PULSE MARKET REPORT

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SASKATCHEWAN pulse Growers

INDIA'S PULSE MARKET UPDATE

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The Indian pulse market has begun to turn, albeit slowly. Almost 18 months after domestic prices started to plunge alarmingly, following large harvests and burdensome inventory – hurting growers' incomes as a result – and necessitating government intervention in the form of restrictions on import and open market purchases (procurement) by State agencies, there now are sure signs the market has bottomed out and prices are on the uptick.

In the last three months, the rates of most pulses (mainly pigeon peas, black matpe, moong, and chickpeas) have improved by anywhere between 10-30%. The current ruling rates are still below the minimum support price (MSP) for each pulse crop specified by the government, but the direction of price movement is clearly upwards. The rise in price is also a vindication of this author's assertion that the government's estimate of Indian pulse crop is overstated by 10-15%.

Restrictions on import, quantitative as well as tariff, have ensured that large stocks accumulated in the country have been worked off gradually in the last four quarters. Notwithstanding that, the government agencies still carry around 4 million (M) tonnes of various pulses including 2 M tonnes of chickpeas and 1 M tonnes of pigeon peas (tur). These are being liquidated gradually, which ensures steady flow of pulses to the market, preventing a sharper price rise.

What's the outlook for the first two quarters of this year? Planting of rabi pulses (to be harvested by March) is complete and the production target is 15.1 M tonnes. As per the latest estimate, planted area (15.1 M hectares or 37.3 M acres) for pulses as of January 24, is down by 1 M hectares (2.47 M acres) compared to last year.

Chickpeas are the dominant pulse crop with a production target of 10.5 M tonnes. The decline in (overall) planted area is primarily due to lower planted area for chickpeas. Other pulse crops of the rabi season include lentils, field peas, and some minor pulses.

On current reckoning, the rabi production target is unlikely to be achieved. In addition to lower area planted, yields are likely to suffer because of poor agronomic practices by growers, many of whom are unwilling to spend on crop management due to prolonged low prices. The crops also face weather risks in the form of unseasonal rains and hail storms.

A combination of factors including lower acreage, falling domestic inventory, highly restricted imports, and looming weather risks are currently at play. The market is waiting for a trigger that will propel prices higher. How soon, and in what form the trigger will materialize, is hard to tell.

India will soon get into election mode and a new federal government will be in place by the end of May. I believe, until then, no major policy decision is likely as far as the pulse trade is concerned. The post-election scenario (composition of government) is rather fuzzy at this point in time. The pulse trade across the world will have to wait out the next four to five months.

Meanwhile, South Asia (mainly India) faces the looming risk of the dreaded El Niño which brings dry conditions. Weather experts predict a 70% chance of El Niño until June 2019. The forecast of southwest monsoons (June to September) issued by the India Meteorological Department usually comes out in April. The emerging scenario is one of suspense and fraught with risk.

Looking further ahead, beyond 2019, Indian agriculture in general, and grains in particular, will continue to face several challenges including land constraints, water shortages, and the adverse effects of climate change. I have often said Indian agriculture is fragile and vulnerable. If the Indian government continues to remain smug about pulse production, prices, and policies of the last two years, it could be in for a rude shock anytime.

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