



PRICES

PLANT-BASED PROTEIN – HYPE OR HOPE?

By Chuck Penner, LeftField Commodity Research

Pulses have (at the risk of overusing the word) become sexy. Every week, it seems there's another announcement about a major player getting involved in the plant-based protein industry. Everyone from meatpackers to mainstream food manufacturers to Hollywood directors to yoga pant makers are talking about using pulse ingredients. Because of the widespread interest from big industry players and changing food consumption patterns, this seems to be more of a sustainable trend than just a fad.

Of course, for pulse growers, this is simply the rest of the world catching on to what they've known for years; there's a whole lot of potential in pulses. Pulse markets have relied very heavily on bulk exports of peas, lentils and chickpeas but now there's hope for more diversification and expansion. Many years of development efforts by pulse organizations and industry players are paying off and it looks like the domestic processing industry is set for great things.

At the same time, there's always the concern that the hype outpaces the reality. News reports are already talking about how the boom in plant-based protein has driven pulse prices higher, but farmers and traders know that's not the case, at least not yet. In this article, I'll try to sort out some of the potential impacts of this trend on western Canadian pulses. And since most of the interest has been in

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peas, I'll focus mainly on that portion of the pulse market.

So far, it's hard to nail down an impact on Canadian or US pea supply and demand. Part of the problem is that the “domestic use” numbers in those S&D's are a bit of a catch-all for livestock feed, food processing, pet food manufacturing and supply “tweaks” due to under or over reporting the crop size.

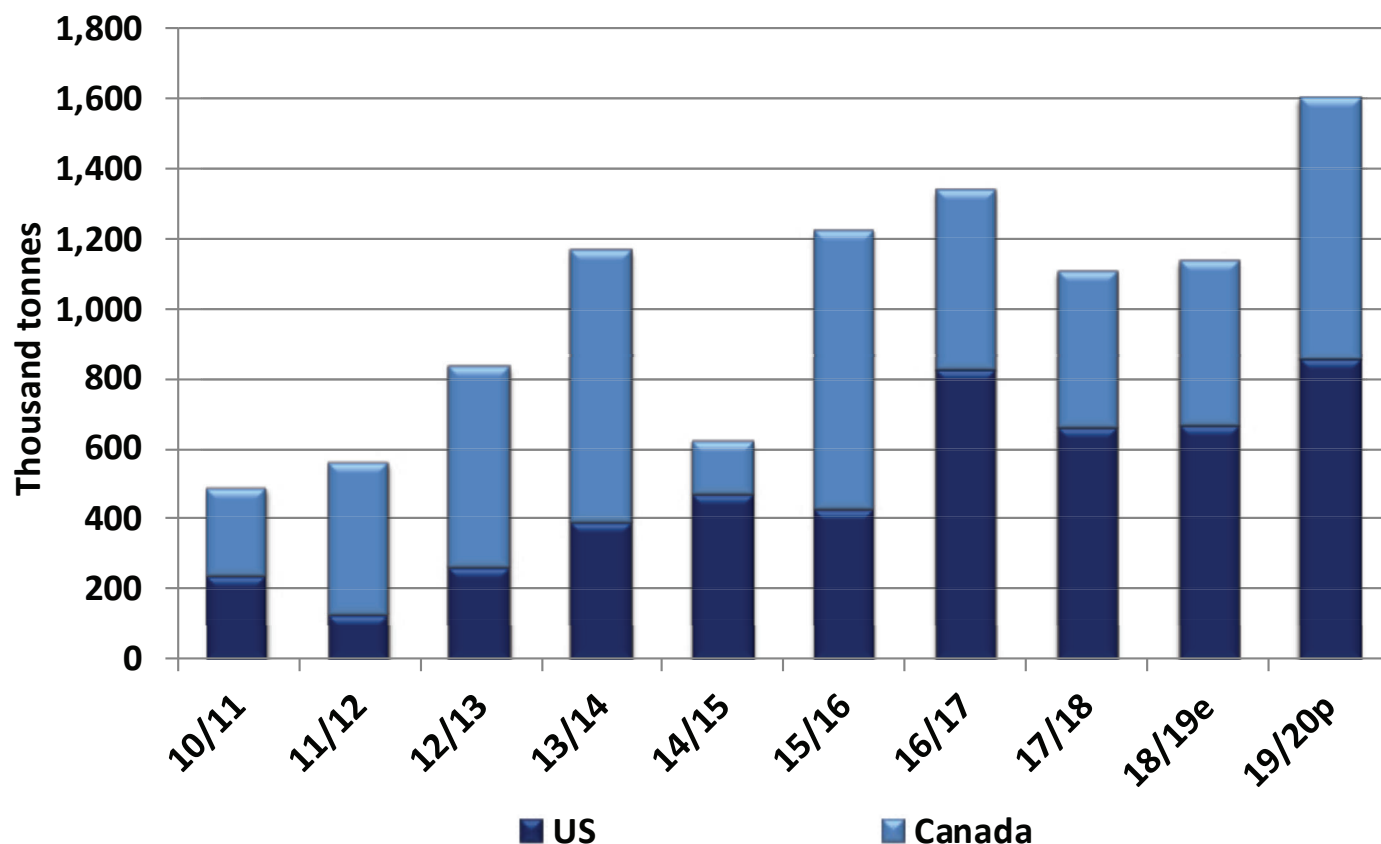
Trying to separate the amount of peas going into various uses is a problem. While the processing capacities of facilities are sometimes announced in a press release, processors are (understandably) reluctant to share the actual output. And it's not just a simple calculation.

After all, we just don't know how many bushels of peas it takes to make a plant-based burger or a pair of yoga pants.

In the end however, our projections about domestic use of peas are pointing higher. Facilities in western Canada and the US are already processing peas into protein, starch and fibre and more will be coming on-stream at some point in 2019/20.

Even though the numbers are somewhat muddled by other uses, we expect domestic processing in 2019/20 (for all uses) could hit 750,000 tonnes in Canada and 850,000 in the US. Some of that new demand will only show up later in the marketing year, but it's

North American Domestic Use - Peas



still enough to make a dent in the marketplace.

More important than the 2019/20 situation is the longer-term outlook. That's because most of the processing capacity is still in the design or development stage and won't come on stream until well into 2020 or later. These plans don't just include pea fractionation but also processing of lentils, chickpeas and faba beans, which would be positive for the entire pulse industry in western Canada.

Based on formal announcements and informal discussions, there's close to 400,000 tonnes of pea processing already underway or at some stage of serious development

in Canada. Plus, there are several other facilities that haven't hit the radar yet or are still at the concept stage. Within a few short years, it's conceivable over a million tonnes of peas could be processed in Canada, a quarter of current production. Of course, the potential benefits stress the importance of making sure that processing occurs in Canada.

Ultimately, the expansion of domestic processing will drive meaningful changes in the industry. Stronger and steadier demand will mean less risk from shifts in demand from countries like India, especially with its stated goal of more food self-sufficiency. Just like canola and feed barley, more domestic use also means pulse prices in

western Canada will trade closer to international levels, rather than being discounted by export freight and other costs. Other possible market changes include pricing for specific varieties or qualities.

Until domestic processing catches up to the buzz about the plant-based protein boom, farmers here won't notice big benefits. Those changes are going to take a year or two to start to show up. But as the old saying about planting trees goes, the best time to start was 20 years ago; the next best time is now.