

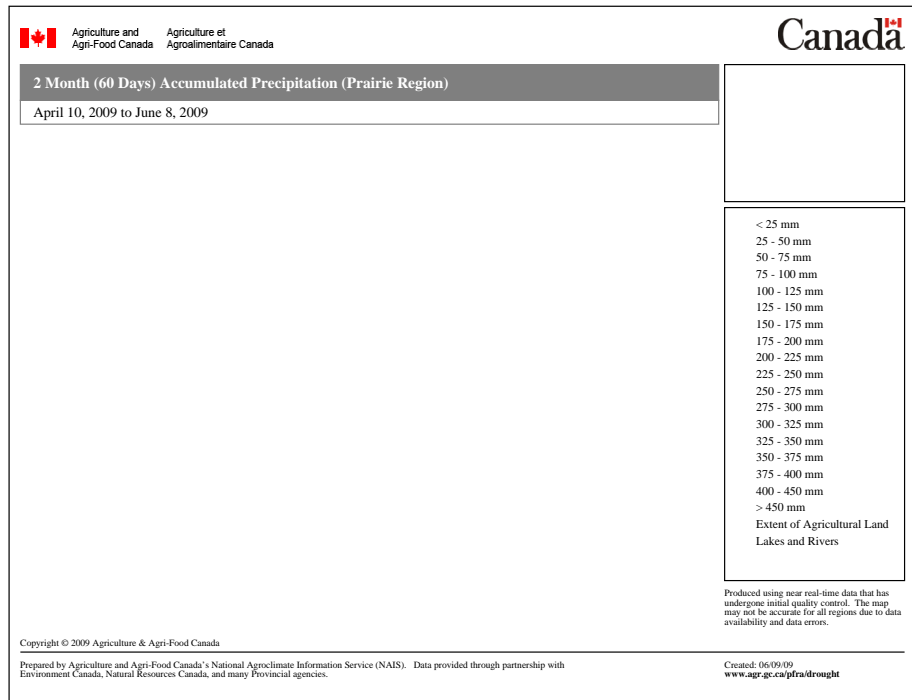
production in Canada with only 15,000 acres or less than 7000 MT of production. Hopefully, this variety will find a premium to other lentil varieties this year as we do have more demand for Richlea than supply. New varieties have not always been as popular with growers so hopefully the Clearfield variety CDC Impress will offer sufficient improved agronomic characteristics.

**French Green lentils** have been declining in seeded acreage due to a lack of price volatility and slow movement off the farm. Due to the increasing production in Europe and the major consumption being in Europe, we are finding it harder to compete as the need to import from Canada is decreasing. With decreased demand and minimal price volatility compared to other lentils we could see a shortage of French Green lentils as we move into the 2010 season.

**Canary Market**, so far 2008/2009 has not proven to be a strong year for canary seed. With Hungary and Argentina both producing crops this past season there has been more sufficient supply. Although canary is perhaps one of the most difficult commodities to track given the marketability of the seed carries over from year to year, the laws of supply and demand still rule. While canary has seen a price range anywhere from 14-24 cents throughout the past year there are a few things to consider. First is the stock to use ratio. In 2006/2007 approx 48% of the crop was used, followed by only 34% in 2007/ 2008 leaving large amounts of stock from the past 2 years. As a result of these stocks, the market price decreased rapidly from Sept 2008 - Dec 2008. The second point to consider is the law of averages. We have all seen the highs and lows of the commodities market over the years. Sometimes you catch the top and sometimes you catch the bottom. If we all were to catch the top, well, we'd all be millionaires! While it's a great thought it's not realistic that you would hit the top of the market 100% of the time. If you were to capture around the 20-24 cent mark this is representative of the average price of canary and also gives a fair return on dollars per acre (approx \$90-130/acre).

## Weather

Weather is now the main focus as we struggle with below normal temperatures, and drought in the west-central region of Saskatchewan and central Alberta.



**SIMPSON SEEDS INC.**

FEATURED THIS MONTH

► **The Green Shoots of Economic Revival**

*Grower price for lentils are at or near historic highs.*

► **Transportation Still a Bottleneck**

*Not enough railcars and/or trains to move the loaded...*

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*Red type lentils are now estimated to be 60% of the acreage base*

► **Weather**

*Below normal temperatures.*

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## The Green Shoots of Economic Revival

“Demand from China and many other countries for a broad range of commodities has provided reason for cautious optimism.”

Since the TSX bottomed out on March 9th the stock markets have rebounded by 50%. This is incredible when you consider the quadrupling of debt in the United States, the bankruptcy of GM and all the job losses.

However, the green shoots of the economic revival are becoming

more visible. Demand from China and many other countries for a broad range of commodities has provided reason for cautious optimism. China's imports of iron ore, used in steelmaking, jumped 33% in April, setting a record for a third month, according to the customs office. Also, the billions of dollars of financial stimulus and infrastructure spending by all governments seem to be providing traction for economic recovery. Although this is good

news for stock portfolios and RRSP's, the news has not been favorable for exports of Canadian commodities.

As the stock markets recover, investors have been taking their money away from the US dollar which is viewed as a safe haven during recessions or times of geo-political uncertainty. As a result, the US dollar in-

## Market Synopsis

Canada may have seeded a record high 2.4 million acres. The official report from Statistics Canada states 1.9 million acres but our experience at the grass roots is telling a different story. Seed sales for lentils have been the best we have seen in years. Red lentil seed was the most popular as the 40+ cent bid and the new Clearfield varieties stole the show.

