NEW RECORD HIGHS AS WORLD CELEBRATES PULSES

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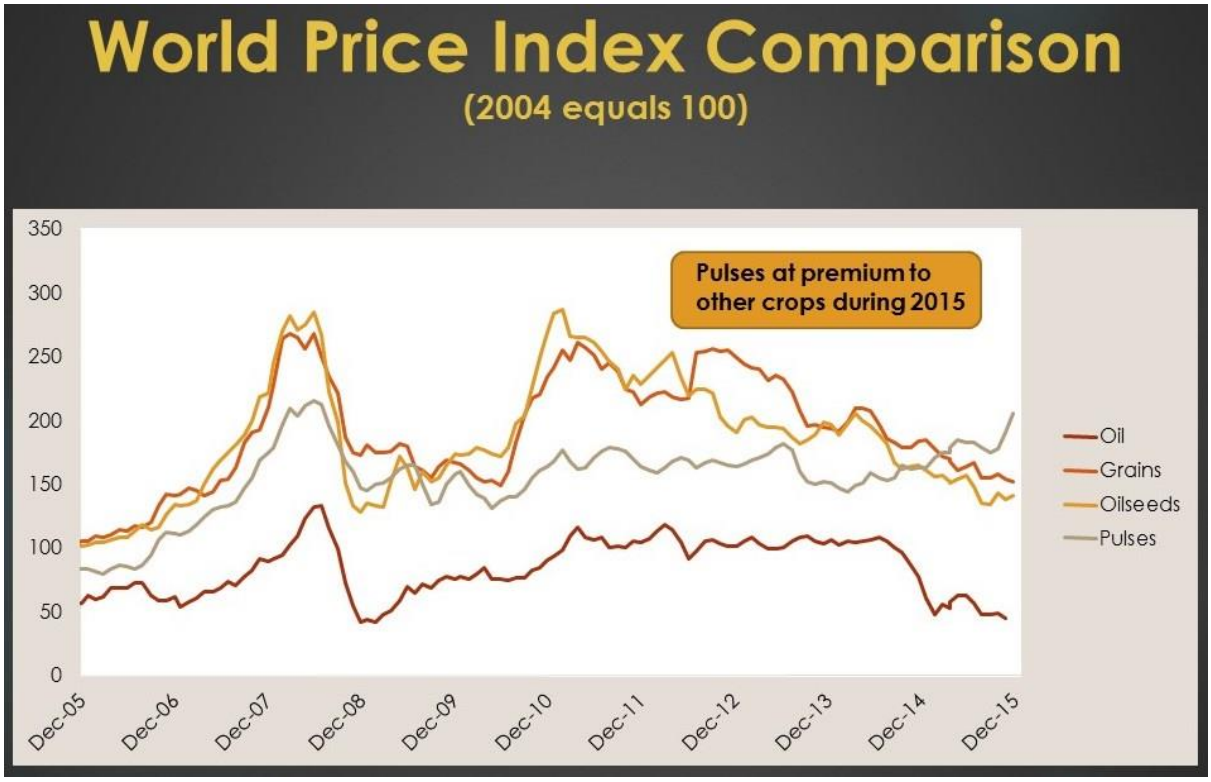
Coincidentally with the International Year of Pulses, seeded area and production of pulses for human consumption markets are expected to set new records in the world's major net exporting nations.
This is a simple reflection of strong movement and unusual price strength relative to grains and oilseeds. Farmers in Canada are now receiving record high prices for yellow peas, as well as green and red lentils. Growers in Australia also saw record high prices paid for desi chickpeas and red lentils during the closing quarter of 2015.



International trading levels for most classes of pulses are still below their historic highs. But this has not changed the fact that prices are unusually high relative to grains and oilseeds. That is a critical fact because the three crop categories compete for land use, with farmers tending to emphasize those which generate higher average returns per hectare relative to their other choices.

