

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.

India Pulses Market Update



It is now official - India's pulse production has hit a three year low. In its latest crop data released on May 13, the Government of India's Ministry of Agriculture has estimated a 2

million (M) tonne decline in production of various pulses, led principally by Desi chickpea.

For the 2014/15 crop year (October to September) pulse harvest is an estimated 17.4 M tonnes, well below the year's target of 19.5 M tonnes, and last year's (2013/14) actual production of 19.3 M tonnes.

A fall in planted acreage for chickpeas, coupled with weather-related crop damage, has stopped hopes of a record harvest once again. It is unclear if the official estimates have taken into account quantitative and qualitative damage suffered by crops, especially during the unseasonal rains and occasional hailstorm witnessed in March and early April.

Normally a huge decrease in production at the world's largest producer, processor, importer, and consumer of pulses would raise the expectation that other countries would step up pulse exports to India significantly, to meet the shortfall.

But such expectation – recently discussed during the 2015 World Pulses

Indian Pulse Production Trend (in million tonnes)				
CROP	2014/15 TARGET	2014/15 OUTPUT	2013/14 OUTPUT	2012/13 OUTPUT
Kharif	7.0	5.5	6.0	5.9
Rabi	12.5	11.9	13.3	12.4
TOTAL of which	19.5	17.4	19.3	18.3
-Chickpea	9.3	7.6	9.5	8.8
-Pigeon pea	3.7	2.7	3.2	3.0
-Black gram	1.6	1.7	1.7	1.9
-Mung bean	1.5	1.4	1.6	1.2
-Others	3.4	4.0	3.3	3.4

Source: Ministry of Agriculture, Government of India

Convention in April – has not been confirmed to any extent.

A look at the import data is revealing. According to the Ministry of Commerce and Industry, pulse imports during the 2014/15 financial year (April to March) was an estimated 4.6 M tonnes, about 1 M tonnes more than aggregate imports (3.65 M tonnes) in the previous 2013/14 year.

Without doubt, 4.6 M tonnes is a new record, but falls short of earlier expectation of 5.0 to 5.5 M tonnes. Nearly half of the import volume is accounted for by yellow peas, a substitute or replacement for chickpea. Yellow pea flour is blended with chickpea flour and sold in Indian retail markets.

Why have imports fallen short of expectation and not kept pace with the decline in domestic production?

The reason is clear. India is a price-sensitive market and Indian demand for pulses – like for many commodities – is price elastic.

Pulses did not contribute to food inflation during 2013 and 2014, but from the beginning of this year on expectation of domestic production shortfall, prices have risen sharply. For instance, chickpea prices have increased by nearly 50% in the last six months. Currently, at the retail level, most pulses are priced at 100 Indian Rupees per kilogram or more. So, the off-take is sluggish.

Another reason that imports are falling short of expectation is the risk that customs duty may be imposed on imported pulses. Traders were reluctant to bring in large shipments of pulses on apprehension that duty may be imposed after March 31. For the present, the government has extended the duty

exemption until September 30, 2015. Depreciation of the rupee in recent weeks has added to the price woes.

For the period from April to September 2015, I would estimate India's potential import of pulses at 2.0 M tonnes. As with many food products, demand for pulses will also expand multiple times during the upcoming festival season starting from Ramadan in July, followed by a series of Hindu festivals from August to October.

An important risk factor to consider for the kharif pulse crop (planted in June/ July and harvested in September/

October), is the threat of El Niño and the forecast of a slightly below normal rainfall for India. While opinion on the possible severity of El Niño differs, the Indian policy-makers have made contingency plans in the event of monsoon rain. The key to a good monsoon is the temporal and spatial distribution of rains during the June to September months. The India Meteorological Department will likely issue an updated forecast by early June.

A silver lining is that unseasonal rains in April and pre-monsoon showers in some regions have ensured sub-soil

moisture. But the track record of the last four years shows India really struggles to raise the kharif (autumn harvest) output of pulses beyond 6.0 M tonnes. Whether it will succeed this time with a new government in place and new policy initiatives remains to be seen.

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Lentil Demand High and Stocks Tight for 2015



From a farmer's perspective, it is not often that all news seems like good news in terms of the price outlook. It started with tight stocks in an all positions report for Canadian lentils and peas.

