IN THE MARKET

April 2020

SASKATCHEWAN pulse Growers

Pulse Market – India at the Crossroads

G. Chandrashekhar, Global Agribusiness and Commodities Market Specialist

The Indian pulse market is at the crossroads. Decent harvest size, modest public stocks, falling imports, and tepid demand growth have combined to keep domestic pulse prices well below the government specified minimum support price (MSP).

For instance, chickpea is currently trading at least 20% below the MSP of 4,875 rupees per 100 kilograms (kg), which is equivalent to about $700 per tonne. The one exception is moong which is trading at 7,800 rupees per 100 kg versus the MSP of 7,050 rupees ($1,100 versus $1,000 a tonne).

A major reason for soft prices at this point in time is the impending rabi harvest of two major pulse crops: chickpeas and lentils, plus harvests of urad and moong (albeit on a smaller scale). Rabi pulses for 2019/20 have been planted to a record 16.1 million (M) hectares (38 M acres), higher by 0.9 M hectares (2.2 M acres) contrary to last year's 15.2 M hectares (37.5 M acres), and significantly ahead of the five-year average of 14.6 M hectares (36 M acres).

At 10.7 M hectares (26 M acres) this season, versus 9.6 M hectares (24 M acres) last year, chickpeas account for almost all of the increase in planted area. Extended rains during October and early November that left adequate subsoil moisture has helped higher yields in the rabi season. The following table says it all.

Table 1. India's Rabi Pulse Area and Production

Pulse	2019/20		2018/19	
	Area	**Harvest**	**Area**	**Harvest**
Chickpeas	10.7	11.2	9.6	9.6
Lentils	1.6	1.4	1.7	1.2
Urad	0.8	0.5	0.7	0.7
Moong	0.6	0.5	0.6	0.7
Field Peas	1	0.7	1.1	0.7
Others	1.4	0.8	1.5	0.8
TOTAL	**16.1**	**15.1**	**15.2**	**14**

* Area in M hectares; harvest in M tonnes
Source: Ministry of Agriculture & Farmers' Welfare, Government of India

While estimates for 2019/20 were released on February 18, several producing regions faced unseasonal rains and hailstorms in early March resulting in some crop damage. Even after considering crop damage, this year's rabi pulse harvest is at about 14.5 M tonnes (revised) which would be slightly higher than the previous rabi harvest.

In addition, the National Agricultural Cooperative Marketing Federation of India (NAFED) is currently holding a little over 2 M tonnes of various pulses of which chickpeas account for 1.5 M tonnes. Other pulses include pigeon pea/tur (400,000 tonnes), and moong and urad combined at 330,000 tonnes.

India is currently facing a nationwide lockdown to check the spread of the dreaded coronavirus (COVID-19). Marketing yards are shut, truck transport has come to a near-halt, and port operations are severely restricted. So while the crop is ready for harvest, lockdown, shut markets, and non-availability of labour has created huge uncertainty and fear among growers. The government is expected to soon notify that marketing yards will be exempt from the lockdown.

Several hundred millions, especially daily wage earners, itinerant vendors, marginal farmers, migrant workers, and others, are either stranded or facing forced inactivity. As part of a series of relief measures, the government has announced that 5kg of rice or wheat per person, per month and also 1kg of pulses per household will be distributed free for the next three months. This will be in addition to the ongoing welfare programs of the government.

This policy measure is a significant departure from the past, coming as it does at an extraordinary time which demands extraordinary response. Around 200 M households are potentially likely to benefit from this government largesse. About 600,000 tonnes of pulses – mainly chickpeas – will be distributed.

I believe that 1kg of pulse per household, per month is too meager and must be raised to at least 2kg, and possibly to 3kg, in order to support vulnerable and needy sections of the population. Indeed, supply of pulses through welfare programs should become the norm in India rather than an exception.

Recognizing a shortfall in urad production, the government as a special case recently allowed import of urad (black matpe) under a quantitative ceiling of 400,000 tonnes. By a notification dated March 28, the ceiling for pigeon pea (400,000 tonnes), moong (150,000 tonnes), and all peas (including yellow and green peas) (150,000 tonnes each) for the year 2020/21 has been released.

A look at India's total pulse production (in two seasons) for the last four years shows 'mean reversion'. Pulse output has now gotten trapped around the 23 M tonne mark.

Table 2. India's Annual Pulse Production (in M Tonnes)

Year	Kharif	Rabi	Total
2016/17	9.6	13.5	23.1
2017/18	9.3	16.1	25.4
2018/19	8.1	14	22.1
2019/20	7.9	15.1	23

Source: Ministry of Agriculture & Farmers' Welfare, Government of India

As said earlier, the 2019/20 crop size is likely to be lower at about 22-22.5 M tonnes because of rain damage. Yet, prices continue to rule below MSP most of the time, suggesting weaker consumption demand growth. The one significant step to shore up prices to benefit growers would be to boost consumption by supplying through welfare schemes, which in turn will help fight protein deficiency. Enhancing pulse consumption in India should become the single point agenda for trade promotion bodies.

Behaviour of pulse prices during April and May will potentially impact growers' planting decisions for the upcoming kharif season which commences in June.

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