

## AUSTRALIAN MARKET REPORT SEPTEMBER 2016



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The situation in Australia has improved significantly since the May update. There has been more than adequate rainfall over most of the pulse growing areas of Australia. Several areas particularly in

Central New South Wales (NSW) have had too much rain and Desi chickpea crops have been lost. Around 10% of the estimated planted area will now not be harvested. On the other side, planting has continued into the first week of August in the later areas much to the surprise of many traders. Despite the yield loss due to late planting, returns for chickpeas will be higher than for wheat.

### Desi Chickpeas

There is general agreement on the planted area setting the scene for a record crop, now estimated at around 1.4 million (M) tonnes. Favourable weather is essential to achieve this outcome. August to October rainfall is likely to be above average for northern and eastern Australia which could result in further production losses. Adequate rain can lead to enhanced vegetative growth, faster canopy closure, and increased risk of disease. Ascochyta outbreaks are a major concern as heavy crops are conducive to outbreaks of new strains with increased resistance to the usual chemicals. Excess rain has also impeded spraying with the ground being too wet to get onto. In addition, farmers in most states are reporting possible shortages of chemical due to the huge increase in planted area around Australia.

Production is not the only issue farmers and traders will have to deal with. Last year around 75% of the crop was shipped out by December 31. This year most packing plants are now booked solid for Desi chickpeas until mid-December which

### Australian Pulse Production & Exports Summary September 2016

|  | Desi Chickpeas | Kabuli Chickpeas | Faba Beans | Broad Beans | Dun Peas | Red & Green Lentils |
|--|----------------|------------------|------------|-------------|----------|---------------------|
| <b>Pulse Australia Planted Area Dec 2015</b> | 614,000        | 43,700           | 279,200    | 24,500      | 238,100  | 227,100             |
| <b>Planted Area Second Estimate 2016</b>     |                |                  |            |             |          |                     |
| <b>New South Wales</b>                       | 491,000        | 30,800           | 57,000     | -           | 48,100   | 5,600               |
| <b>Victoria</b>                              | 6,400          | 9,100            | 117,000    | 2,200       | 49,000   | 105,900             |
| <b>Queensland</b>                            | 570,000        | -                | 1,200      | -           | -        | -                   |
| <b>South Australia</b>                       | 3,000          | 14,200           | 108,000    | 8,000       | 104,000  | 142,700             |
| <b>Western Australia</b>                     | 3,400          | 900              | 5,000      | -           | 31,000   | -                   |
| <b>Second Estimate Planted Area 2016</b>     | 1,073,800      | 55,000           | 288,200    | 10,200      | 232,100  | 255,000             |
| <b>% of 2015 Planted Area</b>                | 175%           | 126%             | 103%       | 42%         | 97.5%    | 123%                |
| <b>Production Estimate December 2015</b>     | 1,400,000      | 68,300           | 480,000    | 17,900      | 296,200  | 450,000             |
| <b>Export Data</b>                           |                |                  |            |             |          |                     |
| <b>Nov 2012 to Oct 2013</b>                  | 886,620        | -                | 306,817    | -           | 139,816  | 302,993             |
| <b>Nov 2013 to Oct 2014</b>                  | 646,834        | -                | 360,280    | -           | 161,707  | 306,713             |
| <b>Nov 2014 to Oct 2015</b>                  | 678,606        | -                | 301,011    | -           | 161,151  | 211,608             |
| <b>Nov 2015 to Feb 2016</b>                  | 980,126        | -                | 217,216    | -           | 103,185  | 157,281             |

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

will impact on faba bean shipments for this period from NSW.

The price for Desi chickpeas has eased around \$160 USD per tonne since the last report as the market responded to the increased production forecasts. The cool weather and the wet conditions most likely will reduce the tonnage shipped in October, putting pressure on the higher priced early shipment contracts. While prospects remain excellent for production of around 1.4 M tonnes, there is still a way to go to achieve this number.

