

Canadian Special Crops Report

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1) Glimmer of Hope for Chickpea Prices

In the midst of all the volatility seen in many markets over the past 12-18 months, chickpea prices have been relatively quiet. That's not to say there haven't been any fluctuations, but the huge spike in prices followed by a 50% drop in values seen for many other crops hasn't been a feature in chickpeas.

This relative calm is especially the case for Canadian chickpea prices. Desi chickpea prices in Saskatchewan climbed out of the basement in 2006/07, but remained basically flat throughout all of 2007/08, while other markets were hitting record highs. Since then, desi prices lost ground in November of 2008, but have remained flat until the last couple of weeks. Now they are starting to perk up again.

One of the reasons behind the rise in desi prices is the recent strengthening in Indian prices. The chart below shows a sizable uptick in those prices this week. When viewed along with the previous price history, the 200 rupee gain since the beginning of April doesn't look very significant. What makes this important is that it is occurring in the middle of the harvest season.

Chana (Desi) Spot Price - Delhi

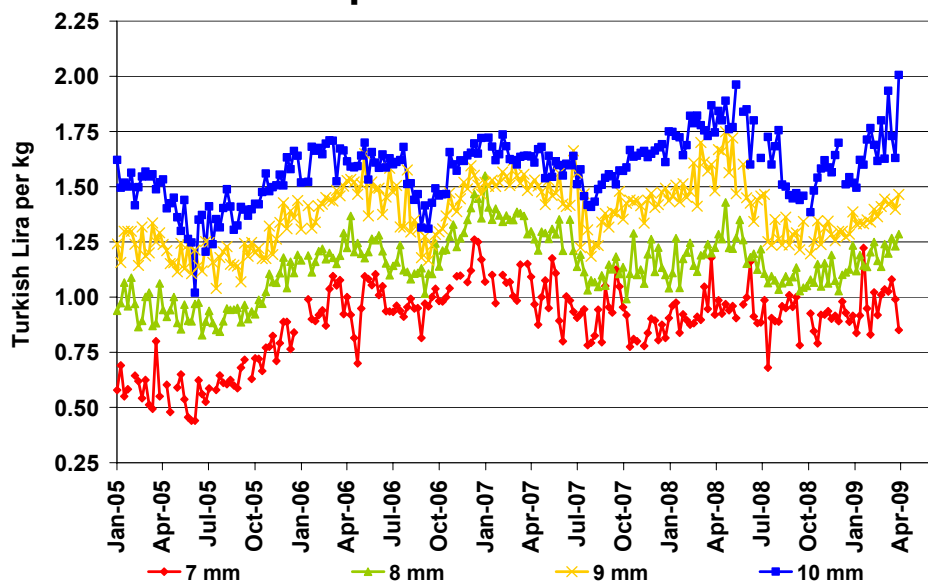


In addition, prices for other Indian pulse crops such as red lentils and yellow peas have also jumped during that same time. What these events suggest is that there are real concerns about the quantity and quality of the rabi pulse crop. The hot and dry weather experienced earlier took away some of the yield potential, while the recent heavy rains in northeast India have damaged quality in that region.

Over the past couple of years, prices for kabuli chickpeas in have been even flatter than the desis. Since the spring of 2006, kabuli prices in Saskatchewan have fluctuated a bit, but have remained stuck in a sideways trend. During that time, 9 mm kabulis have (with brief exceptions) stayed mostly between 30 and 35 cents per pound. More recently, prices have dropped below the bottom of that range but, like desis, there are signs of life for kabulis as well.

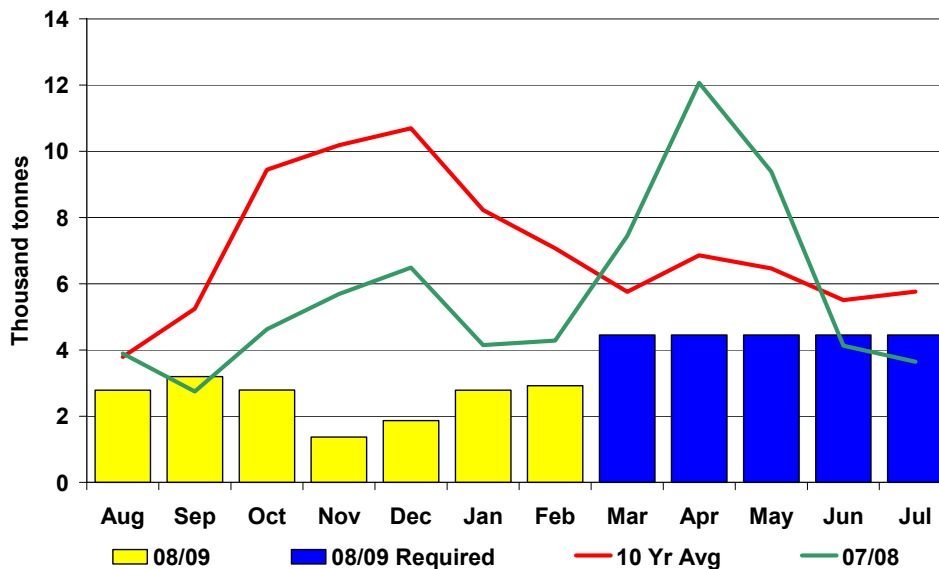
As seen in the chart below, kabuli prices in the Turkish port of Mersin are starting to show some strength, with the larger calibre kabulis looking more positive than the smaller varieties. Despite the week-to-week variations, the trend has been slowly climbing for most of 2009. In fact, 10 mm kabulis traded over 2.0 Turkish Lira per kilo (approximately C\$1,500 or US\$1,200 per tonne) in the past week. Smaller calibre kabulis haven't experienced quite the same strength and haven't gotten back to their previous highs set about a year ago.

Chickpea Prices - Mersin



A key reason why there has been so little price movement for Canadian chickpeas is that the trade has been extremely thin. The bids that have been posted do not really reflect active business, but are mostly “indicator” prices. The pace of Canadian (and US) chickpea exports so far this crop year has been dismal – well below last year and much lower than the 10-year average. Earlier in the crop year, we were quite hopeful for a solid export program, but we have been steadily decreasing our full-year estimates as the weak performance continues.

2008-09 Canadian Chickpea Exports



It's quite possible that we'll see a late season spike in chickpea exports, similar to what occurred in 2007/08. Any kind of a pickup in volumes would be helpful to deal with large supplies that are hanging over the market. The recent rise in global prices for both desi chickpeas in India and kabulis in Turkey could certainly help to kick-start Canadian shipments. Ocean freight for container shipping is still sagging and should also help encourage exports. If a late surge doesn't occur however, Canadian exports will end up at the lowest levels since 1998/99 and ending stocks will remain burdensome.

Canadian Chickpea Supply & Disposition

Thousand tonnes	<u>2004/05</u>	<u>2005/06</u>	<u>2006/07</u>	<u>2007/08</u>	<u>2008/09</u>	<u>2009/10</u>
Supply						
Seeded Acres, 000's	115	195	319	430	110	95
Harvested Acres, 000's	95	180	315	430	105	92
Yield (lbs/acre)	1,188	1,273	1,142	1,153	1,409	1,255
Production	51	104	163	225	67	52
Imports	4	7	5	8	5	5
Total Supply	163	158	181	243	164	131
Disposition						
Total Domestic	69	81	56	83	50	45
Exports	47	64	115	68	40	50
Total Disposition	116	145	171	151	90	95
Ending Stocks	47	13	10	92	74	36
Stocks/Use	41%	9%	6%	61%	82%	38%

Source: Statistics Canada with Informa projections in bold

Looking ahead to 2009/10, we are projecting a modest decrease in chickpea acres due to the poor price performance compared to other crops and the poor marketing performance. Other

observers are looking for a small increase in acreage, but the overall message is that only minor changes in acreage are expected. If that's the case, ending stocks for 2009/10 should decline further but not become tight. Of course, the wildcard in this whole scenario is the level of exports and, at this stage, we are still expecting a slight recovery in volumes.

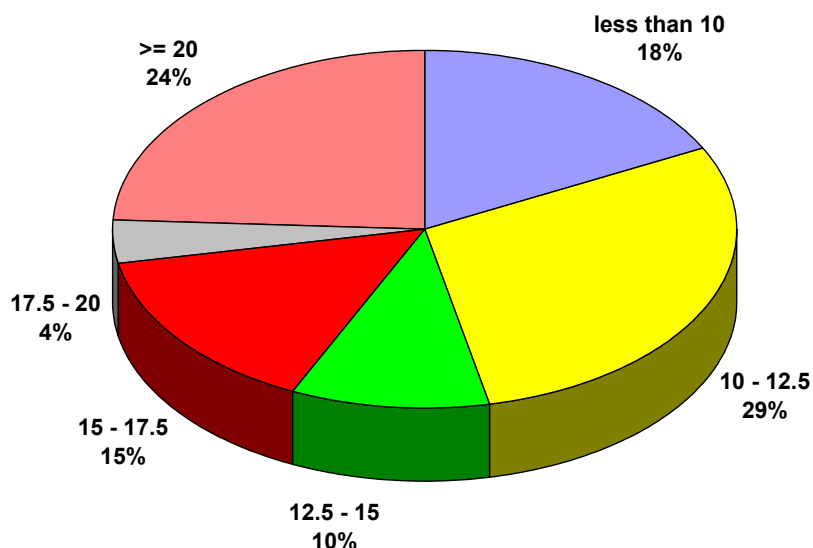
The message for growers is to remain patient, as long as product quality doesn't suffer. The fact that pulse prices in India are rising in the middle of harvest activity is a positive price signal. So far, we had only advised selling 25% of the 2008 crop and we realize that readers will want to move more product soon. We expect that some of the better marketing opportunities will show up during (or shortly after) seeding. So, readers should remain in touch with special crop dealers who may need to source product in a hurry.

