

THE PULSE newsletter



WINDS OF CHANGE

THE CURE OF LOW PRICES IS LOW PRICES.

Winds is always blowing in Saskatchewan. In fact, it blows with such veracity that comedians have made fun of the windy conditions we live in. Heard the one about if the wind in Saskatchewan ever stopped blowing we would all fall over! Then there are terms used in business such a "Headwinds" and "Tailwinds." Headwinds are seasons when we find growth more difficult. Tailwinds are when conditions or the situation allows us to be more profitable. For the last 24 months we have had headwinds due to global over production of pulses, tariffs in India, drought and declining prices. However, we are now seeing some fundamental shifts in the market sentiment or tailwinds, allowing for pulse demand and prices to start to move up. So, what has changed? What is causing the prices to suddenly move up? Here are some of my observations.

Weather has been the leading cause for prices to increase. El Nino is back and caused drought conditions in Australia and India. More on this later in the newsletter.

The cure of low prices is low prices. We all know prices are below the cost of production. This causes less acres to be planted and inputs reduced to preserve cash.

Geo-political issue are another cause for prices to go up. We have learned that growers of pigeon peas in Miramar and other North African countries have reduced planting due to the tariff barriers put in place by Prime Minister Modi. Modi is up for election and needs to boost prices internally to gain votes from 263 million farms or 55% of the total number of workers. Then, there is the on-going tariff war between the USA and China. This impacts Soybean prices, which effect corn prices, which in turn effect wheat prices.

There has been an increased demand for pulse protein for people and pets. People are including pulses more in their everyday diet. In many cases people are consuming new foods that include pulse flour, or fractionation of protein, starch and fibre. In addition, pets are being feed high quality pulse rich protein diets. These new markets are increasing every year.

LENTIL MARKET OUTLOOK

[**RED LENTIL**] bids have gone from a low of 15.5 cents to 18 cents in just a matter of weeks. This is due to a developing El Nino in the South Pacific Ocean that caused weather pattern in Asia to shift to a dry bias. Australia was the first country to report below normal yields in Red Lentil and Desi Chickpeas. Now, the latest reports from India reveal the South West Monsoon was 91% of normal. Some districts have dry soil and are behind sowing of the Rabi crop. Unless it rains soon there may be less acres planted to red lentils. It is really to early to know what the Rabi harvest will produce for yields and quality. This is no different than suggesting that dry conditions on your farm in April means the harvest will be poor. Furthermore, India is a big country and conditions will vary widely.

Global supplies are still very high for red lentils. Canada alone carried in 838,000 MT and produced another 1,215,000 MT. With nearly 2,000,000 MT of stocks in Canada and large stocks in the Black Sea Region it is my opinion that the increased potential demand from India and other countries such as Sri Lanka and Pakistan will limit the upside potential. Buyers in the India Sub Continent are in a financial crisis as many can not obtain loans from banks, so they can not afford to buy any volume and hope the price remains stable or up in value.

India has imposed a 33% duty on Red Lentils from Canada. Uncertainty around the politics of tariffs, artificial barriers to trade such as fumigation restrictions and glyphosate test only add to the uncertainty to trading with the I.S.C.

The good news is the additional demand will help to reduce the burdensome stocks in Canada to 500,000 MT by the end of the crop year. Growers who like to keep a lentil in a rotation might be rewarded better, especially if we can get back to normal or above normal snow and rain they will produce better yields.

[**LARGE GREEN OR LAIRD TYPE LENTIL**] prices are moving up from 17.5 cents to 22 cents. Dry sowing

conditions of the Rabi pigeon pea crop is one reason for the trade to speculate that demand will shift to large green lentil. If pigeon peas prices go up high enough a green lentil will be used as a substitute. Should this happen then we can expect a good draw down on stocks and this allows prices to go up.

The USA produced a good average to above average crop of 344,000 MT and carried in 187,000 MT, for total of 531,000 MT. The Black Sea Region produced 700,000 MT of all lentils with a guesstimate of 250,000 MT being Laird type lentil. The total supply of 1,125,000 MT will be sufficient to supply any shortages created by the poor pigeon pea crop.

With the increased bid to growers and hopefully more rain in 2019, I expect growers to plant more Laird type varieties next year.

Richlea lentils will follow the Laird market with the normal discount of the smaller calibre. We have been developing more markets that prefer Richlea over Laird. We would encourage Richlea growers to continue to plan for this variety.

[**ESTON TYPE LENTILS**] bid moved up from 16.5 cents to 19 cents for No. 1 quality. Eston carry in was 69,000 MT and production is 169,000 MT for a total supply of 238,000 MT. The ISC will not buy Eston so the market demand will be the traditional markets in West Europe, Morocco, Mexico and South America. India will not use Eston as a substitute for pigeon peas, so it will move in sympathy to large green and red lentil markets.

