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CICILS IPTIC

INTERNATIONAL PULSE TRADE & INDUSTRY CONFEDARATION

THE PULSE pod

POD I - GRAIN 1 - AUGUST 2012

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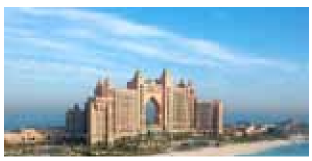

August 2012

FROM THE **PRESIDENT'S** DESK

Dear Colleagues:

I am delighted to share with you 'The Pulse Pod', a new initiative of CICILS / IPTIC in the form of a monthly eMagazine for the global pulses fraternity with diverse interests in the protein rich legume, be it as producer, processor, consumer, researcher, policymaker or service provider.

I would like to thank our Emag committee Mr Sanjiv Dubey from Gardner Smith, Australia, Mr Anurag Tulshan from Esarco India, Mr David Lever from Alliance Advance Seed, South Africa, Mr Gordon Bacon from Pulse Canada, Mr Hassan Boubess from HB Agro Trade, Switzerland and Mr Horacio Fragola from Farm Products, Argentina for all their hard work and commitment to carry on this monthly activity.

I would also like to announce that the winner for the name competition is Mr Marcus Coles from Maviga Europe Ltd, U.K who won free registration to Singapore convention.

Given the global nature of our organisation's activities, The Pulse Pod will be the official organ of CICILS / IPTIC that seeks to disseminate every month a variety of information relevant and of interest to our business associates worldwide.

We have visualised the eMag will cover major developments in the global agriculture sector and their impact on pulses industry and trade. In course of time, it will cover the entire gamut of the world pulses sector including inputs, agronomy, output,
processing, marketing, domestic and international trade, prices, consumption, health and nutrition, value addition, technology covering production and processing, machinery and equipment, government policies, research advances and similar developments.

In short, The Pulse Pod will seek to collate and disseminate any and every development that has relevance for the worldwide pulses sector stakeholders. In so doing, active cooperation of our members from different parts of the world is important. Please feel free to write in your comments and suggestions. If you have interesting inputs, insights, reports, news and views that you think deserve to be shared with our members at large, please feel free to write to The Editor.

Mr. G. Chandrashekhar, well known agribusiness specialist, has consented to be the Editor of The Pulse Pod and provide content. I would call upon all the associates of CICILS / IPTIC to feel free to be in touch with him. He can be contacted at gchandrashekhar@gmail.com. In particular, I would like to urge trade promotion organisations in different countries to keep the Editor in their mailing list for sending news reports and other publications.

It is my pleasure to bring to you the inaugural edition. As you can see, the edition, among other things, contains an article by Mr. Gordon Bacon of Pulse Canada; an interview with Mr. Rajiv Agarwal, Secretary to the Government of India, Ministry of Consumer Affairs; a report on global agricultural markets with special reference to the severe drought in the US Midwest; an update on Indian monsoon and crop prospects; technical analysis of 'chana' futures prices; select pictures of the latest CICILS Dubai convention; and many more.

Our endeavour would be to constantly seek to provide the latest, while making it more relevant and beneficial. In so doing, inputs provided by our members would be valuable. Your suggestions for improvement are most welcome.

Best wishes.
Hakan Bahceci

An editorial view from
Gordon Bacon
Pulse Canada

CURRENT CHALLENGES IN THE GLOBAL PULSE MARKET

Challenges are often thought of as negative barriers, but they could just as easily be viewed as opportunities for improvement. The job for pulse industry leaders is to identify challenges, embrace them as opportunities and commit to an action plan that will move the industry forward.

The biggest challenge is money. Buyers want to pay less, and sellers want to earn more. Can pulse players on opposite sides of the money issue find common ground? The simple answer is yes.