2) Canaryseed in Holding Pattern

For the last few months, canaryseed prices have been hovering in a price range that doesn't occur very frequently. The typical pattern in this market is for prices to spend a lot of time at a market-driven floor price of 10 cents per pound. Occasionally, the pattern is interrupted by spikes to 30-40 cents per pound. Since the New Year however, canaryseed prices have been floating in the mid to high teens. Current bids for spot delivery are ranging anywhere from 16½ to 18¼ cents per pound.

The chart below shows how often canaryseed prices have been within various price ranges over the long term. For example, since the early 1990s, canaryseed prices have ranged in the high teens (17.5-20 cents) only 4% of the time. Normally, prices are at those levels only when they are passing through to the price peaks or dropping down to the 10 cent floor. Prices in the mid teens (15-17.5 cents) are a little more common, occurring 15% of the time.

Canaryseed Price Distribution (\$/cwt)

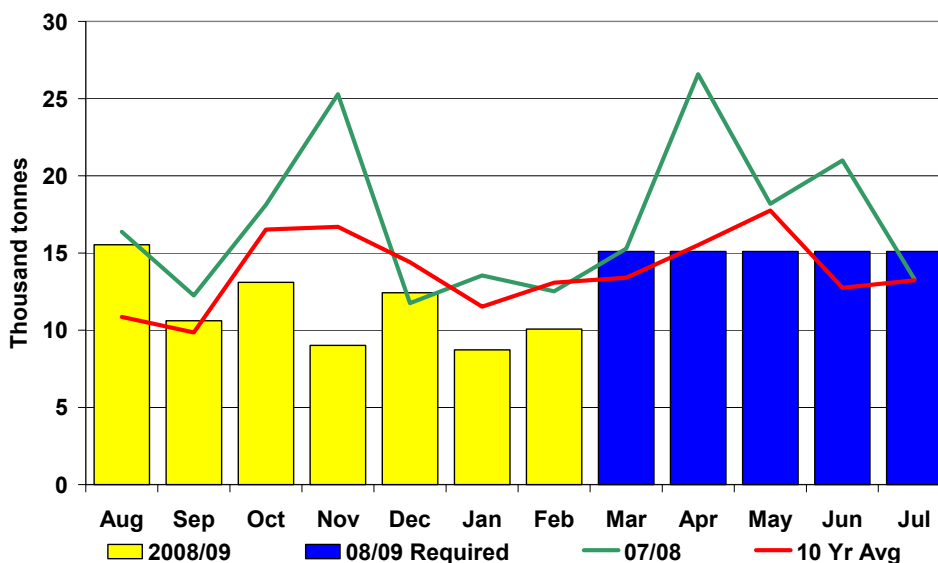


This abnormal price plateau is adding some uncertainty for farmers holding canaryseed in their bins. The question is whether 17-18 cents per pound is a "good" price. For the major commodities

such as wheat and corn, we have talked about the scenario of “new, higher” price plateaus developing after the record highs of 2008. It is very possible that the old price floor for canaryseed of 10 cents per pound has shifted higher to the 15 cent level, due to a basic shift in farmers’ mindset. Previously, farmers would shut off sales and lock the bins when prices dropped to 10 cents, which essentially set the floor price for canaryseed. Now however, price expectations have risen (like they have for most crops) and farmers are cutting off canaryseed sales when prices drop to 15 cents per pound. Thus, a new floor is established - at least for now.

One of the problems with this higher price is that it may have discouraged some export purchases, at least the more elastic demand. The chart below shows that exports for the first seven months of the crop year have been running mostly below last year’s and average levels. It also shows that performance will have to improve soon, just to achieve our fairly modest target of 155,000 tonnes for 2008/09, compared to the 204,000 tonnes hit in 2007/08.

Canaryseed Export Performance

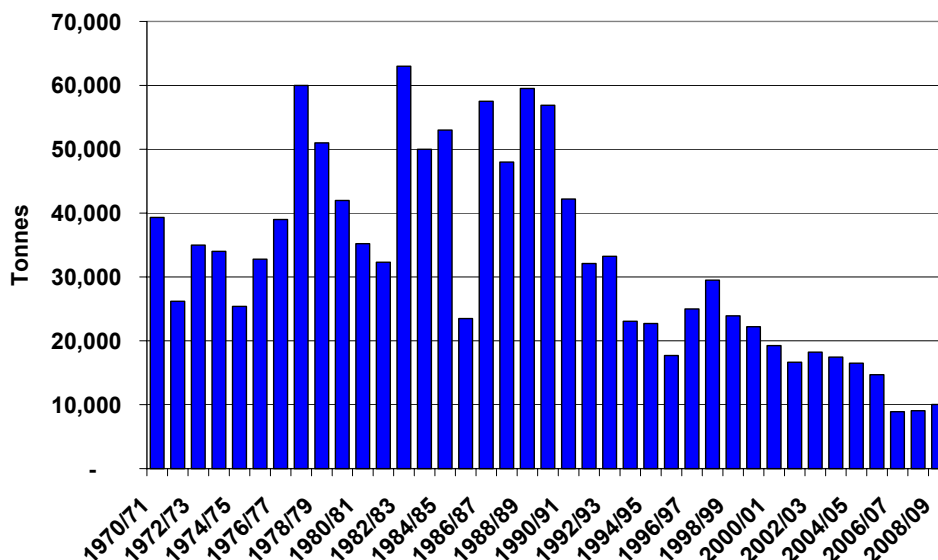


In the past, we’ve tended to think of the entire canaryseed market as very price inelastic, with demand remaining quite constant despite changes in price. People don’t stop feeding their pet birds or liquidate the canary herd when seed prices rise too high. Other changes are possible though, which could affect demand. Birdseed manufacturers and packagers are able to substitute various ingredients within their birdseed mix and partially shift out of higher priced seed in favour of lower priced products. In addition, consumers facing economic difficulty may switch out of premium blends to lower priced birdseed mixes or stop filling the wild bird feeder. As a result, we’ve changed our view of this market somewhat and now see that a portion of the demand for canaryseed can be considered price elastic.

It is quite clear however, that Canadian canaryseed exports have not dropped because of competition from cheaper seed from other countries. Production in Argentina remains very low and is barely able to supply their domestic market, let alone affect the export market. A recovery in production is possible in the future; however sources in Argentina indicate that the crop could also disappear completely due to the “thinness” of the canaryseed market. At present levels, Argentine canaryseed is almost irrelevant for global prices. With production in the EU also

declining, the only potential competitor for Canada is Thailand with estimated production of about 30,000 tonnes, but current reliable data from that country is difficult to find.

Argentine Canaryseed Production



Because the price outlook is almost entirely dependent on Canadian supplies, the first Seeding Intentions report from Stats Canada next week will set the tone for the market. Our latest gross margin analysis done in mid-March showed that canaryseed returns (based on a price estimate of 16 cents per pound) were at the lower end of the range. As a result, we projected a 6% decline in acreage. As we know, acreage for special crops can swing quite widely and, for the record, Ag Canada is projecting a 7% increase.

Canadian Canaryseed Supply & Disposition

Thousand tonnes	<u>2005/06</u>	<u>2006/07</u>	<u>2007/08</u>	<u>2008/09</u>	<u>2009/10</u>
Seeded Acres, 000's	455	335	440	415	375
Harvested Acres, 000's	450	324	430	405	358
Yield (lbs/acre)	1,113	907	831	1,065	966
Production	227	133	162	196	157
Imports	0	0	0	0	0
Total Supply	398	323	282	261	248
Disposition					
Total Domestic	23	25	13	15	20
Exports	185	178	204	155	180
Total Disposition	208	203	217	170	200
Ending Stocks	190	120	65	91	48
Stocks/Use	91%	59%	30%	53%	24%

Source: Statistics Canada with Informa projections in bold

If exports don't pick up in the next couple of months, 2008/09 ending stocks will change from "comfortable" to "heavy" and weigh on next year's market. Even with our projected acreage drop, a rebound in exports will be needed next year to keep 2009/10 ending stocks at fairly low levels.

As a result of the weak export performance, our price expectations have declined somewhat, although we haven't turned bearish either. We had previously advised pricing 25% of the 2008 canaryseed crop and aren't in a big hurry to add sales. We know that farmers will often hold canaryseed for years, waiting for the price spike. Plus, with the seeding season approaching, selling canaryseed won't be a high priority. For those who are looking to generate some cash or clean out bins however, we would suggest setting a target in the high teens (18½ cents or higher) with a few buyers and waiting for a bite. New crop bids are very hard to find and won't be very appealing to most growers anyway. No new crop sales are advised for the time being.

3) General News

- As of April 20, five vessels representing 155,000 tonnes of peas were listed in the Vancouver bulk vessel line-up. In Thunder Bay, one vessel carrying 10,000 tonnes of peas was listed.
- Chana (desi chickpea) futures on the NCDEX were slightly weaker last week as profit-taking and long liquidation hit the market. The spot market on the other hand showed decent gains mainly due to fresh buying enquiries and restrictive supplies. Reports are showing up of pulse prices rallying in certain regions of India. The NCDEX is reported to have 34,722 tonnes of chana in its warehouses on April 17.
- Spot sunflower prices in the US were mostly unchanged to slightly lower on the week, with NuSun bids ranging from US\$14.70 – 15.05 per hundredweight and bids for confection sunflowers at US\$22.00 per cwt.

