

THE PULSE

newsletter

SUMMER 2020



2020 HARVEST UNDERWAY

THE DROUGHT CYCLE HAS ENDED

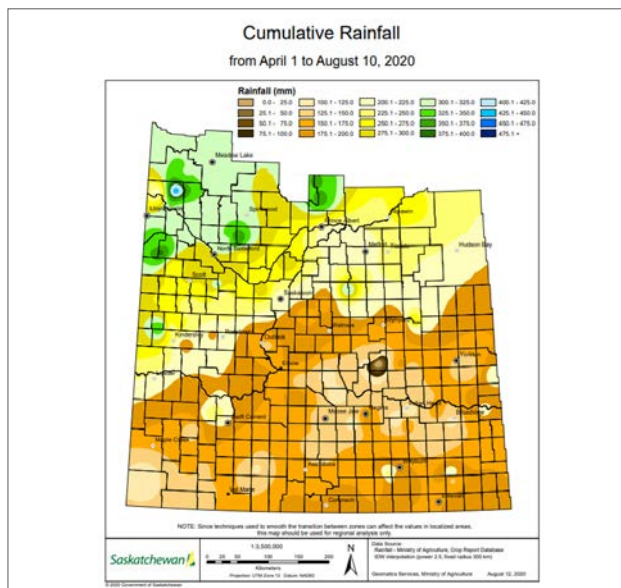
The good news is we got more rain than last year, and finally, the drought cycle has ended. The untimely rain last fall helped as we received about 5 to 8 inches of rain to help make a crop.

The 2020/2021 harvest is now underway as I write this newsletter. The yields widely vary as we have areas with below-average rain to areas that had too much rain. This caused a noticeable increase in disease pressure that will impact yields.

The harvest weather so far has been favorable with a high pressure settling in over Western Canada. Warm air has been flowing into the region, providing daytime high temperatures in the range of 27° C to 35° C. The crops are drying down and advancing harvest quickly.

COVID 19 has helped to rebalance the global supply of lentils. During March, April, and May demand surged to replenish supplies.

Prices rallied, and Canadian farmers responded by increasing the area seeded to lentils from 3.78 million to 4.23 million acres. Even with an above-average yield, we expect our ending stocks to be very low and help keep the prices for lentils firm through this crop year.



Finally, there were some markets we export to that have overbought lentils, as there was no way of knowing how much consumers were going to store up in their pantries. It will reduce imports for some countries as they get through the oversupply of lentils in transit and in warehouses.



LENTIL MARKET SUMMER UPDATE



[RED LENTILS]

Canada's red lentil crop looks to be average to above average and good quality. i.e., no wrinkles and dry. Bids for red lentils are trending lower as the harvest progresses with few weather delays in the forecast. There are several factors for the grower to consider when selling new crop lentils. On the downside, COVID 19 has caused many ports to have delays clearing cargo, or they have been closed due to a government-imposed lockdown; this has led to congestion in the ports and disrupts the supply chain.

Furthermore, competition from Australia may dampen prices since they have had plenty of rain during winter and spring. Expectations of a good crop may produce 400 to 500k MT. Harvest in Australia begins in November, so time will tell just how much lower prices will go.

On the upside, we think ending stocks will be low, so there might be longer-term opportunities for price recovery.

Additionally, we expect India will continue to be a significant importer of red lentils. India has imported about 600,000 MT during the 2019/2020 crop year, aided by the lowering of tariffs on Canadian lentils until the end of August. We expect the reduced duty will be extended until December as food prices have been going up. Finally, the Indian government has been providing subsidized pulses to the poor in response to COVID 19.

Turkey will be another critical importer this year as they have imported about 300,000 MT, this past crop year. Turkey, in the past, bought cheap red lentils from Kazakhstan and Russia. Still, it is my opinion that the Black Sea Region is not going to be as big of a factor this year as they have not been able to sustain production at the uber low prices over the past three years.

"Finally, the Indian government has been providing subsidized pulses to the poor in response to COVID 19."