That was followed by significant cuts in India's crop production estimates and the official declaration of an El Niño weather event, which could hurt crops in Australia. Capping this off was the first shock to the Canadian growing season from a severe May frost.

Having so much happen this quickly is not unusual. But, having everything point to the same outcome is unexpected.

As it stands, it appears demand will be strong through the end of the calendar year, but supplies might not increase as much as buyers hope.

Seeding intentions for Canada and the United States pointed to a significant increase in field pea and lentil production, but smaller chickpea crops. Market participants thought the field pea numbers were probably close to what will actually be planted, but Canada's lentil area would be at least 3.6 million (M) acres instead of the 3.35 M farmers

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	3,120,000
Yield (lbs/acre)	1,242	1,301	1,224	1,442	1,491	1,487	1,102	1,404
Production	396,500	36,000	119,400	104,000	1,326,100	1,430,100	5,000	1,987,000
Carry-In	110,000	6,000	29,000	4,000	14,000	18,000	1,000	164,000
Supply	506,500	42,000	148,400	108,000	1,340,100	1,448,100	6,000	2,151,000
Exports	428,600	34,300	128,400	72,900	1,194,800	1,267,700	4,500	1,863,500
Seed	28,400	1,900	4,800	4,200	77,400	81,600	300	117,000
Feed, Waste, and Other	35,500	4,800	10,200	25,900	61,900	87,800	200	138,700
Total Usage	492,500	41,000	143,400	103,000	1,334,100	1,437,100	5,000	2,119,000
Ending Stocks	14,000	1,000	5,000	5,000	6,000	11,000	1,000	32,000
Stocks/Use	3%	2%	3%	5%	0%	1%	20%	2%

*All quantities in tonnes

Source: STAT Communications Ltd.

said they intended to seed. This is reflected in this month's updated supply and demand forecasts for the coming marketing year.

Part of the reason the lentil seeding intentions were seen as low is that both movement and prices have been good, with prices trending upward as seeding decisions were finalized. Just how much demand there was for Canadian product became clear from the March 31 stocks in all positions estimates. Inventories of both peas and lentils

were down sharply from last year, supporting the belief that markets will struggle to cover outstanding demand until the coming harvest.

Significantly, Statistics Canada (StatsCan) increased its 2014 crop estimate for lentils from 1.837 to 1.987 M tonnes. The change made no difference to supply fundamentals. If only 434,000 tonnes were left from last year's crop on March 31, there are simply not enough lentils to last until harvest. Either demand has to collapse, or there needs

to be a lot more lentils on farms than the 301,000 tonnes that StatsCan found.

Since the March 31 stocks report, farmers have used much of their lentils for planting seed. They also sold 119,000 tonnes to primary elevators and an unknown quantity to processing plants. What this means is that as of May 10, there is somewhere between 100,000 and 150,000 tonnes of lentils left on farms in Western Canada.

In the case of field peas, StatsCan said there were 695,000 tonnes on farms on March 31, while the trade had 309,000 tonnes, for a total of 1.004 M tonnes. Farmers could plant 269,000 tonnes, while the same amount was exported by bulk terminals between March 31 and May 10. Over half of the peas were gone by May 10, suggesting Canada will end the marketing year with enough peas to cover just two weeks of demand.

Buyers on the Indian subcontinent and in China are very aware of the fact that supplies of old crop peas and lentils are limited. They can see that exporters are demanding a premium for old crop product. With some exporters selling limited quantities of product for shipment from Vancouver in August, it makes it easier for importers to switch as much of the demand as possible into new crop shipping positions.

This brings attention to the smaller pulse harvest in India. Combined production from last summer's kharif crop and this winter's rabi crop is now expected to total 17.38 M tonnes, down 12% from 19.78 M tonnes last year. Most of the drop is from the rabi crop. The most important winter pulse is Desi chickpea, with production down almost 2 M tonnes at a projected 7.59 M tonnes. Based on the strength of red lentil demand from the Indian subcontinent, markets think production of all rabi season pulses is down more than the government admits.