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Informa Economics, Winnipeg

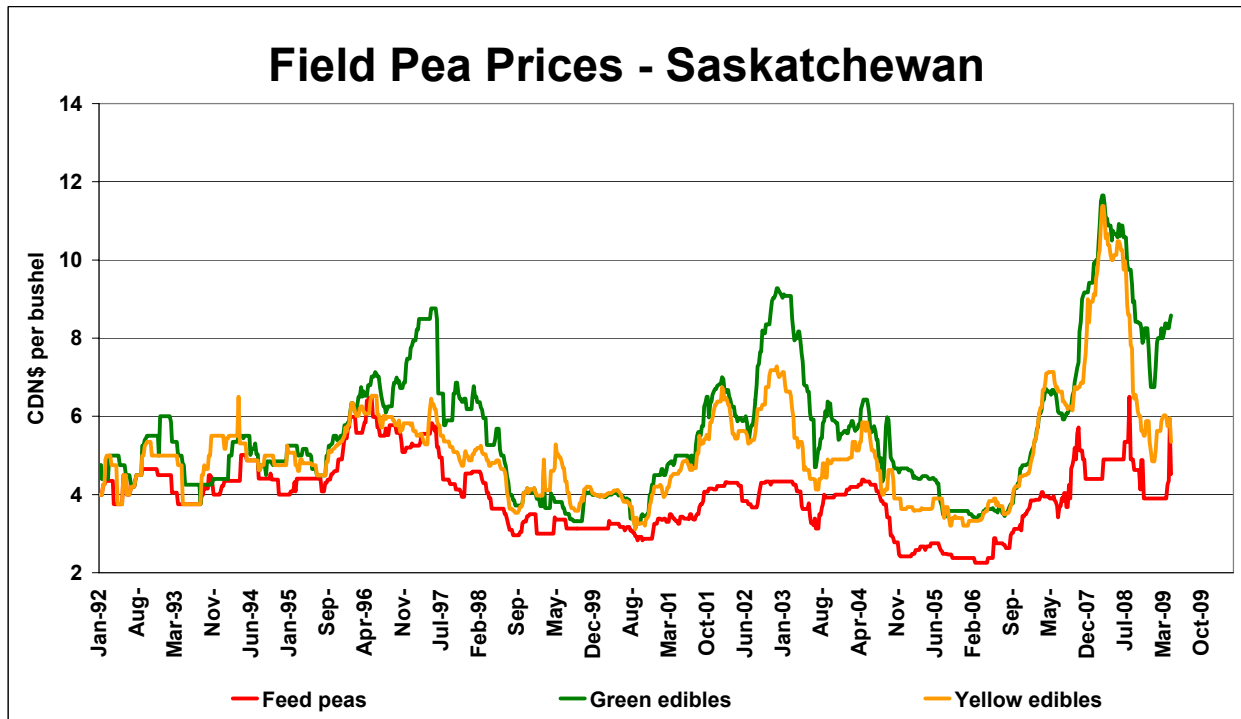
Questions?

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If you have any questions or comments regarding this report,
please contact us:

[e-mail to:chuck.penner@informaecon.com](mailto:chuck.penner@informaecon.com)

1-866-925-1080

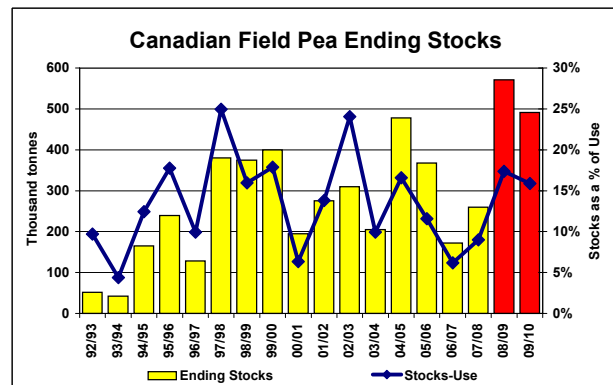
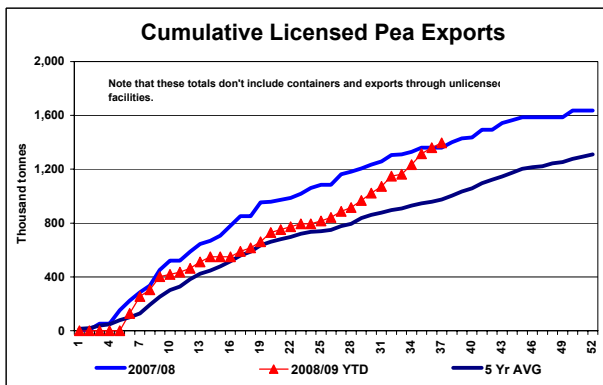
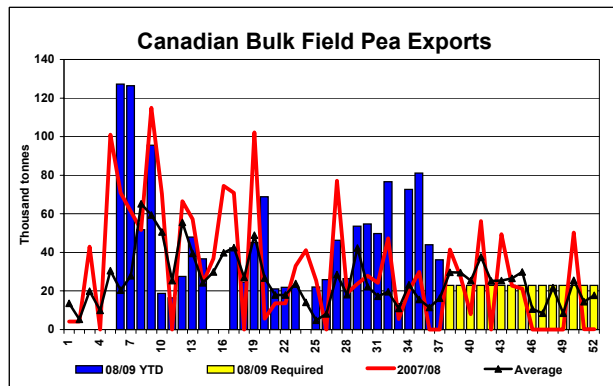
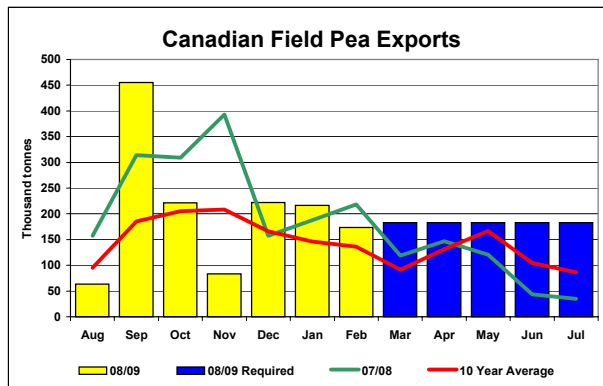
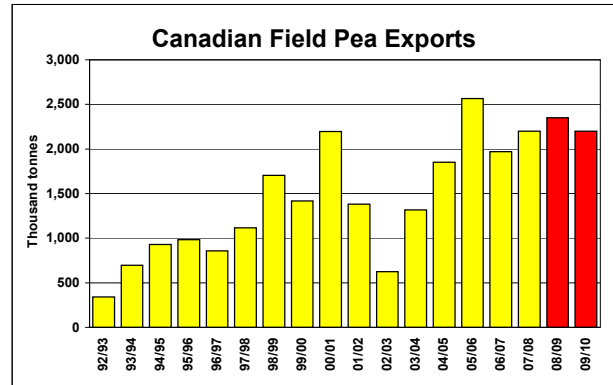
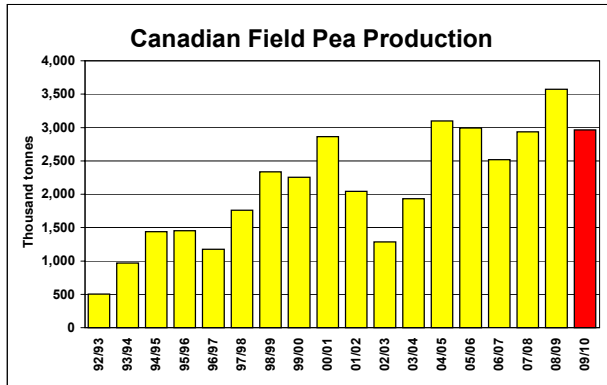
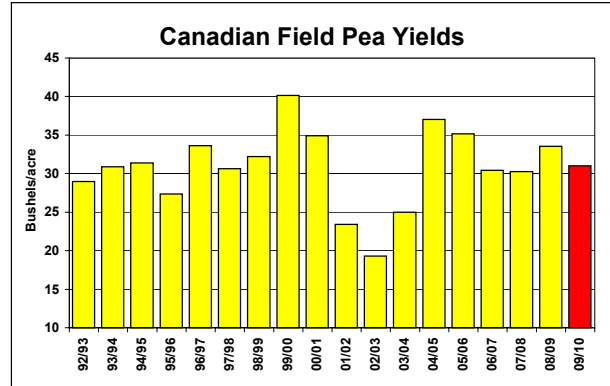
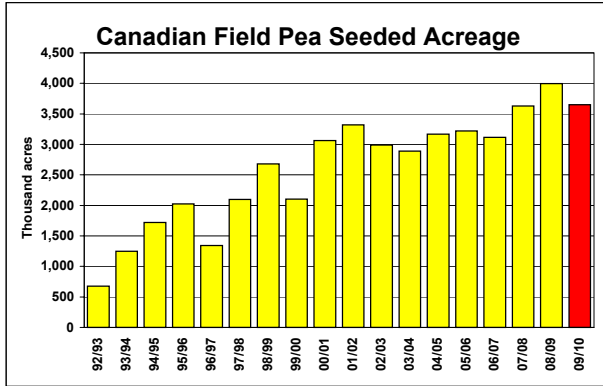
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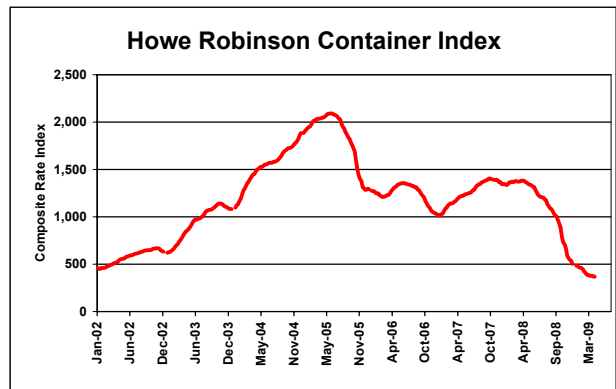
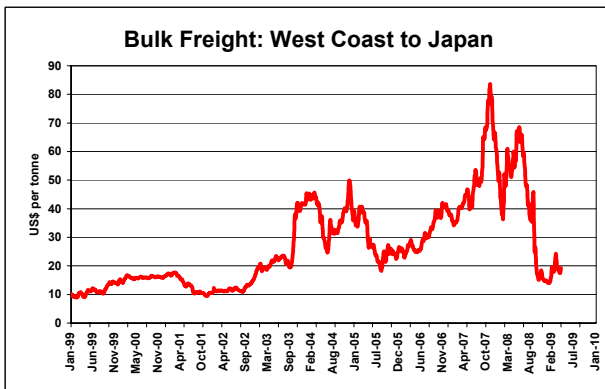
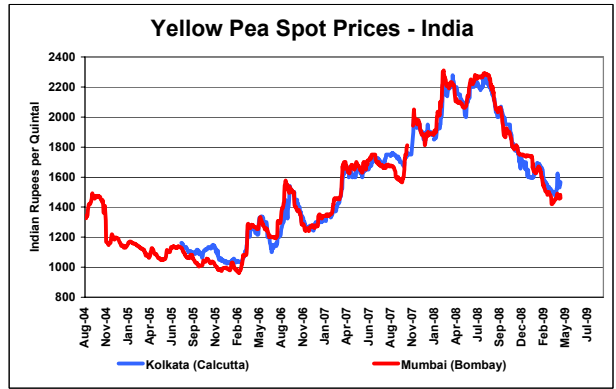
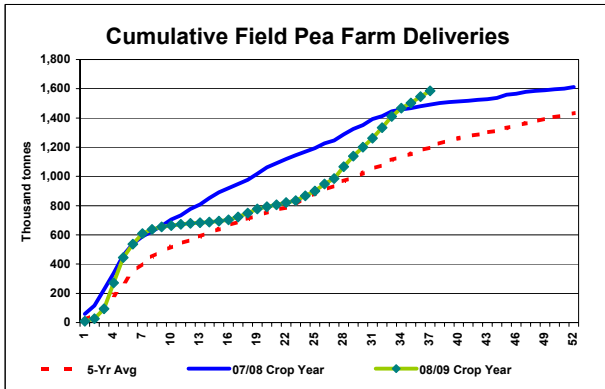
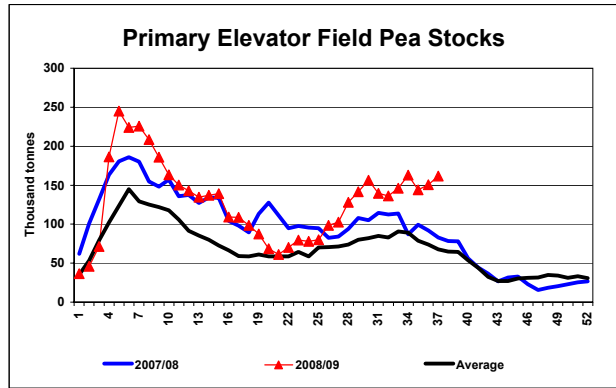
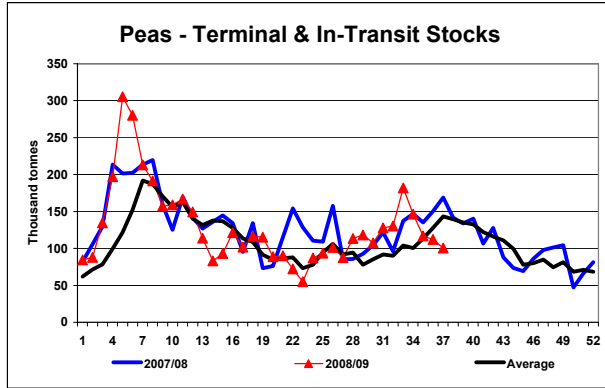


