

STATCAN ACREAGE IMPLICATIONS



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Research

In late June, Statistics Canada (StatCan) released its 2017 seeded acreage estimates. These numbers are a useful early step in setting up market outlooks and with over 20,000 farmers surveyed

in late May and early June, are fairly reliable (although not perfect). Despite the large sample size, StatCan doesn't report smaller acreage crops from every province so we need to fill in some blanks to get the complete picture.

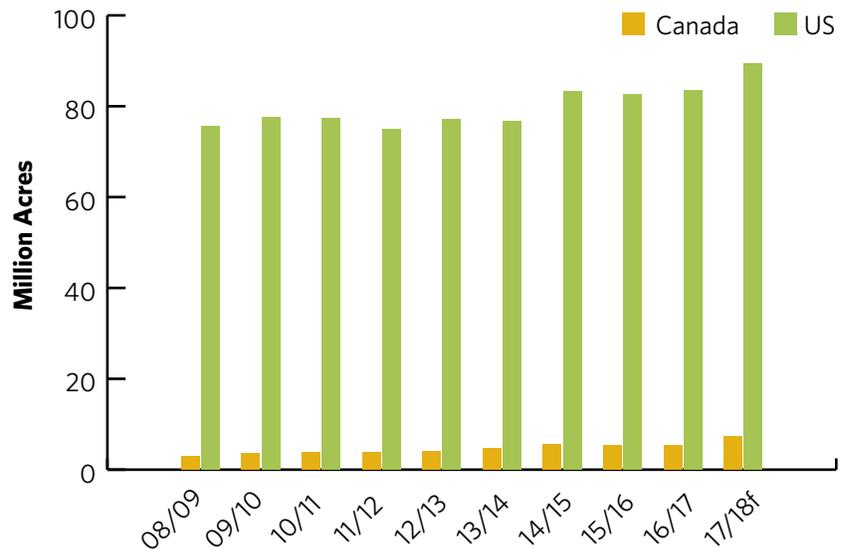
Traders were generally expecting a sizable boost in 2017 soybean acres, but the StatCan estimates seemed to still catch them off guard. Total Canadian plantings were 7.28 million (M) acres, 33% more than last year. Western Canada accounted for 3.14 M of the soybean seeded acres, 67% above last year's total. In Saskatchewan, seeded area of 850,000 acres was 2.5 times last year's plantings.

Despite these impressive gains, soybean futures more or less shrugged off this news. Partly that was because the United States Department of Agriculture (USDA) was issuing its own soybean acreage estimate the very next day and there's a big difference in scale. The U.S. year-over-year increase of 6.1 M acres was almost the same size as the entire Canadian crop. By now, the soybean market has moved well beyond the acreage numbers and is now trading on crop conditions and yield potential, especially in the U.S.

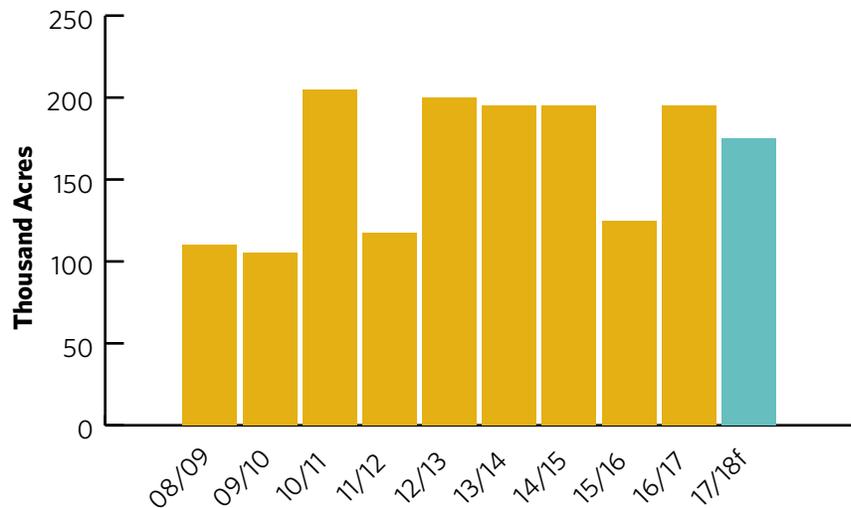
For chickpeas, StatCan's estimates are a little patchy. It reported 2017 seeded area for Saskatchewan had dropped to 135,000 acres from 160,000 last year. Nothing was reported for Alberta, but crop insurance records there show at least 40,000 acres of chickpeas were planted in 2017. This would make the total Canadian 2017 acreage base at least 175,000 acres.

