

THE PULSE newsletter



PRESIDENT ELECT TRUMP IMPACT ON PULSES

Donald Trump will be the 45th US President when his inauguration takes place on January 20th, 2017. Until this time, there will be speculation as to the impact Trump's new policies will have on the economy, on trade, and on commodities.

The stock markets really liked the election results and remain bullish. This is opposite to the views the media had prior to the election. This is likely due to Trump winning and both the House of Representatives

and the Senate having Republican majorities. This will likely help but not guarantee the adoption of the changes Trump is considering.

The US economy is expecting to grow faster under President Elect Trump as he plans to spend money on infrastructure. This is good news for the industrial sector of the US economy.

Trade agreements are going to be scrutinized by the new administration.

From what I am hearing, commodities such as lumber might be facing barriers to the US market in the future. However, there isn't any evidence that pulses will be impacted.

The US Dollar index surged to new highs not seen since 2013 as the US Fed is expected to increase interest rates and Trump cuts income taxes. A strong US Dollar will make it difficult for the US to export competitively. Generally, speaking a strong US Dollar has a negative correlation to commodities. The broad commodity index (CRB index) has been declining and will likely continue to lag. Don't expect the agricultural commodities, including pulses, grown in the US to be less competitive.

Meanwhile, the Canadian dollar will continue to weaken. This will make Canadian pulses more attractive than US origin pulses.



The stockchart shows the US Dollar surging right after Trump won the election.

LENTIL MARKET SYNOPSIS

OUTLOOK FOR 2017



The lentil supply and demand chart below is using Statistics Canada seeded crop report of approximately 5.8 million acres. The harvested acres should be reduced by approximately 20% to account for all the land lost to flooding. The yields ranged from zero to 60 bushels per acres. It is our best yield estimate based on the yields on our own farm in Moose Jaw averaged with information from farmers we know with good records of yield estimates.

Overall, the dockage is up from an average of 3.5% to over 7.0% as weed control was compromised with farmers not being able to get on the land to apply herbicides in a timely fashion or the herbicides simply not able to be effective with the excessive rain conditions.

Lentils do not like “wet feet,” - in other words, the root system being saturated with water. These wet condition brought on diseases such as Ascochyta blight, Anthracnose, Sclerotinia (white mould), and Botrytis (grey mould).

In light of the above growing conditions, about 85% of the crop is a poor No. 2 to good Extra No. 3. The balance of the crop is mainly feed quality.

Premiums will widen for higher quality lentils and/or bigger discounts can be expected for low quality lentils to reflect the costs of putting the lentils in to some form of condition for human consumption.

The supply pipeline for lentils was completely empty. I have been in this business now for 37 years and I do not

remember a time where we sat with our plant virtually idle due to a lack of supply of lentils.

The drought in 2015/2016 was the genesis of this supply issue and caused bid prices to go to new historic highs. A record 5.8 million acres should have fixed the global shortage but Mother Nature had something to say about that. Excessive rain delayed maturity so we had further delays in getting the supply pipeline filled.

LENTIL SUPPLY/DISPOSITION 2016/2017

CARRY IN		73,000 MT
SEEDED ACRES		
LARGE GREEN	1,100,000 AC	440,000 MT
SMALL GREEN	305,000 AC	145,000 MT
RED	4,360,000 AC	2,300,000 MT
OTHERS	75,000 AC	38,000 MT
IMPORTS		14,000 MT
TOTAL	5,840,000 AC	3,010,000
DOMESTIC UTILIZATION		326,000
SEED		150,000
EXPORTS		2,174,000 MT
TOTAL USAGE		2,650,000 MT
CARRY OVER		360,000 MT
STOCK/USE RATIO		13.58%

RED LENTIL OUTLOOK

Canada increased supply from 1.5 million tonnes to 2.3 million tonnes. We believe 85% of the red lentils are in the No. 2 or No. Extra 3 grade.

The USA produced about 100,000 MT and Australia is expected to produce 365,000 MT. Harvest has already started as of the w/o November 21st and will be completed in December. Australia has the potential to put downward pressure on the market as they enjoy the benefits of a weak currency at \$0.738 cents and their close proximity to the Indian Sub-Continent.

India is expected to produce a Rabi harvest of about 1.4 to 1.6 million tonnes of red lentils. But, the jury is still out on how well the return of monsoons has had on replenishing

subsoil moisture. We are taking our que based on the recent reduction of tariffs for wheat imports. Normally India produces enough wheat to be a net exporter and now they are importing about three to four million tonnes of wheat.

