

CANADIAN LENTIL CROP SCENARIOS



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Earlier this summer, some Saskatchewan farmers and marketers we talked to had used phrases like “best lentil crop ever”. That got the forecasting machine cranked up into high gear

with some amazing crop estimates. After heavy rains swept across the province, no one is saying those kinds of things anymore. Now, we are getting feedback at the other end of the spectrum, with talk of crop write-offs.

So what is the reality? Frankly, no one can really say with any certainty at this stage, except that it is somewhere in between the two extremes. And in between the time of writing and publication, the situation will have changed even more. The best that we can do is present some possible scenarios and suggest what might happen under each of them.

Clearly, the rains have caused some acres to be lost. Between downright flooding and severe root rot issues, anywhere from 5-25% of the acres could be lost. So we will present three scenarios - a 5%, 15%, and 25% loss as best-to-worst acreage cases. At the most optimistic, that would mean the largest harvested area would be 5.3 million acres and the low end would be 4.2 million acres, which would still be 260,000 acres more than last year’s record harvested area. So, even the worst case would be larger than last year, at least in terms of acreage.

The yield part of the calculation is more difficult to get a handle on. The yield problems partly stem from disease issues, but there are also concerns about heavy vegetative growth with limited podding, at least so far. We have had reports of crops nearly wiped out by flooding and root rot, but experience also tells us that farmers are more apt to share

disaster stories. Those with good looking fields tend to be a little less talkative (partly to avoid annoying farmers dealing with poor conditions). Good crops will partly offset the losses in other areas.

As a baseline, the five-year average yield is 1,480 pounds per acre (lbs/ac) or 24.7 bushels per acre. From that starting point, our worst case yield would be 10% below average or 1,330 lbs/ac. That would put it in line with the low end of yields since 2008/09. The middle case would use the average yield based on the idea of poor and good crops canceling each other out, while the top end would be 5% above average, if more of the early excellent potential is still out there.

This presents a whole range of possible production outcomes. Under the low acreage and low yield scenario, production would be 2.6 million (M) tonnes, still about 200,000 tonnes more than last year but a far cry from earlier lofty expectations. The medium acreage and yield scenario would be a crop of 3.3 M tonnes while the top end would be 3.8 M tonnes.

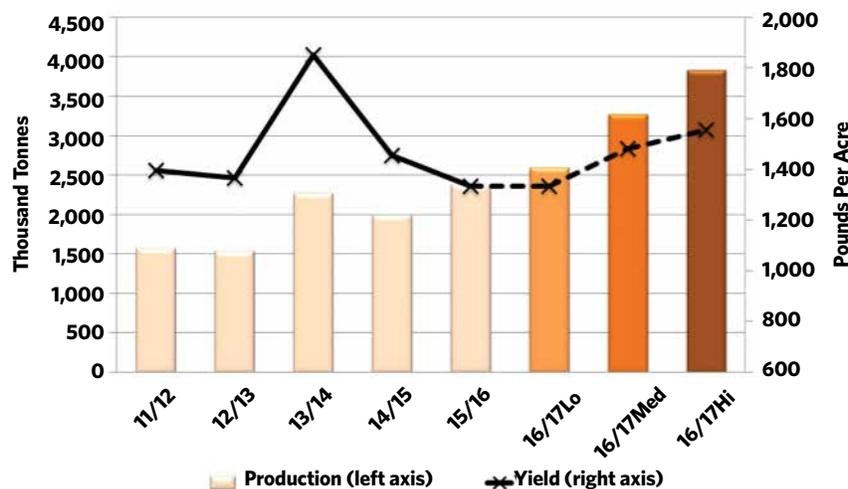
Even without further analysis, the drop in crop expectations from optimistic levels

(well over 4 M tonnes) early in the year is in itself supportive for prices. The main question though is whether the more modest production estimates will still be able to meet market demand.

For the first half of 2016/17, the market demand is fairly clear but gets murkier in the second half. There are virtually no old-crop lentil supplies in Canada and in most other countries, so this year’s crop is crucial. For red lentils, the main focus is India and purchases will be strong until its own rabi harvest in early 2017. Turkey is the other key buyer and it just harvested an average crop, meaning demand will be steady this year. Other red lentil buyers will be looking to refill their empty cupboards, leading to stronger demand. Demand for green lentils is spread more widely but with so few lentils available the last few months, there is a lot of pent-up demand which will mean strong purchases right off the bat.

