



Bi-weekly Bulletin

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UNITED STATES: PULSE CROPS SITUATION AND OUTLOOK

During the past ten years, seeded area for dry peas and lentils in the United States (US) was relatively stable until 2002 when these crops, as well as chickpeas, were first included under the loan program. Since 2002, the seeded area increased sharply for both crops. In contrast, US seeded area for dry beans, which are not included in the loan program, has been trending downwards. Although there is bilateral trade in pulse crops, the US and Canada are competitors in world markets, especially for dry beans, dry peas and lentils. This issue of the *Bi-weekly Bulletin* examines the situation and outlook for the production and trade of pulse crops in the US.

PRODUCTION

The US is a large producer of dry beans, dry peas and lentils, a small producer of chickpeas and a minor producer of fababeans. In 2005, the US accounted for about 6% each of world dry bean, dry pea and lentil production. During the past ten years, total pulse crops seeded area has been cyclical, but with no significant upward or downward trend. However, in the latest cycle, seeded area rose in 2004 and rose further to a ten year high in 2005.

Dry Beans

Dry beans are the largest pulse crop produced in the US, although the seeded area and production have been trending downwards during the past ten years. Pinto, white pea (navy) and black are the largest classes of dry beans produced in the US. Other classes produced include Great Northern, light and dark red kidney, small red, pink, cranberry, small white, blackeye, large lima and baby lima. Seeded area and production have been trending downwards over the past ten years for white pea, Great Northern and cranberry beans because of competition in the export markets, but remained relatively stable for pinto, light and dark red kidney, small red and pink beans. North Dakota is the largest producing state, accounting for 37% of the US dry bean seeded area in 2005.

The other major producing states are Michigan, Nebraska, Minnesota, Colorado and Idaho.

Dry Peas

US dry pea seeded area and production have increased sharply since dry peas were first included under the loan program in 2002. The seeded area nearly quadrupled since 2001, with most of the growth occurring in North Dakota and Montana, with North Dakota accounting for 67% of the US seeded area in 2005. Other important dry pea producing states are Washington and Idaho. The US produces mainly green peas, but yellow, Austrian winter and wrinkled seed peas are also produced. The growth in production has been mainly for green and yellow peas.

Lentils

US lentil seeded area and production have also increased sharply since lentils were first included under the loan program in 2002, but the increases haven't been as large as for dry peas. The seeded area has more than doubled since 2001, with the

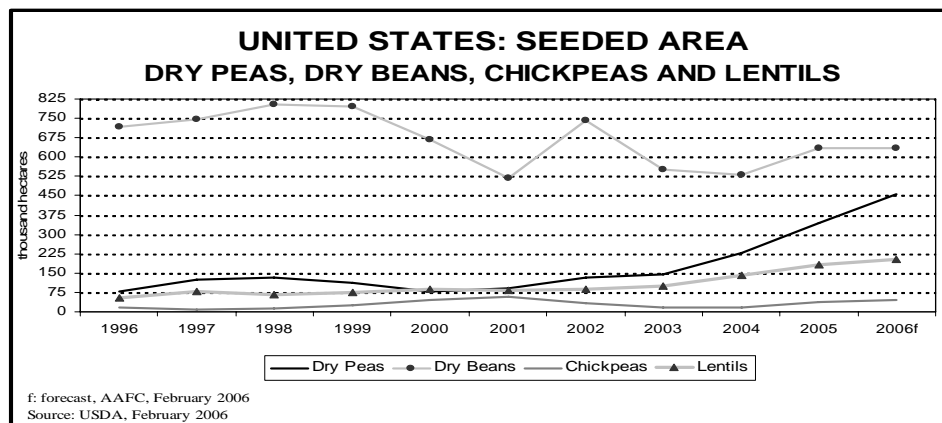
growth occurring in Montana and North Dakota, with each state accounting for about a third of the US seeded area in 2005. Other important producing states are Washington and Idaho. The US produces mostly medium green and brown lentils, but some large and small green, and red lentils are also produced. The growth in production has been mainly for the medium green type.

