

## AUSTRALIAN PULSE MARKET REPORT SEPTEMBER 2017



**Peter Semmler**  
Agrisemm Global  
Brokerage

Conditions at the start of planting for the 2017 season, from mid-April forward, varied from perfect in Victoria, good in central Queensland, average moisture in Southern Queensland,

New South Wales (NSW), and South Australia, to dry in West Australia. As the season has progressed, some areas have improved with good late rains, and others have not received sufficient moisture.

### Desi Chickpeas

Compared to the estimates shown to the right, exports in July and August will show production has exceeded two million (M) tonnes. Earlier it was stated there was an increase in planted area up by about 10% and Indian sub-continent buyers were predicting a very large crop for 2017. In central Queensland, the season started with a major rain event courtesy of Cyclone Debbie. Emerald, a major town in this area, received 200 millimetres (mm) in March. This dump has provided enough moisture to get the crop through until harvest, which should start in the first week of September. Expected yields are likely to be above average. Moving south towards the Darling Downs, traders and delivered container terminal sellers advise that yield expectation is reducing weekly. There has been little or no rain during the last four weeks on much of the Darling Downs and towards the NSW border. The September forecast for growing areas in Queensland and NSW is not very hopeful for a season turnaround.

Demand for Desi chickpeas was soft during July with bids from the Indian sub-continent drifting to \$690 USD cost, insurance, and freight (CIF) to Nhava Sheeva, an Indian port. In the last week of August, Desis traded at \$835 USD cost and freight (CFR) to Kolkata, and there

### Australian Pulse Production & Exports Summary - September 2017

	Desi Chickpeas	Kabuli Chickpeas	Faba Beans	Broad Beans	Dun Peas	Red & Green Lentils
<b>Pulse Australia Area Estimate July 2017</b>						
New South Wales	460,750		52,570		51,870	25,000
Victoria	68,830		71,860		75,260	170,840
Queensland	556,140		5,000			
South Australia	20,790		72,480		127,650	127,440
Western Australia	5,220		6,300		41,930	5,000
<b>Total Pulse Australia Area Estimate 2017</b>	<b>1,111,730</b>		<b>208,210</b>		<b>296,710</b>	<b>328,280</b>
<b>Pulse Australia Production Estimate JULY 2017</b>						
Australian Bureau of Agricultural and Resource Economics and Sciences - Production Estimate June 2017	1,510,970		295,170		279,640	369,670
Australian Bureau of Agricultural and Resource Economics and Sciences - Production Estimate June 2017	1,416,000		368,000		256,000	525,000
<b>Survey of Traders Estimates</b>						
<b>Production 2017/18 tonnes</b>	850,000-1,200,000		350,000-450,000		250,000-300,000	500,000-650,000
<b>Export Data</b>						
<b>November 2013 to October 2014</b>	646,834		360,280		161,707	306,713
<b>November 2014 to October 2015</b>	678,606		301,011		161,151	211,608
<b>November 2015 to October 2016</b>	1,145,140		263,349		129,831	193,151
<b>November 2016 to June 2017</b>	1,924,021		300,104		196,209	751,040

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

were bids at \$770 USD CFR to Nhava Sheeva.

Indian sub-continent buyers seem more measured in their purchases, due in part to lower liquidity in destination markets. Even with the lower rain forecast, the traders surveyed estimate production at between 875,000 and 1.2 M tonnes. My view is that the 2017 production will top out at around 900,000 tonnes.

Against this background, vessels totalling 300,000 tonnes have been nominated to load bulk Desi chickpeas from September

to December 2017.

This report was researched and completed prior to significant frost events on August 28 and 29 over parts of the Desi growing areas. It will be a few weeks before the impact of this frost can be assessed.

### Lentils

We expect lentil exports to exceed 800,000 tonnes for the 2016/17 crop year. After allowing for closing stock and seed, this leaves production around 900,000 tonnes. Planted area for 2017/18 was up by about 10% over 2016/17.

The season started well in Victoria with adequate moisture in both the Wimmera and the Mallee areas. Good weather in terms of rain has continued, and expectations are for a very good crop with yields around 29.7 bushels per acre (bu/ac). At this stage, the only concerns are frost and a hot spell in September, which would affect flowering and pod set.

