

PULSE PICTURE TURNING COMPLEX



G. Chandrashekar
Policy analyst and
commodity commentator

The global financial markets in general, and commodity markets in particular, are currently characterized by volatility, uncertainty, complexity, and ambiguity. Additionally,

clarity appears unlikely anytime soon. A relatively stronger United States Dollar (USD), low but gradually rising crude oil prices, monetary policy divergences among major central bankers, as well as weather uncertainties, make market participants both clueless and utterly cautious. The world pulse market is no exception to this general mood pervading all the markets.

At the recently concluded annual convention of Global Pulse Confederation at Cesme, Turkey the mood of uncertainty and apprehension of what's in store over the coming months was palpable. The current global market situation lends itself to several possible scenarios, and one plausible scenario can be described as under.

Because India is the world's largest producer, importer, and consumer of pulses, it makes sense to focus on likely events in that country. Weather forecasters are unanimous in predicting above normal rainfall for India in 2016. Coming after two successive years of below normal precipitation, leading to drought-like conditions and lower harvests, the positive forecast has lent a sense of cautious optimism about a marked rebound in India's pulse production.

Kharif season planting takes place in June/July and harvest in September/October. Against the kharif season target of 7 million (M) tonnes, India's kharif pulse production (mainly pigeon pea, black matpe, and moong) was far less at 5.5 M tonnes in 2014 and 2015. Indian

growers have witnessed substantially higher market prices for kharif season pulses since the last harvest in September 2015. This is likely to encourage growers to expand the acreage this season from the normal kharif planted area of 25-27 M acres. There is the sense that the planted area may expand by 10-15% this season.

Assuming normal or favourable spatial and temporal distribution of rainfall, it is highly likely that India's kharif harvest would be in the vicinity of 7 M tonnes. In the event it is, it will have a cooling effect on domestic market prices.

More important, an extended monsoon – possibly with the onset of anticipated La Niña conditions in September – will not only replenish all water-bodies but also leave sufficient subsoil moisture for the rabi season planting in November/December. In the event, a rebound in harvest in March/April 2017 will become a distinct possibility.

Currently, domestic prices of pulses in India are high (for instance, Desi chickpeas are at Rs 60,000 a tonne, equivalent to about \$900 USD a tonne, spurring by a fifth in the last two months) because of lower harvests and slowing import volumes.

Additionally, demand will kick in early this year, with the start of Ramadan month June, followed by a series of Hindu festivals from August to October. During the festival months consumption demand for all food products including pulses expands. Given the current tightness in availability, consumers are likely to pay high prices for pulses until the next harvest gets ready.

What is likely to happen at the time of India's kharif pulse harvest in September is an interesting proposition. Just as Indian harvest hits the market, large arrivals from overseas origins – mainly from Canada – are expected to hit Indian shores. It is estimated that up to 1.2 M tonnes of yellow peas and lentils have already been contracted for import by Indian traders.

So, the last quarter of this calendar year will find a surplus of pulses – both domestic and imported – entering the market which in turn may exert a major depressing impact on prices. This can potentially lead to defaults and trade disputes. There is also an outside chance that the Indian government may seek to impose customs duty on imported pulses to protect domestic growers against falling prices. It can lead to further complications.

Pulse growers outside of India, mainly Canada, are expected to raise massive volumes of pulse crops in 2016 with an eye on the Indian market. This was evident from various presentations made at the Global Pulse Convention and anecdotal reports from several participants. Exporters to India have made large commitments for supplies in the months ahead. It is possible that the Indian market may not be in a position to absorb all the supplies targeted at India. This may lead to a significant downward pressure on export prices.

During the 2015/16 financial year, India imported 5.8 M tonnes of various pulses, up from 4.6 M tonnes in the previous year. Arrivals in 2015/16 included 2.4 M tonnes of yellow peas, 1.2 M tonnes of lentils, 1 M tonnes of chickpeas, and the rest pigeon pea, urad, and moong.

In the last two months, imports into the country have slowed down markedly because of apprehensions over government intervention and tightening supplies at the origins. New Delhi is rather concerned over a sharp rise in the price of chickpeas and other pulses. Additional restrictions (including stock limit on importers and time-bound disposal of imported pulses) are being considered. These can not only distort the market but also further dampen the sentiment.

G. Chandrashekar is a global agribusiness and commodity market specialist. He can be reached at: gchandrashekar@gmail.com.

