

# THE PULSE newsletter



## LENTIL MARKET UPDATE

### SPANISH BROWN, IBERINA™ LENTILS

Lentils have been the shining star this year with record prices reported almost weekly. It certainly creates excitement in the market and some question as to how high prices will go. These prices also have growers, buyers, and sellers alike, looking ahead to 2016 crop.

We have been running our Iberina™ program for 7 years and we continue to see growth in the market as Iberina™ is competitive with other lentil varieties. With other production areas such as the USA and Spain under performing, this has opened the door for our Spanish Brown lentil. Our weakness in the Canadian dollar also helps us to be competitive in comparison to the US Pardina - type lentil. We see great potential for this niche variety to hold its value into the 2016/2017 year as there are predictions of record levels of red lentils being planted in Canada and increased acres in other regions. Price levels for reds may not be sustainable as we return to a surplus supply.

We have worked diligently to improve the agronomics of the Iberina™. The CDC SB-3 seed is Clearfield and has good yield potential (105 check to CDC Maxim). We have seed available, and Jamie and Trevor can answer any questions you may have about growing Iberina™ variety lentils.

We are also offering new crop production contracts as follows Iberina™:

#1 - 38 cents/lb., #2 - 34 cents/lb.,  
X3 - 31 cents/lb. #3 - 29 cents/lb.

*\*prices subject to change.*



Don't miss out on Simpson Seeds  
exclusive **CDC SB-3 CL (Iberina™)**

**BOOK YOUR 2016 SEED TODAY!**  
**SEE 2016 SEED GUIDE INSIDE**



# LENTIL MARKET UPDATE CONTINUED

## LARGE GREEN LAIRD TYPE LENTILS

There is a battle on the prairies to see who is king. On the basis of price alone, large green lentils are king. Currently, we are bidding 58 cents/pound for top grade #1 Laird lentils and 55 cents/pound for a #2 Laird lentil. The chart below shows the accelerated appreciation for the daily bid.



Chart courtesy of Stat Publishing. This chart has not captured the 58 cent bid from SSI

The bid price will remain at this level and could increase depending on the appetite for buyers to purchase Laird type lentils at record levels. We are up against technical resistance and no one wants to be owning inventory that cannot sell. Consumers at the retail level can easily find plenty of cheap options such as beans. As a matter of fact, in places like Mexico, Venezuela and other Latin American countries, people consume more beans than lentils. The root cause is an obvious lack of supply caused by a lack of competitive bids earlier in 2015, to signal growers to grow more Laird type lentils. Add in the drought conditions, and suddenly we only have 400,000 MT for a market that needs a minimum of 600,000 MT per year and growing.

In the charts on the next page with information provided by Stat Publishing, I will disagree with the carry in of 134,000 MT. This past June and July, our buyers called our entire customer list and I am sure there were not any lentils. I think there are always a few producers who will keep back a little seed just in case there is a complete disaster, so I would estimate the carry in to be no more than 10,000 MT.

There has been some extraordinary demand coming from India this year. As many of you know, Pigeon Peas are a staple in the diet in this region, and Laird type lentils are used as a substitute when the supply for Pigeon Peas is low. This year, the Pigeon Pea crop was very poor and this has added more pressure on

the supply, demand situation. It is driven by the Indian Government who is up for election this year and they want to import pulses and sell them at subsidized prices.

I believe we will grow at least 1.2 million acres of Laird type lentils with the potential to test a new record of 1.5 million acres. If we assume El Nino will impact moisture conditions, then we would only produce 600,000 MT to 800,000 MT. In other words, this amount will just meet our current needs and will not cause us to have burdensome stocks.

## SMALL GREEN ESTON TYPE LENTILS

Eston type lentil market demand is firm but this calibre of lentils is preferred in few markets. The daily bid price of 46 cents/pound is still a pretty decent price in historical terms. In addition, Eston typically out-yield and hold quality better than Laird, so all in all the producers of Eston type lentils are being rewarded well.

From past experience, we have seen demand shift from Laird to Eston as consumers look for more affordable options. The bullish tone to the Eston bid will remain in place for the remainder of the season.

## RED LENTILS

Bids for red lentils are firm and will remain bullish in light of the recent developments in the Australian harvest and the problems in India.

