



# Pulse Market Report

April 2015

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.

## Weather a Factor in Indian Pulse Production



G. Chandrashekar  
The Hindu Business Line

The hottest topic of discussion among farmers, traders, and policymakers in India today, is the extent of damage on various crops inflicted by unseasonal rains and hailstorms over the last two

weeks across central and northern India. Without doubt, the inclement weather has damaged grains (wheat, pulses) and oilseeds (rapeseed, mustard), in addition to fruits and vegetables, but the extent of the damage is not yet known. Widely varying versions of crop losses are reported from different regions, with some reports clearly projecting exaggerated numbers. By the end of March, hopefully some clarity about the extent of damage - both quantitative and qualitative - may emerge.

Earlier, on February 18, the Indian Ministry of Agriculture, in its estimate of production of various crops for 2014/15, placed rabi season pulses (March harvest) at 12.9 million (M) tonnes, slightly above the season's target of 12.5 M tonnes, but down from previous year's 13.8 M tonnes.

Production of chickpea this season, the dominant pulse crop, is estimated

at 8.3 M tonnes versus the target of 9.3 M tonnes, and down from the previous year's actual harvest of 9.5 M tonnes (revised). The fall in production this season was not unexpected as the acreage for chickpeas declined by about 3.9 M acres to 36 M acres obviously due to prolonged weakness in chickpea prices in the domestic market during 2013 and much of 2014.

data are maintained on crop year basis (October to September), import statistics are compiled on financial year basis (April to March).

For the 2014/15 financial year, from April to December 2014, India's pulse imports aggregated 3.7 M tonnes as compared with 2.8 M tonnes during the corresponding period in 2013. December 2014 witnessed a record

Pulses Crop Estimate for 2014/15 (Million Tonnes)			
CROP	2014/15 ESTIMATE	2014/15 TARGET	2013/14 ACTUAL
Chana /Gram (R)	8.3	9.3	9.5
Tur /Pigeon pea (K)	2.7	3.7	3.2
Urad (K+R)	1.6	1.6	1.7
Moong (K+R)	1.4	1.5	1.6
Others (K+R)	4.4	3.4	3.8
TOTAL	18.4	19.5	19.8

Source: Indian Ministry of Agriculture K = kharif season; R = rabi season

Now, over and above lower production, recent bad weather has hit the crop both quantitatively and qualitatively, although, the extent of damage is yet to be quantified. Discussion across trade circles suggests that losses in chickpea crop could be about 5% and at worst 8-10%. Inventory from the previous harvest estimated at 600,000 to 800,000 tonnes will provide a cushion.

Lower pulse production in India has already triggered huge imports of various pulses. While crop production

inflow of pulses - 630,000 tonnes - as importers wanted to beat the December 31 deadline when customs duty exemption on imported pulses was set to expire. On December 30, the government extended the duty exemption until March 31, 2015.

Current belief is that it is most likely that duty exemption will be extended well beyond March 31, given the tightness in domestic production.

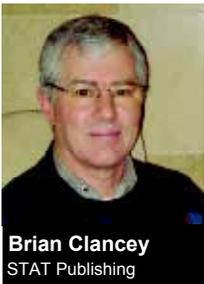
An estimate of imported cargo arrivals during January-March 2015 is approximately 1 M tonnes, taking the annual import figure to a new high of 4.7 M tonnes, over 25% higher than the previous year's 3.7 M tonnes. Major beneficiaries of India's large imports include Canada, USA, Myanmar, Australia, and African countries.

In addition to the duty exemption deadline, another critical driver of the market will be weather. Private forecasters in India and abroad have predicted that India's southwest monsoon will be a 'normal' one during 2015. Normal is defined as 96% of the long period average of 880 millimetres during the monsoon season from June to September. Major crops grown in this season, known as kharif, are rice,

maize, oilseeds, cotton, and sugarcane. Pigeon pea, urad, and moong bean are the pulses grown in this season. Kharif season pulses account for only 30% of annual production.