Better Returns from Growing Pulses: Farmers have to realize economic returns from pulses that keep pace with the returns from other crops that can be grown on their farms. If farmers in Canada can make more money growing canola or wheat, it is no surprise that they will shift into the crops that make them more money. Farmers from Mbeya Tanzania or Melbourne Australia will think the same way. Are the returns from pulses keeping pace with the returns from other crops? Since consumers the world over are reluctant to pay more for pulses (the other way to increase farmers' returns) the solution has to be higher yields at lower costs of production.

Farmers and governments need to continue to invest in enhancing the returns from pulses; higher yields, less loss from disease and insects, and lower costs of production through things like improved water use efficiency, better nutrient use efficiency and improved nitrogen fixation. The pulse industry needs to act as the advocate for enhanced research funding at a time when many governments are reducing their investments in research.

Will the pulse industry have to discuss the idea of using all the tools available to increase yields, including genetic modification?

Will the pulse industry need to enter partnerships with leading genetics companies and food companies that like to control all elements of their food

THE BIGGEST CHALLENGE IS MONEY.

BUYERS WANT TO PAY LESS, AND SELLERS WANT TO EARN MORE. CAN PULSE PLAYERS ON OPPOSITE SIDES OF THE MONEY ISSUE FIND COMMON GROUND? THE SIMPLE ANSWER IS YES.

THE PULSE INDUSTRY WILL RISE TO THE CHALLENGES BY WORKING TOGETHER TO ENSURE THAT INVESTMENTS IN RESEARCH ARE MADE THAT WILL BENEFIT FARMERS, BENEFIT CONSUMERS AND ENHANCE THE STABILITY OF THE GLOBAL INDUSTRY.

chain including the genetics? These are controversial issues but growing populations, shifts in climatic conditions and competition from other crops dictates that everything has to be up for discussion particularly when the answers aren't clear and no unanimous views exist. The pulse industry doesn't have the luxury of standing on the sideline when looking in the face of controversy; we have to discuss all the elements of how we will improve yields.

NEW Sources of Demand versus NEW Production Regions: Many countries in the Middle East and South Asia are large pulse consuming and import-dependent. Logically, these countries would benefit from more sources of production. Increasing the number of countries that can supply pulses helps to ensure food security and increased production will help mitigate against price increases.

Major exporting nations like Canada, the USA and Australia are promoting the expanded use of pulses in processed foods. With more buyers, like food ingredients companies that dominate the processed food markets, increased demand could help exert a positive force on pulse pricing.

Is there conflict between the drivers to develop new uses and the drivers to foster new pulse production regions? No. The greatest opportunity for success will come if both demand and production are increased. Increasing the scale of the global industry will attract more investment, add stability to both production and demand, and ultimately reduce volatility. There is great value in both increasing global production, and ensuring that there is great demand to use what is grown.

Summary: The pulse industry approaches challenges with different outcomes in mind; lower priced pulses, or increased value in pulses. But rather than pitting one side against the other in an economic tug-of-war, the pulse industry will rise to the challenges by working together to ensure that investments in research are made that will benefit farmers, benefit consumers and enhance the stability of the global industry. The challenges just became opportunities.

INDUSTRY ARTICLE

Article by: G. Chandrashekhar

Tardy progress of India's southwest monsoon during June and July has left several parts of the country reeling under acute moisture stress conditions. The Met Office IMD (India Meteorological Department) had forecast a 'normal' southwest monsoon which meant the country would receive about 890 mm of rainfall in a four-month period between June and September.

The country is divided into 36 meteorological subdivisions. As of July 25, as many 22 subdivisions faced deficient to scanty rainfall. The all-India area weighted rainfall as of July 25 was 310 millimeters, down a significant 22 percent from the average 395 mm. The States of Punjab, Haryana, Rajasthan, Gujarat, Maharashtra, Karnataka and Tamil Nadu, among others, have had deficient to scanty rains so far; and these regions are agriculturally important for the country.

Planted acreage for various crops has slipped and is well below this time last year. It is generally believed that the window of opportunity for planting major field crops such as rice, coarse grains, oilseeds and pulses is as good as closed now. Portends are ominous. India could be in serious trouble on the farm output front. (Kharif harvest due by end-September).