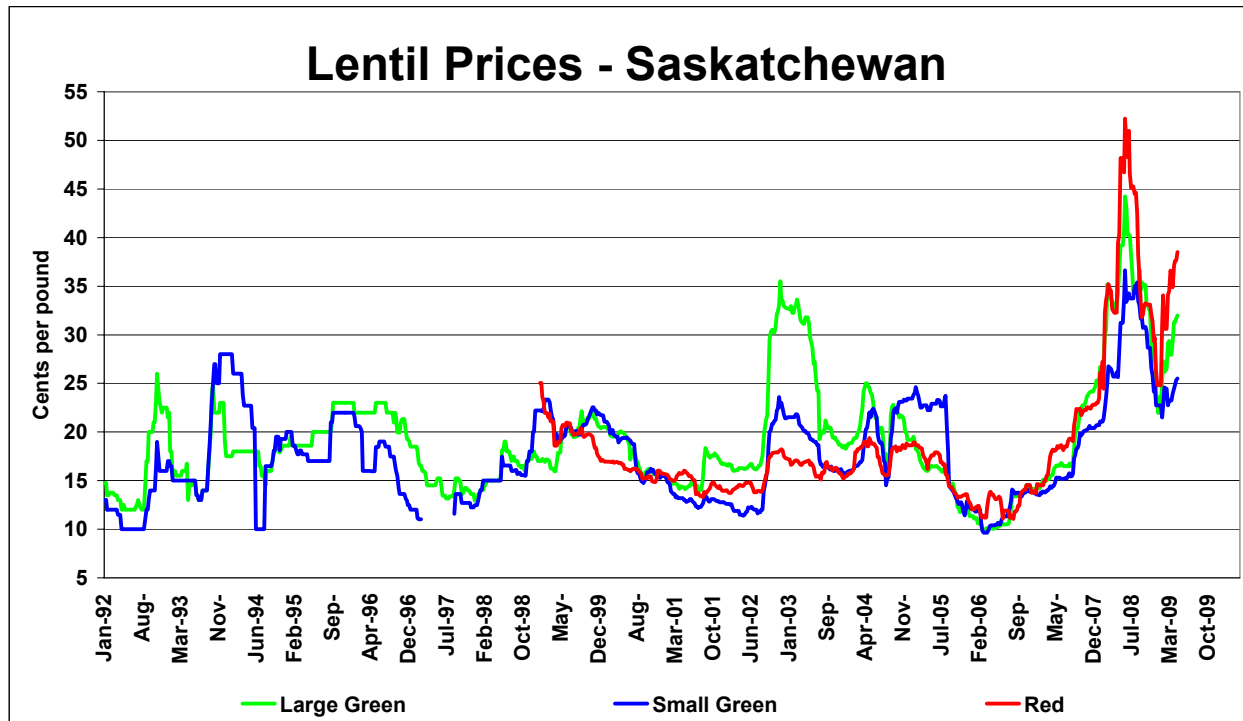
Canadian Field Pea Supply & Disposition

Thousand tonnes	<u>2005/06</u>	<u>2006/07</u>	<u>2007/08</u>	<u>2008/09</u>	<u>2009/10</u>
Supply					
Seeded Acres, 000's	3,220	3,116	3,630	3,995	3,650
Harvested Acres, 000's	3,130	3,041	3,565	3,910	3,513
Yield (bu/acre)	35.1	30.4	30.2	33.6	31.0
Production	2,994	2,520	2,935	3,571	2,965
Imports	76	60	38	30	50
Total Supply	3,547	2,948	3,144	3,861	3,587
Disposition					
Seed	212	247	272	240	245
Feed, Waste, Dockage	400	560	411	700	650
Exports Grain	2,567	1,969	2,201	2,350	2,200
Total Disposition	3,179	2,776	2,884	3,290	3,095
Ending Stocks	368	172	260	571	492
Stocks/Use	11.6%	6.2%	9.0%	17.4%	15.9%