This Canadian acreage estimate is

North American Soybean Acreage - Source: LeftField Commodity Research



Canadian Chickpea Seeded Acreage - Source: LeftField Commodity Research



fairly neutral for the market and in any case, subsequent events elsewhere are overshadowing the situation in Western Canada. Seeded area in the U.S. was up sharply, but deteriorating crop conditions in Canada and the U.S. will cut into yields. Meanwhile, global supplies, especially of larger Kabulis, are low and global buyers have few available sources. Even if the Canadian crop had been large, global prices would have remained well supported, and now that production in

Canada and the U.S. is threatened, it only adds to the upside potential. Movement will be brisk right off the combine for anyone who wants to generate cash.

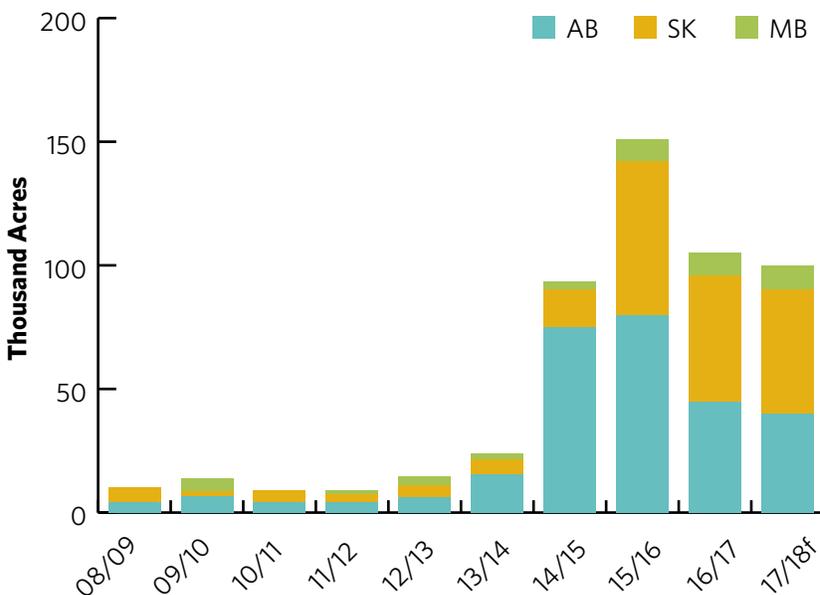
StatCan's faba bean acreage estimate is also incomplete. On the surface, total Canadian plantings of 90,000 acres look like they've doubled from last year, but that's only because StatCan didn't show Saskatchewan acreage for last year, but have included it in 2017. Once we've filled in the missing data, it appears faba

bean area declined just slightly in 2017, going to 100,000 acres from 105,000 acres in 2016.

Just like chickpeas, Canadian faba bean production really isn't large enough to influence the market. Global trade is dominated by Australia, Western Europe, and Baltic countries. To put it in perspective, Australian farmers have planted over 500,000 acres of faba beans this year, so changes to the Canadian crop won't make or break the supply situation. Even in Canada's domestic market, where faba beans are used mostly as feed, price direction is determined by other protein sources, especially feed peas. This means faba bean acreage will have little impact on prices.

Dry edible bean acreage for 2017 (once all the blanks are filled in) is also nearly unchanged from last year. Total seeded area for 2017 is estimated at nearly 340,000 acres, in line with the 2016 Ag Census total. Estimates for Saskatchewan generally aren't available and have been highly variable. The Agriculture and Agri-Food Canada census data for 2016 showed 7,700 acres of white beans and 63,000 acres of "other beans", which likely included fabas. For 2017, Saskatchewan seeded area should be in that same ballpark,

Canadian Faba Bean Seeded Area - Source: LeftField Commodity Research



with faba beans included.

Canada occupies only a small part of the overall dry bean market and these acreage estimates won't have a large impact on prices. Much of the market direction for Canada comes from the U.S. and seeded area there is up only marginally over last year. It doesn't appear that supplies will be getting heavy for 2017/18 and are more likely to shrink.

Of course, acreage numbers are only the first step in the various market outlooks. By now, yield prospects have become the dominant variable. In both Canada and the U.S., most pulse crops are faced with threats due to drought and those changes will play a much larger role in giving a lift to prices in 2017/18.

