Indian Pulse Sector – Crying for Policy Attention

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Pulses are in the news these days and for all the wrong reasons. In the last quarter of 2015, pulse prices escalated to unconscionably high levels wholly unaffordable for large sections of consumers in India, especially the financially under-privileged. The international media termed it the 'pulse shock' and the local media panned the government for its failure to quickly contain the price rise.

India's pulse crop year runs from September to August with two harvests. The price spurt followed two back to back bad harvests. The first harvest that suffered was Rabi 2014-15 crop comprising mainly chana or desi chick pea. This crop usually accounts for 40-50 percent of the country's total annual pulse harvest. Chana crop was devastated by unseasonal rains and hailstorm during March/April 2015. The crop loss was to the extent of Two million tons.

Six months later, Kharif 2015-16 pulse crops was hit by El Nino induced dry conditions. Although kharif planted area was One million hectares higher than in the previous year, yields suffered due to prolonged dry conditions during July-September months. In particular, pigeon pea (tur/arhar), the major pulse crop of kharif season suffered.

Despite continuing large scale imports, prices at the wholesale and retail levels went through the roof. The huge differential between wholesale and retail prices – often as much as 30-40 percent - exacerbated the situation for the household consumers. The government directed one of the parastatal agencies to import 5,000 tons to augment domestic supplies, a laughable quantity or pittance considering that the annual shortage was 5.0 million tons. Suspicion that some market participants indulged in speculative inventory-building resulted in precipitate government action. The rest, as they say, is history.

Clearly, the pulse shock has been in the making for many months. Look at the following data:

Table: India's Pulse Production (million tons)

Year	Kharif	+	Rabi	=	Total
2012-13	5.91		12.43		18.34
2013-14	5.99		13.25		19.25
2014-15	5.63		11.57		17.20
2015-16	5.56		. . . .		. . . . .

Note: The production target for 2015-16 is 20.05 million tons comprising Kharif 7.05 ml.t. and Rabi 13.00 ml.t.

(Source: Government of India, Ministry of Agriculture)

Many pulse exporting countries produce the crop with India as the target market. They closely monitor the Indian market conditions and happily jacked up their export prices knowing fully the tightening supply situation in India. Also traditionally, August, September and October are months with a series of festivals when demand for all food products including pulses rises manifold.

So, a combination of lower domestic production, festival demand, weak currency and higher international prices led to a spurt in domestic pulse prices. Consumer interests were hurt because of the huge differential between wholesale and retail prices. Retail margins can be as much as 40%.

This is the genesis of the dal price shock. Rising 'futures prices' of chana (traded on the commodity exchange) was a clear indication of rapidly tightening supplies; yet, policymakers chose to ignore the signal for long. When retail prices skyrocketed and went out of reach of common consumers, there was government intervention and policy action was so severe that many are yet to recover from the shock.

Clearly, **the price spike was not unforeseen, nor was it unforeseeable**. It was in the making for some time. I would call this a 'failure of commercial intelligence within the policymaking circles' and lack of consultation with the trade and industry.

On their part, the importers did their best to contract for large quantities; but as is well known, northern hemisphere harvests take place in Aug/Sept which means they could not meet rising Indian demand in time.

I have said it in the past and will say it again – **the Indian pulses sector deserves sound policy support**. As such, there's hardly any policy for pulses. This crop is not given the status and treatment it actually deserves.

Many may recall the pulse price spike of 2007 when the government went berserk and imposed draconian restrictions like stock limits, restricting exports, suspending futures trading (tur and urad) and so on. We do not seem to have learnt any lesson from the dal crisis of 2007.

The government needs to formulate a stable pulse policy. The policy should encompass production, processing, consumption and trade. I would say, as a crop, pulses have not received adequate policy support, research support and investment support (unlike rice and wheat). Growers need more remunerative prices and assured marketing outlets. Consumers deserve protein rich pulses (economical source of vegetable protein) at affordable prices.

The association – India Pulses and Grains Association – calls itself the apex body of the country's pulse trade and industry. It must prove its claimed status by its conduct. IPGA has the moral responsibility to work closely with the government in shaping an appropriate policy for the pulse sector with a long-term perspective that will advance the interests of growers, consumers and industry.

To be recognized as a progressive trade body, the association must go well beyond mere imports and routine domestic trading to pursue bigger objectives such as achieving increased self-reliance, promoting value addition, enhancing dal milling efficiency and delivery of protein rich pulses to the nutritionally needy. The Indian pulses sector has the potential to become globally competitive; but huge initiatives are necessary in national interest. Hope the association has the vision and courage to rise to the occasion.

From April to December 2015, India's pulse imports aggregated 4.0 million tons. Projected arrivals during the first quarter of 2016 are an estimated 1.2 million tons taking the annual total import to 5.2 million tons. This is higher than 4.6 million tons imported in 2014-15.

Despite sharply lower domestic production, in financial year 2015-16, India's imports have risen by about 600,000 tons only. India is a price conscious market. Clearly, there is consumer resistance at higher price levels and therefore, demand compression.

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