

LENTIL OUTLOOK



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With all of the other doom and gloom hanging over the lentil market, bigger crop estimates certainly aren't welcome. But regardless of the official government reports, the reality is that Canadian lentil supplies are large and could remain that way for a while.

In late September, Statistics Canada (StatCan) released its model-based production estimate, pegging the 2018 lentil crop at 2.23 million (M) tonnes, up marginally from the original survey-based estimate of 2.17 M tonnes. We have some questions about the reliability of this latest estimate based on satellite imagery, but StatCan's track record shows that the final production number could end up even larger. Once again, that's not welcome news.

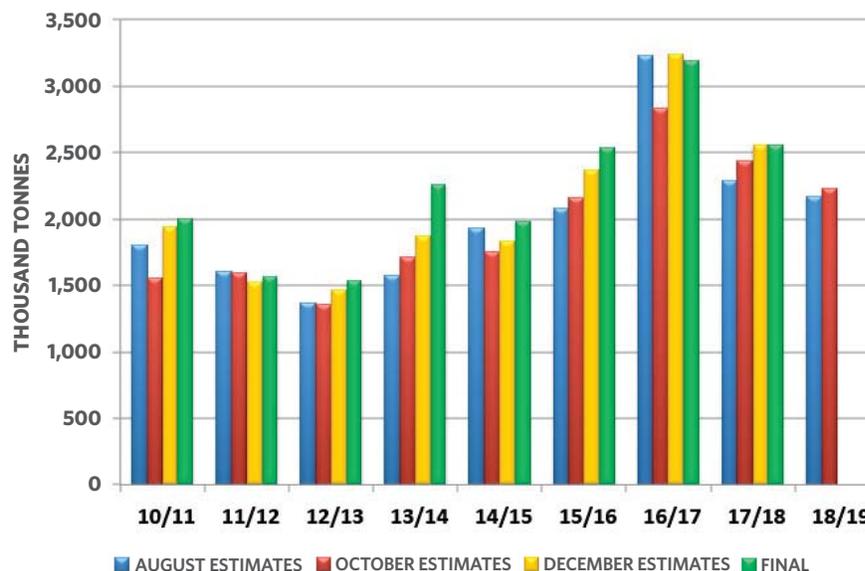
Even at the current total, the 2018 crop is only 330,000 tonnes smaller than last year. The problem is that the old-crop carry-over from 2017/18 ended up at 876,000 tonnes, 560,000 tonnes more than the year before. This means supplies for 2018/19 would end up at 3.14 million tonnes, 225,000 tonnes more than last year, and the second highest on record. That said, the supply situation for various lentil classes is even more important than the total crop size.

For green lentils, the old-crop carry-over from 2017/18 is minimal but, based on the 2018 acreage breakdown, the 2018 crop is 30% larger than last year. Even with few old-crop green lentils available, supplies in 2018/19 are still up at least 200,000 tonnes (28%) from last year.

Most of the carry-over from the 2017/18 marketing year was red lentils, which has been weighing on the market for a long time. The good news (if you can call it that) is that the drop in 2018 red lentil acreage means production is actually lower by 33% or 600,000 tonnes. The combination of larger carry-over and smaller 2018 production means that 2018/19 red lentil supplies could actually end up slightly lower than last year.

If it were a normal year for export demand, this increase in supplies wouldn't be a big concern. Unfortunately, there's no quick end in sight to the Indian import

StatCan Lentil Production Estimates *Source: Statistics Canada*



barriers, and things could actually get worse before they get better. Some observers (including us) are hoping that once the next Indian elections in April/May of 2019 are over, the government will stop trying to buy farmers' votes by inflating prices with import restrictions and other measures. Even if that happens though, most of the 2018/19 export year will have already passed.

For red lentils, the other large buyer is Turkey and that outlook isn't fabulous either. Kazakhstan has been ramping up production in the last two to three years and its main export target is Turkey. The lentils from Kazakhstan may be poorer quality, but lower prices can help overcome that objection.

The main opportunity for Canadian red lentils is South Asia, in the countries surrounding India. These countries have relied on Australian lentils in recent years, but the Aussie crop is currently reduced by drought, and that should provide an opening for a few more Canadian red lentils. Green lentil exports don't vary much from year to year, so there may be limited opportunities to expand volumes.

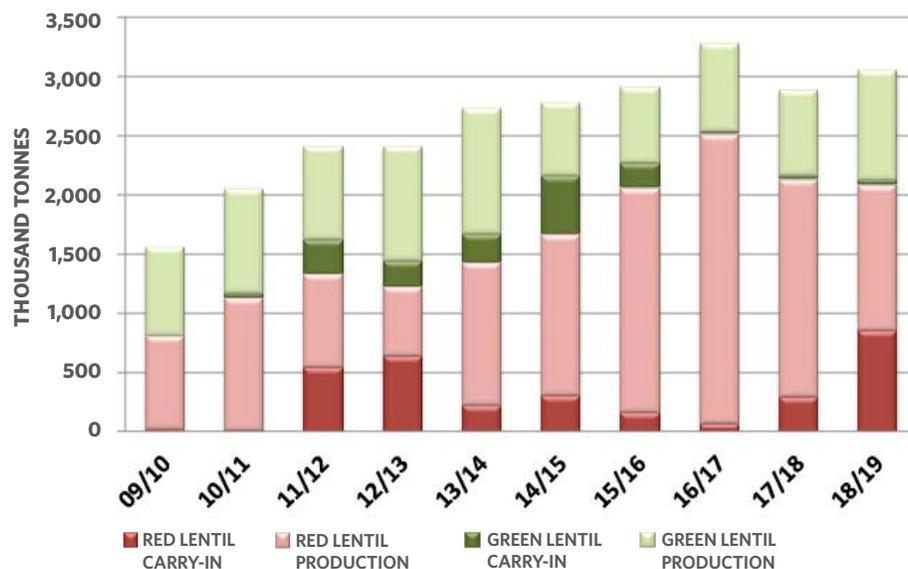
The one factor that should encourage more export buying is the low price situation for all classes of lentils. Red lentil prices have been on the lows for some time and that should prompt more buying from South Asian countries, which tend to increase consumption when prices are more affordable. Green lentil prices had been historically high for the past

three years, which discouraged some demand. Now that prices are at multi-year lows, it should trigger some additional buying.

So there are some modest positive signals in the marketplace, but unless something radically changes, ending stocks for 2018/19 are only going to shrink modestly. In our supply and demand, we've penciled in a partial recovery in 2018/19 lentil exports, but that's still not enough to draw down supplies to tight levels. Unfortunately, this means the soft price environment won't see much improvement until midway through 2019, at the earliest.

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Canadian Lentil Supplies *Source: LeftField Commodity Research*




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