

WEATHER RISK THREATENS INDIAN RABI CROP



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India's 2015/16 rabi season (spring harvest) pulse crops (accounting for two-thirds of annual total pulse production) are currently threatened by adverse weather conditions, primarily unseasonal rains and occasional

hailstorms, in many of the growing regions.

Rabi season pulses have been planted on 34 million (M) acres this season, slightly lower than 35 M acres last year. Of this, Desi chickpea has managed to maintain its planted acreage at 21 M acres.

According to advance estimates of production issued by the Government of India on February 15, pulse production in the rabi season would be 11.97 M tonnes, a modest improvement over the previous year's rabi harvest of 11.42 M tonnes. However, production has fallen well short of the season's target of 13 M tonnes.

The principal pulse crop harvest of Desi chickpea is estimated at 8.1 M tonnes, again an improvement over the weather-reduced 7.3 M tonnes last year. Interestingly, the initial estimate for chickpeas last year was 8.3 M tonnes, which was later scaled down by 1 M tonnes to 7.3 M tonnes after heavy rains and hailstorms destroyed a part of crops during March and April 2015.

It is important to note, the Indian government does not provide a separate production estimate for Kabuli chickpeas but it is usually 8-10% of the total chickpea harvest.

The big question at the moment is whether a weather event similar to last year will occur this year. As pointed out at the 2016 Pulse Conclave held in India in February, climate change seems to be taking a toll on Indian agriculture. Rains and hailstorms during harvest time (March and April) are turning out to be a

Table 1: India's Pulse Production Trend (M tonnes)

YEAR	2013/14	2014/15	2015/16
Chana (chickpea)	9.5	7.3	8.1
Tur/arhar (pigeon pea)	3.2	2.8	2.6
Urad (black gram)	1.7	2.0	1.7
Moong (mung bean)	1.6	1.5	1.5
Others	3.2	3.6	3.4
Total	19.2	17.2	17.3

Source: Ministry of Agriculture, Government of India

regular feature in recent years.

Although there have been occasional showers in the last two weeks, the impact of aberrant weather on pulse crops is rather small. Whether rains will recur in March and April (like in 2015) is a matter of conjecture at this point of time. But the looming weather risk cannot be ignored and a safe and reasonable assessment of crop size can be made by mid-April after the weather threat wanes.

Clearly, a consistent 2 M tonnes decline in production in two years (totaling 4 M tonnes) has significantly tightened the domestic supplies. Imports have been rising, but not to the extent of domestic production shortfall. This resulted in sharp price spikes in the domestic market in the last quarter of 2015 to which the government responded with harsh administrative action, including imposition of stock limits on market participants and confiscation of goods.

Indeed, the import trade rose to the occasion admirably well as can be seen from the following table:

Table 2: India's Pulse Import Trend (M tonnes)

YEAR	QUANTITY
2013/14	3.6
2014/15	4.6
2015/16	5.6*

*Projected (Note: India's foreign trade data are maintained on financial year basis April to March)
Source: Ministry of Agriculture, Government of India

It is important to note that despite a production decline of 2 M tonnes in each of the last two years, India's imports increased by only 1 M tonnes. In other words, there was unmet demand. It must also be mentioned that under Indian conditions, higher prices result in some demand destruction.

According to government data, in four months, between October 2015 and January 2016, India imported a whopping 2.9 M tonnes of various pulses from diverse origins, of which yellow pea was 1.1 M tonnes, lentils accounted for 700,000 tonnes, and chickpeas 600,000 tonnes.

No wonder market prices in India have corrected down sharply, pressured by a combination of rabi crop size, heavy arrivals of imported material, and precipitate government action.

Looking ahead, the planting prospects for kharif 2016/17 (planting in June/July and harvested in September/October) appear bright given the attractive price levels growers have witnessed. Additionally, there are incipient signs that the dreaded El Niño will give way to La Niña which is usually associated with above-normal rainfall for the subcontinent.

The 2016 southwest monsoon forecast from India's Meteorological Department (IMD) should be out by the end of April. To be sure, the IMD got the below-normal monsoon forecast for 2015 absolutely right.

