

## PEA DEMAND HIGH BUT PRICES LOW



**Brian Clancey**  
Stat Publishing

Field pea production will not set records in the world this year. That belongs to 1990, when global output soared past 18.6 million (M) tonnes. But at a forecast of 13 M tonnes, this year's harvest will

be well above the recent five-year average of 10.86 M.

A lot has changed since 1990. At that time, France was the world's number one producer, feeding almost all its crop to livestock. India and Australia were bigger producers than Canada, which only accounted for 1.4% of the world's pea crop in 1990.

Now, Canada produces a third of the world's peas. Australia and France have been pushed out of the top three producers by Russia and the United States. Combined, the three countries will produce around 28% of this year's crop.

Unlike 1990, almost all peas grown in the world are destined for human consumption markets. Year round availability has encouraged the food industry to use starch, protein, and fibre fractions in a growing list of food products. Even so, bulk export shipments remain the dominant marketing channel. China and India, the two biggest buyers, grind most of the peas. Peas are used to make fried snacks, soups, or sold whole and split through retail channels.

Field peas are typically the least expensive pulse available in the world. Combined with such versatility in the way they can be used, over-production often results in long term increases in market demand. That is clear from the evolution from being mainly a global feed ingredient to a food ingredient.

Even so, markets are overly reliant on three major consumers: India, China, and

### 2016/17 Canadian Pea Supply & Demand

	Yellow Peas	Green Peas	Other Peas	All Peas
<b>Acreage</b>	3,700,000	519,000	55,000	4,274,000
<b>Yield</b>	2,440	2,165	2,008	2,401
<b>Production</b>	4,095,300	509,700	50,100	4,655,100
<b>Carry-In</b>	106,000	69,000	1,000	176,000
<b>Imports</b>	13,700	13,200	1,100	28,000
<b>Supply</b>	4,215,000	591,900	52,200	4,859,100
<b>Exports</b>	3,072,600	363,100	37,300	3,473,000
<b>Seed</b>	227,000	36,000	4,000	267,000
<b>Feed, Waste, and Other</b>	312,400	131,800	9,900	454,100
<b>Total Usage</b>	3,612,000	530,900	51,200	4,194,100
<b>Ending Stocks</b>	603,000	61,000	1,000	665,000
<b>Stocks/Use</b>	17%	11%	2%	16%

Source: STAT Publishing Inc.

### 2016/17 World Pea Supply Demand

	2013/14	2012/13	2013/14	2014/15	Five-Year Average
<b>Area (hectares)</b>	6,330,000	6,550,000	6,550,000	7,370,000	6,500,000
<b>Yield (kg/ha)</b>	1,763	1,733	1,666	1,765	1,671
<b>Production</b>	11,162,000	11,350,000	11,115,000	13,008,000	10,860,000
<b>Carry-in</b>	300,000	490,000	880,000	350,000	570,000
<b>Supply</b>	11,462,000	11,840,000	11,995,000	13,358,000	11,430,000
<b>Trade</b>	4,430,000	5,110,000	4,360,000	5,340,000	4,190,000
<b>Inferred Use</b>	10,972,000	10,960,000	11,645,000	12,478,000	10,950,000
<b>Ending Stock</b>	490,000	880,000	350,000	880,000	480,000
<b>Stock-Use Ratio</b>	4.5%	8.0%	3.0%	7.1%	4.4%

Source: Estimates by STAT Publishing Panama based data from the FAO, USDA, Statistics Canada, ABARES, and other entities.

government food aid. Recent growth in demand for pea fractions and the number of fractionation plants has not been fast enough to accommodate this year's crop.

In its September production update, Statistics Canada (StatCan) increased this year's production estimate from 4.61 to 4.66 M tonnes. Instead of surveying farmers, the update was based on coarse resolution satellite data from StatCan's Crop Condition Assessment Program and agroclimatic data. The area used for the update was from the August crop report. StatCan also reduced last year's crop estimate from 3.21 to 2.9 M tonnes.

