

THE PULSE

newsletter

SPRING 2021



LEAVING A LEGACY



It is with a profound sense of gratitude that I write to you today, and to confirm that I will be retiring on July 31st, 2021. I want to thank everyone involved with Simpson Seeds for the role you have played in helping our family and our company to achieve all that we have done together. It has

been my joy and delight to serve alongside each of you over these past 42 years.

It was the summer of 1979 when our father, Jim Simpson, and my brothers Tom and John sat around our kitchen table planning. Our mom, Helen Simpson, was intent on offering us all more food to eat. It was at this table that the idea of a new seed cleaning plant was birthed. Our father was an entrepreneur and a visionary, and with his blessing and support, we borrowed the money to build the plant, incorporating Simpson Seeds Inc. on August 13th, 1979.

At the time, we were facing many challenges, and we knew we needed to change or risk losing the farm. The original vision was for Tom, John, and me to sustain the family farm by growing pedigree seeds.

Earlier, we had taken some small steps to diversify the farm by growing Trapper, Yellow Peas in 1975. With the encouragement of crop science professor Dr. Al Slinkard, we produced the first pedigree Laird Lentil on our farm. We never imagined that we would have such overwhelming support from all the farmers in the surrounding community, as well as from buyers overseas!

One of the highlights for me, during those early days, was the opportunity to travel to the international food show in Barcelona, Spain. It was on this trip that we created the "Lenteja Superior" brand for Laird Lentil.

My brothers and I are so grateful to our beloved parents, Jim and Helen, for the way they raised us. Personally, I am also blessed to have had two brothers who were willing to enthusiastically work along with me, as we pursued our shared dreams. John was the design engineer, building all of the plants, and Tom took charge of the pedigree seed farm operations.

Over time, the vision changed as we stewarded what God had put in our hands. As we re-calibrated and re-envisioned the company, we finally understood that this company had more to do with serving others. *continued on back page.*



LENTIL MARKET SPRING UPDATE



[LAIRD LENTILS]

Laird type Green Lentils prices have increased steadily in January/February. Bids for No. 1 Laird reached 37 cents per pound. Several factors help bids to advance:

- Growers have secured adequate cash flow from canola and wheat and enabled growers to hold firm to limit supplies to the market.
- Less competition for the Black Sea Region.
- Surplus stocks have slowly disappeared.

Our bid is now at 36 cents per pound and likely to eventually continue to decline to the new crop price of 32 cents per pound. With new crop prices north of 30 cents per pound, we expect growers will allocate a few more acres to Lairds this year. We are facing some headwinds in the export markets, such as:

- Some countries had overbought in anticipation of increased demand due to COVID19, so they had adequate inventory to wait for prices to come down.
- This time of year, we are coming to the end of green lentils demand. The EU and Mediterranean consumer is switching from canned and dry package lentils to fresh vegetables and fruits.
- India has a smaller Pigeon Pea crop and would lead you to conclude there would be green lentils bought as a substitute, but our prices are too high to be considered as an alternative.

The pandemic has disrupted the supply chains as consumers are spending some of the trillions of dollars printed by the FED and Bank of Canada to accommodate the economic recovery. Large retail box stores, manufacturers, and other consumer demands have driven container prices up to the extent that steamship companies prefer to ship empty containers from North America to Asia. The logistical barrier is impacting all pulses to gaining market access.

We are keeping a close watch on the Biden Administration. The policies they have implemented are going to have a far-reaching impact on the pulse industry. As I am writing,

the USA and Iran are in Vienna to hold talks to return to the 2015 nuclear deal. (good luck!) In the past, Iran imported about 100,000 MT of Large Green Lentils. If an agreement is struck, Iran will start to ship oil and generate the money needed to fund imports. Regardless of the outcome of these negotiations, Iran is already exporting oil to China despite sanctions.

Medium-sized Richlea lentils planting this year will be in the range of 30,000 to 40,000 acres. Most of the Richlea lentils are now grown in the United States.