Lentil exports for the current year (2015/16) will end up around 2.2 M tonnes, but would have been higher if supplies had been larger. Earlier, we had penciled in 3 M tonnes for 2016/17, but under the low production scenario above,

Canadian Lentil Production Scenarios



Source: Leftfield Commodity Research

that will not be possible and exports would be forced to remain mostly flat at 2.2 M tonnes. Even under the medium production scenario, exports would not be able to hit our earlier target but could still rise to 2.8 M tonnes, a fair jump. Under the top-end scenario, there would be little problem hitting the 3 M tonne target.

One factor that we have not addressed is the potential for reduced quality caused

by diseases. Depending on how severe that issue is, the export outlook would be trimmed further. But moderating some of this impact is the expected jump in U.S. green lentil production and more Australian red lentils.

The bottom line is that the earlier situation which had the potential to look very bearish has now turned around. Canadian supplies could be as tight as in

2015/16, and that will limit downside. Key factors to watch will be crop size in other countries. That is especially true for the Indian rabi lentil crop which gets planted in late 2016 and will determine demand in the second half of 2016/17.

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2016/17 LENTILS AND PEAS: UNCHARTED RAIN TERRITORY



Larry Weber
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*"Research is what I'm doing when I don't know what I'm doing."
Wernher von Braun
(Engineer,
1912 - 1977)*

On July 15, Reuters Canada released a survey of 12 analysts

and traders that indicated the current production potential of Western Canadian crops. In it, lentils were estimated across Canada at 3.9 million (M) tonnes (low was 3.5 M tonnes and high was 4.3 M tonnes), and peas at 4.4 M tonnes (low was 4.1 M tonnes and high was 4.7 M tonnes). I did not participate in the survey for a few reasons but the primary one was that I had never witnessed the carnage rainfall was causing on pulse plants during my career, and I did not think a survey at this point was going to generate meaningful dialogue without proper research into past plant behavior with the amount of rain that had fallen to date.

Never in my career have I been forwarded pictures of pulse plants so lush that you could only dream about, turn into grey, molded disease hosts as soon as you spread the upper canopy. The weather did not cooperate prior to July 15 and certainly has not post-July 15. As you can witness in the accompanying 30 day precipitation maps to the third week in July from Agriculture Canada, rainfall totals are higher in 2016 than they were in 2010 and 2011. I believe we are in uncharted territory for production estimates in peas and lentils at this time. The historically best growing areas for peas and lentils have endured week after week of saturating rainfall. High humidity and temperatures

have created the perfect environment for disease and insects that are robbing the plants of yield, every single day.

Lentils: In 2010 and 2011, the decimating rains fell prior to and during seeding and the percentage of seeded to harvested acres fell between 3-5%. If I use 5% of seeded acres for lentils, harvested acres fall to 5.548 M from 5.84 M seeded. Yield estimates are where most are going offside with their production approximations. In 2010, the lentil yield across Canada was 1,337 pounds per acre (lbs/ac) and in 2011 1,397 lbs/ac. For my production estimate in 2016, I used rainfall in each crop district and weighted it by the amount of lentils that were seeded in 2015. In my calculation, I assigned 50% at 2010 levels, 25% at 90% of that same value and 25% at 75% of 2010 values.

Like von Braun's quote above, "Research is what I'm doing when I don't know what I'm doing." Using the above data, my lentil production estimate at the end of July is 2.952 M tonnes - almost a full million tonnes below the Reuters' estimate from July 15th. In my opinion, lentil diseases are affecting production more than they are in peas.

Peas: In 2010 and 2011, harvested acres fell between 5-7% below seeded acres. Using the high percentage of 7% for drowned out areas would place harvested pea acres close to 3.97 M versus 4.274 M seeded. In 2010, the pea yield across Canada was 32.3 bushels per acre (bu/ac) and in 2011 38.2 bu/ac. Using the same criteria as I did in lentils, with weighting based on 2015 planting, I estimate pea production to be 3.576 M tonnes, or more than half a million tonnes less than the average Reuters survey.