Our view is, there is sufficient supply nearby to cause the bid price to go sideways to downward. This is due to the increased supply of red lentils from all the major producers and the simple fact that India has already slowed down buying in anticipation of new crop supplies in India. Weather can still impact the Australian and Rabi harvest, so we will continue to monitor this situation.

Currently 2017 pricing is in the \$0.29-\$0.30/lb range. Going forward price movement will mainly be influenced by the 2017 Indian Rabi crop, harvest in February/early March 2017.

LENTIL MARKET SYNOPSIS

OUTLOOK FOR 2017



LARGE GREEN LENTIL OUTLOOK

Canadian origin Laird type lentils increased in supply over 2015 but we still have a net short fall to meet the demand, especially, with the lack of high quality No. 1.

About 82% of the crop is in the No. 2 to Extra No. 3 category. There is good demand for these grades and bids remain strong as growers press for higher bids. The question remains as to "how high can Laird lentil bids go?" There are a couple barriers to the bids going higher.

The first barrier is the lack of demand from India for green lentils. Last year the drought in India caused Pigeon Pea prices to spike, so the buyers switched to green lentils as a substitute. This year the pigeon pea prices are down as the monsoon rains have helped supplies of pigeon peas to improve.

The other barrier to bids going to last year's record breaking prices is the increased supply of green lentils from the U.S. The U.S. had a substantial increase in seeded acres which produced 564,000 MT. As mentioned earlier, the red lentil production is estimated at 100,000 MT, so that leaves about 464,000 MT of Medium green Richlea type and small seeded Eston type lentils.

Our view is prices have a limited upside as the U.S. origin green lentil supply is of higher quality and their average yields are higher. Seed will be the exception as growers will seek varieties such as Greenstar as one of the most profitable crops to grow in 2017.

2017 pricing outlook is starting right where the 2016 crop Large Green pricing left off in June 2016. #1 – \$0.45/lb, #2 \$0.43/lb, Extra 3 \$0.38 lb and #3 \$0.35/lb

ESTON LENTIL OUTLOOK

In our view, the production of Eston type lentils is about the same as last year with 145,000 MT of production. Quality is much better with 20% grading No. 1, 63% grading No. 2, 19% grading Extra No. 3 and 9% grading No. 3.

The U.S. produced about 90,000 MT of good quality Eston in 2016. Normal exports from Canada are about 200,000 MT per year, so we believe the supply is adequate when the U.S. and Canadian production is combined.

The good news for Eston growers is the Moroccan government has suspended the lentil tariff. Their 40% tariff on Canadian lentils is now zero. There will not be a tariff applied to lentils of Canadian origin from October 24, 2016 until June 30, 2017. Prices for Eston responded upward and will remain firm until early spring.

2017 levels are reflecting #1 at \$0.40/lb and #2 at \$0.37/lb, Extra 3 and #3 qualities are rarely priced in Small Green production contracts.

CDC IBERINA, SPANISH BROWN LENTILS

This year we had a record production for Iberina lentils. Growers have experienced the benefits of the SB3 generation with higher yields, better standability, and disease resistance.

These superior agronomic factors produced 40% No. 1 quality, 22% No. 2, 24% Extra No. 3 and only 14% No. 3 and Sample Grade.

The good news is we now have SB4 entering into the breeder seed expansion stage. SB4 will have a 25% increase in yield! It is a matter of time but we will soon have THE BEST performing Spanish Brown variety on the planet. Our commitment to the development of this market will continue as we do our best to supply the traditional markets in Spain and expand this CDC Iberina to other non-traditional markets.

Spain still grows the original Pardina variety that is very susceptible to disease, tends to fall to the ground at maturity and has mediocre yields. This year Spain did produce a better crop so the nearby demand in Spain will be locally supplied.

The U.S. also produced a decent crop but we have a 35% advantage on the currency as the U.S. continues to strengthen and the Canadian dollar remain weak.

For 2017 Iberina crop pricing, we currently have production contracts available for 600 lbs/acre on a delivered Moose Jaw basis as follows: #1 - \$0.35/lb, #2 - \$0.32/lb, Extra 3 - \$0.28/lb and #3 - \$0.25/lb



TRADESHOWS & AGRIBITION

INFORMATION GATHERINGS / LENTIL MARKET



SIAL 2016

Simpson Seeds attended SIAL 2016 in Paris, France this past October. SIAL, like all of the international Food shows we attend throughout the year, provides an opportunity to connect with a large number of international buyers, both new and current, in one location. SIAL and Anuga, in Cologne, Germany, are bi-annual food shows that are very well positioned on the calendar, in October, so that buyers can view samples of the quality that Canada has produced from the recent harvest. With this, they are able to assess how their domestic markets will react to the available Canadian quality and plan their purchases accordingly. This year at SIAL the main concern was the lack of good quality, #1 and X2, produced from the 2016 crop and how much of the good quality would actually be available from the 2016 crop.