JUNE: ANOTHER JOURNEY INTO THE LAND OF UNCERTAINTY



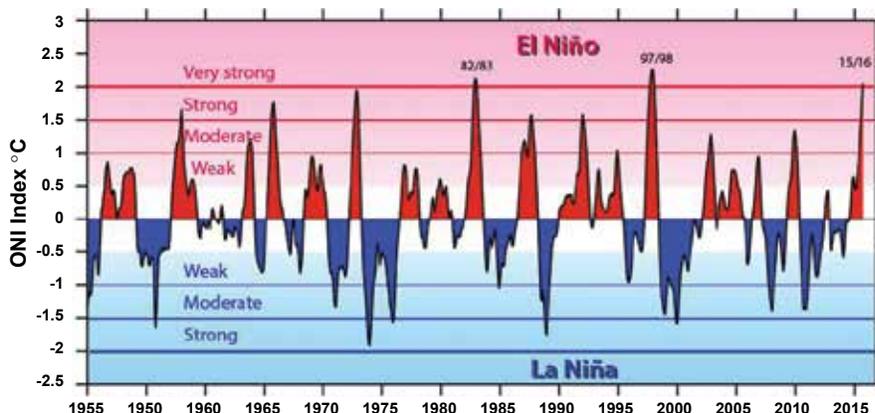
Larry Weber
Weber Commodities

Without the element of uncertainty, the bringing off of even, the greatest business triumph would be dull, routine, and eminently unsatisfying. (J. Paul Getty: 1892 - 1976)

I have finally found one line that best describes a farmer's willingness to dive head (and wallet first) into 150 days of uncertainty, year in and year out, because it is immeasurably satisfying when everything goes as planned. Now that we have the initial estimates for pulse acres in analysts' bins and it decided to rain during the last week of May across most of Saskatchewan, we can begin to extrapolate what will transpire for acres in June, and yields for the balance of the crop year.

The March seeding intentions for lentils has been understated five times and overstated once compared to the final in the past six years. On average, the final estimate is 300,000 acres higher than the March estimate. The worst miss was in 2010 at 705,000 acres (think flooding). On average over the past six years, the final lentil seeded acres was 111.12% of the March estimate. If you subscribe to the above law of averages, lentil acres will be closer to 5.7 million (M) acres than Statistics Canada's (StatCan) 5.14 M made in March. Using trend yields, production would climb to 3.7 M tonnes versus Agriculture Canada's estimate of 3.3 M tonnes.

The March seeding intentions for peas has been overstated four times and understated twice compared to the final in the past six years. On average, the final estimate is 60,000 acres lower than the March estimate. The worst miss was in 2012 at 420,000 acres. On average over the past six years, the final peas seeded acres was 98.29% of the March estimate. Pea acres could be closer to 4.206 M acres than StatCan's 4.28 M acres from the March estimates. Using trend yields, production would climb to 4.122 M



Source: National Oceanic and Atmospheric Administration

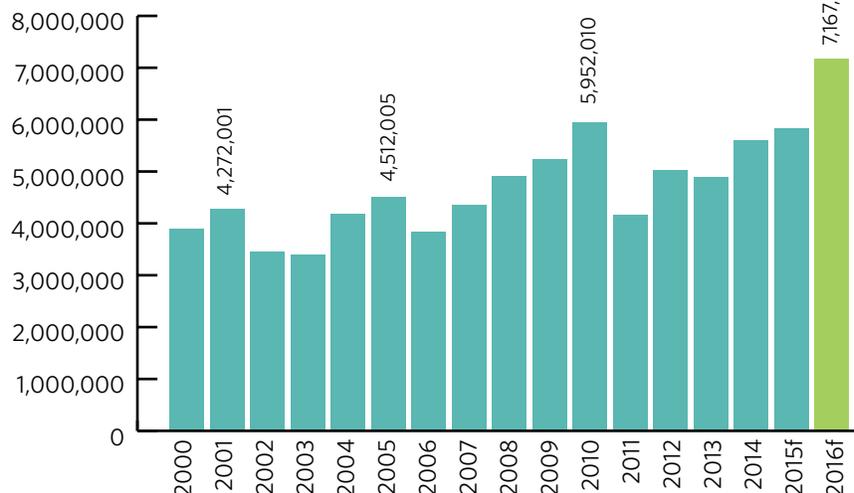
tonnes, in line with Agriculture Canada's estimate of 4.1 M tonnes.

Regardless of what the acres shake out to be in Saskatchewan, 2016 will shatter the old record for combined pea and lentil acres that has stood since 2010 at 5.952 M acres. Using StatCan's first seeded acreage estimate for 2016, the new record will be 7.167 M. It is somewhat fitting and ironic that the old Saskatchewan record should fall in 2016 - The International Year of Pulses.