One can expect anything between 15 and 25 percent decline in output of various crops. Pulses could be one of the worst affected. Area planted to pulses has slipped sharply vis-à-vis this time last year. Normal acreage for pulses in the Kharif season (planted in June-July) is 10-11 million hectares. Tur/arhar, urad and moong are the major pulses crops of the Kharif season. It is of course premature to estimate the final acreage or crop size. All-India acreage numbers may be available by mid-August. In kharif 2011, pulses production aggregated 6.2 million tons.

In anticipation of supply shortfall this year, prices of many agricultural commodities have been rising in recent weeks. This has got the government worried. It is becoming increasingly clear that India's import requirement of pulses will increase. The country may need to import an estimated 350,000 to 400,000 tons of pulses every month over the next several months to keep prices under reasonable control and to meet the expanded demand due to onset of festival season. A weak rupee is sure to raise the landed cost of imported pulses. In addition to the private trade, government agencies may be asked to undertake pulses import.

Indian agricultural markets face the risk of kneejerk policy changes. Some government functionaries have already indicated that export of food items (rice, maize, sugar, oilseeds) may be banned or curtailed. Imposition of storage restrictions is on the anvil. Also on the radar is futures trading in essential food commodities such as chana, soyabean, mustard seed etc.

Indian government will be hard pressed to fight food inflation. A massive inventory of about 70 million tons of rice and wheat stocks with government is of course a silver lining. These buffer stocks will be used for market intervention.

INTERVIEW

“pulses are the main **source of vegetable protein** in the diet of people in India

An interview with
MR. RAJIV AGARWAL, IAS

Secretary to the Government of India
Union Ministry of Consumer Affairs, New Delhi

1. Despite having the world's largest acreage for pulses – 26 to 28 million hectares – planted in kharif (summer) and rabi (winter) seasons, India's yields are rather low at about 600 kg/ha versus global average of 1200 kg/ha. If yields are raised, availability will improve. How do Indian policymakers propose to address the issue of low yields?

It is true that the yield of pulses in the country is low as compared to the global average. Despite pulses being important protein crops in the country, the crop is grown mostly under rain-fed conditions. With the result, annual planted area, production and productivity fluctuate as per rainfall conditions. To increase production as well as ensure economical and affordable availability of pulses in the country, the yield of pulses would have to necessarily increase. This is the focus of Government schemes/programmes. Several specific measures have been initiated to facilitate this. Pulses development was, to begin with, brought under the Technology Mission in 1990. This was followed by the introduction of Integrated Scheme of Oilseeds, Pulses, Oilpalm and Maize (ISOPOM) in 2004 by giving more flexibility to the States in the promotion of programmes for pulses development. Later, a more comprehensive approach for pulses development with emphasis on area expansion and yield improvement was initiated through the National Food Security Mission (NFSM-Pulses) in 2007-08.

The pulses component of ISOPOM got merged with NFSM during April, 2010. Now, this is under active implementation in the pulse-growing districts of the country. During 2010-11, the Accelerated Pulses Production Program (A3P) was initiated by the Government as an additional component of NFSM-Pulses, primarily aimed at inducing sustained increase in pulses productivity to considerably reduce the demand-supply gap. With these measures, it is expected that there would be improvement in pulses productivity and production.

2. Pulses are economical sources of vegetable protein, especially for the poor. How does the government propose to ensure that the poor are able to access pulses at affordable prices?

The Government is fully conscious that pulses are the main source of vegetable protein in the diet of people in India, particularly the poorer sections. Accordingly, it is the constant endeavour of Government to make pulses available to the common man at affordable and economical prices. As already indicated above, substantial efforts are underway to enhance the production of pulses in the country. In fact, during the year 2010-11, we were able to achieve a record production of 18.24 million tonnes of pulses as compared with 14.66 million tons in 2009-10. Following this, the prices also remained under control. Several administrative and fiscal measures were also under implementation to increase the availability of pulses domestically, such as:

