



Outlook for Chickpeas, Faba Beans, and Soybeans

October, 2020

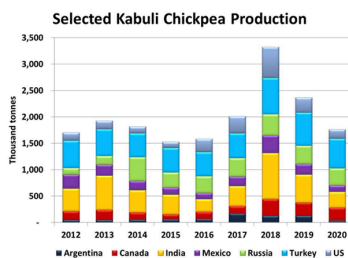
By **Chuck Penner**, *LeftField Commodity Research*
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The most challenging (and interesting) parts of crop markets are the constantly evolving conditions and new developments that change the outlook, sometimes radically. That's why it's good to be cautious when someone makes bold and absolute predictions about where the markets are headed. There are simply too many moving and frequently changing parts to allow for guaranteed claims. Each of the three crops in this article have experienced sizable shifts at some point in the marketing year.

Chickpeas

For chickpeas, some parts of the outlook are playing out as expected. In response to burdensome supplies and depressed prices, farmers reduced seeded area of Kabuli chickpeas in nearly all of the main producing countries. Acreage dropped sharply in places like India, Mexico, Argentina, the United States (U.S.), and Canada. This set the stage for supplies to start coming back down to more normal levels and for prices to recover.

The smaller acreage base was a helpful start to a more balanced chickpea supply situation but, as always, weather changed things up. Some of that was helpful and some not so much. Drought caused poor yields in Argentina, which reduced production further. In several other countries, conditions were good and above-average yields have partly offset the reduced acreage. Overall though, global production is getting back to normal.



Source: LeftField Commodity Research

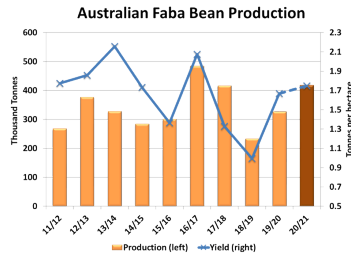
There are still questions about the size of Canada's crop, but Statistics Canada's (StatCan) latest estimate pegged the yield at 1,850 pounds (30.8 bushels) per acre, well above average. Despite seeded area dropping by 24%, StatCan estimated the 2020 Canadian chickpea crop at 240,000 tonnes, only 5% less than a year ago. In the U.S., above-average yields also cushioned some of the impact of a much smaller acreage base.

The bigger problem is that Canada and the U.S. are still sitting on very large chickpea supplies from the last two years. Earlier, there had been some optimism that heavier Canadian chickpea exports would have helped clear out some heavy supplies. Instead, Canadian exports declined, partly due to record shipments from Russia, which pushed Canadian chickpeas out of traditional export markets such as Pakistan. There was a drop in chickpea demand from the pet food industry. As a result, North America has become an island of burdensome chickpea supplies, which will take many months to use up.

Faba Beans

The faba bean market has been quite well balanced and stable the last couple of years. Canadian acreage has been more or less steady and yields have been close to average although there have been quality challenges. In 2020, seeded area was once again close to the last couple of years and production could be a little higher yet. The global situation is now changing though.

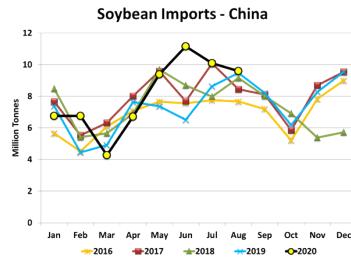
The past couple of years have been a little distorted by drought-reduced crops in Australia, normally the major faba bean exporting country. This, together with lower European production, had opened the door for more Canadian exports. This year however, Australian faba bean yields have improved and the crop will likely exceed the government's latest estimate of 400,000 tonnes. Faba bean crops are also expected to be larger in Baltic countries and that increased competition will add more challenges to Canadian exports.



Source: Australian Bureau of Agricultural and Resource Economics

This summer, something unexpected happened. China started buying soybeans in a bigger way, including large volumes from the U.S. and those purchases don't seem to be slowing. After a quiet start in 2020, Chinese purchases in the last three months have been at or near record levels.

While there's no official acknowledgement from China, it seems the heavy rains and typhoons have damaged its soybean crop, triggering heavier purchases.



Source: China Customs Statistics

At the same time, drier conditions in the U.S. have caused soybean yield estimates to decline. The combination of a smaller U.S. crop and larger-than-expected Chinese purchases is causing the U.S. Department of Agriculture (USDA) to continue revising its U.S. soybean balance sheet for 2020/21. Ending stocks, which had been over 900 million bushels in 2018/19, are now projected to be less than half of that in 2020/21. Since the middle of August, soybean futures have gained more than 20% and the market suddenly feels buoyant which is quite a turnaround.

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