

Current Pulse Market Movement and Upcoming Marketing Year

By Brian Clancey, STAT Publishing Ltd.

The 2020/21 marketing year got off to an amazing start for pea and lentil growers. Even though many farmers believe prices tend to peak after January, many took advantage of the strong demand and good prices to move a significant amount of product during the opening months of the 2020/21 marketing year.

By the end of November, growers had delivered an estimated 40% of all peas they had available on their farms to facilities required to report weekly movement to the Canadian Grain Commission, compared to 37% by the same time last year. Deliveries of lentils doubled from 18% to 36% of what they had available for sale.

In recent years, farmers sold an average of 10% of their lentils to companies who do not file weekly reports with the Canadian Grain Commission. For peas, that proportion appears minimal.

Two other types of disappearance are the quantities that will be held back as planting seed and sales to livestock feed markets. If you add that in, it looks like 49% of all peas on farms have 'disappeared', compared to 46% at the same time last year. For lentils, it looks like 46% has been spoken for, compared to 25% at the same time last season.

The implication for markets is that the peas and lentils that growers were eager to sell quickly are gone. Prices offered to growers started to ease by the end of November because demand is often slower during the holiday period but, once buyers start coming back, processors and exporters may need to start boosting bids to encourage farmers to open bins.

Though processing plants which break down peas and other pulses into protein, starch, and fibre fractions have started to ramp up demand this season, the reason movement was as strong as it was is due to demand from traditional markets. India's decision to extend its import duty reduction on lentils until the end of the year was a significant boost through the first part of November. Given the time it takes to move lentils from the farm to a port in India, the window of opportunity will have closed. However, there is a suspicion some cargoes were diverted to India and some of those will need to be replaced.

A more significant decision may have come out of Turkey. It indefinitely reduced import duties on red lentils from 19.3% to 9%. It is thought this is a reaction to the weakness of its currency, which added to food price inflation. These import reductions could stay in place until Turkey is certain production rebounds.

The most controversial news comes from China. Some analysts think its forecast rebound in hog production and feed demand is a fantasy created to reassure its population. Whether or not that is the case, China has imported massive quantities of Canadian peas and other livestock feed ingredients.

In September, Canada exported over 657,000 tonnes of peas to China, with the result of Chinese purchases during the first two months of the marketing year being 185,000 tonnes over last year. Movement to China slowed considerably after September. It is hard to know how much of the decline reflects raw need or if pea prices reached levels which kicked them out of least cost formulas.

Despite the strength we have seen in pulses, the gap between the global price indices for pulses and those for grains and oilseeds is fairly wide. This may be because the world is seeing a global increase in trade in staple food commodities. Pulses benefitted, but many importers think demand has returned to normal levels after the surge in consumer buying seen earlier in the year.

This might have an impact on interest in planting pulses in some competing nations. If that happens, demand for what you grow could improve in the 2021/22 marketing year. That may be important because prospective gross returns from large green, small green, and red lentils are better than their previous three-year average versus wheat, durum, and canola. Peas and chickpeas are not doing as well as their previous three-year average.

There is a strong relationship between changes in that comparison and whether land in pulses in Canada rises or falls. Price performance so far this year suggests land in lentils should increase next spring, while peas may be moderately lower and chickpeas significantly lower unless farmers are successful reducing their inventories.

Prices and movement between January and March likely hold the key to what happens to seeded area in the spring. It now looks like India will seed almost 31 million (M) hectares (77 M acres) of pulses between its kharif and rabi planting cycles. Average yields would see total output jump about 3 M tonnes to 26.15 M tonnes. Chickpea output could be up 1.15 M tonnes at 12.5 M tonnes, while lentil production may jump from 1.18 M tonnes to 1.43 M tonnes.

The implication is India will not end its restrictions on pea imports and may decrease the quantity of peas it allows to be legally imported. Red lentil demand will also be down for two reasons. First, importers need to work through the product they bought in the months when import duties were lower. Second, once the rabi harvest begins, import needs will decline. It is important to understand India will not grow enough to meet domestic demand, with the result that India will not stop buying red lentils but it will likely buy less in 2021 than this year.

This is what makes Turkey's reduction in lentil duties significant. That country has become an important way to cover demand in the Middle East for chickpeas, dry edible beans, and lentils. At the same time its domestic demand for imported pulses is up. Between January and September, Turkey imported over 455,000 tonnes of lentils and exported around 317,000 tonnes, with Sudan, Iraq, and Syria among the key destinations while Canada supplied 81% of all imported lentils. These are all record highs.

In the case of chickpeas and beans, Canada is not an important supplier. Turkey turned to Mexico and Russia to cover most of its chickpea needs. Russia was the main supplier of chickpeas, while most beans came from Argentina and Ethiopia.

As the new year gets underway, markets hope movement of peas to Bangladesh remains strong as well as lentils to Turkey and peas to China. While Australia has harvested massive Desi chickpea and lentil crops, Canadian yellow peas and red lentils are price competitive in those markets. The amount of demand and its influence on price hold the keys to the direction of plantings this spring among undecided growers.

