

CAN INDIA SUSTAIN ITS RECORD PULSE PRODUCTION NEXT YEAR?



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India's pulse production has jumped in 2016/17 to new highs of 22.4 million (M) tonnes, and has been the talking point in the world pulse trade and industry in recent months.

It pushed export prices down much to the disappointment of growers in major exporting countries. More importantly, this increase in India's domestic production has been accompanied by record imports of 6.4 M tonnes (the previous year was 5.9 M tonnes).

I would interpret this as a sign of the appetite for pulse consumption in India and the yet unmet demand for this protein rich crop. It also shows the price and income elasticity of demand for pulses and food in general, in the world's largest producer, importer, and consumer of legumes.

While Indian policymakers should feel a sense of satisfaction that pulses are available at consumer-friendly prices, there is a lurking risk. Over the last six months, pulse growers in different parts of the country have been worried. Many are disillusioned that their price expectations have been disproved. For instance, the minimum support price (MSP) announced by the government for pigeon pea (tur/arhar) for the 2016/17 season was 5,050 rupees per 100 kilograms (kg) (approximately \$770 USD/tonne). Farm-gate prices in principal growing states of Maharashtra and Karnataka have been ruling at around 4,200 rupees per 100 kg (about \$650 USD/tonne), substantially below the MSP.

The government's procurement program to mop up 2 M tonnes of pulses through domestic purchases and imports has progressed in a slow manner and has failed to benefit growers. Pulse growers are angry and there is risk that they may

Table 1: India Pulse Production and Import Trends (Million Tonnes)

Year/Season	Kharif	Rabi	Total	Import
2011/12	6.1	11.0	17.1	3.1
2012/13	5.9	12.4	18.3	3.8
2013/14	6.0	13.3	19.3	3.6
2014/15	5.7	11.4	17.1	4.6
2015/16	5.5	10.8	16.3	5.9
2016/17	9.1	13.3	22.4	6.4

(Source: Government of India)

respond in the only manner they know how, and not plant enough pulses in the upcoming season and shift to another more remunerative crop.

The same goes for growers of the world's largest pulse crop - chickpeas. At the time of planting in November/December last year they saw market prices at astronomical levels (upwards \$1,400 USD/tonne), which are currently ruling at the rupee equivalent of \$850/tonne. Admittedly, chickpea prices are still above the MSP, but substantially below the signal availability to growers at the time of planting.

To make matter worse, the policymakers continued with storage control limits on pulses, a restriction completely out of sync with the demands of the times and hurting the marketability of the crop. In April the government imposed a 10% duty on the import of pigeon peas, but it was ineffectual as pulses imported from Myanmar and East Africa are exempt due to bilateral agreements. In other words, the government response to growers' plights over the last many months has left much to be desired.

This raises the question of whether India can sustain the record production in the upcoming 2017/18 crop year? Doubts persist as there seems to be no strategic approach to sustaining production. Even as of the end of May, the government has yet to announce MSP for the upcoming season. Onset of the southwest monsoon in India is less than two weeks away. Not that the MSP critically impacts planting decisions, but the inordinate delay in the decision shows how serious

the government is about addressing farm-related issues. The crop production targets for 2017/18 have not been announced yet.

The world market should begin to gear itself up for a decline in India's pulse production in 2017/18. At this point in time, it is tough to forecast the extent of the decline, but it should come as no surprise if production drops by 10%.

The kharif pulse crops are comprised of pigeon pea (tur/arhar), black matpe (urad), and green gram (moon). In the 2016/17 kharif season, the harvest size was 8.7 M tonnes. We need to track the onset and progress of the southwest monsoon (likely to set in June 1), as well as the progress of planting. The next two months could be a period of uncertainty.

Reports suggest, unlike this time last year, Indian importers have not made frenzied forward commitment from overseas sources. Depending on the outcome of the kharif season, there is risk they could be caught short. India's peak consumption demand season (driven by a series of festivals) is from August to October.

Regarding the methyl bromide fumigation issue, the deadline for exemption is June 30. Insider information suggests the Indian government may decide to extend the exemption further.