- Reduction in import duty to 'zero' for pulses
- Export of pulses (except Kabuli chana and organic pulses up to a maximum of 10,000 tons per annum) is not allowed at present.
- Two schemes were implemented for import of pulses: the first scheme that provided for reimbursement of losses on import of pulses by Public Sector Undertakings up to 15% of the landed cost was in operation from 2006-07 to 31-3-2011; and the second scheme for distribution of imported pulses at a subsidised rate through State Governments /Undertakings with subsidy of Rs 10/- per kilogram for distribution to BPL (below poverty line) families at one kilogram per month, was under extended implementation up to 30th June, 2012. Presently pulse prices are being closely monitored so that the government could intervene if the situation becomes adverse.

3. How do you foresee the current demand-production mismatch to pan out into the future?

As already indicated above, with the implementation of various programmes and measures, the productivity and production of pulses are expected to increase. With the enhanced availability of pulses, the demand-supply mismatch in respect of pulses may come to an end in the near future.

4. Currently, India is the world's largest importer. Will India ever return to the world pulses export market? How?

The immediate priority before the country is to bridge the demand-supply gap in the case of pulses that is currently prevailing in the country. With the expected increase in production, this should not be a difficult proposition. As regards India emerging as an entity in the pulses export market, this may perhaps take place some time later.

5. What will be role of PSUs in pulses import?

The Public Sector Undertakings namely, STC, MMTC, PEC, NAFED, etc. have played an important role in the import of pulses. In fact, these PSUs were the main agencies through which import of pulses was implemented under the two import schemes of the Government mentioned above. Irrespective of the import schemes also, along with private agencies, they have played a major role in the import of pulses that made up for the deficit in the availability of pulses indigenously.

6. The aberrant behaviour so far of the southwest monsoon this year has caused concern about pulses acreage, yields and production. Is the concern justified? What remedial policy action is proposed?

The southwest monsoon has been weak or inadequate so far. This would adversely affect the availability of pulses in the country. The country may have to go in for more imports to meet the likely deficit. The Government is seriously thinking of reviving the scheme for import of pulses with a better component of subsidy for its distribution through the Public Distribution System (PDS) so that the weaker sections of society are not faced with the untoward situation of short availability and high prices of pulses.

INDUSTRY ARTICLE

Article by: G. Chandrashekhar

THREAT OF FOOD INFLATION AS EL NINO GRIPS WORLD AGRICULTURAL MARKETS

Until three months ago, early May to be precise, analysts and commentators such as this writer were sanguine that farm production in the northern hemisphere would rebound in the second half of the year, augment supplies, lead to modest inventory building up and result in generally softer prices. The expectation was premised on the supply response to high prices seen in 2011, moderate prices of inputs, especially fertilizers, softer crude oil rates and anticipation of benign weather after two successive years of unfriendly conditions in different parts of the world. Indeed, that expectation of crop rebound was further reinforced by the positive planted acreage numbers in the United States, in particular.

Yet, there has been a dramatic change in the global agricultural landscape last two months; more precisely, in the last four weeks. Drought in the US Midwest – worst in 50 years as reported – is a game changer for the global agricultural markets as it has completely transformed the outlook for grains and oilseeds. Lowering of yields despite rise in planted acreage and rapidly tightening balances, especially for corn and soyabean, means that the bearish price expectation has now given way to a bullish scenario.

DROUGHT IN THE US MIDWEST – WORST IN 50 YEARS AS REPORTED – IS A GAME CHANGER FOR THE GLOBAL AGRICULTURAL MARKETS AS IT HAS COMPLETELY TRANSFORMED THE OUTLOOK FOR GRAINS AND OILSEEDS.

But it is not just the US; India is suffering a serious drought-like condition with overall rainfall since June 1 (till July 24) well over a fifth (22 percent) below normal. The Black Sea region too is experiencing unfriendly weather with the result that the grain harvest size is at risk; and in Brazil it is rather wet, hurting cane harvest and slowing sugar production. In the bourses, futures prices of grains and oilseeds have reached record highs, yet with potential risk of further upside if crop downgrades become a reality in the coming days.

