PRICES

EXPORT DESTINATION SHIFTS INFLUENCE PEA PRICE PATTERNS

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On the surface, export movements of Canadian peas haven't changed all that much over the past several years. Volumes have varied from year to year but somewhere between three and four million tonnes seems to move out almost every year. A closer look shows that market patterns, particularly destinations, have shifted considerably.

Over the three-year period of 2014/15 to 2016/17, Canadian pea exports averaged 3.22 million tonnes and in the three years since, an average of 3.35 million tonnes were exported. Not much of a change at all, except that India and China have switched places as Canada's main buyer. In the first three-year stretch, India typically took 45-50% of Canada's pea exports but that share dropped to less than 10% in the last three years. Meanwhile, China's share of the market more than doubled, from 25% in the first three years to 56% in the last three years.

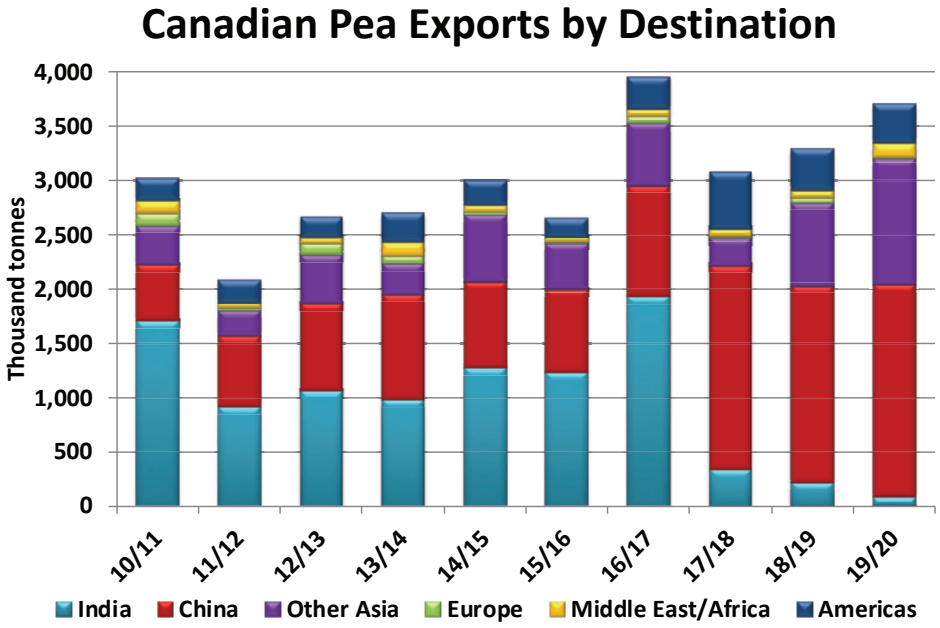
This shift in export destinations might seem like just an interesting tidbit of information but it has implications for price behaviour of peas. That's because these two countries that have been dominant pea buyers have different purchase patterns.

When India was the main destination for Canadian peas, it took big volumes in the first 3-4 months of the marketing year. It would stockpile and use imported peas during the autumn months ahead of its own rabi (winter) harvest in Feb/Mar. This buying pattern resulted in extremely heavy pea movement off the combine, and in that three-year timeframe, 35-45% of peas were exported in Aug-Oct. Twice, Canada's September exports topped 700,000 tonnes.

