PRICES

ARE SEASONAL PATTERNS STILL WORKING IN 2021/22?

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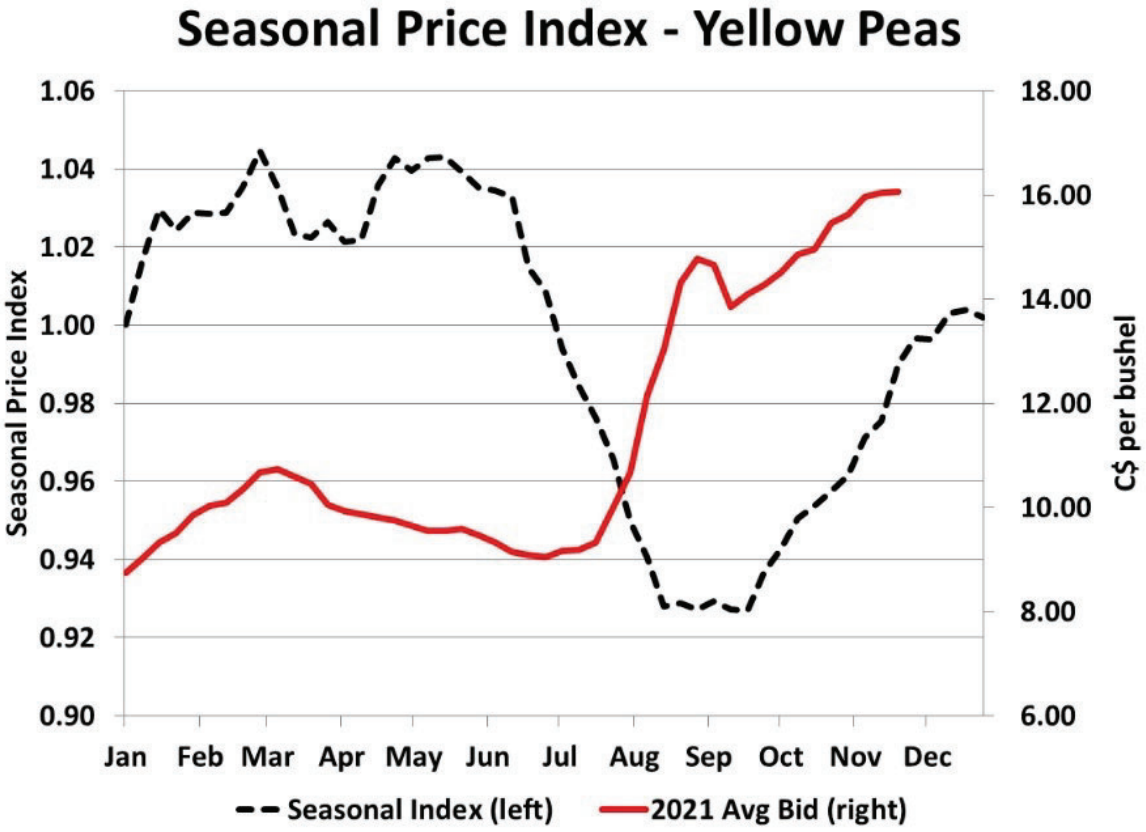
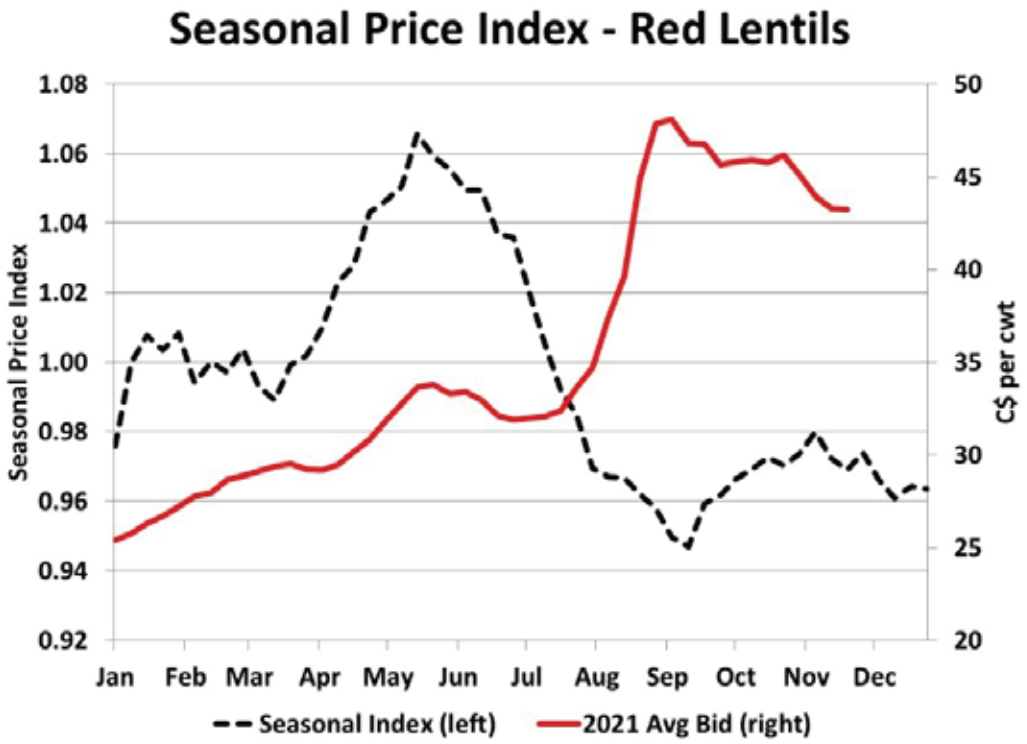