[ESTON LENTILS]

Eston lentil growers will be pleased with the past year's performance. Eston No.1 bid peaked at 35 cents per pound and provided a good return for growers. Judging by the intended increased seeded acres, we can expect a relatively good supply for this year's marketing campaign.

CP Rail has acquired Kansas City Southern Railroad. This acquisition will provide Eston growers in Southern Saskatchewan much better access to Mexico's markets as the KCS will connect to many vital destinations throughout Mexico.

Spot bids today are for Eston No 1 are 33 cents per pound have been trending down. New crop prices are trading at 29 cents per pound, so buyers will prefer to wait for fresh green Eston lentils from the 2021 harvest. If you have any old crop Eston, please call us asap to convert your stocks into cash.

[RED LENTILS]

Red lentils this year were of excellent quality and ran very well in our splitting plant. Dry, low disease lentils are the key to attracting buyers to Canadian origin red lentils. Export in bulk vessels continues to dominate the market as they can obtain cheaper ocean rates in Panamax vessels to countries such as India, UAE, Bangladesh, and Turkey. We still do a good volume in containers to several other countries who desire lentils machine-cleaned to remove dirt, weed seeds, and other undesirable foreign material.



Est. Canada - 2021 Lentil & Prod'n Acres By Type (metric tons)

2020/'21 CROP EST.	LG/MED GREEN	SMALL GREEN	RED	OTHER	TOTAL
Acreage (Est.)	1,010,390	307,510	3,053,135	21,965	
% Acres	23%	7%	69.5%	0.5%	4,393,000
Yield Est.	1,280	1,350	1,400	1,250	
Prod'n Proj'n	586,631	188,304	1,938,831	12,454	2,726,219
C/I (est.)	55,000	10,000	116,000	4,000	185,000
Imports	10,000	5,000	55,000		
Supply Est..	651,631	203,304	2,109,831	16,454	2,981,219
Export Est.	510,000	170,000	1,810,000	10,000	2,500,000
Domestic Use Est. (Dom., Sd, Fd, Waste)	85,000	15,000	185,000	2,000	287,000
Ending Stock Est.	56,631	18,304	114,831	4,454	194,219
Stocks/Use Ration	10%	10%	6%	37%	7%

Chart provided by Marlene of Mercantile Consulting Venture Inc.

Bids reached a peak of 34 cents per pound in February. Growers who took advantage of grain companies that were technically short or just wanted to have a good old-fashioned grain war. World markets never paid these values.

Australia grew a record 900,000 MT of red lentils and has been stiff competition for Canadian origin lentils. They have likely shipped close to 50% of the stocks and will be primarily sold out by August/September. Bids have faded to about 29 cents per pound, and growers are now chasing a falling star. As with all my comments, I am assuming that we will receive rain in the lentil-producing regions. (Hey, I'm a farmer too and have to have the faith the rain to come!).

[SPANISH BROWN (IBERINA™) LENTILS]

In 2020 we moved into the 4th generation variety of Iberina™, the lentils grew an excellent crop. A few growers even experienced yields as high as 50-60 bushel/acres and #1 quality. We were happy to hear that the growers in the program were satisfied with the latest variety.

Spain continues to produce about 8000 MT annually of the Pardina variety. In 2020 they harvested a massive crop with better than average yields that impacted the Canadian Spanish brown demand. But prices remained competitive with other lentils classes. While the variety does not move as fluid as red and green varieties, it offers premium prices at times. Also, given the excellent yields, it often brings a better return overall compared to red lentils. Prices ranged from 27- 30 cents/lb throughout the year.

Spanish brown was not exempt from the unpredictability of Covid. Inconsistent and sporadic demand for lentils in Spain, in general, have caused unseasonal buying as the market makes its way through the uncertainties with 2nd and 3rd waves and the government measures put in place that, like Canada, affect the restaurant and hospitality industries which are a good part of the consumption.

While Spain is the primary market, we also find success with this lentil for splitting and fractionation markets. We are also expanding it into the pulses pasta market and gaining acceptance into these value-added products. All promising markets to develop the need for Iberina.

