

Pulse Market Report

March 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.

Update on Chickpea, Faba bean, and Soybean Markets



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This is the time of year when the focus for both farmers and buyers is split between marketing the last of old-crop supplies and planning for the upcoming crop.

For old-crop, the questions are how much demand is still out there and if there's any life left in the market. The unknowns for the new-crop are how many acres will get planted and whether that will be enough (or too much) to satisfy the market. In this report, we'll look at three crops with very different market dynamics.

Chickpeas

For chickpeas, there's not much going on in North America. Export volumes have been quiet, keeping a lid on bids. Even though Statistics Canada (StatsCan) hasn't been able to get stocks data from some market participants, Canadian chickpea supplies feel heavy and many farmers are discouraged with their ability to move the crop. That's especially the case for smaller calibre kabulis which have to compete against Russian supplies moving into the Middle East.

If there is any improvement ahead for chickpea prices, the stimulus would need to come from overseas markets. Most market developments suggest there could be some stronger demand

ahead, although the most support would be for the larger 9-10 mm types.

In Australia, the latest kabuli chickpea crop was just 42,000 tonnes, less than half of the previous year. The total Indian rabi chickpea crop is expected to come in at 8.3 million tonnes, 13% lower than the previous year. The kabuli portion of the Indian crop likely won't be down the full 13%, but will still be smaller than the previous year. Also, in Mexico, the latest planting progress suggests the spring's chickpea crop could be 20% lower than last year.

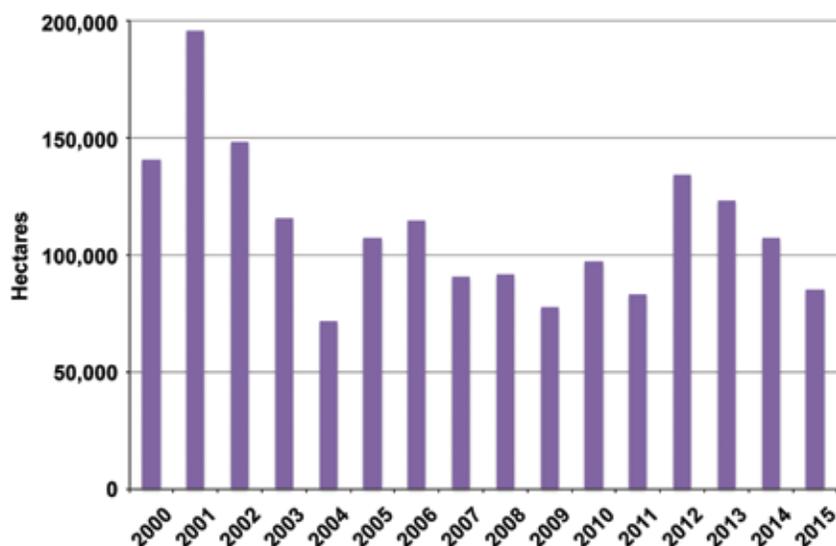
There's also some less positive news for chickpeas.

Russian farmers have been increasing production and exports of smaller calibre kabulis for several years. That trend is likely to continue this year, especially with threats of Russian export taxes on grains. And in Turkey, weather conditions over the winter have been positive, supporting higher yields when its chickpea crop is harvested in early summer.

Faba Beans

The faba bean market is looking positive for the short-term. Prices in Australia have jumped in response to a smaller 2014/15 crop and solid export demand from North Africa. In Europe, prices for edible fabas are also steady to higher as supplies of good

Mexican Chickpea Seeded Area



Source: LeftField Commodity Research & Servicio de Informacion Agroalimentaria y Pesquera (SIAP)

