

Pulse Market Report

March 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.

Peas and Lentil Acres up for Spring 2015



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Canadian markets are relatively quiet, which is partly a symptom of the increasingly slow rail movement we have been experiencing since December, after the initial rail legislation was discontinued. For example, railcar loadings have dropped

from a high in November of 13,700 railcars per week (for all commodities), to a low of approximately 4,650 railcars in week 29. This environment is not conducive to sustaining an aggressive export environment.

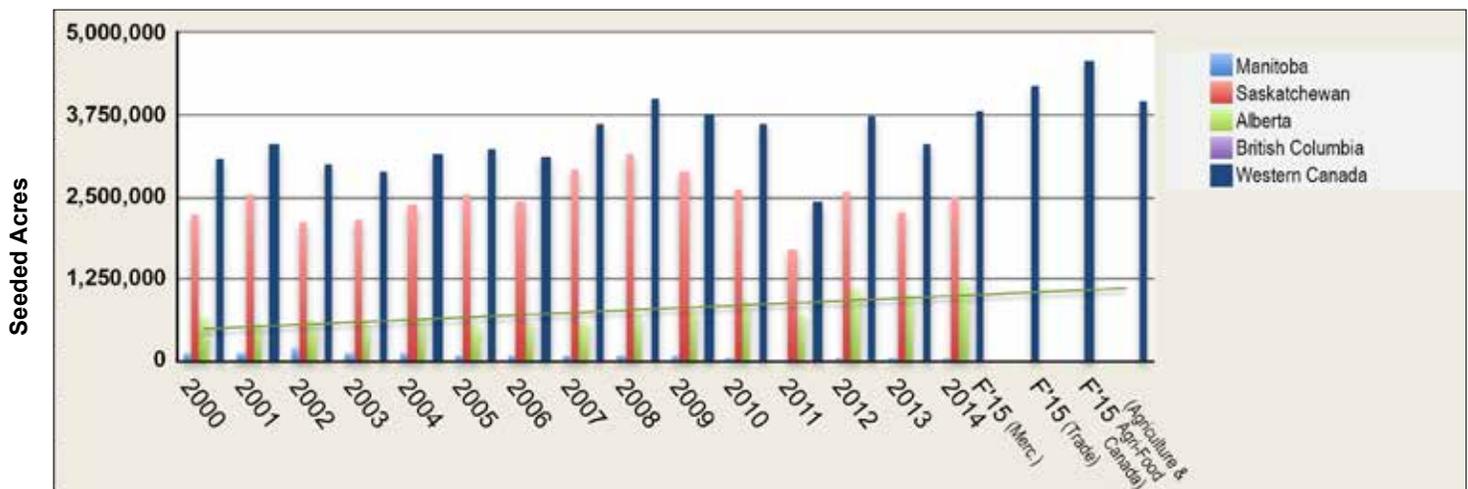
Peas - The Canadian dollar was slightly stronger this past week easing domestic prices a touch, while overseas markets were quiet. India has begun harvesting their rabi crop and

this will continue into April. Harvest progress will slow additional buying by Indian traders for current crop peas during March. At the same time, China (Canada's second largest pea buyer) was absent during their New Years' celebrations, which reduced activity from China. In Canada, given the lack of activity in destination markets, pea prices eased a touch to approximately \$8.50 per bushel (bu) or \$312.32 per tonne in Saskatchewan, and \$8.75-8.80/bu in Alberta. Still, India will have to top off their supplies one more time before new crop peas come on stream from Eastern Europe, and this will clean out remaining supplies. As a grower, getting the timing just right on selling the tail end of the crop at potentially the highest possible price is difficult, and we would not bet big tonnages on it. For new crop peas, there is some uncertainty about overall increases in pulse acres in Canada, the United States, the European Union, Australia, and in Black Sea

countries. The incentive to grow more peas than last year is there for all of these countries. At least ending stocks will be low everywhere going into the new crop year. New crop yellow peas in Saskatchewan are still getting \$7.75/bu.

