

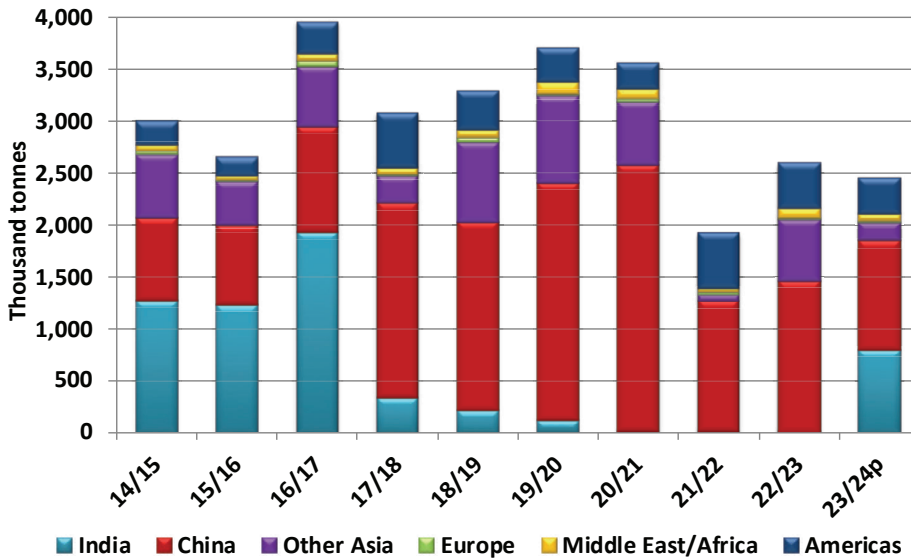


# PRICES

## NEW REALITIES FOR PULSE MARKETS

By Chuck Penner, LeftField Commodity Research

### Canadian Pea Exports by Destination



Source: LeftField

One of the things I like most about my job is that markets are always in a state of flux. Just when you think you've sorted out all the factors, something changes and forces you to rethink the situation. Of course, weather conditions are always different from year to year and these affect trade flows and prices, but we're used to that type of variability. Other bigger (and sometimes quicker) changes are even less predictable but have at least as much impact.

These changes can come from either supply or demand sides of the market; sometimes both. On the supply side, new or existing competitors can boost production, develop export arrangements

and increase their market share. Meanwhile on the demand side, importing countries sometimes use policy or trade restrictions to either raise or reduce the volumes traded. The market for peas has experienced large shifts from both the supply and demand sides of the equation, especially in the last year or so. The biggest change in pea supplies has been the rapid expansion in Russian production, more than doubling in the past five years and now considerably larger than the Canadian crop. And within the past year, Russia has found a new outlet for its peas.

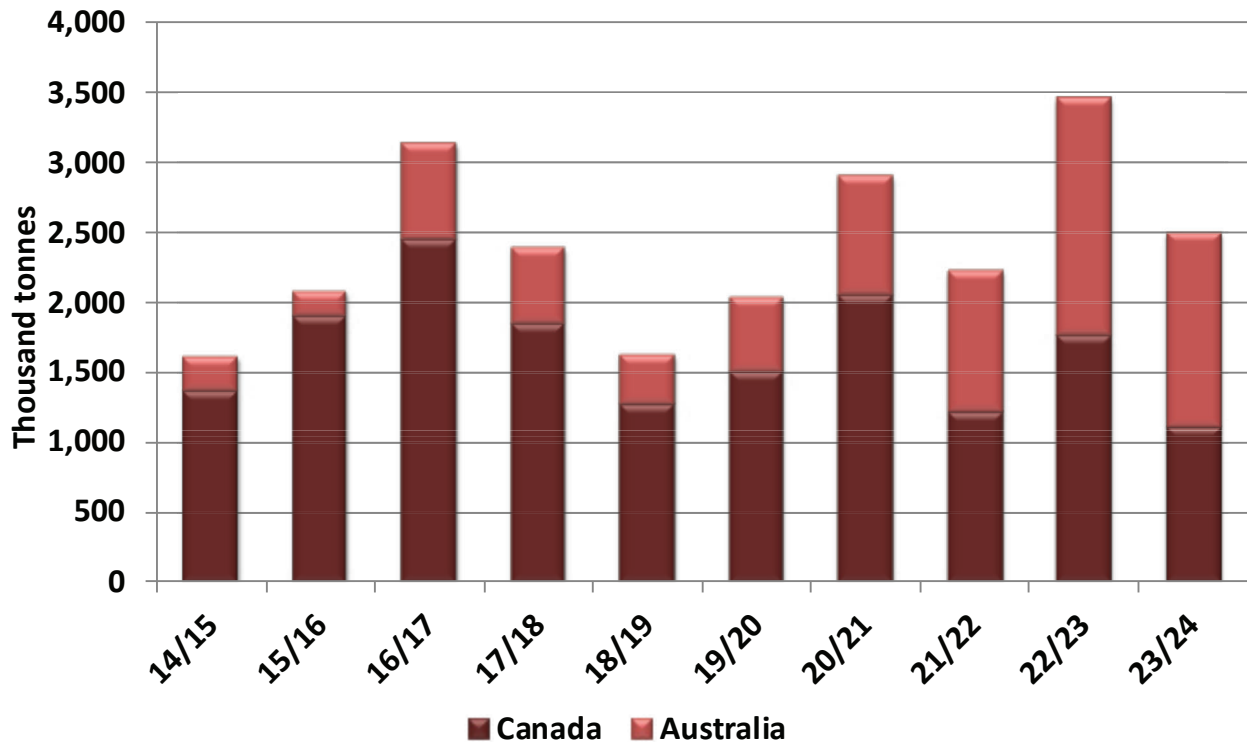
In the past, most Russian pea exports were destined for western Europe, mainly as feed, and

