

SEASONAL COMMODITY INSIGHT

17th December 2014

Chana (Chickpea)

India produces a quarter of the world's pulses, accounting for one third of the total acreage under pulses. Indians consume 30 per cent of the world's pulses, but domestic production of pulses has not kept pace with population growth. The per capita demand for pulses is declining in India. Yet they remain an important source of protein. Pulses neither receive sufficient official procurement support that wheat and paddy get, nor do farmers view them as commercial crops on par with cotton or soybean. It has resulted in their cultivation, over the years, being pushed to marginal lands prone to moisture stress. Breaking this impasse requires a conscious strategy to promote pulses production, including in irrigated areas. It raises larger questions on why the country isn't able to increase pulses production. On the supply side, pulses' production had hovered around 12 million tonnes during the last three decades. Stagnation in production has led to rise in the prices of pulses that further affected their consumption adversely. Traditionally in India, with relatively more focus accorded to food grains, especially rice and wheat, the pulses were relegated to marginal environments. Consequently, over the years despite many focused programs, there were only slight changes in the production of pulses. However, recent initiatives through National Food Security Mission and higher minimum support prices led to leapfrog in production to 18 million tonnes. However, weak technology delivery mechanisms, and continuing low profitability of the sector have failed to arrest the shifting of pulses areas to more remunerative crops. Over all dynamics of the pulses industry suggest that we still continue to be the net importer of pulses requiring about 2.5 to 4.0 million tonnes on an annual basis for the last five years.

Domestic Scenario

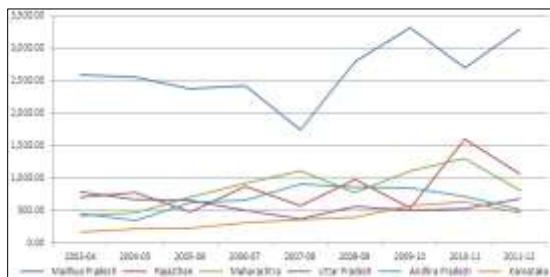
Indian Chana (Chickpea) production during the year 2012-13 is estimated at 8.83 million MT, higher 14.67 per cent, compared to 7.70 million MT during the preceding year, owing to increased MSP by the government and good monsoon in 2012-13, which had resulted in increased area. Chana is mainly grown in 6 states in the country contributing to over 90 per cent of the country's production. The top six producing states of the country are Madhya Pradesh (42.72), Rajasthan (13.78 per cent), Maharashtra (10.58 per cent), Uttar Pradesh (8.88 per cent), Andhra Pradesh (6.75 per cent) and Karnataka (6.08 per cent). The domestic consumption is estimated at 8.5 to 9.0 million MT. In the world, India holds 1st position in the major Chana producer and consumer's list, with about 66 per cent of the production & over 70 per cent of the consumption.

Production of Chana in major states

(⁰⁰⁰ MT)

States	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
Madhya Pradesh	2,584.90	2,548.90	2,371.20	2,413.00	1,735.00	2,786.40	3,304.10	2,686.60	3,290.30
Rajasthan	707.20	773.00	478.90	872.60	574.20	981.20	534.60	1,600.70	1,061.10
Maharashtra	421.00	466.00	705.00	924.00	1,116.00	774.00	1,114.00	1,300.00	815.00
Uttar Pradesh	787.10	672.20	660.60	501.00	376.00	562.00	509.00	530.00	684.00
Andhra Pradesh	457.00	345.00	627.00	653.00	912.00	857.00	846.00	720.00	520.00
Karnataka	171.10	224.00	229.00	308.00	367.00	401.00	574.00	631.00	468.10
Others	589.20	440.30	528.20	662.10	668.40	698.60	594.20	752.80	863.80
India	5,717.50	5,469.40	5,599.90	6,333.70	5,748.60	7,060.20	7,475.90	8,221.10	7,702.30

Source: Directorate of Economics and Statistics, Department of Agriculture and Cooperation



From the above table it can be concluded that the production of Chana in major states have been increasing gradually but a massive jump has been noticed in case of Maharashtra, which had shown a jump of over 93 per cent since 2003-04. The main reason behind this significant jump was the increased MSP by the central government and the increased adverse situations in the state which has forced the farmers to go for crop diversification.

International Scenario

World Chick pea production is projected to decline marginally to 116.26 Lakh MT against the last year production of 117.5 lakh MT, a dip of about 1.06 per cent. India continues to be the leading producer of Chickpea (over 66 per cent) followed majorly by Australia (5.79 per cent), Turkey (4.60 per cent), Pakistan (2.50 per cent) and Mexico (2.34 per cent). Global Chickpea consumption is projected at 9 to 9.5 million MT in 2013-14. Chickpea prices have weakened in the period of June – August 2013 but with frost fears still lingering in Western Canada, Australia, and Argentina, traders are taking a wait-and-watch approach to this year's crop.

