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MARKET ACCESS SECRETARIAT
Global Analysis Report

Sector Trend Analysis

Pulse Trends

In China

May 2017

Executive summary

China is one of the largest importers and consumers of pulse and pulse-related products in the world. In 2016, China was the second-largest importer of pulses after India, with imports worth US$422 million. In addition, it was estimated to be the third-largest market for pulse consumption in the Asia Pacific region behind India and Pakistan, with total volume sales amounting to 2.3 million tonnes (Euromonitor, 2017).

Food safety issues and growing health concerns are driving consumer demand for healthier and more nutritious food products. There is also a growing demand for innovative foods since Chinese consumers are increasingly interested in sophisticated flavours and developing a preference for premium and innovative food products.

In line with this trend, the processed food industry in China is seeing significant growth. The value output from the industry has been growing at a high-double digits rate over the past five years (BMI Research, 2017).

With the increasing production of value-added food and beverage products, in line with changing domestic consumption trends. There is a growing opportunity for pulses to be used in processed foods as this is apparent in the rising use of pulses as an ingredient and growing consumer preference for healthier alternative foods.

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Introduction

In 2016, China was estimated to be the third-largest market for pulse consumption in the Asia Pacific region with total volume sales amounting to 2.3 million tonnes. China makes up 6% of the region's pulse market with a 1.7kg per capita in consumption. Although, China makes up a substantive portion of the pulse sales in the region, there remains to be a small consumer base for pulses in bulk. This is due to limited use of pulses in daily meals and greater consumer preference for fresh pulses rather than dry pulses. According to Euromonitor, pulses in China are mostly used to cook porridge or make deserts, all of which are items not used in daily meals. However, the use of pulses as a value-added ingredient is on the rise, with 2014 and 2015 seeing the highest number of new product introductions that contains pulses as an ingredient (Mintel, 2017).

Historic of total volume sales of top 10 Asia Pacific pulse market, in '000 tonnes

#	Country	2012	2013	2014	2015	2016[E]	CAGR* 2012-16 (%)
Asia Pacific		**32,279.7**	**34,821.6**	**36,800.4**	**38,231.5**	**39,627.2**	**5.26**
1	India	24,122.6	25,847.2	27,504.5	28,649.5	29,768.2	5.40
2	Pakistan	2,277.9	2,475.4	2,641.5	2,771.9	2,901.3	6.23
3	**China**	**1,809.7**	**2,261.2**	**2,276.1**	**2,299.4**	**2,320.6**	**6.41**
4	Bangladesh	1,764.0	1,880.0	1,970.1	2,049.2	2,126.0	4.78
5	Sri Lanka	349.8	371.0	386.2	399.3	411.9	4.17
6	Vietnam	293.8	295.6	299.5	304.7	309.5	1.31
7	Thailand	293.0	291.9	293.6	296.7	299.3	0.53
8	Nepal	238.5	254.0	266.0	276.5	286.7	4.71
9	Myanmar	268.8	274.6	277.3	281.3	284.8	1.46
10	Indonesia	238.0	238.6	241.2	245.7	249.8	1.22

E=estimate

Forecast of total volume sales of top 10 Asia Pacific pulse markets, in '000 tonnes

#	Country	2017	2018	2019	2020	CAGR 2017-20 (%)
	Asia Pacific	**41,021.8**	**42,440.8**	**43,861.9**	**45,316.7**	**3.37**
1	India	30,887.9	32,030.6	33,177.9	34,355.5	3.61
2	Pakistan	3,032.8	3,168.2	3,305.5	3,447.0	4.36
3	Bangladesh	2,203.0	2,281.6	2,360.5	2,441.5	3.49
4	**China**	**2,339.6**	**2,356.3**	**2,370.6**	**2,382.7**	**0.61**
5	Sri Lanka	424.4	437.1	449.7	462.5	2.91
6	Nepal	297.0	307.4	318.0	328.8	3.45
7	Vietnam	313.9	317.7	321.2	324.3	1.09
8	Thailand	301.5	303.2	304.6	305.7	0.46
9	Myanmar	288.0	290.8	293.1	295.2	0.83
10	Indonesia	253.5	256.9	260.0	262.8	1.21