World Lentil Production Forecast				
(metric tons)				
	5-year Average	2014	2015	2016
Canada	1,946,800	1,987,000	2,373,000	3,072,000
Turkey	406,200	345,000	426,000	479,000
United States	215,600	156,000	239,000	320,000
Australia	278,800	242,000	272,000	366,000
Other	1,856,000	1,865,000	1,630,000	1,669,000
World	4,703,400	4,595,000	4,940,000	5,906,000

This is obvious in Canada, where the gross income potential for pulses this season are much higher than they have been in recent years when compared to the income potential of canola, durum, wheat or barley. Lentils are putting in the best performance in Saskatchewan. Yellow peas come in behind lentils in Saskatchewan but are considered the best overall crop in Alberta in terms of income potential in 2016-17. On the other hand, the income potential of green peas and chickpeas have fallen below what farmers expect to see relative to wheat, durum, barley and canola.

As it stands today, Canadian farmers should seed at least 4.6 million acres or 1.86 million hectares of lentils. Many market participants believe if grower bids remain at current levels, plantings will push past five million acres or two million hectares.

This has changed the topic of the new crop lentil debate from area to yields. Many market participants argue that this year's expansion cannot happen unless there is an influx of new growers, seeding them on land used to grow lentils last year, and/or using marginal land. This has markets convinced yields will not reach their full potential.

The recent five-year average yield for Canadian lentils is 1,464 pounds per acre or 1,620 kilograms per hectare, which is 140 pounds or 157 kilograms higher than the last crop. It is too early to assert that yields will be anything other than average. If yields are at their recent five-year average, Canada will harvest a record 3.07 million metric tons of lentils. Weather remains the key yield risk.

The current El Nino weather event is expected to remain in place through the spring. Forecasters believe it will be immediately followed by La Nina. Such major and rapid changes in major weather events makes it more difficult to say what kind of weather this will bring to the Prairies during seeding and the harvest period.

Of greater significance to markets is the fact that La Nina is normally associated with above average monsoon rains in India. The country has suffered two below average monsoons in a row, which has resulted in unusually strong demand for red lentils, field peas, and desi chickpeas. If this year's monsoon is average or better, land in kharif season pulses and yields would be expected to rise. Similarly, land in rabi season crops would probably increase in 2017.

World Field Pea Production Forecast				
(metric tons)				
	5-Year Average	2014	2015	2016
Australia	303,800	290,000	225,000	300,000
Canada	3,363,000	3,810,000	3,201,000	3,993,000
United States	614,000	778,000	829,000	978,000
France	598,400	576,000	618,000	830,000
Russia	1,591,200	1,492,000	1,654,000	1,671,000
Other	3,983,200	4,007,000	3,833,000	4,032,000
World	10,453,600	10,953,000	10,360,000	11,804,000

Demand through the balance of the year will be affected by last year's monsoon failure and this winter's smaller than hoped rabi season pulse area. The implication is the 2016-17 marketing campaign could get off to a strong start, with significant volumes of pulses moving to the Indian

subcontinent from harvest through November. If India's pulse production rebounds in 2016-17, import demand would likely slow after the first quarter of 2017.

Land in field peas is also expected to top four million acres or 1.62 million hectares for a potential four million metric ton crop. It would not be surprising to see 4.2 million acres or 1.7 million hectares sown in Canada this year, though markets think the increase will be smaller because prices have not performed as well as lentils in Saskatchewan, Canada's most important pulse producing region.

Demand from India will be a key factor during the last half of the calendar year, with markets hoping China will pick up any relaxation that might occur in Indian demand during the first half of 2017. Significantly, exporters started selling 2016 crop lentils and peas earlier than usual. Asking prices are discounted to spot markets. This encourages buyers to only buy enough old crop pulses to cover short term needs and try hard to avoid carrying product over into the new crop shipping positions.

RECORD EXPORT PACE IN LENTILS AND DESI CHICKPEAS

It is worth noting that international trade in lentils maintained a record pace between harvests in the northern hemisphere and the end of November. Exports clearances in the August through November period from the world's three largest export producers -- Canada, the United States and Australia -- totalled 1.519 million metric tons, a massive increase over the 988,408 shipped during the same four-month period last season.

Export trade was dominated by Canada, which shipped a record 1.36 million metric tons (metric tons) of product during the first four months of its 2015-16 marketing year, compared to almost 830,000 metric tons during the same period last year. Shipments from the United States have also started the 2015-16 marketing year at a record pace. Clearances between August and November totalled 114,124 metric tons, up from 109,521 metric tons last season. By contrast, shipments from Australia were down, reflecting tight old crop inventories. Its new crop shipping campaign starts in November, with clearances during the month the second best on record at 26,443 metric tons.