To the uncertainty of acres, let us now add the uncertainty of weather over the next 90 days. On May 24, Australia declared El Niño as officially over. International climate models indicated the tropical Pacific Ocean will continue to cool with six of eight models suggesting

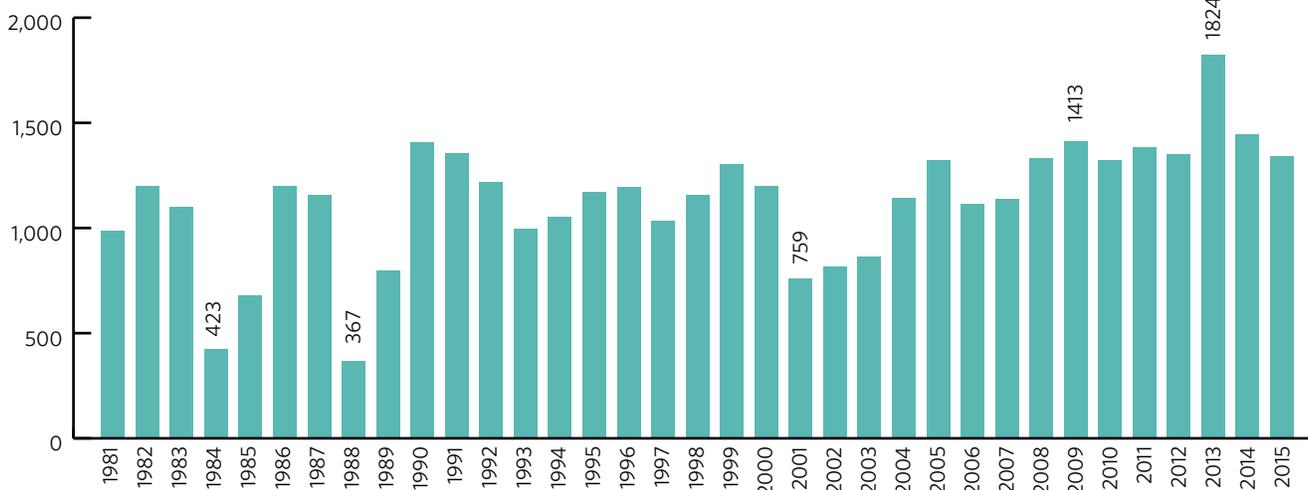
La Niña is likely to form during June through August. However, individual model outlooks show a large spread between neutral and La Niña scenarios. Changes in the tropical Pacific Ocean and atmosphere, combined with current climate model outlooks, suggest the likelihood of La Niña forming later in 2016 is around 50%, meaning the Bureau's ENSO Outlook remains at La Niña WATCH. Two private meteorologists have a blocking system over Western Canada beginning in late July/early August with temperatures 3-5 °C above normal, with below normal precipitation. This would put extreme heat during filling for all pulses, grains, and oilseeds. Both private models have precipitation during this timeframe at below normal.

