

AUSTRALIAN MARKET REPORT MAY 2017



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Australia celebrated International Year of Pulses with huge increases in production of chickpeas, lentils, and faba beans. In fact, Pulse Australia recently advised that the value of pulse

production for 2016/17 is now second after wheat. For the May report I have taken a different approach and surveyed the major pulse traders in Australia and used their estimates throughout, as Pulse Australia's first estimates for 2017/18 will not be available until the end of May.

Desi Chickpeas

It is fair to say that many involved in trading Desi chickpeas did not appreciate the dramatic increase in yields for chickpeas and cereals following the cool, wet spring. Desi harvest in New South Wales extended well into December causing many problems for shipping programs. If October is taken as the start of the Desi shipping year, the total shipped until the end of February is 1,429,000 tonnes. Exports at March 31 will be around 1,679,000 tonnes with 250,000 tonnes shipped in the month. On this basis, estimated production of 2 million (M) tonnes is quite realistic. On-farm stocks are low and this week there are bids from Indian buyers around \$940-960 USD cost, insurance, and freight (CIF) to Indian main ports.

For the 2017/18 season traders are quite optimistic the area planted will increase at least 15%. A very hot summer wasted the sorghum crop in Central Queensland and much of that area will now be planted to chickpeas. Moisture is also good thanks to a lot of rain from Cyclone Debbie. Only time will tell if the increased area will compensate for the lower moisture profile in some of the better chickpea growing areas. It is still early days and the optimal planting window is still open for another eight weeks.

Australian Pulse Production & Exports Summary May 2017

	Desi Chickpeas	Kabuli Chickpeas	Faba Beans	Broad Beans	Dun Field Peas	Red & Green Lentils
Pulse Australia Area Estimate 2016						
New South Wales	491,000	30,800	57,000		48,100	5,600
Victoria	6,400	9,100	117,000	2,200	49,000	105,900
Queensland	570,000		1,200			
South Australia	3,000	14,200	108,000	8,000	104,000	142,700
Western Australia	3,400	900	5,000		31,000	
Total Pulse Australia Area Estimate 2016	1,073,800	55,000	288,200	10,200	232,100	255,000
Pulse Australia Production Estimate September 30						
Pulse Australia Production Estimate September 30	1,280,000	68,300	423,000	17,900	300,000	409,000
ABARE Production Estimate February 2017						
ABARE Production Estimate February 2017	1,407,000		571,000		415,000	620,000
Survey of Traders Estimates						
Production 2016/17	2,000,000		600-625,000		340,000	800-850,000
Planted Area 2017/18	+10-15%	+15%	-20%			+10-15%
Export Data						
Nov 2013 to Oct 2014	646,834		360,280		161,707	306,713
Nov 2014 to October 2015	678,606		301,011		161,151	211,608
Nov 2015 to October 2016	1,145,140		263,349		129,831	193,151
Nov 2016 to February 2017	1,318,115		147,896		89,936	369,348

Source: Bureau of Statistics and Pulse Australia Note: Area in hectares, production and exports in tonnes

New crop trading has started and prices have been reported around \$750-770 USD. Farmer bids are firm, reflecting these levels. Traders are quite concerned at the rapidity and amount of recent ocean freight increases, making new crop offers in containers riskier. Several indicated an increase of bulk shipments in the coming year.

Lentils

The mild, wet winter and spring, coupled with longer time on the vine, delivered much higher lentil yields than forecast, and account for for the large estimated production of over 800,000 tonnes. After a slow start exports have been at a brisk pace with close to 500,000 tonnes shipped by the end of March 2017. At the end of February Bangladesh had received 130% of the previous year's imports, Egypt 100%, India 226%, Pakistan 461%, Sri Lanka 110%, and United Arab Emirates

some 700%. Turkey also jumped to 35,000 tonnes.

The outlook remains firm with most packers being booked until late June.

Prices softened after harvest until mid-March when they picked up and recent sales have been reported at around \$650 USD cost and freight (CFR) Indian main port equivalent. Quality wise this year's crop has been very good, which is one reason offered for ongoing solid demand, as buyers are showing preference towards Australian red lentils rather than the quality now being shipped from Canada.

Farmers are aware prices for new crop lentils will most likely not be as good as the current season. Factoring in more normal yields, returns are still much better than cereals. The expectation is for an increase in planted area of 10-15%, which should in part compensate for

lower yields. Higher production may encourage traders to consider more bulk shipments of lentils, thereby reducing the reliance on containers.