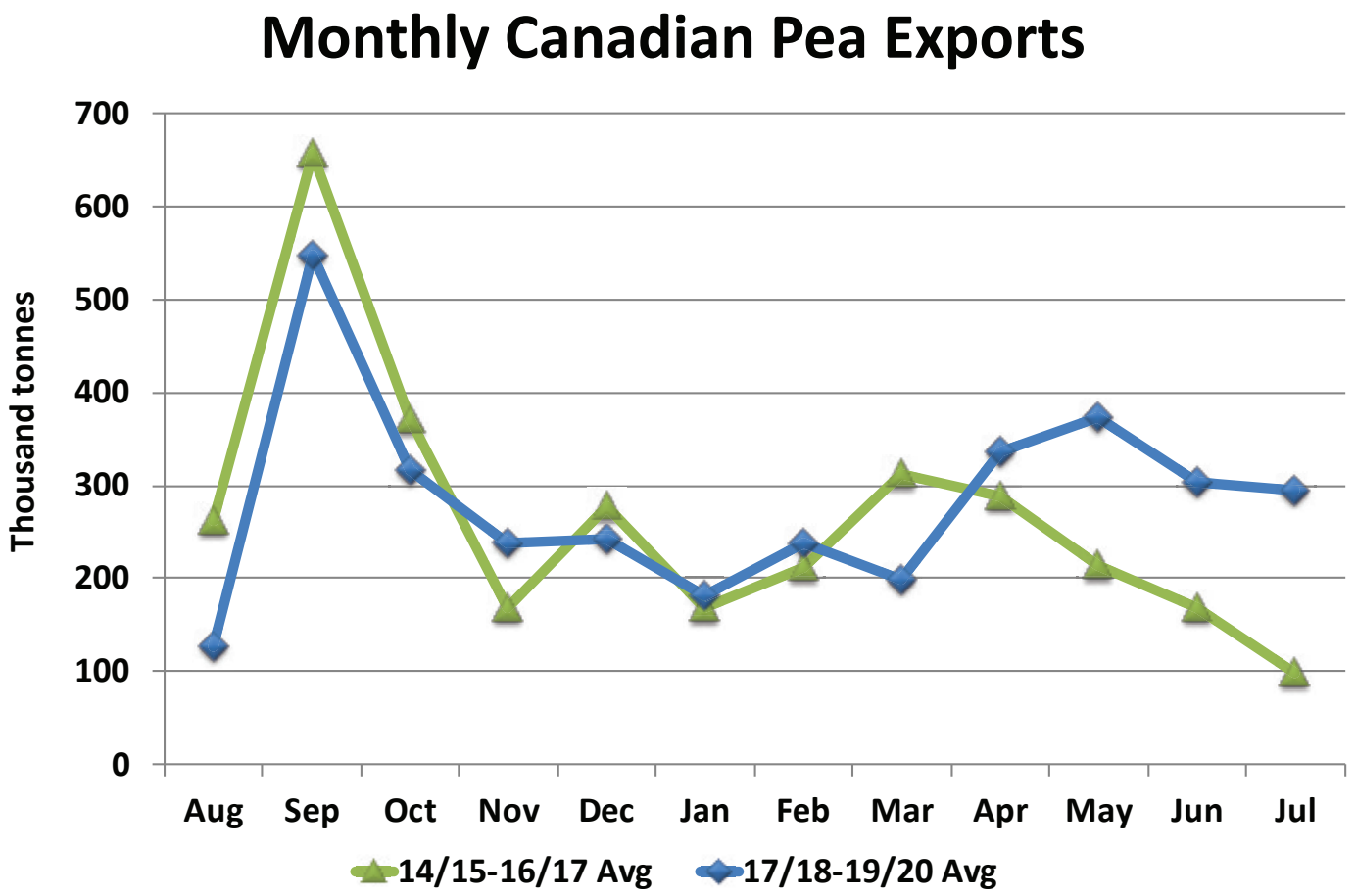
When China became the biggest source of demand for Canadian peas in the past three years, the pattern of movement shifted somewhat, with steadier volumes from month to month. While there was still a bulge of exports in the fall as other south Asian countries remained buyers, it wasn't quite as noticeable, with only 25-35% of peas moving in the first quarter. And since China became the main buyer in the past three years, there have also been stronger pea exports in the final few months of the marketing year.

The chart shows how export patterns have shifted in the three years (14/15 to 16/17) when India was the main buyer versus the last three years (17/18 to 19/20) when China took a dominant position as buyer of Canadian peas. The differences may not seem large but they have an impact on price behaviour.

For one thing, the lower export volumes in the first quarter of the marketing year more recently mean



Source: LeftField with StatsCan source data



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fewer opportunities to forward-contract peas, especially yellows. This was certainly apparent this year as new-crop bids weren't issued until later and for some buyers, didn't show up at all. This limited the opportunity for farmers to presell the 2020 yellow pea crop, regardless of price.

The less busy export pace in the fall will also mean selling peas off the combine will be more of a challenge and could mean a more depressed seasonal price low as farmers push more peas than needed onto the market. This push to sell peas could also serve to delay the postharvest price recovery that normally starts to show up in October.

On the flipside, pea exports at the tail end of the marketing year have been noticeably stronger with China as the main buyer than in the three years when India was the largest destination. This heavier demand is what allowed pea prices to remain relatively strong in the spring and provided some positive selling opportunities for farmers late in the season.

Because it looks like China will again be the dominant pea buyer in 2020/21, this pattern of export movement suggests some adjustments may be needed in farmers' selling strategies. With a large 2020 crop expected and quieter fall movement, the pressure on bids will likely be heavier than usual during the fall. If so, it would suggest the seasonal lows will be lower and longer and more patience will be needed in marketing.

This pattern would also allow for more seasonal strength in the spring when export volumes pick up again. As a result, farmers might look at delaying sales later into the marketing year to capitalize on firmer bids next spring.

As always though, unexpected events could throw a wrench into the works. Some sort of disruption in exports to China would certainly be damaging. On the other hand, a possible problem with India's next rabi pulse crop could bring it back into the market for Canadian peas later in 2020/21, adding even more demand to the second half of the marketing year.