Source for both : Euromonitor, 2017. *CAGR- compound annual growth rate

Consumer trends

China is transitioning from an investment and export-led economy to a customer-based economy. This is engineered by its emerging middle-class that is demanding more goods and services than ever before. Although China is known to have the highest income inequality, its per capita income and spending levels were among the world's fastest growing from 2010 to 2016 (Euromonitor, 2016). According to Euromonitor, this trend has allowed Chinese households to allocate an increasingly large share of their spending to discretionary categories such as health goods. Despite China's slow economic growth in the last few years, total consumer disposable income per capita is estimated to have grown by 6.5% in 2016. However, the disposable income of urban households is, on average, several times higher than that of rural households (Euromonitor, 2016).

The urbanization and rapid growth of the Chinese middle class are significantly changing the consumption habits of Chinese consumers. As a result, taste preferences vary throughout all of China's 36 provinces. For example, Eastern China consumers seek higher-end restaurants and imported food products while consumers in Southern China prefer snack foods, deserts, and sweeter foods.

Although there are regional differences amoung Chinese consumers, the following trends remain to be consistent; concerns regarding food safety and diversification of food products as consumers transition from traditional to non-traditional products such as yogurts (BMI Research, 2017). Also, there is a growing demand for innovative foods since Chinese consumers are developing a taste for more sophisticated flavours and seeking premium and innovative food products. Despite the growing acceptance of western products and brands, Chinese consumers are regaining interest in local brands and purchasing those brands is perceived to be patriotic.

The rise of the Chinese middle class is driving noticeable changes in consumption trends as there is a greater concern for healthy eating and lifestyles. Factors such as food safety or growing health concerns (such as the rise in obesity) are driving consumers demand for healthier and more nutritious food products. As the standard of living and disposable income rise consumers are looking for natural, organic, and imported foods most representative of healthy foods in China (Euromonitor, 2016).

This trend in healthier food options presents an ideal opportunity for pulse products to be utilized in daily meals. As the perception of pulses continues to change to being a nutrient-rich wholesome food, given its nutritional value and ability to combat diet-related diseases (including obesity, diabetes, cardiovascular diseases and cancer), Chinese consumers are more likely to see it as a primary source of protein (Ariyawardana, Govindasamy, & Lisle, 2015).

Market size

Pulses saw slow total volume growth of 0.9% from the previous year, much lower than the compound annual growth rate of 6.4% from 2012 to 2016. The peas sub-category accounts for 86% of the pulse category with the highest compound annual growth rate of 7.2% in the 5 year review period. This shows an on-going interest for peas in the Chinese market. Unpackaged pulse products make up 99.8% of total volume sales.

Other pulses such as chickpeas, lentils, and cow peas saw the highest year-on-year growth of 1.1% from 2015 to 2016 compared to the other categories. However, saw the smallest compound annual growth rate (CAGR) of 1.4% in the five year review period (from 2012 to 2016). This shows that there has been increasing acceptance of other pulses, such as chickpeas and lentils, in the region by local consumers over the last few years.

From 2017 to 2020, total volume sales of pulses are expected to increase at a compound annual growth rate of 0.61%, reaching to 2.4 million tonnes in 2020. This may be due to the healthy image of pulses, which benefits from the health and wellness trends despite its limited usage in Chinese cuisines.

Historic total volume sales of pulse in China, in 000' tonnes

Categories	2012	2013	2014	2015	2016^{E}	CAGR* 2012-16 (%)	Market share (%)
Pulses	**1,809.7**	**2,261.2**	**2,276.1**	**2,299.4**	***2,320.6***	**6.41**	**-**
Beans	176.5	188.4	189.7	191.8	*193.7*	2.35	8.35
Peas	1,511.0	1,948.7	1,960.3	1,979.9	*1,997.8*	7.23	86.09
Other pulses	122.1	124.2	126.1	127.7	*129.1*	1.40	5.56

Source: Euromonitor, 2017 E=estimate *CAGR- Compound annual growth rate

Forecast total volume sales of pulse in China, in 000' tonnes

Categories	2017F	2018F	2019F	2020F	CAGR* 2012-16 (%)	Markety share (%)
Pulses	**2,339.6**	**2,356.3**	**2,370.6**	**2,382.7**	0.61	**-**
Beans	195.4	197.0	198.4	199.6	0.71	8.38
Peas	2,013.7	2,027.8	2,040.0	2,050.2	0.60	86.05
Other pulses	130.4	131.4	132.2	132.9	0.64	5.58