South Australian farmers were not as fortunate as their counterparts across the border. Rainfall prior to planting was not optimal, and May and June were unseasonably dry. On the Yorke Peninsular areas around Kadina, which is prime lentil country, a total of 31 mm was recorded in this period. To add to their woes, mice were a major problem, and despite extensive baiting, many farmers had to replant between 10-20% of their crops. Crops not replanted are looking very patchy. On the West Coast where farmers had excellent lentil crops last year, the dry weather has ruined much of these crops. Thankfully rainfall in July and August has been much better and improved yields are now expected.

For this improvement to happen average rainfall is needed until harvest. As day temperatures increase, the risk of frost declines. However, the crop needs to get through September without a burst of hot weather and winds. Despite all this, the expectation is for a good crop of lentils

for 2017 with the majority coming from Victoria.

The tonnage of lentils shipped to traditional markets has been much higher than expected, perhaps due to the better quality compared to Canada. However destination markets are full and the market in August has been very quiet. Destination buyers have also been waiting for Canadian new crop offers, which have now started at \$535 USD CIF to Nhava Sheeva.

To-date sales to destinations for new crop lentils have been minimal. There have been bids from Bangladesh buyers at around \$580 USD CFR for old crop Nipper type, but little selling interest at this level.

### Faba Beans

The area planted has dropped significantly in the current year as farmers bailed out of fabas due to the very low prices on offer. While exports have been ahead of expectations, traders are unsure of the expected carry-over from last year's record crop. There has been increased uptake from stockfeed compounders but there are still a lot of faba beans on farm. Faba bean crops in Victoria are looking good, in South Australia they are okay, but certainly production will be lower in NSW. Stocks in Egypt are more than adequate now especially with the recent arrival of 80,000 tonnes in bulk ships. There have been new crop offers floated at \$300

USD/tonne CFR to Damietta, but buyers are showing little interest until local stocks reduce. The forecasted dry conditions in NSW may increase domestic demand from feed lotterers, but prices are not expected to firm for the new crop.

### Field Peas

The estimated planted area for 2017 is up just under 5% over 2016. Peas are grown in similar areas to lentils and faba beans, therefore the weather outlook has already been covered. Exports are expected to remain at similar levels to this year, although exports of yellow split peas have been decimated by very competitive prices from both Ukrainian and Russian splitters. Prices into India have remained relatively stable this year.

To conclude, the outcomes for chickpeas and lentils are very much dependent upon the weather in September. If the Desi chickpea crop continues to decline, this may drive increased buying activity and higher CFR prices. The news from Canada gets better as the lentil harvest progresses, for both production and quality. Both outcomes will put pressure on Australian lentil prices, and on farmers to revise their price estimates, especially if the forecasted production eventuates.

*Peter Semmler is the Principal of Agrisemmm Global Brokerage. He can be reached at [peter@agrisemmm.com](mailto:peter@agrisemmm.com).*

## WHAT CAN DECILES TELL US ABOUT PULSE PRICES AND PRODUCTION?



**Brian Clancey**  
STAT Publishing Ltd.

Deciles do not tell whether prices will fall or rise. Instead, they help you see how likely it is that prices will move higher or lower in the future.

Deciles tell you the percentage

of time prices were at or below a certain level. Low bids tell you the market thinks there could be an over-supply compared to the expected demand. High bids tell you the market fears available supplies could be too low.

Where today's prices fit into the decile

table does not mean they will change dramatically over the short-term, but it provides a good clue about longer term price direction. This is because you can clearly see where today's prices are in relation to history.

The current decile tables start in 2007. The reason is that biofuel mandates in the United States (U.S.) completely and dramatically increased demand for corn to produce ethanol, and for vegetable oils for bio-diesel. Agricultural production has adjusted, but outside markets still have more impact on pulses than was the case before 2007.

Politics have also become more important - whether in free-trade agreements like the Trans Pacific Partnership (TPP) and North

American Free Trade Agreement (NAFTA) renegotiation, phytosanitary rules, or outright market intervention.

India is at the centre of the last two issues, adding to price risk. Canada's fumigation exemption ends on September 30. While we do not know what India will do, it does not mean Canada cannot export pulses to India if India does not update its policy before September 30. It means the cost of doing so will increase because of the need to fumigate the pulses in Canada, or to compensate buyers who are fined because they do not have a compliant phytosanitary certificate.

Those problems and costs are nothing compared to the risks posed by India's government.