We're fans of looking at seasonal price patterns to help sort out how prices could be moving in the months ahead. We've calculated seasonal indices by comparing prices for each week against the average for the year, using as much price history as possible. Plotting these on a chart shows that prices are frequently influenced by predictable market forces and tend to follow a pattern throughout the year.

Even though we find the patterns useful, prices don't always follow these tendencies. The patterns tend to be more reliable in a "normal" year when market events unfold in a fairly routine way. That said, there's no such thing as a completely normal year and 2021/22 has certainly been anything but routine. The question is whether there's any value in looking at seasonal tendencies this year.

First, we need to see whether pulse prices have actually been following the seasonal patterns so far in 2021/22. This year's rally in yellow peas has been far more extreme than usual but is showing some of the same tendencies as the index. One difference is that the low this year happened in July rather than the usual bottom in Aug-Sep. That makes sense, as that's when the 2021 drought went past its "point of no return" and low yields were locked in. Despite the earlier start to the rally, yellow pea prices have started to level off, once again following the price index. If we'd post a chart for green peas, it would look very similar.



One factor that tends to support prices early in the calendar year is slow farmer selling during the coldest winter months with another bump in prices that shows up during seeding season. Based on what we're hearing, farmers who still have peas are increasingly reluctant to sell, so that same influence is shaping up for the second half of 2021/22. And if moisture conditions don't show much improvement this winter, farmers will be even more averse to selling.

One caution about getting too excited about hitting the seasonal peaks in early March and early May is whether there will be enough demand to push prices to even higher levels. In the past few years, Chinese buying has been strong even in the winter months which, together with slower farmer selling, has been the usual driver of those highs. In 2021/22, yellow pea bids in the $18 ballpark have chased away a good chunk of Chinese demand, so it may be difficult to hit fresh highs next spring, even with very tight Canadian supplies.

Bids for red lentils also started to move higher earlier than usual and the gains have far exceeded the scale on the seasonal price index. The direction was similar but the size of the move was much more extreme. Since the highs in September though, red lentil bids have been losing ground. The seasonal price pattern also tends to go lower in fall, although that doesn't usually happen until mid-November. So we could argue that red lentil prices are following the index but are just moving earlier than usual.

This leaves the question of whether red lentil prices will behave the way they normally do as we turn the calendar to 2022. Generally, prices move sideways until early spring and then turn strongly higher. Once again, slower farmer selling during the seeding season helps give prices a lift but only when that's combined with a surge (smaller than in the fall) of spring exports, including to Turkey, India and other south Asian countries.

Even though conditions for the Indian rabi crop are generally favourable right now, there's no reason to suspect there won't be some increase in buying next spring. That's also likely the case for Pakistan and Bangladesh. We also know that Turkey's own lentil crop was small in 2021, which should provide a boost in buying before its next harvest in mid-2022. As a result, odds are fairly good for a rebound in red lentil prices next spring. And those same factors should be able to help green lentil prices.

At this time of year, it's not unusual for markets to be quiet and when they are, it tends to lull both buyers and sellers into thinking more of the same is ahead. That's one reason it's helpful to know about seasonal price patterns. And even in this "unprecedented" year, we think it's a good idea to keep one eye on this useful marketing tool.