# PULSE MARKET REPORT
*February 2018*

SASKATCHEWAN pulse Growers

## INDIA PULSE MARKET UPDATE

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With record planted acreage for 2017/18 and largely benign weather so far, India is at the threshold of harvesting a massive rabi pulse crop for the second season in a row. Despite the steep decline in domestic prices and general discontent among growers, pulses have been planted on 16.3 million (M) hectares (ha) (40 M acres) this season, up from 15.6 M ha (39 M acres) this time last year.

Specifically, seeded area for chickpeas, the country's dominant pulse crop, has expanded to a new high of 10.6 M ha (26 M acres), up from 9.8 M ha (24 M acres) this time last year, followed at a distance by lentils at 1.7 M ha (4.2 M acres), and field peas at 1.2 M ha (2.9 M acres).

Harvest should begin by mid-February and progress through March. In addition to chickpeas, lentils, and field peas, small quantities of moong and urad, as well as some minor pulses will be harvested.

The production target for this rabi season is 14.15 M tonnes, of which chickpea is 9.75 M tonnes. On current estimation, the country is likely to witness harvest of anything between 8.5 and 9 M tonnes of chickpeas. Lentil production is likely to be 1.3 to 1.4 M tonnes, and field peas close to one million tonnes.

The domestic market for various pulses is ruling at or below the minimum support price. Once again, growers' price expectations are unlikely to be realized. The government procurement program of 2016/17 was not as effective as anticipated. Given the political sensitivity of the situation, it is widely believed that in the forthcoming annual budget, the Indian government may announce a scheme to compensate growers.

A combination of a rebound in domestic harvest, and policy interventions in recent months has meant that pulse imports into the country has significantly slowed down. After imposing quantitative restrictions (QRs) on tur/arhar, moong, and urad in August, the government levied a 50% customs duty on yellow peas in November, and followed it up with a 30% customs duty on chickpeas and lentils in December.

These measures have resulted in reducing imports to a trickle. December 2017 pulse imports were valued at $212 million US, sharply down from $510 million US exactly a year ago. According to government data, India's pulse imports from April to December 2017 were worth $2.7 billion US, down 10% from $3 billion US during a corresponding period in 2016. Arrivals during the first quarter of 2018 are expected to be limited.

Despite import restrictions, domestic prices have not improved as anticipated. This has raised questions about the effectiveness of various intervention measures.

### Looking Ahead

A silver lining in an otherwise murky skyline is that methyl bromide fumigation at the Indian discharge port has been extended by another six months, to June 2018.

The QR imposed on tur (200,000 tonnes), as well as moong and urad (300,000 tonnes together), is valid until March 31, 2018. Given the existing low domestic prices, the government is most likely to extend the QR to the 2018/19 financial year.

Weather risks in the weeks ahead are not ruled out. In three of the last five years, the country faced unseasonal rains and occasional hailstorms in March and April, which damaged crops including chickpeas. So, caution is warranted.

The India Meteorological Department will come up with its southwest monsoon forecast in April. If La Niña conditions continue into the late spring and summer months, South Asia may experience above normal rainfall, a positive for pulse production.

Whether pulse growers will continue to bet on the crop and plant large acreages once again in June/July (kharif season) is a matter of guesswork at this point in time. Much will depend on the government's price support operation and its success.

Importantly, it must be recognized that Indian agriculture is fragile and vulnerable. At any point in time, the country is just one bad monsoon way from a major farm disaster. So, it would be prudent to keep the import window open and not alienate traditional overseas suppliers who stood by India in times of dire need.

Pulse exports from India have opened up, but any notable success is unlikely in the short run. The world market is facing a glut situation and prices are rather low. The export parity for Indian pulses is weak. So, only very modest quantities will find overseas buyers.

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## 2018: THE WINTER OF DISCONTENT