Chickpeas (Garbanzo beans)

US chickpea seeded area and production has been cyclical during the past ten years, peaking in 2001, followed by a sharp decline before recovering in 2005. The US produces mainly large kabuli chickpeas. Although production of small chickpeas, (small kabuli and desi), is low, there has been growth since they were first included under the loan program in 2002. In 2005, Idaho and Washington accounted for about a third and a quarter, respectively, of the US seeded area. Other significant producing states are California, Montana, North Dakota and South Dakota.

TRADE

Dry beans and chickpeas produced in the US are mostly used domestically and only about one-third are exported. In contrast, more than half of the lentils and about half of the dry peas produced in the US are exported.



The US is a net exporter of dry peas, dry beans and lentils, but the long term balance of trade for chickpeas and fababeans has been about equal. In terms of world trade, the US accounts for about 10% of world dry bean, dry pea and lentil exports. US share of world chickpea and fababean exports is very small. The US is a fairly small importer except for dry beans, for which it accounts for about 5% of world imports. With the growth in production, the US has become a much more significant competitor for Canada and other exporting countries in the world dry pea and lentil markets.

A significant portion of US pulse crops are exported through food aid programs. Averaged over the past five years, food aid exports accounted for 71%, 46% and 19% of total lentil, dry pea and dry bean exports, respectively.

Dry Peas

US dry pea exports, generally destined for the food market, have been trending upwards with the increase in production. Imports, most of which come from Canada, have been relatively stable. Exports to Canada have been rising as some producers near the Canadian border deliver to Canadian dealers. For the first time, in

2005 the US became a net exporter of dry peas to Canada. US dry peas are exported mostly to Africa, Asia and the Americas. Canada is the largest export destination. In 2004, Cuba became the second largest destination. In 2005, India became a major export destination, ranking third. Other major markets are Philippines, Sudan and Kenya.

Dry Beans

US dry bean exports have been trending downwards, while imports have been trending upwards. US dry beans are exported throughout the world, with United Kingdom, Mexico and Canada the most significant destinations. Imports are mostly from Canada. Exports to Canada have been variable, while imports from Canada have been trending upwards. There is significant cross border trade by producers because many US and Canadian growing areas are located near the border.

Lentils

US lentil exports have been trending upwards with the increase in production. Imports, mostly from Canada, have been low and variable. US lentil exports are mostly to Europe, Africa and the Americas, with Spain being the largest importer. US lentil trade with Canada has been relatively small.

Chickpeas

US chickpea exports have been variable and in line with production volumes. Canada and Spain were the largest destinations. Imports have been relatively stable, with Mexico and Canada as the main suppliers.

Fababeans

US fababean trade is small and mostly with Canada.

OUTLOOK 2006-2010

For 2006, US production of dry peas, lentils and chickpeas is expected to increase from 2005 due to higher seeded area, resulting from higher expected net returns relative to many alternative crops. For dry peas, lentils and small chickpeas, the higher net returns are due largely to the high loan deficiency payments or market loan gains received for these crops. For large chickpeas, the higher net returns are due to historically high prices. Production of dry beans is forecast to

UNITED STATES: PULSE CROPS SEEDED AREA

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006f
.....thousand hectares.....											
Dry Peas	80	126	134	111	78	92	131	145	228	344	455
Dry Beans	717	747	803	795	666	519	743	551	530	635	635
<i>pinto</i>	328	313	395	285	291	225	337	269	263	334	n/a
<i>white pea</i>	168	156	103	178	140	86	140	64	75	95	n/a
<i>black</i>	36	54	97	75	38	38	80	34	56	45	n/a
<i>Great Northern</i>	49	45	46	54	52	44	38	44	21	28	n/a
<i>light red kidney</i>	27	36	31	37	34	28	28	27	23	30	n/a
<i>dark red kidney</i>	26	27	26	27	26	23	29	20	21	22	n/a
<i>small red</i>	8	17	13	17	7	8	13	13	13	21	n/a
<i>pink</i>	13	15	22	21	7	8	14	13	12	16	n/a
<i>cranberry</i>	13	17	14	15	13	12	10	6	5	5	n/a
Chickpeas	17	10	12	24	46	60	35	18	18	36	45
<i>large kabuli</i>	n/a	n/a	n/a	n/a	n/a	n/a	n/a	16	16	32	41
<i>small</i>	n/a	n/a	n/a	n/a	n/a	n/a	n/a	2	2	4	4
Lentils	52	78	66	74	88	81	89	100	140	182	205
Total	866	961	1,015	1,004	878	752	998	814	916	1,197	1,340

Area and production data for fababeans are not available as it is a minor crop.