Neither number changed this year's supply and demand fundamentals for peas. They only change the amount of peas that might have been to livestock last season from 613,000 tonnes to a more reasonable 307,000.

At least 176,000 tonnes of peas were carried over from the previous marketing year. If the latest production estimate is accurate, there are roughly 4.86 M tonnes of peas available for sale this season, including: 4.2 M tonnes of yellow peas, 592,000 tonnes of green, and 52,000 tonnes of marrowfat, maple, and other classes of peas.

Opening season demand has been excellent, but average grower bids are down sharply from their March highs. Farmers saw excellent movement during harvest. By September 18, a third of the crop or 1.54 M tonnes had been delivered to primary elevators along with an unknown quantity to seed cleaning plants. This was reflected in bulk exports reported by the Canadian Grain Commission. By September 19 a total of 869,600 tonnes had been loaded for bulk

export, compared to 633,000 tonnes by the same time last year.

Movement is expected to remain strong through the fall shipping period. Not only are exporters shipping peas to meet previous sales commitments, the Indian government intends to import 1 M tonnes of pulses to put into storage for release later in 2017 or in 2018. It is accumulating 2 M tonnes of pulses to hold as buffer stocks to try to prevent food price inflation. Because peas are the cheapest pulse available on world markets, government buyers would be expected to buy a significant quantity.

Everything could change by January. After two years of poor crops, India wants farmers to grow a record 9.6 M tonnes of Desi-type chickpeas during the coming rabi season. Peas are a direct substitute for Desi chickpeas. Similar increases are already happening in Australia and might also happen in Pakistan. Unless the coming rabi season crop fails, there is going to be unusually stiff competition for available demand in 2017.

China will provide some demand support this season. Two years ago, China thought

it would become the most important buyer of yellow peas in the world. Several plants were built which would take whole peas and turn them into protein, starch, and fibre fractions for the country's food industry. Many of those plants appear to be idle.

Canadian export data underscores that point. Over 880,000 tonnes of yellow peas were shipped to China during the 2013/14 marketing year. That number collapsed to almost 533,000 tonnes last season. By contrast, green pea sales jumped from around 65,000 tonnes for the snack food industry to over 210,000 tonnes last season. Part of the reason is that noodle makers are willing to replace higher valued pulses with cheaper ones. That hurt yellow pea sales in 2015/16, but it could be a benefit this season.

Prices for peas have already reacted to records harvests in Canada and the United States. By the middle of September, grower bids for whole yellow peas were half what was being paid in February and March. They have yet to react to the coming changes in demand and likely increases in competition for demand.

The bottom line for farmers is that it is very likely that prices for yellow peas might have already set their highs for the marketing year and could be lower on average during the last half of the marketing year than during the first half. That means it is important to take advantage of opportunities to at least cover production costs.

Like minor classes such as marrowfat peas, green peas might follow a different path than yellow. After being at a discount to yellow peas since May of 2015, prices paid for green peas have returned to a premium. Supplies are more in line with the needs of the market than during the last couple of seasons. That should not only see prices for green peas remain at a premium to yellow, but that premium could get bigger. It would not be surprising to see green pea prices trend upward while yellow pea prices trend lower through next summer.

