



THE PULSE

newsletter

CELEBRATING 40 YEARS:

On August 13th, 1979, Simpson Seeds Inc was incorporated. My parents, Jim and Helen Simpson, had worked hard to grow the family farm. Jim inspired us to consider diversification from the Canadian Wheat Board controlled grains that held us back from our full potential.

While I was attending the University of Saskatchewan, my Crop Science Professor, Dr. Al Slinkard, introduced me to pulse crops. In 1975, we grew 10 acres of Trapper, Whole Yellow Peas. It was from these humble new beginnings and a small plot of peas that encouraged us to grow more pulses.

We caught the vision to adapt our farm and other farmers to partner with the Crop Development Centre in Saskatoon. It was 1980, when Dr. Slinkard released Laird lentils that were grown on our farm. Next, we began to distribute the seeds that would launch us into the processing and marketing of lentils. Little did we know that we would become a leading Canadian, family-owned, and internationally recognized pulse crop exporter.

We want to thank the thousands of growers who have supported our company for the past four decades. We have been blessed to have such a great community of high caliber growers who have been committed to adopting best practices and become the best in the world at producing pulse crops.

We want to thank all our employees who work diligently every day to serve our customers. Many have been working for over 30 years alongside our family.

If you are one of the hundreds of international customers reading this newsletter posted on our website, we would also like to thank you for continuing to buy Canadian and from a 100% Canadian owned family company.

Our purpose is to "Nourish the World" population of 7.7 billion with plant-based protein from lentils, peas and chickpeas.

Our core values are Family, Integrity, Quality and Innovation which supports our purpose, shapes the culture and reflects our companies' values.

LENTIL MARKET OUTLOOK



[RED LENTIL]

Over the past few months, we have been focused on a few key contributors that drive the red lentils market.

India is a major consumer and importer of red lentils. They had an election that resulted in Prime Minister Modi being re-elected. With his election, many hoped he would reduce the tariffs on imports, but instead he has kept tariffs from Canadian origin red lentils at 33%. India also increased tariffs on U.S. origin lentils to 55% in retaliation for the tariffs imposed by the U.S. on Indian steel and aluminum. These policies make it difficult for importers to gain any confidence in buying stock when these tariffs are so unpredictable.

Regardless, India needs to import red lentils to cover the deficit caused by poor monsoons. Imports have been steadily increasing to India over the past 2018/19 crop year and we expect this trend to continue this crop year as well.

Other countries such as Bangladesh, United Arab Emirates, Pakistan, and Turkey have also helped to lift more stocks.

Another key factor is the surprise in increased red lentil seeded acres to 2.4 million with a potential to produce 1.5 MMT. I do not think the yield will be that high given the cold spring and drought conditions.

Prices are currently bid at 17 cents/lb. We expect some nearby weakness in bids due to harvest pressure, but we hope the prices will firm up in the second half of the crop year as stocks will be down to only 200,000 MT or an 11.8% stock to use ratio.

“Imports have been steadily increasing to India over the past 2018/19 crop year and we expect this trend to continue this crop year as well.”

Canadian Red Lentil Supply-Demand Estimates
(metric tons, acres)

YEAR	2014	2015	2016	2017	2018	2019
Area (acres)	2,130,000	2,987,000	4,240,000	3,003,000	2,036,900	2,453,000
Yield (lbs)	1,421	1,394	1,263	1,351	1,308	1,363
Production	1,372,900	1,889,200	2,429,100	1,840,900	1,208,500	1,517,000
Carry In	213,000	159,000	41,000	282,100	838,100	412,000
Stocks	1,585,900	2,048,200	2,470,100	2,122,900	2,046,500	1,929,000
Disappearance						
Export	1,362,651	1,532,700	1,807,621	957,517	1,313,100	1,408,100
Seed	94,200	133,600	94,600	64,200	77,300	775,100
Feed & Waste	52,316	359,671	285,779	263,183	244,100	241,800
Total Usage	1,509,167	2,025,971	2,188,000	1,284,900	1,634,500	1,725,000
Ending Stock	77,000	22,000	282,000	838,000	412,000	204,000
Stocks/Use	5.1%	1.1%	12.9%	65.2%	25.2%	11.8%

Forecasts by STAT Market Research based on data from Statistics Canada - August 4th, 2019

LENTIL MARKET OUTLOOK



[LARGE GREEN OR LAIRD TYPE LENTILS]

Canadian farmers surprised the trade as they increased the planting of large green lentils from our earlier estimates. Canada planted about 950,000 ac. and will produce an estimated 500,000 MT. We are estimating 500,000 MT of production using the 5-year average yield.

U.S. lentil producers cut green lentil seeded acres (mainly Richlea) from 780,000 ac. to 535,000 ac. However, they carried in 250,000 MT and will produce another 250,000 MT. This supply of U.S. origin green lentils will keep prices in check.

