Rabi acreage has witnessed a good recovery and hence bumper production is expected from the Rabi produce post a good Kharif production. All India Rabi Pulses acreage stands at 159.28 lakh hecatres as on 27th January as against 143.05 lakh hecatres during the same time last year.

CHICKPEA/CHANA — Mildly Bearish

Chana is likely to trade with a negative bias and edge lower towards Rs 5700-5500 per quintal from the current levels of Rs 6300. Import arrivals and higher domestic production will weigh on the prices but the empty pipelines could limit the downside.

- Availability of desi Chana is at bare minimum levels and majority of the market is consuming imported chana
- Imports in this season where a tad lower than our forecast.
- Two-three vessels are expected to arrive from Australia in this month
- Record sowing this year is likely to yield in bumper Chana crop
- Demand is likely to remain regular and bulk buying will begin only with the arrival of the new crop
- *Prices in the month of January edged lower much as expected by EAR*

PEAS — Range Bound

In the month February, market is likely range bound between Rs 2300-2500 with a mild negative bias. Higher domestic crop will weigh on the prices but firm demand could support prices on the downside. Current market price is Rs 2450.

- Only one or two vessels of peas is expected in this month, hence no major import pressure expected
- Domestic crop is expected to be very good with record plantings this year
- Supply in the market will remain ample in the near term
- Demand is likely to remain supportive as most of the millers and stockiest tend to procure during this time
- Markets are anxious about the fumigation rule which is set to expire on 31st March 2017.
- *Prices in the month of Janauary'17 remained range bound as expected.*

PIGEON PEA/TUR — Bearish

In the month of February, arrival pressure is expected to mount and drag prices lower towards Rs 4000-4200 in the spot markets of Latur from the current price of Rs 4900.

- EAR expects Tur production at a record of 3.96 million tons, up 93% from last year
- Arrivals in the major producing centres is likely to rise and peak in this month
- Import dependency in the year 2016-17 is expected to reduce considerably
- Demand is likely to pick up pace in the coming month but will fail to impact prices.
- Government procurement will remain in focus as prices have dipped below the MSP
- In the month of January, prices fell sharply much in line with EAR's expectations.

BLACK MATPE/ URAD — Mildly Bearish

In February, EAR expects urad FAQ prices to edge lower towards Rs 5500-5400 per quintal on ample availability in the market from the current levels of Rs 5850 per quintal. Upcoming rabi harvest will aggravate supplies in the domestic market.

- Market is well supplied with ample availability from the Kharif crop
- Rabi harvesting shall begin by end of Feb and arrivals should begin by early March
- Imports are likely to remain in the range of 10-20K tons in February
- Demand in the market is subdued due to lack of buying interest of the millers.
- *In the month of Jan'17, prices edged lower much as expected by EAR.*

LENTILS/MASOOR — Mildly Bearish

Masoor is expected to trade range bound between Rs 4200-4900 with a negative bias, CMP Rs 4600. Arrival pressure from imports will reduce but markets will be overlooking a bumper crop production in the coming harvest.

- Supply in the market is adequate with the recent imports
- Lentil sowing in India is robust and the crop is expected to be in a very good condition
- Indian lentil production is estimated at 0.62 million tons up almost 30% from last year
- Demand in the month is expected to be only hand to mouth
- In the month of Jan'17, prices edged lower as expected by EAR.

GREENGRAM/MOONG — Range Bound

Moong is likely to witness a minor recovery in prices towards Rs 4800 per quintal from CMP of Rs 4400 on prospects of demand recovery. However, sharp gains will be capped owing to upcoming rabi harvest.

- Kharif arrivals will be slowing down while Rabi crop will arrive by the end of this month only. Although there will be ample availability in the market
- Imports in the month of February are expected to remain subdued
- The latest updates show that rabi acreage has improved year on year
- Lower prices and near end of winters will bring back millers interest in the market.
- *In Jan'17, prices remained range bound as expected by EAR.*

About EAR Research on Pulses

Pulses complex is the one of the most scattered commodity complexes to track for various reasons. It begins from the fact that the farmer usually plants pulses as an inter crop, along with some other main crop in his field. For example Tur is inter cropped with Cotton / Soybean; Urad and Moong is often inter cropped with Jowar. Chana is an exception to some extent.

Pulses are grown across the states in this fashion as a result production estimates are a matter of debate. This becomes apparent from the example that Chana production by Ministry of Agriculture for the year 2012-13 was 8.8 mln tons against the industry/trade estimates of 6 – 6.5 mln tons. This disparity in estimates exists for most other pulses.

Moong is a short duration crop and can be sown by farmers between three to five times in a year. Acreage of this crop is highly widespread making it difficult to arrive at a conclusive number for production.

