

Background to the chickpea market

By Profarmer Australia

Chickpea price analysis is one of the most difficult of all commodities. The market is dominated by a few players, government intervention is rife and production at times can be highly variable. But we will attempt to put the market into some kind of context and then provide an idea of where we think prices are headed.

India is the major player in chickpea (chana) markets and accounts for some 60–70 per cent of the world's production and the majority of its imports. After coming off their 2008 highs and bottoming during the first half of this year, chickpea prices in India began to rise significantly during July and this lifted our own domestic prices (old crop) for a short while.

But in early August the Rajasthan Government imposed stock limits on pulses and other states such as Punjab, Haryana and Maharashtra followed suit. Imposing stocks limits came from pressure from the Central Government and is a favoured tool

to depress prices by stopping so called 'hoarders' (it is easier to blame speculators or hoarders for high prices and not inadequate government policy).

This government action, when taken

KEY POINTS...

- Indian chickpea prices came off 2008 highs and bottomed during the first half of 2009. In July they made a come back lifting Australian domestic prices.
- Stock limits in India then pressured the market again.
- Currently the trend is back up again and price will be determined by available stock levels in India, the crop outcome in Australia (yields are generally below expectations), and the level at which Australian growers will let the crop go.
- Local prices will be supported above \$A400 per tonne and head towards \$A450 per tonne.

with the market view that stocks levels were thought to be adequate and gram (Urad) were plentiful – part of the reason for weakening prices through the year – led to a drop off in prices.

But lower prices increases demand and Indian flour millers increased production (some 60 per cent or more goes into flour) which along with some weather issues led to another rise in prices recently. This current rise has been in part a result of short term firmness in Kharif pulses (summer

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crop) and unfavourable weather (dry) in west Rajasthan which could lower chickpea sowings, as well as being too wet in Southern areas (Andhra Pradesh) which will delay planting till December. But potentially these are only short term price supports as the Rabi (winter crop) will eventually go in. The Rabi crop is usually planted in October–November and is harvested in February–March.

Looking forward

The October–December quarter is traditionally the strongest quarter for chickpeas as it is the festive and marriage season (enlarged sweet consumption). Despite good stocks, India will fall short of chickpeas (somewhat usual) prior to the new Rabi crop. Some see this deficit as high as 500–600,000 tonnes although India generally only imports some 250–300,000 tonnes a year.

There are some market commentators in India calling for a decline in prices from December onward, based on government intervention, imports, the oncoming new Rabi crop and ideas that Canada will double its production. While some expect chickpea area in India this coming season to be similar to last year's 8.5 million hectares, others see the area being higher.

The production of some seven million tonnes out of last year's crop (likely a record

crop) resulted in good supplies and thus far this has been supplemented with supplies from Tanzania (inferior quality) and the Australian crop – expected to arrive in November–December.

These factors perhaps more than anything have led Indian traders to think that prices would be under some pressure in the medium term (from December onward).

But supply from Australia may not be as forthcoming as they expect unless prices here improve and we suspect the crop size will be below initial expectations – given harvest is underway and yields generally are below expectations.

To say that Canada would double production is a giggle in that it would not be hard

SOME CHICKPEA FACTS IN INDIA

Chickpea is known as Chana. On average it represents 40–45 per cent of total Indian pulse production and 60–70 per cent of world chickpea production. There are two types – Desi and Kabuli. Desi are the majority grown. The area grown to Chana in India fluctuates according to weather, government policy and returns. Madhya Pradesh state is the largest producer by far, followed by Rajasthan and Maharashtra. Those three states account for nearly three quarters of Indian Chana production.

following a very poor 2008–09 crop. Even with an expected production of 128,000 tonnes (double last year) the AAFC expect exports to rise only marginally and Canada is more a Kabuli producer anyway.

Price equation summary

So we think the price equation boils down to three things:

- The available stocks in India and the level of imports needed to reach March 2010 when new crop is available;
- The crop outcome in Australia (which dominates the desi export market); and,
- The level at which Australian producers will let the crop go.

So what does this mean to Australia producers? The chart above displays the Chana (chickpea) spot price in Delhi in \$US terms compared to the Brisbane price in \$US.

Currently the trend is up and this should be expected to continue until either prices reach a point where Australian farmers are comfortable to sell or at a point where time runs out for significant imports as the new Indian crop comes on stream (let's say February–March).

When looking at the Chana price in Delhi and Brisbane, both in \$A terms, it is interesting to note the divergence from time to time, like during the credit crisis in late 2008. But it is also interesting to note that prices around current levels in India can support better prices than are currently available here domestically.

Our take homes message from this graph (and we admit it may be too simplistic) is that with prices in India the equivalent of A\$530–580 per tonne or higher since mid year, this supports local prices above A\$400 per tonne and arguably A\$450 per tonne. If the Indian price can get a head of steam up, then prices could rise above the A\$450 per tonne Brisbane mark. ■

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