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Farmers irked as prices of pulses fall below MSP ahead of rabi harvesting

Dabba trading, smuggling of peas contribute to price fall

Dilip Kumar Jha | Mumbai February 18, 2020

With rabi harvesting just few weeks away, pulses in select mandis have slipped to trade substantially lower than their minimum support price (MSP), the threshold at which the government procures the commodity.

While chana (Bengal gram) in Gadag (Karnataka) is selling at Rs 4,122 a quintal, or 11 per cent below its MSP of Rs 4,620 a quintal, moong (green gram) in Nasrullaganj (Madhya Pradesh) slipped to Rs 5,201 a quintal, down a staggering 26 per cent to its MSP of Rs 7,050 a quintal.

Tur (red gram), masur (lentil) and black gram (urad bean) are also currently selling much lower than their MSPs.

The fall in the prices of pulses ahead of the rabi harvesting season could prove a major blow for farmers who were anticipating better realisation on lower acreage this year. Experts, however, have divergent views on the price decline.

“Huge quantities of peas are being smuggled into India through road transport from Nepal, Bangladesh and Myanmar. None of these countries cultivate peas. The produce is imported from Canada and other countries. Since smuggling translates into a evasion of a massive tax of 50 per cent, such importers have room to sell their goods cheaply, which pulls down pulses prices in India,” said Bimal Kothari, Managing Director, Pancham International, a Mumbai-based trader.

National Collateral Management Services (NCML), a private firm, forecasts India’s rabi pulses output to decline by 2.1 per cent to 14.48 million tonnes this year from 14.8 million tonnes in the same season previous year. Rabi season contributes nearly 60 per cent of India’s pulses output, kharif contributes the rest.

In NCML's latest report, chana output is forecast to decline by 5.4 per cent to 9.58 million tonnes during the ensuing rabi harvesting season, from 10.13 million tonnes the previous year.

To discourage import and make India self-reliant in pulses, the government has levied 50 per cent import duty on peas, in addition to fixing Rs 200 a kg as minimum import price. Thus, the landed cost of peas either from Canada, Russia or Ukraine works out to Rs 325 a kg. With some profit for traders, the ideal situation for retail price should be at a minimum Rs 350-375 a kg.

“Chana is a substitute for peas and hence, traders are working to increase its supply from abroad through the illegal route. Such illegal trade needs to be curbed immediately,” said Kothari.

Meanwhile, Babulal Goyal, President of Rajasthan Dal Mill Association, has a different story to explain the price fall.

“Dabba traders (who take prevailing prices on commodity exchanges as a reference point to quote for bilateral deals) are purposefully quoting chana prices lower to build their stock during the current harvesting season and make profits in futures when the price moves up. Normally, lean season or far-month quotes are higher than near-month during the harvesting season. So, dabba traders need to be curbed,” said Goyal.

According Goyal, the government needs to intervene in the matter and procure the entire quantity of pulses available for trade especially when their prices decline below the MSP.

“The government had procured some 2 million tonnes of pulses last year at MSP for selling in the lean season. But, selling is done when pulses prices have fallen below MSP, thereby incurring a huge loss for the government,” said Goyal.

The price fall ahead of the harvesting season is set to lower farmers’ income, forcing them to sell in distress, and thereby deepen their debt levels, said Goyal.

Source: *https://www.business-standard.com/article/economy-policy/farmers-irked-as-prices-of-pulses-fall-below-msp-ahead-of-rabi-harvesting-120021800546_1.html*