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

YEAR	2015	2016	2017	2018	2019	2020
Area (acres)	2,987,000	4,240,000	3,003,000	2,036,900	2,330,100	2,932,700
Yield (lbs)	1,394	1,263	1,351	1,308	1,415	1,406
Production	1,889,200	2,429,100	1,840,900	1,208,500	1,495,400	1,870,000
Carry In	159,000	41,000	283,000	837,000	501,000	13,000
Stocks	2,048,200	2,470,100	2,123,900	2,045,500	1,996,400	1,883,000
Disappearance						
Export	1,532,700	1,806,997	957,961	1,423,029	1,886,800	1,739,600
Seed	133,600	94,600	64,200	73,400	92,500	104,900
Feed & Waste	350,271	278,203	257,739	42,671	3,700	15,800
Total Usage	2,016,571	2,179,800	1,279,900	1,539,100	1,983,000	1,860,300
Ending Stock	32,000	290,000	844,000	506,000	13,000	23,000
Stocks/Use	1.6%	13.3%	65.9%	32.9%	0.7%	1.2%

Forecasts by STAT Market Research based on data from Statistics Canada - August 7th, 2020



[LAIRD LENTILS]

Growers have had an excellent opportunity to empty bins during the past three months, which has left Canada virtually sold out of stocks.

We expect Canada will produce about 600,000 MT. The quality of this year's crop looks good and will make our customers happy. The next important factor is the seed size—the larger, the better, especially the Spanish market.

Prices have been declining as the early demand for Laird Lentils has been seasonally low. Most of Europe is on vacation, and the consumption of lentils in the Northern Hemisphere will not increase until the temperatures get cooler this fall. Regardless, we remain optimistic about the demand for Laird Lentils. We are very encouraged with a recently announced tender from India for 70,000 MT of No. 2 OB Laird. India may cancel the tender if the price is too high.

As mentioned earlier, the Black Sea Region seems to have become less of a factor. Interest from Algeria and Turkey for Canadian origin Laird lentils is a good indicator that our price, quality, and available supplies are good indicators that we will gain a larger market share from the Black Sea Region.

The UAE is a significant importer and acts as a transshipment port for Iran. With the sanctions imposed on Iran, we will not likely see the full potential for this market to develop. Sanctions have caused Iran to run out of the foreign exchange to import lentils. Furthermore, Iran's currency has devalued, and this has put significant strain on the importers. Many believe that Iran is hoping for a Biden win in the next election.

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

YEAR	2015	2016	2017	2018	2019	2020
Area (acres)	750,000	948,500	975,000	1,252,600	1,023,500	973,300
Yield (lbs)	1,375	1,250	1,138	1,048	1,150	1,250
Production	467,800	537,900	503,300	595,700	534,100	552,000
Carry In	142,000	19,000	10,000	4,000	64,000	81,000
Stocks	609,800	556,900	513,300	599,700	598,100	633,000
Disappearance						
Export	440,831	469,200	422,197	421,575	467,500	509,900
Seed	38,700	39,800	51,100	41,800	39,700	48,300
Feed & Waste	111,269	37,900	36,003	72,325	9,900	6,800
Total Usage	590,800	546,900	509,300	535,700	517,100	565,000
Ending Stock	19,000	10,000	4,000	64,000	81,000	68,000
Stocks/Use	3.2%	1.8%	0.8%	11.9%	15.7%	12.0%

Forecasts by STAT Market Research based on data from Statistics Canada - August 7th, 2020

[SPANISH BROWN CDC IBERINA™]

We have been operating the exclusive Spanish brown program for 14 years. We have seen some great momentum in the program over the past 3 years as the market has become familiar with the Canadian variety offered via Simpson Seeds and has grown in its acceptance and demand. We introduced the 4th generation seed variety this 2020 crop season. So far we are hearing good reviews from growers in the program via field inspections during July and now as harvest has started, positive results on yield as well as its standability are being reported. We will see how the yields average is after harvest is complete and we have collected all the samples and details from growers. Further updated report on the findings will be in our winter newsletter for those who would be interested in seed for the 2021 program. Prices did rally in spring along with other lentil varieties. We expect the prices to hold steady around 28-31 cents/lb for most of the year.

[ESTON LENTILS]

The outlook for Eston lentils prices is for firm prices as well. Seeded acres are down, but yields are up over last year. The seasonality of demand can play a major factor in daily bids and increase the volatility of prices at harvest and in the early new year. For this reason, plan to sell 1/3 for your crop at harvest time, 1/3 late fall, and only hold 1/3 through the winter and sell before the road bans come on.

