

THE PULSE

newsletter

Special 30th
Anniversary Edition

Surprisingly Unexpected

This year's
crop above
average.

The Pioneering Spirit

Paying tribute
to our family
pioneers.

Westgate Mills Inc.

Grand Opening
proves a success.



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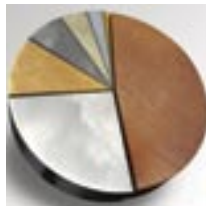
P1 Surprisingly Unexpected

With the weather this year being less than favourable, crop quality is looking much more promising than originally projected.



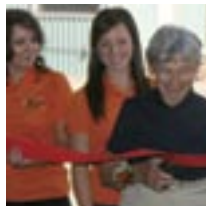
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Surprisingly Unexpected

The new tourism slogan in Moose Jaw is "Surprisingly Unexpected"; however, farmers are now using it to describe the results of this year's harvest.

Ask any farmer this summer what their expectations were for this year's crop and they would have estimated a below average yield or an average yield at best.

Growing conditions this year were a real test of our faith. Crops had to endure at least two hits of frost as they emerged, very little in the way of spring rain and some record breaking cold weather during the summer. So when the combines started to roll into the fields the results were a surprise. Lentils have been yielding 1800 lbs to 2400 lbs per acre, peas yielding over 40 bushel and the durum wheat 50 bushel per acre.

The quality of the lentil has also been largely No. 2 or better. In fact, the portion of No. 1 is greater this

year than what we have seen in the past couple years. Green lentils are greener as the cold weather and late development allowed the green seed to avoid sun scalding or sun tanning.

Reports for other parts of the province are not as stellar. I travelled to the Kindersley area this summer to see for myself the extent of the drought stricken region. The drought was so bad that seed did not germinate until the first spring rain mid June. Due to the late germination many fields were sprayed with herbicide to preserve fertility and moisture for another year. In spite of this, there were recent reports of lentils yielding 1200 lbs/ac. in the Kindersley area.

The Pioneering Spirit

This is the spirit of the pioneer that we have inherited; a never quit in the face of adversity attitude.



Vi Simpson
1947



Jim Simpson



In the photo: John and Elizabeth Mintenko and son Steven (Elizabeth is holding Steven). The picture was taken in 1926 at their farm at Stelcam, Saskatchewan at seeding time.



First lentil truck load
1980

In this special edition of our newsletter, we thought that it was appropriate to pay tribute to our forefathers who had the vision to see the opportunity to be pioneers in Saskatchewan. The definition of a pioneer is "to open or prepare for others to follow." This definition is really appropriate when you consider the amount of hard work and persistence it took to fulfill their dreams.

Growing up we heard many stories of how difficult it was to establish and maintain the farms. One of my favorite stories is of how my grandfather Hugh Simpson struggled during the dirty thirties and the depression. On the

accompanying letter you read how the crops were destroyed by drought, blowing dust and low grain prices. At one point Hugh was simply unable to make the payments for the land to a lawyer in town. At that moment, Hugh had a difficult decision to make. He could simply quit farming and give up all that he had worked for or he could fight back. Hugh was determined to succeed! He was able to successfully negotiate a lease back of the farm for "a dollar down!" The situation started to turn around as the rains returned to the prairies and the prices soared due to WWII. In four years Hugh was able to buy the land and pay off the debt completely!

This is the spirit of the pioneer that we have inherited; a never quit in the face of adversity attitude. To this day I still think about where we would be had it not been for Hugh's persistence and tenacious attitude. If he had taken the easier route and simply quit farming our family would not been involved in farming let alone running an international processing/exporting business.



First lentil bag 1980



It is hard to believe that it is 30 years since the last year of what is now known as the dirty thirties. There was four different causes for our troubles namely. Drought, wind, grasshoppers and the depression. The difficult years started in 1929. Although some parts of the province wasn't hard hit at that time but in this neighbourhood our troubles started then. We came to this province two years earlier with two children, one two years and the other four. So I was old enough to be ungrateful in the problems encountered at that time and young enough to bounce back when the rains came and the winds decided to calm down.