Source: Statistics Canada with Informa projections in bold



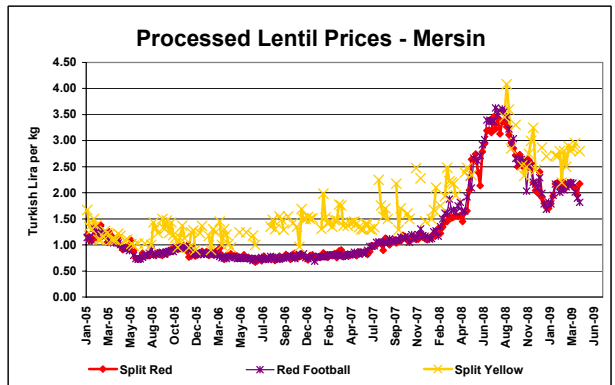
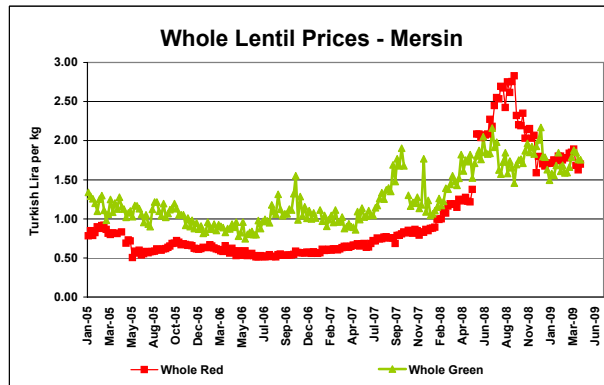
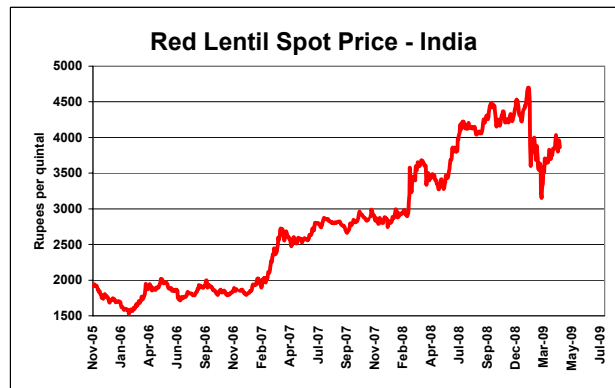
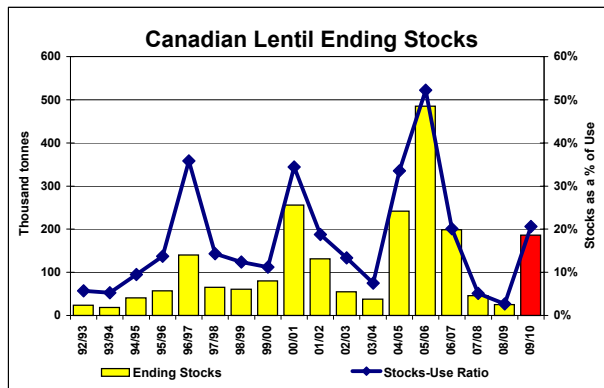
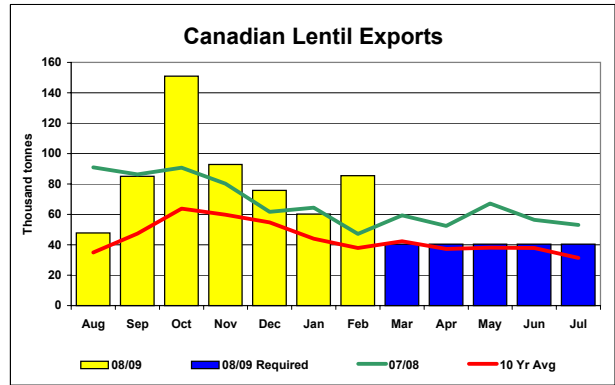
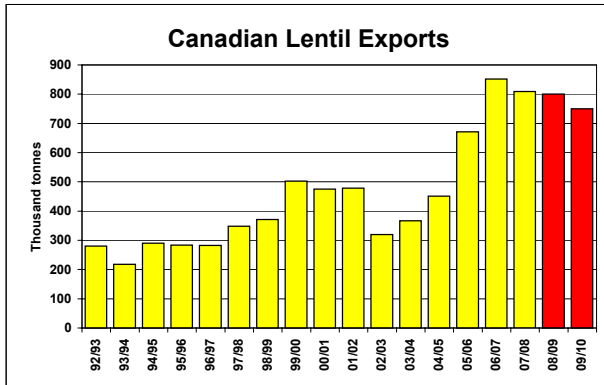
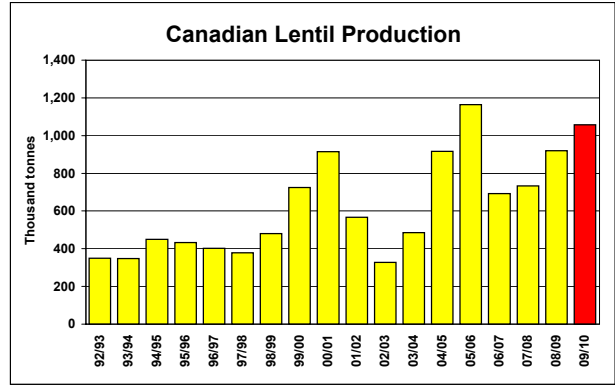
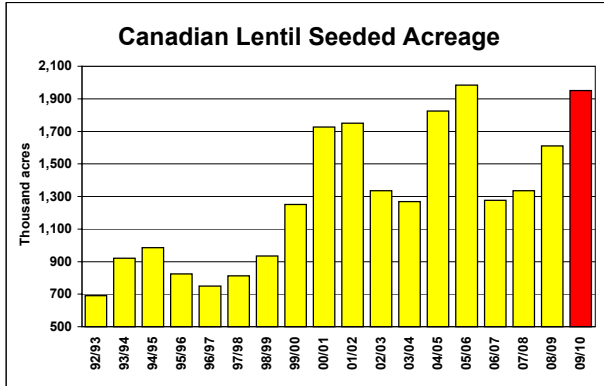


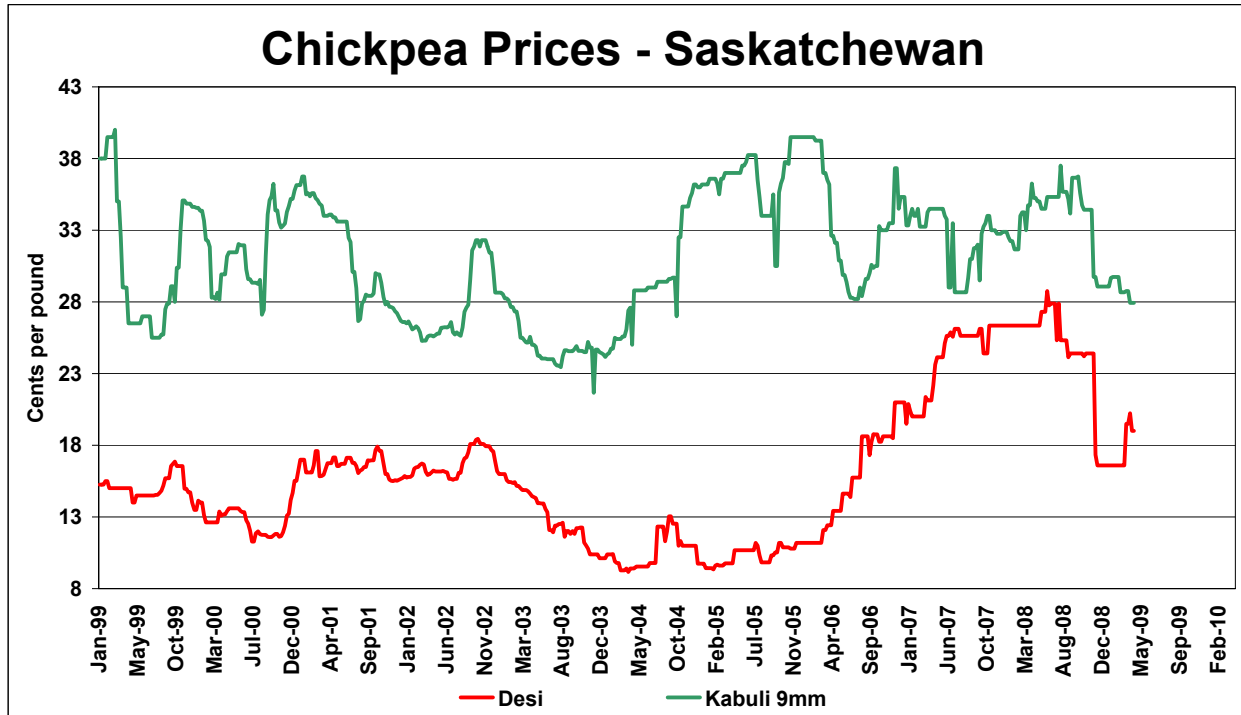


Canadian Lentil Supply & Disposition

Thousand tonnes	<u>2005/06</u>	<u>2006/07</u>	<u>2007/08</u>	<u>2008/09</u>	<u>2009/10</u>
Supply					
Seeded Acres, 000's	1,984	1,276	1,335	1,610	1,950
Harvested Acres, 000's	1,940	1,245	1,320	1,560	1,846
Yield (lbs/acre)	1,323	1,227	1,226	1,299	1,261
Production	1,164	693	734	920	1,056
Imports	8	13	9	10	10
Total Supply	1,414	1,191	942	976	1,091
Disposition					
Total Domestic	258	140	86	150	155
Exports Grain	671	852	810	801	750
Total Disposition	929	992	896	951	905
Ending Stocks	485	199	46	25	186
Stocks/Use	52%	20%	5%	3%	21%

