Self Sufficiency in Pulses Needs Investment in Research and Stability in Policy Regime

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The production of pulses has increased over the year reducing the dependence on imports. But domestic production needs constant policy support. Chickpea production has gone up due to scientific breakthrough, but its prices have ruling below the MSP for several years now. Uncertainty of action under Essential Commodities Act is also a dampening factor.

Pulses are an important source of proteins, vitamins and minerals. They are considered as poor man's meat. They provide protein at low cost and thus contribute significantly to the nutritional security of India. This is due to both affordability and round the year availability of pulses in India.

Government promotes cultivation of pulses

According to the latest available data from Consumption Expenditure Survey (2011-12) of National Sample Survey (NSS), an average Indian spends 6 percent of his total food expenditure on pulses, which provide 11 percent of protein intake. The trend of consumption of pulses in recent years is not known as the Government withdrew the consumption expenditure survey for 2017-18.

After the global food crisis of 2004-06, the National Food Security Mission (NFSM) was launched by the Union Government in 2007-08 with a target to increase pulses production by 2 million tonnes (mt) by the end of 2011-12. The mission was quite successful, and the production of pulses increased from 14.2 mt in 2006-07 to 17.09 mt in 2011-12. However, in 2014-15 and 2015-16, the production of pulses declined in the wake of two successive droughts, resulting in rising imports for pulses.

The effect of consecutive droughts and crop failure led to the steepest rise in the price of pulses in 2015-16. To stabilize the prices of pulse during this period, the Government intervened aggressively in the market and allowed free imports (tur, moong and urad), imposed export restrictions and enforced stockholding limits under the Essential Commodities Act.

However, the option of large-scale import is limited as pulses are grown only in a few geographies in various continents. India is the largest producer and consumer of pulses. Thus, the solution to high inflation in pulses lies in increasing domestic production.

How has the NDA government responded?

In the wake of substantial inflation in pulses, the retail price of tur dal touched Rs 122 per kg and urad dal touched Rs 117 per kg in 2015-16.

To incentivise the domestic cultivation of pulses by reviewing the minimum support price (MSP) and related policies, the Union Government, in 2015, constituted a committee headed by the then chief economic adviser Dr Arvind Subramanian. The committee recommended a pulses buffer stock target of up to 2 mt.

Some of the important recommendations and the action taken on them are as under:

The committee had recommended that the government should procure the pulses at MSP for which it should allocate Rs 10,000 crore to procurement agencies. There was an increase in the allocation of pulses under the Price Support Scheme (PSS) and a Price Stabilisation Fund (PSF), which was set up for the procurement of pulses. However, for 2023-24, only a token allocation of Rs 1 lakh each was provided in the budget for PSS and PSF. It seems that there is saving under PSF and the same will be used to procure pulses for buffer stock.

The committee recommended that the state governments should be advised to remove pulses from Agricultural Produce Market Committee (APMC) Acts, so that pulses can be sold and purchased outside the physical boundaries of APMCs. This recommendation has not been uniformly implemented in all the states.

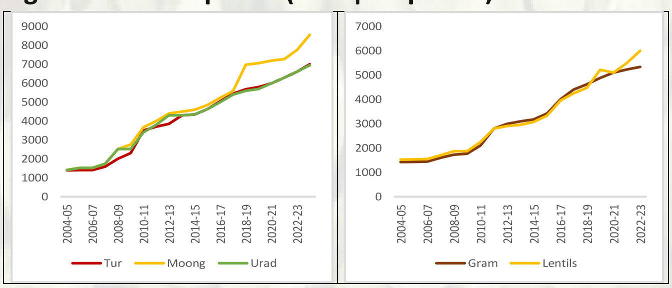
It was further recommended that export of pulses should not be banned. It has not been accepted.

The recommendation of setting up a new institution for pulses owned by the government, private players and the public sector was not accepted as Nafed is already in the market with a long run experience of procurement and sale of pulses.

MSP hiked during multiple Government regimes

To incentivise the farmers, Central governments over past 10 years increased the minimum support price (MSP) of pulses. Between 2004-05 and 2023-24, the MSP of kharif pulses tur and urad was increased by 403 percent and 393 percent respectively while that of moong was increased by 507 percent. In case of rabi pulses, the MSP of gram has increased by 274 percent from 2004-05 to 2022-23 while for lentils (masur) it increased by 293 percent (figure 1).

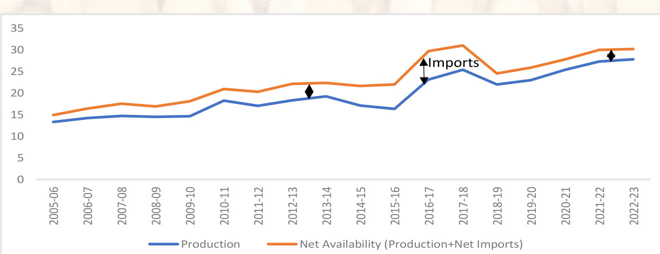
Figure 1: MSP on pulses (In Rs per quintal)



Source: Commission for Agricultural Costs and Prices, Ministry of Agriculture & Farmers Welfare, Government of India

As a result of incentives provided by the Government, the production of pulses increased from 19.2 mt in 2013-14 to 27.3 mt in 2021-22 (figure 2). Yet, due to higher demand as compared to production, India is dependent on import of pulses. On an average during 2018-19 to 2022-23, India has imported 2.5 mt of pulses. In 2022-23, around 2.4 mt of pulses were imported in India.