One of the sad parts of the experience was for the older farmers who were to old to take advantage of the prosperous and good crops which followed. We sowed one field of oats in times only to see the green shoots cut off by the flying sand. Firstly the wind would blow from the Northwest and next day from the Southeast. The sand would pile up in any sheltered corner and next the day when the wind would change it would be blown clean and piled some place else. It resembled a winter blizzard in all it's aspects. The lack of cash is always the big problem at any time, but when you live through nine years of crop failures one can understand it was getting pretty serious after nine poor years.

The one thing that made our troubles bearable, everybody was in the same circumstances having good neighbours who could understand our troubles and laugh about our hard times helped to keep our spirits up. We never suffered from lack of food or clothes but a lot of dresses were made over or altered to suit the occasion. It was the same spirit our fathers and grandfathers used when they pioneered the country but I think they had the worst of the deal. Lack of transportation and communication must of left them very lonely at times. We were more fortunate then people living away from larger centers as we could always sell a little produce if it was cheap enough. We had other problems too as we lived on the wrong side of the highway our municipality was supposed to be in the more prosperous part of the township but our land was just as subject to blows as the other side of the road. Nevertheless we managed to survive and can look back on an experience we hope never occurs again but we know we learned how to live with adversity. The same catastrophe can happen again but we think the government and farm organizations can move in quickly to help overcome the hardships the older generation had to live with. This is a good province to live in and I wouldn't change it for any other part of the continent I have visited.

Love to all
Sandra
Per Grandpa



Hugh Simpson
1947

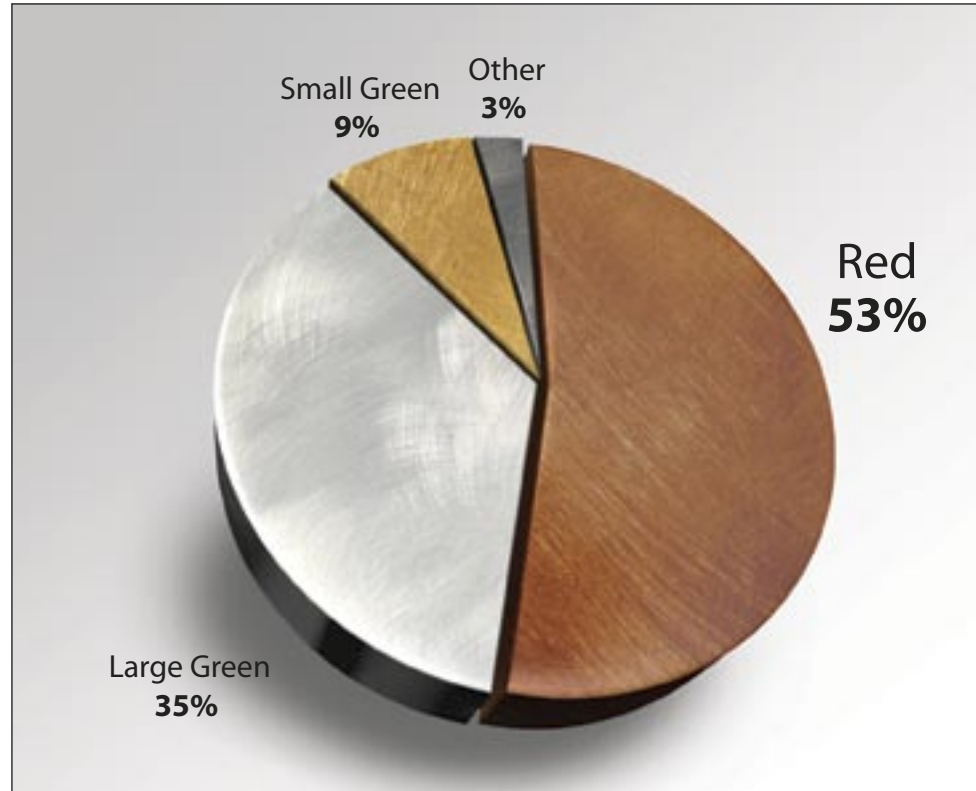
Lentil Market Synopsis

Red lentils have quickly become the dominant portion of the lentil production in Canada with 53% of the acres committed to the red lentil class. While we can attribute many reasons for this shift, I think the commitment to new variety research and development by the CDC at the U of S has allowed farmers to benefit from much improved agronomic features of the new varieties.

