SASKATCHEWAN pulse Growers

India Pulse Market Report: Subdued Demand Growth Weakens Prices

By G. Chandrashekar

The Indian pulse market is currently in the throes of a silent crisis, but there is hardly any discussion. Prices of most pulses have once again fallen below the specified minimum support price (MSP). Supplies are comfortable but consumption demand is rather subdued and not picking up as expected as the economy continues to shrink, job revival stays weak, and incomes have turned unstable.

After a 30-month bear market, prices across the board rallied in August and September - moving above the specified MSP for various pulses. That raised hopes of sustained firmness as the market moved towards supply-demand equilibrium.

However, the rally turned out to be short-lived for a combination of reasons. One, harvest of kharif pulse crops - pigeon pea (*tur/arhar*), black matpe (*urad*), and *moong*, which were collectively estimated at 8.5 million tonnes, two, excellent progress of rabi crop planting, and three, and perhaps most important, demand has turned rather weak.

Poor demand especially from millers is a matter of concern. Despite easing of pandemic-related lockdown restrictions, out-of-home consumption is slow to recover. There are no big Indian weddings, no large gatherings, and sparse demand from industrial canteens and travel-related kitchens. In other words, demand destruction is very real.

The government's distribution of free rations as part of relief package during the pandemic, including one kilogram of whole chickpea per month for 180 million vulnerable families for nine months, ended in November. About 1.6 million tonnes of the pulse was dispatched for distribution. It is another matter that a part of the free supplies seldom reached the intended beneficiaries but leaked into the open market, going by anecdotal evidence.

The policymakers are now in a quandary about ways to prop up prices. One known method to support weak prices is to start purchases through State agencies such as National Agriculture Cooperative Marketing Federation of India Ltd. (NAFED), but the impact may be limited because of geographical and operational constraints. On the other hand, in tandem with government purchases, boosting demand would be a sure way to keep the growers' prices well supported. The government will eventually be constrained to boost consumption.

Amidst all this, the progress of rabi pulse crop planting comes as a silver lining. While seeding was completed a few days ago, data flows with a lag. As per last available figures as of December 24, rabi pulses have been planted on 14.9 million (M) hectares (36.8 M acres), higher than 14.1 M hectares (34.8 M acres) at the same time last year, and higher than the last five-year average of 14.5 M hectares (35.8 M acres). The final area coverage data to be received by early January may record a new high 15 M hectares (37 M acres).

As expected, chickpea tops the chart with 10.3 M hectares (25 M acres) while last year was 9.5 M hectares (23 M acres). Lentils follow at 1.6 M hectares (3.9 M acres) while last year they were 1.5 M hectares (3.7 M acres). Field peas make up 1 M hectares (2.5 M acres) (unchanged), and the rest of the other varieties of pulses make up the remaining acres. While it is premature to estimate the crop size, it may be reasonable to expect the Indian rabi pulse crops to be in the vicinity of 13.5 M tonnes comprising mainly of chickpeas (10 M tonnes), lentils (1.2 M tonnes), and field peas (700,000 tonnes).

The big story for the pulse market in 2020 was the lowering customs duty on lentils, from 33% to 11%, which led to a surge in imports. The duty relaxation ended on December 31, 2020, and is most unlikely to be extended as lentil rates in the domestic market have weakened to less than 5,000 rupees per 100 kilograms trading lost.

Lower duty announced in May encouraged import of over 900,000 tonnes of lentils from various origins including mainly Canada. Import permits for 400,000 tonnes each of pigeon pea and black matpe, as well as 150,000 tonnes of moong were also issued a few months ago.

Chickpea import attracts a 66% duty, but at the moment there appears no chance of any change in duty rate.

Outlook for 2021: It is a mixed picture. Domestic supplies are expected to be comfortable given the kharif harvest of 8.5 M tonnes and anticipated rabi crop of 13.5 M tonnes, taking the annual aggregate to 22 M tonnes. Two caveats are necessary. India is currently facing La Niña weather conditions that bring slightly above-normal precipitation which is generally positive for crops. At the same time, there is risk of unseasonal rains and hailstorms during rabi harvest time in March/April.

Another factor is inflation, especially food inflation about which the government is worried. Rising crude oil prices (Brent at $50/barrel) and strong edible oil prices (palm, soy, and sun oils) are seen stoking inflation. India is a large importer of both. Although the wholesale rates of pulses are relatively weak, retail prices are still high, disclosing a large differential between wholesale and retail rates, exposing inherent weaknesses in the supply chain.

The Indian government's annual budget will be presented on February 1, 2021 during which food inflation outlook and rates of customs duty on various commodities will be reviewed. On current reckoning, 2021 is likely to be another year in which India will be a part of global value chain, albeit tenuously.

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