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Pulse Market Report-June 1, 2007

Dry Edible Beans

With the old crop beans almost sold out, all attention has turned to new crop planting and prices.

Markets are very quiet. We have been seeing some buying and selling activity on certain old crop varieties. We have also seen relatively good demand for new crop beans from the buyers' side with a lot of reluctance from the sellers' side, especially in Canada.

The new crop planting has started in Ontario. So far, conditions are very good. We are off to a good start.

The new crop plantings are expected to be down by 6-10% in Canada. We believe that the decrease will be larger in the colored bean acreage. We believe that the decrease will be noticeable in varieties such as light red kidney beans, white kidney beans and cranberry beans. The plantings for navy beans, dark red kidney beans, pinto beans, black turtle beans, small red beans, great northern beans and pink beans should be stable.

The big question in Canada is the currency. Canadian dollar keeps on appreciating against the US dollar. The current new crop exchange rate of 1.05 against the US dollar is making forward selling decisions very difficult for Canadian suppliers. Farmers are not happy with the growers values required to compete against origins such as Michigan and Min-Dak. Growers are not supporting the US dollar prices that are being offered by the buyers. In our view, they will hold on and not sell until much later in the summer or after the harvest. We also think that the buyers' ideas for new crop are too low at this point. Once Ontario disappears as the more competitive quality origin, Michigan prices will start going up.

Attached is the Canadian-US dollar CBOT September futures graph. You can see the appreciation of the Canadian dollar over the past few weeks. Just as an example, we could sell CDN\$ 47.50/cwt new crop cranberry beans at US\$ 42.50 since the exchange rate was 1.12. Today, at 1.05 exchange rates, we have to sell the same CDN\$ 47.50/cwr cranberry beans at US\$ 45.25 to break even. That is US\$ 2.75/cwt up on exchange rate alone!!!!

Dry Peas

Prices of current crop peas have almost doubled since beginning of the crop year. Market is very firm due to heavy export demand. Processors are very busy with export sales. There will not be much carry over for both yellow and green peas.

The new crop pea acreage is expected to be the same or slightly higher in 2007/08. Planting and early growing conditions in have been near perfect. There are no concerns with the crop at the moment.

New crop prices are expected to be lower than the spot prices. However, it should be noted that the new crop prices should remain higher than last year's early contracting prices.



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Lentils

Prices of current crop green and red lentils have gone up substantially since beginning of the crop year. Market is very firm due to heavy export demand and due to the potential of the reduced new crop supply.

In the red lentil market, the shortages in the major production areas such as Turkey, Syria, Australia, and India have given strength to the spot market. Red lentil prices are up by US\$ 150.00 per metric ton over the last few months.

The current crop green lentil market has almost doubled in price since last September.

The overall new crop lentil acreage is expected to be reduced by 9%. However, the reduction will be much larger for green lentils. As such, we expect much higher prices for green lentils in the fall. There will be more red lentils planted. Prices should remain strong based on world supply and demand.

We do not expect prices to go down on green and red lentils when the new crop arrives.

Chickpeas

The current crop chickpea market remains tight. Prices are strong. There is not much good quality chickpeas left in Canada. There may be very limited volume of No. 2 or better quality left in the hands of a few processors and traders. However, they are fast disappearing.

We expect the Canadian production to increase by 40-50%. The production in California will be reduced substantially. Idaho seems to have adequate new crop planting. Turkish chickpeas crop is also progressing well.

Please do not hesitate to call us should you have any questions or requests.

Ali Bilgen