During SIAL 2016 we were able to meet with buyers from the United Kingdom, North Europe, North Africa, the Mediterranean, the Middle East and even some from South America during our time at SIAL.



SWIFT CURRENT PLANT UPDATE

The new plant in Swift Current is nearing completion. Most of the work is completed outside and now our mechanical and electrical crews are focusing on the equipment indoors. The new spur has been working very well as we can now separate our bulk hopper loading from the boxcar loading. We hope to have this plant operational in early 2017. We want to thank all of our customers for their patience with us through this construct phase. Simpson Seeds Inc. is looking forward to serving our customers with this new state of the art facility.

AGRIBITON 2016

Many producers just finished harvest and are gathering information on the lentil market. Prices continue to be strong and growers are following the prices closely. And, the million dollar question is "how high will lentil prices go?"

Now that harvest is completed, it's time to consider next year's seeding plans. Disease, and problems with root rot and fusarium is troubling to many growers and leaves many questions on what to seed. The wet bias the past few years has increased the rate at which disease is spreading and how to combat these issues is a major concern. Good quality seed for some crops is in short supply. Agribition provides Simpson Seeds the opportunity to meet growers, and discuss seed availability and market information.

2017 SEED GUIDE

BOOK YOUR SEED TODAY!



Simpson Seeds Inc. is dedicated to offering Saskatchewan producers all the newest, high performance seed varieties available.

Our goal is to ensure we match only the best variety to your land and rotation, so you are able to attain maximum yields and quality, every crop year.

We work diligently with the seed developers to ensure new varieties are meeting the needs of producers and linking them to world markets. It is important to us to continuously communicate with industry experts to ensure that we have the most up-to-date agronomic information available.

We grow all of these new varieties on our own farm, and we believe in promoting those that are top performers in yield, quality, and disease resistance.

LENTIL VARIETIES	TYPE	DESCRIPTION
CDC SB-3 CL (Iberina™)	Small Spanish Brown	Exclusive to Simpson Seeds. Yield similar to Maxim. Brown seed coat, very early maturing.
CDC Greenstar	Large Green Lentil	This variety continues to out perform all other large green varieties by a significant margin. Largest seed size in it's class and good disease resistance.
CDC Marble	French Green Lentil	One of the highest yielding lentils. 107% to Maxim for yield increase. Size smaller than Peridot.
CDC Proclaim CL	Small Red Lentil	Similar height and seed size to maxim. Yield 108% in 2013 regional trials.
CDC Kermit	Small Green Lentil	This variety is showing big gains in all major quality classes. Great colour retention, larger yield 206% to Maxim 114% to Viceroy. Not Imidazolinone tolerant. Better lodging than CDC Viceroy.
CDC Impulse	Small Red Lentil	Large seed size for reds. Larger yielding than Maxim.
Indian Head	Small Black Lentil	Very good disease resistance, black seed coat, yellow cotyledon.

FLAX VARIETIES	TYPE	DESCRIPTION
CDC Neela	Brown Flax	Yield up 104% from Sorrel and Bethune at 100%. Excellent quality. Significantly greater TKW, linoleic acid content and oil yield.

CANARY VARIETIES	TYPE	DESCRIPTION
CDC CALVI		Top yielding hairless variety. A little taller than Cantate.



Book your seed for Spring 2017 with Simpson Seeds. We plan to make your experience a great one.

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306.693.9402 simpsonseeds.com



THE JOY OF GIVING

December is always a wonderful time when people embrace the spirit of the season and the joy of giving. Simpson Seeds is honored to help serve our local community with initiatives to feed people, provide healthcare services with our new hospital and just bring a smile to peoples face. We started off the Christmas season with a donation to the Moose Jaw Health Foundation at the local Festival of Trees. We purchased auction items that will be given to our staff at our corporate Christmas party this year, as well as cash donation.

Next was our local Santa Clause parade. We had many staff co-ordinate and decorate a float as well as hand out candy to the kids. What a joy to see the excitement and happiness

on the faces of these children and their families. Finally we were able to donate to the "Good Buy to Hunger" the local Co-Op and Mix 103 did to purchase bags of food for those in need. Simpson Seeds and the Simpson family were able to purchase 120 bags of food through this donation. It is our hope that many get the nourishment they need from these food bags this season.

*"We make a living by what we get,
but we make a life by what we give."*

~ Winston Churchill



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.