INDIA'S PULSE MARKET UPDATE

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The fundamentals of the Indian pulse market are slowly but inexorably tightening. While there is a feeling among policymakers that the pulse market is well under control, the lurking risks of El Niño induced dry weather conditions in South Asia in the months ahead, can potentially spoil the situation for India.

It may take another three or four months for the domestic inventory burden to lighten further and make the market more balanced than it is presently. It appears that across pulse varieties prices have decisively bottomed out, and if there is a directional change to prices, it would be to the upside.

The Indian Agriculture Ministry's harvest estimate of 24 million (M) tonnes for 2018/19 is nearly unchanged from that of the previous year and comprises 9 M tonnes in the kharif season (harvested October 2018), and 15 M tonnes in rabi season (currently under harvest). However, I believe this year's output estimate is clearly overstated by at least 2 M tonnes, if not more.

According to the government's recent assessment, the chickpea crop now being harvested is 10.3 M tonnes, well below the production target of 11.5 M tonnes, and close to a million tonnes lower than last year's rabi crop of 11.1 M tonnes.

Given the lower planted area (9.7 M hectares, or 23.9 M acres, down a million hectares from last year), unseasonal rains in some growing regions in the last couple of months, less-than-satisfactory input management by growers, and relatively low yields, the actual harvest size of chickpeas may be in the 8.5-8.8 M tonnes range, and not as estimated by the government.

A combination of the ongoing harvest pressure and government stocks (estimated at 2.8 M tonnes comprising mainly chickpeas at 1.8 M tonnes and pigeon peas at 600,000 tonnes) has kept the farm-gate rates of almost all pulses below the specified minimum support price (MSP).

For instance, chickpeas are currently available at Rs 4,200 per 100 kilograms (kg) trading lot ($600 US per tonne), 10% below the MSP of Rs 4,620 per 100 kg ($660 US/tonne). Pigeon pea faces a similar trend where the domestic price is Rs 5,100 ($730 US/tonne) versus the MSP of $800 US/tonne.

One significant reason for the domestic pulse prices to continue to remain weak is the steady flow of imported pulses (yellow peas, chickpeas, and pigeon peas) in recent months, through resourceful private traders who have managed to obtain court orders for import, despite quantitative and tariff restrictions imposed by the government on imports. Based on court orders, an estimated 800,000 tonnes including 200,000 tonnes each of yellow peas and pigeon peas, and also 100,000 tonnes of lentils have arrived in India so far.

TABLE 1: INDIA'S PULSE PRODUCTION TREND (MILLION TONNES)

Season	18/19	17/18	16/17
Kharif	9	8.8	9.6
Rabi	15	15.1	13.6
TOTAL	24	23.9	23.2

Source: Indian Agriculture Ministry

During the financial year from April 2018 to March 2019, India's imports have aggregated an estimated 2 M tonnes, significantly lower than 5.6 M tonnes in the previous year.

On the other hand, Indian pulse export efforts have not met with any notable success. An estimated 200,000 tonnes, mainly Kabuli chickpeas, has been exported in 2018/19.

It may be worth noting that quantitative restrictions on the import of pigeon peas (tur/arhar) at 200,000 tonnes, and black matpe (urad) and green gram (moong) at 150,000 tonnes each, will become due for renewal by April 1 for the new 2019/20 financial year. How soon the ceiling will be released remains to be seen.

The Indian government remains unfazed by the complaints lodged by several origins including the United States, Canada, and Australia with the World Trade Organization against the country's market support practices for pulses. As for the quantitative and tariff restrictions, the government has asserted in the Parliament that the measures are temporary in nature so as to tide over low farm-gate prices that hurt growers, and that the measures will be reviewed from time to time.

Currently, the country has gotten into election mode. A new government should be in place by the end of May. What the composition of the government will be is hard to tell at this point in time. However, it may become important to take note of the looming threat of El Niño. Indeed, the status of a weather threat has moved from 'watch' to 'alert'. Typically, El Niño brings instability in the rainfall pattern and more often than not, dry conditions.

El Niño can potentially affect the production of crops in the upcoming kharif season (June to September) which include paddy (rice), maize, pulses (mainly pigeon peas), oilseeds (soybeans, peanuts), and cotton. The season will also coincide with a series of festivals in the country when consumption of food expands.

With all of these upcoming events, the government may be forced to quickly liquidate all the stocks. The price situation can create conditions for a review of the import restrictions.

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