

## INDIA'S RABI PULSE CROP FACES MOISTURE STRESS AND WEATHER RISK



**G. Chandrashekhar**  
Policy analyst and  
commodity commentator

India's major rabi season crops - wheat, maize, pulses, and oilseeds - face the twin threat of moisture stress and lower acreage. Going forward, there is weather risk and currency risk.

This has got the policymakers really worried about the price situation.

In India's ongoing rabi season (planting Oct/Nov and harvest Feb/Mar) major crops including wheat, oilseeds (rapeseed/mustard), coarse grains (maize/corn), as well as pulses (mainly Desi chickpeas), are all facing different levels of moisture stress because of inadequate winter rains and poor subsoil moisture.

Additionally, in most cases, planted acreage is lagging last year's level. To be sure, rabi pulse crops account for two-thirds of India's annual harvest. Chickpeas are the largest pulse crop accounting for 40-50% of total harvest.

While planting was over by mid-December, information trickling in on January 8 shows pulse crops have been planted on 33 million (M) acres this season, unchanged from last year. The normal five-year average area for rabi pulse acreage is 34 M acres.

Chickpea acreage stands at 21 M acres this year while the crop's normal planted area is 22 M acres. Other pulse crops include lentils (3.2 M acres) and peas (2.5 M acres), marginally down from last year's level.

A silver lining is that Madhya Pradesh, an area of major production of Desi chickpeas, experienced light showers during the week of January 18. This is likely to prove positive for chickpea crops there. A light cold wave drifting across northern India could be favourable for lentils and peas.

Notwithstanding these, there is not only just apprehension but also clear indication that the rabi pulse harvest will fall below the 13 M tonnes target, and could fall even below last year's 11.6 M tonnes.

The production target for chickpeas is 9.5 M tonnes. Given the acreage number, and assuming average yields, production is most likely to be around 8.5 M tonnes (+/- 5%). Last year, chickpea harvest was revised down to 7.2 M tonnes following weather damage in March and April.

**Weather risk:** In the next two months weather risks are looming. In 2014 and 2015, rabi pulses faced unseasonal rains and hailstorms, hurting yields and quality of production. There is nothing to suggest that such freak weather will not recur in the coming months.

**Currency risk:** The Indian rupee in recent days has begun to weaken in relation to the USD. The exchange rate has fallen 3% since the beginning of last year to \$1 USD = INR 68. A weaker rupee makes imports more expensive and will add to price pressure.

The pulse trade and industry are already cautious after the government's knee-jerk response in the last quarter of 2015 when stock limits were imposed and cargoes were seized. The fear of unwanted government intervention still persists, making the trade sentiment

somewhat defensive when market fundamentals favour a price rise.

**Imports:** Between April and December 2015, India imported an estimated 3.7 M tonnes of various pulses. Projected arrivals during the first quarter of 2016 are anything between 1.2 M and 1.5 M tonnes, taking the annual (2015/16) import volume to 5 M tonnes and possibly a little more. In 2014/15, pulse imports aggregated at 4.6 M tonnes. That makes the current year's projected import about 13-15% higher. Out of the annual arrivals, a little over half is accounted for by yellow peas, the least expensive of all pulses.

Because Indian consumers are price sensitive, there is some demand compression at higher prices. High pulse prices hurt the poor the hardest, and the poor are those who actually need to consume more pulses to stay nutritionally secure. The Indian government is working on a plan to boost pulse production and consumption. Some important announcements can be expected in the Union Budget to be presented to the Parliament on February 29.

Indian import trade is also aware of the large crop of pulses that Canada and other producing countries are set to plant, to take advantage of current high prices. Some advance sale of Canadian yellow peas for August/September 2016 has already taken place.

*G. Chandrashekhar is a well-known agribusiness expert and can be reached at: gchandrashekhar@gmail.com*

# AUSTRALIAN MARKET REPORT JANUARY 2016



**Peter Semmler**  
Agrisemm Global  
Brokerage

In mid-September the scene was set for an excellent harvest in all states. But a very dry and hot finish, especially in the southern states, put an end to this, and the consequent

harvest fell well short of the earlier expectations. However, New South Wales (NSW) was the stand out with a good harvest outcome for all pulses.