Finally, we will see some strong competition from US farmers, especially into Mexico, where they have a freight advantage over Canada.

Otherwise, we will be going head to head for market share during the critical October to December period, where the bulk of the demand will come.

As stocks for Eston decline in the US and Canada, we can expect growers to respond by planting more acres in 2021.

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

YEAR	2015	2016	2017	2018	2019	2020
Area (acres)	260,000	330,000	385,000	415,600	362,400	265,800
Yield (lbs)	1,405	1,364	1,113	1,314	1,411	1,393
Production	165,700	204,100	194,300	247,700	232,000	168,000
Carry In	50,000	10,000	20,000	28,000	58,000	13,000
Stocks	215,700	214,100	214,300	275,700	290,000	181,000
Disappearance						
Export	169,000	161,200	144,700	159,100	270,800	162,000
Seed	7,500	8,700	9,400	8,200	6,000	9,100
Feed & Waste	29,200	24,200	32,200	50,400	200	1,900
Total Usage	205,700	194,100	186,300	217,700	277,000	173,000
Ending Stock	10,000	20,000	28,000	58,000	13,000	8,000
Stocks/Use	4.9%	10.3%	15.0%	26.6%	4.7%	4.6%

Forecasts by STAT Market Research based on data from Statistics Canada - August 7th, 2020



LENTIL MARKET SUMMER UPDATE CONTINUED

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

YEAR	2015	2016	2017	2018	2019	2020
Area (acres)	25,000	35,000	28,000	48,000	40,500	40,000
Yield (lbs)	1,217	1,178	1,181	1,286	1,056	1,268
Production	13,800	18,700	15,000	28,000	19,400	23,000
Carry In	10,000	2,000	2,000	3,000	6,000	2,000
Stocks	23,800	20,700	17,000	31,000	25,400	25,000
Disappearance						
Export	17,400	15,700	10,900	21,300	19,700	22,400
Seed	1,100	900	1,500	1,300	1,300	1,400
Feed & Waste	3,300	2,100	1,600	2,400	2,400	200
Total Usage	21,800	18,700	14,000	25,000	23,400	24,000
Ending Stock	2,000	2,000	3,000	6,000	2,000	1,000
Stocks/Use	9.2%	10.7%	21.4%	24.0%	8.5%	4.2%

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[RICHLEA LENTIL]

We are interested in any Richlea No.1 to meet the demand of customers who prefer this caliber of lentil.

Generally, the price of Richlea is a small discount to Laird due to its size. The US origin Richlea can be very competitive to Canadian origin in the past; however, this year, we believe the US will have fewer stocks, and prices will remain relatively firm throughout this year's marketing campaign.

PROMOTION ANNOUNCEMENT

NEW SENIOR VICE PRESIDENT



I am pleased to announce the promotion of Elyce Simpson Fraser to Senior Vice President. Elyce joined the company on July 1st, 2004 and has advanced through progressively more responsible positions as Logistics Coordinator, Manager for the Kyle Elevator, Junior Trader, Director of Westgate Mills, Director of Business Development and Marketing, and her most recent role a VP of Sales and Marketing.

Elyce has traveled extensively to our customers in the ISC, Europe, South America, Canada, and the USA. She has served on the Global Pulse Confederation Junior Executive Committee and has been a keynote speaker at numerous industry conventions to provide her insights into the green lentil markets.

Elyce graduated from Peacock Collegiate High School and achieved her Diploma in International Marketing at the College of Lethbridge.

Please join me in congratulating Elyce on her promotion.

FREE GRADING AND SAMPLE BAGS

BRING US YOUR SAMPLES!

We will be sending out some free sample bags for you to use in the coming weeks.

Please bring a representative sample to our grading offices for a free analysis. We do have a drop off boxes outside of our offices. Please complete the following information on the bags:

- ✓ Producer Name and Farm Name
- ✓ Phone Number
- ✓ Variety of Commodity
- ✓ Desiccant
- ✓ Crop year
- ✓ Quantity/Bushels
- ✓ Ref Number/Bin #

