The Western Producer

Related story
• More pulse casualties expected

Wednesday, November 13, 2002

New pulse plants open doors as crop shrinks, future clouds

this document web posted: Thursday October 10, 2002

By Sean Pratt
Saskatoon newsroom

Construction plans devised during the growth and prosperity stage of the pulse industry are coming to fruition in the doom and gloom era, but that doesn't faze two fledgling processors.

The sector is bracing for a second consecutive season of low volumes and poor quality crops.

Statistics Canada forecasts a pea and lentil crop that is 31 percent smaller than last year's. And there are quality concerns with green peas and lentils.

A bad crop in 2001 has already led to company closures in the pulse processing and export businesses. Some left the industry by choice, others through financial ruin.

It appears to be a tough time to christen a new pulse facility, but two of the largest recent entrants into the industry remain optimistic.

Blue Hills Processing Ltd. plans to start accepting product by mid-November and begin processing by the end of December or early January. Construction on its $5 million facility began in July. The 75 farmers and local investors who own the Avonlea, Sask., plant are eager to receive their first shipment of crop.

Company president Anthony Kulbacki has paid close attention to the demise of established pulse firms like Cancom Grain Co. Inc. and Naber Seed and Grain Co. Ltd., which were forced out of business earlier this year. But he doesn't see those failures as a bad omen for Blue Hills.

"There is always going to be room in this business for well-managed and conservative businesses. I think maybe that both those companies were overextended and were a little bit mixed up just what their business plan was," said Kulbacki.

Blue Hills plans to clean, bag, size and load peas, lentils and chickpeas for Canadian line companies and other exporters. It will not make its money selling product directly to end users.

"Our business plan is pretty straightforward. We're focused on being a toll processor for blue chip exporters and foreign buyers," said Kulbacki.

"We picked our spot and know our role in the whole supply chain."

Blue Hills said it has commitments for enough cleaned product to run at full throttle from the start. The company has capacity to clean 140,000 tonnes of pulses a year.




Kulbacki doesn't expect problems finding the raw material for those orders because 792,000 tonnes of pulses were grown within a 120 kilometre radius of the plant in 2001.

"Even if that's down by half, I think there's still a lot of product out there that needs to be moved."

Crop procurement is going to be more of a problem this year for Saskcan Pulse Trading Inc., a new lentil splitting plant built with Turkish money.

It's an especially bad year for this Regina-based plant to be opening its doors because a dry summer followed by a wet fall has devastated the province's lentil crop.

Company president Murad Al-Katib said it's a tough way to start. The poor quality crop will have a "significant impact" on the business because the plan was to process No. 2 or better lentils.

"The business plan was built on buying quality product commercially and from the grower," said Al-Katib.

But the plan also called for this to be a slow "ramp-up" year for the company, where only a fraction of the plant's 85,000-tonne splitting capacity would be used.

"We didn't build this plant for one year. We built this plant to be here on a long-term basis," said Al-Katib.

The $5.2 million facility started receiving grain in September and will be fully operational by Halloween. Saskcan Pulse has shipped dozens of whole lentil samples to overseas buyers, who are so far unimpressed with the quality of this year's crop.

Saskcan Pulse ships whole and split lentils. There will likely be a market for poor quality whole green lentils but the reds will have to go out split, which is going to be costly and time consuming with poor crop quality.

Low grade lentils are harder to work with, but the plant can take some off-grade and discoloured product and process it into marketable split lentils.

"At least it's good that we're here and we can help (farmers) to move that product in a difficult year," said Al-Katib.

He said the company has had to change its market focus and pay more attention to quality than it wanted to, but with adequate capital and the right partners in place, the business will survive this trial with ease.

"We take it in stride," said Al-Katib.

"You find your market spots, you operate and you cross your fingers for next year. That's about all you can do."