Source: Statistics Canada with Informa projections in bold

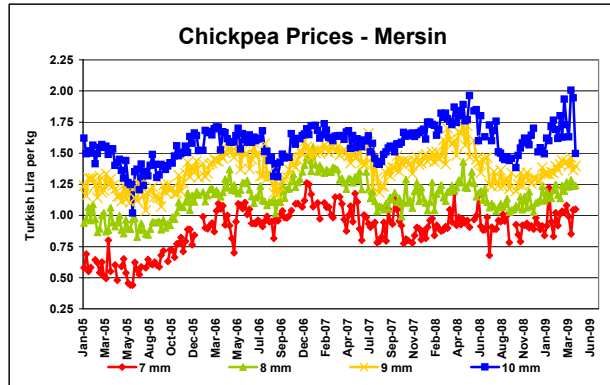
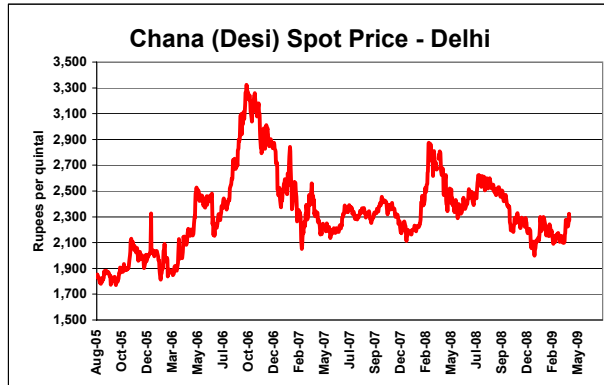
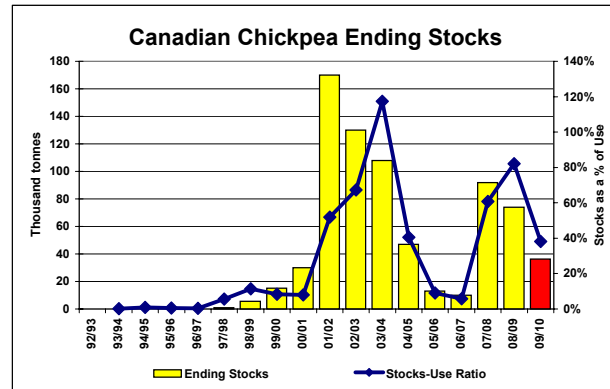
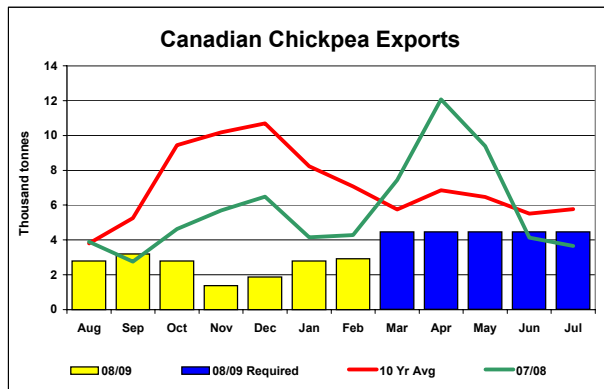
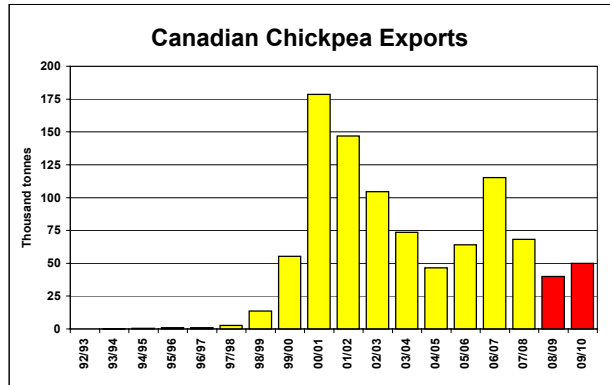
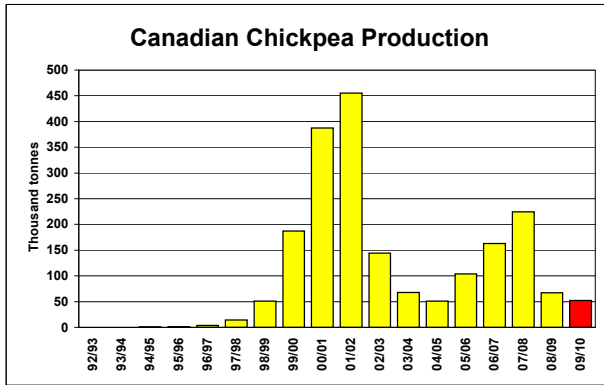
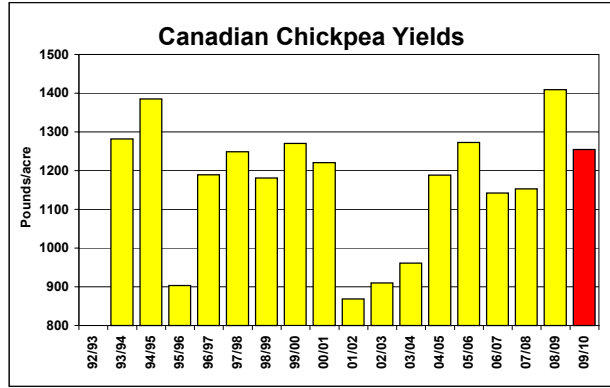
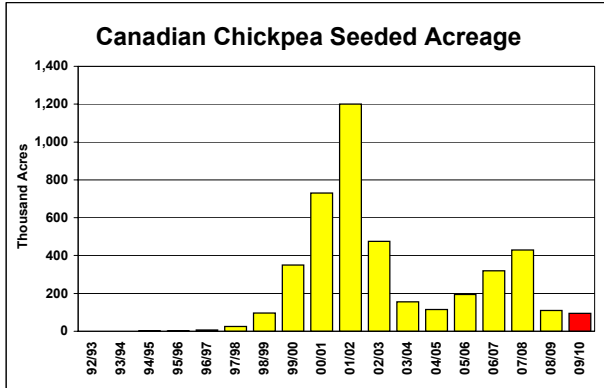


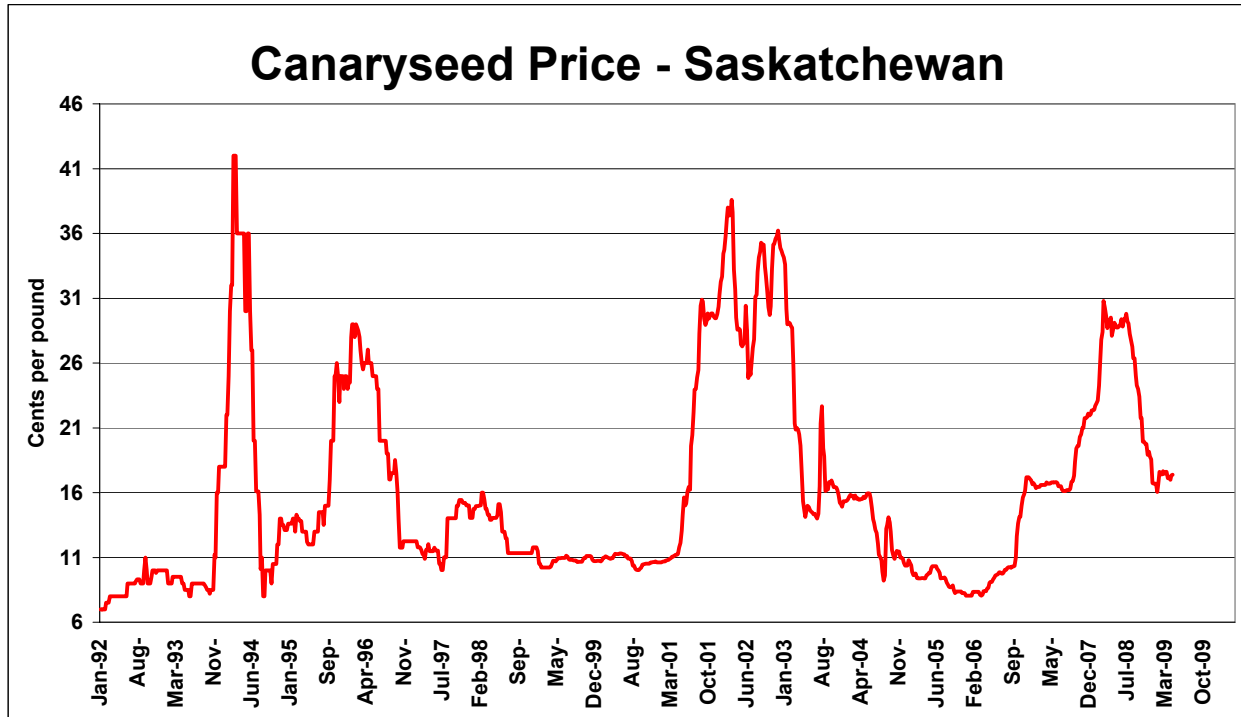


Canadian Chickpea Supply & Disposition

Thousand tonnes	<u>2005/06</u>	<u>2006/07</u>	<u>2007/08</u>	<u>2008/09</u>	<u>2009/10</u>
Supply					
Seeded Acres, 000's	195	319	430	110	95
Harvested Acres, 000's	180	315	430	105	92
Yield (lbs/acre)	1,273	1,142	1,153	1,409	1,255
Production	104	163	225	67	52
Imports	7	5	8	5	5
Total Supply	158	181	243	164	126
Disposition					
Total Domestic	81	56	83	50	45
Exports	64	115	68	45	50
Total Disposition	145	171	151	95	95
Ending Stocks	13	10	92	69	31
Stocks/Use	9%	6%	61%	73%	33%