*G. Chandrashekhar is the Associate Editor of The Hindu Business Line, an Indian business daily. He specializes in agriculture, agribusiness, commodity markets, and international trade and development.*

## What Markets Indicate for Basis This Spring



The decision by several farm groups to ask the federal government to investigate the true cost of moving field crops by rail has been partly prompted by growing anxiety

over basis levels.

Basis is nothing more than the difference between the price paid to an exporter and the price paid to the farmer. It is also frequently misunderstood.

It is impossible to understand basis without thinking of the true purpose of price. Looking at the gross fundamentals for peas and lentils, it is easy to assume that prices will be consistently high. They have trended upward, but it can be a bumpy ride.

Once again, Canada will be effectively sold out of peas and lentils before July. During the first half of the 2014/15 marketing year, both peas and lentils saw record export movement. Lentil shipments are almost 300,000 tonnes higher than last season. Pea movement is almost 440,000 tonnes higher. On the flip side, this means that movement between February and July will be down sharply from the kind of demand we saw in 2013 and 2014.

Supply and Demand Estimate for Canadian Chickpeas and Field Peas (2014/15)								
	Desi	Kabuli	Small Kabuli	All	Yellow	Green	Other	All Peas
Area (acres)	1,000	151,000	29,000	181,000	2,945,000	810,000	40,000	3,795,000
Yield (lbs/acre)	2,205	1,478	1,581	1,498	2,011	1,955	2,216	2,001
Production	1,000	101,200	20,800	123,000	2,686,400	718,200	40,200	3,444,800
Carry-In	1,000	97,500	1,500	100,000	268,000	40,000	1,000	309,000
Imports	0	7,000	0	7,000	11,200	15,300	700	27,200
Supply	2,000	205,700	22,300	230,000	2,965,600	773,500	41,900	3,781,000
Exports	1,000	60,700	9,000	70,700	2,558,900	346,100	30,000	2,935,000
Seed	40	9,700	1,400	11,140	250,000	32,000	2,000	284,000
Feed, Waste, and Other	460	77,600	10,100	88,160	72,700	315,400	2,900	391,000
Total Usage	1,500	148,000	20,500	170,000	2,881,600	693,500	34,900	3,610,000
Ending Stocks	500	57,700	1,800	60,000	84,000	80,000	7,000	171,000
Stocks/Use	33%	39%	9%	35%	3%	12%	20%	5%

\*All quantities in tonnes

Source: STAT Communications Ltd.

This has resulted in a situation where there could be more volatility in markets and in basis levels.

Price is intended to cause an action. If supplies are tight, high prices are used to make importers think twice about buying. If that works and exporters have not sold more than they have already bought from farmers, they might leave grower bids unchanged or possibly lower them. When that happens, they are telling farmers not to sell.

Basis also tells you something about the state of markets. If it is wide,

farmers are selling as much or more peas, lentils, chickpeas, or other crops as processors and exporters need. If it is narrow, the opposite is true.

It is important to remember that what markets need is not just defined by raw demand and outstanding sales commitments. The ability to move product has an impact. Since the federal government imposed minimum railcar movement mandates on CP and CN Rail, there has been a shift in who gets cars. Small shippers feel like they are being ignored. Destinations with slower turnaround times on railcars are being ignored. It is easier

to meet the government mandates by favoring shippers which can handle 100 car spots for a single destination.

Processors and exporters moving product to the United States, Mexico, and to container stuffing facilities are suffering the most. Since August 1, 2014 the two railways have only supplied 72% of all cars requested for shipment south of the border, and 55% of all cars requested for shipment to transloading facilities in Vancouver. By contrast, companies shipping to bulk terminals in Vancouver and Thunder Bay have received 91% of their hopper cars.