volumes weren't huge. More recently, China agreed to lower its phytosanitary barriers on Russian peas and the result has been a jump in Russian exports to China. Prior to this change, Canada's share of the Chinese market had been roughly 85% but in the past year has dropped to less than 50%. Now that Russia has established this trade flow with China, it's going to remain in place and Canadian peas will face ongoing competition.

Aside from China, the demand side of the pea market has also shifted sharply. About 8-10 years ago, we became used to India as the dominant buyer of Canadian peas. Those big exports were largely due to several crop failures in India and once their crops improved, the Indian government imposed tariffs and restricted volumes of pea imports. Fortunately, at about the same time, China started buying more Canadian peas and offset the loss of the Indian market.

This year, the situation is flipping back again. Once again, India needs more pulses to keep food prices under control and the government has cut its import tariffs to zero, at least for the time being. This is allowing Canadian (and Russian) peas back into India at the same time as Chinese demand has faded. The new reality (at least for now) is that Canadian peas have two sizable export destinations but also needs to share those markets with another major exporter.

## Cdn & Australian Red Lentil Production



Source: StatsCan, ABARES

The lentil market has also seen its share of changes, especially for red lentils. Canada used to be the main source of red lentils for most importers, but other countries have now become more prominent. Farmers in Australia have boosted production in recent years and in 2023/24 grew more red lentils than Canada.

There are also more recent signs that other countries like Kazakhstan and Russia have started to increase acreage and production of lentils, which will make them stronger export competitors. We can expect them to compete in markets such as India and other south Asian countries, as well as the Middle East and North Africa.

Aside from the impacts on specific markets, these changes in trade spur a few other thoughts. First, success doesn't go unnoticed. The growth in the Canadian pulse industry and the positive results

for farmers elsewhere, especially when pulse prices cycle higher. It usually takes time for production and trade channels to develop in these countries but once established, they tend to remain in place.

Even though we know pulse markets are global, Canada has dominated the supply side of some crops in the past. As a result, there can be a tendency to live in the past and assume that Canadian crops still have an outsized impact on prices. While production in Canada is important, crops in other countries now have a bigger influence than they used to, possibly even more than Canada. If we're still saying the Canadian crop is "X" number of tonnes, therefore the price should be "Y," we need to broaden our horizons.

Increased competition from other countries also means Canada can't take its foot off the gas pedal of

market development. Relationships still matter and highlighting Canada's advantages is an even higher priority than before. This also means market development efforts should continue exploring customers' needs to stay ahead of the competition.

Finally, it's important to be flexible in how we look at markets. The supply and demand factors that affected markets this year may not apply the same way next year. Making marketing decisions based on prior year's (or older) assumptions could be costly.

Staying up-to-date about shifting production, trade policy and other developments will allow for better informed decisions. But beside the fact that markets always change, one thing we've learned is that these decisions will never be perfect; something can always come out of left field.