**Red type lentils** are now estimated to be 60% of the acreage base. Long term average yields would produce record 650,000 MT of red lentil vs. last years record 425,000 MT. This should be viewed as good news as Canada will soon be recognized for its superior quality and competitively priced red lentil.

I have been predicting that Canada will replace Turkey in the next 10 years as a supplier of red lentils into the Middle East, North African and European markets. Our investment in research and development investment is paying huge dividends as we increase yield, create new sizes and shapes of seed and improve resistance to diseases. This year Turkey will be lucky to produce 200,000 MT as they continue to seed inferior varieties and continue with outdated farming techniques. The ink is drying on an agreement to block exports of red lentils from Turkey to help keep domestic prices low.

India has a similar policy of banning the exports of red lentils but there are some discussions going on that may open up exports of Indian red lentils. If this happens, look out! Prices could dive as Indian Dahl mills are run with cheap labor (\$10.00/month). This will drive down the international markets. However, India is still short red lentils due to a poor harvest in February. At this time, India has a huge import program for this fall so

dex has weakened significantly as the USD/CAD has traded from 1.29 to 1.07 over the past several weeks. This has made Canadian exports more expensive, especially when the grower price for lentils are at or near historic highs.

prices off the combine will likely be very attractive to red lentil growers.

Australia is now seeding with reports of good rain. It is too early to say what will happen but the Australian farmers have the potential to grow 150,000 MT if everything goes their way. They will harvest their crop in late November/ early December. This is a technical consideration for Canadian farmers as the Indian sub-continent will not be interested in importing from Canada past October or early November ex Vancouver. Historically, the Australian harvest is an opportunity to buy at much cheaper prices as the ocean freight from Australia is a fraction of the cost compared to Canada.

**Laird type green lentil** is now in 2nd place behind the red lentil. Maybe the large green lentils are a sleeper as many have chased the red lentil. Remember that there is no one else in the world who grows a large green lentil, so we do have control to some extent over the price. Over-production can still result in low prices but that is not the case for 2009.

The lack of supply of large green lentils and the higher than expected prices these past few months was due to much stronger demand than predicted. Iran was one of the main drivers of the Laird lentils market as they suffered a crop failure. Our company has travelled many times to this region and we believe that we are now reaping the dividends of the seed sown over the past several years of attending food shows and visiting markets in the region. This year Iran will emerge as Canada's largest importer of large green lentils with nearly 60,000 MT of imports.

Columbia has immediate demand for all grades of Laird

lentil but prices are about to adjust down to new crop values in a few short weeks barring a catastrophe such as a major drought or frost in Saskatchewan.

Underpinning the market will be demand for green lentils for milling in India. A short crop of red lentils, pigeon peas and other pulses have dhal mills in southern India looking for alternative sources of pulses to mill. The prices paid are at historic high values so it is difficult to see how prices can go much higher when there are lower priced pulses such a yellow peas at \$6.00/bushel. Furthermore, there are 840,000 acres seeded to large green lentils with a potential of 400,000 MT to be harvested in August/September. New crop sales are supported by production contracts in the range of 25 to 27 cents per pound.

**Eston type green lentil** is in 3rd place with about 150,000 acres seeded or the potential for 100,000 MT of production. This past year Mexico was not a big importer and the same can be said about Morocco. Iran also produces a small green lentil and with the drought in Iran Canada enjoyed extraordinary demand for this caliber of green lentil.

There are very few stocks of Eston type lentils but that is OK as demand is limited this time of year. The high prices have also deterred buyers from building stocks as they think prices will be lower at harvest. The key to success in Eston is to grow a No.1 with good green color. There is limited demand for No.2 Eston.

**Richlea type** or medium sized green lentil take 4th place in the lentil

## Transportation Still a Bottleneck

One of the biggest obstacles for exporting pulse crops is transportation. The drop in consumer demand for TV's, computers, cars, and other consumer items has caused a North America wide shortage of containers. Some of our exports through the Port of Vancouver have encountered delays due to this lack of containers. Demurrage on railcars and embargos on trans-loading facilities have been a barrier for trade.

The lack of import containers had a direct impact on the railroads. Train crews have been cut and many have been laid off as the numbers of train runs have been reduced. This leads to fewer railcars being available to move our exports. The same problem persists for our east bound exports through the Port of Montreal. Everyday we return containers loaded with pulse crops and canaryseed for export and there are not enough railcars and/or trains to move the loaded container from the Regina yard. This is very frustrating as we miss contract deadlines and increase the interest cost to carry goods to the international consumers. If things don't change soon we will be in trouble when we increase export volumes this fall. In April there were some indications that we might have more containers available as the number of idle containerships worldwide has fallen from 1.42 million to 1.31 million TEU, the first drop since September.

One of the tools that I use to help determine where the markets are going is the "Baltic Dry Index." The Baltic Dry Index is currently riding an eleven-day winning streak during which the index has gained 43%. Year to date, the index is now up 228%. Given that it is a measure of shipping rates, the increase in the Baltic Dry Index is regarded by many as an important indicator of an improving global economy. After all, it doesn't deal with container ships carrying finished goods, it deals with the precursors to production: bulk carriers carrying building materials, cement, grain, coal, and iron. Unlike stock and bond markets, the BDI "is totally void of speculative content," says Howard Simons, an economist and columnist at TheStreet.com. People don't book freighters unless they have cargo to move.

The following is a BDI chart indicating the rise in the demand and price paid to move a wide range of commodities