Australia had high hopes of producing a 300,000 MT tonne crop but waves of hot weather in October, and reports of heavy rains this month in Victoria has impacted quality and yield. Some early estimates by the industry peg the crop as low as 150,000 MT. The lack of grower selling and technical shortages in the market have bids over A\$1100.00/MT or A\$0.50/lb. Expectations are for the price to plateau soon and growers will begin to sell their crop.

India is not in good shape as that country is busy with the Rabi seeding of all pulses, including lentils. Below normal monsoon rains are causing water shortages. There is hot weather, and the delayed Kharif harvest is impacting the key producing pulse states in India. Seeding is behind schedule and could increase the probability of a below average harvest of red lentils and other pulses in February/March 2016. However, even if the harvest is only 500,000 MT, this will likely allow India to reduce its dependence on imports for a few months. Prices could plateau or go down as a result of the temporary reduced demand.... Continued on next page.

## RED LENTILS (CONT.)

Canadians planted a record 2.7 million acres of red lentils, but the drought reduced yields, and rain at harvest reduced the quality. The majority of the red lentils are used for splitting or dahl mills all over the world. Rain causes the seed coats to wrinkle and then the moisture gets into the cotyledon and reduces the yield or efficiency of the splitting process. Typically, 85% is a good yield for milling, but this year is likely closer to 80% for some of the #3 quality red lentils. Every pound counts when there is a global shortage of red lentils.

In response to the high prices for red lentils, I expect to see a new record set of 3.1 million seeded acres. Using last year's yield, production would be 1,772,000 MT.

We have one of the strongest El Nino events occurring right now, and it is affecting global weather in pulse producing countries. Western Canada is expected to be dryer and warmer this winter and could extend into the spring. Thus, it is too early to have a high estimated yield.

India needs to grow a big crop but they are short of moisture. Australia has had a crop failure. Turkey harvests a crop in May 2016 but they will not grow enough to over supply the market, but an average crop of 400,000 MT would help meet demand in that region. In conclusion, total seeded acres could be as high as 5 million acres for all lentil types.

### 2016 PRODUCTION CONTRACTS

We are pleased to announce production contract prices as follows: (*Act of God clause included*)

#1 Laird - 42 cents/lb, #2 - 40 cents/lbs

#1 Eston - 35 cents/lbs, #2 - 33 cents/lbs

#1 Reds - #2ob 35 cents/lb

*\*prices subject to change.*

## 2015/2016 CANARY SEED

With the reporting of Canary Seed acres and production being very unpredictable throughout the growing season, the bid levels have followed suit. In early July, we were facing a severely drought reduced crop and then the July/August precipitation allowed the crop to return to just below normal production levels on the increased acreage reported. This has seen bid levels throughout the growing season from a low of \$0.23/lb to a high of \$0.32/lb, currently around \$0.24-\$0.26/lb.

Currently we are seeing a lack of demand from all international sources when the bid level is approaching 30 cents. As the bids approach this level, buyers have turned inward to trade domestic stocks until the prices relax again. The larger Canary Seed markets have seen larger devaluations of their currency vs. the USD than has been realized by the Canadian dollar. Our weak dollar is not able to help us export at a lower level. With this, buyers are waiting for dips in the market to restock and any bid levels above \$0.27/lb should be considered.

### CANADIAN LARGE GREEN LENTIL SUPPLY - DEMAND ESTIMATES (METRIC TONS, ACRES)

YEAR	2012	2013	2014	2015
AREA (acres)	1,230,000	950,000	710,000	770,000
YIELD (lbs)	1,319	1,776	1,231	1,160
PRODUCTION	736,100	765,200	396,500	405,000
CARRY IN	282,000	298,000	424,000	134,000
STOCKS	1,018,100	1,063,200	820,500	539,000
EXPORT	605,090	580,573	625,174	374,300
SEED	38,800	29,000	31,400	57,800
FEED & WASTE	76,210	29,627	29,926	43,900
TOTAL USAGE	720,100	639,200	686,500	476,000
ENDING STOCK	298,000	424,000	134,000	63,000
STOCK/USE	41.4%	66.3%	19.5%	13.2%

