

Pulse Market Report

January 2015
Mid-Month Report

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.

Where Will The Markets Take Us In 2015?



Marlene Boersch
Mercantile Consulting Venture Inc.

We have reached the New Year and the first five months of the crop year are now behind us. It is a good time to review the market progress for pulses to date, and determine what

farmers can expect the next few months. With the exception of dry beans, where production increased around 20%, both Canadian pulse production and supply for peas, lentils, and chickpeas came in significantly lower than in the previous year. In addition, there were significant changes to previous years in the quality composition of all crops, which affects marketability. Nonetheless, export movement of pulses over the fall months had an excellent start and is eclipsing even last year's precedence. The convergence of lower supply and excellent export performance to-date, in spite of lower quality during the opening months of the crop year, will be important influences on the price trajectory over the winter months.

Peas – Here is a summary of pea market fundamentals year-to-date as they affect farm supply and price developments:

- Supply side – tighter.
- By most accounts Canadian pea production was about 13% lower than last year's production.
- Supply (production plus carry-in from

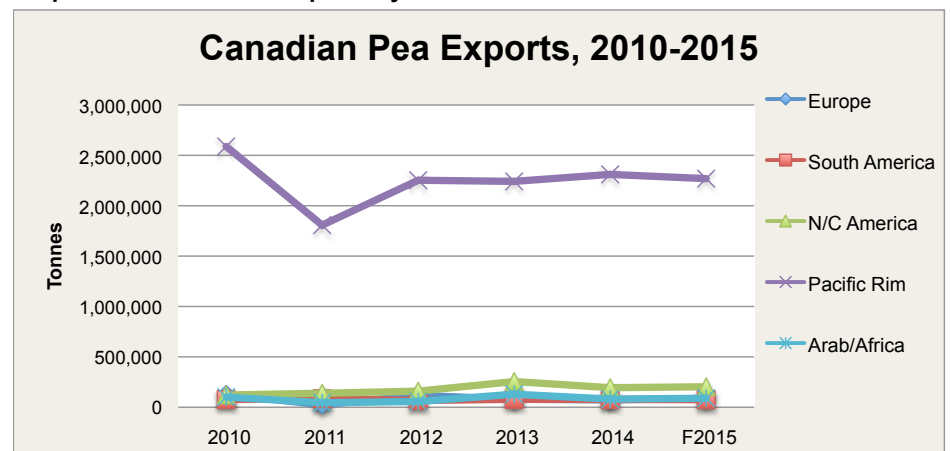
- the previous year) is about 9.4% lower than last year.
- Yellow peas have the biggest destination markets, but only a relatively small 2.7 million (M) tonnes of the peas produced are yellows this year, and roughly 700,000 tonnes are green peas.

- Demand side – excellent fall shipments to India, Bangladesh, and China [Table 2].
- Looking at the Canadian Grain Commission's weekly handling data as of week 20 (latest reported), bulk pea shipments are a solid 44% higher than last year [Table 1].

(CGC) Grain Handling Summary Bulk PEAS	Week 20		(Dec.15-21/14)	
	Producer Deliveries	Terminal Receipts	Bulk exports	Domestic Disappearance
Week 20	29.8	17.3	0.0	2.4
Week Ago	51.8	23.5	20.2	5.0
YTD	1,569.1	1,244.0	1,282.3	157.4
Last YTD	1,158.9	940.2	889.5	54.7
YTD less Last YTD	410.2	303.8	392.8	102.7
YTD over Last YTD	135%	132%	144%	288%

Source: Mercantile Consulting Venture Based on Weekly Canadian Grain Commission Handling Data

Graph 1: Canadian Pea Exports by Destination Area



Source: Statistics Canada Data

Table 2: Canadian Pea Exports YTD, Crop Year 2014/15 (Tonnes)

Rank	Country	October 2014	September 2014	August 2014	Total Crop YTD 2014/15
<i>Total</i>	World	309,220	721,292	240,023	1,270,535
1	India	172,992	296,336	93,342	562,670
2	Cuba	52,750	0	0	52,750
3	China	37,370	123,133	46,535	207,039
4	United States	11,686	31,908	18,540	62,134
5	Colombia	4,542	5,222	1,781	11,544
6	Bangladesh	5,716	246,341	56,500	308,557
7	United Arab Emirates	3,942	1,407	472	5,821
8	Algeria	1,534	1,568	312	3,414
9	Indonesia	1,798	759	2,188	4,745
10	Haiti	1,275	0	0	1,275

Source: Statistics Canada Monthly Export Data

Table 3: India: Rabi Crop Seeded Acreage Update ('000 Hectares)

As of Jan. 2, 2015 Crop	Area Sown in 2014	Area Sown 2013	% this year over last year
<i>Wheat</i>	29,315	30,209	97.0%
<i>Oilseeds</i>	7,543	8,377	90.0%
<i>Pulses</i>	12,999	14,640	88.8%

As of January 2, 2015, pulse seeding in India is a significant 11% lower than last year. Much of this shortfall is due to a lower seeded area for chickpeas. This shortfall increases the likelihood that India will have to buy/import additional pulses during the next half of the crop year.

Source: Data obtained from Government of India Press Releases

We note that export destinations in the Pacific Rim dominate pea shipments and excellent export volumes have been shipped to India, Bangladesh, and to China.

- Export movement including container volumes to the end of October, according to the most recent available data from Statistics Canada (StatsCan), was also 41% ahead of last year's pace.
- The Mercantile Consulting Venture demand analysis by destination supports the expectation that India will likely have to buy more pulses from Canada in the New Year, probably starting in February 2015 [Table 3].
- We anticipate solid purchases from China forward.
- Given the above numbers, Mercantile Consulting Venture expects the Canadian carry-out to be drawn down to an estimated 215,000 tonnes, roughly a small 6% stock-use ratio. This is down from approximately 350,000 tonnes last crop year.