World Chickpea Production Forecast				
(metric tons)				
	5-Year Average	2014	2015	2016
Australia	767,400	690,000	979,000	983,000
Turkey	478,000	450,000	429,000	451,000
Mexico	172,200	160,000	147,000	129,000
India	8,290,000	9,530,000	7,170,000	8,563,000
Other	2,529,100	2,613,000	2,405,500	2,471,800
World	12,236,700	13,443,000	11,130,500	12,597,800

The increase in world trade is being fueled by unprecedented pulse import demand from India accounting for almost half of world demand in the August through November period. The surge in demand is a simple reflection of two consecutive below normal monsoons and a severe reduction in the 2015 Rabi season pulse harvest. Significantly, demand is expected to remain strong through much of 2016 as India braces for another poor Rabi season harvest and another possible reduction in its lentil harvest.

Lentils are not the only pulse experiencing unprecedented demand. Australia started its 2015-16 marketing campaign by shipping record quantities of chickpeas to India and other destinations during November. Total export clearances for the month set a single month record of 465,131 metric tons (MT), almost double the previous high of 239,552 MT set in December of 2012.

Confirmation of the pace of pulse exports between August and November has focussed attention on India's pulse import needs through the first half of 2016. Seeding of this year's Rabi season pulse crops were on pace with last year through the first week of January. That suggests total area will be well below the recent five-year average and significantly less than hoped. On the other hand, comments about seeding progress suggest land in gram or Desi Chickpeas is up over last year, with farmers opting to plant the pulse instead of other grains because of higher than normal daytime temperatures and drier rabi season growing conditions.

Even so, markets remain confident India will continue to import unusually large quantities of pulses for much of 2016. As much as the current emphasis seems to be on desi chickpeas, the country remains a price conscious buyer of pulses, which should see continued strong demand for yellow and green peas, which remain the most competitively priced pulses available for human consumption.

The current focus on desi chickpeas is resulting in a rapid draw-down in available supplies on world markets at a time when Pakistan is also expected to face a significant shortfall in supplies on its domestic market. The implication for Australia is that the 2015-16 season should end with limited residual stocks while land in the pulse will likely increase in response to strong prices and movement.

LITTLE EXCITEMENT IN DRY BEANS

The only pulse category showing limited excitement so far this season are dry edible beans, which started the 2015-16 marketing campaign on a relatively quiet note, with product available from growers and processors aligned with the short term needs of the market.

Dry bean exports from the United States during the first quarter of its 2015-16 marketing campaign are down 9% from last year at 117,363 metric tons. Most of the decline is accounted for my white beans, with pea bean shipments down 23% at almost 43,000 metric tons and great northern bean export clearances down 61% at 5,149 metric tons. By contrast, pinto bean exports more than doubled to 19,800 metric tons for the September-November period and black beans rose 9% to 13,925 metric tons.

While optimism over Mexican import demand is rising in the face of continued worries about production levels in that country, first quarter gains in exports were not driven by that country. Instead, the increase in pinto exports was accounted for by the Dominican Republic and Haiti, with exports to Mexico down 400 metric tons at just 1,517. Opening season black bean imports by Mexico were little changed at 10,096 metric tons; while shipments to the Dominican Republic soared from 50 to 2,334 metric tons between September and November.

In the case of white beans, declines were led by falling shipments to Canada, Western Europe and Algeria. This was especially evident in great northern beans, which face increased competition from

Argentina and Egypt both in terms of price, available supply, and buyer preference. This is expected to see shippers in the United States focus on domestic markets and efforts to convince the federal government to buy surplus stocks.

SUMMARY

In summary, world pulse seeding and production will be up this year unless there is a weather disaster. Even so, prices should start the 2016-17 marketing campaign on a strong note because of demand stemming from a second consecutive short Rabi crop in India. However, they could weaken after December if this year's monsoon is closer to normal and Rabi seeding increase substantially for harvest in 2017.