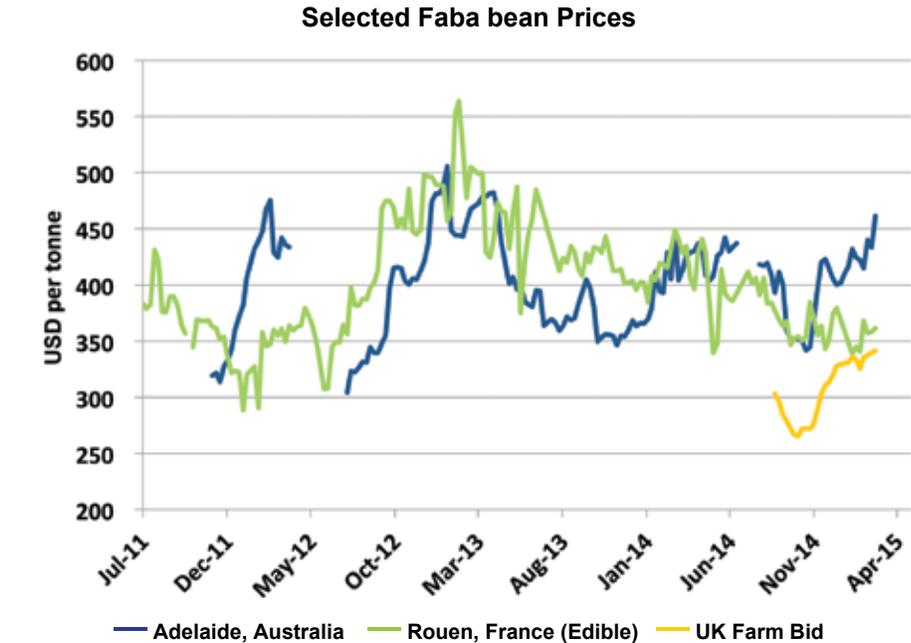
quality product are limited because of insect damage last year. Here in North America, posted prices are few and far between but the market is steady. Most fabas here are moving into the feed channel and that's still performing well, as reflected by strong bids for feed peas.

There's a note of caution for next year's faba market though. We already know Canadian acres will jump sharply but we're also hearing that stronger prices will encourage more plantings in Australia, the United Kingdom (UK) and France (helped by subsidies). For example, new-crop bids in the UK are \$100 USD per tonne lower than spot prices, reflecting this outlook for increased acreage.

More faba bean acreage in these countries will increase competition in Egypt, the main edible faba bean buyer, and will limit price potential for good quality fabas. The good news however, is that the much larger domestic feed market should be able to absorb the increase in Canadian plantings without much difficulty or pressure on prices.

Soybeans

In spite of what most analysts have been expecting, soybean futures have been rallying since the end of January.



Source: Profarmer Australia, Gleadells, and Commodity3

Traders are still nervous about the size and timing of the South American crop, although as time goes by, more of those risks are fading and the crop is becoming more certain. Basis levels in Canada and the United States (US) are historically weak, suggesting steady farmer selling.

Bigger 2015 crops represent the biggest risk for the soybean market. Although the United States Department of Agriculture suggested recently that

2015 US acres may actually slip a bit, global supplies are expected to rise sharply in spite of strong Chinese demand. As the large South American crops (including huge old-crop inventories in Argentina) make their way to export markets, some of the earlier support for soybeans will be lost. Aside from a crop failure in a key exporter, it's hard to see anything that would allow the recent rally to continue.

ROTATION - ROTATION - ROTATION



Larry Weber
Weber Commodities Ltd.

Just as location, location, location is the ultimate truism in real estate, rotation, rotation, rotation is just as important in your pulse seeding plans this spring. You might

ask why an agronomy issue is in the marketing section this month. The answer is because it is important and, after fifteen speaking presentations

in February with 80% of those engagements in Saskatchewan, I have a gut feeling that most everyone will be pushing pulse rotations. The end result could very well be the biggest marketing challenge farmers have in the 2015/16 crop year – good or bad.

Because seeded acres is the first part of the production equation in any supply and demand table, I have been surveying 100 farmers since 2004 with 60 in Saskatchewan, 30 in Alberta, and 10 in Manitoba. Eighty one of the farms have been in the program

since inception. This breakdown is representative of the production potential in Western Canada. The 100 farms range in size from 3,200 to 17,000 acres and total over 571,000 acres. While smaller in stature than Statistics Canada (StatsCan) and Saskatchewan Ministry of Agriculture, I poll the farms in mid-January and enter the results in a cost of production and return on investment spreadsheet to arrive at seeded acres for the coming crop year. I also survey 10 cleaning plants to poll their increase or

