

THE PULSE newsletter



>>> New Products Contain Pulse Ingredients

Throughout my career, I have had the opportunity to work with various boards, organizations and committees. In 1985, I was elected by the pulse growers of Saskatchewan as a director with the Saskatchewan Pulse Crop Development Board. Eventually, I became Vice-Chair, and in my last two years I was the Chairman of the Board. I served growers for a total of 8 years. During that time, I was particularly interested in domestic consumption of pulses. So, it was not a surprise that I was on the Domestic Consumption Committee.

In those days, there were very few companies working to establish the use of pulses for domestic use. Most of the innovation was focused on field peas, as it was possible to produce the most protein, fiber and starch from peas to compete with other sources. Time and money was a limiting factor in those days, but I do feel that the investments made back in the late 1980's and early 1990's is paying off today.

China is importing up to 1 million tonnes of peas per year from Canada. The main uses are for fractionation, whereby they mill the peas into protein, starch and fiber. Protein is the highest value fraction and is used in sports supplements and other food applications. Starch is used for vermicelli noodles. Fibre is also being used as well. There will be 3 new fractionation mills constructed in China this year fill the demand in China and North America.

Agriculture Canada conducted an analysis in the North American market of new products containing pulse ingredients. This analysis confirmed the trend to use ingredients such as lentils, lentil flour, lentil extract, chick peas, pea flour, pea starch, pea protein, pea fiber, chickpea flour, bean (flour, paste and extract) from White Beans, Great Northern Beans, Pinto Beans, Black and Navy Beans.

The report states there were a total of 2,774 food products released containing pulse ingredients between January 2004 and March 2014 in North America. A total of 2140 new products (77%) were introduced in the USA and 634 products (23%) were released in Canada.



The top five product categories for pulse ingredients were fruit and vegetables, snacks, soup and savour spreads. In addition, there were baby foods and dairy products.

Over one third of the claims being made for new products containing pulses were "microwaveable." The other top claims included: the occurrences of kosher, low/no allergen, no-added preservatives, gluten-free and all natural.

The leading companies that retailed new products containing pulses were Loblaws, that launched 31 new products, and Trader Joe's with 6 new launches. Of Loblaws 31 new releases, 15 were under its President's Choice Blue Menu Brand.

As much as I am pleased with the results of this survey, I am sure that many who will read this report will be asking one question. Why are Canadian pulses going off shore for value-added milling and then the imported back to North America to have pulse ingredients put into our food? Especially, when we have a transportation system that is under stress, with companies dealing with various commodities trying to access tide water.

>>> Lentil Market Synopsis

This will be a very challenging year as a processor and exporter of lentils. We only produced 1.69 million tonnes compared to 2.20 million tonnes last year. Furthermore, we have reduced quality and higher prices. This combination of factors creates a more volatile market as we head into the New Year.

The bids have gone up substantially in response to the above. My expectation is we are near the top of the market or very close to the top of the markets. Historically, markets turn bearish once the intended seeded acres become the topic of discussion in the New Year. Lentil seeded acres could reach 3.8 to 4.0 million acres next year as growers respond to the higher current prices.

Lentil Supply/Disposition 2014/2015

CARRY IN		169,000 MT
SEEDED ACRES		
LARGE GREEN LENTILS	820,000 AC	445,000 MT
MEDIUM GREEN LENTILS	46,000 AC	27,000 MT
SMALL GREEN LENTIL	210,000 AC	120,000 MT
SMALL RED	2,044,000 AC	1,100,000 MT
OTHER	10,000 AC	5,000 MT
IMPORTS	-	10,000 MT
TOTAL	3,130,000 AC	1,876,000 MT
SEED		130,000 MT
DOMESTIC UTILIZATION		170,000 MT
EXPORTS		1,550,000 MT
TOTAL USAGE		1,910,000 MT
CARRY OVER		26,000 MT
STOCK/USE RATIO	1.36%	

Green Lentils

Green lentils have been impacted the most. There is only 5% of the crop grading No. 1 and 32% grading No. 2. Thank goodness there was a good supply of old crop lentils in the pipeline that enabled us to ship throughout August and September. That helped the industry to set record high exports for the Q1(August/September/October)

Buyers are adjusting to the limited supplies by choosing lower grades. For example, we are now offering No. 2 quality to buyers who normally bought No. 1. With processing, we can enhance the appearance to some extent but we cannot revive the color. The bleached, tanned and wrinkled seed coats caused by a prolonged wet cool harvest are not factors we can change.

