

# Pulse Market Report

May 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.

## Australian Market and Production Update: Predictions for 2015

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The poor finish to the 2013/14 season meant production came in lower than the

December 2014 final estimate for all Australian pulses. The consequent firm prices will encourage farmers to increase the area planted to pulses, at the expense of canola and wheat. Dry weather continued after harvest, and rain is still needed in many areas to allow seeding to begin.

### Chickpeas – Desi

Adverse conditions in major growing areas in India have kept demand very firm and the price has now been bid to around \$690 US CIF Indian main ports for new crop October/November shipment. This equates to around \$815 AUD (\$640 US) delivered inland to the New South Wales depot, which is very attractive to farmers.

Country ag suppliers advise stocks of desi planting seed are all but sold out, along with sprays and other chemicals for chickpea production. Most traders concur the area that could be planted, if there is adequate opening rain, will exceed 1.24 million (M) acres. With the season still to unfold we have used a very conservative yield factor for the estimated production of around 555 kt. If the season develops with adequate rainfall the final production could be close to the record of 2013.

Australian Pulse Production and Exports Summary (May 2015)						
	Chickpeas		Beans		Field Peas	Lentils
	Desi	Kabuli	Faba	Broad	Dun	Red & Green
<i>Planted Area est April 2015 (ha)</i>						
<i>New South Wales</i>	230,000	22,000	31,000		47,000	1,500
<i>Victoria</i>	9,000	20,000	85,000	10,000	46,000	95,000
<i>Queensland</i>	250,000		1,000			
<i>South Australia</i>	4,000	18,000	70,000	22,000	115,000	120,000
<i>Western Australia</i>	3,000	1,000	7,000		29,000	
<i>Total planted area 2015 h/a</i>	496,000	61,000	194,000	32,000	237,000	216,500
<i>% of 2014 planted area</i>	168%	126%	117%	131%	106%	126%
<i>Production est May 2015</i>	550,000	61,000	286,000	52,000	285,000	300,000
<i>Production est April 1/15 as % Dec 1/14</i>	148%	166%	117%	130%	106%	120%
<i>Exports Nov 2011 to Oct 2012</i>	580,138		293,539		169,947	381,927
<i>Exports Nov 2012 to Oct 2013</i>	886,620		306,817		139,816	302,993
<i>Exports Nov 2013 to Nov 2014</i>	646,834		360,280		161,707	306,713
<i>Exports Nov 2014 to Feb 2015</i>	251,038		128,513		63,882	85,634

Source: Bureau of Statistics/Pulse Australia

### Chickpeas - Kabuli

Early in the season prices were low as a result of strong competition from both Argentinian and Ukrainian/Russian origins. Indian harvest followed, keeping a lid on prices until serious rain events during harvest meant Indian prices firmed, and exports to Pakistan rose. The increased demand and prices cleaned out a lot of the on-farm stocks and may support increased plantings in the Southern states.

### Faba Beans

The dry finish to the 2014 season meant reduced production and firm prices throughout harvest. Egypt was the major importer despite the progressive depreciation of the local currency during the shipping season. The higher prices will certainly encourage farmers to increase the area planted in 2015 by an estimated 17%, mainly in the southern states where later planting is possible. In New South Wales beans need to be in the ground by the end of April.

Australia has spent much effort breeding faba bean varieties suited to the local agronomic conditions and accepted by the major market Egypt, and as a result has maintained the majority market share. However in 2015 Egyptian consumers will be the beneficiaries of strong competition. Plantings in the United Kingdom are estimated to be up by 20%, and up in France by 10%. Canadian farmers are likely to expand the area planted significantly, and the Ukraine crop size will also be larger. There is also a lot of interest in the Baltic countries like Lithuania to plant much larger areas. In 2014 some 30,000 tonnes was exported from this origin. The increased competition and supply could keep the prices down into this major market. While consumption of faba beans has been growing in Egypt in line with the increasing population, we are yet to see how elastic the demand for beans is in this country.

### Field Peas – Dun

Early indications are that the area planted to peas in the 2015 season will be very similar to 2014. Pea prices tend to remain more stable and do not have the wild fluctuations that are seen in lentils. The competition from Ukraine origin is being seen in markets as close as Malaysia for yellow split peas.

### Lentils

The prices delivered to growers during the current season have been outstanding and further amplified with the weakening Australian dollar. Spot prices are around \$880 US delivered to terminal packer for Flash type whole red lentils.

