



# Pulse Market Report

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The Pulse Market Report is a monthly newsletter featuring market analysis and commentary aimed at helping Saskatchewan pulse producers make the best decisions for their crop production and marketing.

## India's Pulse Import to Surge with Falling Harvest



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All is not well with India's domestic pulse crop situation for 2014/15. Falling acreage and lower harvest are set to trigger additional imports to meet the widening supply shortfall. Evidence

of a surge is already available.

India's rabi season pulse crop harvest risks a fall well below last year's harvest of 13.3 million (M) tonnes (government estimate), and below this season's production target of 12.5 M tonnes. On current estimates, the size of the upcoming harvest could be around 11.5 M tonnes. This will mean a reversal of the rising production trend of the last two years.

The anticipated harvest shortfall quickly follows a decline in kharif output (October) to 5.2 M tonnes from the season's production target of 7 M tonnes and below the previous year's harvest of 6 M tonnes. In other words, total production in 2014/15 is expected to be below, or at best, 17 M tonnes. In the 2011/12 crop year when pulse production was 17.1 M tonnes, India's imports stood at 3.6 M tonnes. With a rising population and lower food inflation, consumption demand is surging.

No wonder, import volumes are expanding rapidly. India's import data are maintained on a fiscal year basis that is April to March. Arrivals in the first nine months of the current fiscal year are an estimated

2.9 M tonnes, higher than 2.3 M tonnes recorded for the corresponding period previous fiscal year. Given the rise in domestic prices and pace of contracting, projected imports for next three months is 1.1-1.2 M tonnes, taking the total annual import to 4.0 M tonnes for 2014/15. The value of such imports will be of the order of \$2.5 billion. In 2013/14, pulse imports aggregated 3.7 M tonnes when production was 19.6 M tonnes.

This rabi season (Feb-April harvest) the area planted to various pulses (mainly gram, chana, or desi chickpea, lentil, pea, urad, and moong) is lower by 11%, equal to 3.9 M acres with total area planted this season at 32.9 M acres versus last year's 36.8 M acres.

The acreage fall largely reflects the decline in area planted to gram or chana (20.2 M acres this season versus 24.2 M acres last rabi). Other pulse crops such as lentils (3.7 M acres), peas (1.9 M acres), urad (1.7 M acres), and moong (1.2 M acres) have managed to retain the acreage. The fall in gram or chana acreage is attributable to low farm-gate prices that prevailed for well over a year until about four months ago. Disappointed growers have switched to other crops.

International trading houses are geared to meet India's surging demand. Given the price sensitive nature of the market, a significant portion of arrivals will be yellow pea which is seen as a substitute for gram or chana. It is not uncommon to find yellow pea flour blended with chana or gram flour.

### India's Pulse Production and Import Trends

Year	Production	Import
2011/12	17.1	3.6
2012/13	18.3	4.0
2013/14	19.6	3.7
2014/15* Author's forecast (private forecast)	17.0	4.0

\*All quantity in million tonnes

Source: Government of India, Ministry of Food and Consumer Affairs

A weaker rupee is pushing the landed cost of imported pulses higher. With domestic prices rising, pulses are beginning to contribute to food inflation. It means soon pulses will attract the attention of policy-makers.

Despite being the world's largest producer, processor, importer, and consumer of pulses, India's per capita availability of pulses is as low as 14 kilograms per year. Indeed, the poor consume just about half of the national average. The government's production and demand estimates are going awry. To counter the country's nutrition challenges pulses can play a vital role, but policy support and investment support is far from adequate.

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## International Demand Setting Pace and Price for Pulses



**Brian Clancey**  
Stat Publishing

Demand fundamentals for yellow peas and red lentils have shifted dramatically since the middle of December. The drop in the amount of pulses farmers in India were expected to plant this winter is far greater than initially expected.

Even though last summer's monsoon season ended on a fairly good note, not enough rain has fallen in the right place at the right time to convince farmers to risk planting as much land as they hoped. As a result, land in all major crop categories is down from last year.

Pulses are showing the biggest drop. By the middle of January, area in pulses was 15% below last year, and 8% below the recent five-year average. Seeding is normally 96% complete by that time, suggesting it will not recover by the time seeding wraps up in the middle of February. Average yields could see production of rabi season pulses fall from 13.25 million (M) tonnes last year to just 10.96 M tonnes. India reckons last summer's kharif or monsoon season crop totalled 5.2 M tonnes. If both estimates prove accurate, total pulse output for the 2014/15 season could sink from 19.27 to 16.16 M tonnes for the smallest harvest since 2009. The implication is imports of all pulses could jump 14% to around 4 M tonnes.

