

## CHICKPEA AND FABA BEAN SITUATION



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### Chickpeas

The chickpea market is one of those classic cases of high prices curing high prices. This isn't just the situation in Canada, but for chickpea markets around the world. Prices for chickpeas had

been unusually high for an extended period of time. Farmers in all producing countries had been trying to capitalize on those high prices, but poor weather had kept production from expanding enough to fully meet demand.

That is, until this year. Farmers in India produced a record chickpea crop (Desis and Kabulis combined) of 11.2 million (M) tonnes, 19% more than the year before. Mexican farmers increased acreage 95% and harvested a Kabuli crop of 330,000 tonnes, 85% larger than last year.

Here in North America, the 2018 chickpea crop will be much larger too. In the United States (U.S.), seeded area had already expanded sharply in 2017, but yields were extremely low due to drought. In 2018, acreage was only 7% larger, but improved yields mean the crop will be at least a third larger, likely more. For Western Canada, the situation south of the border is very important as the U.S. is Canada's largest customer.

In late June, Statistics Canada reported that Canadian farmers would be more than doubling seeded area to 469,000 acres. While there are still areas of concern for the Canadian crop, a recovery back to average yields would mean a 2018 crop of 360,000 tonnes, 160% larger than last year.

Now that high prices seem to have done their job of stimulating production, it raises the question of where all these chickpeas will go. And secondly, what will be the impact on prices?

Clearly, Canadian chickpeas will be facing a much more competitive global trading environment. Canadian traders will now have to find a home for more than twice

as many chickpeas as they have the past couple of years. For the past couple of years, there's been no shortage of buyers and they couldn't afford to be too picky about quality. This has now reversed and it's become a buyers' market.

The U.S. will remain the most important market, as chickpeas are used in human and pet food applications, which have seen tremendous growth. There will still be opportunities in other countries but a low price will be the main selling point. Production has caught up and passed the demand and that means lower prices.

New-crop prices for forward contracting the 2018 crop were already well below old-crop levels, but still offered decent (historical) returns for a good part of the winter. Old-crop bids were well supported until late April when Indian and Mexican crops hit the market and it became obvious North American acreage would be much larger.

There may not be a whole lot more downside for prices but, with Canadian and U.S. crops looking mostly positive, a recovery won't be happening anytime soon. There are simply a whole lot of chickpeas in North America (and elsewhere) that need to be consumed before anything resembling a shortage shows up. This also means 2018/19 ending stocks will be quite large.

### Faba Beans

In several ways, the faba bean market is moving in the opposite direction as chickpeas. Prices have mostly been flat and certainly haven't been generating a lot of interest from farmers. Last year's production issues, especially in Saskatchewan, discouraged farmers from planting the crop again in 2018. As a result, Canadian production will be down this year.

But it's not just in Canada that production will be lower. Australia, the dominant exporter, is dealing with challenging conditions and prices have already turned sharply higher, more than doubling from a year ago. With extremely tight domestic feed supplies, a lot of Australian faba beans won't be available for export. Other key faba bean producers and exporters such as the United Kingdom and Baltic countries are also faced with lower yields due to drought conditions.

These smaller crops elsewhere mean less competition for Canadian faba beans in the key Egyptian market. For the types of faba beans consumed in the Egyptian market – mainly tannin varieties with some smaller volumes of white varieties – prices in Western Canada should see some strength in 2018/19 due to the tighter supplies.

In the past five years, Canadian faba bean exports have been as low as 10,000 tonnes in 2013/14 but rose above 25,000 tonnes this year. As long as the 2018 crop fits the criteria for the Egyptian market, exports could end up closer to the high end of that range in 2018/19, maybe even more.

Even with a good export program, there's still a sizable portion of the 2018 crop that will need to find a home in the domestic feed market. Prices for these faba beans won't be as strong, largely because of a weak soymeal market and pressure on feed pea prices, at least in early 2018/19. That situation could improve later in the marketing year but won't be as strong as the export channel.

