



# Pulse Market Report

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The Pulse Market Report is a monthly newsletter featuring market analysis and commentary aimed at helping Saskatchewan pulse producers make the best decisions for their crop production and marketing.

## Outlook for Chickpea and Faba Bean Markets



**Chuck Penner**  
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Research

For smaller crops like chickpeas and faba beans, there are some big question marks about the Canadian situation. Acreage numbers from Statistics Canada (StatCan) are questionable due to the limited number of farmers surveyed, and active price signals are

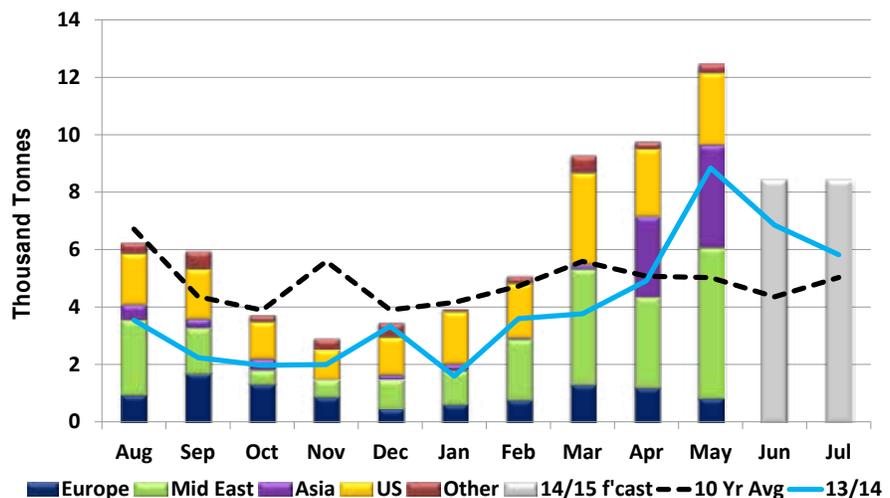
hard to come by. This year, there is the added complication of figuring out how the dry conditions have affected yields. The other thing these two crops have in common is that most of the direction comes from overseas markets rather than what is going on in Western Canada.

StatCan showed a 30% drop in Canadian chickpea acres this spring. That was mostly because both prices and movement had been mediocre, and that discouraged planting. Since that time, movement has improved and exports are well above average. Most of the improvement showed up from Turkey, Pakistan, and India. As a result, bids here in Western Canada bumped up a little but then turned sideways as farmers began selling more chickpeas. This stronger export movement is encouraging and, together with the smaller 2015 Canadian crop, the large supplies in farmers' bins will start to disappear.

Since Canada is a smaller player in the export market, it is worth looking at what is happening in other key chickpea markets. There has been a lot of press about a smaller, poorer quality Indian chickpea crop, but that mostly applies to Desis, not so much for Kabulis. Farmers in India had been encouraged to plant more Kabulis and that offset much of the poor yields in that crop. As a result, Desi chickpea prices in India have rallied while Kabuli prices (aside from a brief blip) have gone mostly sideways, which is not a bullish market signal.

Mexico is another key exporter of Kabuli chickpeas, mostly large calibre. As of the end

### 2014/15 Canadian Chickpea Exports



Source: StatCan

of June, the Mexican crop was estimated at 130,000 tonnes, 25% less than the year before and an even sharper drop from the previous two years. Despite that small crop, Mexican prices remain on the defensive but should start to strengthen later in 2015/16.

Turkey is an important market, consuming large volumes of Kabuli chickpeas and exporting to the surrounding region. Earlier, the Turkish government estimated the 2015 crop at 460,000 tonnes, up a bit from last year but still at the low end of recent history. In spite of this slightly larger crop, prices of 8 millimetre (mm) and 9 mm Kabulis in Turkey have been gradually strengthening, suggesting the government estimate was too optimistic.

The bottom line is that the chickpea market is relatively quiet right now but could see some strength in the coming months as smaller Mexican and Turkish crops are felt in the market. That should provide an opportunity to move more Canadian Kabulis and see firmer prices.

Faba bean acres have multiplied quickly across Western Canada, and that expansion could cause some growing pains. While official estimates are not available, 2015 seeded area is likely around 150,000 acres, compared to 90-95,000 last year and about 25,000 acres the year before. Good agronomic performance and solid prices have been the reasons behind the increased plantings.

