IN THE MARKET

November 1, 2019

Indian Pulse Market Turning Slowly

G. Chandrashekhar Global Agribusiness and Commodities Market Specialist

After more than two years of low prices exacerbated by burdensome stocks that hurt growers' interests and forced the government to undertake price support operations, the Indian pulse market is gradually moving towards what can be described as a 'balanced market'.

Rising from their lows, prices of major Indian produced pulses – mainly chickpeas and tur/arhar (pigeon peas) – are testing their specified minimum support price (MSP). For instance, while the MSP for chickpeas is 4,620 rupees per 100 kilogram (kg) trading lot, currently it is trading at 4,500 rupees per 100 kg, a 10% increase from this time last year. Similarly, tur/arhar is trading around the MSP of 5,800 rupees per 100 kg, a 50% increase in one year.

While chickpeas are India's largest pulse crop grown in the rabi season (planting in November/December and harvested in March/April), tur/arhar is the major pulse crop of the kharif season (planting in June/July and harvested in October/November). Together, these two pulses account for 60% of the country's aggregate pulse production. If anything, rise in the price of the two major pulses is seen as lifting other pulse crops too.

Despite quantitative and tariff restrictions, India continues to import various pulses. It is estimated that during the first six months (April to September) of the new 2019/20 financial year, at least 1.1 million (M) tonnes of various pulses have entered the country.

Yellow pea tops the list with an estimated arrival of 400,000 tonnes. To be sure, the import quota announced by the government is only 50,000 tonnes. There is a 50% customs duty on imports. However, many traders have managed to import quantities well beyond the stipulated quota by managing to obtain favourable court orders.

This is followed by lentils (350,000 tonnes) for which there is no import quota restriction, but a customs duty of 30% is currently levied. Chickpea imports (130,000 tonnes) bear a 60% duty but no quota restriction. It is estimated that about 200,000 tonnes of pigeon peas and 50,000 tonnes of moong have been imported against official quotas issued.

Of immediate interest is the fate of the 2019/20 kharif crop that is ready for harvest. Tur/arhar, urad, and moong are the main pulses crops for kharif season. These have been planted on 13.4 M hectares (33 M acres), nearly the same as last year's. As compared with the production target of 10.1 M tonnes for 2019/20, the kharif pulse harvest is estimated by the government at 8.23 M tonnes.

Traders feel the actual crop size could be even lower than the government estimate as rains have continued until the third week of October in many parts of the country including Maharashtra, the main producer of pigeon peas.

Equally interestingly, kharif season pulse production has been trending down the last three years as can be seen from the following table:

Table 1. India's Pulse Production During Kharif Season (Million Tonnes)

Crop	2019/20 Target	2019/20 Harvest	2018/19 Harvest	2017/18 Harvest
Tur/arhar	4.6	3.54	3.59	4.29
Urad	2.9	2.43	2.56	2.75
Moong	1.6	1.42	1.84	1.43
Others	1.2	0.84	0.6	0.84
TOTAL	**10.10**	**8.23**	**8.59**	**9.31**

Source: Government of India, Ministry of Agriculture

Despite a combination of falling production, import restrictions, and relatively low prices, pulse consumption has failed to pick up markedly because of tepid rural income growth these last two years. This follows low farm-gate prices for many crops including pulses, oilseeds, and cotton. The government efforts to shore up prices through procurement have not had the desired impact.

Meanwhile, India has slipped further down in the Global Hunger Index. This highlights pervasive under-nutrition, especially in rural areas. Protein deficiency among children and women is palpable. The case for boosting pulse consumption through welfare programs has never been stronger. Pulses are among the most economical source of vegetable protein in India.

As inventory with traders begins to lighten, there is widespread expectation of a directional change in Indian pulse market prices, and the change points upwards. In the coming months, New Delhi may well reconsider the existing import restrictions and possibly loosen them, even if not fully eliminate them. This process can be triggered/accelerated with concerted engagement with the policymakers through a credible independent voice.

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