

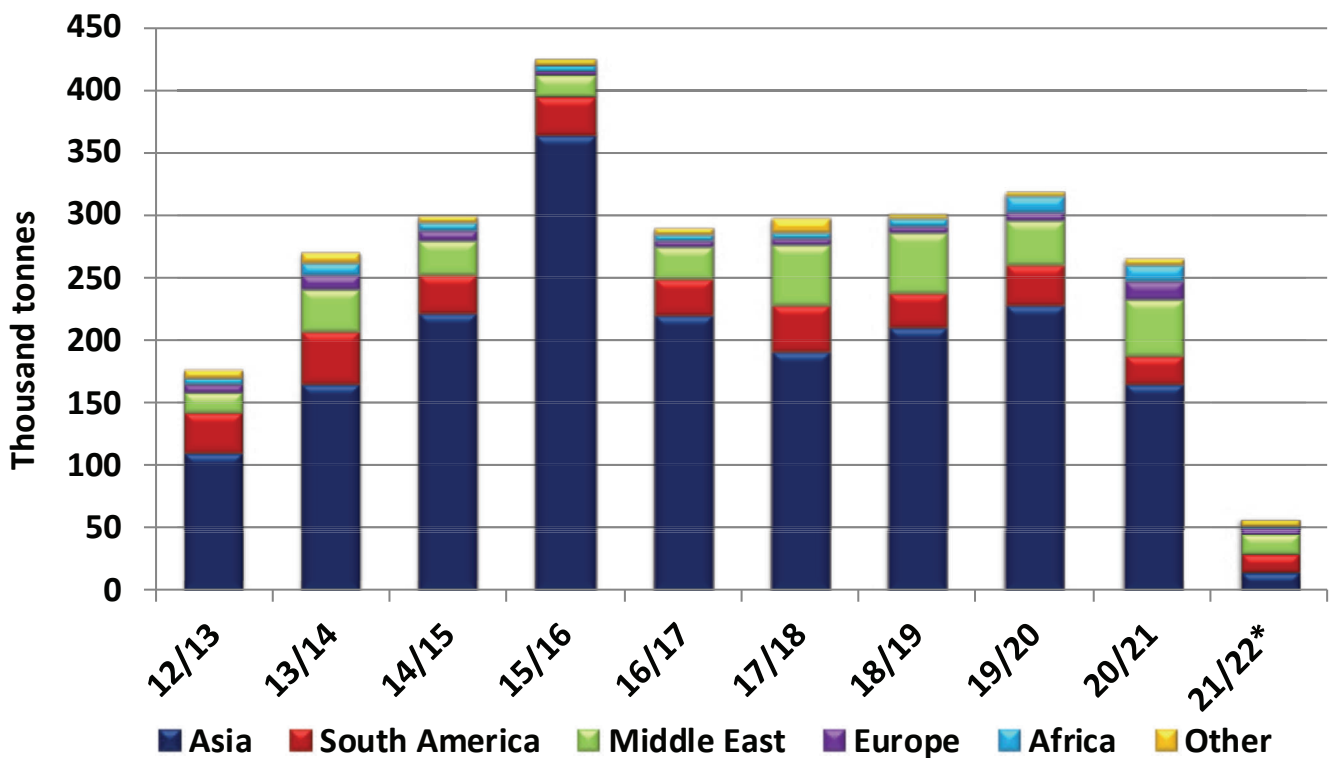


PRICES

CONTAINER ISSUES AFFECT SOME PULSES MORE THAN OTHERS

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Canadian Green Pea Exports



* Aug-Feb only

Source: Statistics Canada

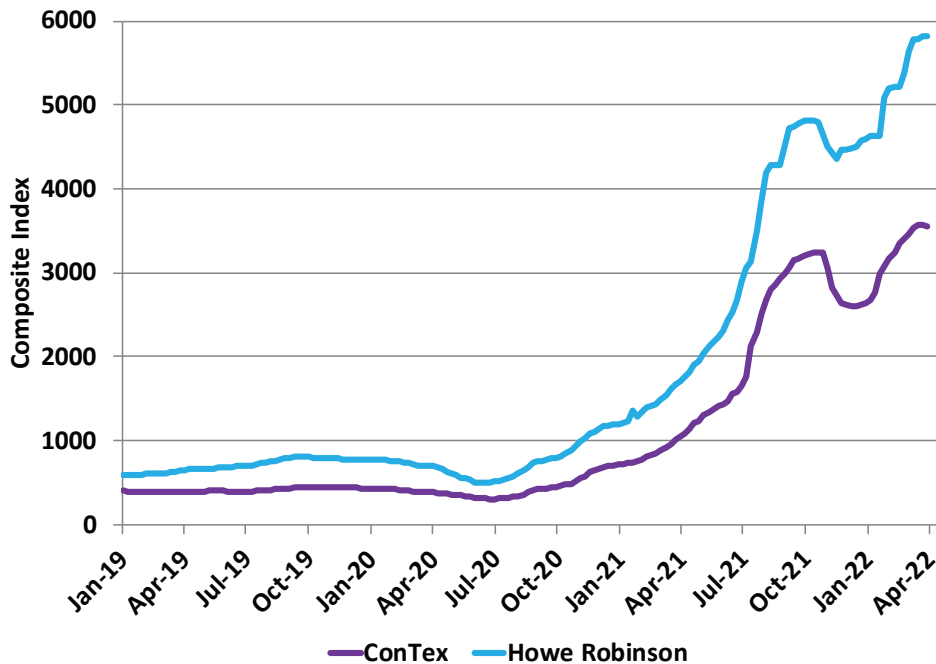
As the 2021/22 shipping season progresses, there's more evidence of how the problems of shipping by containers have affected exports. The issues are critical and have been well-documented. Containers are difficult to access and even when they are available, movement is seriously delayed and costs have gone through the roof. Shippers of pulse crops are forced to deal with these problems but the negative

impact spills over to farmers at one end of the value chain and overseas consumers at the other end.

While the shipping difficulties are causing problems for all pulse crops, certain types are affected more than others. The reason is that certain types of pulses depend much more heavily on container movement than others.

The largest pulse exports are yellow peas and red lentils and the majority of movement is done through bulk vessel shipments. The exact amount moved by bulk vessels varies from year to year, but is typically two-thirds to three-quarters of yellow pea and red lentil exports. While freight costs for this type of movement have also gone up, bulk shipping has been less affected by logistics

Container Freight Rate Indices



Source: vhbs.de, ksg.co.kr

is Turkey and economic turmoil there has discouraged trade. As a result, Canadian exports of red lentils have been weaker, aside from shipping difficulties.

For green lentils, export performance has been much more variable. Demand from some key buyers has remained strong, even with a smaller Canadian crop and container shipping difficulties, indicating how “inelastic” green lentil demand is in some countries. There are a couple of large exceptions though, most notably India, which has dropped to 11,600 tonnes in Aug-Feb this year, compared to 81,300 tonnes last year at the same time.

Overseas exports of other pulses such as chickpeas and dry beans move entirely by containers. While prices have been strong, bids to farmers haven’t reached their full potential because of the negative effect of the shipping delays and extremely high costs.

hurdles that have harmed container shipping.