My resistant varieties have made weed control much more reliable and safer on the crop. The Clearfield herbicides are helping farmers to obtain much higher yields by reducing the number of days to maturity. Most importantly, it is nice to be able to see a crop free of broadleaf weeds such as wild mustard. In addition, the crops have better resistance to lodging and disease.

New red lentil varieties range from small seeded varieties such as CDC Imperial to larger seeded varieties such as CDC Redrider. This range of sizes helps us to penetrate more markets where size is just important as the color. Furthermore, the shape has been transformed from a flat seed to a football shaped seed to enhance the milling characteristics of red lentils.

Now that we have these new and improved milling quality red lentils, our splitting plant can process efficiently and with a very high level of quality. In fact, our



quality is recognized by many as the best in the world because the seed has no chipped edges and no adhering seed coats. This has allowed us to recapture the domestic markets in Canada and the United States that were previously supplied by India and Turkey. On a trade mission trip to India two years ago, we saw boxes full of packaged red split lentils being shipped to Toronto. What was really odd was the whole lentils came from Canada.

In previous newsletters I addressed another important reason for the successful growth of red lentil production in

Canada and that would be the price. High prices have been the norm for nearly two years as our competition in Australia, Turkey, Syria and India have all suffered from drought reduced crops. Now that Canada has landed a huge crop the question is "will the world be able to absorb this crop and at what price?"

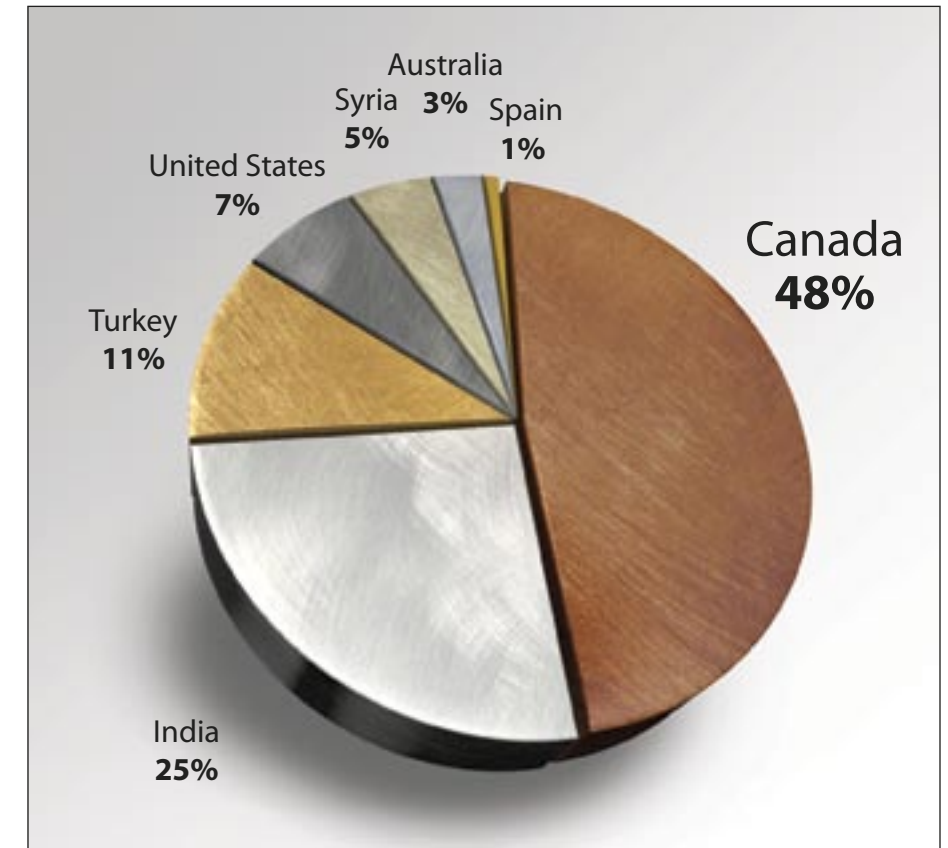
Fundamentally, the demand for red lentils remains very strong and I believe the global demand is big enough to absorb Canadian production. The reason is due to short crops in countries such as India which has already imported 150,000 MT of red lentils and they