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2017/18 PEAS AND LENTILS - EXTREME WEATHER CONDITIONS



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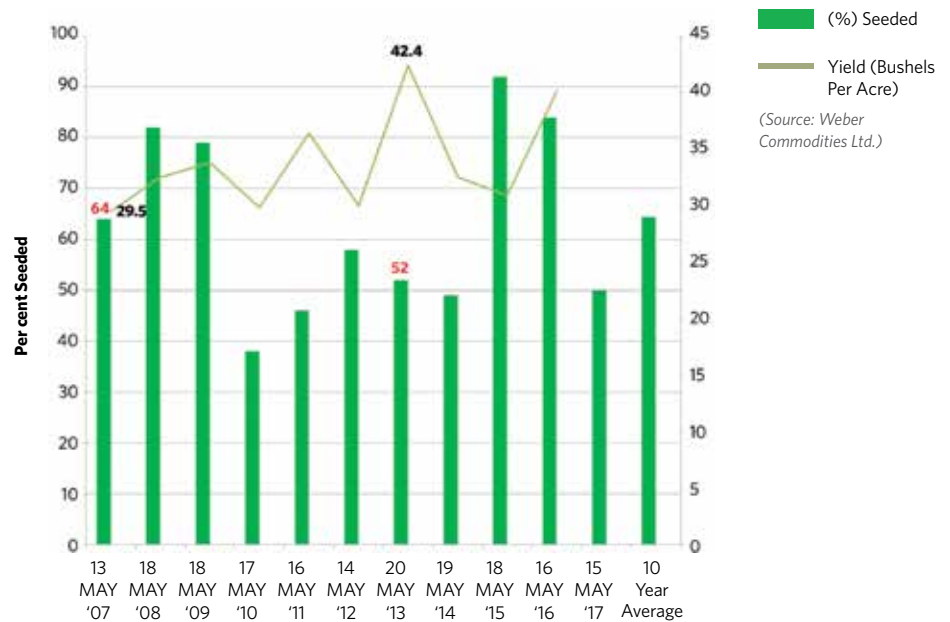
Ted Allen, the former Chair of Agricore United used to call average weather, the mean of two extremes. It is the third week of May and I don't remember 2010 or 2011 being as diverse for

seeding or growing conditions as it is this spring. While the seeding progress in Saskatchewan might mask the problem, there are many farmers who have not seeded an acre and are still wrestling with the 2016/17 crop in west central Saskatchewan. Some of the highest quality lentil regions in the Kindersley/Rosetown area are just getting started, while the Weyburn and Estevan regions actually are short moisture, which is a complete reversal of the conditions in 2010/11 and 2011/12. Early indications are that 5% of the land will not get seeded in 2017/18, and that compares with unofficial estimates in 2010 of 11% and 2011 at 10%. On 50 million (M) acres of crops seeded in Saskatchewan that equates to 2.5 M acres. I know it doesn't sound like it matters, but it does. At an average of \$350 gross an acre, that is \$875 M dollars out of the economy. Some of that will be replaced with insurance but the effect will be felt in the hardest hit areas. My focus in this post is going to be on seeding dates, yields, and prices with a weather outlook.

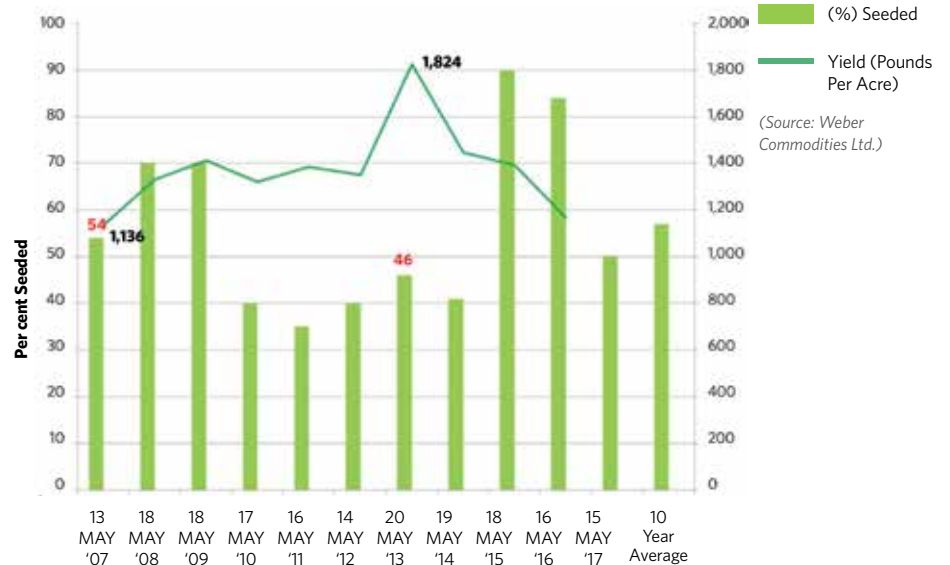
Peas

Saskatchewan Ministry of Agriculture statistics on seeding dates combined with Statistics Canada's (StatCan) yield data, concludes that early seeding over the past 10 years is not the determining factor that many expect it to be. Weather is still the biggest factor. The best pea yield came in 2013 when only 52% of the peas were in the ground by May 20. The worst yield was in 2007 when 64% were seeded by May 13. The 10-year average indicates that 64.4% is seeded by the third week in May with an average yield of 33.8 bushels per acre (bu/ac). Even in 2011, one of the worst wet years, Saskatchewan's average pea yield ended at 36.4 bu/ac. More importantly going forward into summer,

