Imports (kt)	1 549	942	754	813	781	1 018	869	380	319
Imports from Canada (kt)	677	458	481	524	554	793	658	30	306
Canada's share (%)	44	49	64	64	71	78	76	8	96
Total Exports (kt)	137	123	160	136	297	119	310	675	303
<b>Dry Beans</b>									
Total Imports (kt)	456	433	450	450	435	434	454	485	483
Imports from Canada (kt)	75	65	61	69	88	107	93	113	124
Canada's share (%)	16	15	14	15	20	25	20	23	26
Total Exports (kt)	29	22	27	35	30	45	38	45	35
<b>Lentils</b>									
Total Imports (kt)	194	184	164	171	176	197	186	177	178
Imports from Canada (kt)	128	119	104	107	112	98	148	82	73
Canada's share (%)	66	65	63	63	64	50	80	46	41
Total Exports (kt)	7	9	5	4	11	8	4	9	7
<b>Chickpeas</b>									
Total Imports (kt)	105	153	114	102	110	120	138	125	114
Imports from Canada (kt)	0	0	0	2	5	16	16	19	7
Canada's share (%)	0	0	0	2	5	13	12	15	6
Total Exports (kt)	7	11	4	7	8	7	5	3	4
<b>Fababeans</b>									
Total Imports (kt)	129	70	60	27	48	25	26	25	18
Total Exports (kt)	29	11	17	12	38	70	41	143	317
<i>crop year (July-June)</i>									
<b>Lupins</b>									
Total Imports (kt)	295	298	309	217	377	268	138	47	219

kt : thousand tonnes

Includes countries which joined the EU in 2004. Excludes trade between EU countries.

Source: FAO, UNIP and Statistics Canada

Therefore, the 2003 reforms will not likely have a significant impact on the area seeded. However, there has been an upward trend in the seeded area for both crops since 2002. Part of that was due to support payment reforms which established a separate area limit for chickpeas and lentils in 2000 and partly due to attractive prices. When the area limit had been combined for vetches, lentils and chickpeas, the limit would often be exceeded and support payments lowered proportionally for these crops. With the SFP, producers are expected to respond more to price indications in making their seeding decisions. Therefore, the seeded area and production of lentils and chickpeas will probably become even more variable from year to year, but relatively stable over the longer term.

For dry beans, there had been a downward trend in seeded area until 2003, when the area stabilized. Since dry beans are not eligible for support payments, the area seeded will depend on prices. The seeded area is probably not going to decrease further, but there could be a shift to countries with lower production costs, such as Poland and Hungary. If the returns from producing dry beans are sufficiently attractive, the seeded area could increase.

#### **Growth in Demand**

The population growth for the EU until the year 2011 is forecast by the European Commission to be only 0.2% per year. Therefore, any significant increase in domestic demand would have to come from increased consumption.

One area of increased demand is expected to be from the livestock feed sector, especially for feeding hogs, where dry peas and fababeans are used extensively. The poultry industry is also an important user of dry peas and fababeans. In the EU, pork and poultry production are forecast to increase by 6% from 2004 to 2011.

In the human food market, demand is expected to rise modestly due to the increased acceptance of pulses as a healthy food and changing eating trends. Pulses are increasingly being used in local cuisine or in cuisine adopted from other parts of the EU. Flour from pulses is increasingly being used in baking to increase the protein, fibre, mineral and vitamin content. The EU has a growing population of people who came from, or whose ancestors came from, the Middle East, northern Africa and the Indian sub-continent, where pulses are a staple. In addition, middle-eastern, North African and Indian sub-continent cuisine is being adopted by the general population.

#### **Trends in Trade over the Longer Term**

Imports of pulse crops for livestock feed, dry peas and lupins is expected to continue, but import volumes will depend, as in the past, on supply and price competitiveness with alternative feed ingredients. Imports of dry beans, chickpeas and lentils for human food are expected to trend upwards slightly due to increased demand.

When the ten new countries joined the EU in 2004, they adopted the tariff schedule of the EU, which for most pulse crops is zero. Prior to joining the EU, most of the new members had significant tariffs, in some cases as high as 73%. Therefore, the ten new EU member markets are now more accessible to Canadian pulse crops exports. However, this is a relatively modest improvement as these countries are not large importers of pulse crops.

Canada has established itself as the main exporter of dry peas, lentils and dry beans to the EU. For dry peas, the most probable competition will be from the US and Ukraine, as well as lupins from Australia. The US is increasing its production of dry peas, due to their inclusion under the loan program, but most of these are going to food markets. How much the US will have available for export to the EU will depend on food market demand, growth in domestic consumption for livestock feed and the development of a feed market for dry peas in eastern Asia. Imports from Ukraine will depend on production and domestic consumption for livestock feed. Ukraine used to be a much larger producer of dry peas, but they were used domestically for livestock feed. When Ukrainian livestock production dropped, Ukraine was able to export the surplus, with the exports going mainly to the EU. Imports of lupins from Australia will depend on Australian production and the growth of feed markets in eastern Asia, where lupins are also exported for livestock feed.

For lentils, imports from Canada are expected to recover with the higher Canadian supply. However, increased competition for Canada in EU markets is expected from the US, where production has been increasing since lentils were included under the loan program. Canadian dry bean exports are expected to continue their slight upward trend, but any growth in exports of chickpeas will depend on increased Canadian production.

EU pulse crops exports are expected to continue being mainly dry peas and fababeans. The volume of exports will depend on EU production and the level of price premiums available in export food markets over domestic feed markets. The most likely scenario is a slight downward trend for exports due to growing domestic demand and a stable supply.

#### **Romania and Bulgaria**

These countries are scheduled to join the EU in 2007. They are small producers of dry peas and dry beans, but the production is generally used domestically. Bulgaria also produces and exports small quantities of chickpeas and lentils. It is possible that Bulgarian production and exports might increase when it becomes a member of the EU and its producers start receiving support payments. However, membership of Romania and Bulgaria in the EU is not expected to have significant impact on the EU supply and demand of pulse crops.

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