

## AUSTRALIAN PULSE MARKET REPORT DECEMBER 2016



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Unseasonal wet and cold weather has prevailed over much of Australia for the last three months. There have been production losses from issues such as waterlogging, disease from the high moisture levels, hail damage,

and frost over the production areas. Harvest is starting 3-4 weeks later than last year with the consequent impact on all components of the supply chain, including loss of capacity in packing plants and shipping programs. Set against softening prices for all products except Kabuli chickpeas, I am sure you can all see what will happen.

### Desi Chickpeas

The late start of harvest in Central Queensland kept the market very firm as traders scrambled to buy product from farmers to cover requirements of the bulk shipping program. The quality of Desi chickpeas delivered has been good. Around 220,000 tonnes of Desi chickpeas will be shipped in bulk by late November, well down from last year when in the same period 465,000 tonnes of Desi chickpeas were shipped both in bulk and containers. The harvest in New South Wales (NSW) is only really cranking up in the third week of November, nearly four weeks later than normal. When buyers became aware the first bulk ships had sailed, there was a softening in demand reflecting in lower prices. Reports from India of good opening monsoon rains and much larger planted areas of pulses like chickpeas, supported the pressure on prices. At the time of writing, trades were reported at \$700 USD cost, insurance, and freight (CIF) Indian main ports for December shipment. Demand from Pakistan has remained firm to cover the shortage in the local crop.

The September 30 Pulse Australia crop forecast reduced Desi production to 1,280,000 tonnes due to weather concerns. Despite losses resulting from the reasons

### Australian Pulse Production & Exports Summary December 2016

	Desi Chickpeas	Kabuli Chickpeas	Faba Beans	Broad Beans	Dun Field 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>	188%	116.7%	103.12%	41.6%	97.5%	120%
<b>Production Estimate September 30</b>	1,280,000	68,300	423,000	17,900	300,000	409,000
<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 Sept 2016</b>	1,034,662	-	252,626	-	126,294	192,194

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

outlined above, yields are even higher than forecasted. We canvassed a number of traders who felt the production estimate for Desi chickpeas, now calculated on actual yields, may well exceed 1,400,000 tonnes. Losses due to adverse weather will now be more than compensated by the higher yields as a result of the near perfect finish of cool weather and ample moisture.

### Faba Beans

Weather conditions outlined earlier certainly impacted the faba bean crop. Wet conditions resulted in a lot of chocolate and black spot decimating crops. Harvest in NSW is close to finishing and to quote one trader, "We are over beans". The prices are well down, as is demand from the Egyptian market which usually takes over 60% of the Australian crop. A lot of NSW beans are grading No. 2 and 3 which means export is not an option leaving stockfeed as the only alternative. News of a massive loan from the World Bank to Egypt was welcomed by traders, but the concern over shortage of hard currency and the high rate to the USD remains. Harvest

in South Australia and Victoria is another 2-3 weeks away, yields will be higher than estimated in the September forecast, and production could now exceed 480,000 tonnes. Reported sales of Australian faba beans to Egypt are at much lower levels than last year. This trend is not expected to change in the short term especially with the prices on offer for United Kingdom and Baltic origin beans. Marketing the production surplus will present a major challenge to the Australian pulse industry.

### Lentils

The September 30 Pulse Australia estimate had lentils at 409,000 tonnes from an area of 255,000 hectares. Area was lost during the season for all the reasons outlined earlier in this report. However, the cool weather and adequate moisture created near perfect conditions for the lentil crops in both states to mature with enhanced yield potential.

On Yorke Peninsula, the centre of lentil production in South Australia, many growers are estimating yields in excess of 3 tonnes

per hectare (tonnes/ha). While these crops are exceptional, yields over 2 tonnes/ha will be common in both states and support the view that lentil production this year will exceed 500,000 tonnes, an all-time record. Of late, lentil prices are down in both Canada and Australia. It will be interesting to see whether lower prices will encourage increased global consumption.