Gram or chickpea is the most important rabi season pulse crop. By the middle of January area was down 17% at 20.2 M acres. Yellow peas and Australian desi chickpeas are favored substitutes for gram. But, Australian desi chickpea production is down 28% from last year at an estimated 384,500 tonnes. If that number is accurate, Australia needs to reduce chickpea exports to their lowest level since 2007. Importers in India will have no choice but to focus on buying yellow peas to cover the shortfall.

**Supply and Demand Estimate for Canadian Chickpeas and Field Peas in 2014/15**

2014/15	Desi	Kabuli	Small Kabuli	All	Yellow	Green	Other	All Peas
Area (acres)	1,000	151,000	29,000	181,000	2,945,000	810,000	40,000	3,795,000
Yield (lbs/acre)	2,205	1,478	1,581	1,498	2,011	1,955	2,216	2,001
Production	1,000	101,200	20,800	123,000	2,686,400	718,200	40,200	3,444,800
Carry-In	1,000	97,500	800	99,300	268,000	40,000	1,000	309,000
Imports	0	7,000	0	7,000	11,200	15,300	700	27,200
Supply	2,000	205,700	21,600	229,300	2,965,600	773,500	41,900	3,781,000
Exports	1,000	77,400	7,400	85,800	2,338,400	359,700	37,900	2,736,000
Seed	40	9,700	1,400	11,140	250,000	32,000	2,000	284,000
Feed, Waste, and Other	460	71,600	6,800	81,860	241,200	278,800	1,000	521,000
Total Usage	1,500	158,700	15,600	178,800	2,829,600	670,500	40,900	3,541,000
Ending Stocks	500	47,000	6,000	50,500	136,000	103,000	1,000	240,000
Stocks/Use	33%	30%	38%	28%	5%	15%	2%	7%

\*All quantities in tonnes

Source: STAT Communications Ltd.

**Supply and Demand Forecast for Canadian Chickpeas and Field Peas in 2015/16**

2015/16	Desi	Kabuli	Small Kabuli	All	Yellow	Green	Other	All Peas
Area (acres)	1,000	120,000	26,000	147,000	3,550,000	450,000	36,000	4,036,000
Yield (lbs/acre)	2,205	1,701	1,560	1,680	2,123	2,159	2,100	1,126
Production	1,000	92,600	18,400	112,000	3,418,100	440,600	34,300	3,893,000
Carry-In	500	47,000	6,000	50,500	136,000	103,000	1,000	240,000
Imports	0	7,000	0	7,000	11,700	15,100	700	27,500
Supply	1,500	146,600	24,400	169,500	3,565,800	558,700	36,000	4,160,500
Exports	1,000	52,600	13,200	66,800	2,585,200	347,200	25,600	2,958,000
Seed	40	9,200	1,200	10,440	226,000	36,000	4,000	266,000
Feed, Waste, and Other	460	9,200	5,000	56,760	444,600	86,500	5,400	536,500
Total Usage	1,500	115,600	19,400	134,000	3,255,800	469,700	35,000	3,760,500
Ending Stocks	0	31,000	5,000	35,500	310,000	89,000	1,000	400,000
Stocks/Use	0%	27%	26%	26%	10%	19%	3%	11%

\*All quantities in tonnes

Source: STAT Communications Ltd.

The realization India needs to increase pulse imports in 2015 comes at the same time that China is ramping up yellow pea purchases. However, by the end of November, Canada had already exported 1.3 M tonnes of yellow peas, reducing the exportable surplus to around 1 M tonnes.

Throughout December and January, grower bids for yellow peas rose in response to the expected increase in demand and slowing sales by growers. Since the end of November bids have jumped roughly \$1.25/ bushel for yellow peas and around 50¢ for green peas.

Seeing the two markets come closer together is not surprising. Markets fear Canada could be sold out of yellow peas before July, while finishing the year with a substantial increase in green pea ending stocks.

Significantly, with the exception of durum, both yellow and green peas are putting in a better than normal performance from a gross income perspective when compared to spring wheat, canola, and barley. This will help maintain interest in peas, though poor movement for green peas will be an issue for many farmers. This should see yellow pea area rise, while green pea plantings drop.

The bottom line for growers is that yellow peas could continue to trend upward until new crop peas are available. However, it will likely be a bumpy ride, with prices spiking when exporters need to fill boats and then dropping to or just above prior bid levels. The spread between yellow and green peas will likely keep shrinking, though green pea markets are doing their best to resist any downward pressure on prices.

Green and red lentils are also feeling the impact of changes in demand fundamentals. Red lentils are helped by a smaller crop in India, and an overall increase in import demand. By contrast, green lentils are suffering from relaxed demand because some buyers are unhappy with the quality of the crop. That is seeing some green lentil demand move into dry edible beans and split peas.

