Pulses - Price crash

What is the issue?

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- The prices of pulses crashed a few months ago.
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- Along with bumper harvest, serious policy failures have also contributed to this.
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What is India's position?

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- India ranks first both in production and consumption of pulses and their import.
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- Domestic absorption in recent years has hovered between 21 million metric tonnes (MMT) and 23 MMT.
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- Production has ranged from 16.4 MMT to 19.3 MMT.
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- In 2016-17, India witnessed its highest ever domestic production of 22.95 MMT.
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Why did production spike in 2016-17?

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- The record production has been attributed to a normal monsoon in 2016 and high market prices of pulses at the time of kharif sowing.

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- Also, steep hikes in the Minimum Support Prices (MSP) by up to 9.2% for kharif and 16.2% for rabi pulses had aided the increase.

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What else led to the excess supply?

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- Normally, in a year of such bumper production, imports would be expected to fall significantly.
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- However, India imported a record 6.6 MMT of pulses at zero import duty.
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- As a result, domestic supply of pulses in 2016-17 shot up to 29.6 MMT.
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- This is way above the typical supply of 22-23 MMT.
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What is the solution?

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- **Export Import Regulations -** The landed price of imported pulses should not be allowed to adversely lower the market prices.
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- This calls for a proportionate duty on imports to protect local farmers.
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- On the contrary, if the government really favours free trade, as duty-free imports suggest, it should lift the ban on export of pulses that is presently in place.
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- **De-listing -** Pulses should be de-listed from the APMC Act inorder to enable farmers to sell freely to whosoever they like.
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- This will enable a better price realisation for the agriculturalists and a compression of the pulses value-chain.
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- **Stock holding -** The relevance of the Essential Commodities Act (ECA), especially the provision that imposes stocking limits, must be critically evaluated.
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- Unless private players are reassured that no ad-hoc stocking limits will be imposed, there will be no investments in building storage and efficient value-chains.
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- Such storage infrastructure will help absorb excess during gluts & address shortages during poor harvests.
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- **Futures Trading** - This should be allowed for all types of pulses so that planting and selling decisions of farmers are based on a futuristic rather than a backward-looking price information.
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- **Public Buffer** - With these policy changes, and a fairly reasonable buffer stock in place, the government can surely manage the pulses sector better.
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Source: The Hindu

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