### Field Peas

The Pulse Australia end of September estimate was 300,000 tonnes for field peas. Based on a similar scenario as outlined for lentils, the pea crops are looking good around Australia and the final production should be around 330,000 tonnes. In line with other pulses, pea prices have softened in the last month. Early crops in West Australia are good quality-wise and this

trend should continue to the eastern states. The last trade reported for flat deck bulk Kaspas peas was \$360 USD CIF Kolkata.

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## PULSE QUALITY ESTIMATES ARE ALL OVER THE MAP



**Larry Weber**  
Weber Commodities Ltd.

*"We want to get 80-85% of predictions right, not 100%. Or else we calibrated our estimates in the wrong way."*  
**Nate Silver**  
(Author & Statistician – born 1978)

When the Saskatchewan Ministry of Agriculture (SMA) released their final crop report on November 24, many traders and buyers were looking for some clues to the Statistics Canada (StatCan) November Production Estimates that will be released on December 6, 2016, but they were also looking for some better understanding on the quality of this year's Saskatchewan pulse crops. It is understandable why quality is in the forefront this year, as more combines ran in November than they did in October. However, 95% of the lentils and 99% of the peas were combined by October 3 and were not subject to the same weather vagaries that chickpeas were. On October 10, only 25% of the chickpeas in Saskatchewan were in the bin. Two weeks later on October 24, after snow and rain, there was still only 25% harvested, and the final crop report on November 21 suggests there is still 6% left to harvest. Reports from farmers on chickpea grade quality differ greatly from the estimates released by SMA. In this report, I am going to look at quality, estimated production, and what you can expect for pricing opportunities over the next month.

### Chickpeas

Chickpeas normally don't get much space in the Pulse Market Report, primarily because of the low acreage (160,000 acres in 2016/17). If 40,000 of those acres were combined before the snow and wet weather moved in for most October that leaves

120,000 acres that were left to combine in November. SMA's crop reporters estimated that 46% of the chickpeas harvested will fall in the top two grades, while 41% will grade No. 3 Canada, and 13% will fall to Sample or feed quality. Reports from farmers in the southwest part of Saskatchewan have been far more quality bearish than the estimates from SMA. Their estimates are that 65% will make it to the feed market. The last crop report suggests 6% of the chickpea acres are still in the field and it is pretty safe to think that the majority of these will at least try to be harvested, as feed chickpeas are commanding 28-32¢ a pound (lb). The market for 10 mm No. 2 Canada or better Kabuli type chickpeas has climbed from 53¢/lb on October 7, to 70¢/lb at the end of November. The last estimate from Agriculture and Agri-Food Canada for chickpea production was 114,000 tonnes using a yield of over 1,600 pounds per acre (lbs/ac). If you use SMA's estimated yield of 1,171 lbs and an abandonment/non-harvested area of 10%, the right production estimate is more likely in the 75,000 tonnes range. That estimate would leave about 25,000 tonnes of No. 2 Canada or better product. With those numbers, it is easy to justify a 70¢ bid today. What remains to be seen over the winter, is how farmers embrace to possibility of rolling the dice again in 2017/18. High prices have a way of mitigating fear.

### Lentils

The second contentious issue this fall has been lentil quality. The Canadian Grain Commission's (CGC) Harvest Sample Survey results (October 27) indicate that 64% of all lentils have graded in the top two grades. The last report from SMA (November 24) has that percentage at 42%. That discrepancy has huge implications as to what markets lentils will be destined to in the coming winter months. The other major disagreement is in product grading Sample. The CGC has no percentages in Sample quality, while SMA is estimating

that 13% will grade Sample and are most likely destined for feed markets or a gravity table for upgrading. StatCan's last lentil production estimate was 3.26 million (M) tonnes using a yield of 1,392 lbs/ac. Using SMA crop reporters yield estimate of 1,098 lbs/ac, suggests a crop of 2.62 M tonnes. That is too low in my opinion and I am using 2.85 M tonnes in my supply and demand estimates today. Spot prices for No. 1 Laird type lentils have risen from 54¢/lb on October 7, to as high as 66¢/lb at the end of November. No. 1 Eston type lentils have climbed from 43¢ to 64¢, No. 1 French types from 42¢ to 55¢, and No. 2 or better red lentils from 29¢ to as high as 36¢ in the same time frame. Demand has been solid and these prices will allow lentils to be at the forefront of new crop pricing again in 2017. India continues to play politics with the pulse and financial markets and these are major factors to be watched in the coming months. The United States Department of Agriculture (USDA) estimated record lentil production at 564,000 tonnes on November 9. My biggest concern for next year continues to be the advantage lentil prices have over wheat prices in the Northern Plains.

