

INDIA'S PULSE OUTLOOK



G. Chandrashekhar
Global Agribusiness and
Commodities Market
Specialist

The world's attention continues to be riveted on India and its government policies. Of late, there has been a large number of trade notices on pulses.

Peas

Peas have been moved to

the restricted category until June 30. The government has clarified that the description would cover all peas (yellow, green, dun, and so on), as they all fall under the same export import code. I think this explanation of the Indian government opens up possibility of a legal challenge.

Yellow peas, green peas, and dun peas are not recognized as identical goods in international and Indian markets. Each of these pea varieties has a distinctive name and a distinctive character. Each one is contracted for, and traded separately, and each one is priced separately. Contract for supply of one (yellow peas) cannot be performed by the supply of another (green or dun peas).

It is important to apply what is known in law as a trade parlance test. In the pulse trade, each one of the pea varieties is recognized and traded separately. It may be possible to legally challenge the Trade Notice 10, 2018/19, dated May 16, 2018.

Pulse Outlook

I am convinced, in the upcoming kharif 2018 season, pulses will witness a decline of about 1.2 to 1.5 million (M) hectares of planted area (2.9 to 3.7 M acres), which will impact overall output. From a record 9.6 M tonnes in the 2016/17 kharif season, pulse production declined to 9 M tonnes in the 2017/18 kharif season. It risks a further fall.

Pigeon pea output declined from 4.9 M tonnes in 2016/17 to 4.2 M tonnes in 2017/18. There is clear risk of a further decline in the 2018/19 kharif season given extended periods of ultra-low prices, well below minimum support price (MSP), and

inadequate procurement support. Prices of oilseeds like soybeans are currently more attractive and we may witness some shift of acreage from pulses to oilseeds.

For kharif 2018/19, the government has fixed a tentative production target of 8.9 M tonnes for pulses, mainly tur/arhar, urad, and moong. Even assuming normal weather conditions – satisfactory spatial and temporal distribution of southwest monsoons – the target is unlikely to be achieved. Output may fall closer to the 8 M tonne mark. For advance signals, we need to closely track the onset and progress of monsoons, as well as planting in the coming months.

While everyone including the government is watching the supply side, the demand side deserves a close look. Ramadan, occurring from mid-May/mid-June, followed by a series of Hindu festivals from August to October, should boost consumption of food products including pulses.

By September, there is reasonable likelihood that the domestic market will find a sense of balance, with the burden of inventory easing and import restrictions crimping supplies. There is the highly likely scenario of pulse prices moving upwards, closer to the MSP, in some cases crossing it.

In particular, I expect chickpea prices to begin to improve in the months ahead as besan (chickpea flour) is a popular and important food ingredient for the upcoming festivals. The official estimate of 11.1 M tonnes of chickpeas in the 2017/18 rabi season is a highly optimistic one and in reality it should be closer to 9 M tonnes.

Sometime in September, the Indian government will likely undertake a review of the inflation situation which has been triggered by a combination of elevated crude oil prices, the depreciating Indian rupee, and other factors. If kharif pulse production falls to around 8 M tonnes, there will emerge the possibility of a rollback of some of the restrictions on pulse imports. Remember, India's general elections are slated for April to May 2019, and the government would not want food inflation to rear its head.

While the exporting nations are beginning to accept – albeit grudgingly – India's ground realities, there is palpable lack of confidence in the world market about the possibility of India returning to the market in a significant way anytime soon. The next four months are crucial for northern hemisphere crops. Weather conditions will play a critical role in determining yields.

G. Chandrashekhar, senior journalist and policy commentator, is a global agribusiness and commodities market specialist. He can be reached at gchandrashekhar@gmail.com.



www.saskpulse.com

[@Saskpulse](https://twitter.com/Saskpulse)

DISCLAIMER: This publication is provided for informational purposes only and should not be interpreted as providing, without limitation, agricultural, marketing, or business management advice. Saskatchewan Pulse Growers makes no express or implied guarantees or warranties of suitability or accuracy regarding the information contained in this publication. In no event shall Saskatchewan Pulse Growers be held liable for any special, incidental, consequential, direct or indirect injury, damage or loss which may arise from the use of, or any decisions made in reliance on, the information provided. The opinions expressed in this publication are those of the authors thereof and not necessarily those of Saskatchewan Pulse Growers.
Publications Mail Agreement No. #40021625. Return undeliverable Canadian addresses to:
Saskatchewan Pulse Growers, 207 - 116 Research Drive
Saskatoon SK S7N 3R3