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

## 2016/17 LENTIL QUALITY AND PRODUCTION: IT WILL SORT ITSELF OUT - EVENTUALLY

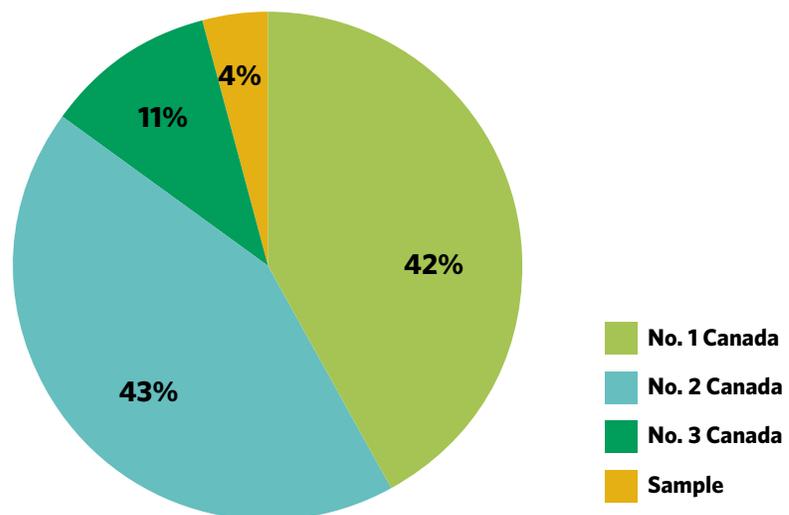


**Larry Weber**  
Weber Commodities

I'm going to spend the majority of my allotted ink time this month on lentil quality because judging by the emails, phone calls, and texts, it is front and centre to anyone who grew

lentils this year. Everyone knew that lentil disease pressure was high throughout the summer. By the end of September, and another 3-8 inches of rain, depending where you farmed, anything that was left in the field was most likely going to lose another grade - if it was not already grading sample. Many farmers are finding themselves on the outside looking in of high priced new crop contracts that are not making the grade.

### Saskatchewan Lentil Grade Distribution: September 12, 2016



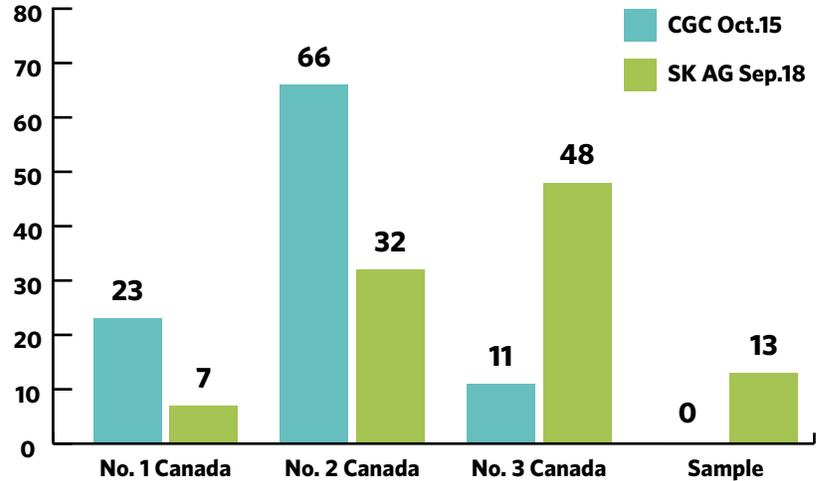
Source: Weber Commodities Ltd.

The estimated quality of this year's Western Canadian lentil crop from Saskatchewan Ministry of Agriculture (Sask Ag) crop reporters puts 46% in the top two grades. In 2010/11, only 22% of the red lentils graded No. 1 and No. 2 Canada and only 38% of the green lentils made the top two grades. While the estimated quality is preliminary, the Canadian Grain Commission's (CGC) harvest sample survey is also a good indicator as to where your product fits in the grading scale as you determine the best avenue and return on your investment. Be aware that there can be a substantial difference in the crop reporter's estimated grades and what the CGC sees in their harvest sample program. The 2014 year is a prime example. In 2014, Sask Ag had 39% in the top two grades in the middle of September while the CGC estimated 88% grading No. 1 and No. 2 Canada by the middle of October.

While this may be repetitious for some, it is paramount that you know the quality of your lentils. It will prove beneficial as harvest winds down. The CGC offers a grading service to farmers. For a fee they will give the grade, dockage, and moisture content for any sample. The more the sample is representative, the more consistent and accurate the grading results will be. Besides the CGC head office in Winnipeg, there are service centres in Saskatoon and Weyburn to assist you. SGS is a private grading company that offers similar farmer services for grading and has an office in Saskatoon. The money spent on establishing what you have before you sell it will more than pay for itself when marketing your product, especially if you have multiple grades and room for blending opportunities.