At EAR, historic numbers of pulses production is derived at by discussing with the trade seniors as well as taking into account the government estimates. From 2015 onwards, production number of EAR is derived using the acreage number posted by the government while the yields of the crop is determined post the crop survey done by our team across the major states in India.

While import numbers are traceable, there is some ambiguity regarding imports of Moong and Urad. Both these pulses share the same HS code, hence it is not possible to reconcile the import numbers of these two pulses separately with the Ministry of Commerce numbers. As a solution EAR downloads the weekly import numbers from websites like tradedoot.com.

Pulses being the directly consumable commodity, its consumption can only be guesstimated, similar to commodities like Wheat and Jowar. The daal mill sector is far too unorganised to be captured in data.

Pulses are in the same league of difficulties with other commodities when one tries to estimate the stocks.

Globally too, while the demand and supply estimates are well organised in countries like Canada and Australia, the data from African nations and Burma remain a matter of broad estimate.

Hence while EAR is sincere and honest about the numbers discussed here, we are constantly in the process of refining these numbers.

CHICKPEAS/CHANA Mildly Bearish

Chana is likely to trade with a negative bias and edge lower towards Rs 5700-5500 per quintal from the current levels of Rs 6300. Import arrivals and higher domestic production will weigh on the prices but the empty pipelines could limit the downside.

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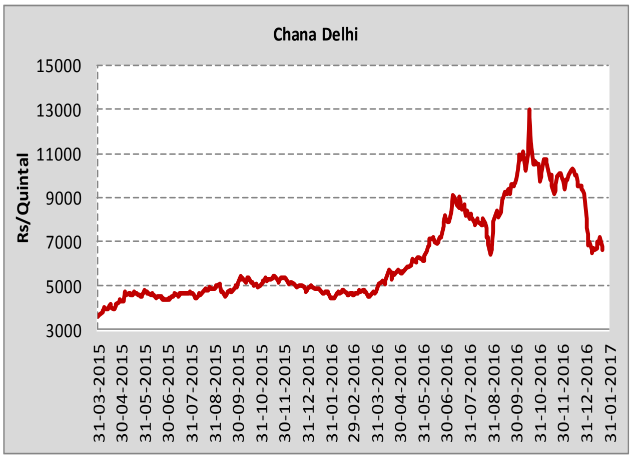


Indian Chana Balance Sheet							
(In Million Tons)	**March-Jan 16**			**Annual (Mar-Feb)**			
Particulars	**2015-16**	**2016-17**	**Change**	**2015-16**	**2016-17**	**2017-18(F)**	**% Change**
Opening Stocks	0.210	0.12	-43%	0.21	0.12	0.11	-12%
Production	3.970	4.08	3%	4.94	5.00	6.17	23%
Imports	0.881	0.66	-25%	0.95	0.86	0.75	-13%
FSR				0.78	0.79	0.82	
Total Supply	**5.061**	**4.86**	-4%	**5.32**	**5.19**	**6.21**	20%
Domestic Consumption	4.775	4.64	-3%	5.07	4.94	5.84	18%
Exports	0.133	0.13	-2%	0.14	0.15	0.18	24%
Total Demand	4.908	4.77	-3%	5.20	5.09	6.02	18%
Ending Stocks	0.153	0.091	-40%	0.12	0.11	0.19	75%
Stock to Use	**3.11%**	**1.91%**		**2.33%**	**2.10%**	**3.10%**	

Supply

In the month of January'17, prices edged lower much as expected by EAR. Prices in the Delhi market which were trading close to Rs 8500 at the start of the month dipped to Rs 6500 per quintal where it found buying support which helped prices to recover to some extent. Normally Chana from Rajasthan and Madhya Pradesh is traded in Delhi market. This year, due to lack of availability of Desi Chana, Australian variety is being traded in the Delhi Lawrence Road market. This is mainly due to the tight domestic scenario which is also reflected in the balance sheet above.

The markets are now bracing for the bumper rabi pulses production. Initially EAR had estimated Chana acreage for the year 2016-17 at 102 lakh hectares but during the initial round of our survey we found that many farmers were not able to expand acreage under Chana due to lack of availability of seed or due to high seed cost. Since the seed prices were expensive, only those farmers took up Chana sowing who had retained seed. While many big farmers did purchase seeds, many stayed away after witnessing crop losses for two consecutive years and opted to plant other pulses like Peas or Lentils.