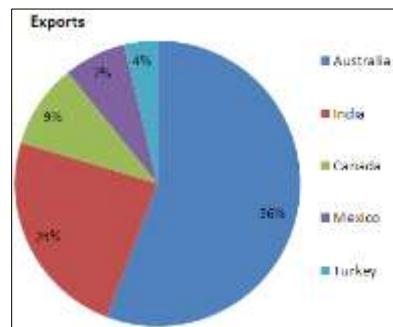
Production of chickpea in World

Country	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
India	54.69	55.75	63.34	57.49	70.60	74.80	82.20	77.00
Australia	1.23	2.32	3.13	4.43	4.45	6.02	5.13	6.73
Turkey	6.00	5.52	5.05	5.18	5.63	5.31	4.87	5.35
Pakistan	8.68	4.80	8.38	4.75	7.41	5.62	4.96	2.91
Mexico	1.34	1.63	1.48	1.65	1.32	1.32	0.72	2.72
Canada	1.04	1.63	2.25	0.67	0.76	1.28	0.91	1.57
World	84.36	84.59	97.48	86.06	104.39	110.64	117.50	116.26

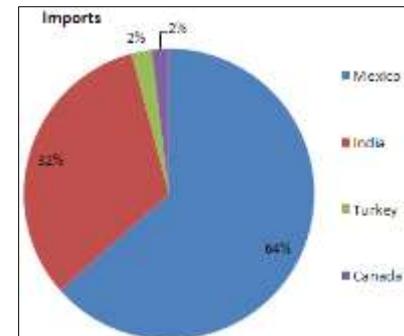
Source: Foreign Agricultural Service, Official USDA Estimates

Global Trade Dynamics of Chick pea

The top four importing nations accounts for 39.58 per cent of the total global imports of which 25.10 per cent is done only by Mexico. The second most important destination is India (Kabuli) contributing to 12.81 per cent of the total imports. The other countries worth mentioning are Turkey, Pakistan and Canada.



The major countries involved in the export of Chickpea are explained by the following chart. As per the details Australia exports 35.90 per cent of the total global exports of Chickpea. The other exporting country closely competing with Australia in exporting Chickpea in the world is India (Small grain - Desi) with the global share of 15.31 per cent. The other exporting nations worth mentioning are Canada, Mexico and Turkey.



Indian Status in Global Trade of Pulse

Currently over 182 countries around the globe trade in this sector and the Indian Subcontinent alone accounts for over 30 per cent of the same. While this should let India dominate the market, it has been unable to do so because the high supply deficit in India is known and the steady increase in imports has made negotiations quite redundant. Imports of pulses in India have been increasing and currently account for about 20 per cent of total domestic availability.

The major exporting destinations from India for pulses are given in the adjacent table. Pakistan still is the most preferred location in terms of the Indian pulses export with overall share of 29.13 per cent, followed by Algeria, Turkey, Sri Lanka and UAE. The major pulses exported from the India are Peas (Pisum Sativum), Chickpeas (Garbanzos), Moong/Urad, Lentils (Masoor) and Pigeon Peas (Tur).

India's Export of Major Pulses ('000 MT)

Commodity	2009-10	2010-11	2011-12	2012-13	2013-14 (Apr-Dec)
Peas (Pisum Sativum)	0.64	0.63	0.40	0.57	0.47
Chickpeas (Garbanzos)	95.26	204.58	170.02	194.91	282.91
Moong/Urad	0.01	0.00	0.75	1.61	1.03
Lentils (Masoor)	0.60	0.11	0.44	1.04	0.43
Pigeon Peas (Tur)	0.27	0.03	0.66	1.56	1.62
Total Pulses	99.92	208.03	174.21	201.71	287.60

Source: Directorate of Commerce, Govt. of India

India's Import of Major Pulses ('000 MT)

Commodity	2009-10	2010-11	2011-12	2012-13	2013-14 (Apr-Dec)
Peas (Pisum Sativum)	1655.60	1504.64	2039.44	1370.82	1014.18
Chickpeas (Garbanzos)	338.39	100.65	206.49	697.63	204.53
Moong/Urad	706.24	432.03	429.53	642.84	470.59
Lentils (Masoor)	288.08	161.22	117.93	506.35	587.99
Pigeon Peas (Tur)	389.33	346.14	470.94	506.39	374.49
Total Pulses	3509.57	2698.66	3364.80	3839.30	2359.37

Source: Directorate of Commerce, Govt. of India

(Pisum Sativum), Chickpeas (Garbanzos), Moong/Urad, Lentils (Masoor) and Pigeon Peas (Tur). The analysis of commodity wise exports showed that Chickpeas constitutes of over 80 per cent of the total exportable pulses from India. Other pulses with sizable export volume are pigeon peas, moong and urad.