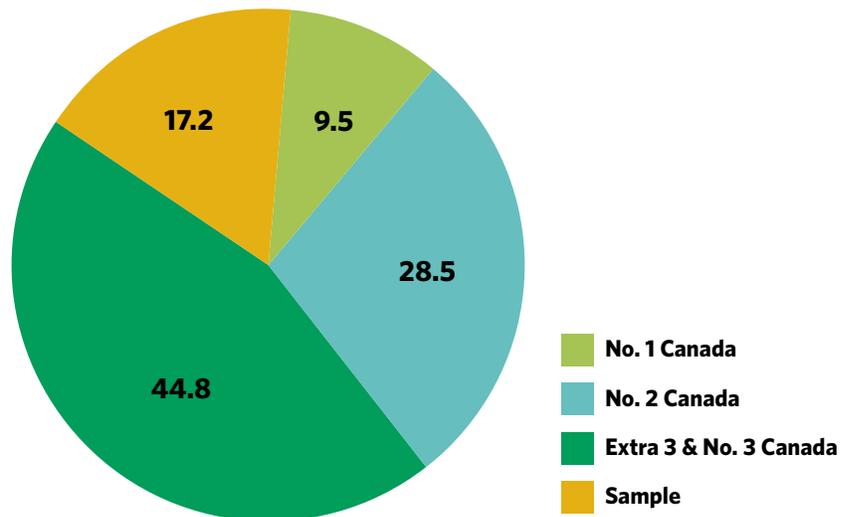
Production estimates for lentils, at the end of September, have come from two alternate sources within the same department. Statistics Canada (StatCan) first estimated the lentil crop using their survey method for the end of July. That estimate was 3.2 million (M) tonnes. On September 20, StatCan used a modeling based estimate based on satellite vegetation maps and rainfall to estimate the lentil crop at 2.83 M tonnes - 12.5% lower than the survey based estimate. For my production estimate, I am using reduced harvest acres of 5.2 M and a yield of 1,460 pounds per acre (lbs/ac) across Western Canada. That would

**Saskatchewan: 2014 Lentil Quality by Grade**



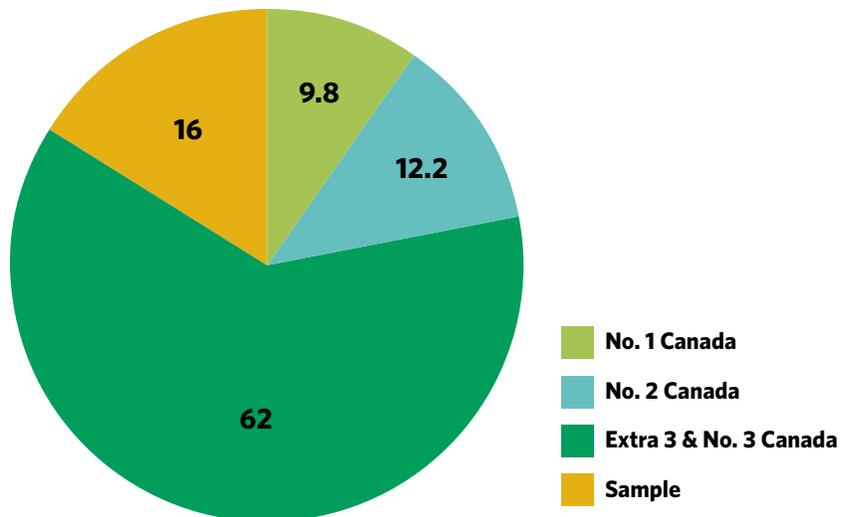
Source: Weber Commodities Ltd.

**2010 Green Lentils Grades (%)**



Source: Weber Commodities Ltd.