The implication is that there is almost a 30% risk that sellers to the United States and Mexico will not get the railcars they need to deliver product to buyers within the contracted period. Similarly, there is a 45% risk they will not get the cars needed to load containers in Vancouver. This is factored into pricing, which means basis levels increase to account for the risk.

The impact on risk and basis is brought into sharper focus when you consider that so far during this marketing year less than half the cars were supplied in the week for which they were ordered. In the third week of February, railways only supplied 29% of the cars ordered for movement to bulk terminals and just 25% for buyers on the continent and for container stuffing facilities. With many domestic buyers in Canada and the United States trying to keep inventories as low as possible, delays getting product from suppliers in Canada can add cost. Buyers subtract that risk from the price they might otherwise pay.

Small processors get around some transportation problems by loading containers in Saskatchewan. This has allowed them to maintain overall market share. During the first half of the marketing year, 77% of all peas exported went through bulk terminals,

Supply and Demand Forecast for Canadian Chickpeas and Field Peas (2015/16)								
	Desi	Kabuli	Small Kabuli	All	Yellow	Green	Other	All Peas
Area (acres)	1,000	120,000	26,000	147,000	3,550,000	450,000	36,000	4,036,000
Yield (lbs/acre)	2,205	1,701	1,560	1,680	2,123	2,159	2,100	2,126
Production	1,000	92,600	18,400	112,000	3,418,100	440,600	34,300	3,893,000
Carry-In	500	57,700	1,800	60,000	84,000	80,000	7,000	171,000
Imports	0	7,000	0	7,000	11,700	15,100	700	27,500
Supply	1,500	157,300	20,200	179,000	3,513,800	535,700	42,000	4,091,500
Exports	1,000	53,600	12,700	67,300	2,649,600	346,300	31,100	3,027,000
Seed	40	9,200	1,200	10,440	226,000	36,000	4,000	266,000
Feed, Waste, and Other	460	58,500	5,300	64,260	316,200	83,400	3,900	403,500
Total Usage	1,500	121,300	19,200	142,000	3,191,800	465,700	39,000	3,696,500
Ending Stocks	0	36,000	1,000	37,000	322,000	70,000	3,000	395,000
Stocks/Use	0%	30%	5%	26%	10%	15%	8%	11%

\*All quantities in tonnes

Source: STAT Communications Ltd.

compared to 75% last season, and bang on the previous five-year average. By the end of January, 28% of all lentil exports moved through bulk terminals, up from 22% last year, and more than double the five-year average of 13%. That is mainly because of boatload shipments of red lentils to Turkey and India. Demand from India is almost double what it was last season, while shipments to Turkey are up 14%.

The shift to moving peas and lentils through bulk handling facilities creates a new issue which affects basis. During the past decade, total field crop production has averaged 74.4 million (M) tonnes, compared to 60.4 M tonnes during the previous decade. Nearly all of the increase happened after 2007, with six of the last seven crops exceeding 70 M tonnes. It culminated with the monster 96 M tonne 2013 harvest. In an effort to move crops

Supply and Demand Estimate for Canadian Lentils (2014/15)								
	Large Green	Medium Green	Small Green	Extra Small Red	Small Red	All Red	Other	All
Area (acres)	704,000	61,000	215,000	159,000	1,961,000	2,120,000	10,000	3,110,000
Yield (lbs/acre)	1,242	1,193	1,224	1,345	1,335	1,335	882	1,302
Production	396,500	33,000	119,400	97,000	1,187,100	1,284,100	4,000	1,837,000
Carry-In	110,000	6,000	29,000	4,000	14,000	18,000	1,000	164,000
Supply	506,500	39,000	148,400	101,000	1,201,100	1,302,100	5,000	2,001,000
Exports	421,400	33,900	129,100	87,400	1,069,100	1,156,500	3,700	1,744,600
Seed	33,100	2,300	5,700	3,900	72,700	76,600	300	118,000
Feed, Waste, and Other	21,000	1,800	7,600	4,700	53,300	58,000	0	88,400
Total Usage	475,500	38,000	142,400	96,000	1,195,100	1,291,100	4,000	1,951,000
Ending Stocks	31,000	1,000	6,000	5,000	6,000	11,000	1,000	50,000
Stocks/Use	7%	3%	4%	5%	1%	1%	25%	3%

\*All quantities in tonnes

Source: STAT Communications Ltd.

