

# THE PULSE newsletter

DECEMBER 2019



## GLOBAL MARKET ACCESS:

### RESTRICTIONS FOR CANADIAN PULSES ON THE RISE

Exporting Canadian pulses has been hindered by a rise in many geo-political, non-tariff, and nutritional barriers. Geo-political issues such as market access to Iran is one on many examples. The implementation of sanctions upon Iran has starved this country of foreign exchange, the government has responded by limiting permits to pulse importers. Internal supplies of Canadian origin laird lentils have caused internal prices to increase by 15% in the past couple weeks. Recently, the government increased gasoline prices to find money to run the country. Citizens turned to the streets to demonstrate a protest. As the protest intensified, Iran's tyrannical regime shot 100 people by snipers and 1000's were put in jail. A civil war will likely be the only way to overturn the regime. South American countries such as Venezuela, Chile, and Bolivia are facing devaluation of currencies, protests by poor people, and corrupt governments stealing from the treasury. Tens of thousands of tonnes of pulses are needed in these countries to satisfy their nutritional demand.

Non-tariff barriers for Canadian Pulses would be best explained by the mess we have made in India by shipping field dressed or not commercially cleaned red lentils. Recently, Canadian cargo was seized in Indian Ports on Phyto sanitary concerns contaminated with weed seeds. As a processor/exporter we have always advocated that Canada should pay more attention and not allow dirt and weed seeds to be shipped to our customers. Long term this practice needs to end. The Government of India finally had to issue a ban on Canadian pulse imports unless the cargo was free of weed seeds that they consider noxious or injurious to their country. As much as this policy will advocate for more processed lentils in Canada, it can now be a weapon used against us to restrict imports, i.e. just one restricted weed seed and cargo could be seized in violation of these new restrictions.

Nutritional barriers are on the increase. The demand for pulse ingredients in the pet food market was surging until the FDA (U.S.

Food and Drug Administration) issued a statement alerting pet owners about a possible link between dilated cardiomyopathy (DCM), a type of heart disease, in dogs eating diets containing peas, lentils, potatoes and other legume seeds as main ingredients. These ingredients are commonly found in diets that are advertised as "grain-free". In another instance, importers desire soybean, wheat (gluten) and other allergens to be absent in Canadian pulses.

Despite the above challenges, I am proud of Team SSI and the professionalism they demonstrate, the commitment to high quality standards and integrity. These core values have served us well over the past 40 years and will continue to be the foundation for our success and a truly home grown Canadian owned company with farming roots. We will never forget where we have come from and will endeavour to represent you, our valued producers of the best lentils, peas and chickpeas in the world.

Since our last newsletter sent in August, we certainly experienced a lot of obstacles throughout the 2019 crop year. To say getting the crop in was challenging is an understatement! However, it did get into the bin, for the most part, but most are likely still working to get their crops dried down, so the work is not done yet. While delays in harvest and continued poor weather conditions impacted our ability to get all good quality crop and all complete by October, it did bring firmness to the market. Other production areas also experienced similar difficulties with quality at harvest. Part of why we are experiencing an increase in prices is due to technical positions that were sold ahead of the harvest and the inability of Russia, Kazakhstan, Canada and now Australia to deliver on time and proper quality. Now to consider the fundamentals of the market longer term.

*By: Greg Simpson, Pres/CEO  
and Elyce Simpson Fraser, Vice President Sales & Marketing*



# LENTIL MARKET OUTLOOK

## [ RED LENTIL ]

India has continued to purchase more lentils in the past 7 months than the previous 20-24 months. Modi has once again been elected and the tariffs remain in place on Canadian origin lentils, peas and chickpeas.

While India is as major factor in the market, it is important to note that other major importing countries, namely Bangladesh, United Arab Emirates, Turkey and Sri Lanka, all have increased imports for the Aug/Sept period. They have imported 30% more lentils in comparison to the 2018 Aug/Sept period.

Despite the large carryover from 2018, we see it is still less than 2017 and that exports are increasing in 2019. Depending on India's rabi crop, which is currently being planted, and the outcome in May when they begin harvest, the export could potentially increase even more. This would further reduce our 2019 carryout.

Good amount of trade has happened with bids around 19.5-20 cents/lb. These prices have stayed fairly steady for the past 2 months and look to stay at those levels until markets fill and more is known about the rabi crop.

## [ LARGE GREEN LENTIL ]

Due to the higher counter tariff against the USA in the past 18 months by Europe and India, this allowed Canadian lentils to move into the market where the USA richlea and eston type would normally take up more market share in terms of exports. The USA carried over a whopping 76% of their 2018 crop. With high tariffs in the regions mentioned above this limits US market to Mexico and South American where there

are less trade barriers. Canadian exporters felt and continue to feel the impact of these large USA stocks as we compete in these countries for the large and small green market. Despite the higher tariff the USA still exported 53 Mt last year to India.