**2010 Red Lentils Grades (%)**



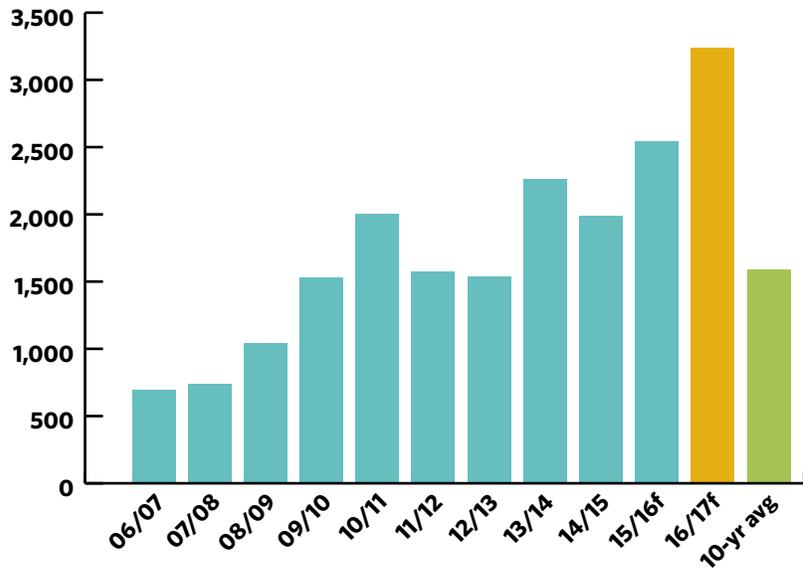
Source: Weber Commodities Ltd.

equate to a production of 3.4 M tonnes. Whether the lentil production ends up at 2.8 or 3.4 M tonnes, it will be a new record and create a burdensome carry-out at July 31, 2016. The carry-out could be exacerbated by the fact that 15% of Saskatchewan lentil crop was still left to be harvested as of September 19 and the forecast until the end of September was only going to deteriorate the quality. That could add as much as 400,000 tonnes into No. 3 Canada and sample.

Agriculture Canada’s estimated lentil carry-out on July 31, 2016 was at 475,000 tonnes and a stocks-to-use ratio of 16%. They have a much more aggressive export program than I foresee as Australia, Turkey, and the United States (U.S.) will be competing for sales much more aggressively this year than last. I see a carry-out closer to 925,000 tonnes and a stocks-to-use ratio approaching 35%. The stocks-to-use ratio indicates the level of grain left at the end of the marketing year (July 31) as a proportion of the total demand or use. This ratio is highly correlated to price movements. An increase in the stocks-to-use ratio signals falling prices, whereas a decrease in the ratio results in rising prices. The stocks-to-use ratio is a fitting measure of supply and demand of any commodity, and indicates the level of grain left at the end of the marketing year (July 31) as a proportion of the total demand or use. Production represents the total grain produced in a given year. Usage includes domestic use, exports, feed, and a category for next year’s seed, waste, and dockage. By adding last year’s carry-out stocks to this year’s total production, total supply is determined. Carry-out stock divided by the total usage is expressed as a percentage and a comparable figure to analyze previous year’s supply balances. This ratio gives a farmer a quick glance method to determine possible price action for the coming year. By comparing the current year’s stocks-to-use ratio with years when carry-over stocks were below normal, as well as years when carry-over stocks were above normal, you will be able to develop an estimate as to the direction of the price trend as well as the probable extent of price change whether higher or lower. In years where lentil quality is less than stellar, stocks-to-use ratios tend to rise.

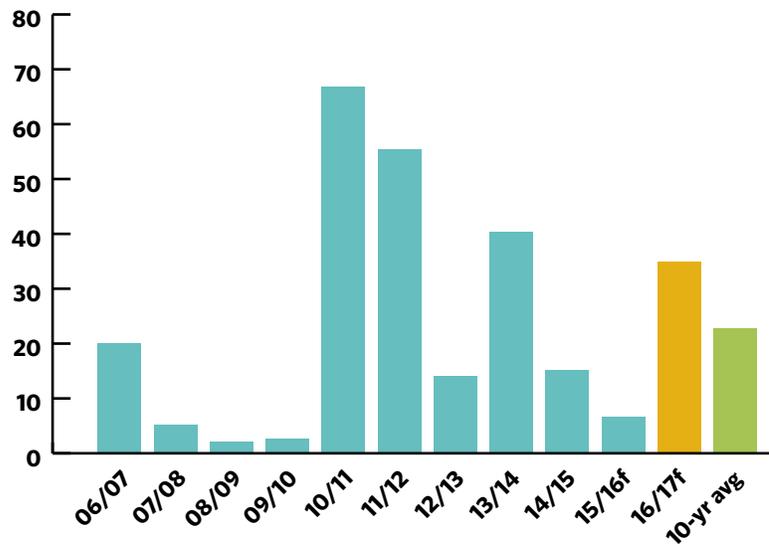
India has substantially ramped up pulse seeding, responding to increased

