

THE PULSE

newsletter



INDIA PULSES CONCLAVE 2016

Simpson Seeds Inc. attended the IPC in Jaipur, India. There were more than 1100 delegates from 28 countries in the 3-day event. The underlying theme for The Conclave this year was 'Powering India towards self-sufficiency in Pulses.'

Following the conclave, we travelled to Dubai for the Gulfood Show where we had a booth in the Canadian Pavilion. This show is always well attended and brings a lot of interest in lentils for the 2016 crop. All eyes are on Canada as we move into the 2016 planting season. Weather and seeding conditions will be watched closely by all those who import from Canada. Both trips provided us with the opportunity to meet with current customers face to face, as well as to meet new potential customers to help us grow in individual markets.

On these travels, it is always interesting to see how the lentils we ship are used in different markets. There is also a trend to use lentils as an ingredient in more food products. We took a quick trip to the grocery store in the Dubai Mall and found some interesting snack products containing lentils as well as traditional small pack lentils. It is clear that these items are growing in popularity and being introduced in a variety of ways. We are excited to see the continued growth of the industry and lentils into international and local markets.



Photo Credit: Amy Brohee



MARKET SYNOPSIS

FOR CURRENT AND NEW CROP LENTILS

Photo Credit: Amy Bronee



RED LENTILS

Remaining stocks of old crop red lentils are down to about 100,000 MT. Some growers have been holding their remaining stock for seed purposes while others have been waiting for prices to recover from a recent decline in the daily bid.

India has been the main driver for red lentil markets this crop year. The Rabi harvest in 2016 has failed again due to the strongest El Nino event in history. So, why the drop in the daily bid from +50 cents/lb to the 40 cents range? There are two reasons. First of all, there are some significant stocks in the Indian ports that are being sold off cheaply. Traders are fearful of anti-hording regulations put in place by the Indian government. Secondly, the Rabi harvest is completed so there are about 300,000 MT to 400,000 MT of new crop red lentils readily available to the market.

Simpson Seeds Inc. is expecting these stocks to be consumed over the next several months and expects our daily bid to increase in May/June. There is one caveat, and that is, we will be following the progress of the Turkish lentil harvest. Should they grow a higher than normal yielding crop, we could see Turkish lentils holding price near current levels.

Exports of red lentils so far this year have reached 1.8 million tonnes to all importing countries such as Sri Lanka, Pakistan, India, Turkey, UAE, Egypt, etc. This breaks a previous record of 1.364 million tonnes.

SSI is forecasting up to 5 million acres of all lentil types to be planted this spring of which **3.5 million** acres will be seeded to red lentils.

Contract prices for new crop are at record high prices as the Canadian trade sees a very bullish market from now until December, 2016. The main reason is India has suffered a drought for the second year in a row. This opens the door wide open for Canadian growers to capitalize on this opportunity. In addition, the drought reduced crop in Canada leaves us with a very low stock to use ratio of 3.9 for the end of this crop year.

The weather forecast is suggesting El Nino will impact the Canadian lentil growing region with a dryer and warmer bias from now until the end of June. Markets will respond upward as lentil traders will begin to worry about the potential for average yields declining. If this happens, then be prepared for another bull rally in the red lentil market. However, if we happen to get a couple general rains covering lentil growing region this spring, then we could see a bearish signal to the market that will temper the extent prices can rally.

GREEN LENTILS

Stocks of Large Green or Laird type lentils are even lower than red lentils. We did not produce enough lentils last year to meet the unprecedented demand from India. Under normal conditions, India would not have been a buyer at such high prices. We need to understand there wasn't any cheap substitutes or options for India as the internal price for pigeon peas was nearly double the price of green lentils. In all my years of being in this industry, I have never witnessed such high prices caused by the convergence of droughts in Australia, India, and Canada.

Exports are normally about 600,000 MT per year. This year, exports will only be about 500,000 MT as a result of low supplies. Ending stock will be only 14,000 MT or a stock to use ratio of 2.6%. For this reason, prices for Laird type lentils will remain strong this spring. However, don't get caught with stocks of old crop on the farm as prices will come down in June/July.

Simpson Seeds Inc. is expecting up to 1.2 million acres of Laird type lentils to be seeded this year. There were about 1.23 million acres seeded in 2012. The biggest difference comparatively this year, is we have no carry in stocks and the dry conditions will likely prevent us from over producing. We are more bullish on Laird type lentils than red lentils as the pipeline will be empty and it will take several months of heavy shipping to replenish stocks.



