SASKATCHEWAN pulse Growers

Pulse *Market Report*

April 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.

Canadian Peas and Lentils Look Strong This Spring

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Like all other commodities, pulse markets on the Prairies have been pushed around this spring by big swings in the exchange rates, and by the slowdown in rail transportation since December. In fact, it can be argued that pulses that are shipped in containers have been affected more than crops that can be shipped in bulk from points that handle 100 plus car spots. Railcars feeding into container loading facilities in Vancouver and railcars heading to the United States (U.S.) and to Mexico have only had a 55-70% chance of being allocated to the shipper 'on request' by the railways. This makes exporters think twice about committing to new railcar or container-based sales for nearby shipment. In most years, this situation would have ramifications on farm gate prices and on overall export volumes. However, this year we have been fortunate that serious repercussions were thwarted by unusually solid demand for bulk product from the Indian subcontinent.

The unusually good demand, especially from India, has also kept the supply-demand balance much tighter than what we see in major grain markets this crop year. This is why Canadian farmers have enjoyed much steadier and firmer pulse markets than grain and oilseed markets. This situation may change in the new crop year, so excellent prices should not be taken for granted.

The grain handling summaries accompanying this article show that bulk pea export shipments are at 136% of last year's pace, 432,000 tonnes larger than last year to date. Bulk lentil shipments are at 225% of last year's bulk export pace, 244,000 tonnes ahead of last year's tonnage.

Lentils - Mercantile Consulting Venture described steady demand for new crop lentils in the last report, but just before the Easter weekend the big surprise was a jump in price by some processors/exporters for new crop red lentils, from $26 to $30 per hundredweight (cwt). This is for deferred delivery contracts, not for production contracts with an Act of God clause. This week, prices moved up another dollar, as did lentil prices in Australia where up to $40.25/cwt Canadian is being paid.

Underlying these developments are reports from India, which indicate that up to 20% of the rabi crop was lost to untimely rains in some areas. Areas in Madhya Pradesh, Maharashtra, Punjab, Haryana, Rajasthan, and parts of western Uttar Pradesh seem to be most affected. The Agrimet division of the Indian Meteorological Department projected a 10% drop in production of rabi crops this year. If these estimates bear out, lentils will remain very tight over the summer months and early harvest demand for lentils will also be supported by continued bulk shipments into Asia.

While new crop green lentils have not quite kept pace with red lentils ($27/cwt for No. 1's), current crop green lentils fetch up to $44/cwt for No. 1 and up to $40/cwt for decent

Canadian Grain Commission Grain Handling Summary Bulk LENTILS ('000 Tonnes)
Week 34 — Up to March 29/15

	Producer Deliveries	Terminal Receipts	Bulk Exports	Domestic Disappearance
Week 34	5.1	0	0.2	1.5
Week ago	6.6	0.2	0.4	3.2
YTD	653.7	446.5	440.2	101
Last YTD	451.3	195.2	195.8	49.2
YTD less Last YTD	202.4	251.3	244.4	51.8
YTD over Last YTD	145%	229%	225%	205%

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

Canadian Grain Commission Grain Handling Summary Bulk PEAS Week 34				('000 Tonnes) Up to March 29/15
	Producer Deliveries	Terminal Receipts	Bulk Exports	Domestic Disappearance
Week 34	28.5	30.4	18.1	7
Week ago	47.5	20.6	0.1	5.4
YTD	2,139.6	1,617.1	1,641.1	234.1
Last YTD	1,555.8	1,301.6	1,208.9	78.1
YTD less Last YTD	583.8	315.5	432.2	156.0
YTD over Last YTD	138%	124%	136%	300%

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

No. 2 grades. These are unusually high values that should not be missed. New crop green lentils are traded against new crop lentils from the U.S., where acres are forecast by the United States Department of Agriculture (USDA) to increase by a significant 37%, from 281,000 acres to 385,000 acres. By far the biggest increase is expected in North Dakota (73%) which would get the State back to similar acreage levels as in 2013. The increase in Montana is also significant at 38% to 180,000 acres. 'Traditional lentil acres' for Idaho and Washington combined are flat. Given average yields, the forecast acreage should generate around 215,000 tonnes of lentils, up from 153,000 tonnes in 2014. The U.S. produces primarily green lentils, so the larger U.S. acreage affects the Canadian green lentil market, but not the red lentil market.

Mercantile Consulting Venture expects the Canadian lentil acreage to increase as well. The current estimate is for a 16% acreage expansion, but the high new crop red lentil values will likely cause an additional shift from green lentil acreage into red lentils. It is one of the reasons we think that current new crop contracts (especially with an Act of God clause) are good insurance against potentially weaker markets later in the year.

Peas – Peas have not shown the same strength as lentils. However, the support of new crop red lentil values should give pause as this could develop into a broader support for pulse prices and could involve both old crop and new crop yellow peas going forward.

We still expect Canadian pea acres to increase by approximately 13% due to a higher than expected carry-out on wheat, high fertilizer prices, and relatively good returns for peas at prevailing contract values.

Per the latest USDA report, U.S. pea acreage is also forecast up by 7% to just over one million acres. If you isolate North Dakota and Montana, because these States generally show similar increases as on the Canadian Prairies, they are expected to increase by 11% and 9% respectively, up over last year. Assuming a five-year average yield, the U.S. acreage should generate about 800,000 tonnes of pea production, up from 709,000 tonnes in 2013 and from 778,000 tonnes in 2014.

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