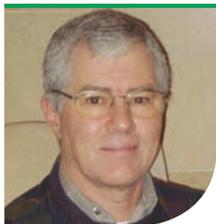


CHICKPEA AND FABA BEAN MARKETS



Brian Clancey
STAT Publishing Ltd.

If you think fast, market outlooks for chickpeas and faba beans could not be more different.

The world is facing a huge surplus of medium and small Kabuli chickpeas, which has resulted

in one the biggest swings in prices ever seen in Canada.

On the other hand, global supplies of food grade faba beans are unusually low because of problems with crops in Australia and the United Kingdom (UK). That should result in wider spreads between prices paid for feed and food grade faba beans.

In its most recent crop report, the Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES) said the country will harvest its smallest pulse crop since 2009. The country's faba beans harvest is expected to be almost identical to 2009 at just 225,000 tonnes, down from 330,000 last year, and its record 484,000 tonne harvest in 2016.

Australian exports should sink from a forecast 256,160 for its 2017/18 marketing campaign to no more than 235,000 tonnes, leaving the country with close to zero stocks by this time next year.

Faba bean production in the UK is thought to have sunk from 710,000 tonnes to around 553,000 tonnes. However, the proportion of the crop which can only be fed to livestock is expected to be similar at around 500,000 tonnes. This means the amount of beans which can be sold to human consumption markets is sharply lower.

Importers of European beans are starting to realize they cannot cover their needs with good quality product, and some have doubled the amount of bruchid damage they are willing to accept from 5% to 10%. Processors say that 95% of the faba beans delivered by the end of July had more than 15% damage.

There is a strong incentive for end users to allow higher levels of bruchid damage from UK faba beans. Asking prices for Australian product reached a 155 USD per tonne premium to human consumption beans from the UK during the summer.

Egypt is the world's largest importer of food quality faba beans, taking an average of 66% of all exports from Canada, Australia, and the UK. Egypt's economy has struggled in recent years, causing a lot of problems for people exporting faba beans and other products to that country. However, its economy has been improving, with the international credit rating agency, Moody's, raising the country's credit rating outlook from stable to positive because it made many of the structural changes to its economy that were recommended by the International Monetary Fund. That should reduce the risk of defaults or government intervention in credit markets.

Indonesia, Thailand, and Japan are also major importers, but Australia and China are the dominant suppliers. Canada once exported significant quantities of faba beans to Asia. But we lost market share after the 1980s, as farmers switched pulse acreage into peas and lentils.

With world markets facing a fundamental shortage of human consumption faba beans, growers should see bigger premiums over feed quality as importers compete for available supplies. This is largely driven by the shortages in Australia and that country's need to reduce total exports, as well as the incentive for many growers there and in the UK to wait for prices which help make up for reduced yields.

Canada's production is split between varieties intended for feed markets and those meant for human consumption. Feed market returns depend entirely on price direction for competing feed ingredients such as protein meal, coarse grains, and peas. It is worth noting that there is underlying optimism about feed ingredient markets. World stocks expected to shrink as the marketing year advances as relatively low prices are encouraging livestock producers to expand.

The implication is that faba bean prices will probably set their season lows early in the 2018/19 marketing year. This could also be the pattern for chickpeas, but it could be many months before there is any real recovery in grower bids.

Huge increases in chickpea production in North America and other parts of the world have combined with restricted demand from India to result in a massive surplus of medium and small calibre product. As you already know, prices set both record highs and record lows during the 2017/18 marketing year. While high prices made people jump into the crop, low prices are a powerful reminder that chickpeas do not have as many uses as peas.

That is unlikely to change very quickly. Chickpeas are still a riskier crop to grow than peas or lentils, which means the prices you are paid need to be significantly higher on average. This influences demand from industries that want high quality ingredients at reasonable prices.

More importantly, unless the food manufacturing industry believes combined production in Canada and the United States (U.S.) will be stable to trending up, the risk of new product development might seem higher than the long-term reward. Though chickpeas are appearing in new products, this is a fraction of what is happening with pea protein, starch, and fibre.

As it stands, seeded area in both Canada and the U.S. is expected to fall sharply in 2019, suggesting markets might not see any real strength until the last half of 2019.

Interestingly, there is also a belief production in Mexico will drop in 2019 because of pessimism over price prospects during the coming year.