Faba Beans

Production of fabas also benefited from the excellent growing conditions and enhanced yields. Unfortunately, nothing much has changed from the predictions in the December report, especially in the number one market, Egypt, where the exchange rate has been around 18 Egyptian pounds to the USD. Egyptian buyers have been totally driven by price and the cheapest origins have been from Baltic areas like Lithuania. For the first time, Australian fabas have failed to command a premium over other origins.

Production is well over the expected demand and a significant carry-over is expected. For many farmers, faba beans are their only pulse option and large reductions in area are not feasible.

With faba bean prices closely aligning to wheat, it is hard to be positive about improved prices and returns for fabas in the short term. The low prices for fabas have encouraged some Indian millers to import faba beans to produce flour.

Field Peas

The production of peas benefited from the excellent season like the other pulses. Export demand for the first four months was brisk compared to the same period for previous years. As much of the pea crop ends up as stockfeed it is

always hard to have realistic numbers for production. We expect a similar planted area for 2017/18 season.

To conclude, the estimated planted area for Desi chickpeas and lentils will increase as outlined. The final production number will be very dependent upon how the season develops weather-wise. Compared to last year there a significant area of Eastern States starting with a lower moisture profile. There is a concern about the latter half of 2017 having lower rainfall than last year with talk of a possible El Niño event.

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SPRING SEEDING INTENTIONS: WHAT PULSES WILL DO THIS YEAR



Brian Clancey
Stat Publishing

Statistics Canada's seeding intentions report was not a big surprise for markets. More significantly, it suggests that pulse producers in Saskatchewan are listening to the

advice of provincial agronomists about the need to extend rotations to combat *Aphanomyces*.

Peas and lentils are highly susceptible to the disease, which can only be controlled by extending crop rotations so that those crops are not grown on the same land more than once every six to eight years. Keeping peas and lentils in long rotations was difficult in the past, but new varieties of soybeans, faba beans, and chickpeas make it easier to keep pulses in rotations.

Even though chickpeas have performed well versus other crops so far this season, farmers do not seem interested in the crop because of last year's production problems. Area in Saskatchewan could drop from 160,000 to 140,000 acres, though there is a chance farmers in Alberta will seed 13,000 acres, up from 12,000 last year.

If yields jump back to their recent five-year average, production will climb from 85,200 to 114,000 tonnes. For the second year in a row, the carry-over is only expected to be 2,000 tonnes, with

the result the available supply could climb from just over 96,000 tonnes to 125,000 of mainly small-to mid-calibre Kabuli types.

Canada still dominates export markets for peas and lentils, but it is a price taker in chickpeas. Mexico sets the tone for large-calibre Kabuli chickpeas, while origins like India, Russia, Argentina, and the United States (U.S.) establish trading ranges for mid- and small-calibre product.

Even though India is an important exporter of 8mm and 9mm Kabuli chickpeas, it has been active importer of large-calibre chickpeas from Mexico and small-calibre Kabuli types from Russia. Purchases from Mexico are for the domestic market because consumers do not appear to have confidence in the quality of locally grown product, while Russian product is for milling.

How Russian chickpeas are used is significant because this year's rabi season Desi chickpea crop is expected to be a record 9.12 million (M) tonnes. That should see demand for Russian product decline during the last half of the year, increasing competition among 8mm and 9mm exporters. The implication is that growers who have not pre-sold some of what they expect to harvest this year, could face lower prices after harvest.

There is a risk soybean growers could face the same issue. World production will increase because of record seeded area in the U.S. and Canada. Farmers in

Saskatchewan jumped on the bandwagon this year, intending to triple seeded area from 240,000 to 730,000 acres. Some of that increase is probably at the expense of lentils.

Farmers in Manitoba intend to seed 2.2 M acres, while total Canadian area could jump 1.5 M acres to 6.96 M. If yields are at their recent five-year average, we will harvest a record 8.1 M tonnes of soybeans, up from 6.46 M last year.

Soybeans have a lot of marketing advantages over other crops. Because of an active futures market, farmers know what their crop could be worth after harvest both this year and next. Like canola, the main price risk is basis, or the difference between the futures market and what crushers or elevators are willing to pay. There are simply more pricing options available for soybeans than other pulses.