Kazakhstan lentils seeded acres have dropped from 726,000 ac. to 467,000 ac. We believe Russian lentil production is down as well, but I do not have any exact stats or sources to confirm. Disappointing returns due to low yields and low prices combined with large carryover stocks had deterred growers there.

As reported earlier, India is experiencing poor monsoons. The Pigeon Pea crop is smaller causing a shortage and internal prices to jump. In the past India would turn to

neighbouring countries, but the failed policy of PM Modi has caused pigeon pea producers to cut production (there were reports of farmers burning fields of pigeon peas because the prices were too low). The Indian government has been forced to increase import quotas to keep price inflation in check. There is a window of opportunity opening here for Canadian green lentils. This will help to offset any increased production and hopefully keep prices from falling any further.

Currently we are buying No. 2 OB Lairds at 20 cents. Prices going forward are difficult to predict at this point as we see cheap prices out of the Black Sea region, large supplies in the U.S. and import tariffs/political policies destabilizing the market. I hope we see bids firm up as we head into October to November.

Overall, I am optimistic about the pent-up demand that we will have for new crop as many of our customers have been waiting longer than normal to place orders as they too are hoping for prices to stabilize.

Canadian Large Green Lentil Supply-Demand Estimates (metric tons, acres)

YEAR	2014	2015	2016	2017	2018	2019
Area (acres)	710,000	750,000	948,500	975,000	1,252,600	938,800
Yield (lbs)	1,351	1,375	1,250	1,138	1,048	1,231
Production	435,000	467,800	537,900	503,300	595,700	524,000
Carry In	415,000	142,000	19,000	10,000	5,000	60,000
Stocks	850,000	609,800	556,900	513,300	600,700	584,000
Disappearance						
Export	648,554	440,831	468,900	422,197	480,100	426,300
Seed	30,600	38,700	39,800	51,100	38,300	25,700
Feed & Waste	28,846	111,269	38,200	35,003	22,300	69,000
Total Usage	708,000	590,800	546,900	508,300	540,700	521,000
Ending Stock	142,000	19,000	10,000	5,000	60,000	63,000
Stocks/Use	20.1%	3.2%	1.8%	1.0%	11.1%	12.1%

Forecasts by STAT Market Research based on data from Statistics Canada - August 4th, 2019

LENTIL MARKET OUTLOOK



[ESTON SMALL GREEN TYPE LENTILS]

We have carried in about 40,000 MT of old crop Estons. The quality is a good No. 2 now due to oxidization. New crop samples have already been arriving and the color is much superior as we would expect.

Canada seeded about 320,000 ac. of Estons and will produce in the range of 150,000 to 180,000 MT providing a total supply of 190,000 to 220,000 MT. Exports traditionally are 160,000 MT per year.

The best prices are typically paid in Q1 and Q2 of a crop year to fill the demand for fresh good green Eston lentils to Greece, Italy, Spain, Morocco and Mexico. West Coast South America is typically in the market year-round.

Non-traditional markets are emerging. For example, we have developed markets for Yellow Split Estons. China could be a new market for Eston lentils but we have trade

barriers that do not allow Canada to export Estons to China. Meanwhile, U.S. origin lentils can be exported to China. Pulse Canada is working on opening this market, but we all know that the Trudeau government is currently not in the good books with China.

Currently, bids range from 17 to 18 cents of Eston No. 1. We are working hard on behalf of our customers to increase the bid for growers, but the competition for this market is intense. Personally, I would like to see the market improve to 19 to 20 cents/lb.

We have included a couple of sample bags. If you need more just stop by one of our offices and we would be happy to give you more. We appreciate you bringing in good representative samples to us so we can use them as a reference to the markets we export to.

Canadian Small Green Lentil Supply-Demand Estimates
(metric tons, acres)

YEAR	2014	2015	2016	2017	2018	2019
Area (acres)	215,000	260,000	330,000	385,000	415,600	340,000
Yield (lbs)	1,416	1,405	1,364	1,113	1,314	1,329
Production	138,100	165,700	204,100	194,300	247,700	205,000
Carry In	141,000	50,000	10,000	20,000	29,000	50,000
Stocks	279,100	215,700	214,100	214,300	276,700	255,000
Disappearance						
Export	209,200	169,000	161,100	144,700	154,300	186,100
Seed	5,900	7,500	8,700	9,400	7,700	6,400
Feed & Waste	14,000	29,200	24,300	31,200	64,700	32,500
Total Usage	229,100	205,700	194,100	185,300	226,700	225,000
Ending Stock	50,000	10,000	20,000	29,000	50,000	30,000
Stocks/Use	21.8%	4.9%	10.3%	15.7%	33.9%	13.3%

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Simpson Seeds Inc. is proud to be a 2019 Platinum Club winner of Canada's Best Managed Companies.



Platinum member