In The Market

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Pea and Lentil Update

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We now have more information about the 2019 pea and lentil crops, but there is still a lot of (maybe even more) uncertainty about the outcomes as the season rolls on. That is because the delayed harvest has become even more serious and the latest weather forecasts are not doing anyone any favours.

Here is what we know so far. In late August, Statistics Canada (StatCan) issued its first yield and production estimates based on farmers' survey responses. The 2019 pea crop was pegged at 4.53 million (M) tonnes, second only to the record crop of 2016. To a large degree, the big 2019 crop is due to record seeded area of peas, in spite of mediocre yellow pea prices. This initial 2019 yield estimate came in at 39.1 bushels per acre (bu/ac), a couple of bushels more than last year, but StatCan's track record of yields often shows larger yields in later reports.

For lentils, StatCan's 2019 crop estimate came in at 2.38 M tonnes, 14% larger than last year's low, but (unlike peas) certainly not close to record levels. The yield estimate of 1,416 pounds (23.6 bu) per acre was a bit of a surprise on the high side, as it would be the largest yield since 2014. We are not convinced this year's conditions are that much better than the last four years.

Here is the problem though. The StatCan production numbers are simply estimates of crop potential, and is in some doubt this year.

If the harvest delays do not improve, the final crop size could be lower than potential. Or at the very least, quality is going to suffer.

One of the earlier concerns had been the possibility of crop losses caused by an early frost. While there have been some localized damages, the bulk of the pea and lentil crops are far enough along now and have escaped that danger. Even so, there are still some of the later crops that are vulnerable. Short-term forecasts for most of the Prairies are not pointing toward freezing overnight temperatures, which means the frost risk is fading.

The reason for the moderate overnight temperatures is that there is a lot of cloud and rain in the forecast for large parts of the Prairies, and that is the largest danger for the pea and lentil crops. Harvest progress this year has been seriously lagging and that raises all kinds of quality risks for the crop.

As of early September, less than half of the pea crops in both Saskatchewan and Alberta had been harvested. That compares to the long-term average closer to three-quarters of the crop in the bin.

In fact, the 2019 pace is actually running well behind 2014, the really ugly year when rain delays caused severe downgrading of crops.

This year, the slow pace is not all related to rain during harvest, but the problem of downgraded crops is increasing.

Lentils are facing a similar (or maybe worse) situation. As of the beginning of September, only 39% of Saskatchewan lentils had been harvested which compares to 83% last year, and the long-term average of 67%.

Progress is still a bit ahead of 2014 but a similar quality problem is developing. It is too soon to say exactly how it is going to shake out this year but some damage has certainly been done already and lower quality pulse crops have significant implications for the 2019/20 marketing year.

On a brighter note, concerns about available supplies of higher quality peas and lentils should trigger more active interest from overseas buyers. So far, many of these buyers have been complacent and do not have much coverage. Even though the total size of the crop may not change much, the experience in 2014 and 2016 are reminders that quantities of No. 1 Canada and No. 2 Canada pulses may be limited. We would suspect that some of the recent (small) gains in green lentil bids are already related to more active buying because of quality concerns.

Of course, the reduced quality also means lower prices to farmers and that is the largest problem. For those who managed to harvest earlier, limited supplies of higher quality peas and lentils will likely mean larger premiums for the top grades. Unfortunately, the flipside is larger grade discounts for the ones who were not able to get the crop harvested before the ongoing rains.

There is one other slightly positive outcome of a lower quality crop. A number of more price-sensitive buyers, especially in south Asia, are likely to buy larger volumes of peas and lentils if the cost is low enough. While that is not ideal, from a longer-term perspective it could help remove some of the larger 2019/20 supplies and help bring the market back into a healthy balance.