UNITED STATES: PULSE CROPS PRODUCTION

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006f
.....thousand tonnes.....											
Dry Peas	133	297	305	248	193	204	250	274	570	683	920
Dry Beans	1,218	1,314	1,360	1,468	1,139	815	1,322	1,001	780	1,186	1,130
<i>pinto</i>	540	495	658	491	484	396	584	473	354	594	n/a
<i>white pea</i>	265	251	176	331	216	105	240	114	97	179	n/a
<i>black</i>	62	96	162	153	61	36	141	57	85	82	n/a
<i>Great Northern</i>	101	102	99	112	113	95	70	101	43	72	n/a
<i>light red kidney</i>	46	73	51	63	61	35	54	50	37	50	n/a
<i>dark red kidney</i>	43	45	38	47	46	33	49	38	31	42	n/a
<i>small red</i>	18	40	30	41	14	8	27	26	27	41	n/a
<i>pink</i>	24	32	42	37	15	15	28	28	24	30	n/a
<i>cranberry</i>	23	30	17	26	20	7	16	9	8	7	n/a
Chickpeas	23	18	19	34	59	73	38	19	27	49	60
<i>large kabuli</i>	n/a	n/a	n/a	n/a	n/a	n/a	n/a	16	23	42	53
<i>small</i>	n/a	n/a	n/a	n/a	n/a	n/a	n/a	3	4	7	7
Lentils	55	109	88	108	137	131	117	111	190	234	270
Total	1,429	1,738	1,772	1,858	1,528	1,223	1,727	1,405	1,567	2,152	2,380

Note: Dry peas, lentils and small chickpeas were included under the loan program starting with the 2002 crop year.

n/a: not available

f: forecast AAFC, February 2006

Source: USDA, February 2006

decrease because of a return to normal abandonment, which is higher than in 2005, and lower trend yields. However, supply is expected to be similar to 2005-2006 due to higher carry-in stocks. The US share of world production is forecast to increase to about 8% for dry peas and 7% for lentils, but remain at about 6% for dry beans. Higher production is expected to result in increased

exports of dry peas, lentils and chickpeas in 2006, while dry bean exports are expected to remain stable.

For 2007, the seeded area for dry peas, lentils and small chickpeas is expected to increase further although the rate of growth will depend on expected net returns compared to alternative crops.

become experienced in growing them. They are also produced over a larger geographic area than before 2002, when these crops were first included under the loan program. Therefore, even if the area should drop, it would still be significantly higher than it was prior to 2002. The seeded area for dry beans and large chickpeas is expected to continue to be variable and depend on expected net returns relative to other crops, unless they are included in a future support program.

US per capita dry bean consumption has been trending downwards during the past ten years, ranging from a high of 7.8 pounds (lb), {3.55 kilograms (kg)} in 1999 to a low of 5.7 lb (2.59 kg) in 2004, but recovered to 6.0 lb (2.72 kg) in 2005. However, there are industry wide programs underway to promote dry beans, as well as other pulse crops, as healthy foods. These programs are expected to reverse the decline in per capita consumption and, when combined with population growth, food use of dry beans and other pulse crops is expected to increase. There are also efforts underway to promote dry peas as an ingredient in livestock rations. At the present time, the use of dry peas for

livestock feed is at an early stage of development. Therefore, there is a large growth potential. US exports of pulse crops will depend on the level of production and domestic use, but the US is expected to continue to be a significant player in world dry bean, dry pea and lentil trade. Imports will also depend on domestic production, but the volumes are not expected to change significantly.