Figure 2: Domestic production and net availability of pulses (million tonnes)



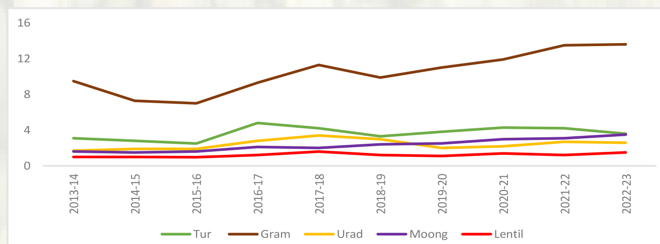
Source: Ministry of Agriculture, Ministry of Commerce and Industry and DES

Note: Data for 2022-23 is second Advance Estimates

In 2022-23 (2nd Advance Estimates), India produced 27.8 mt of pulses. Of this, about 49 percent or 13.6 mt is gram (chickpeas) and about 12.5 percent or 3.5 mt is moong. In case of chickpeas, short duration chickpea varieties such as JG 11 and JAKI 9218, developed in collaboration between Indian Council of Agricultural Research (ICAR) and International Crops Research Institute for the Semi-Arid Tropics (ICRISAT) led to an increase in the chickpea area in southern India.

Due to adverse climatic events in 2022-23, the production of tur is expected to decline this year by about 14 percent, and it will be 3.6 mt. Similarly, urad production is expected to decline by about 3.2 percent or 0.09 mt (figure 3).

Figure 3: Domestic production of various pulses (million tonnes)



Source: Directorate of Economics and Statistics, Ministry of Agriculture and Farmers Welfare, Government of India

Note: Data for 2022-23 is second Advance Estimates

Import duties reduced and agreements signed for import

The Government has been quite proactive in checking inflation in pulses.

In May 2021, pulses were placed under the Open General License (OGL) category. To increase the domestic supplies, the government on May 15, 2021, allowed the duty-free import of tur, urad and moong till October 31, 2021. This has been further extended till March 31, 2024, for tur and urad. On July 26, 2021, the government reduced the basic duty on moong to zero for all non-US imports (and to 20 percent for all US imports).

To contain the retail prices of lentils by reducing the cost of imports, the government on February 12, 2022, reduced the import duty on lentils to zero till September

2022. This has been further extended until March 31, 2024. Lentils from United States, however, will be subject to a 22 percent tariff.

To augment supplies in the future, the government signed two bilateral agreements with Malawi and Myanmar in June 2021 respectively for duty free import of 1 mt of tur and 2.5 mt urad every year from 2021-22 to 2025-26. It also extended its existing MoU with Mozambique for tur.

Earlier in 2023, India Pulses and Grains Association (IPGA) and IBRAFE, Brazil signed a cooperation MoU, working towards promoting tur and urad and any other pulses crop (beans from Brazil) of mutual interest, including research in pre and post -harvest activities. Fearing likely shortage, the central government has signalled that India could import up to 1 mt tur in 2023.

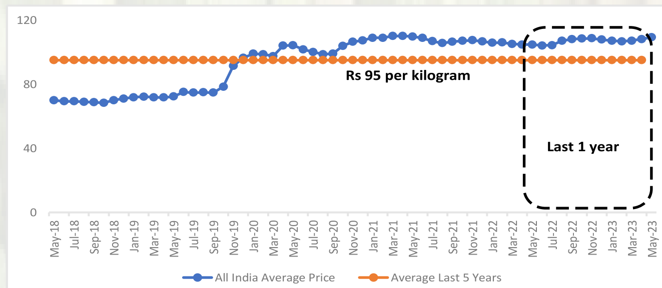
In July 2021, Essential Commodities Act was invoked which enabled the state governments to impose stock limits on traders on tur, masur and urad. For instance, stock limits were imposed on all pulses (except moong) on July 2, 2021, but it was lifted in November 2021.

The Essential Commodities (EC) Act has been found useful by the successive governments whenever the Government feels that there is a possibility of high inflation. Of the three farm law Ordinances issued by the Union government on June 5, 2020, the Essential Commodities (Amendment) Ordinance was the most critical one. The Act limited the government's powers and mandated that it can resort to regulating the supply of foodstuffs, including cereals, pulses, potato, onions, edible oilseeds and oils, only under extraordinary circumstances like war, famine, extraordinary price rises and grave natural calamities. According to the EC Amendment Bill, the government could impose stock limits only if there was a 100 percent increase in the retail price of perishable food items, either compared to the average price over the previous year or the average price over the last five years. However, due to the unrelenting agitation of farmers, the government repealed the three contentious farm laws, including the EC (Amendment) Act in November 2021.