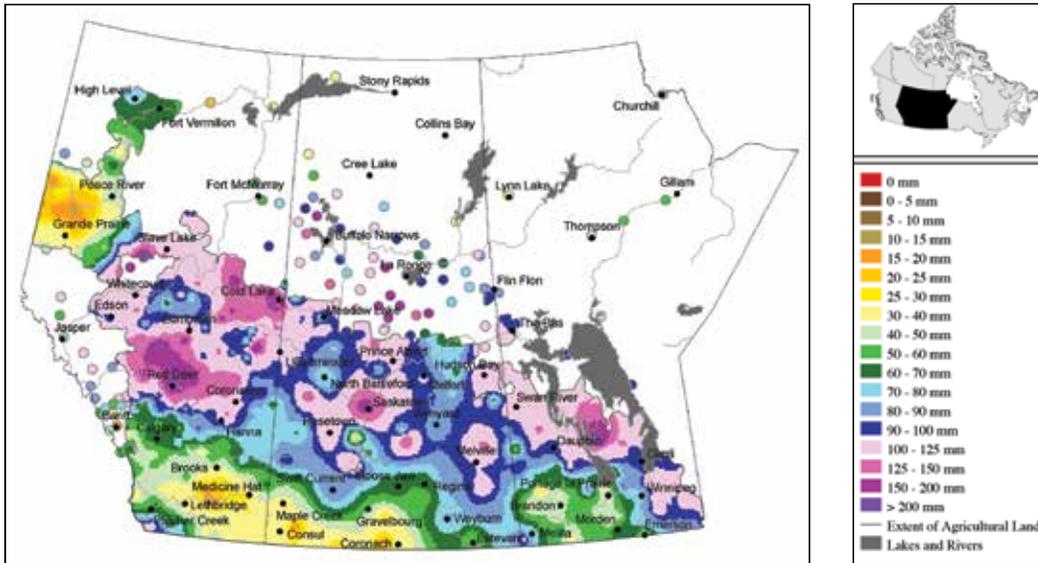
Quality concerns: Judging the quality of this year's crop at the end of July will be

nothing more than an educated guess. In 2010, the majority of peas and lentils fell into the No. 2 and No. 3 Canada quality slots with the spreads between No. 2 Canada and No. 3 Canada widest during the fall harvesting period. Top quality lentils require some heat stress during the pod development period and so far this year, the only stress has been from saturated roots and disease. I follow three meteorologists throughout the year and so far, only one has called the weather events across the Prairies with any degree of accuracy. If Drew Lerner of World Weather Inc. is as accurate for the first half of August as he was with his June and July forecast, with "the first half of the month should be equally wet to that of July maintaining concern over early season crop maturation and harvest progress", quality will come to forefront in farmer's selling decisions but possibly as unnoticed as production concerns did to many during the first part of July.

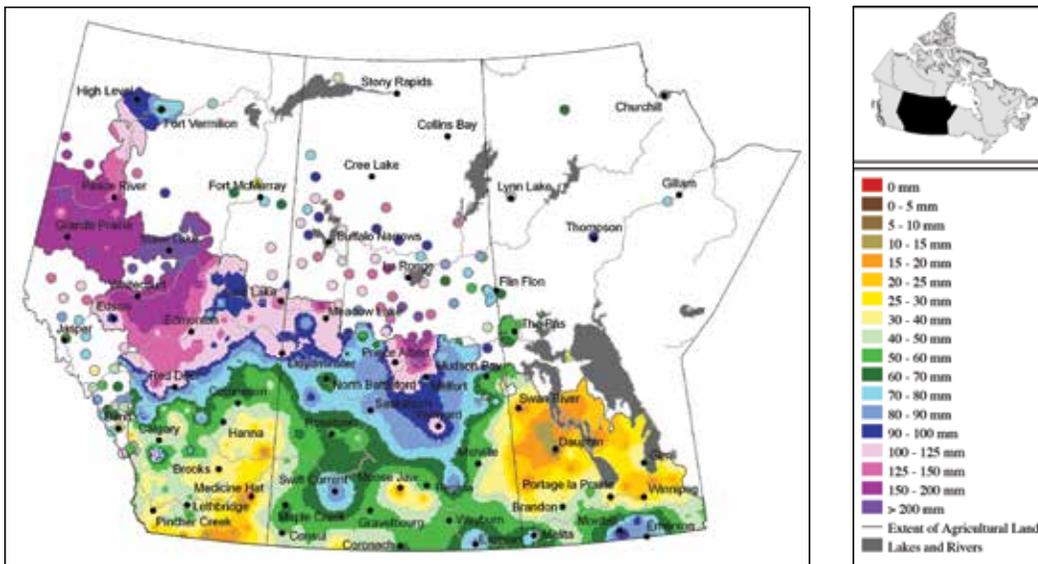
What you need to know: Lentil production will still be a record in 2016/17 and eclipse the old record set last year at 2.373 M tonnes. My pea estimate will not come close to the record field pea production set in 2013 at 3.961 M tonnes. Cash prices are still transitioning towards new crop pricing levels in the fourth week in July. Harvest in North Dakota will be in full swing at the end of July and we may get our first peek at how bad the incessant rains there have affected our quality in Western Canada. Be vigilant as you scan marketing opportunities for harvested grains. Price swings and grade discounts in the pulse industry have never been known to be farmer friendly when in uncharted territories.