In summary, handling numbers for peas remain well ahead of last year's numbers in spite of the roughly 9% smaller pea supply relative to last crop year. Including container shipments, we calculate that Canada has already exported roughly 1.55 M tonnes of peas to-date. The current commercial stock numbers and the improved \$8/ bushel (bu) SK country bids for yellow peas suggest that there will be decent export loadings in January 2015. We

expect total exports to reach 2.8-2.9 M tonnes this crop year, which leaves roughly 1.3 M tonnes of all peas to ship during the remaining seven months of the crop year (including container shipments), or approximately 180,000 tonnes per month. If achieved, carry-out will be down to a small 100,000-250,000 tonnes by the end of the crop year. The average monthly pace to-date has been 310,000 tonnes.

We expect yellow pea prices to remain strong and improve further during the winter months due to low remaining stocks. The only factor to watch will be the timing of potentially high seeded acreage expectations towards spring. The outlook for green peas is not as strong because the 2014 green pea crop is about 35% larger than last year, and markets are smaller than for yellow peas. While reluctant farmer selling and the poor quality crop have helped to keep prices firm, supplies should be comfortable. This translates into limited opportunity going forward for price improvements unless China steps in with feed purchases.

Lentils - Here is an update of the major lentil fundamentals underlying the market that sets the stage for the markets in 2015:

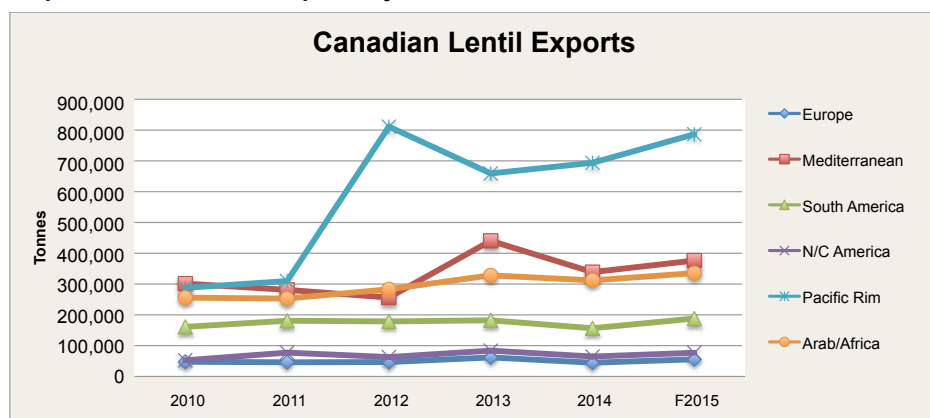
- Supply side - tighter.
- Canadian lentil production was about 15% smaller than last year's.
- Supply is even smaller with about a 19% reduction from last year per StatsCan numbers. Mercantile Consulting Venture numbers indicate about a 14% reduction from last year.

Table 4: Handling Summary Lentils ('000 Tonnes)

(CGC) Grain Handling Summary Bulk LENTILS		Week 20	December 15-21, 2014	
	Producer Deliveries	Terminal Receipts	Bulk exports	Domestic Disappearance
<i>Week 20</i>	5.7	8.9	3.9	1.5
<i>Week ago</i>	12.1	10.2	24.2	2.2
YTD	426.4	332.6	328.2	57.9
Last YTD	283.1	141.0	142.2	31.5
YTD less Last YTD	143.3	191.6	186.1	26.4
YTD over Last YTD	151%	236%	231%	184%

Source: Mercantile Consulting Venture Based on Weekly Canadian Grain Commission Handling Data

Graph 2: Canadian Pea Exports by Destination Area



Source: Statistics Canada Data

Table 5: Canadian Lentil Exports Crop Year 2014/15 (Tonnes)

Rank	Country	October 2014	September 2014	August 2014	Total Crop YTD 2014/15
Total	World	302,976	160,537	138,593	602,105
1	India	112,482	43,433	40,165	196,080
2	Turkey	84,116	25,296	20,058	129,471
3	Egypt	24,744	2,968	4,455	32,167
4	United Arab Emirates	20,861	15,244	11,910	48,015
5	Sri Lanka	9,743	7,117	5,747	22,607
6	Algeria	6,895	6,613	4,770	18,278
7	Colombia	5,550	7,983	5,035	18,568
8	Italy	4,457	2,332	2,189	8,979
9	Pakistan	4,546	4,743	5,559	14,848
10	Mexico	3,662	4,331	4,297	12,290

Source: Statistics Canada Monthly Export Data

- Demand side – Extraordinary large bulk shipments to date.
- Bulk exports are an amazing 186,000 tonnes higher than last year, based on excellent exports to Turkey and India [Table 4]. We note that lentil export shipments to the Pacific Rim have become much more significant over the past years [Graph 2].
- Export movement, including containers, to the end of October (most recent available data from StatsCan) was 34% ahead of last year's pace. Container exports to the United Arab Emirates, Colombia, Sri Lanka, Algeria, and Pakistan have been very good [Table 5].
- Our demand analysis supports the expectation that India will likely continue to buy more lentils from Canada in the New Year, probably starting in February.
- We expect the Canadian carry-out to be drawn down to an estimated 80,000 tonnes, which is a small 4% stock-use ratio (up from 70,000 tonnes last crop year).
- Mercantile Consulting Venture expects lentil values to remain firm as well, and there is no reason to expect the lentil market to drop significantly. Supply restrictions should keep lower grades in line as well. Demand has been excellent and until India solves its supply problem, not much will change in the outlook.

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