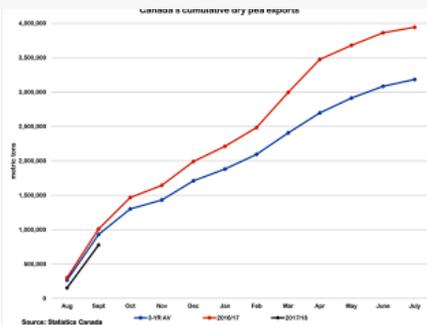




India Levies Duties on Wheat/Dry Pea Imports

Canada's cumulative dry pea exports totaled 777,312 metric tons as of September (black line), behind the 2016/17 volume of 1 million metric tons in the same two-month period (brown line) while the three-year average is calculated at 930,228 mt (blue line).



India's government announced a doubling of its import tariff on wheat to 20% on Wednesday, while adding an import tariff on dry pea imports of 50%, described as the maximum allowable tariff, in order to bolster internal prices. This follows record imports of 3.17 million metric tons of peas in 2016/17, a 41% increase from the year prior, along with imports of 5.75 mmt of wheat, as reported by the Times of India. Twitter communications are pointing to the potential for a follow-up announcement of a 25% tariff to be placed on lentil imports later in the week.

This comes at a time when the Canadian industry is already in negotiations with India over the fumigation of exported product, which has already placed a degree of uncertainty in the current trade.

Prior to this announcement today, Statpub.com indicated the average No. 1 Medium Yellow pea bid averaging \$7.70/bushel delivered to Saskatchewan plants, while the Jan/Feb/March bid ranges from \$7.40 to \$7.75/bu., which points to a firm front-end bid relative to the first quarter of 2018. Following today's tariff announcement, Twitter communications indicate that buyers may be pulling their bids entirely, given increased uncertainty.

The attached chart shows the pace of total exports over the first two months of this crop year, given recent Statistics Canada merchandise trade data. More up-to-date data from the Canadian Grain Commission (bulk shipments only) point to week 13 exports at 849,900 mt, covering activity as of the week ending Oct. 29, which is down 554,600 mt or 39.5% from the same period last crop year. The total cumulative volume in the first two months of the crop year is the lowest volume shipped in four years.

Over the past three years, an average of 465,180 mt has been exported to India in the first two months of the crop year, representing an average of 32.4% of total crop year exports. The first two months of this crop year has resulted in movement of 195,918 mt shipped to India, while extrapolating this pace based on the three-year average pace would indicate the crop year potential at 604,685 mt. This is down from 1.9 mmt shipped in 2016/17, although this does not take into account the potential impact from today's announcement.

Another effect from India's tariff could result in increased competition in trade with China as global suppliers shift focus. Statistics Canada reports exports to China totaling 420,990 mt in the first two months of this crop year, up from the three-year average of 169,552 mt in these same two months. Given that an average of 19% of China's crop year exports have taken place in the first two months of the crop year over the past three years, this pace would extrapolate to a sharp increase in potential exports for 2017/18 although this will be jeopardized due to increased competition.

In a notice to growers today, the Saskatchewan Pulse Growers stated: "We expect that the resulting increase in cost of imported peas will have a significant negative impact on pea trade to India. Canada is India's largest supplier of pulses and India is Canada's largest market for peas, accounting for more than 40% of Canada's pea exports."