

INDIA READYING TO HARVEST RECORD PULSE CROPS



G. Chandrashekhar
Policy analyst and
commodity commentator

India is poised to harvest a record crop of pulses in four to six weeks from now. Pulse planted acreage for the rabi season (spring/early summer harvest) has reached a new high of 39 million

(M) acres (as of January 13), well above the 35 M acres of last rabi season.

High prices, especially Desi chickpeas, have encouraged growers to plant additional area into pulses. The effort is aided by reasonably good subsoil moisture following near-normal rainfall from the southwest monsoon season that ended in early-October.

Weather conditions have been satisfactory so far. Subject to continued normal weather (that is, no unseasonal rains or hailstorms over the next two months), Indian pulse harvest is set to reach a new high. The government has set a production target of 13.5 M tonnes, and on current estimation, the final harvest size may well come close to the target.

If realized, India would have harvested a record crop of about 22 M tonnes for the 2016/17 crop year, higher than the year's target of 20.7 M tonnes, and substantially higher than the weather-affected 16.5 M tonnes of 2015/16.

The kharif season harvest (September/October 2016) was an estimated 8.7 M tonnes, higher than the target of 7.3 M tonnes, and sharply higher than 5.5 M tonnes of 2015/16.

Specifically, in the last rabi season, the pulse harvest was an estimated 10.9 M tonnes as the crop suffered weather-related damage. Every year since 2014 the Indian rabi crop has faced abnormal weather conditions, so there is an element of caution among trade participants.

Table 1. Rabi Season Pulse Planted Acreage (Million Acres)

Crop	2017	2016
Chickpeas	23.9	21.7
Lentils	4.2	3.5
Peas	2.7	2.2
Others	8.2	7.6
Total	39	35

Source: Ministry of Agriculture & Farmers Welfare, Government of India

Paying attention to a combination of factors - record kharif harvest, higher planted acreage for rabi crops, and pressure of arrivals from abroad (Canada, Australia, East Africa, Myanmar) - domestic market prices have softened. Pigeon peas (tur/arhar) are ruling below the government's minimum support price of 5,050 rupees per 100 kilograms (kgs) trading lot (about \$700 USD per tonne).

Chickpea prices too have corrected down from earlier highs of 9,000 rupees per 100 kgs (about \$1,300 USD/tonne), to the current level of 6,500 rupees per 100 kgs (less than \$1,000 USD/tonne). There has been a delay in correction thanks to delayed shipments from origins such as Australia and Canada. The chickpea market is poised for further downward correction as we move ahead towards harvest time.

Despite a large kharif harvest three months ago and bright prospects for the upcoming rabi crop, India's pulse imports have continued relentlessly. After two years of demand destruction following abnormal weather, and a fall in rural incomes, demand for pulses in particular and food in general has picked up, aided by increasingly consumer-friendly prices.

India's import statistics are maintained on a financial year basis (April to March). From April to December 2016, arrivals of imported pulses aggregated reached 3.7 M tonnes. A significant part of the goods were contracted several months earlier in 2016. Projected imports in the first quarter of the current calendar year are 1 M tonnes, which may take the annual

total to 4.7 M tonnes. This compares to 5.7 M tonnes in 2015/16.

The Government of India had announced the creation of 2 M tonnes of buffer stocks comprising of 1 M tonnes of imports, with the balance from domestic procurement. So far about 400,000 tonnes have been contracted for import and about 300,000 tonnes have been procured from the domestic crop. It is highly likely that the buffer stock target of 2 M tonnes may not be achieved. This can potentially discourage growers in the next planting season.

A question troubling Indian importers and overseas exporters is the proposed plant quarantine condition that India may impose after March 31. There is risk that methyl bromide fumigation at origin may be made mandatory without exception, potentially disrupting imports. Exporting countries have to work with Indian plant quarantine authorities to find an amicable solution.

India's annual budget is due for presentation on February 1. There is an expectation that agriculture may find a renewed thrust with larger investment funds allocated for various production enhancement programs, including pulses.

G. Chandrashekhar is a global agribusiness and commodity market specialist. He can be reached at gchandrashekhar@gmail.com.

2017/18 SEEDING INTENTIONS: CHICKPEAS AND SOYBEANS



Larry Weber
Weber Commodities

"You know, farming looks mighty easy when your plow is a pencil, and you're a thousand miles from the corn field."