### CANADIAN SMALL GREEN LENTIL SUPPLY - DEMAND ESTIMATES (METRIC TONS, ACRES)

YEAR	2012	2013	2014	2015
AREA (acres)	260,000	280,000	215,000	265,000
YIELD (lbs)	1,419	1,650	1,224	1,173
PRODUCTION	167,300	209,600	119,400	141,000
CARRY IN	44,000	55,000	142,000	40,000
STOCKS	211,300	264,600	261,400	181,000
EXPORT	104,400	110,700	205,300	125,400
SEED	6,400	4,900	6,000	8,300
FEED & WASTE	45,500	7,000	10,100	25,300
TOTAL USAGE	156,300	122,600	221,400	159,000
ENDING STOCK	55,000	142,000	40,000	22,000
STOCK/USE	35.2%	115.8%	18.1%	13.8%

### CANADIAN SMALL RED LENTIL SUPPLY - DEMAND ESTIMATES (METRIC TONS, ACRES)

YEAR	2012	2013	2014	2015
AREA (acres)	950,000	1,328,000	2,120,000	2,754,000
YIELD (lbs)	1,362	2,040	1,486	1,260
PRODUCTION	586,700	1,228,900	1,429,100	1,573,400
CARRY IN	518,000	99,000	199,000	181,000
STOCKS	1,104,700	1,327,900	1,628,100	1,754,400
EXPORT	889,829	1,024,576	1,362,704	1,219,000
SEED	41,300	65,800	85,700	77,600
FEED & WASTE	74,571	38,524	59,900	272,800
TOTAL USAGE	1,005,700	1,128,900	1,508,304	1,569,400
ENDING STOCK	99,000	199,000	119,796	185,000
STOCK/USE	9.8%	17.6%	7.9%	11.8%

### CANADIAN CANARY SEED SUPPLY - DEMAND ESTIMATES (METRIC TONS, ACRES)

YEAR	2015
ACREAGE	340,000
YIELD (lbs)	950
PRODUCTION	146,500
CARRY IN	35,000
STOCKS	181,500
USAGE/EXPORTS	143,800
CARRY OVER	37,700
STOCK/USE	26.2%

*All Chart Forecasts by STAT Market Research based on data from Statistics Canada  
Created on November 4, 2015*



## IS THAT A GUCCI?

Simpson Seeds Inc. is world renowned for its brand in over 80 nations as we ship thousands of bags on a daily basis with Saskatchewan grown lentils. We have seen our bag reused in a variety of countries with a variety of uses. But the use of our bag as a designer item in Istanbul, Turkey takes the prize for innovation, creativity and artistic impression.

Mike Hamilton is currently on a 2 year around-the-world trip. He is in Turkey now when he stumbled upon a shop with handmade bags with Moose Jaw, Sask. Canada printed on them. We were alerted by his nephew Andy Hamilton of Moose Jaw.

We have now been in contact with the owner of this shop and found out that he has made a variety of items. Mike said the following about the bag, "I was VERY impressed with the workmanship. Honestly, the clutch purses look like any designer bag, nice zipper, good lining with a magnetic closure, very nice."

Over the past few years Simpson Seeds Inc. put a significant amount of time into researching bag quality, fabric options, graphic design, and our world famous "Nourishing the World" statement on our logo. But I didn't consider that we would be getting a comment from a customer saying the following, "The guy who makes them had one comment/request: Tell them their seed bags are the best quality he's ever seen and not to change/cheapen them! They are by far his FAVORITE to work with."

For those who are interested in following Mike Hamilton on his around-the-world trip you can read his blog [www.100saturdays.com](http://www.100saturdays.com)



Photo: courtesy of Mike Hamilton taken in a shop in Istanbul, Turkey  
Photos of items in stock including Clutch, totes, toiletry bags and backpacks.

## ANUGA 2015

Simpsons Seeds participated with a booth at Anuga 2015 in Cologne, Germany in the Canadian pavilion. Anuga is noted to be world's biggest food convention. Around 160,000 trade visitors from 192 countries attended Anuga 2015.

During Anuga, we were able to meet with and discuss the needs of many of our current customers, as well as introduce our company to many new potential customers. During these meetings, we gained a detailed understanding of how we are able to supply them with good quality 2015 crop Canadian lentils, as well as learn about any changes that we may need to make in order to improve our relationship with them, and their ability to market our product in their local markets.

By attending Anuga, we have been able to increase the presence of our brand and Canadian lentils in the European, Mediterranean and North African markets. Customers now easily recognize the Simpson Seeds brand and associate it with excellent Canadian quality products. The potential customers that stopped by our booth recognized this although they are not currently purchasing from Simpson Seeds. They are aware of our high quality Canadian products that are available in their local markets, and mentioned this often while stopping by our booth.



