

# Pulse Market Report

September 2015

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.

## India Pulse Market Update



For the second year in a row, Indian pulse production in the kharif season (planted in June/July and harvested September/October) is expected to fall

well below the targeted 7 million (M) tonnes, following poor distribution of southwest monsoon rains during most of July and August. The adverse effects of El Niño are already visible. After a robust start in June, monsoon rains became absent in many parts of the country, hurting planted acreage and crop growth prospects.

The planted acreage this kharif season is higher by 2.47 million (M) acres but that's only a consolation. There are lurking apprehensions that yields may be hurt because of inadequate precipitation over the last eight weeks in the growing regions. Currently, about half of the country's 36 meteorological subdivisions face deficient rains. The crops are currently maturing rapidly and desperately need moisture. With two to three weeks to go before the monsoons end, there is anxiety in farming and trade circles.

Subject to normal weather until harvest, India's 2015 kharif harvest is likely to be around 6 M tonnes, a modest improvement over the previous year's 5.63 M tonnes, but

| Pulse Planted Area, August 2015 (Million Acres) |        |       |       |
|-------------------------------------------------|--------|-------|-------|
| PULSE                                           | NORMAL | 2015  | 2014  |
| Tur/Arhar (Pigeon Pea)                          | 9.7    | 8.47  | 8.3   |
| Urad (Black Gram)                               | 5.87   | 6.5   | 5.73  |
| Moong (Green Gram)                              | 6.05   | 5.9   | 4.91  |
| Others                                          | 5.21   | 5.18  | 4.32  |
| TOTAL                                           | 26.83  | 26.05 | 23.26 |

Normal represents the average of the last five seasons  
(Source: Government of India, Department of Agriculture and Cooperation)

| India's Kharif Season: Pulse Production (Million Tonnes) |      |      |      |
|----------------------------------------------------------|------|------|------|
| PULSE                                                    | 2014 | 2013 | 2012 |
| Tur (Pigeon Pea)                                         | 2.78 | 3.17 | 3.02 |
| Urad (Black Gram)                                        | 1.27 | 1.15 | 1.43 |
| Moong (Green Gram)                                       | 0.85 | 0.96 | 0.79 |
| Others                                                   | 0.73 | 0.71 | 0.67 |
| TOTAL                                                    | 5.63 | 5.99 | 5.91 |

(Source: Government of India, Department of Agriculture and Cooperation)

well short of the season's production target of 7 M tonnes.

September and October are months that mark a series of festivals in India when demand for food products including pulses peaks. Given the harvest outlook and emerging demand surge, the pulse market fundamentals are expected to get tighter.

From the trade side, pulse imports continue to meet the domestic production shortfall. The Government of India, Ministry of Commerce and

Industry data suggests that imports from April to July 2015 were an estimated 1.2 M tonnes. I would place the projected imports during August and September at 300,000 tonnes each, taking the half-yearly total to 1.8 M tonnes. A little over half of the imports are accounted for by yellow peas, a close substitute for chickpeas.

Currently, pulses are exempt from levy of import duty. The exemption is valid until September 30, 2015. This is creating some anxiety in

trade circles as traders are keen to maximize their imports well before the exemption deadline nears. It is of course most likely that the exemption (zero-duty status) will be extended given the local crop conditions and eagerness of the government to contain price and augment supplies.

The move to import pulses through government agencies has not yielded results. One of the agencies, Metals

and Minerals Trading Corporation of India, has been authorized to import 5,000 tonnes of tur/arhar (pigeon pea) and the likely origin is East Africa. The market continues to pay attention to the domestic crop and availability of imported pulses through the private trade. Since the beginning of August, the Indian rupee has depreciated by 3% which has added to the price pressure.

Just as overseas suppliers are watching crop and market developments in India, Indian importers are closely monitoring the crop prospects at major overseas origins especially Canada where hot and dry conditions are likely to reduce lentil and field pea yields.