Recent inflation in pulses (2023)

In April 2023, the inflation in pulses and products was 5.28 percent. We plot the price series for the two most important pulses: urad and tur in Figure 4(a and b). Government's concerns remain over prices and availability for tur and urad. The monthly retail prices of urad in May 2023 was Rs 109 per kg, which was barely higher than the last year's average price of Rs 107 per kg (May 2022- April 2023). The average retail price in the last five years was Rs 95 per kg.

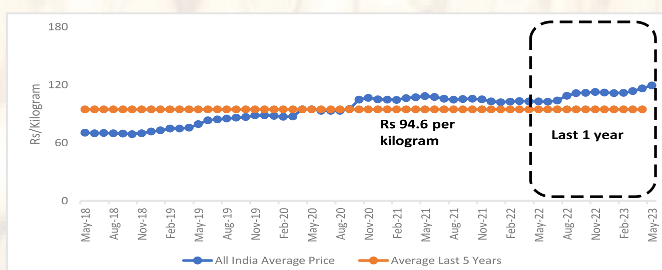
Figure 4(a): Monthly retail price of urad (Rs/kg)



Source: Ministry of Consumer Affairs, Government of India (accessed on 6 June 2023)

The all-India retail price of tur dal at the end of May 2023 was Rs 119 per kg, while the last year's average was Rs 110 per kg. Thus, tur dal prices were 8 percent higher than the last year's average price and 25.7 percent higher than the last five years' average. Clearly, the level of price rise in these two major pulses in not even close to the 50 percent mark envisaged under the now repealed EC (Amendment) Act 2020. As a result, there is no real case for imposition of stock limits in tur and urad. However, on June 2, 2023, the central government again imposed stock limits on tur and urad until 31st October 2023.

Figure 4(b): Monthly retail price of tur (Rs/kg)



Source: Ministry of Consumer Affairs, Government of India (accessed on 6 June 2023)

The duty structure on imported pulses needs a more agile policy – as there is wide fluctuation in global prices – and adopting multiple instruments including imposing stock limits, duty free imports of tur and urad makes other crops including soyabean and cotton more lucrative for the pulses farmers.

Going Forward

Production of pulses in India has fluctuated with no long-term trend. Therefore, the government is encouraging the farmers to adopt varietal and seed replacement to increase the production of pulses. About 150 seed hubs were created at Indian Council of Agricultural Research (ICAR) institutes, State Agricultural Universities (SAU) and Krishi Vigyan Kendras (KVKs) for increasing certified seed production of pulses. Special Action Plan for increasing pulses productivity was also implemented during 2019-20. Despite these efforts, the productivity of most pulses has not increased as expected apart from chickpeas, which contributes about half of India's production of pulses.

Procurement of pulses by NAFED drastically declined to 1.4 mt in 2021-22 after reaching an all-time high of 4.18 mt in 2018-19. At the beginning of February 2023, Nafed had close to 2.7 MT of pulses against the government's buffer stock norm of 2.3 mt. Chickpea prices have been trading below MSP for several years. The all India average wholesale price of chickpeas for 2022-23 was Rs 5192 as against the MSP of Rs 5335 (Agmarknet accessed on 7 June 2023).

Future trading of chickpea has remained suspended since August 2022 and the suspension has been extended till December 2023. In the absence of future prices, the farmers have no clue about the price at the time of harvest.

On June 6, 2023, the Central Government removed the procurement ceiling of 40 percent for tur, urad and lentils under PSS for 2023-24 to boost the domestic production of pulses. In the coming kharif crop, this may be an incentive to farmers to increase area under pulses. In view of threat of El-Nino, the farmers in rainfed areas may prefer pulses to paddy.

On June 7, 2023, the Government announced hike in MSP of tur (6 percent), urad (5.3 percent) and moong (10.3 percent).

Pulses procured at MSP should be disposed of effectively due to a shorter shelf life and therefore it is recommended not to ban the export of pulses to keep the prices under check.

A working group on Crop husbandry, agricultural input demand and supply projections set up by NITI Aayog (2017) estimated that by the year 2032-33, pulses demand (both direct and indirect) in the country would be 35.2 mt, and there would be a deficit of around 5 to 7 mt.

As a result, a technological breakthrough and diversification of area from wheat and rice is necessary to increase the production of pulses by about 5 mt over the next five years. The Government should also protect the MSP by ensuring that the landed price of imported pulses is not lower than the MSP.

Timely disposal of pulses procured under various schemes of Government is also necessary. Many a times, it has depressed prices in arrival season of pulses.

It is not easy to predict prices of agricultural commodities and therefore concerted policy is required to ensure remunerative price signal of pulses and increase its production.

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