All efforts to develop a futures market for peas and other pulses failed, with the result growers can only forward sell some of their crop under production or use deferred delivery contracts. While companies have been buying new crop peas and lentils for several months, farmers do not have a good idea of what the crop will be worth after December.

Visual quality is also a bigger issue with lentils or peas than soybeans. Once cooked, it is hard to see the difference between an Extra 3 or No. 1 Canada green lentil. But, people do not buy

cooked lentils. They buy whole lentils and appearance is critical.

This has become obvious in the No. 2 market. While they have the same official grade, there can be significant differences in visual quality from one year to the next. This is the case with last year's green lentil crop.

Many buyers complain that Canadian grading standards are inferior to those in the U.S. The belief that U.S. Department of Agriculture grades are more consistent from one year to the next has delivered a marketing advantage to growers and exporters in the U.S. It is important to note that no country is immune to quality problems because of weather or disease, however, buyers believe official grades in the U.S. do not change. Moreover, the U.S. industry is able to sell a higher proportion of the crop to its government for shipment as food aid. Grading standards for food aid are lower than for commercial markets, creating blending opportunities into the lower grades.

Canada might reduce lentil seeding 1.5 M acres to 4.39 M, while farmers in the U.S. intend to increase area from 933,000 to 1.06 M acres. Red lentils are also more important in Canada, expected to account for roughly 70% of the coming crop, while greens dominate U.S. production.

Normally, Canadian growers plant 16% more lentils than intended. This might not happen this year because of the expansion in soybean area. Given the price performance of green lentils versus other crops, it is hard to see how area would drop below the intentions, but the difference could be smaller than average.

One issue is that the amount of lentils still on farms is higher than normal. Through the end of February, 44% of what farmers grew was exported, down from 60% last season. Green lentil disappearance is a bit better than for all lentils, with 55% of what was grown exported by the end of February, down from 59% last year.

One reason was last summer's bumper kharif season harvest in India. Tur or pigeon pea is the most important summer pulse. Some millers substitute green lentils for tur, but with domestic output up and prices paid to growers under the minimum support price (MSP), demand for imported green lentils was not as good. This could change in the fall shipping period if India's farmers reduce tur plantings in response to weak prices.

Canadian Supply and Demand Forecast for Chickpeas and Peas in 2017/18

	Desi	Kabuli	Small Kabuli	All	Yellow Peas	Green Peas	Other	All Peas
Area (acres)	1,000	135,000	17,000	153,000	3,449,000	520,000	20,000	3,989,000
Yield (lbs/ac)	2,205	1,672	1,452	1,643	2,267	2,207	2,646	2,261
Production	1,000	102,400	11,200	114,000	3,546,500	520,500	24,000	4,091,000
Carry-In	0	2,000	0	2,000	743,000	46,000	1,000	790,000
Imports	0	9,000	0	9,000	13,700	13,100	1,200	28,000
Supply	1,000	113,400	11,200	125,000	4,303,200	579,600	26,200	4,909,000
Exports	960	53,440	8,600	63,000	2,292,400	444,900	14,700	2,752,000
Seed	40	11,100	1,000	12,140	253,000	41,000	4,000	298,000
Feed, Waste, and Other	0	33,860	1,600	34,860	745,800	57,700	5,500	809,000
Total Usage	1,000	98,400	11,200	110,000	3,291,200	543,600	24,200	3,859,000
Ending Stocks	0	15,000	0	15,000	1,012,000	36,000	2,000	1,050,000
Stocks/Use	0%	15%	0%	14%	31%	7%	8%	27%

*All quantities in tonnes. Source: STAT Publishing Inc.

Canadian Supply and Demand Forecast for Lentils in 2017/18

	Large Green	Medium Green	Small Green	Extra-Small Red	Small Red	All Red	Other	All
Area (acres)	868,000	27,000	267,000	80,000	3,130,000	3,210,000	13,000	4,385,000
Yield (lbs/ac)	1,323	1,306	1,445	1,323	1,349	1,348	848	1,347
Production	521,000	16,000	175,000	48,000	1,915,000	1,963,000	5,000	2,680,000
Carry-In	40,000	3,000	37,100	11,100	441,900	453,000	1,000	534,100
Supply	561,000	19,000	212,100	59,100	2,356,900	2,416,000	6,000	3,214,100
Exports	446,800	12,000	134,200	37,700	1,401,700	1,439,400	4,400	2,036,800
Seed	43,400	1,500	7,300	7,800	98,200	106,000	300	158,500
Feed, Waste, and Other	40,800	3,500	30,600	9,600	386,000	395,600	300	471,500
Total Usage	531,000	17,000	172,100	55,100	1,885,900	1,941,000	5,000	2,666,100
Ending Stocks	30,000	2,000	40,000	4,000	471,000	475,000	1,000	548,000
Stocks/Use	6%	12%	23%	7%	25%	24%	20%	21%

*All quantities in tonnes. Source: STAT Publishing Inc.