Source: Euromonitor, 2017. F=forecast *CAGR- Compound annual growth rate

Retail

Retail sales of pulse products are estimated to have reached US$2 billion in 2016. According to Euromonitor, other retailers (represented by open markets) were considered the most important retail channel for pulses in China during the review period. Open markets attracted a large number of Chinese consumers with lower prices and high level of convenience due to their location near residential areas and a wide range of product offerings. However, this trend is expected to be impacted by modern retailers that offer higher quality products.

Historic retail sales of pulses in China, in US$ millions

Categories	2012	2013	2014	2015	2016E	CAGR* 2012-16 (%)	Market share (%)
Pulses	1,367.1	1,750.5	1,806.4	1,861.5	1,946.1	9.23	-
Beans	111.0	121.5	125.5	129.4	135.4	5.09	7.0
Peas	1,140.2	1,508.8	1,556.3	1,603.3	1,675.8	10.11	86.1
Other pulses	115.9	120.2	124.6	128.8	134.9	3.87	6.9

E=Estimate

Historic retail volume sales of pulses in China, in 000`tonnes

Categories	2012	2013	2014	2015	2016 E	CAGR* 2012-16 (%)	Market share (%)
Pulses	761.00	949.70	954.80	963.60	971.50	6.30	-
Beans	74.20	79.10	79.60	80.40	81.10	2.25	8.3
Peas	635.10	818.40	822.50	829.90	836.60	7.13	86.1
Other pulses	51.70	52.20	52.70	53.30	53.90	1.05	5.5

E=Estimate

Forecast retail sales of pulses in China, in US$ millions

Categories	2017	2018	2019	2020	CAGR* 2017-20 (%)	Market share (%)
Pulses	2,044.3	2,152.2	2,268.3	2,392.6	5.38	-
Beans	142.3	150.0	158.2	167.1	5.50	7.0
Peas	1,760.0	1,852.7	1,952.5	2,059.3	5.37	86.1
Other pulses	141.9	149.6	157.6	166.2	5.41	6.9

Source for all: Euromonitor, 2017. *CAGR-compound annual growth rate

Forecast retail volume sales of pulses in China, in 000`tonnes

Categories	2017	2018	2019	2020	CAGR* 2017-20 (%)	Market share (%)
Pulses	978.50	984.50	989.50	993.60	0.51	-
Beans	81.80	82.30	82.80	83.20	0.57	8.4
Peas	842.40	847.50	851.70	855.10	0.50	86.1
Other pulses	54.30	54.70	55.00	55.20	0.55	5.6

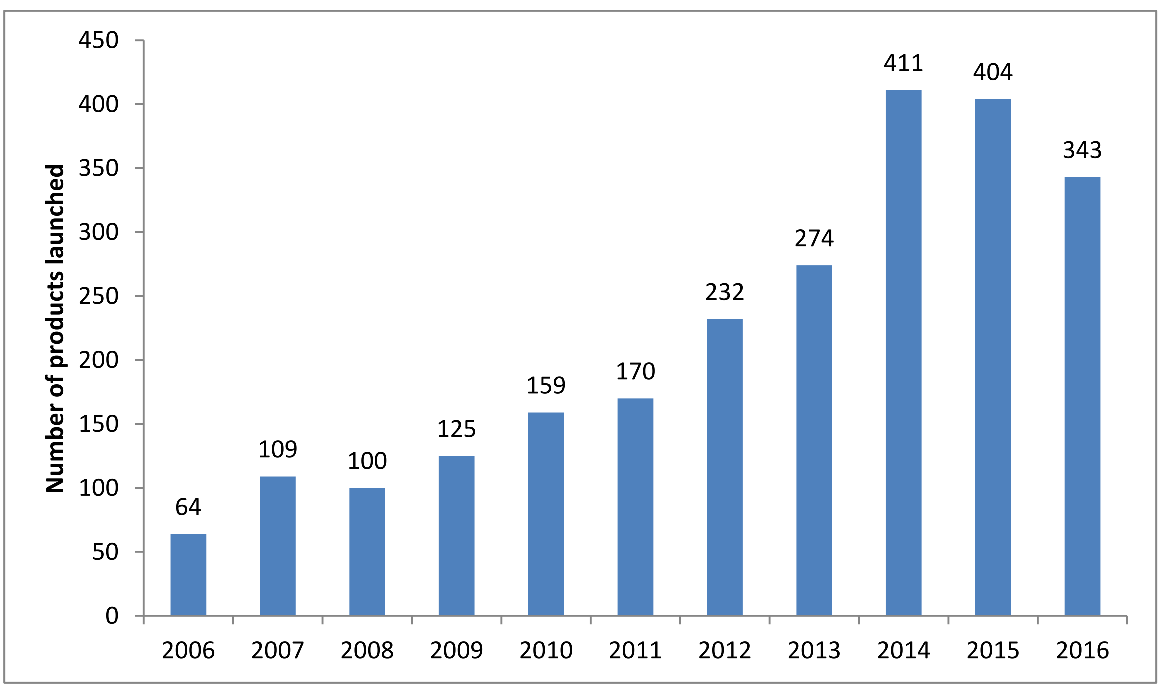
Source: Euromonitor, 2017. *CAGR-compound annual growth rate

