



Pulse Market Report

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The Pulse Market Report is a monthly newsletter featuring market analysis and commentary aimed at helping Saskatchewan pulse producers make the best decisions for their crop production and marketing.

Australian Market and Production Update: Harvest outcomes for 2014

Peter Semmler
Agrisemm Global Brokerage

The August outlook for Australian pulse production was

quite positive, based on early planting, good establishment, and adequate moisture in many of the production areas. Unfortunately the second half of the season was as bad as the first half was good. For many areas there was little or no rain from September to November 2014, and the impact on the production was very predictable.

Chickpeas - Desi

The planted area for Desi chickpeas was down in 2013 due to lack of opening rains. A local area in New South Wales (known as the Shire of Walgett), which in the record 2012/13 year contributed around 150,000 tonnes of Desi chickpeas for the second season in a row, has produced virtually nothing as the drought continues. Desi chickpeas were only planted in more reliable areas.

Chickpeas – Kabuli

Strong price competition from Ukrainian and Russian small caliber Kabulis was the main driver of the reduced area planted this season. Final production is now estimated at less than half of the July number due to the effect of the dry finish on a late maturing crop. Smaller than average seed size is the other outcome, especially in Victoria.

Australian Pulse Production and Exports Summary (December 2014)						
	Chickpeas		Beans		Field Peas	Lentils
	Desi	Kabuli	Faba	Broad	Dun	Red & Green
Planted Area est July 2014 (ha)						
New South Wales	128,000	17,300	31,700		51,000	600
Victoria	7,950	18,650	59,900	5,300	45,200	81,700
Queensland	155,000		3,000			
South Australia	1,250	11,900	65,600	19,000	110,300	89,700
Western Australia	2,800	500	5,000		24,500	
Total planted area 2014 (ha)	728,156	119,425	408,044	60,021	552,055	424,840
% of 2013 planted area	69%	81%	107%	100%	95%	113%
Production est Dec 2014	371,000	36,700	243,800	40,000	268,200	250,000
Production est. Dec 14 as % July 14	95.1%	41.5%	69.6%	72.1%	87.1%	79.0%
Production estimate Nov 2013 (mt)	541,290	97,930	333,100	49,600	397,000	246,250
Exports Nov 2011 to Oct 2012	580,138		293,539		169,947	381,927
Exports Nov 2013 to Nov 2014	886,620		306,817		139,816	302,993
Exports Nov 2013 to Nov 2014	646,834		360,280		161,707	306,713

Source: Bureau of Statistics/Pulse Australia

Faba Beans

This crop's capacity to handle wet conditions and heavier soils, together with improved prices in the last few years, has encouraged farmers to increase the area planted in the same period. The consequent increased production has been readily absorbed into the traditional markets, and the 30% fall in estimated production will certainly have an impact.

Field Peas – Dun

Comparing the last two years, the fall in estimated production is just over

32%, which is quite significant. In poor years, stockfeed demand increases and becomes the driver for increased price, hence competing in export markets against cheaper Canadian product and more recently Russian and Ukrainian origin, becomes much harder. This can be seen in the table, evidenced by the lower quantity of peas exported as a proportion of production.

Lentils

The area of lentils planted increased this season for a number of

reasons, including the decline of Kabuli acres. If the estimates are reasonably accurate, the shortfall will be supportive of red lentil prices. Certainly track prices since the start of harvest have been at a significant premium compared to Canadian prices, especially for the bold varieties like Jumbo Blitz and Flash. The popularity this season of the new herbicide tolerant varieties of small seeded lentils has significantly changed the size mix of this year's crop towards the small seeded types. Last year's premiums of up to \$50/tonne US for the small types has this season dropped to a discount of \$10-20 US under the bold types.