For new season the bid is around \$730 US delivered to terminal packer, or around \$870 US CFR Indian main port. There are minimal unsold stocks of lentils in farmer hands at this

stage. As predicted in the last report, farmers were very happy with the new herbicide tolerant varieties, and seed sales for these varieties have been strong again this year.

As a general comment, the predictions made are predicated on normal rainfall for the 2015 season. It must be pointed out that there are significant areas in all states where, at the time of writing, opening rains had not yet occurred. Faba beans are the most time sensitive pulse and after early May farmers will choose an alternative pulse or take the lower risk option of a cereal. Australia has the potential for a big year of pulse production provided the rain arrives on time.

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## Statistics Canada March Planting Intentions



**“What one does is what counts. Not what one had the intention of doing...”**

Pablo Picasso  
(1881 – 1973)

Statistics Canada (StatsCan) released their first acreage estimates on April 23. Information was collected from 11,500 farmers from March 18 to March 31. In the worst case scenario, some of the information released was already 36 days old. During those 36 days, new crop pulse prices were increasing on a weekly basis, therefore, the information should be regarded as a starting point. Importers were looking for much higher acreage in peas and lentils than what was announced.

While I agree that acres will likely move higher in June or the final estimate in December, the amount of acres seeded to pulses in Saskatchewan has always been quite stable with the exception of 2011/12, when the previous year's horrific harvest conditions kept pulses in farmer's bins well into the following two crops years. For the first time in the past five years, there have been pulse crops seeded in Saskatchewan into the third week in April. That may give importers the solace they were looking for, as harvesting in early August looks to come to fruition for the first time in the past five years. The next crucial release from StatsCan, the Stocks in Store as of March 31, will be released on May 6. There is no question that there will be little-to-no old crop peas and lentils to export in July of this year. The question that

should be answered in the report is when stocks actually run out – May, June, or July.

**PEAS:** At 3.83 million (M) acres, peas came in at the low end of estimates that were from 3.8 to 4.2 M acres. Over the past six years, the final field pea seeded acreage issued in December has been on average 96.93% of the first published March intentions. On average over the six years, the final estimate is 109,000 acres lower than the March estimate. That would put pea acres at 3.712 million in December. The worst miss was in 2009 at 445,000 acres.

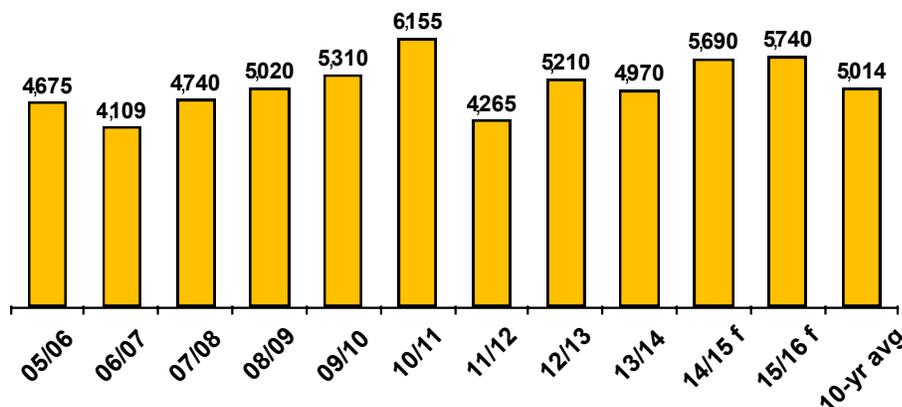
While pea acres may make a compelling story today, the real headline continues to be demand and the ability of Western Canadian exporters to deliver product even

throughout their transportation woes. The last official data from the International Trade database indicated that 2.11 M tonnes have been exported to the end of February. To reach 2.9 M tonnes of exports during the 2014/15 crop year, 790,000 tonnes are required to move during the next five months. The five-year average exports in the March to July timeframe for peas total 1.027 M tonnes. The question now becomes when we run out of peas rather than if we run out of peas.

During the past two months, India has recorded damaging rain and hail in some of the best pulse producing regions. According to the Indian Meteorological Department (IMD), March was the wettest month in the past 100 years in Northern and Central India. Crops were nearly mature for the rabi harvest and damage to quantity and quality is still being assessed. To compound India's weather woes further, on April 22 the IMD announced that this year's monsoon could be 93% of normal as El Niño conditions persist. Old crop prices for yellow peas have risen during the past week to entice more selling with some bids at or over \$9.00/bushel. New crop bids for both greens and yellows look to stay stable until the next round of planting intentions at the end of June.