**Canada Lentils - Production ('000 Tonnes)**



Source: Weber Commodities Ltd.

**Canada Lentils - Stocks/Use (%)**



Source: Weber Commodities Ltd.

minimum support prices. As of the end of September, India has 29% more pulses in the ground than last year. While their monsoon is still coming up short of long-term averages, the increased acres suggest kharif pulse production will be 8.71 M tonnes, nearly 3.7 M tonnes or 57% better than last year’s drought induced harvest. Australia’s lentil production (predominately red lentils) is estimated to be 41% higher than last year at 365,000 tonnes. The U.S. has wound up lentil harvest with less quality concerns than Western Canada and will have an estimated 490,000 tonnes to market, an increase of 106% over last year. Turkey’s

lentil crop is estimated 13% higher this year at 480,000 tonnes. The supply picture gets less cloudy when you factor in these four countries increase in year-over-year production.

This year’s record seeded lentil acres in Western Canada will have an impact on acreage intentions next year. I liken first time lentil growers to those that experimented (albeit in a huge way) with chickpeas in 1999/2000 and 2000/2001 crop years. Chickpea acres jumped from 96,000 in 1998 to 1.2 M in 2001 and back down to 155,000 in 2003. While the dramatic rise and fall might be less substantial for lentil acres next year, know

that it might be a long time before we see 5.8 M acres again. The forecasted hot and dry summer during last year's winter meeting circuits turned into a warm monsoon by mid-July.

Given the world supply of lentils this year, I am a seller at current levels for No. 1 and No. 2 Canada product as prices will grind lower as world lentil harvest

continues. For less than stellar grades, Extra 3 Canada and No. 3 Canada, I would tend to wait for the price spreads to narrow after the harvest pressure has subsided and a clearer picture of grade distribution develops. If you have sample grade product, best start looking at cleaning and colour sorting avenues to increase your gross revenue and if it pays,

get space booked promptly. After your harvest ends, developing a marketing plan for all your grades and colours of lentils will pay dividends. Canada's supply will get sorted out - it always has and always will.

*Larry Weber operates Weber Commodities Ltd. More information can be found at [www.webercommodities.com](http://www.webercommodities.com).*

## CHICKPEA AND FABA BEAN MARKET DEVELOPMENTS



**Chuck Penner**  
LeftField Commodity Research

Chickpeas and faba beans are two pulses that tend to fly under the radar because of a smaller Canadian acreage and the limited impact of Canada's production on global markets.

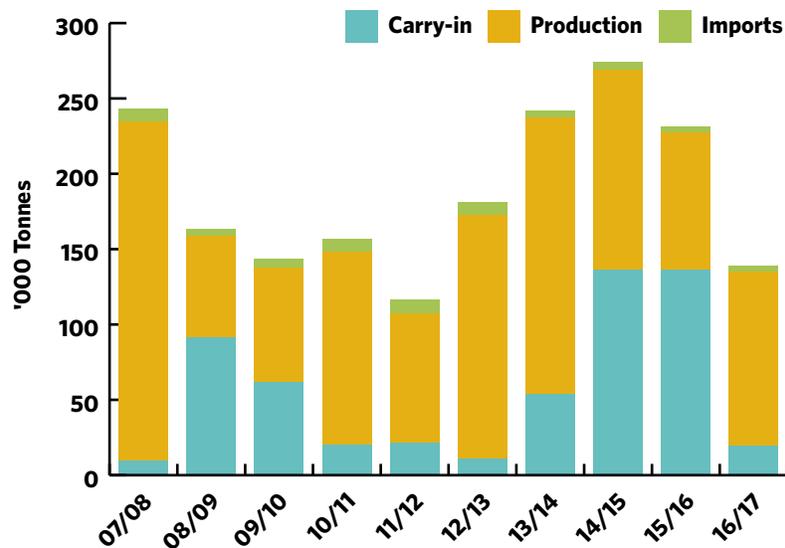
But that doesn't mean there's nothing going on. This report will look at Canadian and global events that will influence these two market outlooks in the coming year.