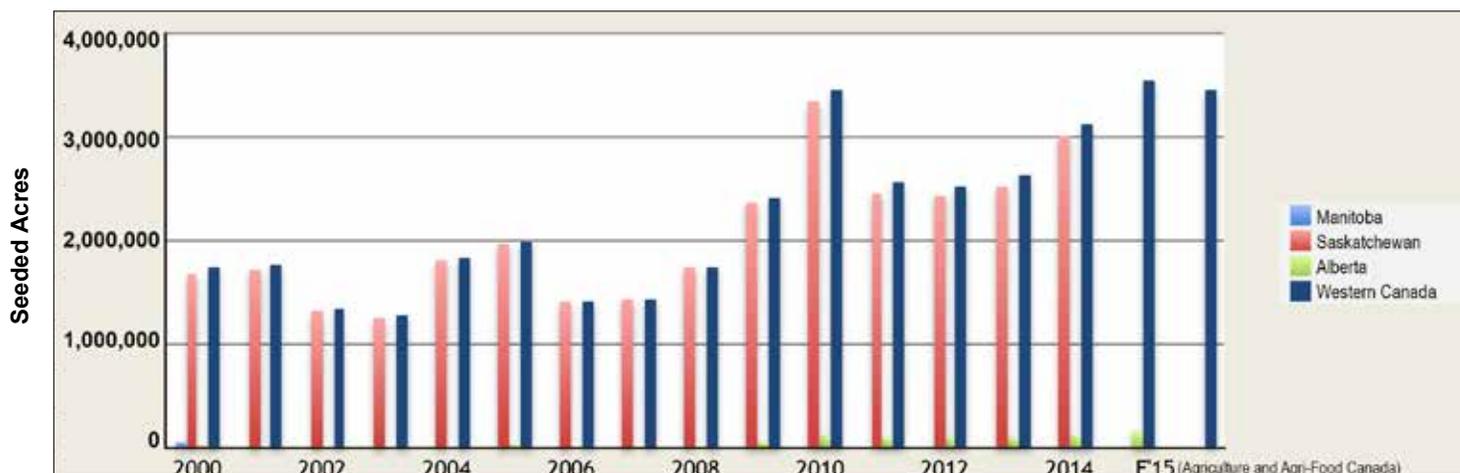
Regarding the new crop acreage outlook in Canada, Agriculture and Agri-Food Canada (AAFC) issued their February outlook report, projecting a 4.2% increase in pea acreage (the same as the January report). Mercantile Consulting Venture Inc. thinks this increase is much too low and we anticipate a minimum 10% increase in pea acreage. At \$7.50-\$8.00/bu, new crop yellow pea prices, with an Act of God clause, are profitable in many areas and show a better return per acre than a number of other crops. The failure of fertilizer prices to drop this spring may prove additionally supportive of pulse acreage. Given the very small carry-out numbers for peas this year, a 10% increase in

Peas (Seeded Acreage), 2000-F2015



Source: Mercantile Consulting Venture Inc. F = forecasted seeded acreage

Lentils (Seeded Acreage), 2000-F2015



Source: Mercantile Consulting Venture Inc. F = forecast seeded acreage

Canadian acres obviously will ease the balance sheet for 2015 peas, but is not likely to create an outright burdensome situation unless yields are uncommonly high. For the 10% increase in acres we currently project a carry-out of around 450,000 tonnes, a 12% stock-use ratio. Mercantile Consulting Venture Inc. expects next year's exports to remain strong at around 2.85 million (M) tonnes due to good expected demand in the fall from Asia. Note that Alberta pea acres are becoming much more important, while Manitoba and Saskatchewan acres have dropped since 2008.

Lentils - There is not a lot new in this market. Current crop lentils are starting to get tight and this certainly is reflected in farmgate prices. Exporters have been paying up to \$40 per hundredweight (cwt) free on board farm for current crop red lentils, \$39/cwt for large green lentils, and \$32/cwt for small green lentils. New crop red lentils are also firm with contracts with an Act of God clause fetching up to \$26/cwt,

and up to \$27/cwt for large green lentils. We note that prices in Australia remain extremely strong as well, with exporters paying \$42.90/cwt delivered for current crop red and green lentils (small volume), and \$30.50/cwt for new crop red lentils. Current crop prices are very attractive and growers should be aware that red lentil prices might weaken once new crop product from Turkey starts coming onto the market in June. Growers should be very careful not to carry current crop lentils into next year, as we expect acreage increases in most producing countries.

Regarding new crop acres, in their February report AAFC still projected an 11.1% increase in lentil acres over last year, and a somewhat more relaxed carry-out at 170,000 tonnes (45,000 tonnes this crop year). Mercantile Consulting Venture Inc. expects at least a 13% increase in 2015 acres, based on the extraordinarily strong lentil prices this calendar year. The ability to move the whole lentil crop into export markets,

and thus the capability of the producer to convert lentils into cash, should also matter to growers. For wheat, market access seems more difficult and we anticipate about a 5.5 M tonne carry-out.

Given average yields on the higher 2015 lentil acreage, Mercantile Consulting Venture Inc. projects lentil ending stocks for next year at 367,000 tonnes, or a 19% stock-use ratio. This would be up from about a 4% stock-use ratio this ongoing crop year. It represents a more relaxed supply picture for next year, but at the same time is not a worrying outlook, unless Canadian producers manage to produce above average yields. Fixing some new crop contracts at current values is not a bad idea in this context.

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This is a mid-month version of Saskatchewan Pulse Growers' Pulse Market Report.

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