

## CANADIAN PEAS AND THE CHINESE MARKET



**Marlene Boersch**  
Mercantile Consulting  
Venture Inc.

There has been a lot of talk about what the recent tactics by China in the commodity markets may mean to the canola market, but little has been said about what they might mean to Canadian peas. In this article, we look at the evolution of pea exports to

the pea market in 2018, while at the same time, Chinese usage of peas was expanding to include feed-use.

The chart also shows that volatility in overall exports is not new, and this can be driven by both changes in supply volume in Canada or elsewhere, and by changes in demand. The period from 2002 to 2014 showed very strong growth in export volume as Canada's two biggest markets, India and China, were both expanding at the same time. After 2014, exports to India were flattening off, partially because competition by other exporters from Eastern Europe was increasing, thanks to high prices for peas. For example, the market share of Canadian peas into India fell from 67.5% in 2015 to 46.1% in 2017 and to 17.1% in 2018. And as of 2018, the Indian market has been determined by protective import regulations.

China remained open for trade during the 2018 year, and pricing of peas relative to other feed ingredients allowed for the inclusion of peas in pig feed rations in China. In fact, Canadian peas received a little help from the trade dispute with the United States (U.S.), which made Chinese buyers think they had to diversify from the high use of soybean meal in feed rations. We calculate that at least 225,000 tonnes of Canadian peas were imported for feeding purposes during the fall of 2018, but feed purchases stopped last November. There are several reasons for this. First, the U.S. and China are still trying to negotiate a trade deal, and it is to the advantage of China to maximize soybean

purchases from the U.S. during this period. Second, other feed ingredients have become relatively cheaper than peas. Third, both the African swine fever and a change in China's feed protein standard are taking a huge toll on overall hog feed demand. A study by the University of Iowa states that even a 14% decrease in pork production in China (most estimates are higher than that now) could lead to a 10% decrease in soybean import demand (down by 8.75 M tonnes). This is in addition to a decrease in demand due to the recent change in China's feed protein standard, which is potentially another 11 M tonne reduction. The result is that we are using zero tonnes for feed pea exports into China for the remainder of 2018/19 or for 2019/20.

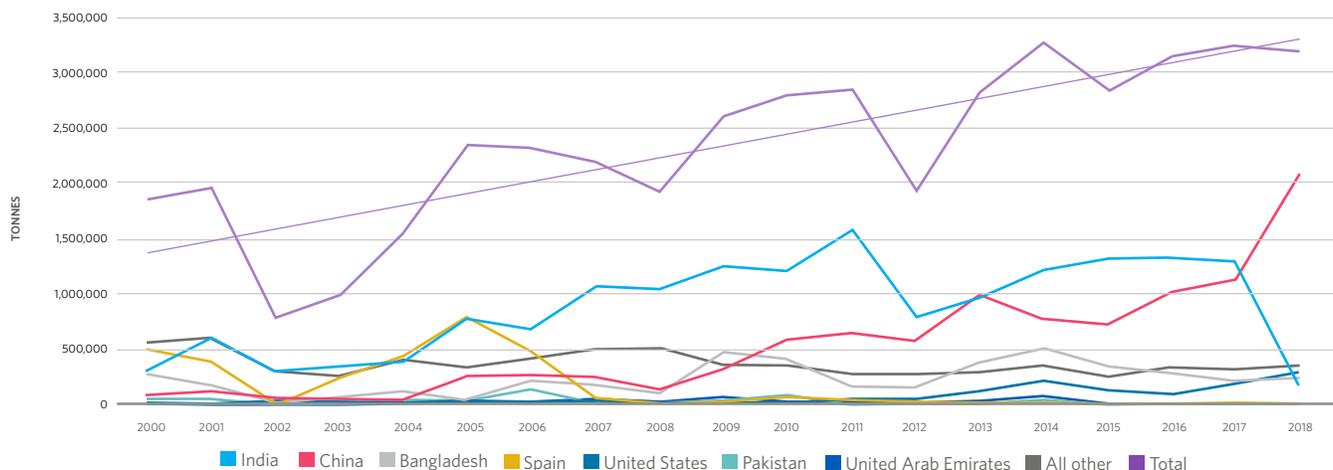
Excluding feed demand brings the market back to the edible base demand for both yellow peas (mostly fractioning) and green peas (snack food). The demand for edible peas in China had increased to almost 1.9 M tonnes by crop year 2017/18, and has stayed about the same during the first seven months of 2018/19, once the demand for feed peas is subtracted. The most important difference to the feed demand is that the base demand is not easily or quickly substitutable by other exporters or by alternative commodities.