## Chickpeas - Desi

Demand for new crop chickpeas remained strong with prices well in excess of \$800 USD with cost, insurance, and freight (CIF) to Indian main ports being posted. The demand from India seemed insatiable and despite a few weeks later than normal start to harvest in NSW, there was a massive shipping program for both bulk and containerized chickpeas, culminating in 465,000 tonnes of chickpeas being exported in November 2015. To put into perspective this equates to 69% of the total chickpea exports for the previous 12 months.

The final production estimates from trade sources ranged from 870,000 to 1,100,000 tonnes. Several important points were identified for the 2016 crop.

- High prices for the last season will lead to a significant increase in the area planted for 2016. Disenchantment with the current prices and outlook for wheat will certainly support this change of crop.
- There has been a lot of interest, and actual trade, for 2016 Desi chickpeas both domestically and to destination markets. New crop sales for shipment in October/November have been reported in the range of \$630-700 USD CIF to Indian main ports. With the low Australian dollar at just under \$0.70 USD this enables farmers to

## Australian Pulse Production & Exports Summary January 2016

	CHICKPEAS		BEANS		FIELD PEAS	LENTILS
	Desi	Kabuli	Faba	Broad	Dun	Red & Green
<b>P A Planted Area December 2015</b>						
New South Wales	265,000	25,800	50,000		48,100	2,600
Victoria	6,100	6,800	124,000	6,500	52,300	100,000
Queensland	338,000		1,200			
South Australia	3,000	13,900	101,000	18,000	112,200	124,500
Western Australia	2,500	500	3,000		22,000	
<b>Total planted area 2015 h/a</b>	<b>614,000</b>	<b>47,000</b>	<b>279,200</b>	<b>24,500</b>	<b>235,300</b>	<b>227,100</b>
<b>% of 2014 planted area</b>	<b>208.3%</b>	<b>97%</b>	<b>115%</b>	<b>100%</b>	<b>102%</b>	<b>132%</b>
<b>P A Production est December 2015</b>						
<b>Production est. Dec 15 as % Dec 14</b>	<b>262%</b>	<b>119%</b>	<b>142%</b>	<b>64%</b>	<b>79%</b>	<b>103%</b>
<b>Exports Nov 2012 to Oct 2013</b>	<b>886,620</b>		<b>306,817</b>		<b>139,816</b>	<b>302,993</b>
<b>Exports Nov 2013 to Oct 2014</b>	<b>646,834</b>		<b>360,280</b>		<b>161,707</b>	<b>306,713</b>
<b>Exports Nov 2014 to October 2015</b>	<b>678,606</b>		<b>301,011</b>		<b>161,151</b>	<b>211,608</b>
<b>Exports November 2015</b>	<b>465,131</b>		<b>37,300</b>		<b>12,264</b>	<b>26,433</b>

Source: Bureau of Statistics, Pulse Australia

lock in very attractive on-farm prices for the coming season.

- There will be a massive demand for chickpea seed this season to cover the expected expansion in seeded area.

## Chickpeas - Kabuli

While crops in NSW may have done quite well, in the southern states the dry finish wreaked havoc with the production. Prices were driven by domestic parity, as the local market will be where most of the product will end up.

The local market has been steadily increasing as the popularity of the chickpeas grows. The final production will be around 30,000 tonnes. For this year an increased area is likely, again driven by the price signals and the increasing local market.

## Faba Beans

NSW has traditionally been overshadowed by the two southern states in terms of production and quality. This year the situation has turned full circle and the best beans have some from NSW. Egyptian buyers have had a fixation on the Fiesta variety and have taken the other varieties Doza, Cairo, and Warda under sufferance. The crops of Fiesta in the southern states were hammered by the dry finish, which affected yields and more importantly seed size. The Egyptians finally took the advice they were given by sellers, namely that the size and quality of NSW beans was much better than the Fiesta variety.

Pricing wise the first trades of Australian beans were around \$480 USD cost and freight to Damietta.

There was intense price competition from United Kingdom beans and other origins that are producing more beans each year like the Ukraine-Russia, Latvia, Lithuania, and Sweden. Australian prices dropped around \$100 USD by late September then stabilized and started to increase to the levels at the start of the season by early January.