As for the X3 quality, we are also confident that we can market this grade to our customers. The biggest issue is the No. 3 Laird that represents about 25% of the tonnes or 110,000 MT. The major market for No. 3 will be India. As discussed in a previous newsletter, Laird is used as a substitute for pigeon peas. Current asking prices of 20 to 25 cents per pound for No. 3 Laird by growers are not going to work into this market.

We will see what happens with the Rabi harvest in February and maybe prices for pigeon peas will improve. But for now, the No. 3 Laird market is over supplied and overpriced for India. As a result, we expect low grade Laird will be carried into the next crop year.

Eston Lentils

Eston lentils are in much better condition with its shorter growing season. We have 70% of the Eston lentils grading a No. 2 or better, and 30% grading No. 1. The stocks are much lower, but we think we can stretch the supply to meet demand for the remainder of the crop year. Large inventory warehouses, coupled with the pipeline filled with old crop, satisfied the markets demand for the first six month of the crop year.

Lower quality No. 3 is finding its way into the markets that purchase for food aid and school feeding programs. We estimate about 20% or 24,000 MT of the Eston crop grades X3/#3 and we are confident that the carryover will only be 5,000 MT.

Red Lentils

Red lentils are in better shape. We seeded a lot more acres but we only produced 1.1 million tonnes which is pretty close to last year's crop size. Early results of grower field samples tested, show that 50% of the crop is grading No. 2 or better, 25% is X3, 20% is #3, and 5% sample grade.

Once again, the carry in from last year was a blessing as we moved substantial stocks in the Q1 from old crop and early harvested new crop. There is adequate supply for Q2 as well. This is a critical period as we typically help India, Pakistan and Bangladesh bridge their supply needs between their local harvests. India will harvest the Rabi crop in February so they will have a million tonnes of local supply to supplement stocks from Canada.

The jury is still out on the status of the Australian crop. Summary comments cannot be made on the moisture conditions as they vary widely from Adelaide to Horsham. The September crop report of The Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES), predicted the lentil crop at 324,000 tonnes, up 80 percent from its June estimate of 180,000 tonnes. If this is true, then we may have seen the peak of the red lentil prices as Australia will have superior quality that will compel buyers from Sri Lanka, Pakistan and Bangladesh to purchase Australia origin red lentils.

CDC SB-3 CL (Iberina™)

CDC SB-3 CL (Iberina™) performed well this year. This 2nd generation version of Iberina graded 75% in the top two grades. PD price topped the market this spring at 30 cent per pound and we are now bidding 35 cents per pound. We will not have any carryover Iberina, unless growers don't want to sell at these prices. Profitability for Iberina will continue to shine as we introduce the 3rd generation of seed for the spring of 2015. We are looking to plant 10,000 acres and produce 5000 MT tonnes in 2015.



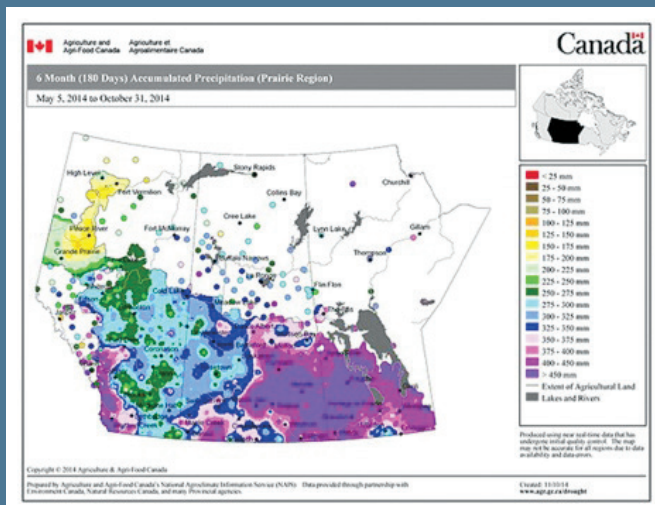
>>> The Weather Factor

Weather conditions are a prevalent concern for many people. This past year will likely go down as one of the memorable years for all rain we received. The moisture map below shows the extent of the flooding that has devastated the eastern prairies.

As we take a look at the market synopsis for the remainder of 2014 and peek into 2015, we will be looking at a highly volatile market that will swing rapidly with any news that changes the balance of supply and demand.

Forecasts are widely varied and are not reliable enough to make definitive decisions. Were any of you at the Pulse Days convention in Saskatoon when Drew Learner suggested the eastern prairies would be dryer this year due to an El Nino event? This only proves that the experts with all the data are still unable to accurately predict next week let alone tell us the weather for this winter and next spring.

The land is saturated and a normal winter means we will have a large number of acres unseeded next spring. I think it will take two years for the sloughs to evaporate off of our farm land. Let's hope the El Nino event this year actually occurs and allows us to have a milder and dryer winter.



