

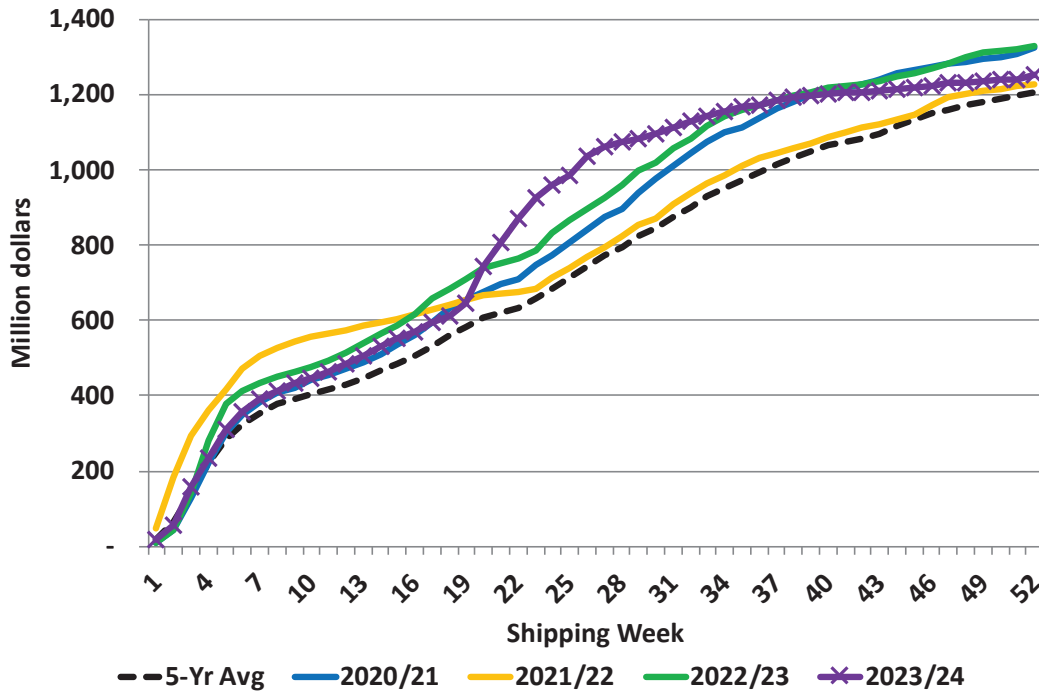


PRICES

POSITIVE RESULTS FOR CANADIAN PULSES

By Chuck Penner, LeftField Commodity Research

Revenue Generated - Peas



Source: LeftField Commodity Research

There's no shortage of issues and concerns in crop markets. Problems caused by adverse weather are first and foremost, with the summer of 2024 providing a perfect example as the early optimism about yields faded. Glitches in overseas markets coming from both export competitors and importers are always a threat. Throw in added complications like railway stoppages and there are plenty of reasons to be concerned.

Truth be told, worrying about risks and being overly cautious is my natural bias. At the same time though, it's good to step back