In August, moong beans, urad (black mape), and pigeon peas were added to the list of commodities for which imports are restricted. Import quotas were set at 200,000 tonnes for pigeon peas and 300,000 for moong and urad. They were retroactive to April 1 and expire on March 31 next year. However, because they are retroactive, they were filled the moment they were imposed.

What is happening is that India is trying to protect prices paid to farmers. Last summer's kharif season pulse harvest was a record 9.43 million (M) tonnes. The three restricted pulses are mostly grown during the kharif season and prices paid to farmers have long since fallen under the country's minimum support price (MSP).

This year's rabi season harvest is also a record. Desi chickpeas and red lentils are the most important rabi season pulses grown, and prices paid to farmers have also fallen below the MSP.

Given India's willingness to take additional actions to protect prices paid to farmers, there is a tangible risk import restrictions could be imposed on red lentils, field peas, and/or Desi chickpeas.

One reason is that despite record domestic output across the 2016/17 production season, imports of all pulses soared from around 4.58 M tonnes in 2015/16 to over 6 M tonnes in 2016/17. Massive volumes of peas and lentils flowed into India from Canada, along with huge quantities of Desi chickpeas from Australia.

The problem for markets is that if India adds any of these commodities to the restricted list, there will be no notice and if quotas are full, outstanding sales cannot be shipped. Such an event could see prices for peas and red lentils collapse.

It is impossible to fully protect yourself against these kinds of risks. But, when you know where prices are in their historic range, you can adjust your thinking quickly or slowly to sell. You could end up in a better position when unpredictable things happen.

When you look at the deciles which were in place between 1988 and 2006, you discover something interesting. Before the U.S. mandated that gasoline contain a certain percentage of ethanol, large green lentils were at decile two, small green at decile four, and yellow peas at decile three.

What that means is that prior to 2007,

## 2007 to 2017 Average Deciles - No. 2 Canada Grade (Delivered to Plant)

DECILES (Per Bushel)	Yellow Peas	Green Peas	9mm Kabuli Chickpeas	Faba Beans
0	4.25	4.25	25	9.2
1	5.5	6.5	27	13.4
2	6.25	7.5	29.5	16.7
3	6.5	8	30	16.7
4	7	8.5	33	16.7
5	7.75	9	34.5	16.7
6	8.54	9.25	35.5	16.98
7	9	9.75	37	20
8	9	11	40.75	20
9	10.25	12.5	49.35	20
10	14.5	17.5	70	21.7

DECILES (Per Pound)	Red Lentils	Large Green Lentils	Medium Green Lentils	Small Green Lentils
0	14.75	13.5	10.5	11
1	18.75	19	17	16.5
2	20	20.75	18.75	19.75
3	21.75	22.5	21	22
4	24	25.75	23.75	24
5	26	30	27.75	26
6	29.7	32	29	27.75
7	33.75	35.75	31.75	29.75
8	38	40.75	34.75	31.75
9	43.975	46	44	40
10	57	75	70	65

Source: STAT Communications Ltd.

large green lentils prices were higher 80% of the time, small green lentils higher 60% of the time, and yellow peas higher 70% of the time. If you were paying attention to deciles, they would be telling you that the risk of prices dropping was much smaller than the chance they would rise. In simple terms, there was no reason to rush to sell what was on your farm.

The U.S. biofuel mandate was unexpected, but it had a dramatic impact on prices. Growers who realized prices were at the bottom of their historic range and delayed selling saw prices jump within a year, into what was then decile eight or nine territory.

Today, we face two big risks. One is the possibility India will restrict imports of more classes of pulses. The other is a dramatic increase in competition from the U.S. in green lentils and field pea markets.

As of the third week of August, large and small green lentils were at decile eight, yellow peas at decile five, and red lentils almost at decile four.

Just looking at the fact that green lentils have only been higher 20% of the time, it is clear there is more risk that prices will

drop than that they will rise. Yellow peas are a neutral price point and red lentils are at the bottom end of the range that has been in place since 2007.

On this basis alone, there is no good reason to hold green lentils. The reality is that we face much more competition for demand from the U.S. than was the case before 2016. Total North American production is not much different than last year, but the available supply of good quality green lentils is higher. That means there will more head-to-head competition between U.S. and Canadian exporters than we have ever experienced.