Per Cent of Acres Seeded to Pulse Crops Over 4 Years

REGION	2011	2011	2011	2012	2012	2012	2013	2013	2013	2014	2014	2014
	ACRES	% PEAS	% LENTILS									
1A	351,064	4.7%	0.9%	1,465,700	3.0%	2.2%	1,512,500	4.4%	0.9%	1,259,400	4.8%	x
1B	354,499	0.8%	X	1,316,400	1.8%	x	1,471,400	2.1%	0.1%	1,187,400	4.3%	0.1%
2A	491,563	3.0%	15.4%	1,245,900	3.0%	9.5%	1,020,400	2.7%	7.7%	1,013,000	3.6%	x
2B	1,505,241	5.1%	17.4%	1,882,300	7.2%	15.2%	2,448,100	3.8%	15.9%	2,318,000	4.8%	17.9%
3AN	1,086,884	7.0%	24.1%	1,133,500	7.7%	17.7%	1,088,600	8.9%	12.4%	1,062,900	8.2%	19.1%
3ASW	1,412,029	10.5%	15.4%	1,775,400	10.0%	11.8%	1,619,700	12.6%	10.1%	1,644,300	12.8%	11.0%
3BN	2,009,249	10.6%	22.1%	2,241,100	11.1%	23.0%	2,224,000	13.7%	20.1%	2,299,000	11.3%	24.5%
3BS	1,107,220	6.5%	17.9%	1,288,800	10.4%	15.3%	1,391,500	14.7%	13.0%	1,337,000	14.0%	15.3%
4A	414,286	6.5%	5.8%	624,600	11.3%	5.3%	646,200	11.1%	8.3%	647,400	10.7%	10.5%
4B	910,765	7.6%	9.7%	968,100	13.7%	10.4%	1,097,600	16.1%	11.0%	1,413,400	17.7%	16.7%
5A	1,532,808	2.5%	1.3%	2,086,000	3.2%	1.4%	2,085,600	4.0%	0.4%	2,272,000	5.1%	0.3%
5B	2,568,433	0.9%	X	2,301,300	1.5%	x	2,414,500	1.1%	x	2,512,400	2.0%	0.3%
6A	2,970,714	4.2%	6.1%	2,976,100	7.1%	4.6%	2,836,700	5.5%	4.6%	2,674,500	5.2%	7.4%
6B	1,910,005	5.6%	9.7%	2,128,400	9.8%	9.4%	2,015,600	6.9%	9.5%	1,960,800	8.9%	13.3%
7A	2,105,718	3.1%	20.1%	1,946,900	5.9%	16.6%	2,102,100	7.1%	16.6%	2,068,000	8.1%	21.9%
7B	1,712,120	9.5%	3.6%	1,972,700	13.4%	2.0%	1,834,500	10.3%	2.2%	1,808,400	12.6%	4.9%
8A	1,808,653	2.7%	0.2%	1,630,700	3.1%	x	1,664,500	2.5%	x	1,664,000	2.6%	x
8B	1,874,866	2.2%	0.1%	1,970,900	2.4%	0.1%	1,810,900	1.0%	x	1,841,500	1.8%	0.4%
9A	1,984,071	6.1%	0.1%	2,035,200	5.7%	0.1%	2,134,000	3.4%	x	2,017,200	5.6%	x
9B	1,605,063	6.8%	0.2%	1,617,600	7.4%	0.2%	1,585,400	4.7%	x	1,682,100	7.8%	x
	29,715,251			34,607,600			35,003,800			34,682,700		

Source: StatsCan Notes: 1) This chart corresponds with the region map on the back page 2) X indicates suppression for reliability concerns

decrease of farm cleaned seed over the previous year. The methodology has served me well for over 10 years.

My seeded acre estimate for peas was 3.95 million (M) at the end of January and I wouldn't change that number today. The five-year average for peas is 3.38 M acres. Agriculture Canada's estimate was 3.954 M acres mid-January and the highest estimate I have seen in the trade is 4.1 M acres. I reduced acres in Saskatchewan by 25% over the three-year average in the three areas that saw heavy disease pressure last year. The decrease in those areas will be made up with additional acres in Alberta. New crop yellow peas have been bid as high as \$8.00 a bushel (bu) for fall delivery and that could trigger some swing acres before actual seeding

takes place in less than two and a half months. New crop green peas bids are \$9.00/bu. Some farmers are uncommitted on 25% of what they intend to seed and are holding off, watching what prices do from the end of February to the end of March.

