

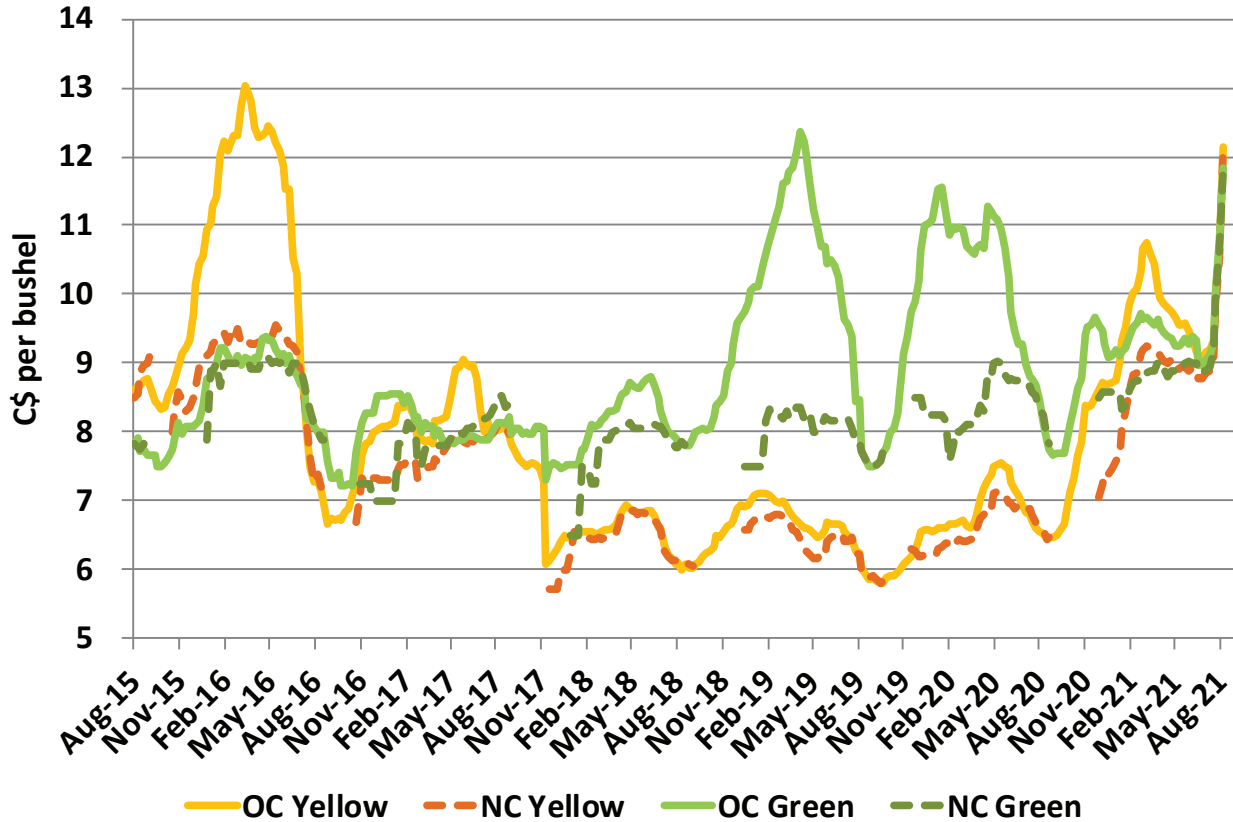


PRICES

SO WHAT HAPPENS NEXT YEAR?

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Average Canadian Pea Bids



For those farmers who managed to get a decent pulse yield this year, it looks like things are going to turn out very well. Very short crops across much of western Canada have led to even higher prices. That’s often the way it is; farmers in one area frequently benefit from the difficulties that farmers face in other regions/countries.

For the majority that didn’t get a good crop in 2021 though, it’s “next year country”. It may seem a little early to start thinking about the 2022/23 marketing year – we’re