### Chickpeas

The Saskatchewan chickpea harvest (at the time of writing) is still going on and there are plenty of questions about final grades and quantity. The harvest delays won't have helped the quality situation but the extent of the downgrades is still unknown. Based on the Saskatchewan Ministry of Agriculture and Statistics Canada yield estimates, the 2016 crop should end up around 110-115,000 tonnes, compared to 90,000 tonnes last year. The bigger difference this year though, is that the carry-over from 2015/16 dropped sharply versus the heavy supplies that had weighed on the market the past couple of years. As a result, Canadian chickpea supplies will be the lowest in five years.

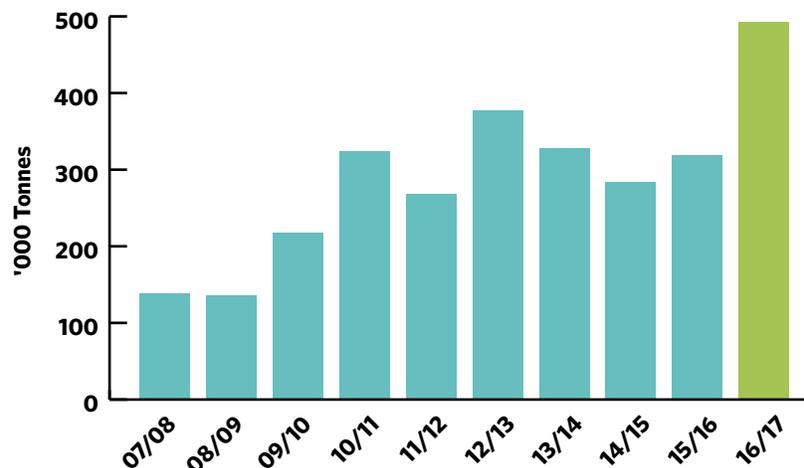
These small Canadian supplies are happening at the same time as global demand is exceptionally strong. Crops of large calibre Kabuli chickpeas in Mexico and India, the two main producers, have been disappointing for the past two years. Prices are also rising sharply in Turkey, which suggests its 2016 crop was reduced as well. These production shortfalls have pushed prices in many markets to record levels.

### Canadian Chickpea Supplies



Source: LeftField Commodity Research

### Australian Faba Bean Production



Source: LeftField Commodity Research

Farmers in several countries have tried to respond to the high price environment, with varying degrees of success. Acreage in the United States (U.S.) (one of Canada's key customers) has increased and the newly harvested crop is reported to be large and decent quality, but that's unlikely to affect export markets as the U.S. consumes most of its own chickpeas. Production has expanded in Russia and Ukraine, but those are mostly small calibre Kabulis.

The big change has been Australia, where seeded area expanded 25-35% in response to the high prices. Nearly 95% of the Australian crop is Desi chickpeas but there are still at least 100,000 acres of Kabulis. Conditions had been very positive earlier, but heavy rains (sound familiar?) cut into yields and will likely reduced quality as well. Indian prices had been sliding on expectations of massive Australian production, but now the crop is expected to just be big and Indian prices have bounced again.

Longer-term, Kabuli chickpea prices will start to move lower if seeded area in India

and Mexico responds to the high prices but that won't occur until February/March of 2017. But for now, the market will be hungry for Canadian Kabuli chickpeas, even if the quality is marginal, and that will keep prices supported in the short-term.