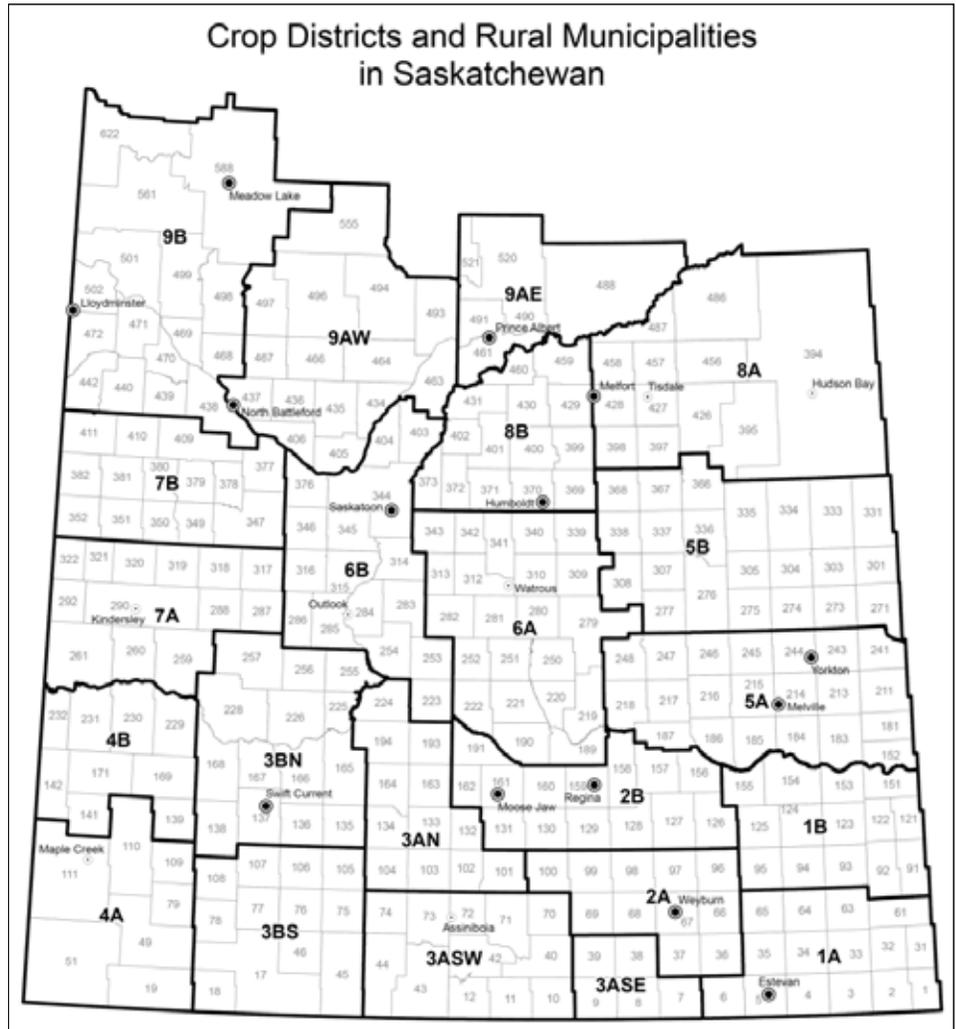
After interacting with over 5,000 farmers this month, seeded lentil intentions are starting to scare me. In January, I was using 2.95 M acres while Agriculture Canada (Ag Canada) was using 3.46 M acres. The five-year average is 2.85 M acres. Since my first cut at seeded acres, new crop red lentils have climbed to 27 cents for fall delivery and large green lentils are bid at 28 cents delivered. Today, I would put the lentil seeded acre estimate at 3.25 M acres, between Ag Canada's number and my initial estimate. The

bulk of the increase is going to come in the red lentil category with some processing plants now indicating a 30% increase in red lentil acres for 2015/16.

There is no doubt that pulse crops are the bright light for the coming growing season. However, it is important that rotations are maintained and adhered to, lest farmers find the same disease pressure that was witnessed last crop year. I put the four-year chart together for a reason. If a one-in-four pulse rotation is recommended, there are some areas that are pushing that equation to the maximum already. A healthy and diverse rotation is paramount to maintain pulses as a high value, high return crop.

The takeaway message for farmers is that they should be prepared for a large increase in pulse crop acres within StatsCan's first release on April 23, 2015. A larger than expected increase will have a negative effect on prices. The takeaway message for importers is that a lofty increase in pea and lentil acres could come with negative yield effects given the same agronomic conditions witnessed last year. Saskatchewan farmers have a history of killing a tight market (think durum, canary seed, flax) faster than any other province. With so many acres committed and those that are sitting on the fence, the opportunity to lock in profitable levels between now and the April 23 release should be considered – especially on the lentil side. It is not the committed acres that are scaring me – it is the swing acres that could skew supply demand if we have an adequate growing season. My next report is in May and by that time, hopefully all the seeding is near complete. Be safe and remember that profit is not a four letter word.

Larry Weber operates Weber Commodities Ltd. More information can be found at www.webercommodities.com



Source: Saskatchewan Ministry of Agriculture



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