Saskatchewan: Combined Pea and Lentil Acres - 2000 to 2016



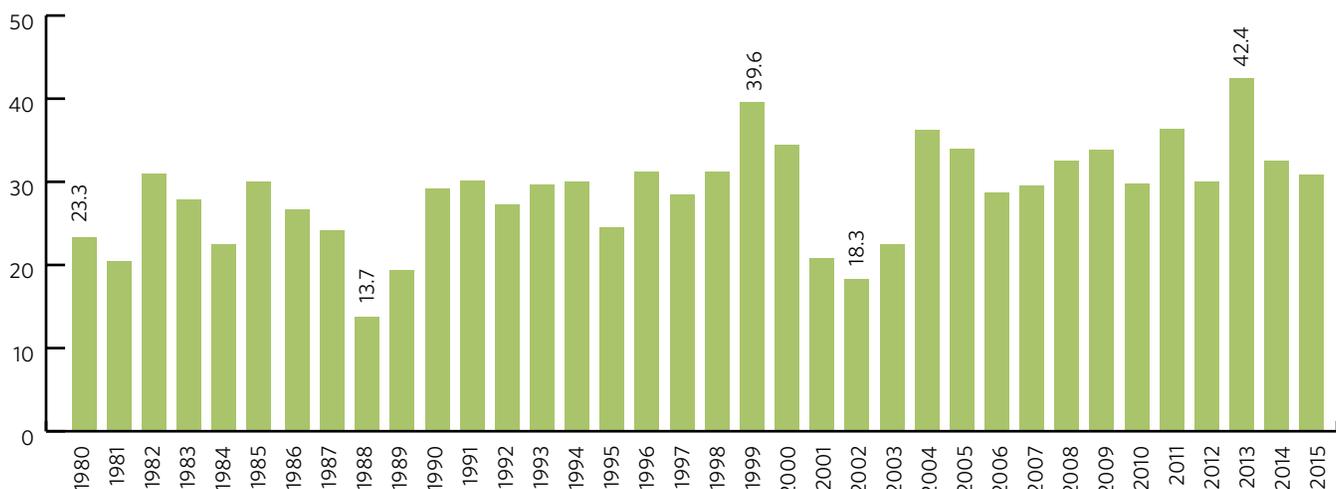
Source: Statistics Canada

Saskatchewan: Lentil Yields - 1981 to 2015 (Pounds Per Acre)



Source: Statistics Canada

Saskatchewan: Pea Yields - 1980 to 2015 (Bushels Per Acre)



Source: Statistics Canada

Drew Lerner of World Weather Inc., while first to red flag the possibility and rapid transformation of El Niño to La Niña last February, believes that the full impact of La Niña will be in 2017, and not during this crop year. He has likened 2016 to that of 1980, and that timely rainfall will supplant most of the warm temperatures associated with a La Niña summer. I have followed Drew Lerner since 2002, and during the past 15 years have learned that his contrarian weather forecasting demeanor should never be dismissed, even when two of three suggest otherwise. What it does add to the mix, is another level of uncertainty. I have included some yield charts for both peas and lentils, so you can determine if 1980 and corresponding La Niña years were good, bad, or indifferent for your farm.

If you want to add certainty back into the equation, it will come on the demand side of peas and lentils. Even with India forecasting to have an above normal monsoon season, the supply/demand balance won't find any equilibrium until India begins harvesting next February and March. Even with an above-normal crop, India will still need to import 5.5 to 7 M tonnes of pulses to make up for their shortfall. I doubt there has ever been a bigger book in lentils and peas for the September through December, 2016 shipping timeframe than there is today. From a farmer perspective, keep a watchful eye on all pulse areas of Western Canada, with an educated attitude of what transpired in the perceived worst crop years (1988, 2002, and 2010). Disaster years always seem

to be worse in memory than on paper. This should keep farmers keen on selling opportunities as the peas and lentil crops advance. Farm selling uncertainty usually has descriptive wording such as should have, could have, and would have that follow.

Recognizing your costs and capitalizing on profit will keep uncertainty at bay, and your better half (and banker) much happier in the long run. Please have a safe, productive, and certain summer!

Larry Weber operates Weber Commodities Ltd. More information can be found at www.webercommodities.com.

Faba Bean Feed Benchmark Bi-Weekly Report - May 21 to 25, 2016

	CENTRAL ALBERTA	CENTRAL SASK	SOUTH MANITOBA
	CDN\$/T	CDN\$/T	CDN\$/T
Faba Bean Feed Benchmark Price	\$452.92	\$429.33	\$386.80
COMPETING FEED INGREDIENTS			
Feed Barley	\$208.00	\$190.00	\$205.00
Mid Protein Wheat	\$228.00	\$210.00	\$230.00
Low Protein Wheat	\$228.00	\$210.00	\$230.00
Wheat DDGS	\$230.00	\$240.00	\$265.00
Corn	\$250.00	\$220.00	\$200.00
Corn DDGS	\$252.00	\$245.00	\$230.00
Canola Meal	\$395.00	\$390.00	\$390.00
Soybean Meal (46%)	\$595.00	\$587.00	\$554.00
Canola Oil	\$1,010.00	\$990.00	\$980.00

All prices are in Canadian dollars per metric tonne.

Feed Pea Benchmark Bi Weekly Report - May 21 to 25, 2016

	CENTRAL ALBERTA	CENTRAL SASK	SOUTH MANITOBA
	CDN\$/T	CDN\$/T	CDN\$/T
Feed Pea Benchmark Price	\$390.45	\$369.76	\$332.18
COMPETING FEED INGREDIENTS			
Feed Barley	\$208.00	\$190.00	\$205.00
Mid Protein Wheat	\$228.00	\$210.00	\$230.00
Low Protein Wheat	\$228.00	\$210.00	\$230.00
Wheat DDGS	\$230.00	\$240.00	\$265.00
Corn	\$250.00	\$220.00	\$200.00
Corn DDGS	\$252.00	\$245.00	\$230.00
Canola Meal	\$395.00	\$390.00	\$390.00
Soybean Meal (46%)	\$595.00	\$587.00	\$554.00
Canola Oil	\$1,010.00	\$990.00	\$980.00

All prices are in Canadian dollars per metric 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.



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