will likely import another 50,000 MT. Turkey is also short red lentils so they will likely import about 200,000 MT for the MENA (Middle East North African) and domestic consumption. This demand from India and Turkey will consume 65% to 70% of our red lentil stocks. In light of the above, I conclude that we will have no problem selling the remaining stock to the other nations that depend on imports to meet consumer needs.

However, the price for red lentils remains under harvest pressure and the market sentiment is also bearish for the following reasons. First, there are many tonnes contracted earlier this year at 25 cents/lb. These tonnes have been shipped to India and now there is little appetite for buyers to purchase more stock at values higher than 25 cents/lb. Secondly, the Indian government has been actively buying and subsidizing the prices in local ration shops to insulate the common man from spiraling prices of essential commodities. Finally, the size of the Australian crop and the kharif season crop appear to be larger than originally expected.

New Record Set

The 2009/2010 crop will set a new record for total lentil production. It all started with the largest seeded acreage committed to lentils this spring. Farmers planted 2,320,000 acres this year surpassing the previous record set in 2005 of 2,184,000 acres. Given the good yields for the majority of farmers, we are now estimating a new record production of all lentil varieties of 1,400,000 metric tonnes. This chart speaks volumes about the importance of Canada on the world stage. I have not included production in countries such as Pakistan in this chart.



Canaryseed

We see the price trending down as there is supply for another year. With higher carryover and other countries that grow canary having good yields, the stock available is plentiful. Current prices are ranging from 18 – 19 cents, these prices are a reflection of what is more sustainable for the market. We did see canary one and a half to two years ago reach high levels of 35-38 cents. This was the case with most commodities at the time. As we have seen recently those levels were too high for the market to bear and there has been

correction over the past year to levels that are more manageable.

Agriculture Canada is reporting its' carryover stock of 83,000MT. Last years carry over stocks were reported at 63,000MT. With higher carryover and other countries that also grow canary have had good yields therefore stock available is plentiful. I see price hanging just below 20 cents for awhile until demand picks up and harvest is completed.

Westgate Mills Inc. Grand Opening



In this photo starting from the left: Jamie Simpson, Elyce Simpson, Nicole Simpson, Helen Simpson (Grandma), Trevor Simpson, Tyler Simpson

On July 10, 2009 Westgate Mills Inc. held an official opening of the red lentil splitting line. We were fortunate and thankful to share this occasion with our family, staff and guests which included local and international customers; city, provincial and federal government officials and last but not least representatives from Sask Pulse Grower's and Pulse Canada. The new business is a result of two and a half years of research and development, construction and final commissioning of the plant.

Westgate Mills represents many things to us and to the community. First, it is a way of diversifying the company; by adding this aspect we are able to bring this value added process closer to home for the producers. It also marks the initiative of the next generation of family members joining the company. By starting this mill from the ground up we have gained knowledge that you can only learn through experience.

The old adage "learn by doing" has helped G3 (Tyler, Elyce, Trevor, Jamie and Nicole) to understand what it takes to run a company and manage growth within the company. The mill has been running for almost a full year and is ready to handle the new crop ahead of us.

Each crop year presents new challenges and we learn more and more about the market and the potential for new business opportunities every day. We will continue to learn and find new ways of bringing value back to Saskatchewan producers. On behalf of the next generation I would like to thank our parents Tom, Greg and John for their encouragement and the opportunity to build and run Westgate Mills, as well as producers for their continued support. Without it we would not be where we are today. We look forward to continuing to serve the community for many years to come.



