PULSE MARKET REPORT

December 2018

THE TALE OF TWO PULSES

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With apologies to Charles Dickens, "It was the best of prices, it was the worst of prices…, it was the spring of hope, it was the winter of despair, we had everything before us, we had nothing before us." These lines can be seen as a good description of the two very different situations for faba beans and chickpeas. One is at its height and the other at its depths, and their outlooks are very different too.

Faba Beans

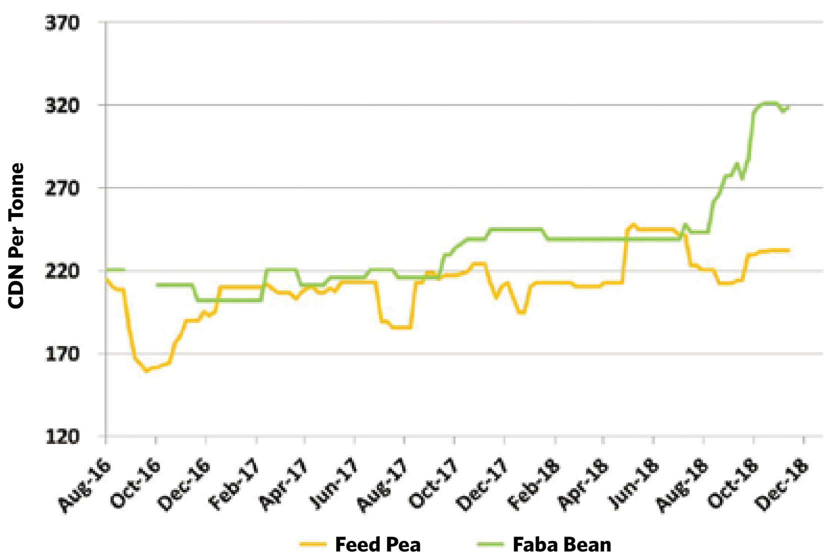
Faba beans are the brightest spot in pulse markets right now, with prices at mult-year or record levels in various countries. In Western Canada, some bids have jumped to $10.00 per bushel or better, although that that can vary depending on the sales that need to be filled. Regardless, compared to prices that have been around $6.00 for the last few years, this is a chance to cash in, at least for those who are able to get a quality crop off the field.

Clearly, Canadian faba bean prices have decoupled from the feed pea market, which means exports are the driving force. Prices in other major exporting countries have also rallied, with the most extreme example in Australia, where bids have jumped to AUD 850 per tonne (CDN 22 per bushel). Australia is the dominant faba bean exporter and drought in eastern states has caused production to drop hard and prices to spike.

The supply situation isn't any better in other exporting countries – the United Kingdom, France, Lithuania, and Latvia – all experienced varying degrees of severity of drought this year. On top of the lower yields, insect and disease damage have affected crops. The bottom line is that crop failures have affected all exporting countries in the same year, which opens the door for Canada.

The Canadian crop was also smaller in 2018, partly due to reduced acreage, but also challenges in the growing and harvest seasons. We still haven't quantified how much of the crop was affected by harvest delays, but that's likely another reason for higher bids here.

Western Canadian Feed Pea and Faba Bean Bids



Source: LeftField Commodity Research

The high prices in Canada and elsewhere are the main reason to be cautious about the longer-term outlook. As always, strong prices tend to encourage more acreage and farmers in all producing countries will be looking to capitalize on the current environment, raising the risk of overproduction in 2019. That's not to say farmers shouldn't grow faba beans next year, but should lock in profitable prices when possible.

Chickpeas

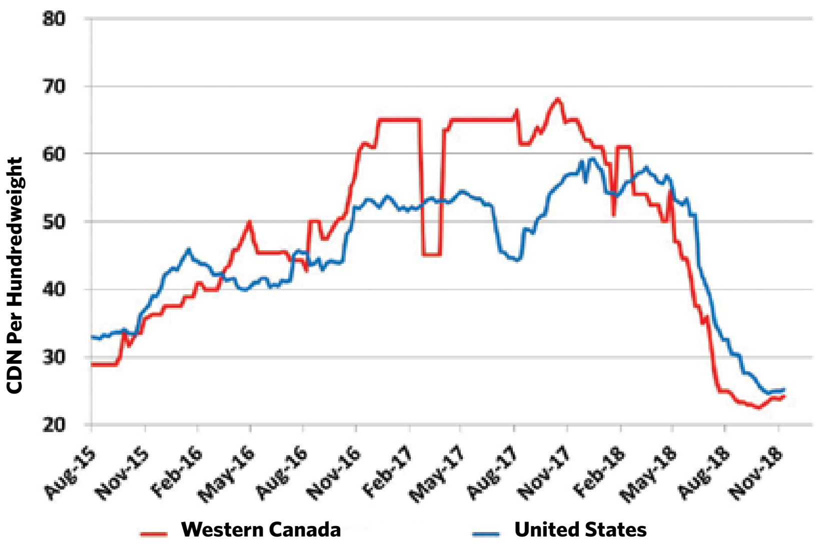
At the other end of the spectrum is the chickpea market, where prices are at their lowest point in several years. Until this year, chickpeas had been experiencing their own extreme highs (just like faba beans are now), and that triggered the inevitable response toward increased production and lower prices. This overproduction occurred in most major exporters of Kabuli chickpeas, including India and Mexico, followed about six months later by Canada and the United States (U.S.).

There's still some disagreement about the size of the Canadian crop, depending on which yield estimate is used. Statistics Canada has the crop at 280,000 tonnes, double last year's 140,000 tonnes, while the yield from the Saskatchewan Ministry of Agriculture has the crop at only 200,000 tonnes. Canadian production is only one part of the picture. The U.S. crop is estimated to be 588,000 tonnes, up from 313,000 last year. And since the U.S. is one of Canada's largest buyers, that has a big effect on the market here.

Chickpea prices dropped hard through the first half of 2018 but now seem to have bottomed out and found some support. Partly that's because farmers have stopped selling at these levels.

Just as high (faba bean) prices will cure high prices, low chickpea prices are already starting to set the stage for a market recovery, although it likely won't happen quickly. In India, chickpea planting is underway and so far, seeded area is trailing last year and the five-year average. Low prices are also expected to discourage Mexican farmers from planting chickpeas this fall. Looking ahead to next spring,

Average Kabuli Chickpea Bids



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Canadian and U.S. farmers will cut back on acreage as well.

The chickpea and faba bean markets are good reminders that prices tend to move in cycles. When things are looking very positive, they're usually setting the stage for the next downturn. And "the worst of times" is simply the beginning of the next phase when that crop will once again have a much better outlook.

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Faba Bean and Feed Pea Faba Bean Feed Benchmark Bi-Weekly Report - November 24 to 28, 2018

	CENTRAL ALBERTA	CENTRAL SASK.	SOUTH. MANITOBA
	CDN$/T	CDN$/T	CDN$/T
Faba Bean Feed Benchmark Price	$310.78	$280.98	$284.62
Feed Pea Benchmark Price	$304.79	$274.77	$274.61
COMPETING FEED INGREDIENTS			
Feed Barley	$235.00	$212.00	$235.00
Wheat - Red (12% CP)	$242.00	$220.00	$250.00
Wheat - Soft White (10.5% CP)	$242.00	$220.00	$250.00
Wheat DDGS	$290.00	$290.00	$290.00
Corn	$252.00	$230.00	$202.00
Corn DDGS	$298.00	$258.00	$242.00
Canola Meal	$345.00	$330.00	$319.00
Soybean Meal (46%)	$490.00	$465.00	$436.00
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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