Source: Statistics Canada with Informa projections in bold

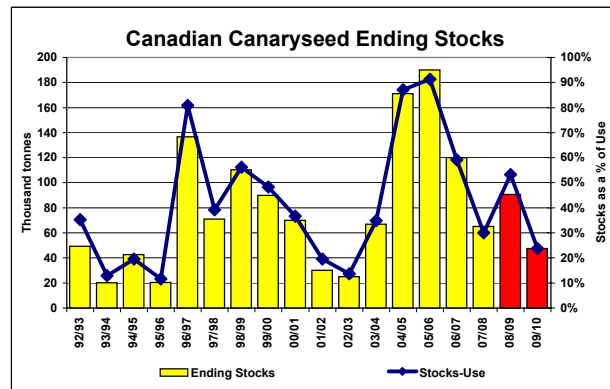
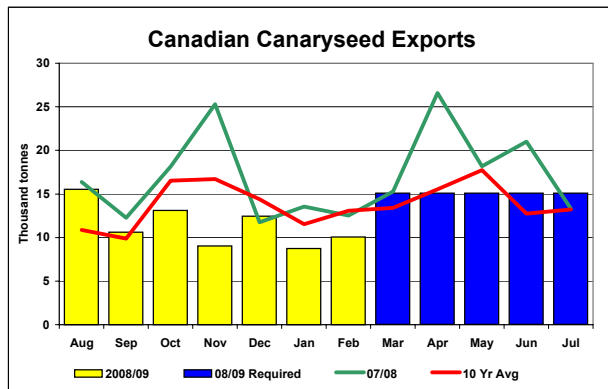
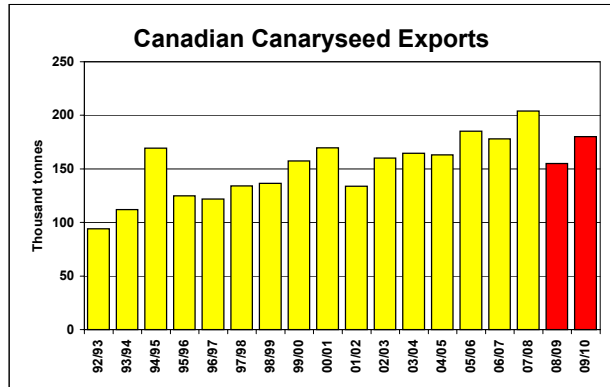
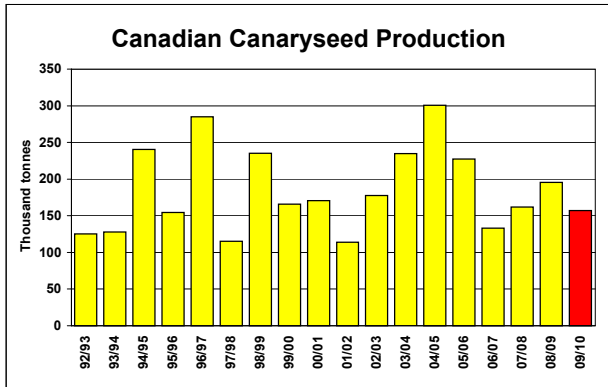
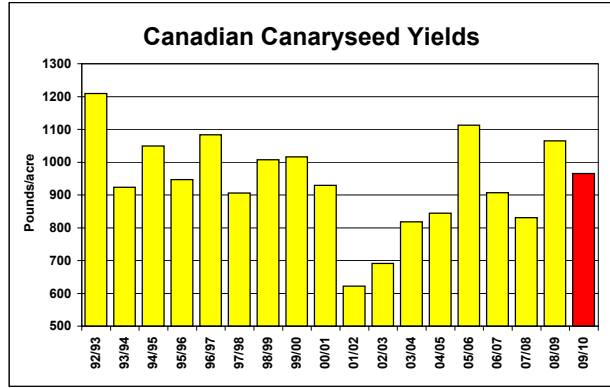
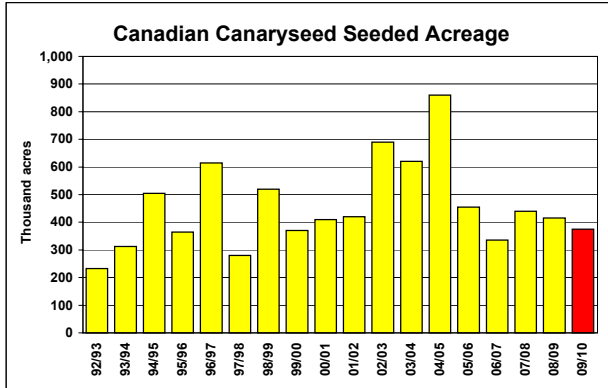


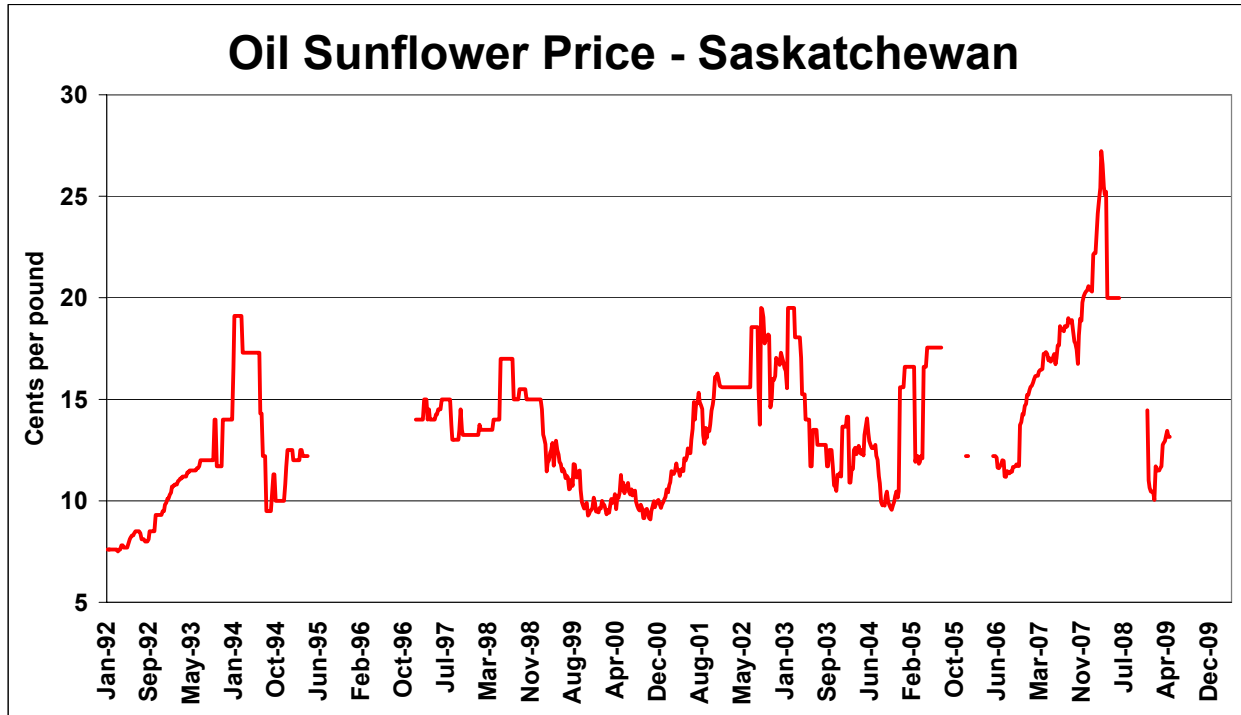


Canadian Canaryseed Supply & Disposition

Thousand tonnes	<u>2005/06</u>	<u>2006/07</u>	<u>2007/08</u>	<u>2008/09</u>	<u>2009/10</u>
Seeded Acres, 000's	455	335	440	415	375
Harvested Acres, 000's	450	324	430	405	358
Yield (lbs/acre)	1,113	907	831	1,065	966
Production	227	133	162	196	157
Imports	0	0	0	0	0
Total Supply	398	323	282	261	248
Disposition					
Total Domestic	23	25	13	15	20
Exports Grain	185	178	204	155	180
Total Disposition	208	203	217	170	200
Ending Stocks	190	120	65	91	48
Stocks/Use	91%	59%	30%	53%	24%