"Westgate Mills represents many things to us and to the community."

Revival of the Monsoon

“The good green quality produced this year will only enhance our reputation as a reliable high quality exporter and will pay good dividends to those growers who support our program in the long term.”



Monsoon rains in India will be key to the direction of pulse prices globally. The four-month monsoon season runs from June to September and is critical for the development of summer-sown crops including pulses.

The weak monsoon rains are about 20% below the 50 year average but a recent late revival in monsoon rain has caused the Indian Meteorological Department to revise the deficit to 15% to 18%.

Prospects for a better crop have caused prices for tur dal, channa dal and masoor dal to drop. For your information, tur dal is pigeon peas which can be substituted for the large green lentil; channa dal is milled from desi chickpeas and masoor dal is derived from red lentils. Additional pressure has been put on the pulse market by excessive supplies of yellow peas.

Green Lentil markets have also been feeling the harvest pressure due to high yield and higher than normal quality. Large seeded Laird type lentils have dropped in value but not to the extent that red lentil prices have dropped. This has more to do with the lower volume of risky forward sales as trades view Laird No. 1 sales as a big gamble, especially when the growing season was so dry and cold.

Ramadan ends on September 20th so this will bring many traders back into the market to help lend support on the demand side of the market. We are extremely pleased with the development of the Laird market into Dubai. This market has matured significantly over the years as Dubai or the Port of Jebel Ali has become a major transshipment port for Laird lentils destined to Iran. The good green quality produced this year will only enhance our reputation as a reliable high quality exporter and will pay good dividends to those growers who support our program in the long term.

For those who have produced a No. 2 Laird, you will have good reasons to be optimistic about the prospects for your production. Unlike red lentils, Laird growers do not need to compete with Australia, Turkey, India or the USA as they do not possess the ability to grow this caliber of lentil competitively. After all, Canada completely took Turkey out of the large green lentil market and now they have to import. Interestingly, we are now doing the same thing to Turkey in red lentils.

India is also adding additional support to the Laird lentil market. This year we have seen unprecedented purchases by the Tamil Nadu government who

awarded a tender to a Singapore-based firm to supply 6000 MT of green Laird lentil from Canada. In the past, India depended on the North India region to supply tur dal but the drought in the north has caused a shortage in India.

As much as the intervention by the India government is appreciated, I am somewhat disappointed that the prices will hurt local farmers and the private trade. The price for tur dal, after accounting for processing and transportation costs, would cost about 52 Rupees, but will be sold in special PDS ration shops for 32 Rupees. Before the tender, the local price for tur dal touched 82 Rupees.

Small seeded green Eston type lentil prices have also corrected downward due to intense harvest pressure. The markets were dropping by the hour and it made it virtually impossible to manage the wave of offers from growers. Buyers ran for cover as they feared a repeat of last year's collapse of prices which virtually destroyed corporate balance sheets and undermined confidence in market price stability.

As for the market price outlook, I am probably the least optimistic about Eston prices going forward as there seems to be an oversupply of this market class. Currently, No. 1 Eston is 25 cents and No. 2 is 22 cents and we can not find much support at these levels. As with all the classes of lentil, the buyers are waiting to see when the prices will stop going down before they will buy.

To add insult to injury, the Canadian dollar has been getting stronger. In the past couple days the dollar surged from 1.08 to 1.06. This 200 basis strengthening of the dollar lowers the price to growers by \$0.62/cwt or \$0.37/bushel.

Medium sized green Richlea lentils are still a very small portion of our total production. The domestic market in the USA will be difficult to compete with as the strong Canadian dollar makes us less competitive. On the international markets we have the potential to increase our markets as Canadian growers increase supply and bring a consistent quality and quantity to the market.

We have a new Clearfield variety on our farm this year and it will prove to be an advantage for Canadian farmers to improve weed control, yields and quality. This may be the ticket for a longer term strategy to allow for more acres and tonnes to be produced.



Celebrating 30 years of Special Crops and Select Seed.

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