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SEEDING INTENTIONS WILL IMPACT MARKET PRICES FOR PULSES



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Over the coming weeks markets will have a much better idea of how many peas, lentils, and chickpeas will be planted in North America. Seeding intentions for the United States

were released at the end of March, while Statistics Canada will release its estimates on April 21.

Land in pulses, grains, oilseeds, and summer fallow might jump from 76 to 77.3 million (M) acres this year. That is up from the recent five-year average of 76.8 M, but in line with the average 77.5 M per year farmers used between 2000 and 2010. It is hard to bring retired land back into production, suggesting some of the roughly 17 M acres used for alfalfa, hay, and other forages will be diverted into field crops.

There is no argument that pea and lentil seeding will be up this year. The debate is over how big an increase. Most market participants think at least 10 M acres of peas and lentils will be planted in Western Canada this year, compared to recent five-year average of 6.4 M acres.

Seed and land availability are not seen as issues. New growers are expected to bring fresh land into pulses, while some existing growers might risk reseeding the same land as last year. For most farmers, record high spot bids and unusually strong new crop prices more than offset the risk of low yields.

Markets are trying to account for the impact new growers will have on average yields. It is not easy. This is especially true of peas. That crop experienced several years of steady expansion with new growers entering each year, masking their impact on yields. At the same time, improved varieties meant that once the grower base stabilized, yields reflected the impact of both improved management and varieties.

The same is not true of lentils. The last major expansion was between 2009 and 2010. Seeded area jumped 1 M acres to

Supply and Demand Estimate for Lentils in 2015/16

	Large Green	Medium Green	Small Green	Extra Small Red	Small Red	All Red	Other	All
Area (acres)	750,000	38,000	260,000	145,000	2,745,000	2,890,000	12,000	3,950,000
Yield (lbs/acre)	1,243	1,276	1,306	1,308	1,352	1,350	735	1,324
Production	422,900	22,000	154,000	86,000	1,684,000	1,770,000	4,000	2,372,900
Carry-In	138,000	10,000	50,000	19,000	146,000	165,000	2,000	365,000
Supply	560,900	32,000	204,000	105,000	1,830,000	1,935,000	6,000	2,737,900
Exports	487,900	27,600	177,000	81,000	1,602,100	1,683,100	4,100	2,103,900
Seed	38,900	1,600	6,400	3,600	99,600	103,200	400	144,500
Feed, Waste, & Other	20,100	1,800	8,600	6,400	70,300	76,700	500	164,400
Total Usage	546,900	31,000	192,000	91,000	1,772,000	1,863,000	5,000	2,412,900
Ending Stocks	14,000	1,000	12,000	14,000	58,000	72,000	1,000	325,000
Stocks/Use	3%	3%	6%	15%	3%	4%	20%	13%

*All quantities in tonnes Source: STAT Communications Ltd.

Supply and Demand Forecast for Lentils in 2016/17

	Large Green	Medium Green	Small Green	Extra Small Red	Small Red	All Red	Other	All
Area (acres)	954,000	50,000	280,000	159,000	3,141,000	3,300,000	15,000	4,460,000
Yield (lbs/acre)	1,373	1,411	1,409	1,456	1,512	1,509	1,176	1,464
Production	594,000	32,000	179,000	105,000	2,154,000	2,259,000	8,000	2,961,000
Carry-In	14,000	1,000	12,000	14,000	58,000	72,000	1,000	325,000
Supply	608,000	33,000	191,000	119,000	2,212,000	2,331,000	9,000	3,286,000
Exports	449,500	24,500	141,200	84,000	1,638,400	1,722,400	6,400	2,320,100
Seed	336,900	1,700	5,800	4,700	60,300	65,000	300	108,000
Feed, Waste, & Other	41,600	2,800	13,000	9,300	150,300	159,600	1,300	243,000
Total Usage	528,000	29,000	160,000	98,000	1,849,000	1,947,000	8,000	2,671,000
Ending Stocks	80,000	4,000	31,000	21,000	363,000	384,000	1,000	615,000
Stocks/Use	15%	14%	19%	21%	20%	20%	13%	23%

*All quantities in tonnes Source: STAT Communications Ltd.