The Transportation Factor

There has been an improvement in the level of service in some corridors. The Order in Council in March 2014 improved the bulk hopper car performance from a high level of 77,000 cars short of orders to about 27,000 cars short of orders by the grain industry. The result is we are now only about 2 weeks behind on orders vs 20 weeks in March.

The current Order in Council will expire on November 29th, 2014. There is considerable debate on the need for continued pressure to be applied to the railroads. There is good reason to keep the railroads focused on moving grain but there are some unforeseen consequences. Here are a few examples:

- The railroads will haul more grain from Alberta since the mileage is the least distance on the westbound corridor to the Port of Vancouver and Prince Rupert.
- Orders for the US and Mexico are not supplied as well as the westbound corridor. We ship a large volume of lentils and canaryseed to Mexico. We were shipping May/June sales contracts in August/September.
- Railways continue to fulfill shortfall orders at the expense of current week orders.
- Boxcar supply is erratic.

The impact on our company has been significant. Our ability to execute sales and purchase contracts was directly related to the lack of consistent and reliable service from the railroads. For the most part, our international buyers understood the situation we faced as the entire Canadian industry experienced the same poor level of service. i.e. 52% of orders filled. I would like to thank our producers who have been more than patient and provided us the grace to work through this problem.

Going forward we are making every attempt to continually improve our contract performance. This includes investments in more storage, more IT solutions to monitor contracts, and provisions for storage compensation when required. This compensation would occur when we need an additional grace period due to transportation and/or weather related events that impede our ability to execute contracts on time.



>>> Lentil Market Synopsis

Field Pea

Field Pea production failed to reach the forecasted 4 million tonnes of production due to excessive flooding and poor harvest conditions. Good demand for yellow peas, especially from China will draw down stocks to very low levels by the end of the crop year. Only 227,000 MT are expected to be carried over.

Green peas continue to be a premium as the weather impacted the percentage of bleach. High bid prices will hopefully encourage growers to increase the green pea commitment next year.

Field Pea Supply/Disposition 2014/2015

CARRY IN		300,000 MT
SEEDED ACRES		
YELLOW PEAS	3,025,000 AC	2,892,000 MT
GREEN PEAS	870,000 AC	758,000 MT
IMPORTS		27,000 MT
TOTAL	3,900,000 AC	3,677,000 MT
SEED		250,000 MT
FEED & WASTE		525,000 MT
DOMESTIC UTILIZATION		75,000 MT
TOTAL EXPORTS		2,600,000 MT
TOTAL USAGE		3,450,000 MT
CARRY OVER		227,000 MT
STOCK/USE RATIO	6.57%	

Canaryseed

Canaryseed production was up slightly over last year with the seeded acres higher than last year. Yields could have been higher if it wasn't for the frost and flooding that reduced yields in the eastern part of the province. Even if there was another 10,000 MT or 15,000 MT, this would not alter the market drastically.

Demand is steady but not enough to drive bid price much higher than 23 cents per pound at this time. We could see bids increase by 2 or 3 cents per pound near the end of the season as stock gets tighter. I think this would be desirable for growers to improve current profits and it would be a good incentive to increase production next year.

For now, we have space at our Kyle elevator for prompt delivery.

Canaryseed Supply/Disposition 2014/2015

CARRY IN		5000 MT
SEEDED ACRES	300,000 AC	
PRODUCTION		140,000 MT
TOTAL SUPPLY		145,000 MT
SEED, FEED, WASTE		5,000 MT
TOTAL EXPORTS		130,000 MT
TOTAL USAGE		135,000 MT
CARRY OVER		10,000 MT
STOCK/USE RATIO	7.40%	

>>> 2015 Seed Guide

As this has been a challenging year for seed production, we are focusing on the positive. Disease resistance of all varieties are put to the test. Also, we get to see how new pesticides will work in wet conditions.

We have some seed that really did stand out as top performers, and we think these may be a fit on your farm. See the seed guide included with all products available and watch for our booth at upcoming shows.

We will be attending the Crop Production show in Saskatoon Monday, January 12 through to Thursday, January 15. We will be attending the pulse regional workshops as well. We love to connect with producers at these events. Hope to see you out this winter.

We are working to make seed purchase and pick up as easy as possible as every minute in the spring is important when seeding. To help with this we want to remind you that we do take credit cards for seed deposits and purchases.

*May the message of Christmas fill your life with joy and peace.
Best wishes to you and your family during this holiday season.*

From all of us at Simpson Seeds Inc., thank you for your support throughout the year. Wishing you and your families a Merry Christmas and a prosperous New Year.