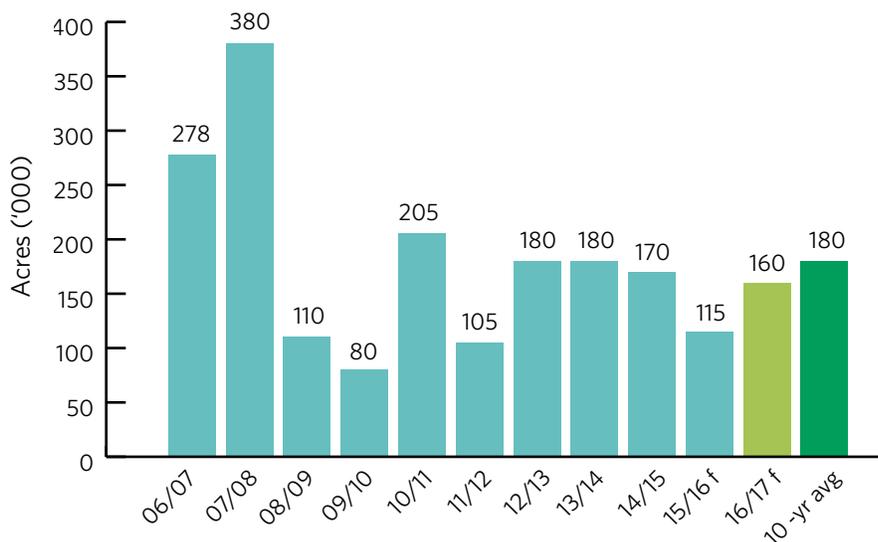
Dwight D. Eisenhower – 34th U.S. President (1890 - 1969)

While many of you have seen the above quote previously, I have thought of it many times as I try to put together seeding intentions for the coming year. For all the valiant estimations and calculations that are made to forecast acres, none beats the wisdom and thoughtfulness of the farm kitchen table or how profit and loss is determined on an individual farm. It is the third week of January, 2017 as I write this and already I have been in all three Prairie Provinces speaking to, and with, western Canadian farmers. One thing has become abundantly clear again this year, there has to be good reason to change from a steadfast rotation, and monetary gains alone are not enough to sway acres one way or another. The yield on soybeans in Saskatchewan during the last crop year should be enough to sway additional acres from other legumes, while chickpeas struggle to find the enthusiasm from 17 years ago.

Chickpeas

Statistics Canada (StatCan) chickpea seeded acres in Saskatchewan during the 2016/17 growing season were estimated at 160,000 acres, with nearly 89% of those acres being Kabuli types, and the balance (18,000 acres) were split between Desi and B90 type varieties. Yields for chickpeas have been flat, between 1,600 and 1,664 pounds per acre (lbs/ac) over the past three years, down considerably from the all-time record set in 2013 at 2,098 lbs/ac. The primary growing area for chickpeas is in southwest Saskatchewan and after years of trying to second-guess durum prices, I would hope that most farmers

Saskatchewan Chickpeas - 2006/07 to 2016/17 (000 Acres)



Source: StatCan and Weber Commodities

are familiar with the line *Don't seed for last year's prices*. When the United States Department of Agriculture (USDA) estimated the 2016/17 chickpea crop this January at a record 247,000 tonnes, prices fell nearly five cents per pound for large calibre chickpeas in Canada. Even with an enviable shipping record after harvest, ending stocks could be nearly triple the amount seen this year at over 100,000 tonnes. The eerie result of the rapid disappearance is that U.S. farmers will equate chickpeas to increased cash flow and acres will almost certainly jump higher in 2017/18. American farmers do not have the same experience growing pulses as Saskatchewan farmers do, and will be chasing the market prices from last year.

While India's rabi pulse seeding is running 11% ahead of last year, concern is also being raised about the drop in their domestic pricing and a 20% increase in cotton seeding in the kharif season, primarily at the detriment of pulse acres. If that estimate comes to fruition, prices will not remain low for a lengthy period of time and taking a wait-and-see approach to new crop (2017/18)

pricing might pay dividends. For old crop chickpeas, the peak for 2016/17 was most likely hit as soon as the USDA announced the production estimate.

Soybeans

While StatCan's data for soybeans only goes back four years, it does include the record breaking year of 2013/14 where soybeans managed 27.2 bushels per acre (bu/ac) average. This year's yield of 32.3 bu/ac is nearly 19% better than 2013. Combined with higher new crop prices for fall delivery in southern Saskatchewan at \$11.50/bu, and a gross return of \$371.00/ac, there is enough enthusiasm at the farm level for soybeans that acres will grow in 2017/18. I say that tongue in cheek, given how I started this article, but from my survey of 100 farmers (60 in Saskatchewan, 10 in Manitoba, and 30 in Alberta), all who grew them last year were increasing their acres in 2017/18.

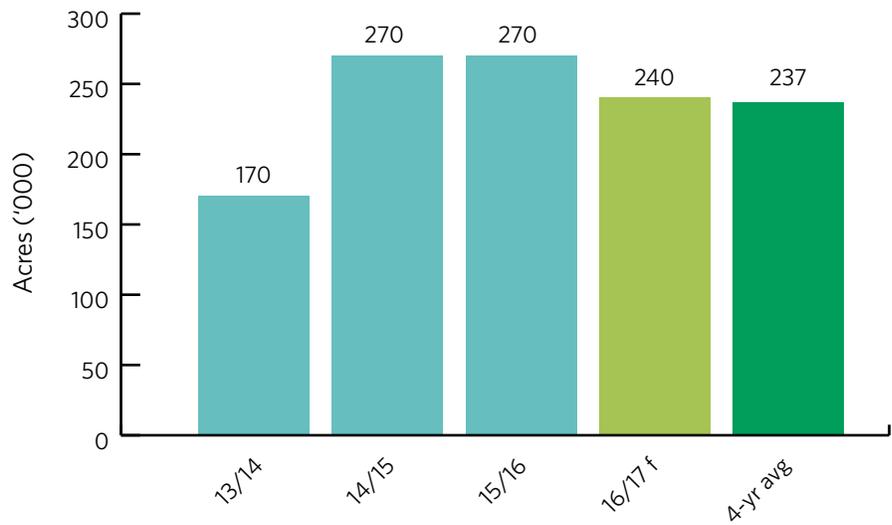
The intricacies of the world vegetable oil market should not be forgotten before your plow meets the field this spring, should you be considering soybeans as a seeding option in 2017/18. To put