***Larry Weber***
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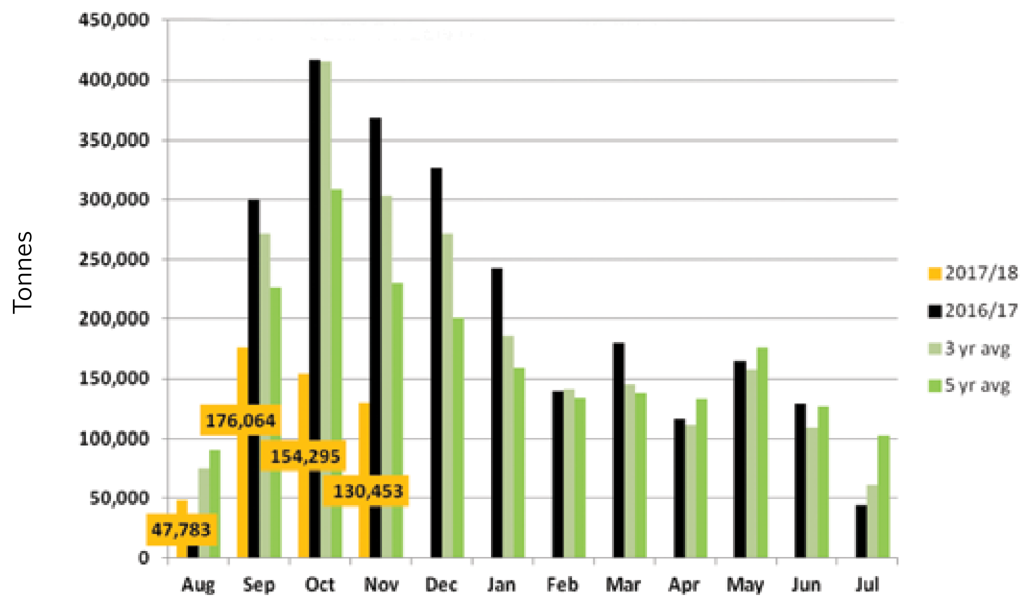
With apologies to Shakespeare (and John Steinbach), farmers in Western Canada are going through their own discontent this winter. While the irritants have been plentiful - import tariffs in November and December, slow railcar movement, and brutally cold weather - nothing has been as watched as closely as the weather over the past year. As such, seeding intentions have a cloud of suspicion over them and that is not likely to change unless the weather pattern changes for the better. During the first three weeks of January, I have travelled in vehicles as far east as Portage La Prairie, Manitoba to the west in Calgary, Alberta. The 110 kilometre an hour land tour confirmed what snowfall and drought maps have been indicating for months: there is little to no snow cover. When you consider that the 2017/18 crop was made mostly on subsoil moisture conditions that have since disappeared, it is understandable that crop planning for the 2018/19 is so non-committed.

At the end of December, in my annual polling of farmers for seeding intentions, never have the responses been as lucid as they were

**Saskatchewan Seeded Acres: 2013 to 2017** *Source: Canadian International Merchandise Trade Database*

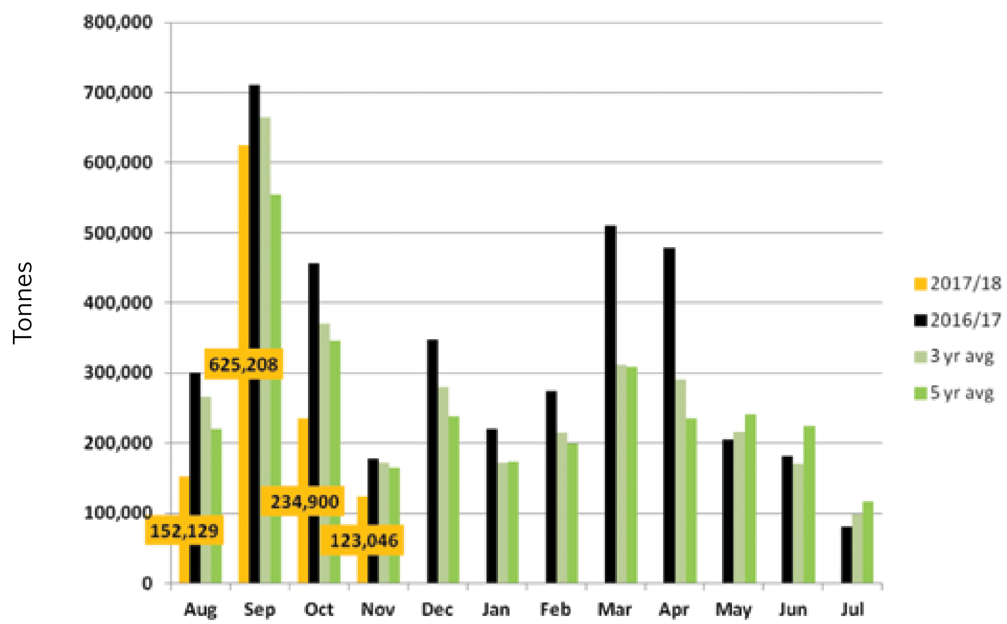
| Type of crop | 2013 | 2014 | 2015 | 2016 | 2017 | Five Year Average | Weber Jan-18 |
|---|---|---|---|---|---|---|---|
| Chickpeas | 180,000 | 70,000 | 115,000 | 143,000 | 160,000 | 153,600 | 180,000 |
| Faba Beans | - | - | - | - | 60,000 | 12,000 | 60,000 |
| Lentils | 2,620,000 | 3,010,000 | 3,750,000 | 5,285,000 | 3,920,000 | 3,717,000 | 2,900,000 |
| Peas, dry | 2,265,000 | 2,600,000 | 2,135,000 | 2,180,000 | 2,165,000 | 2,269,000 | 2,000,000 |
| Soybeans | 170,000 | 270,000 | 270,000 | 240,000 | 850,000 | 360,000 | 600,000 |
| Total | 5,235,000 | 6,050,000 | 6,270,000 | 7,848,000 | 7,155,000 | 6,511,600 | 5,740,000 |