We still have some seed available and offer production contracts at 30 cents/lb for #1 with AOG. Give us a call if you are interested in growing the variety.

I hope you have an excellent growing season and look forward to serving you by marketing your lentils and other pulses this year.



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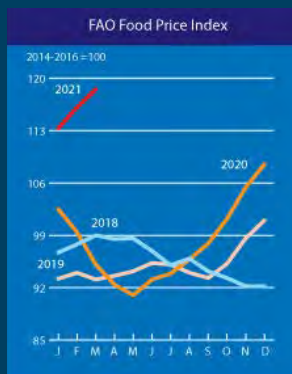
Our core purpose is "Nourishing the World." With this new vision, the company grew as we began to be the conduit for export of high-quality lentils, peas, and chickpeas to 85 countries.

As three brothers, we have spent a lifetime helping to prepare all the G3's to manage a professionally run family business and supporting them as they have learned to lead and to govern. As fathers Tom, John and I are all so proud of our children; Tyler, Nolan, Trevor, Elyce, Jamie, Tara, Nicole, Jana and Laura. Each of them has given our family great joy. Five work in the business, as you know, while others are pursuing careers elsewhere. But, as a group of owners, we think the nine of them make a dynamic and talented team!

Effective August 1, 2021, the board has unanimously agreed that Elyce Simpson Fraser will be appointed as CEO of the company. As a father, this gives me great satisfaction. Elyce has worked diligently for SSI for 17 years now, and I am confident that the company will be in good hands under her capable leadership. Elyce will be supported by Tyler as a member of the Senior Management team and Farm Plant Manager; Nicole as the Grain Buyer in Swift Current; Trevor as SFJV Farm and Seed Sales Manager; and Jamie as the SFJV Foreman. Going forward, I will be joining Tom and John as we collectively cheer Elyce, and all of the SSI employees on! (our kids, who are G3, refer to us old guys, in G2, as the rocking chair generation.)

It is now their turn to run with the vision. I can't wait to see what the Lord will do in and through them.

RIDING THE WAVE



We are at the beginning of a "Super Commodity Cycle". Prices for oil, iron ore, lumber, etc., have increased substantially in recent months - the length and breadth of this cycle is anyone's guess, especially during a global pandemic.

The FAO Food Price Index report released on April 3, 2021, showed a 2.3% rise in prices in February, marking the ninth month of consecutive food inflation and reaching its highest level since July 2014.

The global pandemic is adding another layer of disruption to the food supply chain. Over the past year, lockdowns have caused temporary shortages of food. Last year we saw potato farmers dumping their potato harvest as the demand from restaurants and fast-food chains came to an abrupt stop. Potato growers and fresh vegetable growers have suffered economic hardship while consumers contend with food inflation or lack of supply. Meanwhile, the world population has reached 7.9 billion.

Climate will be a factor in support of higher food prices. Drought is a primary concern this spring in Southern Saskatchewan, Alberta, Manitoba, and the Northern Tier States of Montana and North Dakota. This quote from the North American Drought Monitor - February 2020 report sums up the situation, "Approximately thirty-five percent of the country was considered Abnormally Dry (D0) or in drought; this includes seventy-five percent of the agricultural landscape."

The pulse industry is going through a transformation with domestic and international demand for plant-based protein growing. For example, Chinese citizens have concerns over the link between meat and viruses, such as COVID 19, and drive Hong Kong and Chinese consumers to vegetarian alternatives to meat. Here in Canada, there are millions of dollars investing in pea fractionation and pulse flour processing.

In Canada, Rockette says they are the world's largest pea protein plant and have invested \$600 million in Portage La Prairie, Manitoba. Also, Ingredion purchased Verident in Vanscoy, SK, and is expanding pea and lentil fractionation.

This transformation of the pulse industry is what we need to bring more value-added processing, more jobs, better prices to growers, and a sustainable protein source. Maybe someday, we can see the majority of our pulses go through value-added processing.