




Navigating the Pulse Value Chain

A report based on Kilimo Markets Ltd experience (2010-
2017)



Overview and Context – Pulses

Pulses are under-recognized for their value and importance in. Pulses are critical to both farmers and consumers.

The UN declared 2016 the International Year of the Pulses to increase awareness and benefits of pulses in sustainable food production (aimed towards food security and nutrition).

Pulses is **Good for humans, Good for the planet, and Good for small holder farmers.**

Growing **nutrition** awareness

- Percentage of Daily recommended intact in 100g (44.5% Folic Acid, 24.5 Vitamin E, 10.5% Thiamin, 10.3% Vitamin B6, and 4.3% Vitamin K)
- Pigeon pea adds 8-16kg N/ha, 2.5-5kg P/ha and 13.5-24kg K/ha in entire crop cycle as leaf crop.
- Dryland pulses like Chickpea and Pigeonpea contribute towards the new Sustainable Development Goals (SDGs) (reduce poverty and hunger, improve health & gender equality, promote responsible consumption, and help adapt to climate change).



The Pulse Market

India largest producer and consumer of pulses in the world.
India's current annual consumption is 20 Million MT of pulses per year.
Its annual production has not increased over the last 10 years.

Growing India national demand as its population could reach 1.44 billion by 2030.

Projected pulse requirement by 2019/20 – 24 million tonnes

Gap between production and demand in India continuous to rise - the gov. has banned exports for pulses.

27% of their imports are coming from Tanzania

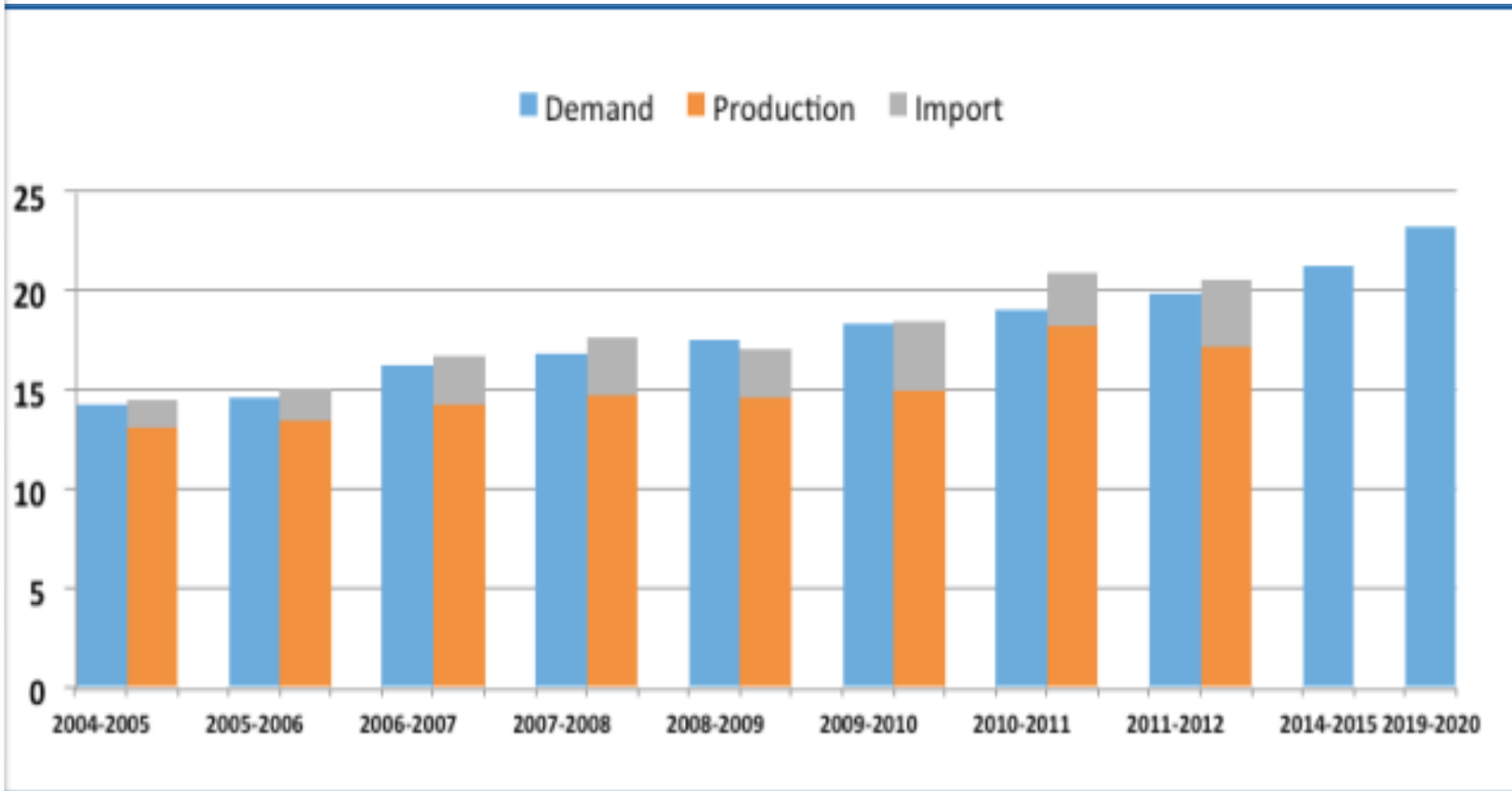
Africa is seen as the area with potential to increase pulse production but trade issues threaten the pulse market and farmer livelihoods.