However, in other key markets, Canada faces increased competition from the U.S. This season's grading issues have combined with complacency to make it easier for other countries to gain market share. In a recent report, the U.S. agricultural attaché for Peru noted that the U.S. has slowly gained market share for all classes of pulses at the expense of Canada, "due to traceability, prices, quality issues, and sustainable sources."

Some market participants assert that the world has no choice to take what we can

supply. Growers and processors in other countries beg to differ. Regaining a lost customer is sometimes more expensive than gaining a new one and often means that we need to be cheaper by a cent or more per pound. At a time when stocks and competition is growing, needing to give up an extra cent a pound is a hard bargain.

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2017 Seeding Intentions Versus Actual

Intentions	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Lentils	1,324,000	1,282,000	1,340,000	1,970,000	2,875,000	2,700,000	2,460,000	2,063,000	2,860,000	3,350,000	5,140,000	4,385,000
Peas	3,454,000	3,571,000	3,785,000	4,205,000	3,620,000	2,745,000	3,310,000	3,430,000	3,975,000	3,830,000	4,280,000	3,989,000
Edible Beans	397,400	405,900	328,400	291,000	318,000	260,000	285,000	205,000	293,000	273,000	230,000	260,000
Chickpeas	295,000	520,000	185,000	147,000	125,000	165,000	265,000	155,000	100,000	140,000	112,000	153,000
Canaryseed	316,000	433,000	425,000	300,000	510,000	320,000	275,000	190,000	245,000	310,000	315,000	280,000
Mustard	419,000	428,000	500,000	550,000	455,000	338,000	290,000	335,000	480,000	320,000	430,000	390,000
Sunflower	260,500	225,000	165,000	145,000	170,000	65,000	60,000	100,000	125,000	125,000	80,000	50,000

Actual	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Lentils	1,400,000	1,435,000	1,745,000	2,405,000	3,445,000	2,557,775	2,515,000	2,720,000	3,120,000	4,035,000	5,860,000	N/A
Peas	3,115,515	3,630,000	3,985,000	3,760,000	3,625,000	2,436,726	3,730,000	3,325,000	3,985,000	3,680,000	4,239,000	N/A
Edible Beans	459,067	391,100	329,300	301,100	331,100	197,881	305,000	240,000	305,000	260,000	277,000	N/A
Chickpeas	318,919	430,000	110,000	105,000	210,000	117,538	200,000	190,500	180,000	123,000	172,000	N/A
Canaryseed	337,189	490,000	410,000	370,000	395,000	300,000	355,000	291,500	302,500	334,500	269,000	N/A
Mustard	330,688	460,000	470,000	525,000	470,000	327,958	335,000	365,000	500,000	345,000	525,000	N/A
Sunflower	190,230	198,000	160,000	160,000	135,000	35,000	100,000	70,000	75,000	100,000	70,000	N/A

Variation	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Three-Year Average
Lentils	6%	12%	30%	22%	20%	-5%	2%	32%	9%	20%	14%	15%
Peas	-10%	2%	5%	-11%	0%	-11%	13%	-3%	0%	-4%	-1%	-2%
Edible Beans	16%	-4%	0%	3%	4%	-24%	7%	17%	4%	-5%	20%	7%
Chickpeas	8%	-17%	-41%	-29%	68%	-29%	-25%	23%	80%	-12%	54%	40%
Canaryseed	7%	13%	-4%	23%	-23%	-6%	29%	53%	23%	8%	-15%	6%
Mustard	-21%	7%	-6%	-5%	3%	-3%	16%	9%	4%	8%	22%	11%
Sunflower	-27%	-12%	-3%	10%	-21%	-46%	67%	-30%	-40%	-20%	-13%	-24%

Source: Statistics Canada



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