New product launch analysis

According to BMI Research, China's food processing industry is one of the most important manufacturing sectors. The value output from the industry has been growing at high double-digit levels over the past five years, with increasing production of value-added food and beverage products. This is especially apparent in the use of pulses as an ingredient in processed foods in China.

Throughout the 10 year review period, there was significant growth in the usage of pulses in processed foods, 76% of which were launched within the last five years. Of the 2,391 products launched in the review period, 98% were products containing pulses as an ingredient, whereas, 2% were pulse products. Most of the products containing pulses were entirely new product introductions and new variety and range extensions of existing product lines.

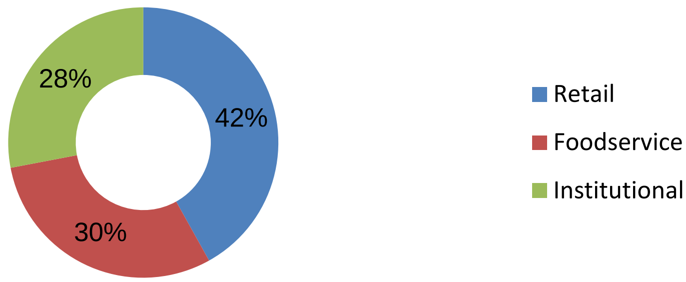
Product launches of pulse and pulse-related products, from 2006 to 2016



Source : Mintel, 2017.

Distribution channels

Distribution of pulses by format, % breakdown



Source: Euromonitor, 2017.

According to Euromonitor, retail sales accounted for 42% of the volume sales of pulse products in 2016. Retail volumes sales reached 963.6 million tonnes in 2016, with a period growth rate of 4.7% from 2012 to 2016. The increased frequency of young consumers dining out due to busier lifestyles and high level of convenience are driving food service sales of pulse products. As a result, food service sales of pulses experienced a period growth of 4.8%, with total volume sales reaching to 691 million tonnes in 2016.

Volume sales of pulses in China, in '000 tonnes.

Channel	2011	2012	2013	2014	2015	CAGR* 2011-15
Total volume	**1,903.9**	**1,809.7**	**2,261.2**	**2,276.1**	**2,299.4**	**4.8%**
Retail	801.6	761.0	949.7	954.8	963.6	4.7%
Foodservice	573.0	543.8	678.4	681.7	691.0	4.8%
Institutional	529.3	504.9	633.1	639.6	644.8	5.1%

For more information

International Trade Commissioners can provide Canadian industry with on-the-ground expertise regarding market potential, current conditions and local business contacts, and are an excellent point of contact for export advice.

- **Overview of Trade Commissioner Services in China**
  www.tradecommissioner.gc.ca/cn

- **Find a Trade Commissioner**
  [www.tradecommissioner.gc.ca/eng/find-trade-contacts.jsp

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- ats-sea.agr.gc.ca

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Sector Trend Analysis

Pulses in China
Global Analysis Report

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