Canada is not the only country seeing increased faba bean production. Key competitors are also looking at larger crops in 2015. Seeded area in Australia bounced back to 520,000 acres, 28% more than last year. Production in the United Kingdom (UK) and France was hit by poor quality last year but should see larger and better quality crops in 2015. These three countries are traditional competitors in Egypt, the main destination for food faba beans, which is based on tannin varieties.

A consistent price series is not available for western Canadian faba beans but market direction in the UK is a good indicator of what

has been going on in the market. Last fall, new-crop prices were fairly attractive which ended up buying a good number of acres and caused prices to generally soften through the next number of months. Old-crop faba bean prices rose sharply in winter due to tight supplies of good quality beans, but now those prices are retreating back to new-crop levels as the harvest

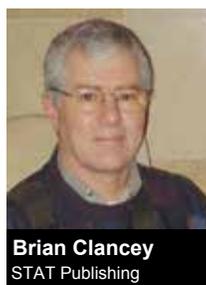
approaches. A similar shift has happened with Australian prices.

While the market for exported food (tannin) faba beans is softening, the price for feed (zero-tannin) faba beans has been stronger. In large part, this is related to firm prices for feed peas, the market where feed faba beans are traded.

With a small Canadian pea crop expected, those prices will remain firm and that will support prices for feed faba beans through much of 2015/16.

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## Can a Tough 2015 Cover World Pulse Demand?



**Brian Clancey**  
STAT Publishing

There is rarely as much uncertainty heading into harvest as there is this year. Hot and dry growing conditions in Western Canada have created unusually intense worries about yields for pulses and other field crops. Buyers are very aware of the problems, having heard only bad stories for the past few weeks.

Offsetting some bullish sentiment was the fact that India's farmers planted this year's monsoon or kharif season crops at a near record pace through the third week of July. Seeding is normally half complete by that time and 90% complete by the third week of August. If monsoon rainfall remains near normal in August and September, land in pulses will be up over last year, but may not set a record. At the same time, a good monsoon will recharge water reserves, encouraging farmers to plant more pulses during the coming winter or rabi season.

There is a good chance this year's kharif harvest could end up around 6 million (M) tonnes, compared to 5.5 M last year. Even though the kharif harvest will start in October, it does not have much influence on demand. Other than green lentils, most of the pulses bought from Canada are used to cover shortages of Desi-type chickpeas and red lentils, both of which are grown during the rabi cropping season.

This year's harvest was almost 2 M tonnes smaller than last year, with the result importers in India have already bought substantial quantities of red lentils and yellow peas for shipment after harvest. At the same time, markets believe India has not bought enough pulses to cover all its needs for the 2015/16 marketing year. The same is true of China, buyers in the Middle East, and elsewhere.

Prices have responded to all these influences. Fear about yields has combined with the need to ship large quantities of product during harvest to lift new crop grower bids closer to old crop. This is good news for growers who need to sell pulses early in the marketing year to help cover their cash flow needs before Christmas.

### Supply and Demand Estimate for Canadian Lentils in 2014/15

	Large Green	Medium Green	Small Green	Extra Small Red	Small Red	All Red	Other	All
Area (acres)	710,000	61,000	215,000	159,000	1,961,000	2,120,000	10,000	3,120,000
Yield (lbs/acre)	1,231	1,301	1,224	1,442	1,491	1,487	1,102	1,404
Production	396,500	36,000	119,400	104,000	1,326,100	1,430,100	5,000	1,987,000
Carry-In	110,000	6,000	29,000	4,000	14,000	18,000	1,000	164,000
Supply	506,500	42,000	148,400	108,000	1,340,100	1,448,100	6,000	2,151,000
Exports	451,400	36,200	135,000	82,700	1,250,200	1,332,900	4,800	1,960,300
Seed	31,400	1,900	6,000	3,800	82,500	86,300	200	125,800
Feed, Waste, and Other	10,700	2,900	2,400	15,500	1,400	16,900	0	32,900
Total Usage	493,500	41,000	143,400	102,000	1,334,100	1,436,100	5,000	2,119,000
Ending Stocks	13,000	1,000	5,000	6,000	6,000	12,000	1,000	32,000
Stocks/Use	3%	2%	3%	6%	0%	1%	20%	2%

\*All quantities in tonnes

Source: STAT Communications Ltd.