## Supply and Demand Forecast for Canadian Lentils (2015/16)

	Large Green	Medium Green	Small Green	Extra Small Red	Small Red	All Red	Other	All
Area (acres)	810,000	74,000	252,000	172,000	2,289,000	2,461,000	13,000	3,610,000
Yield (lbs/acre)	1,383	1,400	1,408	1,436	1,451	1,450	1,018	1,430
Production	508,000	47,000	161,000	112,000	1,507,000	1,619,000	6,000	2,341,000
Carry-In	31,000	1,000	6,000	5,000	6,000	11,000	1,000	50,000
Supply	539,000	48,000	167,000	117,000	1,513,000	1,630,000	7,000	2,391,000
Exports	412,100	36,400	127,400	89,800	1,157,200	1,247,000	5,200	1,828,100
Seed	34,800	1,700	4,900	3,300	41,400	44,700	200	86,300
Feed, Waste, and Other	42,100	3,900	13,700	9,900	116,400	126,300	600	186,700
Total Usage	489,000	42,000	146,000	103,000	1,315,000	1,418,000	6,000	2,101,000
Ending Stocks	50,000	6,000	21,000	14,000	198,000	212,000	1,000	290,000
Stocks/Use	10%	14%	14%	14%	14%	15%	17%	14%

\*All quantities in tonnes

Source: STAT Communications Ltd.

that are 23% bigger on average than a decade ago, many bulk terminals are operating close to capacity.

Whether its peas, lentils, wheat, or canola, companies are using grower bids to try to make sure farmers sell what is needed. The Canadian Wheat Board overcame the issue by simply regulating what farmers could deliver. Open markets use price, but to the extent those messages are ignored, it creates frustration.

An efficient and effective transportation and handling system is critical. Everything is pointing to a record seeded area for both field peas and lentils this spring. All the increase in peas should be for yellow, while most of the increase for lentils will be in reds. Increasingly, those two classes of pulses move on a bulk basis. By contrast, higher percentage of green and split peas, as well as green lentils, are loaded into containers for export.

To the extent the handling and transportation system favors large bulk shippers over small, it can be a market making factor for small acreage pulses and niche markets. As logistical risks increase, export asking prices may increase without affecting grower bids.

This makes it critical to maintain good communication with buyers about their needs. It is the best way to maximize the income potential of what you grow.

*Brian Clancey is the Editor and Publisher of [www.statpub.com](http://www.statpub.com) market news website and President of STAT Publishing. He can be reached at [editor@statpub.com](mailto:editor@statpub.com).*



[www.saskpulse.com](http://www.saskpulse.com)

If you would like to receive your copy of the Pulse Market Report by email, please contact us at [pulse@saskpulse.com](mailto:pulse@saskpulse.com). This report is also available at [www.saskpulse.com](http://www.saskpulse.com).

Follow us on Twitter [@Saskpulse](https://twitter.com/Saskpulse)

DISCLAIMER: This publication is provided for informational purposes only and should not be interpreted as providing, without limitation, agricultural, marketing, or business management advice. Saskatchewan Pulse Growers makes no express or implied guarantees or warranties of suitability or accuracy regarding the information contained in this publication. In no event shall Saskatchewan Pulse Growers be held liable for any special, incidental, consequential, direct or indirect injury, damage or loss which may arise from the use of, or any decisions made in reliance on, the information provided. The opinions expressed in this publication are those of the authors thereof and not necessarily those of Saskatchewan Pulse Growers.