3.45 M. While average yields for all crops rose 2%, lentil yields fell 9%. There will probably be fewer new growers this year

than was the case in 2010. As a result, yields may not suffer as much of a drop from inexperience.

To put this into perspective, if lentil area hits 5.6 M acres and yields are 9% below average, Canada might harvest 3.24 M tonnes of crop, compared to 2.4 M last year. If yields are 5% below average, lentil production could be closer to 3.54 M tonnes.

Moisture conditions are another part of the puzzle. Worries about moisture could make some farmers think twice about expanding land in pulses. Weather problems during the growing season could also hurt average yields. Processors and exporters point to the fact that precipitation was less than 60% of normal during the past two months in southeastern Saskatchewan, less than 85% of normal in the southwest and central growing areas, and normal in the rest of the province's agricultural areas. Even so, February's Palmer Drought Index suggests conditions are near normal in pulse growing areas in Saskatchewan, but below normal in key pulse producing areas in Alberta and Manitoba.

Crops are never lost before seeding starts, but markets want to see a good soaking rain before it becomes general. On average, planting of pulses is general in Saskatchewan by the first week of May. Normally, half the crop is in the ground by the middle of the month, with seeding almost 90% complete by the end of May.

The fewer problems during seeding, the more confident markets will become that this year's acreage targets will be met. That could add price pressure on new crop shipping positions, widening the spread between spot and new crop markets. That spread is already wide enough that it is telling end users to defer as much demand as possible into new crop shipping positions. That could not be more true for green lentils where the spread between spot and new crop markets is an unprecedented 40 cents (¢) per pound (lb) for large green and 25¢/lb for small.

Such spreads also contain a clear message for growers. Sell now. However, stubbornness has been rewarded by steady increases in bids for lentils, which set new record highs at the end of March. The opposite is true for field peas, where grower bids fell significantly after growers took advantage of February's record high prices for yellow peas. What happened to yellow pea bids in March is taste of what can be expected in lentils, where grower bids are more likely to collapse into new crop trading levels.

Supply and Demand Estimate for Chickpeas and Field Peas in 2015/16

	Desi	Kabuli	Small Kabuli	All	Yellow Pea	Green Pea	Other	All Peas
Area (acres)	1,000	101,000	21,000	123,000	2,910,000	720,000	50,000	3,680,000
Yield (lbs/acre)	2,205	1,596	1,659	1,611	1,870	2,129	1,618	1,917
Production	1,000	73,100	15,800	89,900	2,468,600	695,400	36,700	3,200,700
Carry-In	0	51,000	2,000	53,000	427,000	255,000	2,000	684,000
Imports	0	9,000	0	9,000	16,500	10,300	700	27,500
Supply	1,000	133,100	17,800	151,900	2,912,100	960,700	39,400	3,912,200
Exports	960	60,600	12,140	73,700	2,353,300	375,900	27,800	2,757,000
Seed	40	8,900	1,100	10,040	241,000	39,000	3,000	283,000
Feed, Waste, & Other	0	54,600	3,560	58,160	25,800	362,800	7,600	396,200
Total Usage	1,000	124,100	16,800	141,900	2,620,100	777,700	38,400	3,436,200
Ending Stocks	0	9,000	1,000	10,000	292,000	183,000	1,000	476,000
Stocks/Use	0%	7%	6%	7%	11%	24%	3%	14%

*All quantities in tonnes Source: STAT Communications Ltd.