### Supply and Demand Forecast for Canadian Lentils in 2015/16

	Large Green	Medium Green	Small Green	Extra Small Red	Small Red	All Red	Other	All
Area (acres)	770,000	60,000	265,000	166,000	2,599,000	2,765,000	10,000	3,870,000
Yield (lbs/acre)	1,234	1,249	1,190	1,302	1,345	1,343	882	1,308
Production	431,000	34,000	143,000	98,000	1,586,000	1,684,000	4,000	2,296,000
Carry-In	13,000	1,000	5,000	6,000	6,000	12,000	1,000	32,000
Supply	444,000	35,000	148,000	104,000	1,592,000	1,696,000	5,000	2,328,000
Exports	358,300	30,200	125,700	81,900	1,226,500	1,308,400	3,700	1,826,300
Seed	27,900	1,700	4,600	4,400	55,800	60,200	200	94,600
Feed, Waste, and Other	32,800	2,100	14,700	11,700	160,700	172,400	100	222,100
Total Usage	419,000	34,000	145,000	98,000	1,443,000	1,541,000	4,000	2,143,000
Ending Stocks	25,000	1,000	3,000	6,000	149,000	155,000	1,000	185,000
Stocks/Use	6%	3%	2%	6%	10%	10%	25%	9%

\*All quantities in tonnes

Source: STAT Communications Ltd.

## Supply and Demand Estimate for Canadian Chickpeas and Field Peas in 2014/15

	Desi	Kabuli	Small Kabuli	All	Yellow	Green	Other	All Peas
Area (acres)	1,000	151,000	29,000	181,000	2,945,000	810,000	40,000	3,795,000
Yield (lbs/acre)	2,205	1,478	1,581	1,498	2,011	1,955	2,216	2,001
Production	1,000	101,200	20,800	123,000	2,686,400	718,200	40,200	3,444,800
Carry-In	1,000	97,500	1,500	100,000	268,000	40,000	1,000	309,000
Imports	0	7,000	0	7,000	11,200	15,300	700	27,200
Supply	2,000	205,700	22,300	230,000	2,965,600	773,500	41,900	3,781,000
Exports	1,000	70,000	11,800	82,800	2,725,600	353,400	23,000	3,102,000
Seed	40	8,100	1,300	9,440	212,000	46,000	2,000	260,000
Feed, Waste, and Other	460	79,900	7,400	87,760	8,000	276,100	24,900	309,000
Total Usage	1,500	158,000	20,500	180,000	2,945,600	675,500	49,900	3,671,000
Ending Stocks	500	47,700	1,800	50,000	11,000	98,000	1,000	110,000
Stocks/Use	33%	30%	9%	28%	0%	15%	2%	3%

\*All quantities in tonnes

Source: STAT Communications Ltd.

## Supply and Demand Forecast for Canadian Chickpeas and Field Peas in 2015/16

	Desi	Kabuli	Small Kabuli	All	Yellow	Green	Other	All Peas
Area (acres)	1,000	100,000	24,000	125,000	3,010,000	655,000	40,000	3,705,000
Yield (lbs/acre)	2,205	1,742	1,102	1,517	1,968	1,943	2,100	1,965
Production	1,000	79,000	12,000	86,000	2,686,700	577,200	38,100	3,302,000
Carry-In	500	47,700	1,800	50,000	11,000	98,000	1,000	110,000
Imports	0	7,000	0	7,000	11,700	15,100	700	27,500
Supply	1,500	133,700	13,800	143,000	2,709,400	690,300	39,800	3,439,500
Exports	1,000	47,600	7,200	55,800	2,335,500	344,100	31,400	2,711,000
Seed	40	8,800	1,200	10,040	259,000	41,000	3,000	303,000
Feed, Waste, and Other	460	52,300	4,400	57,160	41,900	254,200	4,400	300,500
Total Usage	1,500	108,700	12,800	123,000	2,636,400	639,300	38,800	3,314,500
Ending Stocks	0	25,000	1,000	20,000	73,000	51,000	1,000	125,000
Stocks/Use	0%	23%	8%	16%	3%	8%	3%	4%

\*All quantities in tonnes

Source: STAT Communications Ltd.

