

THE PULSE

newsletter

SPRING 2020



LENTIL MARKETS

RESPONSE TO COVID-19 PANDEMIC

These are unprecedented times we live in. The last global pandemic was in 1918 as the Spanish flu wiped out much of the population. As a matter of fact, my great grandparents had just settled in the Lady Lake region in Northeastern Saskatchewan. My great grandfather, and eight of his children died in the winter of 1919.

This pandemic has the entire world locked down with stay at home measures implemented to slow the spread and flatten the curve. The result has been a spike in consumer hoarding pulses like we have never seen before. Importers had become comfortable to keep stocks low as there appeared to be a sufficient supply of lentils and stable prices for the remainder of this crop year. Instead, we have seen a spike in demand that will consume the remaining stocks by June/July. This opens the door for continued

strong demand until November/December as the pipeline will need to be replenished with new crop.

There is more uncertainty now that we have COVID-19 to navigate. The "new normal" will have an impact on the food supply chain. We have new risks to mitigate with respect to our employee's health, the lack of container supply, delivery of goods to the markets and the weather. In this newsletter I will try to provide what we know now and our best guesstimate of the direction of the market.

Meanwhile, have a safe farming season and we look forward to continue being your local family business to serve you and to fulfil our mission to "Nourishing the World". This is Saskatchewan agriculture's time to shine!



LENTIL MARKET SPRING UPDATE



[SPANISH BROWN CDC IBERINA™]

We are pleased to report that the global stocks for Spanish Brown lentils will be virtually sold out by June/July. Spain has no stocks and will rely on imports once again. Spain will consume about 30,000 MT annually, but they normally produce 8,000 MT. This opens the door for Canada and the USA to grow and export about 22,000 MT.

We have a new version of CDC IBERINA™ that is higher yielding and is Clearfield resistant. We are looking to contract 3,500 acres. This niche lentil pays a premium to red lentils but is similar to grow as a red. The new CDC IBERINA™ holds its color very well and yields higher than many red lentil varieties. We can guarantee delivery of the contracted portion from September to December as our customers in Spain call in Spanish Brown lentils for the canning and packaging program. We are certain there will be extraordinary demand as it will take several months to restock grocery stores and distribution warehouses.

[LAIRD LENTILS]

Stocks are being drawn down quickly as we are running our plants at fully capacity to resupply the pipeline. We expect that we can sell everything that growers want to sell to us for June and July delivery. The premium prices will likely remain in place this summer. New crop prices will ease as the new crop becomes available in August/September. There are several unknown factors that will impact the prices one way or another.

First, what will the Black Sea Region produce this year? Russia is getting good prices for wheat and we think Russian growers will seed fewer lentils. Kazakhstan has closed their borders to export as they are hoarding their remaining supplies of pulses. This reduces competition from the Black Sea Region for now. Nobody knows how much they will be a factor come new crop. In our opinion, they will not be as disruptive as they have been in the past.

Second, how many acres will Canadian growers plant? This price spike may have come too late to increase seeded acres of Laird lentils. On the other hand, Laird lentils at +30

cents per pound will likely increase acres because Laird lentils will be very profitable and will provide much need cash flow for farmers in the fall. Furthermore, seed is in good supply.

Richlea lentils are completely sold out in Canada. We could easily export 40,000 MT this next year if they were made available. We expect India to continue to import green lentils, especially Laird and Richlea as they make a good substitute for Pigeon Peas. Pigeon pea prices are escalating due to a shortage of stocks in India. We expect strong demand for the remainder of 2020.

[ESTON LENTILS]

Eston stocks are very lower due to COVID-19 demand increasing imports. We can buy and sell all remaining stocks of Eston and have them shipped in June.

Morocco had been quiet for several years and suddenly they step up imports prior to Ramadan. We had additional demand come from Italy and Spain who suffered some of the highest number of deaths related to the virus.

South America is heading into winter so countries such as Peru will be looking for additional stocks for delivery in June to our plants. Peru is currently under Martial law and will likely remain locked down for several months. Demand will remain high as many people are struggling to maintain the supply chain as warehouses are restricted the number of days they are open to distribute stocks.

Mexico will step into the market for new crop in a big way as bean prices are very high. Mexico imports about 30,000 MT annually. We believe Mexico had good stocks going into the crisis, but stocks have been drawn down rapidly in the past 6 weeks. Importers are dealing with a devalued peso and high asking prices for replacement stocks. Food inflation is going to become a serious issue for Mexico and other emerging markets. High unemployment is adding additional stress to the consumer.

Bids have been as high as 28 cents per pound and we anticipate prices will be firmer right through to December.



LENTIL MARKET SPRING UPDATE

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[RED LENTILS]

Bids reached as high as 33 cents per pound a few weeks ago. I believe some companies are caught short and are in a technical situation that will keep prices up until new crop deliveries relieve the pressure on the market.

India will increase imports this year as Rabi crop was estimated to be 1.3 million metric tonnes and is now estimated to be 1.2 million metric tonnes. This past season India imported +500,000 MT so we expect good demand the remainder of this season. Canada will be the predominant supplier to India and the rest of the global market right up to December.

Australia is down to 50,000 MT of red lentil stocks and will be sold out by July. Container shortages have increased the cost to transport red lentils to tide water. This has made Australia less competitive until the container shortage issues are resolved over the next several months. But they will also still increase acres planted as the higher prices are also encouraging more to be planted.

Sri Lanka has closed their boarder to exports. In addition, the government is buying all stocks from the splitting mills in Sri Lanka. The government is selling the red split lentils at a subsidized price to feed their local people. This policy will remain in place for several months. Meanwhile, this has increase demand for red split lentil for the milling industry in Canada, Turkey and Dubai. Import demand will remain strong until new crop. Once again, we do not know how much the Black Sea region will disrupt the market, but we can plan on prices to settle down below 30 cents once harvest begins.



GOOD NEWS REPORT

NOURISHING PERU WITH LENTILS



When we are flooded by negative news reports we can often miss the good news that's happening in our world. Here is a wonderful example of how our lentils are *Nourishing the World* in this difficult time and how significant lentils are to feeding people globally.

Simpson Seeds received this message in our general email and we are grateful to have the opportunity to have a positive impact on our global community. We are all in this together!

"We are from Canada. We live in the Southern Amazon jungle of Peru. We own and operate an orphanage. Today we bought some food items to make 60 gift bags to help feed a small town near our home. The lentils we bought are from you!!"

Scott Blackburn
Director,
Tats Place, Puerto Maldonado Peru