Eastern Europe is mostly sold out of 2018 crop peas (at least until new crop) and so far, they have no existing trade ties/routes with China. Canada consistently holds 91-93% market share of Chinese pea imports. There are no other pulses as cheap as peas that could

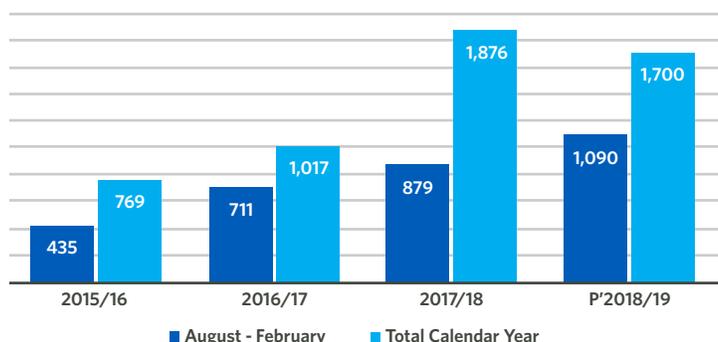
China and how recent events may affect the pea market.

The chart below depicts an 18-year history of total Canadian pea exports and exports to major destinations starting in calendar year 2000. Total export volume has risen from 1.86 million (M) tonnes in 2000 to 3.18 M tonnes in 2018, with an all-time peak of 3.27 M tonnes in 2014. During that time, the pea volume shipped to China (red line) increased from just 96,000 tonnes in 2000 to an all-time high of 2.1 M tonnes in 2018. The share of exports to China as a percentage of total exports has increased from 5.2% in 2000 to a very high 65.5% in 2018. Note that exports to China jumped from 1.1 M tonnes in 2017 to 2.1 M tonnes in 2018, and with this development China's market share leapt from 35.1% in 2017 to 65.5% in 2018. The big jump in market share was partially due to the virtual withdrawal of India (blue line) from

**CANADIAN PEA EXPORTS, MAJOR DESTINATIONS, 2000-2018 (CALENDAR YEARS)**



## CHINESE IMPORTS OF CANADIAN PEAS ('000 TONNES)



be fractioned into vermicelli noodles. China also has not barred Canadian pea imports, and while we are aware that buyers are currently hesitant to move for fear of having product delayed in the port of arrival, we at Mercantile Consulting Venture Inc. are expecting demand for edible peas to quietly continue into the summer out of necessity. We are using a total of 1.7-1.8 M tonnes of pea exports for China for the ongoing 2018/19 crop year, and 1.8 M tonnes for 2019/20.

The export tonnage to China most traders are using had already been

factored into the balance sheet all year, so a mere slow continuation of this is not going to move the markets up. So, while Canada definitely will not get any help from Chinese feed purchases this summer or next fall, the sole remaining wild card - short of production problems - that could move the markets remains India.

*Marlene Boersch is an operating partner in Mercantile Consulting Venture Inc. More information can be found at [www.mercantileventure.com](http://www.mercantileventure.com)*

## Faba Bean and Feed Pea Faba Bean Feed Benchmark Bi-Weekly Report - April 12 to 16, 2019

	CENTRAL ALBERTA	CENTRAL SASK.	SOUTH. MANITOBA
	CDN\$/T	CDN\$/T	CDN\$/T
<b>Faba Bean Feed Benchmark Price</b>	\$314.44	\$319.19	\$311.21
<b>Feed Pea Benchmark Price</b>	\$311.90	\$306.94	\$295.95

## COMPETING FEED INGREDIENTS

Feed Barley	\$247.00	\$236.00	\$244.00
Wheat - Red (12% CP)	\$248.00	\$242.00	\$254.00
Wheat - Soft White (10.5% CP)	\$248.00	\$242.00	\$254.00
Wheat DDGS	\$277.00	\$278.00	\$275.00
Corn	\$264.00	\$234.00	\$210.00
Corn DDGS	\$293.00	\$255.00	\$238.00
Canola Meal	\$335.00	\$336.00	\$338.00
Soybean Meal (46%)	\$515.00	\$482.00	\$452.00
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.



[www.saskpulse.com](http://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*