Exports of other pulses like green peas, green lentils, chickpeas and dry beans move almost entirely by container. The impact on these types of pulses has been more severe than on yellow peas or red lentils. For example, green pea exports so far in 2021/22 have been only 57,000 tonnes for Aug-Feb. That’s trailing far behind the 130,000 tonnes at the same time last year and is only a small fraction of the 2020/21 full-year total of 265,000 tonnes.

The drop-off in green pea exports isn’t entirely caused by shipping issues; last summer’s drought reduced 2021/22 supplies of all classes and forced cutbacks in exports. That said, the decline in green pea exports has been more severe than yellows, even though green pea supplies in 2021/22 were relatively more comfortable than yellows.

The difficulties in shipping containers of green peas hasn’t just limited export volumes, but has also weighed on prices. Supplies of green peas have been relatively larger than yellows and have limited green pea bids to some degree, but the more serious blockages in container shipping are likely the largest reason why green peas have been trading at a sizable discount to yellows this year.

For lentils, the impact hasn’t been as obvious on export shipping of greens versus reds. Volumes of both classes have been restricted by the smaller 2021 Canadian crop. Just like peas, green classes of lentils move almost exclusively by containers while red lentils (like yellow peas) move more frequently in bulk vessel shipments. For red lentils, India has been the main destination for bulk shipments but this year, that demand has been softer due to its larger domestic crop and availability from Australia. The other major buyer of bulk red lentils

Because of its own drought last summer, US demand for Canadian pulses has increased in 2021/22. This destination has also become more attractive due to lower transportation costs. Even though trucking costs have also gone up this year, the US market avoids the extra difficulties of shipping by container. That’s why some of the strongest bids this year have come from the US market.

There are multiple reasons behind the extreme highs in container shipping costs, including the complications caused by the pandemic and the sharp rally in fossil fuels. While there are hints that the latest rally in container rates may be running out of steam, there aren’t any signs yet that rates will actually be turning lower anytime soon. For farmers at one end of the value chain, this will continue to shave cents off bids and for consumers in other countries, will add to their food bills.