### Faba Beans

Since May the weather has been very kind to faba beans. The area planted with favourable weather could deliver a record crop currently estimated at 480,000 tonnes. The major market for Australian faba beans is Egypt, whose economic woes continue. Prices for faba beans have dropped some \$160 USD from the peak levels of last season with trades for Warda

Type reported this week at \$350 USD cost and freight (CFR) to Damietta for October/November shipment. This level should compete favourably with prices being offered from the Baltic states. With lower prices hopefully consumption will increase but the weaker exchange rate of the Egyptian pound to the USD will nullify this to some extent. Even if faba bean exports return to the record levels of 2013/14 and production is close to current estimates, there could be a carry-over of around 100,000 tonnes which has never happened in the past.

### Lentils

Again the scenario is very similar to faba beans. The weather since the last report has been excellent for lentils and the current production estimate is for a record crop of 450,000 tonnes. Some traders feel that the area estimated for lentils could be lower than actual especially on Yorke Peninsula in South Australia where there was a major swing to lentils. Also

the yield of 1.76 tonnes per hectare (t/ha) is relatively conservative. Some growers feel the crops look good enough to yield close to 3 t/ha. With normal rainfall there are only two possible calamitous events that concern farmers. In South Australia

a burst of hot weather and winds has wreaked havoc in past years. In Victoria there is the risk of frost through until late October. With the massive crop in Canada, marketing the Australian lentil crop will be challenging and may still mean a carryover

in excess of 100,000 tonnes which will bring its own set of issues.

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## DEMAND FOR PULSES THIS FALL



**Brian Clancey**  
Stat Publishing

There is an old adage: "rain makes grain." Looking at the impact of unusually heavy summer rains in parts of the growing region, some traders are instead saying: "rain takes grain."

Not surprisingly, such sentiments were reflected in reactions to Statistics Canada's (StatCan) August crop production estimates. Based on surveys of farmers between July 21 and August 4, StatCan came in with yield estimates that were generally lower than mid-August estimates by provincial agriculture departments. Pea and lentil yields were lower, but chickpeas higher.

There is little debate about the production estimate for field peas. Extremely good yields are being reported in many parts of Saskatchewan and Alberta, with the result market participants think StatCan's 40 bushel per seeded acre estimate is not high. StatCan is looking for a 4.61 million (M) tonne pea crop, whereas provincial numbers suggest it is closer to 4.79 M.

The debate is with lentils. Some market participants believe rain made (enough) grain in some areas to offset the impact of losses in others, with the result StatCan could increase average yields when it publishes this year's final production estimate in December.

Another part of the trade completely disagrees, arguing that rain took enough grain in many areas to more than offset those gains. They think, pushing yields up to 20% below their recent average.

For its part, StatCan believes this year's lentil crop will be a record 3.23 M tonnes, with yields averaging 1,221 pounds per

seeded acre (lb/ac). It is worth noting that during the past 12 years, the August production estimate has only been lower than the final number on three occasions. Nine times out of 12 the crop was understated in August. During the past five years the final production estimate for lentils was 14% higher than reported in August. Since 2004, the final production number averaged 10% higher.

Where there is less disagreement is over quality. Average quality for all pulses is expected to be lower than normal in Western Canada. Even so, most of the field peas and red lentil crops are expected to be No. 2 Canada. By contrast, most of the green lentil crop is expected to be Extra 3 Canada or lower.

Quality is something green lentil growers should watch as they harvest this year's crop. As much as possible, it is important to make sure No. 2 and No. 1 Canada lentils are not mixed with lower grades. In a year where there are big quality problems, prices paid for Extra 3 grade green lentils can easily be 30% lower than bids for No. 1 Canada, while the No. 2 discount might only be 12%.

Most of the early season demand will be for No. 2 and No. 1 Canada green lentils and No. 2 or better reds. That could see even bigger discounts for Extra 3 and No. 3 Canada green lentils. This is a signal from the market that it does not need or want off-grade product.

There are always exceptions. It is important that prospective buyers get a good representative sample of the lentils you intend to sell. If they believe they can upgrade them by blending with other lentils they have received, they might be willing to pay more than their posted price.