ESTON LENTILS

Current stocks of Eston lentils are in the same situation i.e. low inventory. The quality isn't exceptional with X3 and #3 quality being harder to market. We expect only 12,000 MT of stocks at year end or a stock to use ratio of 6.3%.

Simpson Seeds Inc. expects new crop seeded acres could be as high as 300,000 acres. With the pipeline empty, we will need high quality good green No. 1 Eston to fulfill the demand for our regular customers all over the world. Prices will remain firm until the nearby demand had been filled. That will take us right up to December before we see any price pressure.

CDC IBERINA, SPANISH BROWN LENTILS

Old crop stocks of Spanish Brown are all sold out! We are totally focused on making CDC Iberina one of the top performing lentils.

We are very excited about this year's prospects as we have contracted 10,000 acres for the first time in this program's history. All the barriers of the past have been removed. We have the 3rd Generation version of CDC Iberina seed available. This iteration has high yield, disease resistance, good stand-ability, CLEARFIELD resistant, etc. Being a small seeded variety, you can seed fairly cheaply even with the higher price of the seed.

This program will grow to 30,000 acres over the next several years. Thanks to the weak Canadian dollar we now have a 30% advantage over our US origin competition. In addition, US producers are still using the old Pardina variety from Spain. The Pardina variety is lower yielding and more susceptible to disease than CDC Iberina.

We only have seed for another 1000 acres so please sign up now. We are not over contracting, therefore, we are not over producing, so prices should remain stable. Spain is still dry and they will still be a major importer. Every year the market is expanding to include more countries, such as Turkey and Germany.

CROP: SMALL GREEN LENTILS (#2 OR BETTER) CROP YEAR: 2016/2017

Probabilistic Price Forecast (CDN cents/pound)

Less than 25 cents/lb	10%
Between 25 cents/lb and 30 cents/lb	60%
Between 30 cents/lb and 35 cents/lb	20%
More than 35 cents/lb	10%
TOTAL	100%

Source: Simpson Seeds Ltd., March 15, 2016

CROP: RED LENTILS (#2 OR BETTER) CROP YEAR: 2016/2017

Probabilistic Price Forecast (CDN cents/pound)

Less than 20 cents/lb	5%
Between 20 cents/lb and 25 cents/lb	25%
Between 25 cents/lb and 30 cents/lb	50%
More than 30 cents/lb	20%
TOTAL	100%

Source: Simpson Seeds Ltd., March 15, 2016

CROP: LARGE GREEN LENTILS (#2 OR BETTER) CROP YEAR: 2016/2017

Probabilistic Price Forecast (CDN cents/pound)

Less than 30 cents/lb	5%
Between 30 cents/lb and 35 cents/lb	20%
Between 35 cents/lb and 40 cents/lb	50%
More than 40 cents/lb	25%
TOTAL	100%

Source: Simpson Seeds Ltd., March 15, 2016





FX – USD/CAD VOLITILITY

I am sure everyone has been following the price of oil as new technology has allowed us to extract more oil out of the ground. Over supply of oil has been a major driver of our Petro Currency i.e. the Canadian Loonie trading weaker. Oil prices are trying to recover and many think we will see USD40.00 to USD50.00 per barrel for WTI by the end of the year. There is good reason to believe that prices will recover as many oil producing companies will go bankrupt at USD30.00/barrel. Along with the producers, you can plan on some drilling companies and maintenance companies struggling to survive as well. My sympathy to all those impacted by low oil prices.



Recently, the Canadian dollar has strengthened to about 0.75 cents or 1.33 dollars CAD for every USD sold. The strengthening dollar has made it more expensive for importers to buy Canadian lentils. It can also be blamed for the drop in lentil bid prices since early February when the CAD had a significant shift in directions.



CUSTOMERS ARE #1

Our senior management team is focused on improving our company to meet customer demands. Demand for lentils is growing and SSI has invested millions of dollars to increase our capacity to meet the growing needs of our grower customers and importing customers.

Red lentils have been gaining popularity and we made adjustments to respond to market demand. We have modified one of our processing lines to double the capacity. This will result in more customer satisfaction as we work hard to maximum asset utilization.

In addition, more warehouse storage solutions are on the way for the farm plant as we will be installing 320 tonnes of storage racks. These racks will allow us to increase efficiency of our processing and warehouse assets. Furthermore, we are expanding our receiving system to enhance the grain handling. The new scale has been a much needed addition and in the next few months we will have the ability to use two scales and two receiving pits to expedite the receiving of trucks.