This affects demand through the end of the calendar year. Because import needs are expected to be bigger than usual, this year's weather market could be more sensitive than usual. And things are not off to a good start. India's

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)	695,000	60,000	210,000	183,000	2,437,000	2,620,000	13,000	3,600,000
Yield (lbs/acre)	1,383	1,396	1,407	1,434	1,494	1,489	1,187	1,461
Production	436,000	38,000	134,000	119,000	1,651,000	1,770,000	7,000	2,385,000
Carry-In	14,000	1,000	5,000	5,000	6,000	11,000	1,000	32,000
Supply	450,000	39,000	139,000	124,000	1,657,000	1,781,000	8,000	2,417,000
Exports	356,300	32,700	116,600	95,700	1,252,900	1,348,600	6,000	1,860,200
Seed	28,700	1,700	4,500	4,500	56,800	61,300	200	96,400
Feed, Waste, and Other	31,000	2,600	11,900	11,400	132,700	144,100	800	190,400
Total Usage	416,000	37,000	133,000	111,600	1,442,400	1,554,000	7,000	2,147,000
Ending Stocks	34,000	2,000	6,000	12,400	214,600	227,000	1,000	270,000
Stocks/Use	8%	5%	5%	11%	15%	15%	14%	13%

*All quantities in tonnes

Source: STAT Communications Ltd.

weather forecasters created the first wave of concern when it predicted this year's monsoon might just be 92% of normal. Private forecasters disagree and there is now talk of a separate weather anomaly which should result in good monsoon rains.

While markets wait to see who is correct, they are also wondering if this year's El Niño event will hurt yields in Australia. Fearing drought,

some Australian farmers have already stopped forward selling crops they will grow this year. That wait-and-see attitude will temper the willingness of exporters to sell pulses they have not already bought from farmers.

Any notion that this year's weather woes was only speculation was destroyed in mid-May. A deep frost in Saskatchewan arrived with over half the pulse crop in the ground. Frost events during

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	16,100	77,800	2,629,000	327,000	35,000	2,991,000
Seed	40	9,300	1,300	10,640	237,000	30,000	2,000	269,000
Feed, Waste, and Other	460	83,200	3,900	87,560	72,600	300,500	3,900	377,000
Total Usage	1,500	153,200	21,300	176,000	2,938,600	657,500	40,900	3,637,000
Ending Stocks	500	52,500	1,000	54,000	27,000	116,000	1,000	144,000
Stocks/Use	33%	34%	5%	31%	1%	18%	2%	4%

*All quantities in tonnes

Source: STAT Communications Ltd.

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	115,000	24,000	140,000	3,374,000	421,000	35,000	3,830,000
Yield (lbs/acre)	2,205	1,695	1,589	1,685	2,166	2,159	2,098	2,165
Production	1,000	88,400	17,300	107,000	3,315,500	412,200	33,300	3,761,000
Carry-In	500	52,500	1,000	54,000	27,000	116,000	1,000	144,000
Imports	0	7,000	0	7,000	11,700	15,100	700	27,500
Supply	1,500	147,900	18,300	168,000	3,354,200	543,300	35,000	3,932,500
Exports	1,000	50,600	13,000	64,600	2,705,400	313,200	28,400	3,047,000
Seed	40	9,300	1,200	10,540	233,000	37,000	3,000	273,000
Feed, Waste, and Other	460	57,000	3,100	60,860	244,800	150,100	2,600	397,500
Total Usage	1,500	116,900	17,300	136,000	3,183,200	500,300	34,000	3,717,500
Ending Stocks	0	31,000	1,000	32,000	171,000	43,000	1,000	215,000
Stocks/Use	0%	27%	6%	24%	5%	9%	3%	6%

*All quantities in tonnes

Source: STAT Communications Ltd.

seeding should not hurt crops which have not emerged or germinated, but could certainly cause some reseeded seedlings to be killed. To the extent that happens, it affects how quickly Canada can start shipping new crop pulses.

Exporters have pushed the envelope by selling product for shipment from ports starting in August through the second and third week of September, but there is no buffer. The March 31 stocks report makes it clear there may only be a two

week supply of peas and lentils left on August 1. And, that will be extremely hard to buy.

The bottom line is markets may be unusually sensitive to weather developments in Canada and elsewhere. Old crop prices should drop to match new crop prices once the harvest starts. However, anything which delays the harvest or affects yield and quality prospects will tend to lift opening season bids, possibly resulting in a softer landing once the 2015/16 season gets underway. At the same time, farmers should see good demand from harvest through at least November. That should create lots of chances to sell at good price.

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