

## THE ROLE WEATHER PLAYS IN GLOBAL PULSE MARKETS



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Weather has been a major feature in pulse markets for several months and it seems destined to remain that way for a few more. This has not been the normal weather markets we see

when plants are being sown, developing, or harvested.

Australia's harvest was sharply reduced by drought. Parts of India's main pulse growing areas have seen snow, hail, and/or excess rain, resulting in doubt about the size of the coming crop. Poor weather hurt crops in parts of Argentina and Brazil, but there is some optimism the coming harvests will be good.

Markets tend to focus on this kind of news, sometimes exaggerating the impact. We saw that with Mexico's chickpea crop. Seeded area is down and the crop will be much smaller than last year. Reports of a frost gained a lot of steam for a few days, only to be discounted by several key players in that country. It is a powerful reminder that market participants like to pile on the bad news when given a chance.

Such talk can create opportunities for growers to get a little more money from the market, but leaping from there to the idea that demand will explode, or competition for the attention of buyers will implode, is often a mistake.

Last year's weather problems in Australia combined with the realization demand from the Indian subcontinent would be down saw a solid reduction in seeded area for pulses. The net result was 43% drop in production from 2.88 million (M) to 1.65 M tonnes.

Australia harvested its smallest chickpea crop since 2006, with production collapsing from 1.15 M to just 281,000 tonnes. Its field pea crop was almost down by half at 152,000, while lentils dropped from 485,000 to 323,000 tonnes, and faba beans from 330,000 to 199,000 tonnes.

As most farmers know firsthand, only focusing on how much was grown is a mistake. Australia had a fairly large carryover from the previous marketing year. Available supplies are down, but that country faces the same doubts about demand as Canada and other net exporting nations. Buying by Pakistan picked up as it received beneficial rain in its rabi season growing areas. Importers were clearly counting on lower average yields because of dry conditions, but as any farmer knows one or two soaking rains at the right moment often changes yield prospects from below to average or better.

One market which is clearly benefitting from Australia's production problems is faba beans. Both Australia and the United Kingdom had poor crops, which has left the world fundamentally short of product, compared to normal import demand. The main buyer is Egypt and those shortages, combined with high prices, is seeing it shift some demand into other pulses.

Export trade data for Canada is only available until November because Statistics Canada delayed release of the December data until the United States (U.S.) Census Bureau was ready to release its numbers for that month.

Unless something changes, it appears Canada is not benefitting as much as one would expect from short supplies in the world. Exports for the first four months of the marketing year were down around 3,400 tonnes from the same period last year because shipments to Egypt plunged from around 6,600 to 1,900 tonnes. Canadian production is split between one type of bean intended for livestock markets and another for human markets, and depending on the choices made by farmers, this affects how much is available for export to human consumption markets.

A smaller Australian harvest could help demand for Canadian peas as long as a few other pieces to the puzzle fall into place.

Combined with its carry in from last season, Australia started its 2018/19 marketing year with around 192,000

tonnes of peas, down from 299,000 last season and the recent five-year average of 335,000. Exports through the end of October should drop from around 130,000 to 92,000 tonnes. It appears over 22% of what can be exported was shipped by the end of December. Though down from last season, it is actually an above average pace relative to what is available for sale.

Movement from other competing suppliers has also been good. It appears that a large part of the world's pea crop has already shipped to livestock feed markets in China and Europe. Russian sales to Spain and Italy, for instance, are up significantly. Between January and November, Russia shipped just over 425,000 tonnes of peas to Europe, compared to just 77,000 during the same period in 2017. For its part, Canada sold record quantities of peas to China in 2018, with business split between the feed and food sectors.

Peas were competitive in feed markets because sales to India were crippled by a 50% import duties and then a quota, which limited imports to 100,000 tonnes.