Supply and Demand Forecast for Chickpeas and Field Peas in 2016/17

	Desi	Kabuli	Small Kabuli	All	Yellow Pea	Green Pea	Other	All Peas
Area (acres)	1,000	110,000	21,000	132,000	3,429,900	548,800	51,300	4,030,000
Yield (lbs/acre)	2,425	1,792	1,417	1,737	2,180	2,226	2,011	2,184
Production	1,100	89,400	13,500	104,000	3,392,000	554,200	46,800	3,993,000
Carry-In	0	9,000	1,000	10,000	292,000	183,000	1,000	476,000
Imports	0	9,000	0	9,000	16,900	10,300	800	28,000
Supply	1,100	107,400	14,500	123,000	3,700,900	747,500	48,600	4,497,000
Exports	1,000	38,000	11,300	50,300	2,788,700	358,900	34,400	3,182,000
Seed	40	10,800	1,100	11,940	273,000	44,000	5,000	322,000
Feed, Waste, & Other	60	50,600	1,100	51,760	236,200	176,600	7,200	420,000
Total Usage	1,100	99,400	13,500	114,000	3,297,900	579,500	46,600	3,924,000
Ending Stocks	0	8,000	1,000	9,000	403,000	168,000	2,000	573,000
Stocks/Use	0%	8%	7%	8%	12%	29%	4%	15%

*All quantities in tonnes Source: STAT Communications Ltd.

Canada might be the world's largest export producer of peas and lentils, but production is rising in other countries and many of those harvests happen before ours. Farmers in the United States are also expected to set massive, new records for pea and lentil seeding. New crop shipments ramp up at least one month before Canada. France is expanding land in field peas as part of

an effort to become self-sufficient in protein production for livestock feed. This has also allowed the country to expand exports to human consumption markets.

What this means is buyers do not need to wait for the Canadian harvest to start receiving new crop yellow peas and green lentils. Barring significant weather problems in a key exporting or importing country, demand for old crop yellow peas

should fall sharply by May and green lentils by June. At the same time, spreads between old and new crop prices should be shrinking as spot bids drop closer to new crop trading levels.

To the extent demand moves into new crop shipping positions, opportunities for farmers to sell remaining inventories

become more limited. However, it now appears that this demand peril is being masked by challenges sourcing product. To the extent the need to cover old business is a bigger priority for processors and exporters than buying product to cover new sales, each week brings markets closer to the moment when the markets

needs less product than farmers want to sell. That will help spot prices collapse into new crop trading levels.

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Faba Bean Feed Benchmark Bi-Weekly Report - March 26 to 30, 2016

	CENTRAL ALBERTA	CENTRAL SASK	SOUTH MANITOBA
	CDN\$/T	CDN\$/T	CDN\$/T
Faba Bean Feed Benchmark Price	\$322.56	\$292.98	\$261.68
COMPETING FEED INGREDIENTS			
Feed Barley	\$198.00	\$188.00	\$200.00
Mid Protein Wheat	\$225.00	\$220.00	\$228.00
Low Protein Wheat	\$225.00	\$220.00	\$228.00
Wheat DDGS	\$220.00	\$225.00	\$255.00
Corn	\$255.00	\$212.00	\$194.00
Corn DDGS	\$244.00	\$230.00	\$203.00
Canola Meal	\$270.00	\$265.00	\$272.00
Soybean Meal (46%)	\$438.00	\$422.00	\$413.00
Canola Oil	\$1,020.00	\$1,010.00	\$940.00

Feed Pea Benchmark Bi Weekly Report - March 26 to 30, 2016

	CENTRAL ALBERTA	CENTRAL SASK	SOUTH MANITOBA
	CDN\$/T	CDN\$/T	CDN\$/T
Feed Pea Benchmark Price	\$295.83	\$270.32	\$237.77
COMPETING FEED INGREDIENTS			
Feed Barley	\$198.00	\$188.00	\$200.00
Mid Protein Wheat	\$225.00	\$220.00	\$228.00
Low Protein Wheat	\$225.00	\$220.00	\$228.00
Wheat DDGS	\$220.00	\$225.00	\$255.00
Corn	\$255.00	\$212.00	\$194.00
Corn DDGS	\$244.00	\$230.00	\$203.00
Canola Meal	\$270.00	\$265.00	\$272.00
Soybean Meal (46%)	\$438.00	\$422.00	\$413.00
Canola Oil	\$1,020.00	\$1,010.00	\$940.00

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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