Designs are under way for a new plant in Swift Current. We have completed the first phase of the expansion with the completion of a fully automated packaging system to load boxcars and hopper cars easily and efficiently. The construction of a second spur will add 15 hopper cars of additional capacity for bulk hopper loading. The new plant will provide an additional 100,000 MT of high end processing capacity and will utilize the best technology in color sorting, destoning and metal detection equipment.

SSI is committed to putting our best foot forward as a value added processor of high quality lentils. This means jobs will remain in Canada.

Thanks for your continued support.





UPCOMING CROPS AND SEED AVAILABILITY



It's been hard for farmers to not think about the upcoming crop as they have been driving around looking at their brown fields almost every month of this winter. Also record high lentil prices have got everyone licking their chops to get another lentil crop in.

That kick started seed ordering by about 3 months. Although we have processed numerous seed orders, we still have seed available for those looking to secure more acres.

Available seed includes:

- > Lentil seed for all classes
- > CDC Nella Flax
- > Transend Durum
- > Canary seed

We know seeding plans can change right up until seeding starts. We want to be able provide you with good quality seed when you need it.

Today's seeding preparation has a long, "to do" list to complete to insure seeding goes smoothly.

We strive for a no hassle pick up and purchase experience. Payments accepted by variety of methods, Cheque, Interact, Visa, and Mastercard. Transaction documents, sent by email, fax, regular post

We appreciate your business and wish everyone a safe and enjoyable growing season.

We strive for a **NO HASSLE** pick up and purchase experience.

**CALL SIMPSON SEEDS FARM PLANT
FOR ANY SEED INQUIRIES: 306.693.9402**





KEEPING YOUR PRODUCT AND PEOPLE SAFE

Seeding is right around the corner! For many, this time of year is a flurry of activity picking up seed, hauling fertilizer and yet, still delivering last year's production.

We would like to take this opportunity to provide some refresher tips and important items when delivering product to Simpson Seeds Inc.

As a company, our purpose is *'Nourishing the World'*. We are shipping Saskatchewan grown food worldwide to people of all ages and walks of life. Therefore, it is important that as a company and producers we keep food safety in the front of our minds. Field samples and deliveries are both evaluated for quality, but also food safety hazards. Some examples are glass, metal, treated seed, fertilizer or evidence of infestation of pests. We are shipping food, so we need to ensure what we bring in can be cleaned to meet the needs of a food market.

Here are some important reminders about grain deliveries:

- > **Ensure product is delivered from contracted bin.** If product is purchased from a specific bin/field, ensure this is the product that is delivered. We need to ensure it is the quality we purchased. If out of specification, grain could be rejected or upgraded depending on the scenario.
- > **We have very low tolerance on heated/black seeds.** Safe storage and proper conditioning are key! Please ensure bins seal well and product is aerated or turned on a regular basis to prevent mould or heating throughout the year. Again, this could negatively impact the grade of your grain at time of sale.
- > **Refusal to accept contaminated grain.** Under the Canada Grain Act, a licensed grain handling facility cannot receive grain that is contaminated, and may refuse to accept delivery of any grain that is believed to be contaminated. As well, the Canada Grain Act prohibits delivery of grain that is contaminated. The following are a few tips to prevent your grain from becoming contaminated:
 - When possible store treated seed in separate bins.
 - If fertilizer bins must be used for storage, ensure they are cleaned out prior to storing lentils in them.
 - If possible, use separate augers for treated seed and non-treated. If this is not possible, ensure augers are flushed out thoroughly.
 - Ensure trucks carrying fertilizer or treated seed are swept, blown and/or washed with water prior to delivering product.
 - Visually inspect all equipment for treated seed
 - Ensure trucks are not leaking fluids that could contaminate grain at delivery.
- > **We practice food safety and are working towards ISO22000 accreditation at all facilities.** We evaluate for biological (insects), chemical (treated seed/oil smell), and physical (glass) hazards upon delivery. If a hazard is found, there is the possibility that your load may be rejected for contamination. Be diligent when checking equipment and bins for hazards.

These are just a few guidelines to help the whole process of delivering grain run smoothly, and protecting the product that you work hard to grow. If at any time you have a question regarding delivery procedures, quality of grain or safety of grain, please feel free to call one of our grain buyers. Again, thank you for your ongoing support; we wish you a successful 2016!



Simpson Seeds Inc. was a winner of Canada's Best Managed Companies program in 2012 and Requalified in 2015 to maintain our status as a Best Managed Company.