Other growers, looking at the recent tendency for prices to peak after January, are wondering if the coming season will see prices approach or set new record highs sometime after February or March. Ironically, the more reluctant farmers become about selling before January, the more likely it is for prices to be lower during the last half of the marketing year.

There are two reasons this could happen. The first is that being reluctant to sell during the fall shipping period will force processors and exporters to use the only tool they can to try to get farmers to sell: price. Grower bids

would tend to rise as companies work to buy enough product to cover short term shipping commitments. This could result in choppy markets, with bids rising and falling fairly quickly as companies buy what they need. At the same time, higher prices have a tendency to limit buying interest, with the result that the unsold supply of peas and lentils will slowly increase relative to the outstanding needs of importers. Eventually, the supply and demand balance begins to favour buyers. When that happens, prices start trending lower instead of continuing to rise.

Markets could face another surprise. Yields could be better than buyers have been told. This could be especially true of red and green lentils. Some market participants are talking more in terms of yields falling 25% or 30% below their recent five-year average for both peas and lentils. Others think lentil yields will not fall more than 15% below average because it is one of the most drought hardy crops grown in Canada. Peas, on the other hand, want more moisture, leaving some market participants to argue that yields will easily fall 20% below their recent five-year average, but not 30%.

It is hard to see how yields could be high enough to change the underlying fundamentals for both peas and lentils. Both crops are facing a year in which there will not be enough product to cover all prospective demand. That means that prices need to sit at levels which make food manufacturers and importers only buy what they need, and discourage new users from entering the market for another year.

For farmers it suggests another good year in terms of price and a chance that pulses will continue to outperform grains from a gross income perspective. That brings with it the risk that acreage will increase in 2016 and that prices will be lower on average during the 2016/17 marketing year than during the coming season.

Timing sales this season could be more of a challenge. To the extent farmers are reluctant sellers during the fall shipping period, prices would be expected to set their season highs before Christmas. That implies that it is important to take advantage of some of surges in price during the fall shipping period to sell enough peas and lentils to at least cover production costs.

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## Feed Benchmark Report, July 17-21, 2015

	Central Alberta	Central Sask	Southern Manitoba
	CDN\$/MT	CDN\$/MT	CDN\$/MT
<b>Feed Pea Feed Benchmark Price</b>	<b>\$392.48</b>	<b>\$378.70</b>	<b>\$325.92</b>
<b>Competing Feed Ingredients</b>			
Feed Barley	\$238.00	\$218.00	\$220.00
Mid Protein Wheat	\$242.00	\$225.00	\$220.00
Low Protein Wheat	\$242.00	\$222.00	\$215.00
Wheat DDGS	\$230.00	\$215.00	\$245.00
Corn	\$260.00	\$240.00	\$215.00
Corn DDGS	\$268.00	\$240.00	\$215.00
Canola Meal	\$372.00	\$355.00	\$417.00
Soybean Meal (46%)	\$577.00	\$580.00	\$533.00
Canola Oil	\$1,050.00	\$1,050.00	\$1,050.00

All prices are in Canadian dollars per metric tonne.

	Central Alberta	Central Sask	Southern Manitoba
	CDN\$/MT	CDN\$/MT	CDN\$/MT
<b>Faba Bean Feed Benchmark Price</b>	<b>\$451.19</b>	<b>\$439.56</b>	<b>\$381.62</b>
<b>Competing Feed Ingredients</b>			
Feed Barley	\$238.00	\$218.00	\$220.00
Mid Protein Wheat	\$242.00	\$225.00	\$220.00
Low Protein Wheat	\$242.00	\$222.00	\$215.00
Wheat DDGS	\$230.00	\$215.00	\$245.00
Corn	\$260.00	\$240.00	\$215.00
Corn DDGS	\$268.00	\$240.00	\$215.00
Canola Meal	\$372.00	\$355.00	\$417.00
Soybean Meal (46%)	\$577.00	\$580.00	\$533.00
Canola Oil	\$1,050.00	\$1,050.00	\$1,050.00

All prices are in Canadian dollars per metric tonne.

The feed pea and faba bean benchmark is intended to be used as a pricing reference. This benchmark provides a consistent and unbiased estimate of the feeding value of peas and faba beans in the three regions shown. Feed peas and faba beans will trade at various differentials to the benchmark based on local supply/demand, quality differences and other contract terms.



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