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2017: THE SUMMER OF DISCONTENT



Larry Weber
Weber Commodities

Farmers have not had to cope with an extended period of drought since 2002. They came close in 2015 when a July long weekend weather system moved in from Montana and saved a sure

disaster in the making. However, there has been no crop saving rain south of the No. 1 highway this year and fortunately, lentils look to be coping with the incessant heat and high winds, the best of all crops. The drought maps produced by Agriculture and Agri-Food Canada provide the best snapshot of the area affected. There are areas that are the driest on record. That would include 1988, 2002,

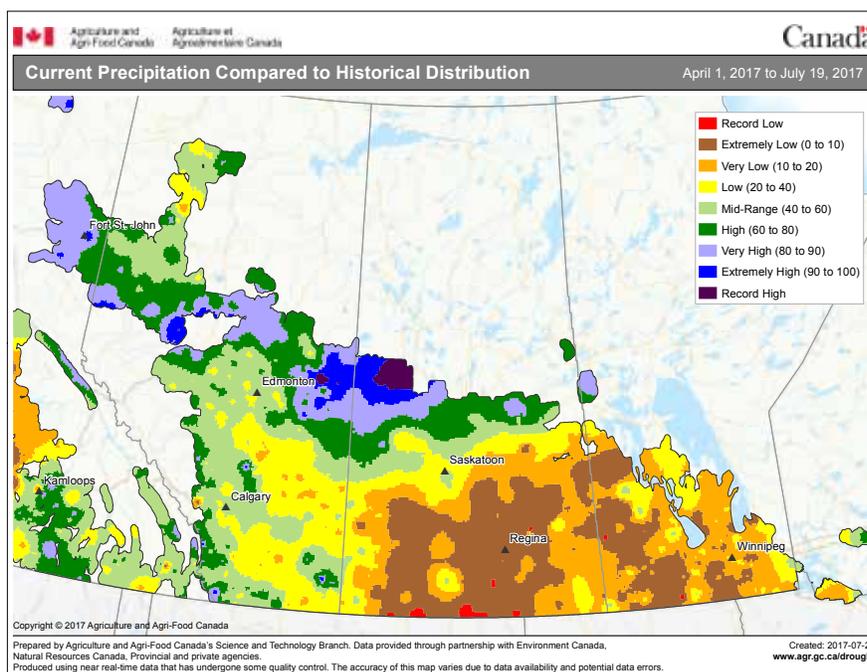
and 2015. Crops in some of areas of northwest Saskatchewan are in amazing condition, with some farmers reporting the pea stands are the best they have ever witnessed in their farming career. Unfortunately, the areas with the best rainfall represent approximately 15% of Saskatchewan's total pea area and less than 2% of the lentil acres. Australia is going through the same woes as Western Canadian farmers, although the lentil areas have been experiencing more rain than the traditional chickpea areas. As this is the first Pulse Market Report since Statistics Canada's (StatCan) June release of seeded acres, my focus will be on pea and lentil acres with variety breakdowns and a preliminary production estimate for both.

Lentils

Canada seeded 4.405 million (M) acres according to StatCan with 89% of those

acres originating in Saskatchewan. Saskatchewan lentil acres dropped 26% over last year, with the majority of that decrease coming from red lentils. The percentage of red lentils dropped to 66% of the total lentil acres in Saskatchewan from 72% in 2016/17. The trade believes that the final lentil areas will be closer to 4.8 M acres. The sleeper this year may well be green lentils as both small and large green seeded acres varieties are lower than last year with prices today for new crop inching higher as the drought worsens. I had the opportunity to crop check lentil crops around Moose Jaw on July 14 and saw many plants with double pods and each field seemed to be holding out better than the canola and cereals I looked at. Many fields were still in bloom and with 35°C temperatures and 40 kilometre per hour winds over the same weekend, yield was definitely

affected. The Saskatchewan Ministry of Agriculture (SMA) placed lentil conditions at 62% in the good to excellent category as of July 11. The five-year average is 69.8%. If you correlate that to yield over the five-year average, it equates to an average yield of 1,275 pounds per acre (lb/ac), slightly better than last year's 1,167 lbs and substantially less than the five-year average of 1,436 lb/ac. That math puts Saskatchewan lentil production at 2.267 M tonnes for 2017/18 versus last year's record of 2.742 M tonnes. I'm not a seller of any class of lentils other than for required cash flow off the combine. While India's monsoon rains have been above normal, Australia is in for a reduced harvest because of their drought. Turkey's lentil crop has been estimated 15% higher this year over last at 380,000 tonnes. Red lentils won't see demand until the later part of 2017. The best chance for a price rise in green lentils will come in the later



Lentil Acres by Class and Province - Source: Weber Commodities Ltd.