## Canada: Average Lentil Exports By Month: 2012 - 2017



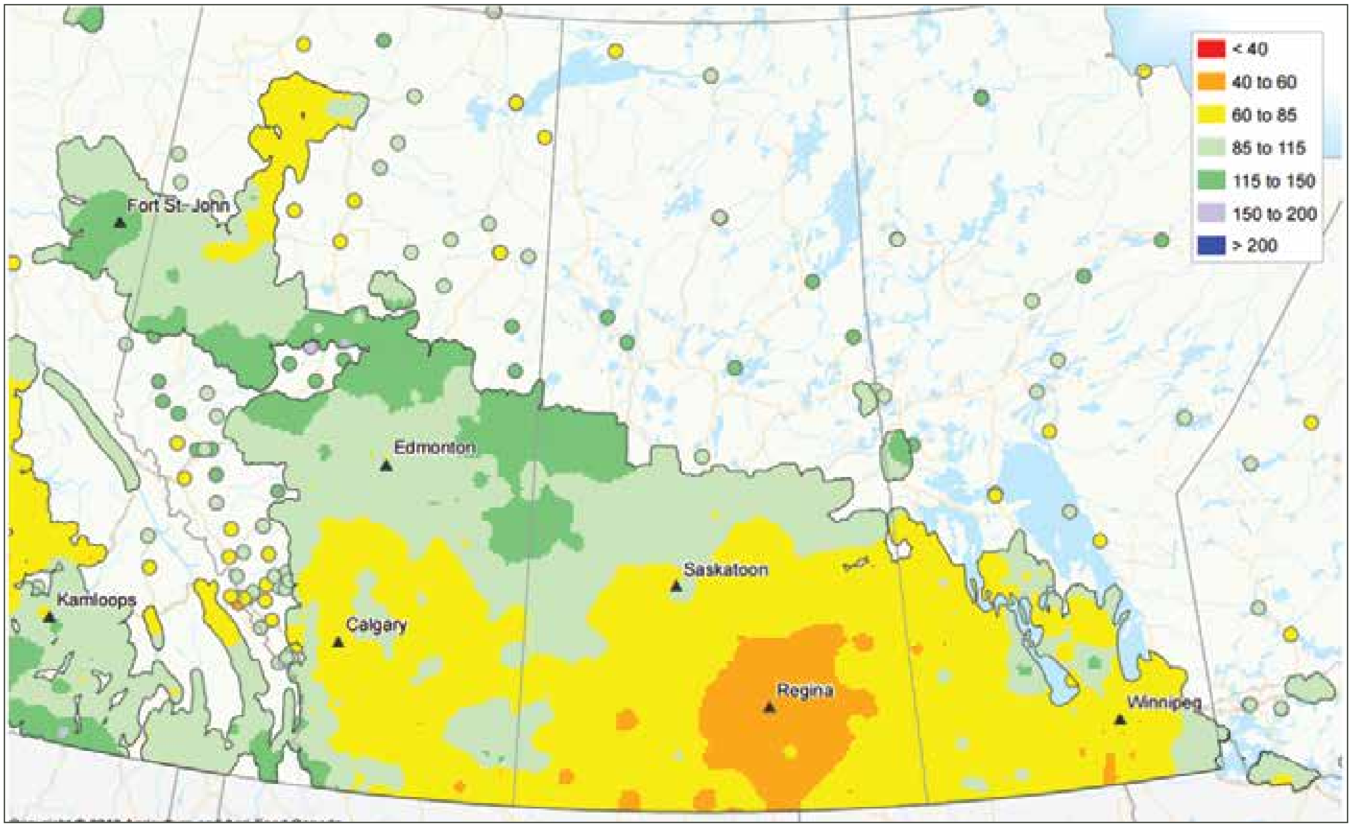

*Source: Canadian International Merchandise Trade Database*

## Canada: Average Pea Exports By Month: 2012 - 2017




*Source: Canadian International Merchandise Trade Database*

### Percent of Average Precipitation




*Note: Precipitation in the past 365 days, as of January 15, 2018*
*Source: Agriculture and Agri-Food Canada and Environment Canada*

