

THE PULSE newsletter



THE DOWNSIDE TO HIGH PRICES

As you know, I farm a multigenerational farm with my brothers, my son and my nephews. We all look forward to the windfall season when we can get a combination of good yields and good prices. Land and operating costs are up and we all wish for sustainable prices to keep our farms profitable. However, the high prices paid in the

past two years do have a downside. The price disparity between lentils and other commodities has encouraged significant expansion of lentils and other pulses being seeded in other regions. In this newsletter, I will highlight some of these regions and the impact it has had on world supply and demand.

INDIA IN CRISIS

SAY NO TO CANADIAN PULSE IMPORTS



Two years of monsoons in India resulted in crop failure and prices of pulses hit new record highs. The response to high prices was record planting of pulse in India and other major producing countries, including Canada. This past season the monsoon rains returned to normal. The Rabi harvest was huge and supplies of pulse exploded in India and throughout the ISC (Indian Sub Continent).

Pigeon Peas or Channa Dahl is a major pulse consumed in India and has a direct impact on green lentil prices in North America. Prices dropped from 1400 Rupees to 400 Rupees in a matter of weeks. Importers started to default on contracts. Banks stopped financing imported inventory and this fueled a crisis.

In response, the Indian Govt. imposed new restrictions on the import of pigeon peas which more or less can be seen as a BAN on import of pigeon peas. This was done to help bolster the local market values which had been ruling below the MSP (Minimum Support Price) imposed by the Govt. of India. The result was that local prices of Pigeon peas (TOOR) rose in Rupees whereas the International Market – in US Dollars – collapsed as this item mainly trades to India and nowhere else.

These moves by the Govt. of India may not be over! The market is awash with rumors as they ponder whether LENTILS or PEAS may be next. Red Lentils are ALSO trading below the MSP as are PEAS. Some think the Govt. may go a different route on these items by maybe imposing a 10% to 15% import duty on lentils and Peas. This explains why Red lentil prices in Canada are retreating in horror and dipping like a knuckle ball!

High prices for red lentils this past two years has encouraged Australian farmers to expand seeded acres. Australia increased export from 179,123 MT in 2015/2016 to 783,136 MT in 2016/2017. Australia is expected to produce another 550,000 MT to 700,000 MT this November!

The bottom-line, don't expect a major rebound in red lentils prices as this will take a long time to correct. For the market to rebound there will need to be a major drought, frost or flood in Australia and/or India in the next 3 to 6 months. When prices are low we can expect planting of red lentils to drop in India, followed by a reduction in seeding in Northern hemisphere countries such as Canada, USA, and Turkey in 2018.

**“HIGH PRICES FOR RED LENTILS THIS PAST TWO YEARS HAS
ENCOURAGED AUSTRALIAN FARMERS TO EXPAND SEEDED ACRES”**

[BLACK SEA REGION COMPETING WITH LARGE GREEN LENTILS]

Large Green Lentils are facing competition from Laird type lentils grown in Russian and Kazakhstan. This past week export opportunities to North Africa and the Middle East suddenly went quiet at a time when the pipeline should be busy filling up with fresh good quality lentils from Canada. We have just learned there is a

good supply of lentils from the Black Sea region now exporting to countries such as Algeria. The quality is not the best but they are cheap. i.e. 35 cents/lb for a No. 2 Laird. Meanwhile, we have been doing our best to offer Canadian origin No. 2 Laird at 42 cents/lb.

[USA ORIGIN LENTILS]

Growers in North Dakota, Montana, Washington State, and Idaho are all recognizing there is a significant premium for lentils when compared to wheat, oilseeds, soybean and other crops. For this reason, the high prices for lentils this past two years has been a signal for American growers to expanded seeded acres.

Exports last year increased to 368,829 MT from 204,855 MT the year previous. In 2017 U.S. Lentil grower expanded seeded acres from 933,000 acres to 1,015,000 acres. Their crop is close to being harvested and has been impacted by drought.

The big question is "where will the demand come from to take all these lentils?" Without India, the U.S. will have few options and will likely focus on aggressively selling to traditional Canadian markets such as West Coast South America, the Mediterranean, the Middle East and North Africa.



[FX MARKETS]

The Canadian dollar has strengthened from 1.38 to 1.21 since May. This has been about a 10% increase in strength and makes Canadian exports less competitive. I estimate this has cost about a \$20.00 per metric tonne or a cent/lb. to the grower.



SWIFT CURRENT



PROCESSING PLANT COMMISSIONED

We are extremely pleased with the early results of the new plant in Swift Current. We have exceeded our design capacity expectations with much higher unloading capacity, high speed precision cleaning and terminal rates of capacity to compete in the highly competitive commodity markets. We have doubled our spur capacity so we can load bulk hopper and boxcars simultaneously.

[DIVERSIFICATION]

More capacity has enabled us to diversify the services we offer to our customers. We are now buying the following:

- Yellow Peas
- Green Peas
- Feed Peas
- Kabuli Chickpeas
- Durum Wheat
- Canaryseed

Our core business of marketing lentils will remain our priority as we have an ever-increasing demand for the Simpson Seeds Inc. brand.



NOURISHING THE NEXT GENERATION OF FARMERS

4TH GENERATION FAMILY

We can all remember our first ride in a large piece of farming equipment, whether it was a combine, tractor or grain truck, as a child this was an exciting new experience that left us with fond memories and appreciation for the farm.

The Simpson family has grown over the years and we continue to strive towards providing the upcoming generations with the same experiences we were fortunate to have growing up. We believe that the opportunity at a young age to be connected with family farming roots is still important and priceless in this future.



Snack Attack - Lentil Cookies have been a favourite in our family and in Simpson Seeds staff lunch rooms for many years. Thank you to our loving Grandmother (Helen Simpson) who has baked countless batches for everyone to enjoy.

INGREDIENTS

- ½ cup butter
- ½ cup packed brown sugar
- ½ cup white sugar
- 1 egg
- 1 tsp vanilla
- ⅔ cup white or whole wheat flour
- ½ baking soda
- 1 cup rolled oats
- ½ cup cooked and drained lentils (leave slightly chewy)
- ½ cooked wild rice
- ½ raisins
- ½ sunflower seeds

DIRECTIONS

1. Cream butter, sugars, egg and vanilla together until fluffy.
2. Stir in flour, rolled oats, baking soda, lentils, rice, raisins and sunflower seeds.
3. Drop by teaspoon onto greased baking sheet, allow space for spreading.
4. Press flat with a floured fork, Bake at 375° F for 8 - 10 minutes.
5. Carefully lift off pan; let cool.

Recipe makes 4 dozen

FREE GRADING SERVICE



We have enclosed some sample bags. Please take advantage of our free grading service and drop off samples at any one of our facilities in Moose Jaw or Swift Current.

Looking forward to serving you this new crop year.