PULSE MARKET REPORT

April 2017

THE CURIOUS CASE OF INDIA'S PULSE POLICY PARALYSIS

G. Chandrashekhar
Policy analyst and commodity commentor

The Indian pulse market and government's policy response to the current situation is turning increasingly confusing, to say the least. There's a massive rebound in domestic production, imports are continuing unabated on a large scale, domestic prices are depressed to the dismay of growers, and promised government purchases are behind. At the same time, storage controls are still in place, exports continue to be restricted, there's the threat of customs duty on imports, and not the least, the yet unresolved situation over the fumigation of imported cargo.

According to Ministry of Agriculture & Farmers Welfare estimates, India is set to harvest a record 13.4 million (M) tonnes of rabi season pulse crops from 40 M acres of planted area. Of this, chickpeas alone account for 9.1 M tonnes harvested from 25 M acres of planted area. Other pulses include lentils, peas, black matpe (urad), and green gram (moong).

Not everyone is confident about the government's estimated crop size, but the fact remains, even if discounted by as much as 10%, the harvest size would still be considerably large, and in any case bigger than last year's rabi harvest of 10.8 M tonnes.

India's total pulse production during 2016/17 is now 22.1 M tonnes (kharif was 8.7 M tonnes and rabi was 13.4 M tonnes), sharply higher than 16.4 M tonnes from the previous year. An increase of 5.7 M tonnes in domestic production is unprecedented. Pigeon peas grown in the kharif season and chickpeas have substantially contributed to this increase.

Logically, such a big jump in production should have led to a sharp cutback in imports. But surprisingly, the country's pulse imports continue to surge and are set to register a new high this year.

India's pulse import statistics are maintained on a financial year basis from April to March. From April 2016 to January 2017, India imported 5.4 M tonnes of various pulses, of which yellow peas accounted for roughly 50%. Projected imports for February and March would total over 800,000 tonnes, taking the annual import volume well past the 6 M tonnes mark, higher than the 5.9 M tonnes imported during 2015/16 when India produced less and faced a huge shortfall.

India's large import volume, despite substantially higher domestic production, perhaps demonstrates the country's ravenous appetite for consumption. Clearly, demand is driven by plentiful availability and consumer-friendly market prices. Income and price elasticity of demand is clearly in operation, showing yet again how underestimated was India's potential consumption need.

There are two issues hot at the moment. The first relates to the threatened stoppage of clearance of imported pulses, arriving after March 31, not treated with methyl bromide at the origin. Hectic negotiations are going on with the India plant quarantine and phytosanitary authorities to find a mutually acceptable solution. Canada's Agriculture and Agri-Food Minister was here earlier this month to press for a solution that would ensure uninterrupted supplies.

The second issue that has an unsettling effect on import trade, is the possibility of the Indian government imposing customs duty on pulse imports. The buzz is that the rate of duty could be 10% according to value. If the duty materializes, import volumes will slow down in the coming months, even assuming that the fumigation issue is sorted out amicably.

Looking farther ahead, there are lurking risks. There is no guarantee that 2017/18 will be as good as 2016/17 in terms of pulse production. There are already initial signs of a developing El Niño, although it is too early to forecast with conviction.

The Indian pulse sector is crying for policy attention and reforms, but policymakers seem to be somewhat laid back. There are a number of progressive policy measures that deserve to be considered which include abolishing stock limits across the country, lifting restrictions on exports, accelerating the government's purchases to support growers, and re-launching futures trading in chickpeas and other pulses.

India's Pulse Production (Million Tonnes)

Pulse	2016/17	2015/16
Chickpeas	9.1	7.1
Pigeon peas	4.2	2.6
Urad	2.9	1.9
Moong	2.1	1.6
Others	3.8	3.1
Total	22.1	16.3

Source: Government of India

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

SPRING SEEDING: CLOUDY WITH A CHANCE OF STORMS

Larry Weber
Weber Commodites

There is no such uncertainty as a sure thing.

Robert Burns, Poet: 1759 – 1796

When I was growing up in northwest Saskatchewan, my grandfather was a huge influence in my life as a small boy. I used to be in awe how he could look at the clear blue sky and declare rain within the next two hours and further amazed when low and behold, it would occur within that time frame. When I was older, I asked him how he managed to nail the weather forecast with such accuracy when I was younger. "It was relatively simple," he explained, "while you were talking during lunch, I was actually listening to what the radio weather forecast was saying." Being a slow learner, I had to be taught that lesson again later in my career. During a Wednesday management meeting in Winnipeg, I thought I had held the floor quite well for a twenty six year old until my boss walked in my office and exclaimed, "If you are always talking, when do you have time to listen?" There is a message in there for all of us while grain marketing.

The Internet and social media are perfect examples of noise versus reality. Messages get hyped, positions get amped and in the end, you still must ascertain what gain is going to be realized from all the noise. I started down a path of seed quality for this column and by the time I was finished my research came to the conclusion that there has been much noise about seed quality and downgraded lentils and peas and the coming projected carryovers for pulses, however, reality could be quite different.