Sask	2010	2011	2012	2013	2014	2015	2016	5 Year Average 2012-16	2017
Large Green	1,185,000	1,035,000	1,200,000	985,000	710,000	750,000	1,050,000	939,000	900,000
Red	1,860,000	1,165,000	900,000	1,275,000	2,030,000	2,660,000	3,800,000	2,133,000	2,590,000
Small Green	235,000	200,000	260,000	300,000	215,000	260,000	380,000	283,000	360,000
Other	60,000	60,000	70,000	60,000	55,000	30,000	55,000	54,000	70,000
Total	3,340,000	2,460,000	2,430,000	2,620,000	3,010,000	3,700,000	5,285,000	3,409,000	3,920,000

Alberta

Large Green	20,000	30,000	25,000	25,000	15,000	40,000	40,000	29,000	75,000
Red	75,000	62,800	55,000	70,000	90,000	200,000	515,000	186,000	385,000
Other	10,000	5,000	5,000	5,000	5,000	10,000	10,000	7,000	25,000
Total	105,000	97,800	85,000	100,000	110,000	250,000	565,000	222,000	485,000

Pea Acres by Class and Province - Source: Weber Commodities Ltd.

Sask	2010	2011	2012	2013	2014	2015	2016	5 Year Average 2012-16	2017
Green	420,000	263,000	325,000	350,000	615,000	475,000	385,000	430,000	300,000
Yellow	2,120,000	1,415,000	2,250,000	1,875,000	1,910,000	1,610,000	1,750,000	1,879,000	1,800,000
Other	70,000	22,000	25,000	40,000	75,000	50,000	45,000	47,000	65,000
Total	2,610,000	1,700,000	2,600,000	2,265,000	2,600,000	2,135,000	2,180,000	2,356,000	2,165,000

Alberta

Green	155,000	85,000	118,000	92,000	240,000	220,000	200,000	174,000	135,000
Yellow	765,000	612,000	945,000	900,000	1,040,000	1,210,000	1,630,000	1,145,000	1,650,000
Other	15,000	9,700	12,000	8,000	20,000	15,000	15,000	14,000	15,000
Total	935,000	706,700	1,075,000	1,000,000	1,300,000	1,445,000	1,845,000	1,333,000	1,800,000

Manitoba

Green	15,000	5,000	15,000	25,000	15,000	15,000	25,000	19,000	16,000
Yellow	60,000	25,000	40,000	30,000	45,000	50,000	135,000	60,000	44,000
Other	5,000			5,000	5,000	5,000	5,000	4,000	5,000
Total	80,000	30,000	55,000	60,000	65,000	70,000	165,000	83,000	65,000

part of the 2017/18 crop year. Be patient is my best advice for farmers today. Your combine yield monitor will give you the best clue if you need to make more sales before the end of 2017. If there is no more moisture in July, expect my estimate of 1,275 lbs to take at least another 5% reduction.

Peas

StatCan estimated Canadian pea acres at 4.093 M on June 29, with Saskatchewan's share of those acres at 52.8%. Yellow peas will be 83% in Saskatchewan with green pea acres falling to 300,000 in 2017/18 or close to 14%. Green pea acres are down in Alberta as well as farmers are dealing with lower grades due to bleaching during last year's harvest. SMA placed field pea conditions at 66% in the good to excellent category as of July 11. The five-year average is 75.6%. Using the same math as above for lentils for Saskatchewan only, it translates to an overall yield of 30.71 bushels per acre (bu/ac) and production of 1.809 M tonnes in 2017/18 versus 2.346 M tonnes last year. Last year's pea yield in Saskatchewan was 40.1 bu/ac. The five-year average yield is 35.18 bu/ac. Alberta's primary pea area is in much better shape than in Saskatchewan. With nearly 41% of

Western Canadian acres originating in Alberta, overall production loss will be mitigated by that alone. Green pea prices have the best chance at a substantial price rise over the next 12 months. The northern plains in the U.S. are in an all-out drought zone with some analysts suggesting that farmers will be fortunate to get their seed back. The same applies to peas as lentils. Cash flow should dictate your pea sales and farmers should expect higher prices in the later part of 2017 and first part of 2018. Ramadan begins May 15, 2018 and traders will be targeting February 2018 purchases to meet Ramadan demand. I don't think the trade is ready for the substantial cut in production that is occurring in North America and with that, don't be surprised to see some elevated bids to fill presold new vessels as soon as the combine monitors start relaying the truth.

Expect harvest to be very early this summer with some farmers suggesting that they may be combining peas and lentils in the last week of July. The benefit to that is it takes out the early frost concerns that are more prevalent in cereals and oilseeds crops. I don't have to remind some of you that the last full blown

drought we had in 2002, it froze on the July and August long weekends. Not many talk it about as the damage was done long before the freezing temperatures occurred. For some of you reading this, you are in next year country already. For others, the drought woes will provide you with an opportunity to capitalize on other's misfortunes, if you are patient enough to wait it out. Please be safe during harvest and have a great rest of the summer.

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More information can be found at
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