Clearly, El Nino has gripped the world agricultural market. How soon and how well the world can get out of it and how best to mitigate the imminent damage and suffering is yet unclear. Is the world going to face another bout of food inflation? This is a question uppermost in the minds of most governments and policymakers. This raises the risk of policy action by governments; also possibly the risk of monetary tightening at a time when many central banks have just begun to ease the policy.

Remember the food price surge in the first half of 2008? There were food riots in some parts of the world. At that time, prices of almost all commodity groups – energy products, base metals, precious metals, polymers and agriculture – had risen stridently and in unison. The commodity price boom then was halted by the global financial crisis. However, at present, the price rally in the world agricultural markets is seen occurring when the overall global growth outlook is far from robust and sentiment weak.

Weather shock has combined with weak growth signals in the US, unresolved European sovereign debt crisis, fears over Chinese slowdown and geopolitical instabilities. Funds have exited a number of growth-oriented commodities including energy products and base metals. The concern is whether a part of this speculative capital will find its way into agricultural commodities.

THE PRICE RALLY IN THE WORLD AGRICULTURAL MARKETS IS SEEN OCCURRING WHEN THE OVERALL GLOBAL GROWTH OUTLOOK IS FAR FROM ROBUST AND SENTIMENT WEAK.

What's creating real anxiety in the global marketplace is the potential risk of trade restrictions that governments may choose to impose. There could be reintroduction of export restrictions and / or surge in import demand (especially in food import dependent countries). The world has seen in the past how export controls exacerbate the situation and serve extremely limited purpose or narrow ends. Import surges are sure to occur. Developments in the Black Sea region are being closely watched for ominous signs of policy intervention.

India may be a shining example. It should come as no surprise if embargo is placed on export of grains (rice, wheat and corn), sugar and other essential food items. Import of pulses is sure to increase to fill the widening supply deficit. Administrative controls such as imposition of stock limits are already being enforced. Even suspension of futures trading in pulses (chana), oilseeds (soyabean, rapeseed/mustard) and sugar cannot be ruled out.

So, the global policy environment is turning more complex and less predictable. But what is clear is that food prices will generally remain at elevated levels at least in the second half of this year or until there are signs of marked improvement in southern hemisphere crops.

NCDEX
CHANA DAILY CHART

For Chana futures, as shown on the daily chart prices have taken resistance near the upper trend line of the channel supported with a negative divergence on the RSI.

Recent trading sessions it can be seen that prices have formed a bearish red candle. The size of the decline in the last few trading sessions has also increased. The daily RSI at 80 levels has formed a double top formation.

In the near term upside appears to be capped from current levels & pull back near 4650/4750 can be considered as a selling opportunity for a decline towards 4320/4280 levels.

Supports will be seen near 4500 initially. While a fall below this may call for a further declines towards 4350-4300 levels. An unexpected rise above 4700 may postpone our bearish stance in the near term.

(The author Mr. T. Gnanasekar, Director, CommTrendz Research in Mumbai, India, is well-known technical analyst. This analysis is based on historical price movements. There is risk of loss in trading. The author can be contacted at: gnanasekar_thiagarajan@yahoo.com)

CICILS IPTIC

2012 WORLD PULSES CONVENTION

21-24 April, Dubai, UAE

CICILS 2012 World Pulses Convention was held in Dubai during April 21-24. A record number of 925 delegates from as many as 55 countries around the world participated. There were 40 exhibitors showcasing latest products and services on offer.

Ahmed Bin Sulayem, Executive Chairman of DMCC and Bian Zhenhu President of CFNA, delivered the inaugural address along with CICILS President Hakan Bahceci.

Key note speakers included: Joanna Lees (GAFTA); Roberto Marchetti (World Food Programme; & Brain Clancey (STAT Publishing). A series of panel discussion on various pulses by experts from the world pulses trade focussed on market conditions including supply and demand.

Here are some photographs that capture the jubilant and upbeat mood at the event.


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