PULSE MARKET REPORT
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SASKATCHEWAN pulse Growers

INDIA'S PULSE MARKET UPDATE

G. Chandrashekhar
Global Agribusiness and Commodities Market Specialist

The Indian pulse market, which has been the epicenter of world production, consumption, and trade for many years, continues to draw global attention, not for large physical imports, but for its highly restrictive import policies through quotas and tariffs. As such, the market has gotten bogged down with successive large harvests, sluggish demand growth, inventory overhang, and low domestic prices.

For the third year in succession since 2016/17 (and for the fifth season in a row, as the country harvests pulses in two seasons), India is set to harvest a significantly large crop of pulses.

For the ongoing kharif harvest of 2018/19 pulse production estimated by the Ministry of Agriculture, Government of India, is 9.2 million (M) tonnes, slightly higher than the season's target of 8.9 M tonnes.

The minimum support price (MSP) for various kharif season pulse crops has been raised - by a hefty 25% for moong (6,975 rupees per 100 kilograms) and by about 4% for tur/arhar (pigeon pea) to 5,675 rupees and urad (black matpe) to 5,600 rupees, ensuring growers received more beneficial prices.

However, currently in the domestic market, prices of various pulses are ruling 25 to 30% below the specified MSP. For the third year in a row government agencies face the challenge of having to defend the MSP by undertaking large-scale purchases to help boost the rates to the level of MSP. It is proving to be a challenge for the State agencies unequal to the task.

How to liquidate the inventory built over the last two years of procurement is another dilemma faced by policymakers. As of October 1, government-held stocks are estimated to be in excess of 4 M tonnes, comprising in the main 2.6 M tonnes of chickpeas, and 1.2 M tonnes of pigeon peas.

With farm-gate prices already below the MSP and abundant supplies, there is limited interest among traders and dal mills in buying from State agencies. At the same time, each passing month of storage adds to the cost of the stored cargo.

The restrictive import policies have yielded little positive result in terms of boosting domestic prices. Opening up exports has proven to be ineffective, as the world market is in no position to absorb supplies from India.

In order to overcome the problem of large harvests and low prices, this writer has been continually emphasizing the importance of expanding the consumption demand for pulses in the domestic market. Given the nutritional challenge (especially protein deficiency) faced by large sections of Indians, it is essential that pulse consumption is boosted through the government's welfare programs such as the public distribution system.

Pulses are the most economical source of vegetable protein in a country that faces pervasive under-nutrition. The current per capita availability is well below the minimum levels nutritionists recommend. However, the Indian government has remained unmoved so far. I believe progressive-minded institutions such as the Global Pulse Confederation, International Crops Research Institute for the Semi-Arid-Tropics, and others have to work closely with Indian policymakers to help boost consumption in the larger interest of society.

Outlook for the Next Three Months

Local prices are unlikely to show any marked upward improvement because of kharif crop arrival pressure, inventory burden, and sluggish demand growth. The government agencies will be keen to sell/liquidate stocks whenever market prices move up.

For the rabi season (planting in November/December and harvested in March/April), the production target is set at 15.1 M tonnes. The MSP for chickpeas (India's largest pulse crop, planted in the rabi season) has been hiked by 5% to 4,620 rupees per 100 kilograms, and for lentils by 5.3% to 4,475 rupees..

Table 1: India's Pulse Production and Imports from the Last Four Years (Million Tonnes)

Year	Kharif	Rabi	Total	Import
2015/16	5.5	10.8	16.3	5.9
2016/17	9.6	13.5	23.1	6.6
2017/18	9.3	15.9	25.2	5.6
2018/19	9.2	- -	- -	0.5

Source: Government of India

Weather forecasters see signs of a developing El Niño during the months ahead. To what extent it will impact the rabi crops is as yet unclear. Chickpea prices have remained subdued for well over a year now. The question is, will growers continue to patronize this crop, or move away to alternatives?

Normally, in India, the supply response to prices is rather limited. At the same time, over the last two years, the government has actively encouraged expansion of area under pulse production, including intercropping and utilization of non-traditional areas and fallow lands. Considering all this and the procurement effort of the government (however weak), India may harvest yet another large rabi crop, subject of course to normal weather conditions.

Given this, the most logical response to the current situation ought to be to work towards demand expansion, which will deliver a win-win solution for growers, consumers, and policymakers.

India's federal elections are slated for April/May 2019. Inflation control will be the priority for the government. A combination of high crude oil prices and a weak rupee is already fanning inflationary tendencies. The government will most likely stamp out any upside risk to pulse prices. In other words, the next six months the Indian market may remain substantially out of bounds for global suppliers.

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