CDC Spanish Brown production has increased this year largely due to the premium we have been able to pay to growers and increased popularity of CDC Iberina. Spain did have a very good lentil crop this year, so they will use locally produced Spanish Brown lentils before coming to Canada for more stock to meet the annual consumption of 30,000 MT.





[FRENCH GREEN LENTILS] are slow moving as there was a good crop in France this year. Hopefully we can get some sales going in the new year.

Beluga lentils have been moving slow but steady. We did pay 45 cents/lb last year for our production contracts, but that price will not likely hold up next year. We did need to increase the supply, so we could have continuity of supply so we could become an increasingly reliable supplier of top quality Beluga. This has paid off for more growers as we have grown this niche market with a discipline to avoid overproduction.

Kabuli Chickpeas have unfortunately been overproduced, especially in the USA where production increased from 372,000 MT to 667,000 MT. Canada increased production to 285,000 MT but one third of the crop is feed, so the usable stocks for human consumption are only 190,000 MT. With our weak Canadian dollar and the excellent quality we grew, I expect we will be able to move a good portion of the stocks.

Prices have moved up from 22 cents to 27 cents. This was aided by the reduction of good quality No. 1 supply, the weakening of the Canadian dollar and the potential for a production drop of Kabuli in India.



FROM ALL OF US AT SIMPSON SEEDS INC

We would like to express our sincerest appreciation for the trust you have placed in us and best wishes for a Merry Christmas and a Happy New Year from the team at Simpson Seeds Inc.

Wishing you all the joys of the season and happiness throughout the coming year.

2019 SEED VARIETIES

ADDING TO THE BOTTOM LINE WITH NEW VARIETIES



Simpson Farms has been investing in new pedigree seed varieties since 1979. Over the years we have seen the value in this investment, and witnessed significant improvements in yield, disease resistance and overall quality from the new varieties. When a new variety surfaces, we get to see firsthand how it stands up against other varieties in its class. Some don't make it to market, but some clearly shine through as the new standard on our farm. When you find that one variety that pulls ahead of the others, it can definitely add to the bottom line.

For the 2019 crop year, Simpson Seeds Inc. will be offering some exciting varieties in Lentils, Durum, Flax Canary and CWRS. Some of the varieties that stand out are CDC Greenstar, CDC Impulse CL, AAC Congress and AAC Brandon.

CDC Greenstar, a large green lentil variety, from my experience, is agronomically superior to any other large green variety. Large greens in the past have had a bad reputation for poor disease resistance and lodging. CDC Greenstar has much improved disease resistance in ascochyta and anthracnose, and it has been evident in the field. The improved resistance to anthracnose has reduced the lodging severity and has been much nicer to harvest as compared to CDC Greenland and CDC Impower. There is also a nice yield bump that comes with CDC Greenstar as well. With a yield check of 97% as compared to CDC Maxim, it is 6 points higher than the next best large green lentil variety. CDC Greenstar is a conventional lentil variety, but I do feel the other agronomic advantages far outweigh the benefits of using the old Clearfield® variety CDC Impower. CDC Greenstar is showing higher tolerances to metribuzin (Sencor®). I have been able to apply higher rates, with less damage to the crop, which can be a nice tool when you are up against group 2 resistant wild mustard.

CDC Cibo, a new canary seed, has really separated itself to stand apart from all other canary seed varieties. One is that it is a new higher yielding glabrous variety

(itchless) that makes a big difference when dealing with the dust from unloading or cleaning bins. The second is the harvestability. We have been growing canary for a number of years now and the most frustrating part of combining canary seed can be putting it through the combine at slow speeds. For whatever reason, we gained at least 1.5 mph on the combine's vs other varieties in the same year and we have seen this over the last few years. Third, canary seed has been approved for human consumption, and CDC Cibo is the only variety that is yellow once milled, all other varieties are a darker black color. This is an important characteristic when it comes to the human consumption market. When canary is dehulled or milled into flour, CDC Cibo will provide a flour, or product, of a yellow color vs black, which is much more appealing to processors and consumers when incorporating it into foods.

AAC Congress durum is a variety that is looking to be one of the top yielding durum varieties on the market today and it definitely showed this last year. It beat out Transcend by a significant margin influencing Simpson Farms to be changing all durum acres over to AAC Congress for the 2019 season. One of the best traits of this new variety is its drought tolerance. This variety has proven its drought tolerance in multiple trials in the last 2 years and pulls through as the top yielder in these conditions, as well as still holds true to its high yields in favorable growing conditions.