Saskatchewan Peas: Seeding Date vs. Yield (2007/2016)



Saskatchewan Lentils: Seeding Date vs. Yield (2007/2016)



is how seeding intentions versus actual planting will affect Saskatchewan pea production.

In 2010, when the wet areas were confined to the southeast portion of Saskatchewan, March pea intentions were 2.7 M acres, June intentions were 2.72 M, with an adjusted final of 2.61 M acres the following year. In 2011, March pea intentions were 1.865 M acres, June intentions were 1.77 M, with an adjusted final of 1.7 M acres. The wet areas in 2017

contained 25% of the seeded acres from last year, therefore, it is safe to predict that actual pea acres will likely be less than March farmers' intentions. Farmers who I have spoken to this spring have had a difficult time procuring adequate pea seed and that will also hinder the final planting number. The greater risk in 2017 is the number of abandoned acres that will surface as we go forward. Compounding the too-wet-to-seed areas in west central and northwest

Saskatchewan Pea and Lentil Total Acres (2008/2017)

SK	(acres) Lentils	(Acres) Peas	Total
2008	1,745,000	3,165,000	4,912,008
2009	2,355,000	2,875,000	5,232,009
2010	3,340,000	2,610,000	5,952,010
2011	2,460,000	1,700,000	4,162,011
2012	2,430,000	2,600,000	5,032,012
2013	2,620,000	2,265,000	4,887,013
2014	3,010,000	2,600,000	5,612,014
2015	3,750,000	2,135,000	5,887,015
2016	5,285,000	2,180,000	7,467,016
2017	3,910,000	2,090,000	6,002,017

(Source: Weber Commodities Ltd.)

Saskatchewan, is the fact that many farmers had crop left out that will likely go to summerfallow or to canola instead of pulses. Saskatchewan Crop Insurance Corporation estimates that 6.9 M acres were abandoned in 2010 and 6.6 M acres in 2011. These acres were shuffled into summerfallow in StatCan's releases. This year the area has moved north, but it will affect overall seeding intentions in Saskatchewan, and the June estimates may be too early to reflect the real changes that are about to occur.

Yellow pea prices in Saskatchewan are averaging between \$9.00 and \$9.50 per bushel (bu), with green peas in the \$8.50 to \$9.00 range. Both new crop green and yellow pricing are in the \$8.50/bu. I would look to sell old crop supplies as soon as possible as the transition to new crop pricing will be quick once the last vessels get filled in Vancouver by mid-June. Except for cash flow purposes and bin space requirements, I am not a seller of new crop greens or yellows at current bids. I don't see much downside risk as of this date, and with the seeding delays and wet weather, I would tend to be patient and see what June and July brings. Green pea prices will have more upside towards the end of the 2017/18 crop year, as the market will work through the excess supply from the 2016/17 crop year. Your bottom line for green and yellow peas is that there will not be as many acres planted as suggested earlier, and if you are sitting on the fence by the time you read this, when you seed is not as important as the weather once you do. Today, the forecast looks to dry down over the last part of the growing season. I would not be taking peas out of my rotation in 2017/18.

Lentils

The total area in Saskatchewan that is too wet or too dry for lentils is less than that for peas, but the concentration of lentil acres in the dry area will have farmers looking for rain in the later part of May and first part of June. The best lentil yield, at a Saskatchewan average of 1,824 pounds per acre (lbs/ac), came in 2013 when only 46% of the lentils were seeded by May 20. The worst yield was in 2007 at 1,136 lbs/ac when 54% were seeded by May 13. The 10-year average indicates that 57% is seeded by the third week in May, with an average yield of 1,376 lbs/ac. In 2010, when the wet areas were confined to the southeast portion of Saskatchewan, March lentil intentions were 2.74 M acres, June intentions were 3.2 M, with an adjusted final of 3.34 M acres the following year. In 2011, March lentil intentions were 2.7 M acres, June intentions were also 2.7 M, with an adjusted final of 2.46 M acres. The wet areas in 2017 only contained 17% of the seeded acres from last year, therefore, dryness concerns are much more on the radar than being too wet to seed. The greater risk is the unharvested acres in the Rosetown/Kindersley area that may or may not get a chance to get harvested before the final crop insurance deadline for seeding. The evening and morning of May 25, saw an incredible band of thundershowers go through the area with some farmers reporting 2-3 inches of additional rainfall that will change seeding plans again.