I'm sure not as concerned today about pulse seed quality as I was a month ago after seeing the results of what highly technical machinery can do to a horrible looking sample of lentils. Lentils were hit the hardest with the unusual wet weather that was experienced in Saskatchewan during the summer and fall of 2016. When you peruse the two pictures of before and after seed conditioning, you would think that the samples were handpicked and not mechanically altered. The profit in taking sample lentils to a No. 3 Canada more than justifies the cost of cleaning. For the cleanout, there are more than enough protein and pet

Left: 2016 harvested red lentils at Sample grade, blended to No. 3. Right: 2016 harvested green lentils at Sample grade, blended to No. 3. Source: Weber Commodities

Saskatchewan Pulse Production Over Time

Saskatchewan Acres	Lentils	Peas	Chickpeas	Soybeans
2007/08	1,435,000	2,925,000	380,000	N/A
2008/09	1,745,000	3,165,000	110,000	N/A
2009/10	2,355,000	2,875,000	80,000	N/A
2010/11	3,340,000	2,610,000	205,000	N/A
2011/12	2,460,000	1,700,000	105,000	N/A
2012/13	2,430,000	2,600,000	180,000	N/A
2013/14	2,620,000	2,265,000	180,000	170,000
2014/15	3,010,000	2,600,000	170,000	270,000
2015/16	3,750,000	2,135,000	115,000	270,000
2016/17	5,285,000	2,180,000	160,000	240,000
2017/18 *Weber forecast	3,775,000	1,950,000	175,000	275,000
Change to 2016/17	-1,500,000	-230,000	15,000	35,000
% change to 2016/17	-28.6%	-10.6%	9.4%	14.6%

Source: StatCan and Weber Commodities

food distributors that care less what the visual aspects are of the feed lentils and will pay better than the sample prices on the food industry side. For those of you holding what you feel are substandard lentils and peas, explore your cleaning and conditioning options before you sell them into the feed market. Sample lentils and peas that used to be headed for the feedlots are now being conditioned for the food market and 25-30% may end up in the feed market. Do your own research and math, but ensure you are generating as much profit for your farm as you possibly can. If you are not, someone else probably is.

In Saskatchewan, seeded acreage forecasts for this spring have been declining steadily in peas and lentils, while rising marginally for chickpeas and soybeans. During the latter part of March, it was a little unnerving to receive "I'm combining" emails from the west central portions of the province. However, getting acres combined in March and April could make seeding less frantic in May. India remains the biggest wildcard with the fumigation issue still not resolved at press time. To add aggravation, there has been some discussion in India of re-instating the 10% import duty on pulses to lift prices that are now below the Minimum Support Price (MSP) levels. Compounding the trade barriers (that's what they are) that India is contemplating, the weather forecast for this spring leaves much to be desired.

My seeded acreage forecast for all lentils in Saskatchewan is down nearly 29% from last year's record level. Most of the reduction will come from red lentils as the price has deteriorated more significantly than green lentils. I am not a seller at current new crop levels. Drew Lerner's latest forecast for spring is quite succinct. Do not wait for optimum planting conditions to begin spring field work. His longer term forecast for summer continues with a wetter bias, although not as wet as 2016, but wet enough that disease pressure will be fully engaged if the forecast verifies. Chickpeas should see an increase in acres for farmers in the southwest portion of Saskatchewan, based on the lower profitability of other grains and oilseeds. Desi chickpeas could be the sleeper this year as the price differential from Kabuli types can be overcome with better yields and delivery opportunities. While soybeans won't see the surge in acres that Manitoba has over the past three years, yield results from the 2016/17 crop, reduced input costs, and China's insatiable demand for vegetable oil, should keep prices elevated long enough for acres to increase once again in Saskatchewan.

There is too much uncertainty with weather, politics, and trade in my opinion to get too concerned about pre-selling more than 25% of your intended production and hopefully, farmers did that in January when prices were still elevated. Unless you are Robert Burns, the only sure thing this spring and summer is that it will rain. When it will rain depends on how well you remember to listen to the forecast and not the noise that preceded it.

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

Faba Bean Feed Benchmark Bi-Weekly Report - March 24 to 28, 2017

	CENTRAL ALBERTA	CENTRAL SASK	SOUTH MANITOBA
	CDN$/T	CDN$/T	CDN$/T
Faba Bean Feed Benchmark Price	**$290.40**	**$303.69**	**$295.07**
COMPETING FEED INGREDIENTS			
Feed Barley	$155.00	$150.00	$176.00
Mid Protein Wheat	$175.00	$190.00	$220.00
Low Protein Wheat	$170.00	$185.00	$215.00
Wheat DDGS	$210.00	$210.00	$210.00
Corn	$215.00	$185.00	$176.00
Corn DDGS	$220.00	$188.00	$163.00
Canola Meal	$315.00	$331.00	$309.00
Soybean Meal (46%)	$500.00	$480.00	$446.00
Canola Oil	$1,235.00	$1,235.00	$1,235.00

All prices are in Canadian dollars per tonne tonne.

Feed Pea Benchmark Bi Weekly Report - March 24 to 28, 2017

	CENTRAL ALBERTA	CENTRAL SASK	SOUTH MANITOBA
	CDN$/T	CDN$/T	CDN$/T
Feed Pea Benchmark Price	**$281.83**	**$292.87**	**$270.25**
COMPETING FEED INGREDIENTS			
Feed Barley	$155.00	$150.00	$176.00
Mid Protein Wheat	$175.00	$190.00	$220.00
Low Protein Wheat	$170.00	$185.00	$215.00
Wheat DDGS	$210.00	$210.00	$210.00
Corn	$215.00	$185.00	$176.00
Corn DDGS	$220.00	$188.00	$163.00
Canola Meal	$315.00	$331.00	$309.00
Soybean Meal (46%)	$500.00	$480.00	$446.00
Canola Oil	$1,235.00	$1,235.00	$1,235.00

All prices are in Canadian dollars per tonne 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.

SASKATCHEWAN pulse Growers

www.saskpulse.com

@Saskpulse

If you would like to receive your copy of the Pulse Market Report by email, please contact us at **pulse@saskpulse.com.**

Publications Mail Agreement No. #40021625. Return undeliverable Canadian addresses to: Saskatchewan Pulse Growers, 207 - 116 Research Drive Saskatoon SK S7N 3R3