# Canada's Pulse Situation: Getting the Best Outcomes for Your Crop

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In the good old days you grew lentils, peas, or chickpeas and sold them to a processor or exporter, who shipped them to a buyer. There were two concerns: grade and class.

Now, you have developing organic markets, stricter rules for herbicide and pesticide residues, demands that certain chemical not be used, protein content considerations in peas, political interference in commerce, HAACP certified buyers who may need to know more about how you grow your crops and manage your fields, and more frequent year-to-year variations in growing conditions and quality.

One reason markets used to be simpler is we did not understand actual world demand or potential uses for pulses. There was a time when every jump in production generated dire predictions that prices would collapse. Several times we discovered that global demand for pulses was beyond our imagination.

Not everyone thought that way. Individuals like Fraser Rempel of Newfield Seeds were visionaries. He imagined that pea production in Canada could reach millions of acres and that fractionation was the key. He created Pro Star Mills in Saskatoon and in 1978 the company started producing protein, starch, and fibre fractions.

While it was involved in some successful product launches in the province, too much of what was produced had to be dumped into livestock feed markets at below the cost of production. Roll forward 30 years and we are seeing global interest in pea fractions explode. Fractionation capacity in Canada will be up significantly as plants now under construction or expansion come online.

The sector still faces huge challenges. Demand for pea fibre and starch is not growing as the same pace as pea protein. There is a belief global demand for pea protein isolates will quadruple by 2025, creating a bigger marketing challenge for starch and fibre.

This seems to be constraining expansion in Canada because it affects return-on-investment calculations and projected profitability. Modern plants easily cost $100 million or more, giving an advantage to global companies which also produce compound feeds. Plant breeders are trying to help by developing varieties with an average 28% protein and some companies are trying to drive farmers to focus on protein by offering premiums.

Despite the numbers, the fractionation sector is a small part of the global market for peas and other pulses.

India had been Canada's number one market for peas, but high import duties and quantitative limits on legal imports saw imports collapse from almost 2 million (M) tonnes during the 2016/17 marketing year to under 220,000 during 2018/19. Movement to Bangladesh soared last season, from around 163,000 tonnes in 2017/18 to almost 606,000 tonnes.

On paper, India has more than enough pulses to meet the dietary needs of its population. Even so, a large percentage of people find prices are too high to meet their needs, while available supplies in some regions may be at levels which are forcing millers to pay more.

The situation could get worse for pigeon peas or arhar. Initial estimates peg summer's kharif crop at 3.54 M tonnes, down from 3.59 M last year, and 23% below the target of 4.6 M tonnes. More importantly, the slow withdrawal of monsoon rains could damage the crop in parts of the country because of flooding in some fields. This could see demand for lentils, which some millers use as a substitute, increase. Some government departments want the country to increase import duties to 70% and impose tonnage limits on imports.

Higher prices for pigeon peas and its products are an issue for most people in the country. Average incomes in India increased 11% last year, but they are still only USD $1,805 per person per year. A lot of farmers fall below the national average. Half the farms in the country might be 25 acres or more. Even with double cropping and two growing seasons, it is easy to imagine most of India's farmers facing a bona fide income crisis. Vastly increasing farm sizes and changing attitudes toward inheritance would go a long way to solving that problem, but how many pulses will a half billion jobless people buy every year?

India wants to increase pulse exports. This is proving difficult for a variety of reasons. Quality control is an issue in many parts of the country and the government is not always a helpful partner. India has the potential to be a significant competitor in some markets. Poor farmers have an interesting advantage. They cannot afford the herbicides and pesticides we use.

Unless the European Union (E.U.) grants another extension or grants tolerances to non-E.U. countries, the tolerance level on glyphosate residues will be reduced to the detection level effective January 1, 2024. Germany had vetoed the original deadline, but is now proposing to ban the use of glyphosate as of December 31, 2023.

Some exporters and processors already demand farmers declare if glyphosate was used and/or refusing to buy product if crops were desiccated with it. Some packagers and canners in the United States also want certification that pulses and other products they buy are free of glyphosate residues.

This is complicating what could already be a difficult year. Preliminary grade spread estimates from crop reporters in Saskatchewan suggest 16% of this year's lentil crop will make the No. 1 grade, compared to 37% last year, while 55% could be No. 2 Canada, up from 51% last year. Some exporters and processors think the proportion of No. 1 Canada green lentils will be closer to 10%, while the No. 2 fraction may be closer to 45%, and No. 3 around 40%, with the balance being Sample grade. By contrast, a higher proportion of the red lentil crop is expected to be No. 2 Canada or better.

Peas are looking much better, with 89% thought to be No. 2 Canada or better, compared to 97% last year. The book is still out on chickpea quality. Disease pressure and delays because of a wet harvest, could severely limit the quantity of good quality product.

Markets are not worried about Canada having a higher proportion of off-grade peas because it just means more of the crop could be price competitive in livestock feed markets. It makes selling lentils and chickpeas more challenging. Between 2014 and 2017, several buyers got converted to Extra 3 Canada green lentils, but after the last two years, those same buyers now want No. 2 Canada.

Price and selling on a sample basis always solves those kinds of problems. Price spreads to growers are already shifting. For example, No. 1 Canada large green lentils fetched an average premium of 0.83 cents per pound (¢/lb) over No. 2 Canada during the 2018/19 marketing year. So far this season, the premium has averaged 1.31 ¢/lb. At the same time, the discount for Extra 3 Canada versus No. 2 Canada has increased from 3.84 to 4.81 ¢/lb.

