PRICES

SHIFTING EXPECTATIONS FOR INDIAN DEMAND

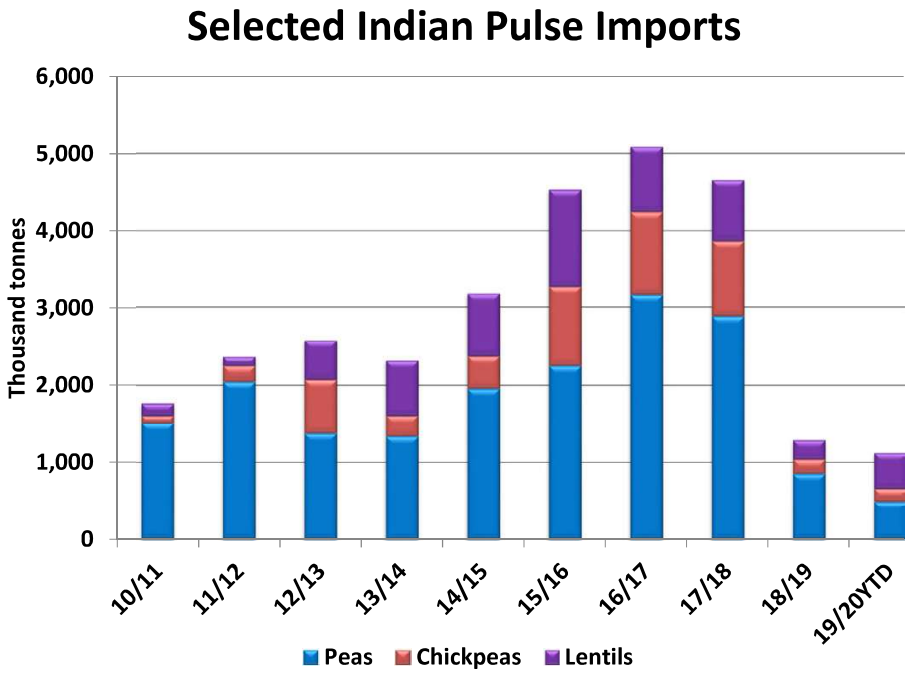
By Chuck Penner, LeftField Commodity Research

The most frequent question I get asked about pulse markets is when India will start buying more pulses again. Usually, the question is "when", not "if". After all, India has long been touted as the cornerstone of the pulse trade. A few years ago, India was consistently described as the world's largest grower, consumer and importer of pulses. While the first two items are still true, India no longer dominates pulse imports the way it used to.

In case anyone missed it, late in 2017 and early in 2018, India imposed large import tariffs on pulses and, for some crops, quotas on the volumes that could be imported. As a result, India's imports hit the brakes hard. Imports of the three most important pulses for Canada had been 4.7 mln tonnes in the Indian 2017/18 (Apr-Mar) marketing year. The following year, that total dropped to 1.3 mln tonnes. The pace of imports halfway through the 2019/20 marketing year suggests full-year volumes will recover a bit more.

This still leaves the question of when or if Indian imports will bounce back to the high levels seen a few years ago. Shortly after the initial trade restrictions, there was more optimism that this would be a short-lived situation but as time goes on, those hopes have faded, at least compared to the "glory years" of 2015/16 through 2017/18.

While India's pulse imports had been trending gradually higher over a number of years, it's worth noting



that the three years of very large pulse imports "coincided" with exceptionally poor Indian crops caused by two successive years of drought. Our inflated expectations occurred when we assumed that these new import levels (averaging 4.8 mln tonnes) were simply a continuation of the rising trend. But instead of viewing the three big years of pulse imports as the "new normal" for India, they should be seen as exceptions, not the rule.

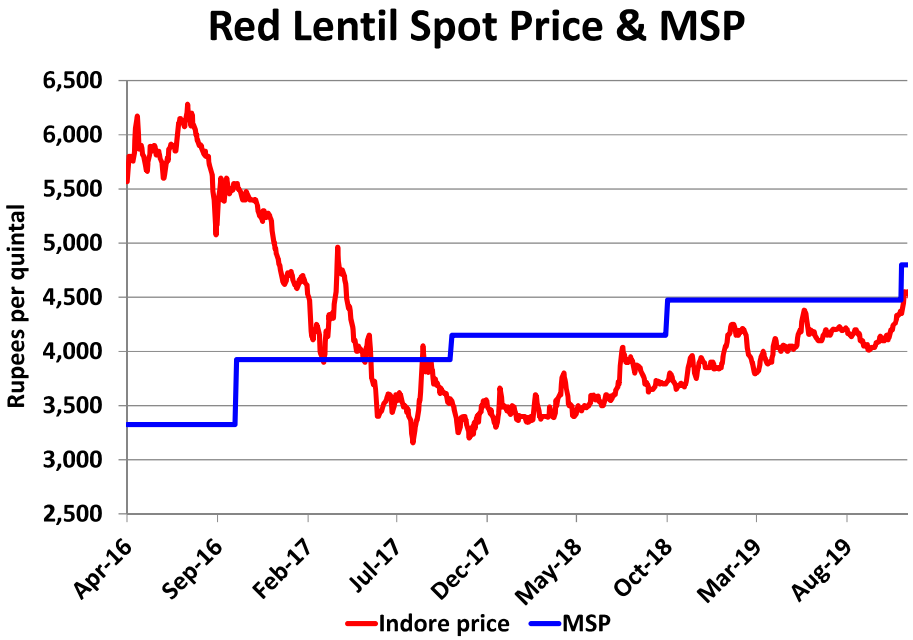
For the past two years, growing conditions in India have generally been favourable and that's allowed farmers there to produce larger domestic crops, limiting the need for imports. More importantly, the Indian government has poured huge resources into supporting crop production, causing large stockpiles of pulses. These supports (some more successful than others) have included subsidies for crop inputs, steadily rising minimum support prices, systems to distribute pulses to the poor and, of course, barriers to lower-priced imports. Despite hopes that these were only temporary measures in order to buy votes, the Indian government has continued to increase its supports to get closer to its goal of self-sufficiency.

This doesn't mean that Canada will never again export large amounts of pulses to India. Keep in mind that India's growing conditions in the last two years have been mostly favourable, which have boosted its domestic production and allowed it to reduce import

needs. That won't always be the case however and serious glitches could easily occur again.

So where does that leave Canadian pulse farmers and marketers? Betting on an Indian crop failure to boost prices isn't a good export strategy for Canadian pulses but when it does occur, it will present an opportunity to cash in. That's not a sustainable strategy though.

From a longer-term perspective, the reality that the earlier boom in India's pulse imports isn't the norm should reinforce that market development efforts should be broad-based. That's not a new concept to Canada's pulse organizations, but the sharp drop-off in Indian demand has provided extra incentive to go after other opportunities. This includes exploring other export markets but also capitalizing on the growing demand for pulse ingredients with a shift toward domestic milling and fractioning.



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