### Peas

Grading issues are not as prevalent in peas as they are in chickpeas and lentils. SMA reporters estimate that 87% of all field peas will fall in the top two grades versus the CGC's 80%. StatCan's last estimate indicated a yield across Western Canada of 40.4 bushels an acre (bu/ac) and 4.66 M tonnes of production. SMA has estimated a yield of 42 bu/ac and Alberta Agriculture and Forestry's last estimate was 43.9 bu/ac. Using an abandonment of 3.5% of seeded acres and a yield using both provincial governments' estimates would place production closer to 4.82 M tonnes. On the spot market, yellow pea prices have climbed from \$7.25/bu on October 7, to \$8.50 at the end of November. Green peas have risen from \$7.50 to \$9.25/bu in the same time

frame. Yellow peas in North Dakota have jumped from \$8.26 CAD/bu to \$10.13 CAD/bu at the end of November, primarily on the strength of a USDA tender announced. The USDA also announced record field pea production for this crop year at 1.23 M tonnes. While the United States and their increased planting should be on everyone's radar, Ukraine's move to seeding more peas is a larger concern for me in 2017/18. Again,

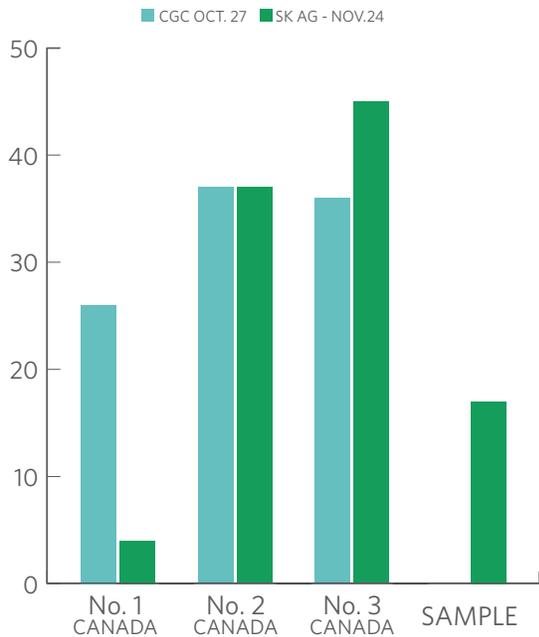
with wheat prices below break-even in most parts of the world, expect pulse acres to pick up worldwide.

Through all the trials and tribulations across Western Canada growing areas this summer and fall, pulse returns remain ahead of the rest of the grains and oilseeds complex and will be at the forefront of seeding intentions as farmers put their equipment away for

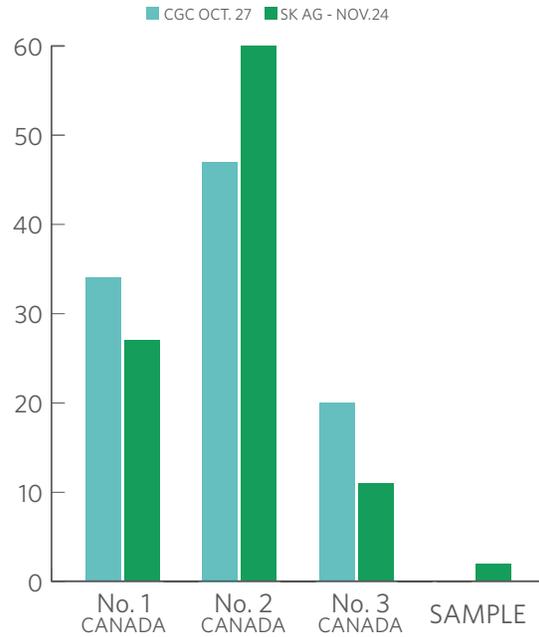
the winter months. The quote I started with today is from the editor of fivethirtyeight.com. He is of the Generation X era. Keep his quote in your mind as you peruse the estimates in this article. It puts everything in perspective for me. As this is my last article this year, I would like to wish you all a Merry Christmas and a happy, prosperous New Year!