The legacies for this season would appear to be as follows:

Faba Beans

Demand has surged by around 25% the last two years with Egypt accounting for just over 50% of this increase and Saudi Arabia around 35%. While base is smaller, exports to Indonesia have doubled in the same period. If the December estimate is reasonably accurate, we predict a shortage of faba beans will become evident around April/May 2015. Prices should stay firm as a consequence as this is close to Ramadan.

Lentils

As with beans, the season's dry finish has meant better quality with

the absence of water staining and other excess moisture driven issues. The lower production should also be supportive of prices despite the weakening Australian dollar.

In conclusion, the hard dry season certainly pushed all the Australian pulse varieties to the limit. While yields suffered, the consensus amongst agronomists is that the robustness of the varieties has now been proven in the 2014/15 season, which augers well for the future of the Australian pulse industry.

Peter Semmler is the Principal of Agrisemm Global Brokerage. He can be reached at peter@agrisemm.com.

2015 Pulses: Celebrate Your Success – Keep Planning for the Future



Larry Weber
Weber Commodities

“It is amazing what you can accomplish if you do not care who gets the credit.”

Harry S. Truman, 33rd President of the United States

It is easy to get disillusioned on many levels in this industry. Wide basis levels, narrow delivery opportunities – if any, or disproportionate cash levels compared to other parts of the world. As a group, we do not take enough time to celebrate accomplishments, and the pulse industry is the biggest example of that. At this time of year, when the last page of our 2014 calendars have been discarded and the fresh, new 2015 schedule is hanging somewhere on your walls, it is an opportune time to reflect how far and how fast pulses have become a mainstay in crop rotations across