Source: Statistics Canada with Informa projections in bold

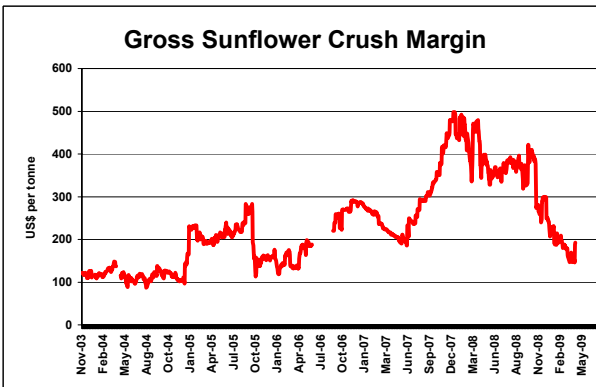
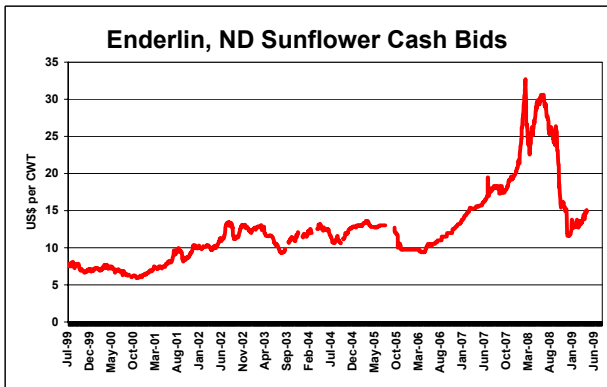
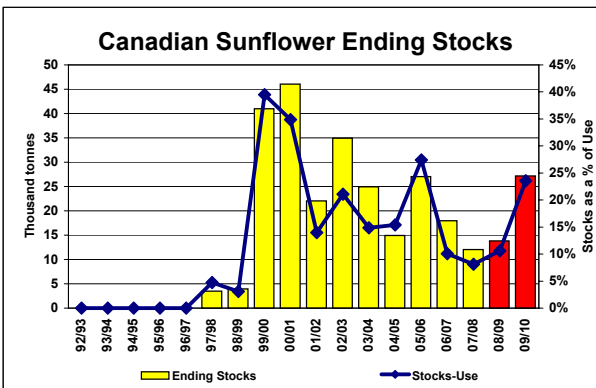
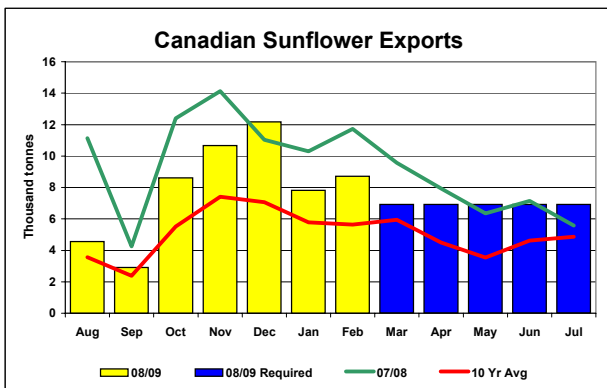
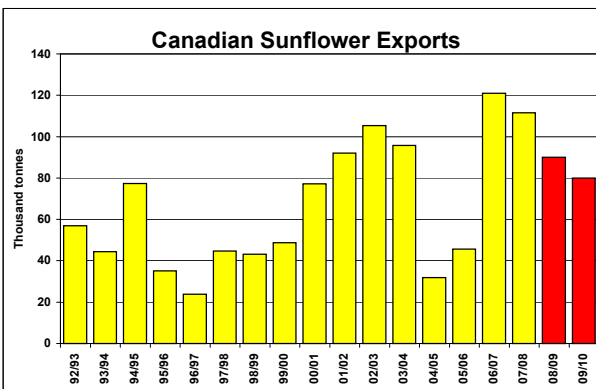
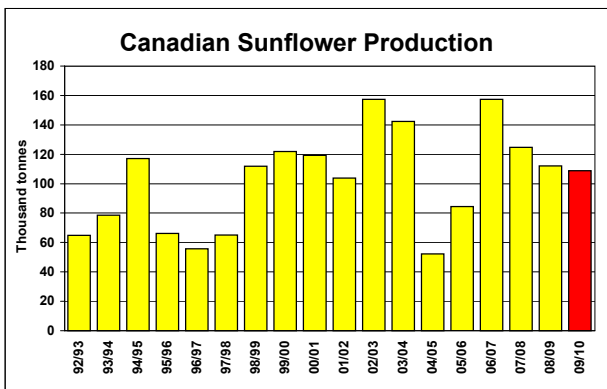
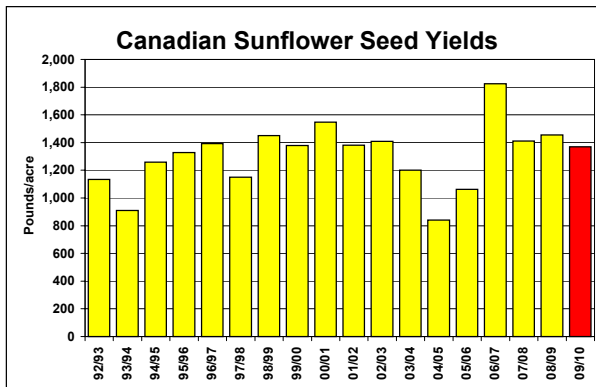
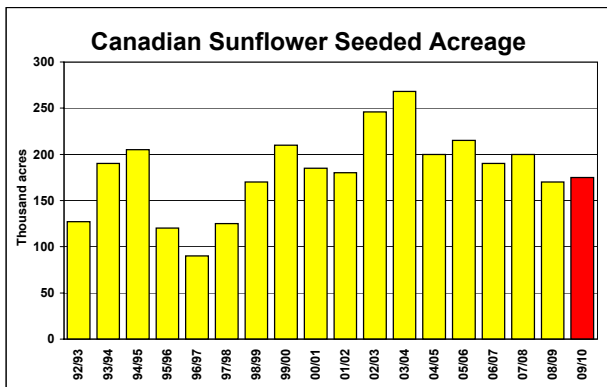


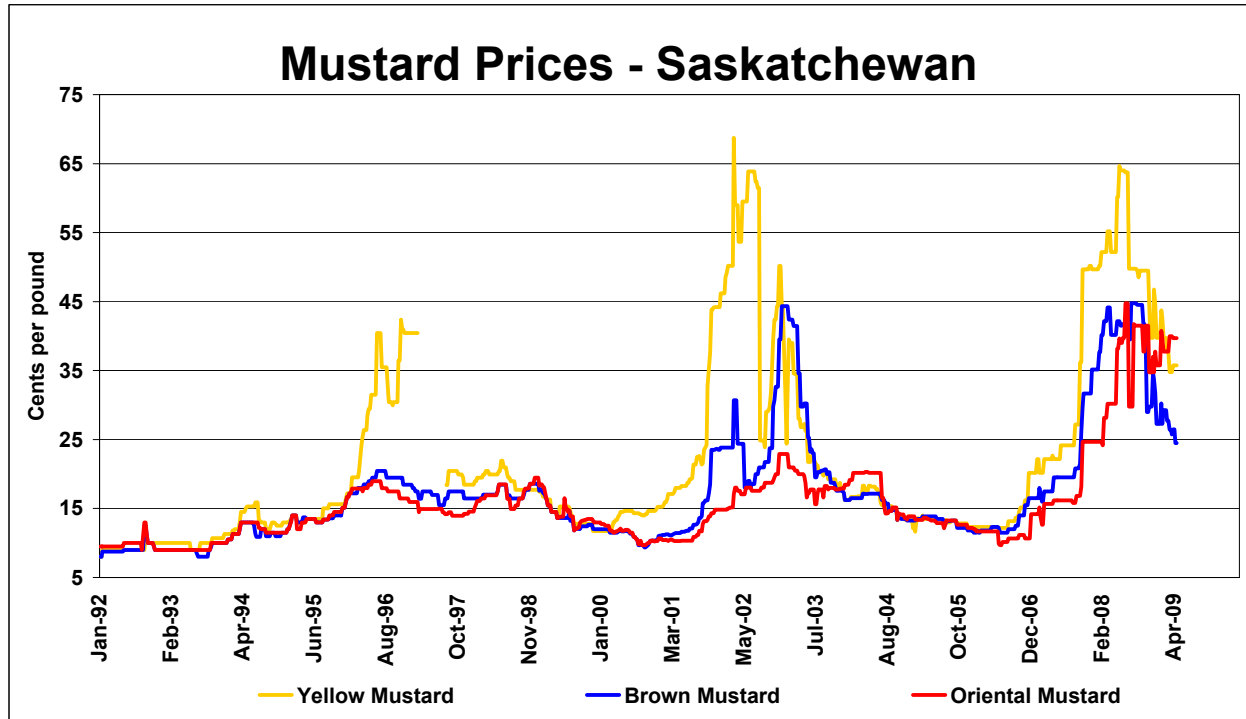


Canadian Sunflower Seed Supply & Disposition

Thousand tonnes	<u>2005/06</u>	<u>2006/07</u>	<u>2007/08</u>	<u>2008/09</u>	<u>2009/10</u>
Supply					
Seeded Acres, 000's	215	190	200	170	175
Harvested Acres, 000's	175	190	195	170	175
Yield (lbs/ac)	1,063	1,825	1,411	1,455	1,370
Production	84	157	125	112	109
Imports	26	12	18	20	20
Total Supply	126	196	160	144	143
Disposition					
Total Domestic	53	57	37	40	35
Exports	46	121	112	90	80
Total Disposition	99	178	148	130	115
Ending Stocks	27	18	12	14	27
Stocks/Use	27%	10%	8%	11%	24%

Source: Statistics Canada with Informa projections in bold





Canadian Mustard Supply & Disposition

Thousand tonnes	<u>2005/06</u>	<u>2006/07</u>	<u>2007/08</u>	<u>2008/09</u>	<u>2009/10</u>
Supply					
Seeded Acres, 000's	480	331	435	480	685
Harvested Acres, 000's	465	320	435	460	662
Yield (lbs/acre)	871	745	620	772	694
Production	184	108	122	161	208
Imports	0	1	0	2	2
Total Supply	375	299	214	190	228
Disposition					
Total Domestic	52	56	19	33	65
Exports Grain	133	153	168	140	145
Total Disposition	185	209	187	173	210
Ending Stocks	190	91	27	17	18
Stocks/Use	103%	44%	14%	10%	8%

Source: Statistics Canada with Informa projections in bold