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Table 1. Supply and Demand Estimate for Canadian Lentils in 2020/21

	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)	973,300	40,000	265,800	53,000	2,878,700	2,931,700	22,000	4,232,800
Yield (lb/ac)	1,366	1,268	1,494	1,289	1,547	1,542	1,102	1,494
Production	603,200	23,000	180,100	31,000	2,019,500	2,050,500	11,000	2,867,800
Carry-In	46,000	11,000	23,000	10,000	158,000	168,000	2,000	250,001
Supply	649,200	34,000	203,100	41,000	2,177,500	2,218,500	13,000	3,117,801
Exports	500,300	69,300	175,600	34,500	1,836,300	1,870,800	7,100	2,623,100
Seed	39,400	900	8,200	1,400	96,600	98,000	400	146,900
Feed, Waste, and Other	26,100	3,600	10,900	3,100	56,600	59,700	3,500	46,900
Total Usage	565,800	73,800	194,700	39,000	1,989,500	2,028,500	11,000	2,873,800
Ending Stocks	89,000	5,000	14,000	2,000	188,000	190,000	2,000	300,000
Stocks/Use	16%	7%	7%	5%	9%	9%	18%	10%

*All quantities in tonnes. Usage include imports.

Table 2. Supply and Demand Forecast for Canadian Lentils in 2021/22

	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)	965,000	29,000	362,000	63,000	3,042,000	3,105,000	18,000	4,479,000
Yield (lb/ac)	1,190	1,292	1,334	1,260	1,408	1,405	1,225	1,352
Production	521,000	17,000	219,000	36,000	1,943,000	1,979,000	10,000	2,746,000
Carry-In	89,000	5,000	14,000	2,000	188,000	190,000	2,000	300,001
Supply	610,000	22,000	233,000	38,000	2,131,000	2,169,000	12,000	3,046,001
Exports	455,700	60,200	196,800	31,200	1,750,000	1,781,200	9,100	2,503,000
Seed	48,000	1,300	9,200	1,600	94,200	95,800	500	154,800
Feed, Waste, and Other	23,700	2,700	6,400	2,200	66,800	69,000	1,400	38,200
Total Usage	527,400	64,200	212,400	35,000	1,911,000	1,946,000	11,000	2,761,000
Ending Stocks	89,000	9,000	27,000	3,000	220,000	223,000	1,000	349,000
Stocks/Use	17%	14%	13%	9%	12%	11%	9%	13%

*All quantities in tonnes. Usage include imports.

Source: STAT Publishing Ltd.

Table 3. Supply and Demand Estimates for Canadian Chickpeas and Field Peas in 2020/21

	Desi Chickpeas	Kabuli Chickpeas	Small Kabuli Chickpeas	All Chickpeas	Yellow Peas	Green Peas	Other Peas	All Peas
Area (acres)	28,300	267,700	2,000	298,000	3,468,500	752,200	34,700	4,255,400
Yield (lb/ac)	1,729	1,576	882	1,586	2,258	2,279	1,912	2,259
Production	22,200	191,400	800	214,400	3,552,400	777,500	30,100	4,360,000
Carry-In	2,000	187,000	1,000	190,000	157,000	72,000	4,000	233,000
Imports	0	40,000	0	40,000	79,600	15,600	3,800	99,000
Supply	24,200	418,400	1,800	444,400	3,789,000	865,100	37,900	4,692,000
Exports	11,000	114,000	1,000	126,000	3,143,300	508,000	29,700	3,681,000
Seed	1,214	17,000	200	18,414	249,000	35,000	4,000	288,000
Feed, Waste, and Other	8,986	84,400	600	86,400	280,700	105,100	2,200	388,000
Total Usage	21,200	215,400	1,800	230,814	3,673,000	648,100	35,900	4,357,000
Ending Stocks	3,000	203,000	0	206,000	116,000	217,000	2,000	335,000
Stocks/Use	14%	94%	0%	89%	3%	33%	6%	8%

*All quantities in tonnes. Domestic usage includes imports.

Table 4. Supply and Demand Forecast for Canadian Chickpeas and Field Peas in 2021/22

	Desi Chickpeas	Kabuli Chickpeas	Small Kabuli Chickpeas	All Chickpeas	Yellow Peas	Green Peas	Other Peas	All Peas
Area (acres)	30,000	210,000	3,000	243,000	3,539,300	502,500	58,200	4,100,000
Yield (lb/ac)	1,852	1,445	1,323	1,488	2,258	2,297	1,974	2,259
Production	25,200	137,600	1,800	164,000	3,625,300	523,600	52,100	4,201,000
Carry-In	3,000	203,000	0	206,000	116,000	217,000	2,000	335,000
Imports	0	38,000	0	38,000	80,400	15,700	3,900	100,000
Supply	28,200	378,600	1,800	408,000	3,821,700	756,300	58,000	4,636,000
Exports	13,000	142,700	1,000	156,700	3,065,200	473,000	44,800	3,583,000
Seed	1,214	16,900	200	18,314	252,000	40,000	5,000	297,000
Feed, Waste, and Other	6,986	89,000	600	93,400	307,500	142,300	6,200	456,000
Total Usage	21,200	248,600	1,800	268,414	3,624,700	655,300	56,000	4,336,000
Ending Stocks	7,000	130,000	0	137,000	197,000	101,000	2,000	300,000
Stocks/Use	33%	52%	0%	51%	5%	15%	4%	7%

*All quantities in tonnes. Domestic usage includes imports.

Source: STAT Publishing Ltd.