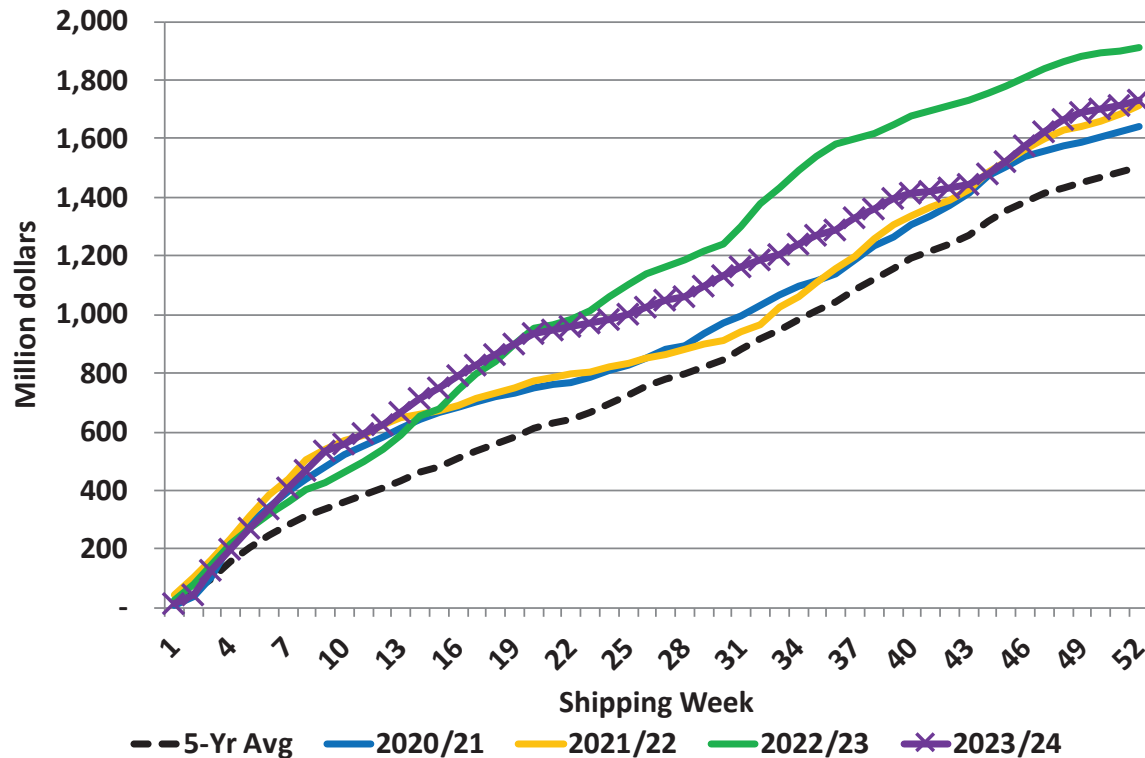
every so often and get a broader perspective. Of course, there will always be worries about where pea and lentil markets are headed, but a good look at the data shows some things to celebrate too.

One way to measure market performance is to look at the revenue generated by pea and lentil crops. We calculate crop revenue by multiplying weekly farmer deliveries against the prairie-wide bid for that week and then add them up for the marketing year. There are a few more details in the calculations and a couple of assumptions but in general, they're reasonable estimates.

For peas, the first thing to notice is that over the past five years, crops have generated impressive revenue, averaging more than \$1.2 billion per year. In two of those five years, revenues topped \$1.32 billion due to a large crop in 2020/21 and strong prices in 2022/23. Even in the drought year of 2021/22, record prices offset the poor yields and provided revenues of \$1.23 billion.

The results for 2023/24 are quite interesting. One thing that jumps out is the unusual surge revenue about 20 weeks into the marketing year. This happened when India reopened its borders to yellow

Revenue Generated - Lentils



Source: LeftField Commodity Research

pea imports which caused a spike in both prices and the tonnage delivered into the elevator system. Later in the marketing year, the revenue growth slowed down as movement became quieter again.

By the end of 2023/24, peas had generated an estimated \$1.25 billion of revenue, better than the five-year average of \$1.21 billion. On the surface, comparing the 2023/24 results against the previous year could look disappointing, with 6% less revenue than 2022/23. Keep in mind though that the 2023/24 pea crop was 24% smaller than the previous year and farmer deliveries were down 17%. As a result, the 6% drop in revenue reflects a stronger market due to a higher weighted average price.

Lentils have generated even more revenue for Canadian farmers than peas over the last five years, with an

average of \$1.50 billion per year. In the last few years, results have been well above the 2018/19-2022/23 average, topping \$1.9 billion in 2022/23 when a good-sized crop was sold at favourable prices. Even when production dropped sharply in the drought year of 2021/22, very high prices kept revenues at \$1.72 billion, still above average.

While lentil revenues of \$1.73 billion in 2023/24 were lower than the previous year, the results are still quite positive. Both production and farmer deliveries of lentils in 2023/24 dropped 25% compared to 2022/23 but revenues were lower by only 9%, indicating a relatively strong performance. It may be a pleasant surprise for some people that the weighted average price (for a combination of red and green lentils) in 2023/24 was actually higher than the drought year of 2021/22.

These results for 2023/24 aren't meant as a predictor for the new marketing year. As the financial disclaimer states, "past performance is no guarantee of future results" and 2024/25 will be an entirely different year. Even though 2024 yields won't reach the high expectations from earlier in the growing season, this year's pea and lentil crops will both be larger than last year, which will be positive for the revenue calculation.

The price component of the outlook for 2024/25 is a lot less uncertain. We already have a few concerns about export demand and as always, various unknowns (some good and some bad) will show up and affect prices. But there I go again, slipping back into my pattern of worrying about what might go wrong. Old habits are hard to break.