Saskatchewan's soybean production (2016/17) in a perspective that is self explanatory, Saskatchewan farmers grew 202,500 tonnes of soybeans last year. Worldwide soybean production last year was 338 M tonnes. Saskatchewan farmers produced 9.75 M tonnes of canola last year or a world share of 14.3%.

When determining how much of your production you should lock in at next year's prices, it is always prudent to compare cash (what is the price today?), to deferred values (what is the price at harvest?). The spread today is a 50 cent premium for new crop pricing and indicative of China's insatiable demand for vegetable oil. Couple that with Argentina's two weather woes (flooding and drought in the north and south) and traders are not likely to push soybeans too far south, until the North American weather is better known. For Saskatchewan farmers, I believe there is not enough experience in growing soybeans or a long enough growing track record to be locking many bushels up prior to harvest.

Through all of these supply and demand estimates, I would be remiss if I did not mention what I have referred to publicly as the T4 Chronicles - The Trump Trade Tirades. Throughout his election campaign, many thought that his antics were aimed at getting elected. In his first days as the 45th President of the United States, we are learning that is not the case. In his first full workday as President, he has moved to withdraw

Saskatchewan Soybeans - 2013/14 to 2016/17 (000 Acres)



Source: StatCan and Weber Commodities

from the Trans-Pacific Partnership the former government had agreed to, and we have learned from his transition team that Trump would like a one-on-one trade deal with Canada - one that does not include Mexico. His late night/early morning Twitter postings have angered China and the one thing I can say with certainty is that world trade will change with the United States.

Pulse markets, soybean markets, and grain markets do not like the uncertainty of reduced trade, trade with tariffs attached to it, or anything that causes more risk to pricing. Increased risk causes higher risk margins and lower prices for farmers. For the past 17 years, I

was accustomed to looking at three wire services to determine market direction each morning. It was the first agenda item each and every day. Since Trump's Presidential victory, the first thing I look at is his Twitter account. I suggest you do the same. I pray that there are no scorched earth areas when this is all said and done and that we are not relegated to using Dwight's plow in the aftermath. My best advice to you today is to take fifteen minutes every morning and read what happened overnight. You won't be shocked at the changes about to occur.

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

Faba Bean Feed Benchmark Bi-Weekly Report - January 20 to 24, 2017

	CENTRAL ALBERTA	CENTRAL SASK.	SOUTH. MANITOBA
	CDN\$/T	CDN\$/T	CDN\$/T
Faba Bean Feed Benchmark Price	\$326.48	\$353.20	\$327.58
COMPETING FEED INGREDIENTS			
Feed Barley	\$155.00	\$155.00	\$195.00
Mid Protein Wheat	\$175.00	\$195.00	\$215.00
Low Protein Wheat	\$170.00	\$190.00	\$210.00
Wheat DDGS	\$210.00	\$210.00	\$210.00
Corn	\$215.00	\$188.00	\$176.00
Corn DDGS	\$230.00	\$203.00	\$175.00
Canola Meal	\$300.00	\$341.00	\$315.00
Soybean Meal (46%)	\$500.00	\$501.00	\$460.00
Canola Oil	\$950.00	\$950.00	\$950.00

All prices are in Canadian dollars per tonne.

Feed Pea Benchmark Bi Weekly Report - January 20 to 24, 2017

	CENTRAL ALBERTA	CENTRAL SASK.	SOUTH. MANITOBA
	CDN\$/T	CDN\$/T	CDN\$/T
Feed Pea Benchmark Price	\$285.25	\$302.69	\$276.06
COMPETING FEED INGREDIENTS			
Feed Barley	\$155.00	\$155.00	\$195.00
Mid Protein Wheat	\$175.00	\$195.00	\$215.00
Low Protein Wheat	\$170.00	\$190.00	\$210.00
Wheat DDGS	\$210.00	\$210.00	\$210.00
Corn	\$215.00	\$188.00	\$176.00
Corn DDGS	\$230.00	\$203.00	\$175.00
Canola Meal	\$300.00	\$341.00	\$315.00
Soybean Meal (46%)	\$500.00	\$501.00	\$460.00
Canola Oil	\$950.00	\$950.00	\$950.00

All prices are in Canadian dollars per tonne.

The feed pea and faba bean benchmark is intended to be used as a pricing reference. This benchmark provides a consistent and unbiased estimate of the feeding value of peas and faba beans in the three regions shown. Feed peas and faba beans will trade at various differentials to the benchmark based on local supply/demand, quality differences and other contract terms.



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