This kind of cooperation between growers and buyers is critical. Competition from the United States (U.S.) will be keener than normal in No. 2 or better green lentil

markets. Production more than doubled in the U.S. to 493,000 tonnes. More importantly, their crop is mostly No. 1 and No. 2 grade.

The fact lentil exports are starting on a relatively strong footing makes it easy for growers to become complacent about quality and opportunity. That is a mistake. India has been a big buyer of green lentils in recent years because of problems growing enough pigeon peas. This year, India will grow more than enough pigeon peas. That has cooled follow through demand from the region, forcing Canadian exporters to compete head to head with U.S. shippers in more traditional markets.

Red lentils are not affected by bigger pulse output from the summer or kharif harvest. But, demand for Canadian red lentils will be affected if India's farmers massively increase land in pulses during the coming rabi or winter cropping season. There is no reason to believe they won't.

The implication is that prices for red lentils and field peas will probably set their market highs during the first half of the 2016/17 marketing year. Whether that is true for green lentils depends in part on the kind of price leadership shown in No. 2 or better markets by U.S. processors and exporters.

However, what seems likely is that grade spreads will get wider, making it important to work with processors on blending opportunities. This could result in more income for growers and expand the quantity of No. 2 Canada lentils that Canada is able to ship beyond the percentage harvested. That will help Canada maintain market share and presence.

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## Supply and Demand Estimate for Chickpeas and Field Peas in 2015/16 (Canada)

|                        | Desi  | Kabuli  | Small Kabuli | All     | Yellow Peas | Green Peas | Other  | All Peas  |
|------------------------|-------|---------|--------------|---------|-------------|------------|--------|-----------|
| Area (acres)           | 1,000 | 103,000 | 19,000       | 123,000 | 2,910,000   | 720,000    | 50,000 | 3,680,000 |
| Yield (lbs/acre)       | 2,205 | 1,599   | 1,648        | 1,611   | 1,870       | 2,129      | 1,618  | 1,917     |
| Production             | 1,000 | 74,700  | 14,200       | 89,900  | 2,468,600   | 695,400    | 36,700 | 3,200,700 |
| Carry-In               | 0     | 84,000  | 4,000        | 88,000  | 427,000     | 255,000    | 2,000  | 684,000   |
| Imports                | 0     | 9,000   | 0            | 9,000   | 16,500      | 10,300     | 700    | 27,500    |
| Supply                 | 1,000 | 167,700 | 18,200       | 186,900 | 2,912,100   | 960,700    | 39,400 | 3,912,200 |
| Exports                | 960   | 129,740 | 14,700       | 145,400 | 2,229,000   | 476,500    | 27,500 | 2,733,000 |
| Seed                   | 40    | 12,300  | 1,000        | 13,340  | 260,000     | 36,000     | 4,000  | 300,000   |
| Feed, Waste, and Other | 0     | 25,660  | 2,500        | 28,160  | 223,100     | 256,200    | 6,900  | 486,200   |
| Total Usage            | 1,000 | 167,700 | 18,200       | 186,900 | 2,712,100   | 768,700    | 38,400 | 3,519,200 |
| Ending Stocks          | 0     | 0       | 0            | 0       | 200,000     | 192,000    | 1,000  | 393,000   |
| Stocks/Use             | 0%    | 0%      | 0%           | 0%      | 7%          | 25%        | 3%     | 11%       |

\*All quantities in tonnes

Source: STAT Communications Ltd.