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## Australian Market and Production Update: September 2015



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After a reasonably good start to the 2015 season the last three months have certainly increased confidence in the growing areas for some excellent outcomes for Australian pulse

crops. So far the concerns about the impact of the forecast El Niño thankfully have not materialized. In fact the reverse has occurred and with some excellent widespread rain events over much of New South Wales, pulse traders are revising their estimates upwards.

### Chickpeas – Desi

Demand for new crop Desi chickpeas has remained solid over the last three months with trades around \$685 USD cost, insurance, and freight (CIF) Indian main ports reported the last few days. Today this equates to \$820 AUD/tonne delivered to inland country terminal. For growers this is an excellent price. The decline of the Australian dollar from 0.785 on May 1 to around 0.71 today has contributed significantly to this price.

It is quite rare for a season to deliver both very high prices and record production but such an outcome is now a reality. Some good rains late in the planting window have given

confidence to growers to plant more Desis, pushing the estimated planted area to around 1.4 million (M) acres. However the real game-changer has been the timely rains, as recently as last weekend, making the Desi crop boom. Most traders feel production in excess of 1 M tonnes is an easy

prediction, and some traders are confident that the final figure could be close to 1.1 M tonnes, which would be a record. However frost could still affect this prediction and another useful rain event would assist.

**Australian Pulse Production and Exports Summary (August 2015)**

|                                            | Chickpeas |        | Beans   |        | Field Peas | Lentils     |
|--------------------------------------------|-----------|--------|---------|--------|------------|-------------|
|                                            | Desi      | Kabuli | Faba    | Broad  | Dun        | Red & Green |
| <i>P A Planted Area est July 2015</i>      |           |        |         |        |            |             |
| <i>New South Wales</i>                     | 265,000   | 32,500 | 50,000  |        | 48,100     | 2,600       |
| <i>Victoria</i>                            | 4,800     | 6,000  | 68,900  | 4,500  | 52,300     | 90,600      |
| <i>Queensland</i>                          | 303,000   |        | 1,200   |        |            |             |
| <i>South Australia</i>                     | 1,700     | 13,000 | 67,600  | 15,000 | 112,200    | 107,300     |
| <i>Western Australia</i>                   | 2,500     | 500    | 3,000   |        | 22,000     |             |
| <i>Total planted area 2015 h/a</i>         | 577,000   | 49,300 | 190,700 | 19,500 | 234,600    | 200,500     |
| <i>% of 2014 planted area</i>              | 196%      | 102%   | 117%    | 80%    | 105%       | 117%        |
| <i>Production est July 2015</i>            | 879,500   | 61,000 | 320,500 | 34,700 | 287,100    | 318,400     |
| <i>Production est. July 15 as % Dec 14</i> | 236%      | 166%   | 131%    | 87%    | 107%       | 127%        |
| <i>Exports Nov 2012 to Oct 2013</i>        | 886,620   |        | 306,817 |        | 139,816    | 302,993     |
| <i>Exports Nov 2013 to Nov 2014</i>        | 646,834   |        | 360,280 |        | 161,707    | 306,713     |
| <i>Exports Nov 2014 to June 2015</i>       | 574,855   |        | 244,574 |        | 129,248    | 185,457     |

*Source: Bureau of Statistics and Pulse Australia*

### Chickpeas – Kabuli

The Pulse Australia estimate for Kabuli chickpea has been downgraded in area by around 16% but the production remains the same. As the year progressed demand and prices remained firm into Pakistan and to a lesser extent India. Sales of Russian-Ukraine new crop origin have also benefited from this demand and trading has remained brisk to these countries as well as Jordan and Egypt. Another factor supporting demand and price is the reduction of the Canadian crop by around one-third.

### Faba Beans

The area predicted by Pulse Australia is down marginally from the previous report. However their production estimate increased by 11% to 320,000 tonnes. Some traders believe that this number is also underestimated and production could end up closer to 400,000 tonnes. The excellent season in New South Wales (NSW) accounts for much of this increase. Agronomists report a large biomass crop with higher yield potential. Much of the crop is still flowering and first formed pods are filling well but the crop is showing signs of infection from chocolate

spot and Ascochyta, which will be controlled by a fungicide application.