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

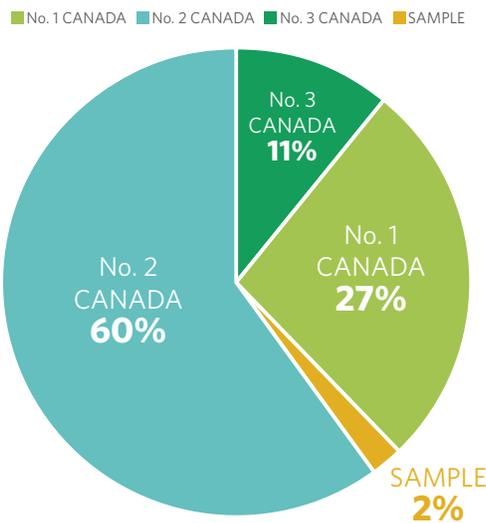
**SASKATCHEWAN LENTIL QUALITY BY GRADE - %**



**SASKATCHEWAN PEA QUALITY BY GRADE - %**



**SASKATCHEWAN CHICKPEAS GRADE DISTRIBUTION: CGC NOV 24, 2016**



Source: Weber Commodities Ltd.

Note: SMA = Saskatchewan Ministry of Agriculture | CGC = Canadian Grain Commission

### Faba Bean Feed Benchmark Bi-Weekly Report - November 18 to 22, 2016

	CENTRAL ALBERTA	CENTRAL SASK.	SOUTH. MANITOBA
	CDN\$/T	CDN\$/T	CDN\$/T
<b>Faba Bean Feed Benchmark Price</b>	<b>\$365.71</b>	<b>\$350.31</b>	<b>\$310.36</b>
<b>COMPETING FEED INGREDIENTS</b>			
Feed Barley	\$155.00	\$155.00	\$195.00
Mid Protein Wheat	\$175.00	\$190.00	\$217.00
Low Protein Wheat	\$170.00	\$185.00	\$212.00
Wheat DDGS	\$210.00	\$210.00	\$210.00
Corn	\$210.00	\$199.00	\$165.00
Corn DDGS	\$235.00	\$205.00	\$180.00
Canola Meal	\$325.00	\$303.00	\$300.00
Soybean Meal (46%)	\$525.00	\$490.00	\$460.00
Canola Oil	\$950.00	\$950.00	\$950.00

All prices are in Canadian dollars per tonne.

### Feed Pea Benchmark Bi Weekly Report - November 18 to 22, 2016

	CENTRAL ALBERTA	CENTRAL SASK.	SOUTH. MANITOBA
	CDN\$/T	CDN\$/T	CDN\$/T
<b>Faba Bean Feed Benchmark Price</b>	<b>\$314.08</b>	<b>\$301.85</b>	<b>\$265.51</b>
<b>COMPETING FEED INGREDIENTS</b>			
Feed Barley	\$155.00	\$155.00	\$195.00
Mid Protein Wheat	\$175.00	\$190.00	\$217.00
Low Protein Wheat	\$170.00	\$185.00	\$212.00
Wheat DDGS	\$210.00	\$210.00	\$210.00
Corn	\$210.00	\$199.00	\$165.00
Corn DDGS	\$235.00	\$205.00	\$180.00
Canola Meal	\$325.00	\$303.00	\$300.00
Soybean Meal (46%)	\$525.00	\$490.00	\$460.00
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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