## LENTILS SET RECORD: \$1.5 BILLION GROSS RECEIPTS

We all had high expectations for the 2015/2016 lentils to produce a good crop, especially as we entered the spring with great soil moisture. Most farm land was saturated well below the 4 foot level, so all we needed was a couple good rains in the spring to set up a bumper crop. But, the rain never came. On our farm, we only received 5 mm of rain from April, May and June. Our first rain came on Canada Day! Lentils are drought resistant but damage was done and the yield expectations were adjusted from normal to below normal yields. The chart below shows the impact the drought had on lentils as production estimates had to be lowered by Stats Canada by 189,000 MT. World demand needed Canada to produce at least an average crop as ending stocks last year were very tight.

STATSCAN MODEL-BASED PRINCIPAL FIELD CROP ESTIMATES, IN MT (RLSD. SEPT. 17/'15)				
	Rltd Aug. 21/'15)	Rltd Sept. 17/'15)		
TYPE OF CROP	2015	2015	Sept. est/ Aug. est	mt Diff. to Aug. est.
BARLEY	7,305,200	7,011,700	96.0%	-293,500
CANARY SEED	134,000	125,500	93.7%	-8,500
CANOLA	13,342,800	14,438,800	108.2%	1,096,000
CORN FOR GRAIN	12,312,400	12,738,800	103.5%	426,400
FLAXSEED	884,000	868,100	98.2%	-15,900
LENTILS	2,082,800	1,892,900	90.9%	-189,900
OATS	3,311,500	3,203,200	96.7%	-108,300
PEAS, DRY	2,920,500	2,865,200	98.1%	-55,300
SOYBEANS	5,856,900	5,920,600	101.1%	63,700
WHEAT, DURUM	4,467,400	4,779,000	107.0%	311,600
WHEAT, SPRING	17,970,700	18,400,000	102.4%	429,300
WHEAT, WINTER	2,186,900	2,159,600	98.8%	-27,300
<b>TOTAL</b>	<b>72,775,100</b>	<b>74,403,400</b>	<b>-</b>	<b>1,628,300</b>

But, the good news is lentil price per pound has gone from the 30's to the 50's and potentially could hit the 60's cents per pound. The bottom-line for lentil producers improved so much that statistically lentils have become the highest grossing crop with gross receipts likely to exceed \$1.5 billion. In fact, lentils gross receipts now exceed Durum Wheat receipts - something I do not recall ever happening before. The last time Laird lentils prices were over 50 cents/pound was during the Mount Saint Helens eruption in 1980.

	Est'd prod'n 2015 (StatsCan)	Current SK Price (Cdn.\$/mt)	Est'd Crop Value
LENTILS	2,082,800	\$750.00	\$1,562,100,000
WHEAT, DURUM	4,467,400	\$330.70	\$1,477,369,180
WHEAT, SPRING	17,970,700	\$198.42	\$3,565,746,294
WHEAT, WINTER	2,186,900	\$183.72	\$401,777,268
<b>TOTAL WHEAT</b>	<b>24,625,000</b>	<b>-</b>	<b>\$5,444,892,742.00</b>



May 18th, 1980 Mount St. Helens' eruption blew the top off the mountain along with a 5.1 magnitude earthquake. There was magmatic gases released with a northern lateral explosion. The blast created an 18 mile fan-shaped path of destruction that leveled the forest.

Lentils grown in the Palouse region of Washington State were covered with 12 inches of volcanic ash. The lentil trade thought the crop was destroyed. But, in the end, rains washed away the ash and there was a very good crop that year. The bull market only lasted about 30 days.

We had some Certified Laird lentil seed for sale so we raised our price to match the export market bid price. Our farm customers did not buy the seed as the price was too high. So, we ended up "long and wrong" and sold our seed for about 30 cents per pound. That was a huge lesson in market volatility and I learned a new saying, "Pigs get fat and Hogs get slaughtered."

The bull market this year has a long tail. For now I do not see anything that will cause the market to go down for green or red lentils for the next 2 or 3 months. The potential exists for these high bid prices to last until June and maybe July. This is assuming normal seeding dates, normal moisture and normal harvest yield and quality.



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.



Simpson Seeds Inc. was a winner of Canada's Best Managed  
Companies program in 2012 and Requalified in 2014 to  
maintain our status as a Best Managed Company.