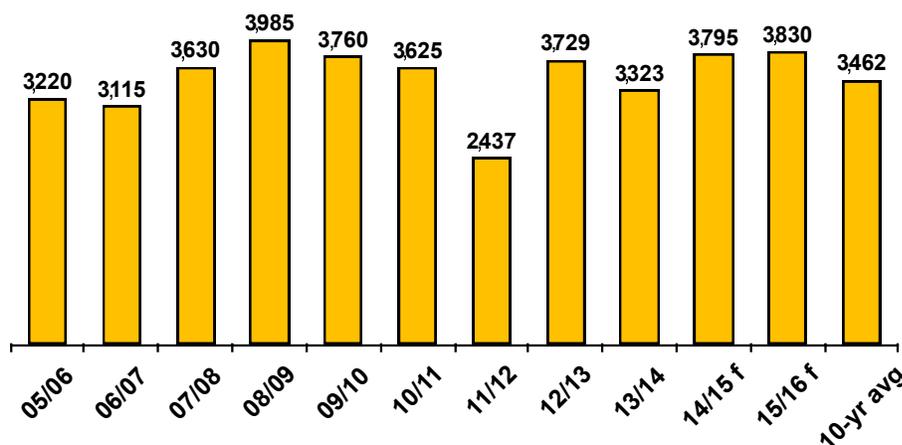
**LENTILS:** StatsCan's estimate of 3.35 M seeded acres came in on the low end of industry expectations that ranged from 3.2 to 3.6 M acres. There were some industry personnel who believed 4 M could be in store. There is good reason to believe that lentil acreage will be higher. The lentils March seeding intentions has been understated five times and overstated once, compared to the final in the past six years. On average, the final estimate is 272,000 acres higher than the March estimate. The worst miss was in 2010 at 705,000 acres. On average, over the past six years, the final lentils seeded acres is 111.04%

**Saskatchewan Pea, Lentil, and Chickpea Seeded Acres (000 acres)**



Source: Statistics Canada and Weber Commodities

**Canada Dry Peas (000 acres)**



Source: Statistics Canada and Weber Commodities

of the March estimate. That would put lentil acres at 3.719 M in December and may have lentil acres higher than pea acres for the first time. If that estimate holds true, expect close to 2.4 M acres to be red lentil acres come December.

Lentil exports continued their torrid pace to the end of February, as 1.349 M tonnes have been exported. To reach Agriculture Canada's estimate of 1.65 M tonnes of exports, only 301,000 tonnes needs to be exported during the final five months to July 31. The five-

year average of exports from March to the end of July is 561,000 tonnes. Like peas, it is not a question of if we run out of lentils to export, but when.

The same concerns in India regarding peas hold true for lentils. New crop prices have been very strong for this time of year given the increased acreage that has been well known since the beginning of the fiscal year. Old crop red lentils have climbed as high as 42¢ delivered, with new crop at 30¢ with an Act of God clause. Old crop large green lentils have been bid

as high as 48¢ delivered for premium quality, and new crop moved to 31¢ delivered shortly after the planting intention release. Of concern to both farmers and importers should be the dryness in the mid-June to July period that could trim yields. As with peas, the surprising low acreage estimate from StatsCan, and the less than optimal spring/summer forecast should keep the lentil market stable until the next acreage release.

#### **CHICKPEAS & SOYBEANS:**

Chickpea acres were within industry expectations and continue to languish between 100,000 and 200,000 acres over the past eight years. The bright spot for holders of chickpeas is that

with India's chickpea concerns, there may be opportunity to go into next year without burdensome supplies at July 31, 2016. Soybean acres in Saskatchewan were estimated at 335,000 acres, 24.1% higher than last year as farmers continue to test newer varieties better suited for northern regions.

When all was said and done after the StatsCan release, it was what was not in the release rather than what was in it. The market will be an interesting read over the next two months as India's pulse production is better known and Western Canada's summer weather takes shape. Regardless if there are

4 M acres of peas and 3.8 M acres of lentils, the timing is perfect for Western Canadian farmers to take advantage of India's drop in pulse production and go into the 2016/17 crop year without a heavy carry-over. I do expect both pea and lentil acres to increase in June and again in December as Picasso's quote rings true for the balance of this crop year. It is not your intentions that mattered, but what you did that counts. Have a great seeding season and please be safe.

*Larry Weber operates Weber Commodities Ltd.  
More information can be found at  
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