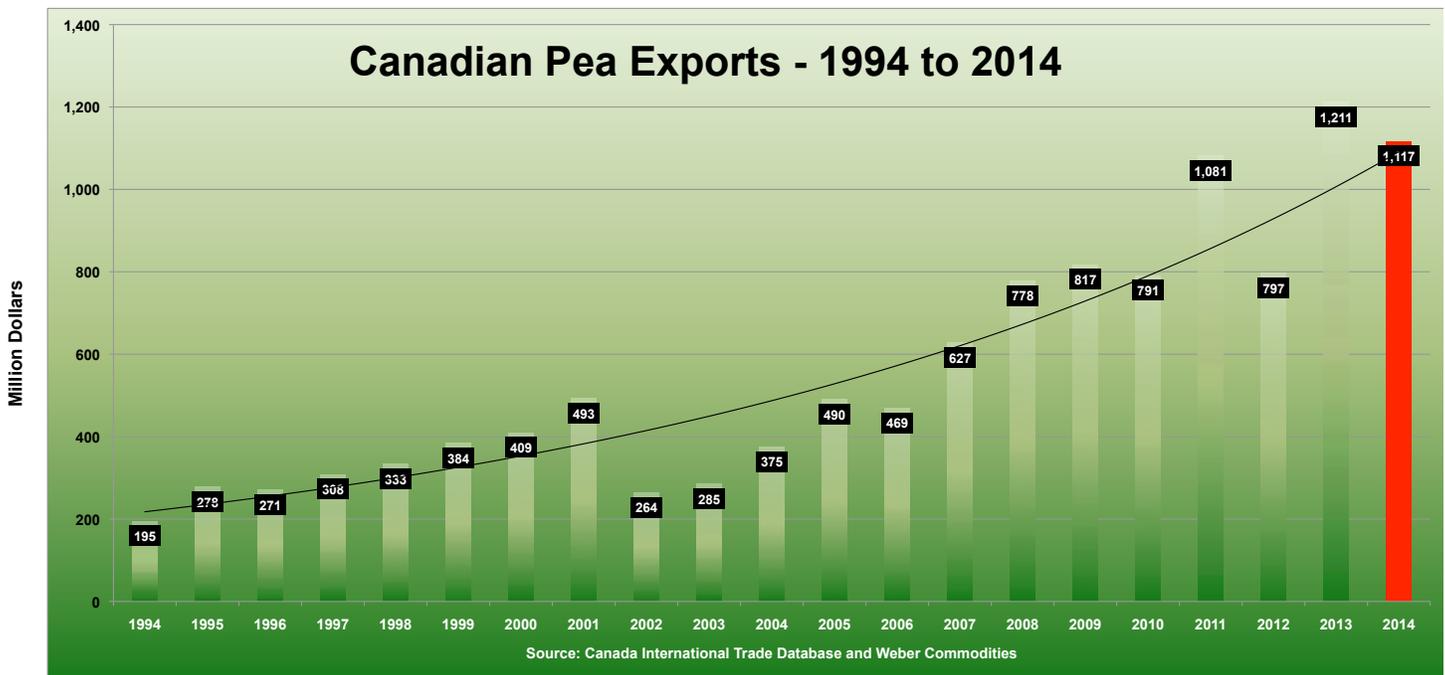
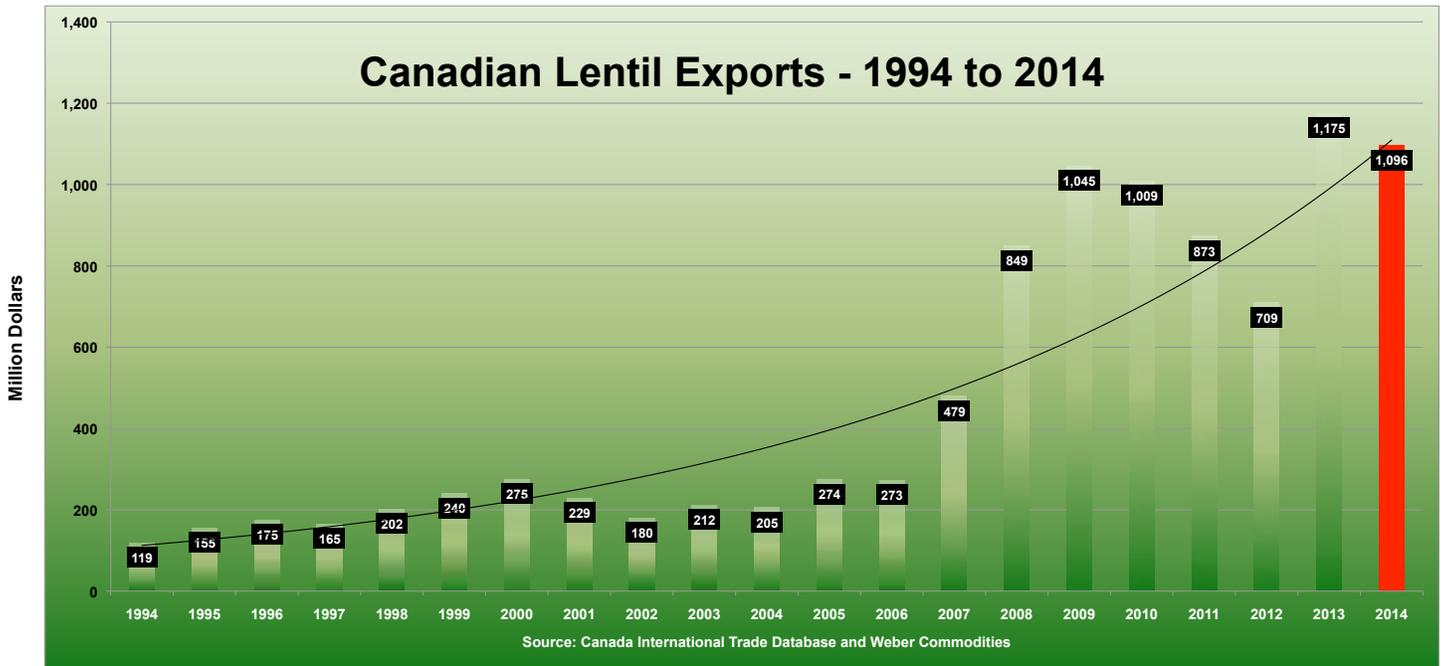
Western Canada, and especially Saskatchewan. There has been, and continues to be, a vision for the future and it is this vision that is responsible for the exponential growth over the past 20 years. Other industry segments should take notice of the graphs for peas and lentils and see what planning can do.