If that is the case and the drop is big enough, we could see prices for 10mm and large chickpeas start rising by February or March. Of course, India is a wild card. Kabuli chickpeas are a commercial crop grown mainly for export, but farmers saw decent prices from the harvest earlier this year. It is an open question whether they will pay more attention to that memory

than lower new crop price indications from exporters.

If India maintains Kabuli production in the coming rabi season, competition for available demand will remain stiff. Buyers who need premium quality product from

Mexico will wait, but their ideas about prices will be influenced by lower asking prices from other countries, including Canada. That could stall any price recovery, with markets waiting to see if something other than lower seeded area

changes available supplies during the last half of 2019.

Brian Clancey is the Editor and Publisher of www.statpub.com market news website and President of STAT Publishing Ltd. He can be reached at editor@statpub.com

Table 1. Canada Chickpea Supply and Demand Summary and Forecast

Year	2012	2013	2014	2015	2016	2017	2018
Area (Acres)	200,000	190,500	180,000	123,000	156,000	209,000	442,900
Yield (Pounds)	1,779	2,088	1,581	1,611	1,289	1,251	1,408
Production	161,400	180,400	129,100	89,900	91,200	118,600	282,800
Imports	8,874	8,510	8,351	13,594	26,812	46,000	29,000
Carry-In	44,000	92,000	175,000	181,700	75,000	29,592	0
Stocks	214,274	280,910	312,450	285,195	193,012	194,192	311,800
Disappearance							
August to July Exports	71,632	48,377	78,445	151,641	107,624	116,001	N/A
Per cent of Forecast	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	N/A
Exports	71,632	48,377	78,445	151,641	107,624	116,001	148,400
Seed	15,081	14,040	9,340	12,240	16,340	37,158	23,058
Feed & Waste	17,259	28,376	26,665	26,456	13,602	9,441	29,682
Other Domestic	18,302	15,117	16,300	19,858	25,854	31,592	37,660
Total Usage	122,274	105,910	130,750	210,195	163,420	194,192	238,800
Ending Stock	92,000	175,000	181,700	75,000	29,592	0	73,000
Stock/Use	75.2 %	165.2 %	139.0 %	35.7 %	18.1 %	0.0 %	30.6 %

Table 2. Canada Faba Bean Supply and Demand Review and Outlook

Year	2012	2013	2014	2015	2016	2017	2018
Acreage	5,600	15,200	75,000	125,000	110,000	95,000	78,400
Yield (Pounds)	2,716	3,249	3,160	1,439	1,090	2,316	2,711
Production (MT)	6,900	22,400	107,500	81,600	54,400	99,800	96,400
Imports	824	16,094	8,559	2,900	700	1,100	800
Carry-in	750	1,000	1,000	18,000	12,000	5,000	15,000
Stocks	8,473	39,494	117,059	102,500	67,100	105,900	112,200
Disappearance							
August to July Exports	2,473	9,544	23,625	25,097	13,365	27,041	N/A
Per cent of Forecast	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	N/A
Export	2,473	9,544	23,625	25,097	13,365	27,041	27,000
Seed & Waste	1,680	7,305	15,377	13,279	10,488	11,242	12,713
Domestic	3,320	21,646	60,056	52,124	38,248	52,618	53,487
Usage	7,473	38,495	99,058	90,500	62,100	90,900	93,200
Carry-over	1,000	1,000	18,000	12,000	5,000	15,000	19,000
Usage/Stocks	13.4 %	2.6 %	18.2 %	13.3 %	8.1 %	16.5 %	20.4 %

- Forecasts by STAT Market Research based on data from Statistics Canada
- All quantities are in tonnes except yields



www.saskpulse.com
@Saskpulse

DISCLAIMER: This publication is provided for informational purposes only and should not be interpreted as providing, without limitation, agricultural, marketing, or business

management advice. Saskatchewan Pulse Growers makes no express or implied guarantees or warranties of suitability or accuracy regarding the information contained in this publication. In no event shall Saskatchewan Pulse Growers be held liable for any special, incidental, consequential, direct or indirect injury, damage or loss which may arise from the use of, or any decisions made in reliance on, the information provided.

The opinions expressed in this publication are those of the authors thereof and not necessarily those of Saskatchewan Pulse Growers. Publications Mail Agreement No. #40021625. Return undeliverable Canadian addresses to: Saskatchewan Pulse Growers, 207 - 116 Research Drive Saskatoon SK S7N 3R3