US FARM SECURITY AND RURAL INVESTMENT ACT OF 2002 (FSRIA)

Under the FSRIA, dry peas, lentils and small chickpeas were, for the first time, included under the loan program. The loan rate provides a floor return because if the posted price is lower than the loan rate, the producer is eligible for a loan deficiency payment (LDP), or alternatively the producer can obtain a loan at the loan rate for up to nine months. If the price is lower than the loan rate, the producer can repay the loan at the lower price and keep the difference. The difference is called the marketing loan gain (MLG). However, most producers have chosen to take the LDP rather than taking the loan.

UNITED STATES: FOOD AID EXPORTS AND TOTAL EXPORTS

<i>fiscal year</i> <i>Oct. –Sep.</i>	2000 -2001	2001 -2002	2002 -2003	2003 -2004	2004 -2005	Average	Percent of total
.....thousand tonnes.....							
Dry Beans							
Food Aid Exports	44	42	94	84	36	60	19
Total Exports	383	311	323	279	246	308	
Dry Peas							
Food Aid Exports	52	28	67	91	121	72	46
Total Exports	88	96	117	151	324	155	
Lentils							
Food Aid Exports	50	78	61	44	110	69	71
Total Exports	78	115	90	91	110	97	

Note: The food aid may not be shipped in the fiscal year reported. Therefore, the average data is a better indication of the importance of food aid to total exports than data for individual years.
Source: Food Aid Exports: USDA Food Aid Reports;
Total Exports: USDA US Trade Internet System, February 2006.

For later years, the seeded area will depend on the support programs available at that time, as well as expected net returns relative to alternative crops. However, dry peas, lentils and, to a lesser extent, small chickpeas are becoming established crops as producers

UNITED STATES: PULSE CROPS IMPORTS AND EXPORTS

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
.....thousand tonnes.....										
Dry Peas										
Total Exports	116	98	127	100	90	102	94	118	179	361
Exports to Canada	7	8	9	9	10	17	35	33	25	66
Total Imports	34	39	35	31	28	30	34	40	49	54
Imports from Canada	29	34	29	24	22	23	26	29	37	43
Dry Beans										
Total Exports	357	370	503	392	351	335	314	305	272	273
Exports to Canada	11	13	18	45	30	21	24	30	17	30
Total Imports	51	59	51	70	89	136	180	152	154	147
Imports from Canada	31	34	28	40	62	98	113	107	103	85
Lentils										
Total Exports	56	51	54	74	78	97	102	94	83	160
Exports to Canada	1	1	2	8	4	1	3	2	4	4
Total Imports	8	15	14	9	8	10	11	13	16	14
Imports from Canada	5	12	11	6	4	5	5	8	10	7
Chickpeas										
Total Exports	7	5	11	20	34	29	23	15	12	21
Exports to Canada	1	1	1	1	3	7	8	4	3	4
Total Imports	13	14	12	12	12	11	12	10	14	10
Imports from Canada	1	1	1	2	3	3	5	4	7	4
Fababeans										
Total Exports	2.8	2.1	0.5	0.9	0.2	1.2	0.5	2.2	3.8	1.2
Exports to Canada	0.1	0.2	0.4	0.7	0.2	0.7	0.3	1.9	3.6	0.7
Total Imports	1.5	1.6	1.7	1.9	1.9	2.2	2.1	2.0	2.4	2.9
Imports from Canada	1.1	1.2	1.4	1.4	1.1	1.3	1.1	1.2	1.1	1.3

Source: USDA, February 2006

The FSRIA is scheduled to end with the 2007 crop year. However, the industry is lobbying for program continuation in the 2007 farm program legislation, which would start with the 2008 crop.

For the 2002 crop, the loan rate and the posted prices used to calculate the LDPs

and MLGs were based on No.1 grade, with discounts for lower grades. In 2003, the base grades used for the posted prices were lowered to feed grade for dry peas and No.3 grade for lentils and small chickpeas.