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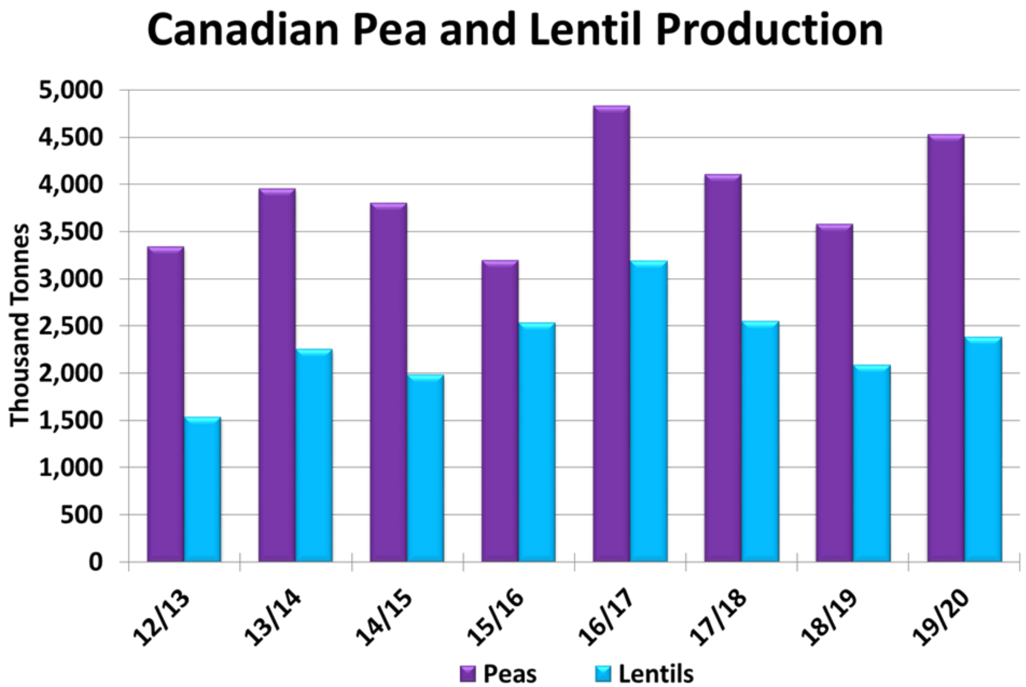
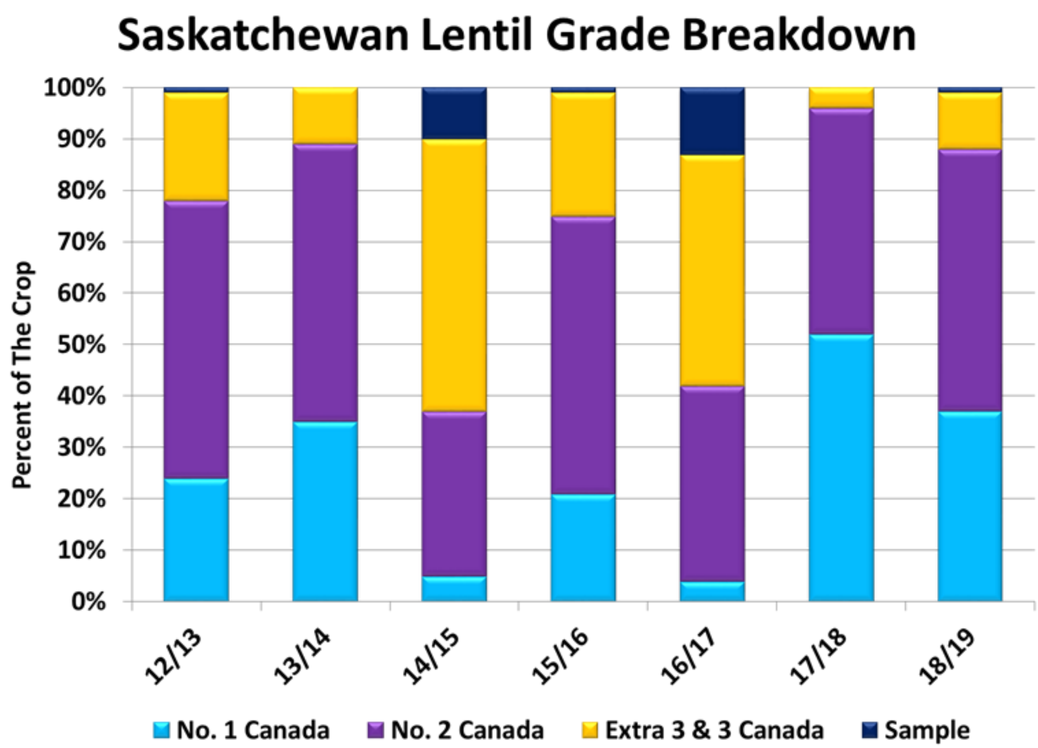


Source: StatCan



Source: LeftField Commodity Research and StatCan