## Supply and Demand Forecast for Chickpeas and Field Peas in 2016/17 (Canada)

|                        | Desi  | Kabuli  | Small Kabuli | All     | Yellow Peas | Green Peas | Other  | All Peas  |
|------------------------|-------|---------|--------------|---------|-------------|------------|--------|-----------|
| Area (acres)           | 1,000 | 152,000 | 19,000       | 172,000 | 3,700,000   | 519,000    | 55,000 | 4,274,000 |
| Yield (lbs/acre)       | 2,205 | 1,507   | 1,392        | 1,498   | 2,405       | 2,226      | 2,008  | 2,378     |
| Production             | 1,000 | 103,900 | 12,000       | 116,900 | 4,036,900   | 524,100    | 50,100 | 4,611,100 |
| Carry-In               | 0     | 0       | 0            | 0       | 200,000     | 192,000    | 1,000  | 393,000   |
| Imports                | 0     | 9,000   | 0            | 9,000   | 16,900      | 10,300     | 800    | 28,000    |
| Supply                 | 1,000 | 112,900 | 12,000       | 125,900 | 4,253,800   | 726,400    | 51,900 | 5,032,100 |
| Exports                | 960   | 79,240  | 7,000        | 87,200  | 3,076,000   | 443,300    | 36,700 | 3,556,000 |
| Seed                   | 40    | 11,900  | 1,000        | 12,940  | 227,000     | 36,000     | 4,000  | 267,000   |
| Feed, Waste, and Other | 0     | 19,760  | 4,000        | 23,760  | 268,800     | 167,100    | 9,200  | 445,100   |
| Total Usage            | 1,000 | 110,900 | 12,000       | 123,900 | 3,571,800   | 646,400    | 49,900 | 4,268,100 |
| Ending Stocks          | 0     | 2,000   | 0            | 2,000   | 682,000     | 80,000     | 2,000  | 764,000   |
| Stocks/Use             | 0%    | 2%      | 0%           | 2%      | 19%         | 12%        | 4%     | 18%       |

\*All quantities in tonnes

Source: STAT Communications Ltd.

## Supply and Demand Estimate for Lentils in 2015/16 (Canada)

|                        | Large Green | Medium Green | Small Green | Extra-Small Red | Small Red | All Red   | Other  | All       |
|------------------------|-------------|--------------|-------------|-----------------|-----------|-----------|--------|-----------|
| Area (acres)           | 750,000     | 38,000       | 260,000     | 145,000         | 2,745,000 | 2,890,000 | 12,000 | 3,950,000 |
| Yield (lbs/acre)       | 1,243       | 1,276        | 1,306       | 1,323           | 1,352     | 1,350     | 735    | 1,324     |
| Production             | 422,900     | 22,000       | 154,000     | 87,000          | 1,683,000 | 1,770,000 | 4,000  | 2,372,900 |
| Carry-In               | 143,000     | 10,000       | 50,000      | 18,000          | 142,000   | 160,000   | 2,000  | 365,000   |
| Supply                 | 565,900     | 32,000       | 204,000     | 105,000         | 1,825,000 | 1,930,000 | 6,000  | 2,737,900 |
| Exports                | 449,000     | 25,200       | 161,500     | 83,600          | 1,447,800 | 1,531,400 | 4,000  | 2,171,100 |
| Seed                   | 44,900      | 1,900        | 6,900       | 4,900           | 131,500   | 136,400   | 400    | 190,500   |
| Feed, Waste, and Other | 47,000      | 2,900        | 16,600      | 8,500           | 150,700   | 159,200   | 600    | 226,400   |
| Total Usage            | 540,900     | 30,000       | 185,000     | 97,000          | 1,730,000 | 1,827,000 | 5,000  | 2,587,900 |
| Ending Stocks          | 25,000      | 2,000        | 19,000      | 8,000           | 95,000    | 103,000   | 1,000  | 150,000   |
| Stocks/Use             | 5%          | 7%           | 10%         | 8%              | 5%        | 6%        | 20%    | 6%        |

\*All quantities in tonnes

Source: STAT Communications Ltd.