in the comments section. "I don't know – email me when it rains," was a common theme. However, there were trends in all the respondents' estimates. The farmers questioned are divided across the three Prairie Provinces in accordance to the same percentage as the previous year's production. Seeded acres among pulses in Saskatchewan are set to decline nearly 12% from the five-year average according to the informal survey, with the sharpest decrease coming in lentils. Keep in mind that the survey was completed during the last two weeks in December, when the fresh lentil tariff was still on everyone's mind, and the cash yellow pea price had not bounced back to the point where it is today. Both of these weighed on farmer's committed seeding intentions. The trend at the end of December was clear and that trend is more important than a finite estimate that was provided five months before completion.

Final seeding intentions will be influenced by the 2016 Census revisions that should occur on February 5, with the release of the December 31 stocks of principal field crops, an updated La Niña forecast, and the Saskatchewan Crop Insurance coverage release also in February. While 2017 can be considered a very dry year, the majority of farmers harvested an average or better than average crop. Given the final production estimates, it will not even be considered as a drought year. That brings me to my greatest concern, we are due for one and if that is the case, sticking with your normal crop rotations might serve you best. While I am no meteorologist, the yearlong pattern of rain clouds that originate over Montana and split in two near the Saskatchewan border have to change, and throughout this winter of discontent, have not. Monitor the La Niña forecasts and drought updates from the National Oceanic and Atmospheric Administration over the next few months, as there is no clear consensus on a spring/summer weather pattern yet.

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If you are hoping that I started with the bad news and will end with good news, I won't. The pace of exports for peas and lentils over the first four months of the crop year has been lethargic and is not expected to pick up anytime soon unless India has an all out monsoon failure. For a monsoon season that begins in June, it is doubtful that they would react quickly enough to have any impact on Canadian ending stocks at July 31, 2018. The field pea export program has been much better than lentils.

From August 1, 2017 to the end of November, 2017, 1.13 million (M) tonnes of peas have been exported, nearly half of Agriculture Canada's full year projection of 2.4 M tonnes. At the end of November, peas were 337,000 tonnes behind the three-year average exports at the same time, and 204,000 tonnes behind last year's pace. For lentils, from August 1, 2017 to the end of November 2017, 508,595 tonnes have been exported, only 24% of Agriculture Canada's full year projection of 2.1 M tonnes. Lentils are 556,309 tonnes behind the three-year average exports at the same time, and 602,821 tonnes behind last year's pace. At this time, Agriculture Canada's carry-out projection on July 31, 2018 for peas (1.2 M tonnes) looks to be within reason, while lentils at 565,000 tonnes looks like wishful thinking at this date. It is very conceivable that carry-out lentil stocks will be greater than 1 M tonnes. The highest recorded carry-over stocks occurred in the 2010/11 crop year at 860,000 tonnes.

Now that I completed the difficult items, never forget the fabric unto which all farmers were woven - that hope springs eternal. No one has ever lost a crop in February in Western Canada. Last year is a prime example of never say never. There was enough rain lotteries and subsoil moisture that farmers pulled the proverbial rabbit out of the hat in August. Let's hope Mother Nature continues her consecutive years without a full blown drought, and that conditions return to normal or normal enough to produce a better than average crop. Until then, the trend is your friend and your friend should be the weather forecaster you trust the most.

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## Faba Bean and Feed Pea Faba Bean Feed Benchmark Bi-Weekly Report - January 14 to 18, 2018

| | CENTRAL ALBERTA CDN$/T | CENTRAL SASK. CDN$/T | SOUTH. MANITOBA CDN$/T |
|---|---|---|---|
| **Faba Bean Feed Benchmark Price** | $250.53 | $255.32 | $244.77 |
| **Feed Pea Benchmark Price** | $250.93 | $251.49 | $242.79 |
| **COMPETING FEED INGREDIENTS** | | | |
| Feed Barley | $210.00 | $195.00 | $200.00 |
| Mid Protein Wheat | $214.00 | $205.00 | $220.00 |
| Low Protein Wheat | $210.00 | $200.00 | $215.00 |
| Wheat DDGS | $245.00 | $245.00 | $265.00 |
| Corn | $226.00 | $195.00 | $175.00 |
| Corn DDGS | $289.00 | $241.00 | $230.00 |
| Canola Meal | $278.00 | $287.00 | $295.00 |
| Soybean Meal (46%) | $475.00 | $454.00 | $415.00 |
| Canola Oil | $1,200.00 | $1,200.00 | $1,200.00 |

*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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