As long as India does not restrict imports, taking a more relaxed attitude toward marketing red lentils makes sense because prices have been higher 60% of the time since 2007. One simple reason is low prices tend to discourage production. If area drops again in the spring, supplies will be much tighter in the 2018/19 marketing year. Prices should start rising next spring because of the worry there will not be enough grown to cover the needs of the market in the last half of 2018.

Deciles do not tell you when or if to sell.

But, they do show you how much risk there is that prices will fall. Knowing where prices sit in terms of history, and knowing that some people make seeding decisions based on what is happening when they are finalizing their plans, is useful when

deciding whether to sell as much as possible early, or wait.

*Brian Clancey is the Editor and Publisher of [www.statpub.com](http://www.statpub.com) market news website and President of STAT Publishing Ltd. He can be reached at [editor@statpub.com](mailto:editor@statpub.com)*

**Deadline for Nominations for SPG's Board of Directors is September 15.**

**For a nomination form, visit [saskpulse.com](http://saskpulse.com)**

### Faba Bean Feed Benchmark Bi-Weekly Report - August 12 to 16, 2017

	CENTRAL ALBERTA	CENTRAL SASK.	SOUTH. MANITOBA
	CDN\$/T	CDN\$/T	CDN\$/T
<b>Faba Bean Feed Benchmark Price</b>	<b>\$314.86</b>	<b>\$295.43</b>	<b>\$270.28</b>
<b>COMPETING FEED INGREDIENTS</b>			
Feed Barley	\$185.00	\$172.00	\$192.00
Mid Protein Wheat	\$225.00	\$225.00	\$245.00
Low Protein Wheat	\$220.00	\$220.00	\$240.00
Wheat DDGS	\$235.00	\$235.00	\$235.00
Corn	\$215.00	\$195.00	\$165.00
Corn DDGS	\$235.00	\$199.00	\$182.00
Canola Meal	\$350.00	\$349.00	\$347.00
Soybean Meal (46%)	\$475.00	\$451.00	\$412.00
Canola Oil	\$1,120.00	\$1,120.00	\$1,120.00

All prices are in Canadian dollars per tonne.

### Feed Pea Benchmark Bi Weekly Report - August 12 to 16, 2017

	CENTRAL ALBERTA	CENTRAL SASK.	SOUTH. MANITOBA
	CDN\$/T	CDN\$/T	CDN\$/T
<b>Feed Pea Benchmark Price</b>	<b>\$310.51</b>	<b>\$283.58</b>	<b>\$250.66</b>
<b>COMPETING FEED INGREDIENTS</b>			
Feed Barley	\$185.00	\$172.00	\$192.00
Mid Protein Wheat	\$225.00	\$225.00	\$245.00
Low Protein Wheat	\$220.00	\$220.00	\$240.00
Wheat DDGS	\$235.00	\$235.00	\$235.00
Corn	\$215.00	\$195.00	\$165.00
Corn DDGS	\$235.00	\$199.00	\$182.00
Canola Meal	\$350.00	\$349.00	\$347.00
Soybean Meal (46%)	\$475.00	\$451.00	\$412.00
Canola Oil	\$1,120.00	\$1,120.00	\$1,120.00

All prices are in Canadian dollars per 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.



[www.saskpulse.com](http://www.saskpulse.com)

[@Saskpulse](https://twitter.com/Saskpulse)

If you would like to receive your copy of the Pulse Market Report by email, please contact us at [pulse@saskpulse.com](mailto:pulse@saskpulse.com).

DISCLAIMER: This publication is provided for informational purposes only and should not be interpreted as providing, without limitation, agricultural, marketing, or business management advice. Saskatchewan Pulse Growers makes no express or implied guarantees or warranties of suitability or accuracy regarding the information contained in this publication. In no event shall Saskatchewan Pulse Growers be held liable for any special, incidental, consequential, direct or indirect injury, damage or loss which may arise from the use of, or any decisions made in reliance on, the information provided. The opinions expressed in this publication are those of the authors thereof and not necessarily those of Saskatchewan Pulse Growers.

Publications Mail Agreement No. #40021625. Return undeliverable Canadian addresses to: Saskatchewan Pulse Growers, 207 - 116 Research Drive Saskatoon SK S7N 3R3

**Saskatchewan Pulse Growers**

This report is also available at [saskpulse.com](http://saskpulse.com)