

## USING DECILES TO PREDICT THE PULSE MARKET



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STAT Publishing Ltd.

An old seed cleaning plant manager tended to do very well with the crops he chose to plant. When I asked him his secret, he said he just planted what farmers did not buy. If you want to

be technical, that made him a contrarian - unintentionally doing the opposite of what everyone else thought.

Any seed plant managers using that same simple strategy would not have been able to plant chickpeas this year.

Prices were slipping during seeding, but many would still have thought he was a fool for not jumping on the bandwagon. Before the 2017/18 marketing year finished, grower bids reached their lowest point in the history of crop in Canada.

Few farmers would have expected prices to set both their highest and lowest prices in history in the same marketing year. Let alone see prices for 8mm and 9mm Kabuli chickpeas sink by around \$1,000 per tonne from the start of one crop year to the next.

When markets are experiencing this kind of movement, deciles become a useful tool. Deciles do nothing more than show you the range prices occupied 10% of the time from some starting date. Basically, every tenth price point in the whole range is where the decile is set. Use the decile table to find the range which contains the price buyers are willing to pay for your product. That is its current decile.

By the third week of August, bids for 9mm Kabuli chickpeas were between decile zero and one. That does not mean prices cannot go lower. Just a few weeks ago prices set a new record low, which became the new decile zero marker. It means the risk of prices falling lower is small compared to the chance they will be higher at some point in the future. Unfortunately, deciles do not tell you when that future moment will happen.

On the other hand, when prices are between decile zero and two, they are telling you that fear of lower prices is more of an enemy than patience. Similarly, when they are approaching decile ten, greed is more likely to be your enemy than taking a profit. Without doubt, taking profits means you might miss out on the peak, but if you see prices setting new record highs, that is almost always the best strategy. Similarly, if you see prices setting record lows, being a patient seller might not result in a big win. No one should be in a rush to lock in a loss on their crops.

Donald Rumsfeld once famously said, "There are known knowns. These are things we know that we know. There are known unknowns. That is to say, there are things that we know we don't know. But there are also unknown unknowns. There are things we don't know we don't know."

People laughed at that statement, but people in the pulse industry probably get its meaning. For the longest time we did not know what steps India would take to limit pulse imports because of massive increases in its domestic production. We did not know what they would do with import duties. Nor did we know they would subsidize exports of Desi-type chickpeas. In a sense, both were things that we knew we did not know until it happened.

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## 2007 to 2017 Deciles: No. 2 Canada Grade Delivered To Plant

SOURCE: STAT Communications Ltd.

DECILES	Yellow Peas	Green Peas	9mm Kabuli Chickpeas	Faba Beans
0	4.25	4.25	21.00	9.20
1	5.69	6.50	27.00	10.90
2	6.25	7.50	30.00	13.40
3	6.75	8.25	31.60	16.70
4	7.00	8.50	34.00	16.70
5	7.75	8.75	35.00	16.70
6	8.55	9.00	36.00	16.70
7	9.00	9.50	39.00	19.20
8	9.00	10.75	47.00	20.00
9	10.00	12.00	58.00	20.00
10	14.50	17.50	70.00	21.70

DECILES	Red Lentils	Large Green Lentils	Medium Green Lentils	Small Green Lentils
0	14.75	13.50	10.50	11.00
1	18.00	19.00	17.00	16.60
2	19.75	21.00	18.75	20.00
3	20.75	23.80	21.00	22.55
4	23.40	27.50	23.75	24.75
5	25.75	30.75	27.75	26.75
6	27.75	32.75	29.00	28.00
7	31.45	35.95	31.75	30.40
8	37.00	41.15	34.75	33.00
9	43.45	48.00	44.00	54.00
10	57.00	75.00	70.00	65.00

NOTES: Peas are dollars per bushel. All other products are cents per pound.