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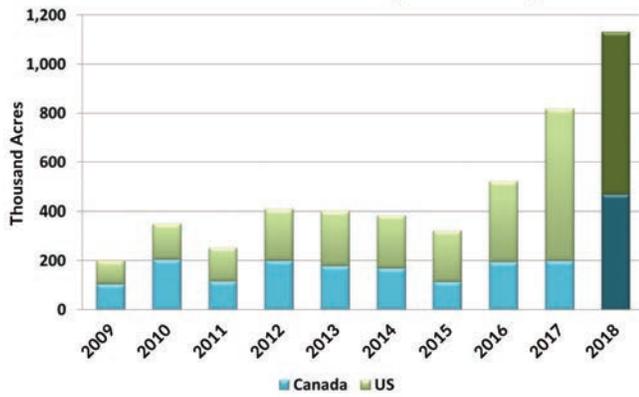


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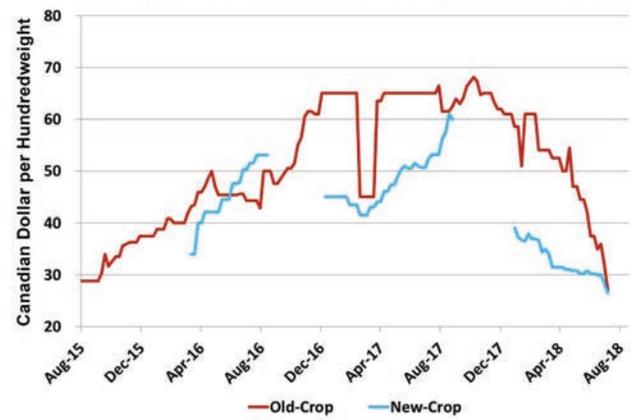
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### North American Chickpea Acreage



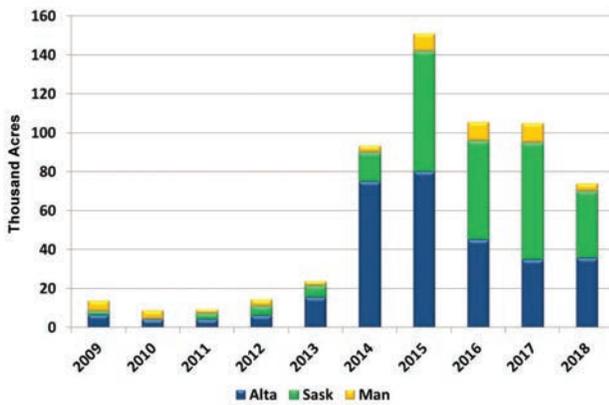
Source: LeftField Commodity Research

### Average Canadian Kabuli Chickpea Bids



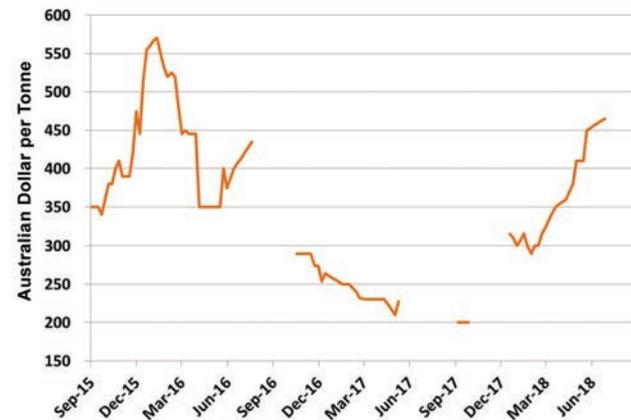
Source: LeftField Commodity Research

### Canadian Faba Bean Seeded Area



Source: LeftField Commodity Research

### Faba Bean Price - Adelaide, Australia



Source: LeftField Commodity Research