AAC Brandon, finally, a CWRS variety that matches our durum yields. In a predominantly durum growing region, we could always count on a yield discount on CWRS as compared to durum. This variety is showing comparable yields and good harvestability. AAC Brandon has been getting a good lodging score and rates at the top for FHB resistance. With a good overall disease package and great yields, there is no wonder AAC Brandon will be the most widely grown CWRS variety in Western Canada for 2019.



**CALL 306-693-9402 TO BOOK YOUR 2019 SEED,
AS SOME VARIETIES AVAILABILITY ARE LIMITED.**

2019 SEED VARIETIES

ADDING TO THE BOTTOM LINE WITH NEW VARIETIES



LENTIL VARIETIES	TYPE
CDC SB-3 CL (Iberina™)	Small Spanish Brown
CDC Greenstar	Large Green Lentil
CDC Kermit	Small Green Lentil
CDC Invincible	Small Green Lentil
CDC Proclaim CL	Small Red Lentil
CDC Impulse CL	Small Red Lentil
CDC Redmoon	Small Red Lentil
Indian Head	Small Black Lentil

FLAX VARIETIES	TYPE
CDC Neela	Brown Flax

CANARY VARIETIES	TYPE
CDC Cibo	Itchless

WHEAT VARIETIES	TYPE
Transcend	CWAD

AAC Congress	CWAD
AAC Brandon	CWRS

CHICKPEA VARIETIES	TYPE
CDC Leader	Large Kabuli

PEA VARIETIES	TYPE
CDC Raezer	Green Pea



Simpson Seeds is happy to announce that we will be working in part with Pioneer to provide a seed treating service to producers on seed purchases.

We all know how important seed treatments are, but also know the hassles of treating when you are trying to get your seeding operation up and running. When you purchase seed from Simpson Seeds you will be able to pick it up treated through a, state of the art treater, providing superior coverage, at a price that would be close to the cost of doing it yourself.

Good luck to everyone in the 2019 farm season!

~ Trevor Simpson



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WHAT'S NEW AT SIMPSON SEEDS INC.

Diversification has been a key initiative during these past couple years. Most recently, SSI is now "Organic Certified." Trends in consumer demand in the most affluent nations of the world caused us to seek certification. Many of our customers were asking for a reliable and trustworthy supplies of organic. We will be starting small, but we do see this as a growth market.

Glyphosate free is a new market initiative we embarked on last year. Our Kabuli contract program was a glyphosate free program as we have buyers who wanted us to source glyphosate free Kabuli. We expect this program to grow in 2019 for chickpeas and lentils. As a matter of fact, we may have a glyphosate free processing facility so that we reduce the chances of cross contamination. I know many of you have already made the switch to Reglone for desiccation. When you start to see headline such as "Don't Eat Moong, Masoor Dal. GOI (Government of India) Says It May Have Imported Poisoned Lentils" in Indian newspapers then you know there is a problem.

SSI is the sole supplier for a new snack food in Japan that will be launched in 2019. It is very encouraging to know that we have been selected for this product launch. We could not have accomplished this without a devoted team effort at SSI and our new Quality Control manager, Sherry Robart.

We are also please to announce that our LEAN manager, Shari Braun, has achieved her Black Belt in LEAN management. Shari finished her certification shortly after completing a trip to Japan to visit Toyota and other manufactures who employ LEAN management in their companies.

CDC Iberina, Spanish Brown Lentil has been upgraded to SB4. This version of CDC Iberina has enhanced yield and included Clearfield resistance.

Nicole Alport is our new plant manager in Swift Current. Nicole farms with her husband Justin Alport in Kyle. Nicole has a degree in Agriculture from the University of Saskatchewan. Nicole was our first QC manager for SSI and will be able use this experience to assure customers of our brand promise at SSI is maintained. We did reduce operation in Swift Current this past year due to the slow down in demand globally. Provided we continue to have "tailwinds" in the pulse industry we expect operations to be ramped up on 2019.

Pet Food is a new market that has emerged in a bigger way in 2018. Pets are now considered one of the family and are no longer fed scraps from the dinner table. We are very excited to be able to find new markets for feed peas, chickpeas and lentils.

Kabuli chickpeas are in good supply and with good quality. SSI has focused our attention on supplying our customers with Kabuli chickpeas. We started a small program in the fall of 2017 and this led us to commit more of our resources into the processing and marketing Kabuli chickpeas.

New to SSI this past year is the addition of two new traders. Aime Sabourin from Winnipeg, MB is working on a variety of new markets for SSI including durum wheat, wheat, oats and other markets. Jordan Fehr joined our company this past year and is helping us to grow our domestic and international markets for all commodities.



The chart of our bid price is a good picture of the impact two failed monsoons had on prices, followed by global over product that led to the steady decline of prices.

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