Larry Weber operates Weber Commodities Ltd. More information can be found at www.webercommodities.com.

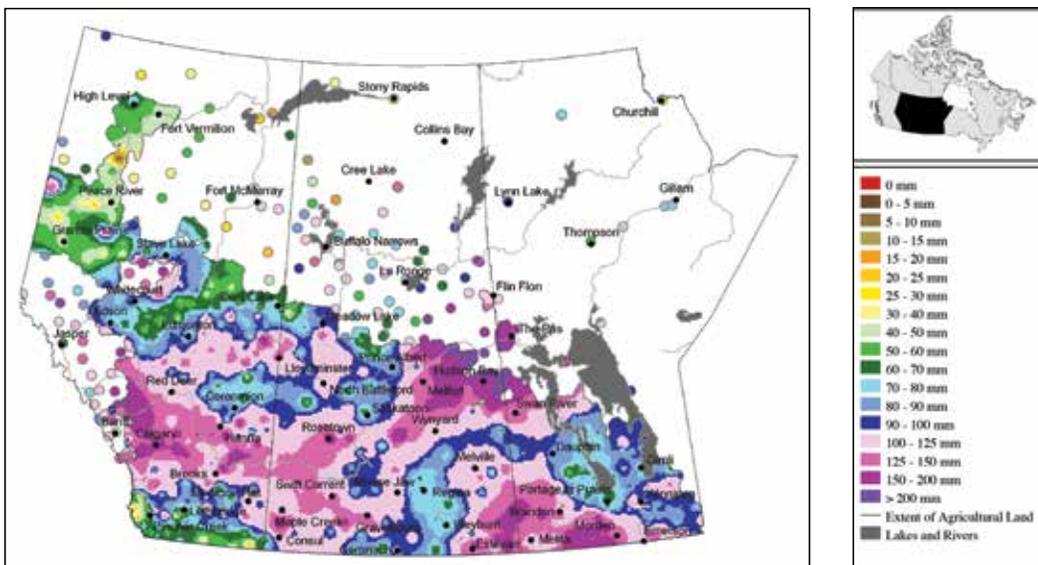
1 Month (30 Days) Accumulated Precipitation (Prairie Region) - June 20, 2010 to July 19, 2010



1 Month (30 Days) Accumulated Precipitation (Prairie Region) - June 29, 2011 to July 18, 2011



1 Month (30 Days) Accumulated Precipitation (Prairie Region) - June 20, 2016 to July 19, 2016



Faba Bean Feed Benchmark Bi-Weekly Report - July 12 to 16, 2016

	CENTRAL ALBERTA	CENTRAL SASK.	SOUTH. MANITOBA
	CDN\$/T	CDN\$/T	CDN\$/T
Faba Bean Feed Benchmark Price	\$427.23	\$395.35	\$376.84
COMPETING FEED INGREDIENTS			
Feed Barley	\$193.00	\$165.00	\$195.00
Mid Protein Wheat	\$205.00	\$215.00	\$225.00
Low Protein Wheat	\$200.00	\$190.00	\$225.00
Wheat DDGS	\$240.00	\$240.00	\$290.00
Corn	\$235.00	\$205.00	\$190.00
Corn DDGS	\$270.00	\$240.00	\$205.00
Canola Meal	\$380.00	\$380.00	\$390.00
Soybean Meal (46%)	\$585.00	\$575.00	\$535.00
Canola Oil	\$980.00	\$980.00	\$980.00

All prices are in Canadian dollars per tonne.

Feed Pea Benchmark Bi Weekly Report - July 12 to 16, 2016

	CENTRAL ALBERTA	CENTRAL SASK.	SOUTH. MANITOBA
	CDN\$/T	CDN\$/T	CDN\$/T
Feed Pea Benchmark Price	\$368.20	\$338.11	\$318.79
COMPETING FEED INGREDIENTS			
Feed Barley	\$193.00	\$165.00	\$195.00
Mid Protein Wheat	\$205.00	\$215.00	\$225.00
Low Protein Wheat	\$200.00	\$190.00	\$225.00
Wheat DDGS	\$240.00	\$240.00	\$290.00
Corn	\$235.00	\$205.00	\$190.00
Corn DDGS	\$270.00	\$240.00	\$205.00
Canola Meal	\$380.00	\$380.00	\$390.00
Soybean Meal (46%)	\$585.00	\$575.00	\$535.00
Canola Oil	\$980.00	\$980.00	\$980.00

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.



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