

INDIAN PULSE MARKET NORMALIZING, WEATHER RISKS AHEAD



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In a strange but ironic twist to the pulse saga, major stakeholders in the Indian pulse market – growers, government, and trade – are all currently heaving a combined sigh of relief. The reason is simple. Prices have gradually risen from their

record lows of the last two years and in some cases have just about breached the specified minimum support price (MSP).

For example, pigeon pea (tur/arhar) is currently trading a little above the MSP of 5,675 rupees per 100 kilograms (kg) (about \$800 US/tonne), while chickpeas are quoted a tad higher than the MSP of 4,600 rupees per 100 kg (about \$660 US/tonne).

Chickpeas are India's largest pulse crop followed, at a distance, by pigeon peas. Together the two pulses account for about 55% of the total pulse harvest. Their upward price movement is expected to lift other pulses too.

Why are stakeholders happy with the price rise? Growers are happy because they can expect to get higher rates, while the trade, which is steadily building inventory in anticipation of further price rises, hopes to benefit from the upward price movement. Strangely, policymakers too are feeling relieved because the government agencies do not have to undertake large scale purchases to prop up low prices.

Be that as it may, the country is looking forward to the onset of southwest monsoons which weather forecasters have said could be normal (880 millimetres of rainfall from June to September) or slightly below normal. The key of course is the temporal and spatial distribution of rainfall. If the distribution is satisfactory, even a slightly below normal quantity of rainfall will make little difference to crop output.

International weather agencies have warned about El Niño conditions for South Asia. El Niño brings quirks with the weather

pattern and typically results in dry weather conditions. We do not, as yet, know whether this year El Niño would be mild or moderate.

Large areas of the country covering western and southern regions (Maharashtra, Andhra Pradesh, Karnataka, etc.) are already facing drought-like conditions. Soil moisture is rather poor and water levels in reservoirs have fallen to alarmingly low levels. So there is a sense of unease among growers and policymakers.

Major pulse crops for the kharif season (seeding in June/July and harvest by September/October) are tur/arhar (pigeon peas), moong (green gram), and urad (black matpe).

The Ministry of Agriculture has fixed an aggregate production target of 10.1 million (M) tonnes of pulses for the 2019/20 kharif season. Strategies for achieving the target include intercropping with oilseeds, cotton, and millet as well as using seed treatments. Weeds are usually a problem in the kharif season and so there is emphasis on weed management. The government has clarified that seed availability is comfortable.

In April, the government announced new quantitative ceilings or import quotas for the 2019/20 financial year covering 200,000 tonnes of pigeon peas, 150,000 tonnes each of moong and urad, and also 150,000 tonnes of yellow peas which bears a customs duty of 50%. It is expected that import license to applicants may be issued sometime in June.

The burdensome inventory that India carried in the last 12-15 months is now substantially lightened. Over the next 4-5 months, stock levels will fall further given the series of festivals during the August-October period when food consumption including pulses and edible oil rises. The negative relationship between inventory and price is of course well recognized.

With rising market rates, the government agencies will liquidate their stocks to augment availability in the short run. Falling government stocks too will spur the open market.

Looking ahead, in the author's view, the

production target for the 2019/20 kharif season of 10.1 M tonnes appears ambitious. On current estimation, it is unlikely to be achieved given the weather risks ahead and the fact that growers may not be as enthusiastic to plant pulses in record acreage as in the last two years. Grower fatigue cannot be ruled out.

In the event, and depending on the kharif harvest size, the government may be forced to undertake a review of the quantitative and tariff restrictions on pulse imports. Such a review can possibly happen in September or October when the kharif harvest size will crystallize.

It is also necessary to lobby the new Indian government (to be installed by the end of May) to adopt policies that would boost domestic consumption of pulses given the poor nutrition status of a sizeable section of the 1.3 billion population. That calls for astute leadership in the pulse trade.

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Publications Mail Agreement No. #40021625. Return undeliverable Canadian addresses to:
Saskatchewan Pulse Growers, 207 - 116 Research Drive
Saskatoon SK S7N 3R3