Over the past 20 years, the dollar value of lentil exports has climbed 987% from the 1994 calendar year to 2013. For 2014, it is safe to say that a new record will be achieved as the total-to-date is only inclusive to the end of October. It is \$79 million short of the 2013 record, with two months to go. There were \$214 million dollars of lentil exports shipped in October. When you look at dollars and not tonnes, the statistics are much more revealing. If you view only the tonnage exported for lentils during the 2013 calendar year at 1.804 million (M) tonnes, it pales in comparison to the

amount of wheat exported. However, if you convert the \$1.175 billion dollars to what the average price of what wheat was exported for (\$384.61), you would need 1.25 M tonnes more wheat to equal the same amount of lentils in dollar value. For peas, the percentage equates to a gain of 621% over the past 20 years. Peas too, will likely break the record set last year as they are only \$94 million dollars short with two months to go. In October, there were \$127 million dollars of peas exported.

See Lentil and Pea Exports graphs on page 3.

Everyone in the pulse industry needs to take a moment to look back where it started and pat some people on the back to celebrate their success, and continue planning for a vibrant future. Truman's quote is especially significant – the pulse industry has thrived because no one cares who gets the credit.



From a seeding standpoint next year, the takeaway from the Statistics Canada release in December should be the production split for red lentils. Saskatchewan grew 69% red lentils last year (the five-year average is 49.9%) and only 22.5% large green lentils (five-year average is 39%). Some softening of red lentil prices has been witnessed during the middle two weeks of December. The reduction in large green lentil acres and production will keep prices firm right through to next harvest. This would have occurred without the quality problems witnessed at harvest.

For edible peas, yellow peas made up 76.7% of the 2014/15 pea production against a five-year average of 83.4%. Green peas made strides for the second consecutive year and garnered 21.5% of production against the five-year average of 15.1%. A lack of quality green peas will also underpin the market until the new crop comes off in 2015.

Farmers' attention will now turn to seeding plans for the 2015/16 crop year. Rotations for pulses will garner

increased attention this winter as root rot and other diseases took a toll on last year's nerves and crops. The increase in wheat prices over December could take some acres away from peas, but lentils with their higher return on investment will be tougher to pry acres from. Soybean acres look to increase again in Saskatchewan and that is a testament to farmers all by itself. After two years of low yields, most farmers I have spoken to this fall (south of the No. 1 highway) are going to give them another chance or a test plot or two if they haven't tried soybeans already.

When you are walking the halls of this year's CropSphere in Saskatoon, make sure you take time to listen on the possibility of El Niño and the effects it will have on North America, India, and Australia. During the third week of December, the Australian Bureau of Meteorology released their forecast for better than 70% chance that El Niño would arrive by February 2015. Japan was the first country to declare an actual return to El Niño conditions during the first week of February. Full blown El Niño events have a tendency to

hurt pulse producing nations such as India and Australia more than North America. When you are finished at CropSphere and head over to the Crop Production Week venue, remember how fast new crop bids disappeared last year. This math might help you to make quicker decisions. A 30,000 tonne vessel of yellow peas is 27,500 acres at 40 bushels per acre. That equates to 30 farmers walking by a booth with a special and the ability to fill it in minutes – not hours.

Make some time to attend the CropSphere functions this year. Celebrate the fact that it was peas and lentils that pulled farms through the tough times and will likely do so again. The pulse industry has thrived because no one has taken credit for it – there is a lesson in that for everyone. Happy New Year!

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

Register for CropSphere by Jan. 5 for early bird discount. www.cropsphere.com



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