In the 2016/17 marketing year, 42% of the crop graded No. 2 Canada and 43% No. 3 or Extra 3. The No. 1 grade premium over No. 2 was 4.65¢ that season, while the Extra 3 discount was 10.77 ¢/lb.

To the extent history can tell us what might happen in the future, that experience suggests No. 1 Canada lentils should advance more rapidly than prices for No. 2 Canada. Bids for lower grades could go lower, if only because the harvest in the United States is of higher average quality and exporters there have been aggressively pursuing our customers for the last couple of months.

Given the quality of the crop and the different needs of processors and exporters, it is important to understand what you have harvested and be careful not to mix off-grade with high grade when binning crops as they are harvested.

Keeping good samples of each bin makes it easier to get the best possible price for what you have produced. It is also important to know if your buyers are financially solid.

An easy appeal for quite a few farmers is to declare that they are being ripped off by processors and exporters. However, many companies are looking at lower profits because of tight margins. Some are moving product through their facilities at cost just to maintain cash flow so they can cover operating costs. There has been one major company in creditor protection and some people think other companies are in financial trouble. The implication is never sell to a company which is not licensed by the Canadian Grain Commission and which is not bonded.

The world has and continues to change, whether we agree or not. How pulses are produced and stored is now as much a part of your marketing strategy as finding the best price. Simply put, marketing pulses today is not the same as in your youth or your dad's day.

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**Table 1.** Supply and Demand Estimate for Canadian Lentils in 2019/20

| | Large Green Lentils | Medium Green Lentils | Small Green Lentils | Extra Small Red Lentils | Small Red Lentils | All Red Lentils | Other Lentils | All Lentils |
|---|---|---|---|---|---|---|---|---|
| Area (acres) | 938,800 | 36,000 | 340,000 | 66,000 | 2,387,000 | 2,453,000 | 12,000 | 3,779,510 |
| Yield (lb/ac) | 1,289 | 1,347 | 1,394 | 1,370 | 1,432 | 1,430 | 1,286 | 1,391 |
| Production | 549,000 | 22,000 | 215,000 | 41,000 | 1,550,000 | 1,591,000 | 7,000 | 2,384,000 |
| Carry-In | 70,000 | 7,000 | 61,000 | 9,000 | 505,000 | 514,000 | 2,000 | 654,000 |
| Supply | 619,000 | 29,000 | 276,000 | 50,000 | 2,055,000 | 2,105,000 | 9,000 | 3,038,000 |
| Exports | 472,700 | 22,100 | 210,800 | 38,200 | 1,569,300 | 1,607,500 | 6,900 | 2,320,000 |
| Seed | 25,700 | 900 | 6,400 | 1,400 | 73,700 | 75,100 | 200 | 108,300 |
| Feed, Waste, and Other | 34,600 | 2,000 | 21,800 | 4,400 | 44,000 | 48,400 | 900 | 243,300 |
| Total Usage | 533,000 | 25,000 | 239,000 | 44,000 | 1,687,000 | 1,731,000 | 8,000 | 2,536,000 |
| Ending Stocks | 86,000 | 4,000 | 37,000 | 6,000 | 368,000 | 374,000 | 1,000 | 502,000 |
| Stocks/Use | 16% | 16% | 15% | 14% | 22% | 22% | 13% | 20% |

**All quantities in tonnes*

**Table 2.** Supply and Demand Forecast for Canadian Chickpeas and Field Peas in 2019/20

| | Desi Chickpeas | Kabuli Chickpeas | Small Kabuli Chickpeas | All Chickpeas | Yellow Peas | Green Peas | Other Peas | All Peas |
|---|---|---|---|---|---|---|---|---|
| Area (acres) | 12,000 | 351,000 | 29,000 | 392,000 | 3,671,900 | 590,000 | 70,750 | 4,332,650 |
| Yield (lb/ac) | 2,260 | 1,409 | 1,566 | 1,477 | 2,433 | 2,107 | 1,754 | 2,378 |
| Production | 12,300 | 224,300 | 20,600 | 262,700 | 4,052,300 | 563,900 | 56,300 | 4,672,500 |
| Carry-In | 4,000 | 91,000 | 5,000 | 100,000 | 321,000 | 65,000 | 2,000 | 388,000 |
| Imports | 0 | 34,000 | 0 | 34,000 | 33,500 | 24,200 | 2,300 | 60,000 |
| Supply | 16,300 | 349,300 | 25,600 | 396,700 | 4,406,800 | 653,100 | 60,600 | 5,120,500 |
| Exports | 7,000 | 153,600 | 15,200 | 175,800 | 2,956,200 | 438,100 | 40,700 | 3,435,000 |
| Seed | 486 | 15,800 | 500 | 16,786 | 251,000 | 40,000 | 5,000 | 296,000 |
| Feed, Waste, and Other | 3,814 | 56,900 | 2,900 | 69,514 | 566,600 | 70,000 | 12,900 | 649,500 |
| Total Usage | 11,300 | 226,300 | 18,600 | 262,100 | 3,773,800 | 548,100 | 58,600 | 4,380,500 |
| Ending Stocks | 5,000 | 123,000 | 7,000 | 135,000 | 633,000 | 105,000 | 2,000 | 740,000 |
| Stocks/Use | 44% | 54% | 38% | 52% | 17% | 19% | 3% | 17% |

**All quantities in tonnes*