However the market outlook for the faba crop is not very encouraging due to serious problems in the major market, Egypt. Production of beans in the United Kingdom (UK) will exceed previous estimates while the French crop is down. Harvest has started in the Ukraine and Russia and so far quality is ok. The major concern for Australian traders and farmers is the soft prices. Egypt is now seriously constrained as a buyer due to severe restrictions on the availability of hard currency. The situation is exacerbated by new regulations from the Central Bank as to the allocation of available US dollars. The pricing for competing origins is from UK beans which are closely linked to wheat, as a large part of the UK bean crop is used for stock feed. Recent prices quoted for UK beans were around \$330 USD CIF. Damietta and Ukraine are quoted at a \$20-30 discount. The spread between UK and Australian faba bean is now close to \$130 USD/tonne. Traders report little interest for Australian beans at current prices. Whether growers will sell beans at a price that equates to the normal spread between

Australian and UK beans remains to be seen.

### Field Peas - Dun

The planted area is down from the previous estimate mainly due to the dry season in West Australia. Pea prices have been firm also benefiting from the depreciating Australian dollar. With the good season in NSW yields are expected to improve with a similar result in South Australia.

### Lentils

Prices and demand in the last three months have remained high, at one point exceeding \$1,200 AUD/tonne delivered port basis. Even now bids are over \$1,000 AUD/tonne on a delivered packer basis. The season in South Australia has been good for the lentil crop whereas Victoria has a number of areas short on moisture, with three months until harvest starts. While the Pulse Australia forecast could still deliver a good crop compared to the last five years, a good finish will be needed in both states for this to happen.

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## Faba Bean Feed Benchmark Bi-Weekly Report - August 14 to 18, 2015

|                                       | CENTRAL ALBERTA | CENTRAL SASK    | SOUTHERN MANITOBA |
|---------------------------------------|-----------------|-----------------|-------------------|
|                                       | CDN\$/MT        | CDN\$/MT        | CDN\$/MT          |
| <b>Faba Bean Feed Benchmark Price</b> | <b>\$428.34</b> | <b>\$399.90</b> | <b>\$364.67</b>   |
| <b>COMPETING FEED INGREDIENTS</b>     |                 |                 |                   |
| Feed Barley                           | \$215.00        | \$195.00        | \$200.00          |
| Mid Protien Wheat                     | \$220.00        | \$210.00        | \$213.00          |
| Low Protien Wheat                     | \$220.00        | \$210.00        | \$213.00          |
| Wheat DDGS                            | \$215.00        | \$210.00        | \$240.00          |
| Corn                                  | \$255.00        | \$205.00        | \$190.00          |
| Corn DDGS                             | \$265.00        | \$240.00        | \$225.00          |
| Canola Meal                           | \$350.00        | \$350.00        | \$344.00          |
| Soybean Meal (46%)                    | \$575.00        | \$525.00        | \$500.00          |
| Canola Oil                            | \$1,000.00      | \$1,000.00      | \$1,000.00        |

All prices are in Canadian dollars per metric tonne.

## Feed Pea Benchmark Bi Weekly Report - August 14 to 18, 2015

|                                   | CENTRAL ALBERTA | CENTRAL SASK    | SOUTHERN MANITOBA |
|-----------------------------------|-----------------|-----------------|-------------------|
|                                   | CDN\$/MT        | CDN\$/MT        | CDN\$/MT          |
| <b>Feed Pea Benchmark Price</b>   | <b>\$369.85</b> | <b>\$344.39</b> | <b>\$318.30</b>   |
| <b>COMPETING FEED INGREDIENTS</b> |                 |                 |                   |
| Feed Barley                       | \$215.00        | \$195.00        | \$200.00          |
| Mid Protien Wheat                 | \$220.00        | \$210.00        | \$213.00          |
| Low Protien Wheat                 | \$220.00        | \$210.00        | \$213.00          |
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| Canola Oil                        | \$1,000.00      | \$1,000.00      | \$1,000.00        |

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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