Production estimates in the trade ranged between 260-275,000 tonnes, which is 70,000 tonnes less than the last planted area estimate, and could mean Australia will run out of beans in July. High prices at the end of the season will no doubt drive increased plantings this year.

### Field peas

As with other crops, peas were also badly affected by the dry finish and frost. Prices driven by domestic demand have been very firm and uncompetitive with Canadian whole yellow pea prices into India. The trade estimates of production were around

185,000 tonnes, which could result in lower exports than previous years.

### Lentils

As with faba beans, the dry finish has significantly reduced lentil production. The mix of varieties chosen by farmers has caused some interesting aberrations in prices. New small-seeded, herbicide-tolerant varieties have been well accepted by farmers. While farmers have benefitted significantly agronomically and yield-wise, there has been a major change in the size mix of the lentil crop, which is now disproportionately small. This has in turn created a price premium for large-seeded varieties, which are preferred into markets like Colombo, Sri Lanka. At some stage this premium was as great as \$150 AUD/tonne. Today there are bids of \$1,500 AUD delivered to packers (\$1,050 USD) for the bold size varieties.

The other issue in Colombo is the government invoking a non-market

ceiling on the maximum price that can be charged for split red lentils. This is causing a lot of angst for the exporters and the importers as they have contracts in place that will be uneconomic unless this price limit is removed. To date the impact has been limited to requests for shipping periods to be extended.

The trade estimates for lentil production is around 200,000 tonnes, which is down some 50,000 tonnes on the last planted area estimate.

As with chickpeas, traders are currently offering new crop lentil forward contracts at \$1,000 AUD/tonne (\$700 USD) with November/December delivery to local packers. Farmers historically have been reluctant to forward sell lentils, but at levels like this the response has been quite positive.

*Peter Semmler is the Principal of Agrisemm Global Brokerage. He can be reached at [peter@agrisemm.com](mailto:peter@agrisemm.com).*

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# PULSE ADVISOR NEWSLETTER



2016 INTERNATIONAL YEAR OF PULSES

### Faba Bean Feed Benchmark Bi-Weekly Report - January 12 to 16, 2016

	CENTRAL ALBERTA	CENTRAL SASK.	SOUTH. MANITOBA
	CDN\$/MT	CDN\$/MT	CDN\$/MT
Faba Bean Feed Benchmark Price	\$298.08	\$262.97	\$267.04
<b>COMPETING FEED INGREDIENTS</b>			
Feed Barley	\$200.00	\$196.00	\$210.00
Mid Protein Wheat	\$223.00	\$217.00	\$230.00
Low Protein Wheat	\$223.00	\$217.00	\$230.00
Wheat DDGS	\$243.00	\$253.00	\$265.00
Corn	\$246.00	\$214.00	\$204.00
Corn DDGS	\$270.00	\$260.00	\$215.00
Canola Meal	\$280.00	\$264.00	\$282.00
Soybean Meal (46%)	\$480.00	\$448.00	\$433.00
Canola Oil	\$1,040.00	\$1,010.00	\$950.00

All prices are in Canadian dollars per tonne.

### Feed Pea Benchmark Bi Weekly Report - January 12 to 16, 2016

	CENTRAL ALBERTA	CENTRAL SASK.	SOUTH. MANITOBA
	CDN\$/MT	CDN\$/MT	CDN\$/MT
Feed Pea Benchmark Price	\$277.42	\$248.36	\$244.61
<b>COMPETING FEED INGREDIENTS</b>			
Feed Barley	\$200.00	\$196.00	\$210.00
Mid Protein Wheat	\$223.00	\$217.00	\$230.00
Low Protein Wheat	\$223.00	\$217.00	\$230.00
Wheat DDGS	\$243.00	\$253.00	\$265.00
Corn	\$246.00	\$214.00	\$204.00
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Soybean Meal (46%)	\$480.00	\$448.00	\$433.00
Canola Oil	\$1,040.00	\$1,010.00	\$950.00

All prices are in Canadian dollars per tonne.

The feed pea and faba bean benchmark is intended to be used as a pricing reference. This benchmark provides a consistent and unbiased estimate of the feeding value of peas and faba beans in the three regions shown. Feed peas and faba beans will trade at various differentials to the benchmark based on local supply/demand, quality differences and other contract terms.



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