

PEA MARKET SITUATION



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A wet and cool September stalled most harvest operations in Saskatchewan, but peas are one of the crops where harvest was well advanced when the wet and cool weather arrived. Saskatchewan Ministry of Agriculture is

reporting that 95% of peas have been combined as of Sept. 17, up just 1% from the previous week. The Saskatchewan pea crops left to be combined are located in the

reduction from 2016. We also calculate that the production of peas by the world's major producers is down by a cumulative 2.1 M tonnes, due to reductions in Russia, Canada, the Ukraine, and in Australia.

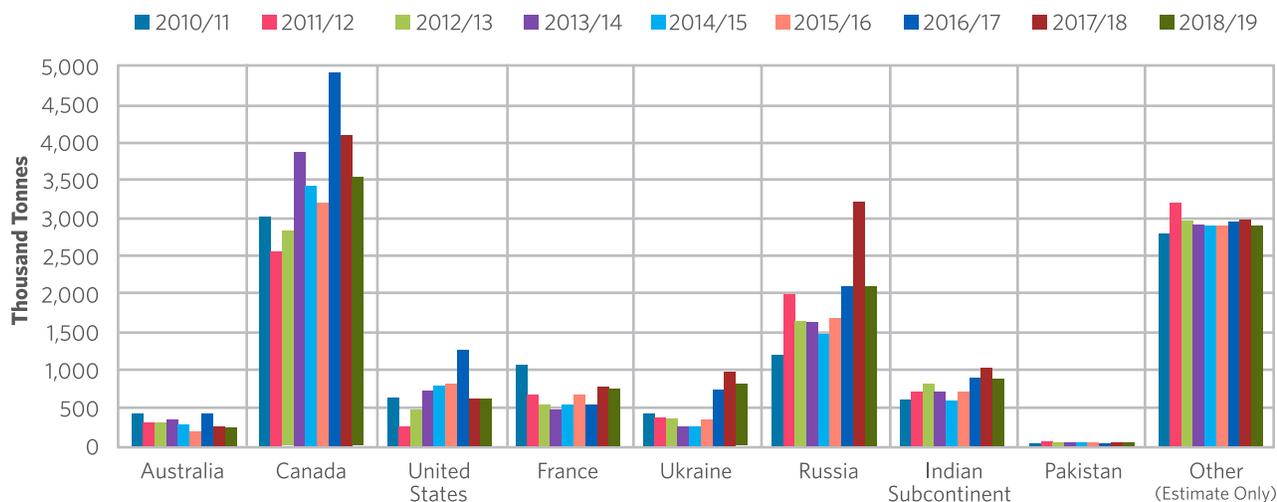
The overall reduction in pea production is important, because the protectionist policies in India last year and this year were not the only reason for smaller 2017/18 Canadian exports. Loss of market share to other export nations was also very damaging. Given good returns to pulse crops over the past several years, new competitors have entered the market and have been competing with Canadian peas in some of our major markets. Most harmful has been the expanded competition by Black Sea suppliers, who have managed to displace some of our traditional

are off to a tepid start with only 292,000 tonnes of bulk peas loaded into week 7 of the new crop year. This averages to only 42,000 tonnes per week, and is 45% slower than last year's start to the season, due to fewer forward sales (most of these shipments are to China and to Bangladesh).

However, remember that we were not expecting the same demand-pull this year during the fall as we have been experiencing during the previous several years. We anticipate markets to develop at a much slower pace this year, with shipments becoming heavier December/January forward.

There are several reasons for this expectation. India, previously the biggest bulk

Global Pea Production by Major Producers



Source: Mercantile Consulting Ventures Inc.

northeast and northwest of the province, and there is another 15% of the Alberta crop left to be harvested in the Peace River area. Twenty per cent of crops in the Peace River area are reported to be in only fair condition now. The crops still to be harvested in the northern grain belt unfortunately will show some quality deterioration.

Overall, Mercantile Consulting Venture still expects about 3.6 million (M) tonnes of pea production in Canada, compared to 4.1 M tonnes last year. This is still the fourth largest pea production in Canada, but is down by roughly 1.2 M tonnes from the 2016 production. Supply should amount to just over 4 M tonnes in 2018, compared to 4.3 M tonnes last year, a 7% reduction from last year's Canadian pea supply, and a 1 M tonne

demand for peas into India and other destinations. We also note that Black Sea production increases have been developing alongside much improved transportation and port fobbing capacity, an improvement we have not been able to match in Canada.

The market share data on India shows increasing tonnages sold by emerging nations. This crop year, we expect less pressure by Eastern European countries from November forward because of their smaller crops. We also expect a higher domestic usage of feed peas in Eastern Europe, especially in Russia, due to the much smaller, weather-reduced wheat crop in that country. However, longer term, increasing pressure by other exporters certainly remains a threat.

Canadian new crop pea export shipments

buyer, remains absent from the market. We do not anticipate any changes in their policies for this year, at least until the elections in India are over. We expect China to remain our biggest market. China imported a record 1.88 M tonnes of peas last crop year, up from 1 M tonnes the year prior. However, given a continued trade dispute between China and the United States, the biggest soybean/soybean meal deficit will start in November. If the various tariffs actually get implemented, then China will become progressively interested in alternative commodities as the crop year progresses. We expect China to consider peas as one of the alternative commodities later in the fall. We are using a 2 M tonne export number for China for the new crop year, with exports being heaviest in the New Year. China clearly has emerged

as the swing factor in this year's pea market, and China's purchases will determine if peas become tight or remain relatively well supplied. Eastern European product is harvested earlier than North American peas and reaches the markets before Canada starts shipping. This is affecting nearby demand in a year where buyers do not feel much pressure to forward cover their needs.

Mercantile is using 3.1 M tonnes for exports for 2018/19, compared to only 2.9 M tonnes used by Agriculture and Agri-Food Canada. We assume the difference is China. Given our higher export number, 2018/19 ending stocks should not be burdensome, and we calculate them to be within 200 to 300,000 tonnes. Given our numbers, we consider current bids for yellow peas at approximately \$6.25 per

bushel too low.

Marlene Boersch is an operating partner in Mercantile Consulting Venture Inc. More information can be found at www.mercantileventure.com

2017 India - Pea Import by Origin

	Tonnes	% Imports
Canada	1,436,000	46.1%
Russia	541,000	17.4%
Ukraine	385,000	12.4%
Romania	177,000	5.7%
Lithuania	154,000	4.9%
Australia	136,000	4.4%
France	92,000	2.9%

2016 India - Pea Import by Origin

	Tonnes	% Imports
Canada	1,605,000	52.4%
Russia	415,000	13.5%
France	237,000	7.8%
Lithuania	212,000	6.9%
USA	212,000	6.9%
Ukraine	171,000	5.6%

2015 India - Pea Import by Origin

	Tonnes	% Imports
Canada	1,447,000	67.5%
Russia	231,000	10.8%
United States	150,000	7.0%
France	97,000	4.5%
Australia	83,000	3.9%

2017 China - Pea Import by Origin

	Tonnes	% Imports
Canada	1,196,000	92.8%
United States	58,000	4.5%
Australia	27,000	2.1%
United Kingdom	5,000	0.4%

2016 China - Pea Import by Origin

	Tonnes	% Imports
Canada	912,000	90.9%
United States	68,000	6.8%
United Kingdom	10,000	1.0%

2015 China - Pea Import by Origin

	Tonnes	% Imports
Canada	818,000	90.5%
United States	78,000	8.6%
United Kingdom	5,000	0.5%
France	1,000	0.1%
Other		0.1%

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