There is no question India will import peas this year. Markets look at the fact seeded area is down and are mesmerized by reports of weather problems in northern rabi cropping areas. Some of that is real. Kabuli chickpea exporters in India say production will not be as high as expected, with the result they raised asking prices. Mexico has also increased asking prices, with the result the spread between large and medium or small calibre Kabuli chickpeas has widened since the beginning of the year. While the world has a surplus of Kabuli chickpeas, it is starting to look like there will be a shortage of large calibre product.

What is not known is whether Desi chickpeas, which is what peas are substituted for in India, have been hurt enough to force the government to rethink its policies. That is the key issue with respect to demand from India. For the time being, politics are more important than supply and demand fundamentals.

This is an election year in India. The farm vote is the key to winning. The implication is that import duties and the quota for peas are unlikely to be changed until after the new government is sworn in, and only if the politicians think food price inflation will be an issue. More importantly, even if there are problems with the rabi harvest, India has huge residuals of Desi chickpeas, which means the country is unlikely to see supply problems until after our harvest and maybe not until the end of the calendar year.

Canada's ability to meet any increase in demand for food peas depends on

how much we can grow this year. Some weather forecasters think conditions in April and May could be a little cooler than normal, while May could see above normal rainfall.

In an average year, almost 13% of the pea crop and 14% of the lentils are sown in April. Seeding normally reaches the mid points by the middle of May and generally wraps up around the end of the month. If seeding is delayed by rain, the yield potential of the crop is normally lower than it would have been, while there is an increased risk of poor weather during harvest.

My grandfather paid more attention to the sky and how many clothes he needed to wear when planting his crops. He did okay simply going about his business and knew that just because he could hear distant thunder, it did not mean his crops would be helped or hurt. If he were reading the weather reports for India he would say, "Yup, some were hurt. But not all."

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## GLOBAL SUPPLY DEMAND

Production	2014	2015	2016	2017	2018	2019	Average
Chickpeas	13,370,500	11,432,080	12,509,800	14,096,600	15,647,900	13,451,500	13,411,376
Lentils	4,607,000	5,305,000	6,829,000	6,310,000	5,729,000	5,430,000	5,756,000
Peas	10,894,000	10,892,000	14,076,000	14,332,000	12,235,000	12,197,000	12,485,800

Total Supply	2014	2015	2016	2017	2018	2019	Average
Chickpeas	13,956,500	11,980,080	12,830,800	14,226,600	16,205,900	14,040,500	13,839,976
Lentils	5,644,000	5,881,000	7,176,000	6,862,000	6,890,000	6,518,000	6,490,600
Peas	11,314,000	11,712,000	14,366,000	15,062,000	13,385,000	13,127,000	13,167,800

Trade	2014	2015	2016	2017	2018	2019	Average
Chickpeas	1,722,000	2,445,000	2,468,000	3,153,000	1,840,000	2,178,000	2,325,600
Lentils	2,960,000	2,905,000	4,136,000	2,482,000	2,530,000	2,860,000	3,002,600
Peas	5,200,000	5,280,000	6,200,000	6,180,000	7,040,000	5,961,000	5,980,000

Inferred Use	2014	2015	2016	2017	2018	2019	Average
Chickpeas	13,408,500	11,659,080	12,700,800	13,668,600	15,616,900	13,443,500	13,410,776
Lentils	5,068,000	5,534,000	6,624,000	5,701,000	5,802,000	6,042,000	5,745,800
Peas	10,494,000	11,422,000	13,636,000	13,912,000	12,455,000	12,537,000	12,383,800

Ending Stocks	2014	2015	2016	2017	2018	2019	Average
Chickpeas	548,000	321,000	130,000	558,000	589,000	597,000	429,200
Lentils	576,000	347,000	552,000	1,161,000	1,088,000	476,000	744,800
Peas	820,000	290,000	730,000	1,150,000	930,000	590,000	784,000

- All numbers are in tonnes
- Based on historical data from the Food and Agriculture Organization and other country specific data sources



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