Interestingly, while bids for top grades of green lentils are higher than those for red lentils, bids for Extra No. 3 Canada and No. 3 Canada green lentils are lower than those for red. Since most of crop has fallen into those two grades, weighted average prices for green lentils are actually lower than red. This means the income potential of red lentils is higher, with the result being that land in that class will rise, while land in green lentils could slip. Both classes of lentils are putting in an above average performance from a gross income perspective when compared to grains and oilseeds, but red lentils are clearly putting on a better show. Conflicting demand outlooks could make the difference more obvious before growers finalize seeding decisions.

#### Supply and Demand Estimate for Canadian Lentils in 2014/15

2014/15	Large Green	Medium Green	Small Green	Extra Small Red	Small Red	All Red	Other	All
Area (acres)	704,000	61,000	215,000	159,000	1,961,000	2,120,000	10,000	3,110,000
Yield (lbs/acre)	1,242	1,193	1,224	1,345	1,335	1,372	882	1,302
Production	396,500	33,000	119,400	97,000	1,187,100	1,319,000	4,000	1,837,000
Carry-In	112,000	6,000	30,000	4,000	16,000	20,000	1,000	169,000
Supply	508,500	39,000	149,400	101,000	1,203,100	1,339,000	5,000	2,006,000
Exports	406,000	31,000	119,000	80,000	962,700	1,042,700	3,300	1,602,000
Seed	33,100	2,300	5,700	3,900	72,700	76,600	300	118,000
Feed, Waste, and Other	39,400	3,700	12,700	8,100	96,700	104,800	400	161,000
Total Usage	478,500	37,000	137,400	92,000	1,132,100	1,224,100	4,000	1,881,000
Ending Stocks	30,000	2,000	12,000	9,000	71,000	114,900	1,000	125,000
Stocks/Use	6%	5%	9%	10%	6%	9%	25%	7%

\*All quantities in tonnes

Source: STAT Communications Ltd.

#### Supply and Demand Estimate for Canadian Lentils in 2015/16

2015/16	Large Green	Medium Green	Small Green	Extra Small Red	Small Red	All Red	Other	All
Area (acres)	810,000	74,000	252,000	172,000	2,289,000	2,461,000	13,000	3,610,000
Yield (lbs/acre)	1,383	1,400	1,408	1,436	1,451	1,459	1,018	1,430
Production	508,000	47,000	161,000	112,000	1,507,000	1,629,000	6,000	2,341,000
Carry-In	30,000	2,000	12,000	9,000	71,000	80,000	1,000	125,000
Supply	538,000	49,000	173,000	121,000	1,578,000	1,709,000	7,000	2,466,000
Exports	399,000	36,000	128,000	90,000	1,171,000	1,261,000	5,000	1,829,000
Seed	34,800	1,700	4,900	3,300	41,400	44,700	200	86,300
Feed, Waste, and Other	39,200	4,300	13,100	8,700	112,600	121,300	800	178,700
Total Usage	473,000	42,000	146,000	102,000	1,325,000	1,427,000	6,000	2,094,000
Ending Stocks	65,000	7,000	27,000	19,000	253,000	282,000	1,000	372,000
Stocks/Use	14%	17%	18%	19%	19%	20%	17%	18%

\*All quantities in tonnes

Source: STAT Communications Ltd.

Official export statistics are only available for the August through November period. Green lentil exports were up 27% over the same period last year because of a dramatic increase in demand from India. Red lentil shipments jumped 42% on stronger demand from both India and Turkey. A key use for green lentils is as a substitute for pigeon pea because the de-hulled products

look similar. Last summer's pigeon pea crop was down 550,000 tonnes at 2.74 M tonnes. Red lentil imports are up because of tight stocks from last winter's harvest in India, and the belief seeded area would be down this winter. A smaller crop is expected with the resulting underlying fundamentals on India's domestic market becoming bullish from a demand perspective.

India's demand for green lentils is offering some support to those classes of lentils. The combination of strong demand from India and improved demand from the Middle East is creating a more bullish environment for red lentils.

The bottom line for farmers is that red lentil prices should trend upward through May or June. Grower bids for top grade red lentils are unlikely to catch up to green, but the difference in bids for lower grades could become bigger. The implication is growers should take advantage of spikes in demand for red lentils to sell, while simply looking for good chances to move green lentils. There is no good reason to carry off-grade

lentils over into the coming marketing year. Growers with those qualities should pay closer attention to opportunities to sell. But there is every reason to try to move No. 2 Canada or better product. If next season's quality is closer to normal, prices for the top two grades of green lentils would be expected to sink, resulting in lower average prices for off-grade product even though the differences in prices being offered growers will not be as large.

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