### Faba Beans

The faba bean market has been much quieter, at least in Western Canada. Seeded acreage data is patchy but we expect plantings were down roughly 30% this year. At the same time, anecdotal reports suggest yields will be considerably better than last year's uneven performance and the Canadian crop might still end up around 140,000 tonnes, only 5-10% smaller than last year.

That solid crop performance has kept pressure on Canadian faba bean bids. In fact, it's become difficult to find buyers for faba beans, other than the feed market. That situation isn't likely to change for the rest of 2016/17 as the export market has become crowded.

Egypt is the dominant destination for export faba beans, although the U.S. also

takes some of the Canadian crop. The main export competitors are Australia, France, and the United Kingdom (UK), but Baltic countries have recently become players too. While French and UK faba beans were adversely affected by wet weather, the Australian crop is the main factor that will limit Canadian export potential and prices. Seeded area in Australia is only up slightly, but a large recovery in this year's yields mean the crop will approach 500,000 tonnes, a new record.

This stronger competition in export markets will mean more Canadian faba beans will need to be consumed in domestic markets, particularly the feed channel. This will keep prices in line with values for other feed sources, especially feed peas. It could also make marketing of tannin varieties more of a challenge. If the Canadian faba bean market is going to grow over the longer term, more domestic consumption and processing is needed.

*Chuck Penner operates LeftField Commodity Research out of Winnipeg, MB. He can be reached at [info@leftfieldcr.com](mailto:info@leftfieldcr.com).*

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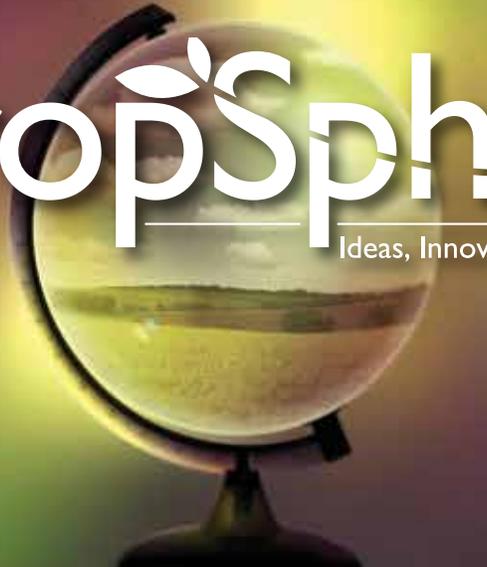
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### Faba Bean Feed Benchmark Bi-Weekly Report - September 23 to 27, 2016

	CENTRAL ALBERTA	CENTRAL SASK.	SOUTH. MANITOBA
	CDN\$/T	CDN\$/T	CDN\$/T
<b>Faba Bean Feed Benchmark Price</b>	\$360.98	\$316.37	\$321.75
<b>COMPETING FEED INGREDIENTS</b>			
Feed Barley	\$145.00	\$142.00	\$165.00
Mid Protein Wheat	\$170.00	\$175.00	\$185.00
Low Protein Wheat	\$165.00	\$170.00	\$180.00
Wheat DDGS	\$185.00	\$200.00	\$210.00
Corn	\$210.00	\$187.00	\$177.00
Corn DDGS	\$213.00	\$200.00	\$184.00
Canola Meal	\$300.00	\$281.00	\$297.00
Soybean Meal (46%)	\$515.00	\$488.00	\$454.00
Canola Oil	\$950.00	\$950.00	\$950.00

All prices are in Canadian dollars per tonne.

### Feed Pea Benchmark Bi Weekly Report - September 23 to 27, 2016

	CENTRAL ALBERTA	CENTRAL SASK.	SOUTH. MANITOBA
	CDN\$/T	CDN\$/T	CDN\$/T
<b>Feed Pea Benchmark Price</b>	\$308.66	\$274.13	\$274.89
<b>COMPETING FEED INGREDIENTS</b>			
Feed Barley	\$145.00	\$142.00	\$165.00
Mid Protein Wheat	\$170.00	\$175.00	\$185.00
Low Protein Wheat	\$165.00	\$170.00	\$180.00
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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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