

INDIA'S SUPPLY SITUATION THROUGH A DIFFERENT LENS



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STAT Publishing Ltd.

An ancient parable from India describes how three blind men try to explain what an elephant is by touching just one part of the animal, such as its side, tail, or trunk. Needless to say they cannot agree.

Listening to people talk about the supply and demand situation for pulses in India sometimes makes you think you are hearing a new version of that parable. While everyone is discussing the same thing, you cannot help but feel some are talking about apples and others oranges.

We know India's farmers are planting fewer pulses this winter than last year, but area will still be above average. What we don't know is whether yields will be above or below average because of the risk of above normal temperatures and below normal rains when rabi season crops are developing.

Here, land in all types of pulses will be down from last year. Chickpea area will collapse, lentils should drop, but peas might not change much. Despite the changes, we will have a lot of product to sell in the coming marketing year.

With prices for most peas, lentils, and chickpeas at the lower end of their historic range, people are looking for reasons to believe prices and demand will improve. That is one reason there has been a fair amount of chatter about the risk of production problems in India because of El Niño.

There is not much talk about the fact China's hog herd is getting smaller because of African Swine Fever. Analysts at Rabobank think the herd could plunge between 10% and 20% by the end of the year. If that occurs, demand for feed peas should fall. That may be the case even if prices are competitive with other livestock feed ingredients.

India is in an election year. Since the farm vote is critical to winning, there is no reason to believe the country will open up

pea imports. At best, the 100,000 tonne import quota will be re-imposed for the period between April 1 and June 30. Some people fear lentils and chickpeas could face similar restrictions.

Restricting pea imports is intended to help keep grower bids for chickpeas above the minimum support price (MSP) of around 650 USD per tonne. The landed cost of peas is below the MSP. In a sense, peas do not compete directly with Desi chickpeas, even though they are used as a substitute. They largely cover regional supply gaps. Forcing those regions to buy domestic production should increase competition for available supplies.

The real test for the policy will come when this year's chickpea crop starts being harvested. The government needs prices paid to farmers to hold above the MSP until after the election.

Higher MSP levels are all part of a policy of encouraging farmers to grow enough pulses to make India self-sufficient in the next couple of years. The recent increases in output suggest that political goal is in reach but, when you take a harder look at the supply situation in India, you realize the country has a long way to go before the amount of pulses available on a per capita basis is equal to the minimum daily requirement.

This brings us back to our three blind men. The first thinks about the gross quantity produced and declares all is good. The second, about how much farmers will market and thinks all is fair. The third considers all the losses between the farm and the consumer's plate and argues the crop is a lot smaller than the government says. In his own way, each blind man is correct.

Roughly 75% of all pulses are milled to make dal. The hulls are removed and they are often split. That means that every year the equivalent of over 4.3 million (M) tonnes of whole pulses is lost in milling. Around 2.3 M tonnes is lost every year from the time farmers harvest their crops, and it is delivered to a miller or sold without processing.

What becomes clear when you look at the numbers is, yes, India had a surplus

of pulses in both 2017 and 2018, but there will be a shortage of pulses this year unless yields are above average or the government frees up pulse imports. Without imports, the country needs to produce around 28 M tonnes of pulses per year if it wants the available supply to match the country's recommended daily dietary requirement.

If we lose the feed pea market in China and government policies in India do not change, we could lose over 1 M tonnes of demand during the 2019/20 marketing year. Instead of finishing the coming marketing year pretty much sold out of peas, we will probably see prices trend lower after the fall shipping period. This is because the amount of peas we have left to sell will keep getting bigger, compared to how much we think we can sell in the time we have left before the marketing year ends.

Markets love talk about possible weather problems in India. Combined with the real demand, it can move prices, creating chances to sell what is in your bins. There is a chance pea stocks on farms in Canada could finish the year at their lowest level in many years.

Available data suggest farmers have already sold 60% of the peas they had on their farms, compared to 47% by this time last season. Farmers could sell another 1.24 M tonnes by the end of the marketing year, leaving them with less than 100,000 tonnes of peas on July 31.

When people feel good about events in one season, they look for reasons to feel good about the next season. The suggestion India could have a crop failure feeds into those emotions.

The simple truth is it means nothing unless it forces the India government remove import restrictions. Until that happens, selling peas to India will be like trying to sell a pound of split peas to a cattle rancher.

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SUPPLY AND USE OF ALL PULSES IN INDIA

	2013	2014	2015	2016	2017	2018	2019
Production	19,250,000	17,190,000	16,350,000	23,130,000	25,230,000	21,920,000	22,570,000
Imports	3,460,318	4,634,239	5,830,886	6,609,779	5,562,787	1,893,000	2,306,000
Supply	22,710,318	21,824,239	22,180,886	29,739,779	30,792,787	23,813,000	24,876,000
Milling Losses	3,681,958	4,068,832	3,961,677	4,325,472	5,025,763	4,793,433	4,272,598
Seed and Waste	1,980,000	1,801,000	1,759,000	2,393,000	2,570,000	2,275,000	2,342,000
Residual	0	0	0	0	1,614,000	424,000	0
Net Supply	15,262,000	17,319,000	16,854,000	17,367,000	20,074,000	20,712,000	16,782,000
Consumption	15,262,000	17,319,000	16,854,000	17,367,000	18,460,000	18,674,000	16,358,000
Residual	-	-	-	-	1,614,000	424,000	-
Per Capita Supply	12.50	14.01	13.46	13.71	15.66	14.73	12.47
Per Capita Use	12.5	14.0	13.5	13.7	14.4	14.4	12.5

- Data has been adjusted to a calendar year basis.
- ESTIMATES by STAT, based on data from the India Agriculture Department and academic sources.
- All values shown in tonnes with per capita in kilograms per year.

FABA BEAN AND FEED PEA FABA BEAN FEED BENCHMARK BI-WEEKLY REPORT

- January 18 to 22, 2019

	CENTRAL ALBERTA CDN\$/T	CENTRAL SASK. CDN\$/T	SOUTH. MANITOBA CDN\$/T
Faba Bean Feed Benchmark Price	\$331.22	\$316.17	\$313.44
Feed Pea Benchmark Price	\$324.89	\$308.03	\$306.82

COMPETING FEED INGREDIENTS

Feed Barley	\$248.00	\$224.00	\$235.00
Wheat - Red (12% CP)	\$244.00	\$22.00	\$244.00
Wheat - Soft White (10.5% CP)	\$244.00	\$232.00	\$244.00
Wheat DDGS	\$285.00	\$290.00	\$290.00
Corn	\$264.00	\$227.00	\$209.00
Corn DDGS	\$309.00	\$275.00	\$279.00
Canola Meal	\$360.00	\$355.00	\$355.00
Soybean Meal (46%)	\$508.00	\$480.00	\$464.00
Canola Oil	\$1,200.00	\$1,200.00	\$1,200.00

- All prices are in Canadian dollars per tonne.



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