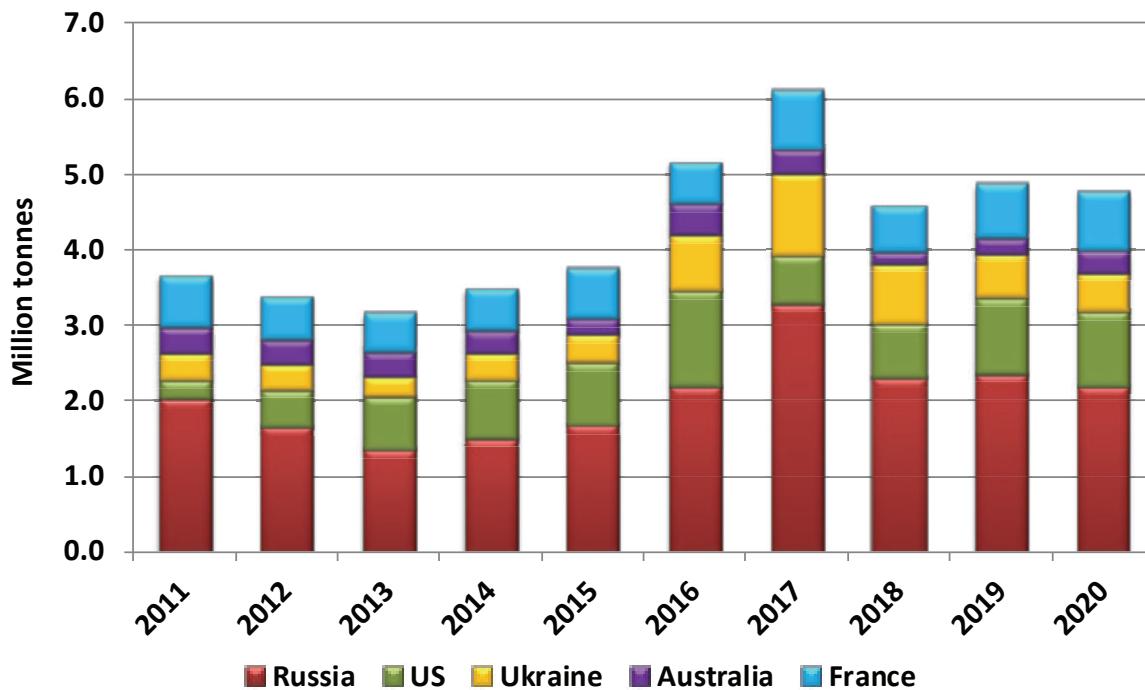
generally skeptical of predictions too far out – but some events can possibly be foreseen. Plus, for those without much of a crop to market this year, it may be healthy to look ahead.

We already know Canadian pulse crops in 2021 will be far short of the market’s needs. Our early August guesstimates show that Canadian production of peas, lentils, chickpeas and dry beans will be at least 3.1 mln tonnes less than last year. With Canada as the largest exporter of peas and lentils and (at best) average

crops in other countries, it’s already clear that by the end of 2021/22, global supplies will be running on fumes.

Five years ago, the last time a global pulse supply shortage happened, overseas buyers began bidding early and aggressively for the following year’s crop. During those years, new-crop bids started to show up already by early October to lock in the following year’s crop. That’s in contrast to the past couple of years, when new-crop bids really only showed up in earnest in January.

Pea Production by Major Exporters



Because of the concern about supplies, not only will bids for 2022/23 come out earlier, we expect those bids will be stronger than usual. The million-dollar question though is whether they'll be high enough to get farmers' attention. We're already convinced that the competition for acres in 2022 will be very strong among all crop options. It's not just pulses that are in short supply; all of the major and most minor crops will be going into 2022/23 with extremely low supplies. Buyers of canola, barley, wheat, mustard – you name it – will all be forced to get in the bidding game early and aggressively. That rising tide of strong markets and competitive bidding will tend to lift all boats, including pulses.

That said, after this year's regrets about contracting too soon as prices climbed or not having enough crop to fill contracts, we can hardly blame farmers if they're gun shy about going through that again. Plus, until there's more moisture in the ground, forward contracting will be tentative,

at best. That reluctance to contract will also support prices.

Because of all of these competing markets, it's very difficult to know how farmers will respond in their planting decisions. It's far too soon to make any kind of realistic acreage forecast for 2022. But it's clear that if bids aren't strong enough, those crops will suffer in next year's acreage derby.

While the outlook is mainly positive, there are a few clouds that could show up on the horizon. Any time there's a high price environment, it tends to encourage acres in other countries too. Five years ago, when Indian imports spiked higher and lifted prices, pea acreage and production in competing countries climbed by over 50%. Keep in mind, a number of these countries don't have the same pulse crop rotation and disease constraints that Canada faces.

Beside encouraging acreage in other countries, high prices can

also discourage consumption. Some demand is more stable than others, particularly for green peas and green lentils which have fewer substitutes. Red lentil consumption can slip in some lower income countries, which reduces overall demand. A large part of yellow pea consumption in the past several years has been feed use in China and that market appears to be cooling off somewhat and other sources of feed protein can be used. In the fractionation industry, it would be difficult to displace peas as a protein source but there are substitutes for starch, the other main component in the fractionation process.

The bottom line is that there will be good opportunities for marketing 2021 pulse crops and forward-contracting next year's production. It may take a couple of years, but a return to somewhat normal growing conditions would eventually mean a move back to more average prices and returns.