The difference between old crop lentil prices and new crop prices in the latter part of May is a clear sell signal for old crop. Waiting for prices to rise this year could see the transition to new crop pricing in a single day. For small green lentils that would be a \$437.00 per tonne drop from current pricing. Farmers do not have the luxury of a futures market limit to shield them from a \$400/tonne drop, and I would be selling all my old crop green lentils now rather than later. The difference for red lentils is not as great and I am not a seller at current old or new crop bids, unless required for cash flow. Current bids for large green lentils are in the 50 to 55 cents (¢) per pound range while new crop is trading at 41¢. Small green lentils for old crop are also 50-55¢ while new crop is 32-35¢. Red lentils are currently trading between 26-28¢ and new crop between 23-25¢ per pound.

My tendency for planting today would be towards red lentils, as I believe they have the most upside potential given the same yield ability as greens. There will be many more lentils planted than estimated by StatCan's March intentions, but it may be muted somewhat by west central Saskatchewan who will likely abandon acres in the same manner that the southeast did in 2010 and 2011. Lentil genetics have made enormous strides in the past ten years and now rival wheat yields in some areas. My takeaway today is that I would still be maximizing my lentils acres.

Weather

My comments are based on three weather forecasters I follow. Two of the three suggest June weather will bring drier conditions to areas north of the No. 1 Highway in Saskatchewan, while the northern areas will see a drier biased June with crops at times looking for moisture. July could see warmer than normal temperatures in the southeast, and cooler temperatures in the southwest. The bottom line is that the extremities of too much rain and too dry conditions will be replaced with a more normal pattern to induce good, not exceptional, crop development.

Bottom Line

The June acreage estimates (to be released on June 29, 2017) will be surveyed when many farmers are still seeding, and may not be indicative of the final planting numbers. If we learned anything in 2010 and 2011, insurance payout levels came into late seeding decisions that altered seeding plans during the first two weeks of June. The current wet season looks to be over and I am looking forward to a normal rest of the growing season. Pay close attention to the next planting estimates and keep an eye on India's monsoon progress during the month of June. Have a great summer.

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More information can be found at
www.webercommodities.com

Faba Bean Feed Benchmark Bi-Weekly Report - May 21 to 25, 2017

	CENTRAL ALBERTA	CENTRAL SASK.	SOUTH. MANITOBA
	CDN\$/T	CDN\$/T	CDN\$/T
Faba Bean Feed Benchmark Price	\$313.55	\$301.44	\$292.94
COMPETING FEED INGREDIENTS			
Feed Barley	\$160.00	\$145.00	\$179.00
Mid Protein Wheat	\$190.00	\$190.00	\$210.00
Low Protein Wheat	\$185.00	\$185.00	\$205.00
Wheat DDGS	\$210.00	\$210.00	\$210.00
Corn	\$220.00	\$196.00	\$182.00
Corn DDGS	\$210.00	\$180.00	\$164.00
Canola Meal	\$320.00	\$319.00	\$321.00
Soybean Meal (46%)	\$500.00	\$473.00	\$439.00
Canola Oil	\$1,085.00	\$1,085.00	\$1,085.00

All prices are in Canadian dollars per tonne.

Feed Pea Benchmark Bi Weekly Report - May 21 to 25, 2017

	CENTRAL ALBERTA	CENTRAL SASK.	SOUTH. MANITOBA
	CDN\$/T	CDN\$/T	CDN\$/T
Feed Pea Benchmark Price	\$304.96	\$292.03	\$268.75
COMPETING FEED INGREDIENTS			
Feed Barley	\$160.00	\$145.00	\$179.00
Mid Protein Wheat	\$190.00	\$190.00	\$210.00
Low Protein Wheat	\$185.00	\$185.00	\$205.00
Wheat DDGS	\$210.00	\$210.00	\$210.00
Corn	\$220.00	\$196.00	\$182.00
Corn DDGS	\$210.00	\$180.00	\$164.00
Canola Meal	\$320.00	\$319.00	\$321.00
Soybean Meal (46%)	\$500.00	\$473.00	\$439.00
Canola Oil	\$1,085.00	\$1,085.00	\$1,085.00

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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