African countries are poorly equipped to improve their trading position and attract private investment vital to increasing agricultural growth.

In Tanzania, agriculture accounts for about 45% of GDP. Pulses occupy 12% of the land cultivated for annual crops.

Indian demand for, production and Import of Pulses from 2004/5 to 2019/20

India is the major market demand for pulses due to its populations vegetarian diet.



Source: ITC calculations based on United Nations Comtrade statistics.



What is the market for pulses?

- Consumption of Tanzania's Production (approx.)
 - India's market (95%)
 - East Africa Market (3%)
 - European, Middle East, and other countries including China (2%)
- Types of Market
 - Processed/split for food market (92%)
 - Gram flour food market (5%)
 - Animal feed market (2%)
 - Wholegrains market (<1%)

Importantly nothing is wasted!



How the Pulse value chain works? “A Prudent Opinion”

In recent years, commodity price fluctuations based on speculation has made banks extremely cautious to finance.

Resulting in commodity value chains bring controlled by major international grain traders.

Grain traders are very well organized, knowledgeable, and capitalize on poorly organized marketing systems.

Final buyers in India (e.g millers, processors) rarely buy direct from the market, and prefer to buy through the grain traders. Unfortunately traders don't want to know farmers.

And a market system that depends on grain traders is a system with weakness and risks, due to their volatility and business nature.

Government intervention is not necessarily good either as it can overregulate the market and create uncertainty and drive prices down to farmers.



View from Farmers & African Countries Perspective

Critical gap in availability of pulses seed. Less than 5% of seeds used in pulse production are certified and between 3.8% to 13% of land is sowed with improved seeds. Suggestion the farmers should be empowered with latest crop production technologies.

Pulse crops are highly susceptible to pests which cause them maximum damage and post-harvest losses (15% to 40% late maturing pigeon pea, and up to 60% early maturing pigeon pea). Suggestion farmers to follow the recommended plant protection measures to minimize losses to productivity of pulses, and Government should help reduce the cost of inputs.

Production Risks due to unpredictable rainfall. Suggestion to drastically reduce Government bureaucracy and over-regulation of the Seed Sector by TOSCI, to allow the Tanzania's Seed Trade to flourish. Donors should avoid subsidizing the Government and instead support the private sector pulse seed companies.

Volatility of market prices. Suggestion to create transparent market price information which buyers in India can accept.

Lack of adequate infrastructure for aggregation and transportation. Suggestion to encourage private investment and Government support should allow farmers access to a good warehouse and large transport to access to rural areas. This can have a 5% increase in price!