In the world, major markets from where India is importing the pulses are:

- Small Chickpea:** Burma, Tanzania, Australia, China, UAE
- Pigeon pea:** Burma, China and Tanzania
- Black gram:** Burma, Singapore and Thailand
- Mung bean:** Burma, Singapore, China and Australia
- Green and yellow peas:** Canada, Australia, Hungary, Tanzania and US
- Lentil:** Netherland, Syria, Canada, Turkey, China
- Large Chickpea or Kabuli:** Australia, Canada, Turkey, Iran and Burma

Price Trend Analysis

The adjacent price curve indicates the price trend of chana for the current marketing year. As per the study, the prices have been weakening since the peak in January 2014. Currently the prices have been declining quite significantly. Part of the reason for this is last year's largest-ever harvest and consequent record shipping, which has left several





households and millers before a lull in demand and development of the El Nino in the later part of the current monsoon season shall support price. The Chickpea prices have been under pressure in India for the past three months, as a beneficial monsoon and an accelerated planting season have affected both spot and futures markets. The Indian government had recently approved a plan to provide subsidized grain to more than two-thirds of the country's population at an estimated cost of US\$20 billion. Pulse traders in India are urging the government to include pulses in the new Food Security Act, which would greatly support the prices in the global market.

Major Developments for Chickpea Market

- Dry weather is expected to continue over major growing belts of central and North West India and south central India. Total coverage under pulses has been 80.74 lakh ha which 11.46 % lower than previous year. The area under sowing of Gram is at 63.85 lakh ha this year while the last year's figure was 75.79 lakh ha.
- The coverage under Rabi pulses has reached 107.85 lakh ha as on December 5, 2014 which is -11.56% lower as compared to previous year. Chana has been sown over 69.43 lakh ha as on December 05, 2014 which is -17.24% lower than the area sown during the same period previous year.
- Rajasthan Agri Dept for Rabi Pulses indicates sowing indicates area at 13.52 lakh ha as on 24.11.2014, up marginally from 13.51 lakh ha as on 22.11.2013. MP Agri Dept indicates Rabi Pulses sowing at 1.53 lakh ha as on 26.11.2014 vs target of 6 lakh ha.
- MSP rise from Rs 3100/Q to Rs 3175/Q had supported prices.
- Chana production has been revised down in Australia to 435000 MT in the latest production estimates by the Australian Agricultural Department released on December 02, 2014. The production shall be 31.17% lower year on year while estimate has been revised down by around 6% from the earlier crop production estimate during September 2014.
- Bearish news in International markets affected the market sentiments adversely. As per USDA, expected pulses production in USA is up by 8% to 2,232,630 MT during 2014 from last year.
- The Department of Revenue in consultation with the Ministry of Agriculture proposes a 10% import duty on chana.
- Canada chana production fall to 0.14 million MT in 2014-15 down from 0.18 million MT in 2013-14 due to lower yield. Reports from Australia indicate a 22.5% fall in Pulses production and more than 30% fall in chana production in 2014-15 vs that in 2013-14.

destinations overstocked. The other major reason for this is the serious devaluation of the Indian rupee in the recent months. As a function of the above two factors, along with a good local harvest in India and Pakistan, the price of the chickpea have dropped significantly. Typically, Indian demand (especially for yellow peas) rises in the months between October to December owing to lower supplies and increased demand. The onset of the festival season, vibrant demand from

Price forecast: Technical Outlook (NCDEX)**Explanation:**

Marginal Convergence is seen in the (Moving Average Convergence - Divergence) MACD curves for the duration of 7 weeks and 21 weeks. The lower 7-week moving average on the monthly price has been closing the gap from the 21-week moving average and is still maintaining the move on the upper side, which is denoting the underlying strength in Chana prices. In the case of Chana, the SAR has been in the red region supporting the underlying strength in the prices but the lower range of the Bollinger band is indicating a reversal signal, which is positive for the prices.

Technical Recommendation:

The market is expected to trade bullishly in the coming months with the top side target of 3880 (Feb 2015) with maximum down side expectation of 2640.

Price Expectation

Commodity	Units	Current Market (17.12.2014)	Minimum Support Price (MSP)	Market View	Technical Projections		
					Support	T1	T2
Chana	Rs. / Qtl	3224	3100	↑	2640	3460	3880

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