Another interesting small developing market is China. I was quite intrigued by a customer's story who visited us this August. They are exporting lentils to China for sprouts. The imports have doubled in the past year as it has become a health fad to eat sprouted lentils. Pretty neat little niche market developing! Sadly, Canada is not able to participate in this as China does not allow imports of Canadian lentils due to some phytosanitary issues that they have not been able to resolve between governments. While we are not a participant, I think the point here is there are opportunities for these types of new markets to immerge with lentils providing us with new-found and exciting ways in which to incorporate lentils into more people's diets across many different cultures.

We are not set to have large amounts of carryover that would be burdensome to the market. In fact, the same situation may occur with further reduced stocks depending on India rabi crop. While our planted acres were down this year, we still produced similar tonnes to last year as a result of better yields. I also want to mention here that we do have many customers who ask and would like richlea type lentils from Canada as well as the lairds.

We have seen prices improve from 22-23 cents/lb in August to 25-26 cent/lb. These levels seem to be supported by growers and buyers at the present time, although buyers are still very cautious on how much volume they buy for fear of a downturn in the market

Canadian Red Lentil Supply-Demand Estimates (metric tons, acres)

YEAR	2014	2015	2016	2017	2018	2019
Area (acres)	2,130,000	2,987,000	4,240,000	3,003,000	2,036,900	2,453,000
Yield (lbs)	1,421	1,394	1,263	1,351	1,308	1,430
Production	1,372,900	1,889,200	2,429,100	1,840,900	1,208,500	1,591,000
Carry In	213,000	159,000	41,000	282,100	836,000	514,000
<b>Stocks</b>	<b>1,585,900</b>	<b>2,048,200</b>	<b>2,470,100</b>	<b>2,122,900</b>	<b>2,044,500</b>	<b>2,105,000</b>
Disappearance						
Export	1,362,651	1,532,700	1,806,997	957,961	1,421,284	1,607,500
Seed	94,200	133,600	94,600	64,200	77,300	75,100
Feed & Waste	52,316	359,571	285,503	264,739	31,916	48,400
<b>Total Usage</b>	<b>1,509,167</b>	<b>2,025,871</b>	<b>2,188,100</b>	<b>1,284,900</b>	<b>1,530,500</b>	<b>1,731,000</b>
Ending Stock	77,000	22,000	282,000	836,000	514,000	374,000
<b>Stocks/Use</b>	<b>5.1%</b>	<b>1.1%</b>	<b>12.9%</b>	<b>65.0%</b>	<b>33.6%</b>	<b>21.6%</b>

Forecasts by STAT Market Research based on data from Statistics Canada - Created on November 5, 2019

## Canadian Large Green Lentil Supply-Demand Estimates (metric tons, acres)

YEAR	2014	2015	2016	2017	2018	2019
Area (acres)	710,000	750,000	948,500	975,000	1,252,600	938,800
Yield (lbs)	1,351	1,375	1,250	1,138	1,048	1,289
Production	435,000	467,800	537,900	503,300	595,700	549,000
Carry In	415,000	142,000	19,000	10,000	5,000	70,000
<b>Stocks</b>	<b>850,000</b>	<b>609,800</b>	<b>556,900</b>	<b>513,300</b>	<b>600,700</b>	<b>619,000</b>
Disappearance						
Export	648,554	440,831	468,900	422,197	421,675	472,700
Seed	30,600	38,700	39,800	51,100	38,300	25,700
Feed & Waste	28,846	111,269	38,200	35,003	70,725	34,600
<b>Total Usage</b>	<b>708,000</b>	<b>590,800</b>	<b>546,900</b>	<b>508,300</b>	<b>530,700</b>	<b>533,000</b>
Ending Stock	142,000	19,000	10,000	5,000	70,000	86,000
<b>Stocks/Use</b>	<b>20.1%</b>	<b>3.2%</b>	<b>1.8%</b>	<b>1.0%</b>	<b>13.2%</b>	<b>16.1%</b>

Forecasts by STAT Market Research based on data from Statistics Canada - Created on November 5, 2019

### [ SMALL GREEN LENTILS ]

We have seen a similar story in small greens as lairds. The USA was very competitive with large amounts of carryover stocks to try to sell into the market given the trade barriers in place. We saw a reduction in acres that reflected the prices at time of seeding, which were as low as 16 cents for a period. Typical quality markets such as Spain, Italy, Greece, Peru and Mexico have stepped in to buy. Prices have firmed up to around 20-21 cents/lb in recent

weeks. Many buyers delayed their buying decisions in hopes that prices would fall. The market has been reluctant to buy large volumes as the declining 24-month prices have been difficult to bear and buying capacity is limited. With the continued firm and upward trending price this has encouraged the market to buy, and because they were running out of stocks and they waited until last minute to purchase.