Lack of effective domestic policies to support value addition in Africa.

Farmers are disorganized and Govt of African nations are ill-equipped to support their farmers, particularly because they lack real market information to make effective trade policy decisions, and provide legal support to their farmers and private sector investors/service providers. (This leads their Govt to make harsh reactions which are ridiculed quickly by the traders/importing countries).



The Pulse Value Chain: Market Perspective

Farmer Level

- **Farmer Contact risk** (Forward contracts tend not to work in Tanzania)
- **Quality risk** (due to farmers poor crop protection/storage of pulses)
- **Cash risk** (due to risk of theft, etc.)

Intermediary Level (“The Facilitator”)

- **Price risk** (due to factors affecting the supply/demand, often mentioned by traders. Suggestion better forecasting of supply & demand, and African countries preferential access to India’s market)
- **Currency risk** (due to change in currency, USD, TSH, IRps, others e.g. gov’t demonetization policies in India, etc.)
- **Financing risk** (difficulties to convince banks to finance pulses due to price risk)
- **Stock risk** (post harvest losses from 5% to 40% if best storage practices are followed)
- **Phytosanitary risk** (India still requires Menthol Bromoimide which is a banned used and replaced with Phostoxin remains an issue, which can reject the consignment)
- **Buyers Contract default** (particularly in case if price changes, buyers can abandon the consignment and refuse to cooperate)
- **Buyer payment delays** (delay of payment up to 45days)
- **Customs risk** (particularly in settling disputes with buyers in India)
- **Importing Government risk** (Gov of India imposing stock restrictions)

Gender

Pulses have a gender imbalance as woman produce the crop, labour the field during planting, weeding, and harvest etc, but due to the complexities during the marketing season, it is often the male or husbands who take charge.

Woman and children are marginalized in decision making, cash control, investment decisions, and are burdens with domestic duties. (The cycle repeats ...)

Woman are left to glean up after their give their husbands the harvest to make a few extra kilos.





Pulse Value Chain: Risk Mitigation

Type of Contract to use (Signing a forward contract or not).

Setting a market price within an uncertain price market.

Determine your payment terms (ex warehouse, ex DSM). Consult your financial advisor or Bank for advice. Banks often provide a service to collect payment on your behalf.

Determine in advance your delivery limits based on your capacity (based on INCO Terms of Trade, FOB, CNF, CIF)

Negotiate the market price that is a win-win solution for you, the farmers, and buyers (intermediaries, processors, etc).

Determining quality and quantity specifications before signing the contract so you can achieve them.

Study the importing requirements of the host country to know what practices are acceptable (Phytosanitary, Documents required, etc.)

Review all contracts by professional legal advisers, to include the appropriate laws governing the contract, arbitration in case of disputes, other matters.

Insist upon your Government to support you on trade issues, especially while you face international trade issues in importing countries.

You can ask your buyer for cash advance 10-30% as a sign of good faith based on 3rd party confirmations.

Many businesses have struggled and failed in International Trade and it is not easy. There are many risks which I cannot fully mention here but if you are serious about the pulse trade we are happy to talk to you.



Way forward

“Let’s make Tanzania great for pulses”

Building synergies of cooperation (risk-sharing between farmers and private sector to promote win-win solutions).

Identify successful examples of cluster aggregation models to reduce cost of production and economies of scale.

Be a person of trust and integrity and never break a contract, even if it costs you in the short term, it will build a long term future for you.

Support the private sector Seed Companies to bridging the critical gap in availability of pulse seeds, according to the Seed Replacement Rate at least every 2-3years (recommended).

Expand pulse production to all parts of Tanzania using appropriate seed varieties to promote resilience to weather risk.

Support small holder farmers and private sector in Tanzania, especially those working directly with farmers to be given incentives to add value.

Adequate warehousing and infrastructure to allow large trucks (30MT) access to all the villages.

Ask your Government to promote transparent international market prices based on the consumer price in India.



Thank you

We welcome further questions and discussions

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