This change made it easier for dry peas, lentils and small chickpeas to qualify for LDPs and MLGs since the loan rates were not reduced and prices for the lower grades are lower than for No.1 grade. It also increased the level of LDPs and MLGs for these crops. Also in 2003, two regions for dry pea loan rates and posted prices were established to better reflect the prices received by producers; West Region (Arizona, California, Idaho, Nevada, New Mexico, Oregon, Utah and Washington) and the East Region (all other states, including Montana and North Dakota). For 2006, lentil

they were not eligible for payments. For the 2004 crop, dry peas and small chickpeas were eligible for payments throughout the year, while lentils became eligible late in the crop year. For the 2005 crop to date, dry peas, lentils and chickpeas were all eligible for payments. LDPs and MLGs account for a significant portion of the total price received by producers for the sale of the eligible crops, especially for dry peas. For example for the 2004 crop, LDPs and MLGs accounted for more than a quarter of the total price received by producers for dry peas.

Dry peas, lentils and small chickpeas are not eligible for direct payments or counter-cyclical support under FSRIA. However, these are based on historical seeded area and yields and are theoretically decoupled from production during the year of the payout.

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UNITED STATES: LOAN RATES FOR PULSE CROPS						
	2002	2003	2004	2005	2006	2007
.....dollars per hundredweight (cwt).....						
National Average						
Lentils	11.94	11.94	11.72	11.72	11.72	11.72
Chickpeas	7.56	7.56	7.43	7.43	7.43	7.43
Dry Peas	6.33	6.33	6.22	6.22	6.22	6.22
West Region						
Dry Peas	6.33	6.68	6.63	6.61	6.63	n/a
Lentils					12.76	n/a
East Region						
Dry Peas	6.33	5.89	5.84	6.03	6.12	n/a
Lentils					11.36	n/a
n/a: not available						
Source: USDA						

UNITED STATES: LOAN PROGRAM FOR PULSE CROPS				
	2002	2003	2004	2005*
Dry Peas				
Total LDP/MLG (thousands US\$)	0	14,059	32,199	8,027
Quantity Receiving LDP/MLG (kt)	0	240	612	154
% of Production	0	88	107	23
Average LDP/MLG (US\$/t)	0.00	58.58	52.61	52.12
Average LDP/MLG (US\$/cwt)	0.00	2.66	2.39	2.36
Average Market Price (US\$/cwt)	7.79	7.63	5.94	4.60
Average LDP/MLG (CAN\$/t)	0.00	78.37	65.32	61.35
Average LDP/MLG (CAN\$/bu)	0.00	2.13	1.78	1.67
Lentils				
Total LDP/MLG (thousands US\$)	2,375	0	644	1,940
Quantity Receiving LDP/MLG (kt)	86	0	38	55
% of Production	74	0	20	24
Average LDP/MLG (US\$/t)	27.62	0.00	16.95	35.27
Average LDP/MLG (US\$/cwt)	1.25	0.00	0.77	1.60
Average Market Price (US\$/cwt)	14.30	17.20	14.40	11.70
Average LDP/MLG (CAN\$/t)	41.29	0.00	21.04	41.52
Average LDP/MLG (CAN\$/lb)	1.87	0.00	0.95	1.88
Small Chickpeas				
Total LDP/MLG (thousands US\$)	0	113	151	183
Quantity Receiving LDP/MLG (kt)	0	3.3	3.2	4.84
% of Production	0	120	92	72
Average LDP/MLG (US\$/t)	0.00	34.50	47.66	37.88
Average LDP/MLG (US\$/cwt)	0.00	1.57	2.16	1.72
Average Market Price (US\$/cwt)	n/a	16.00	14.20	12.90
Average LDP/MLG (CAN\$/t)	0.00	46.16	59.18	44.59
Average LDP/MLG (CAN\$/lb)	0.00	2.09	2.68	2.02
LDP/MLG: Loan Deficiency Payment/Market Loan Gain				
* to February 14, 2006				
n/a: not available				
Source: USDA				

loan rates and posted prices were set by West and East region for the first time. The loan rates and posted prices in the West Region are higher than in the East Region, but since they are both proportionally higher the LDPs and MLGs are the same in both regions. For crop years 2004-2007, the national loan rates fell slightly for all three crops.

For the 2002 crop, LDP/MLGs were only paid for lentils. With the base grade changes in 2003, LDP/MLGs were paid for dry peas and small chickpeas, but the price of lentils rose sharply and

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