## Canadian Small Green Lentil Supply-Demand Estimates (metric tons, acres)

YEAR	2014	2015	2016	2017	2018	2019
Area (acres)	215,000	260,000	330,000	385,000	415,600	340,000
Yield (lbs)	1,416	1,405	1,364	1,113	1,314	1,394
Production	138,100	165,700	204,100	194,300	247,700	215,000
Carry In	141,000	50,000	10,000	20,000	28,000	61,000
<b>Stocks</b>	<b>279,100</b>	<b>215,700</b>	<b>214,100</b>	<b>214,300</b>	<b>275,700</b>	<b>276,000</b>
Disappearance						
Export	209,200	169,000	161,100	144,700	159,000	210,800
Seed	5,900	7,500	8,700	9,400	7,700	6,400
Feed & Waste	14,000	29,200	24,300	32,200	48,000	21,800
<b>Total Usage</b>	<b>229,100</b>	<b>205,700</b>	<b>194,100</b>	<b>186,300</b>	<b>214,700</b>	<b>239,000</b>
Ending Stock	50,000	10,000	20,000	28,000	61,000	37,000
<b>Stocks/Use</b>	<b>21.8%</b>	<b>4.9%</b>	<b>10.3%</b>	<b>15.0%</b>	<b>28.4%</b>	<b>15.5%</b>

Forecasts by STAT Market Research based on data from Statistics Canada - Created on November 5, 2019

### [ SPANISH BROWN LENTILS ]

We are into our 14th year with this program. We have seen good support but still compete against the USA Pardina variety. In the past 6 months we have seen more sales as some Spanish buyers are leery of potential counter tariffs being put on US lentils. We have also seen Turkey come back interested in more split Iberina as they prefer the darker color of the cotyledon. Because this is a niche item it does take 12-18 months for the product to move. However, it pays a premium to red lentils.

We will have the next generation of seed available in 2020. The Simpson Farm grew seed in both Swift Current and Moose Jaw area and the average yield was very close to the Impulse red variety at 33bu/acre. It also is resulting in better overall quality color as we did see some green immatures in the SB3 version and that does not exist in this next generation seed. Contact us for new crop production pricing and seeds prices.

# PEDIGREE SEED VARIETY UPDATE

This past growing season posed some challenges for a lot of producers in the Prairies. A dry spring, combined with spotty seasonal rainfall, and very challenging harvest conditions, pushed a lot of producers into new situations that required us to make some challenging decisions we have never encountered. I had spoken with a long-time producer this fall that told me "I have 1 year's farming experience 40 times" and that could not seem more true these past few years. Simpson Farms did manage to get most of the pedigree seed off before any significant rainfall that would have caused downgrading on seed quality. Our durum, lentil, and chickpeas came off at #1 seed and export quality. We have a couple new varieties that we are offering this year that might be a great fit for your farm operation. We are also offering seed treatment options for most crop kinds, charging only the cost of the chemical.

**AAC Congress Durum:** Congress durum is a variety that is looking to be one of the top yielding durum varieties on the market today. Showing great drought tolerance as compared to other durum varieties, and pulling big yields when rainfall is heavy.

**CDC Credence Durum:** Credence is one of the newest durum varieties in our portfolio. It is showing good yields and has the best rating for fusarium resistance within the durum category. This variety seems to be a good fit for the wetter climates.

**CDC Cibo Canaryseed:** Cibo differentiates itself from other canary seed varieties for a few reasons. 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. This canaryseed has been approved for human consumption, and Cibo is the only variety with a yellow grout, whereas 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, Cibo will provide a flour, or product of a yellow color vs. being black, which is much more appealing to processors when incorporating it into foods.

We are also offering:

**Small Red Lentil:** CDC Redmoon, CDC Impulse CL

**Small Green Lentil:** CDC Kermit

**Small Green Lentil:** CDC SB-4 CL (Iberina™)

**Small Black Lentil:** Indian Head

**Brown Flax:** CDC Neela

**CWAD:** AC Transcend

**CWRS:** AAC Brandon

COMMON LENTILS, PEAS AND CHICKPEAS

Myself and Maria Leippi will be attending all 2020 SPG Regional Meetings, Crop Production Show and Cropportunities this winter season. Stop by our booth if you have any inquiries or give us a call. Have a great Christmas and Happy New Year!

Regards,  
Trevor Simpson

## QUALITY SUCCESS FOR SELLING AND DELIVERY OF GRAIN

To ensure that your product can be sold and received with ease, we want to provide you with some tips to ensure successful movement of your pulse crops and avoid rejected loads at delivery.

- Use separate tubes or bins for fertilizer and treated seed.
- Apply pesticides and desiccants at rates that will not exceed MRL levels for importing countries.
- Thorough and representative sampling. Avoid taking sample with your hands that could contain levels of deet or other chemicals that may be detected when sent for testing. A grain sampling stick is best.

FROM ALL OF US AT SIMPSON SEEDS

*Wishing you and your family  
a Merry Christmas and  
Happy New Year!*