## Supply and Demand Forecast for Lentils in 2016/17 (Canada)

|                        | Large Green | Medium Green | Small Green | Extra-Small Red | Small Red | All Red   | Other  | All       |
|------------------------|-------------|--------------|-------------|-----------------|-----------|-----------|--------|-----------|
| Area (acres)           | 1,100,000   | 60,000       | 305,000     | 218,000         | 4,142,000 | 4,360,000 | 15,000 | 5,840,000 |
| Yield (lbs/acre)       | 1,136       | 1,139        | 1,164       | 1,203           | 1,251     | 1,248     | 882    | 1,221     |
| Production             | 567,000     | 31,000       | 161,000     | 119,000         | 2,349,800 | 2,468,800 | 6,000  | 3,233,800 |
| Carry-In               | 25,000      | 2,000        | 19,000      | 8,000           | 95,000    | 103,000   | 1,000  | 150,000   |
| Supply                 | 592,000     | 33,000       | 180,000     | 127,000         | 2,444,800 | 2,571,800 | 7,000  | 3,383,800 |
| Exports                | 377,700     | 21,200       | 114,900     | 80,100          | 1,560,700 | 1,640,800 | 4,500  | 2,159,100 |
| Seed                   | 30,600      | 1,900        | 5,500       | 3,100           | 89,700    | 92,800    | 300    | 131,100   |
| Feed, Waste, and Other | 39,700      | 2,900        | 13,600      | 9,800           | 176,400   | 186,200   | 1,200  | 243,700   |
| Total Usage            | 448,000     | 26,000       | 134,000     | 93,000          | 1,826,800 | 1,919,800 | 6,000  | 2,533,800 |
| Ending Stocks          | 144,000     | 7,000        | 46,000      | 34,000          | 618,000   | 652,000   | 1,000  | 850,000   |
| Stocks/Use             | 32%         | 27%          | 34%         | 37%             | 34%       | 34%       | 17%    | 34%       |

\*All quantities in tonnes

Source: STAT Communications Ltd.

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

|                                       | CENTRAL<br>ALBERTA | CENTRAL<br>SASK. | SOUTH.<br>MANITOBA |
|---------------------------------------|--------------------|------------------|--------------------|
|                                       | CDN\$/T            | CDN\$/T          | CDN\$/T            |
| <b>Faba Bean Feed Benchmark Price</b> | \$330.20           | \$319.34         | \$343.23           |
| <b>COMPETING FEED INGREDIENTS</b>     |                    |                  |                    |
| Feed Barley                           | \$165.00           | \$130.00         | \$190.00           |
| Mid Protein Wheat                     | \$185.00           | \$155.00         | \$215.00           |
| Low Protein Wheat                     | \$180.00           | \$145.00         | \$215.00           |
| Wheat DDGS                            | \$260.00           | \$260.00         | \$310.00           |
| Corn                                  | \$235.00           | \$205.00         | \$182.00           |
| Corn DDGS                             | \$265.00           | \$205.00         | \$180.00           |
| Canola Meal                           | \$335.00           | \$330.00         | \$330.00           |
| Soybean Meal (46%)                    | \$535.00           | \$508.00         | \$480.00           |
| Canola Oil                            | \$950.00           | \$950.00         | \$950.00           |

All prices are in Canadian dollars per tonne.

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

|                                   | CENTRAL<br>ALBERTA | CENTRAL<br>SASK. | SOUTH.<br>MANITOBA |
|-----------------------------------|--------------------|------------------|--------------------|
|                                   | CDN\$/T            | CDN\$/T          | CDN\$/T            |
| <b>Feed Pea Benchmark Price</b>   | \$288.32           | \$270.03         | \$288.70           |
| <b>COMPETING FEED INGREDIENTS</b> |                    |                  |                    |
| Feed Barley                       | \$165.00           | \$130.00         | \$190.00           |
| Mid Protein Wheat                 | \$185.00           | \$155.00         | \$215.00           |
| Low Protein Wheat                 | \$180.00           | \$145.00         | \$215.00           |
| Wheat DDGS                        | \$260.00           | \$260.00         | \$310.00           |
| Corn                              | \$235.00           | \$205.00         | \$182.00           |
| Corn DDGS                         | \$265.00           | \$205.00         | \$180.00           |
| Canola Meal                       | \$335.00           | \$330.00         | \$330.00           |
| Soybean Meal (46%)                | \$535.00           | \$508.00         | \$480.00           |
| Canola Oil                        | \$950.00           | \$950.00         | \$950.00           |

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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