EAR's prediction on Chana acreage has been very much accurate. As per the latest updates, Chana sowing as on 27th January stands at 98.82 lakh hectares as against 89.23 lakh hectares sown last year. Not only has the acreage surpassed the normal acreage of 88.37 lakh hectares but acreage this year is at record levels. The table below lists the state wise acreage breakup-:

Chana sowing progress as on 27th Jan 17 (Lakh Ha)				
State	Season Normal	2016-17	2015-16	% Devtn
Madhya Pradesh	30.6	32.52	30.17	7.8%
Rajasthan	15.3	17.51	12.38	41.4%
Maharashtra	13.7	18.60	14.30	30.1%
Karnataka	9.2	10.81	15.45	-30.0%
Uttar Pradesh	5.8	6.36	4.00	59.0%
Andhra Pradesh	4.7	3.88	4.60	-15.7%
Total	**86.84**	**98.82**	**89.23**	**10.7%**

We are currently at the fag-end of the current season and due to lower production for two consecutive years in India, the domestic supply in the market is at lowest levels. There are no arrivals of the domestic desi variety in the major markets in India and majority of which being traded is of Australian variety. Going forward, small quantity of Chana from the southern region will start arriving. Apart from this, imports will continue to arrive mainly from Australia, Russia and U.S.

We believe that almost 4.08 million tons have arrived in the market during the period March-January vis-à-vis 3.97 million tons last year. The domestic arrivals are higher year on year due to the rise in prices which prompted the farmers to bring higher produce in the market. Most of the farmers would have sold out their produce and whatever little stocks India is having now, is likely to be in the hands of stockiest, traders or millers. However, if we were to compare it with the year 2014-15, the arrivals are down almost 21% this year. 5.2 million tons arrived during the period March-January (2014-15).

The year ending stock is expected to decline to a new low and is likely to be near 110,000 tons in the year 2016-17. However this would be subject to change if imports for the month of February differ widely from our expectations. This could potentially be the tightest year on record.

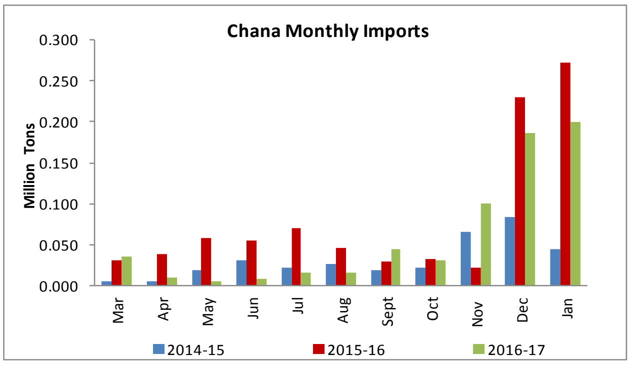
Imports

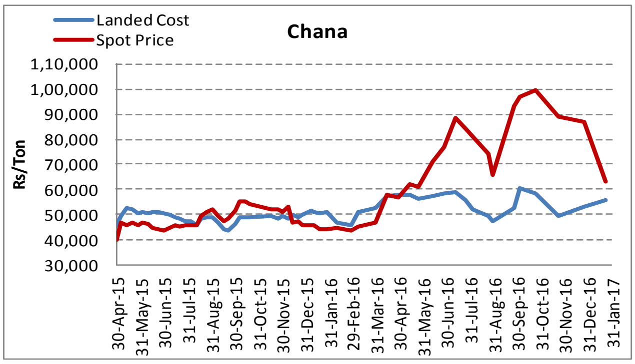
Imports during March - January'17 have remained lower year on year due to higher base last year. Last season, large chunk of imports were front loaded during the period of Oct'15-Feb'16 from Australia which the left the source nation nearly empty during the lean season. In current year delayed harvesting in Australia has resulted in delay of shipments and hence import pressure in India was lower than expected during the months of October-December. January did see a rise in imports both through vessel shipments as well as container shipments.

EAR had reduced the import estimates for the year 2016-17 (ongoing year) from 0.964 million tons to 0.86 million tons citing the lower than expected imports during the peak import season. This is lower than last year's imports of 0.95 million tons. As we end the crop year next month, total imports so far stand at 0.66 million tons. Considering that not more than 2 lakh tons of imports is expected in the month of February, our downsizing of the import estimates is justified. We believe that since production in Australia is higher and imports to India in response to huge crop at home, will be marginally lower than early expectations, there would be ample availability throughout the year in Australia.

Imports in the month of January were lower than expectations. Imports totalled approximately 200,000 tons in the month of January, lower than our estimates 275,000 tons. Imports during the same month last year stood at 270,000 tons. Of the 200,000 tons of Chana imported in the month of January, majority of it arrived from Australia. However, we also saw small container shipments from Russia and United States. The chart below depicts the month on month comparison of imports of Chana in the year 2016-17 versus its previous two years. It is clear that early in season, the imports were lower YoY, aggravating the tight domestic scenario.

The second chart illustrates the landed price of Australian Chana for forward shipments versus the domestic prices prevailing in the Mumbai market. The chart depicts how the price gap between the spot rates and landed cost for Dec-Feb shipments which had widened in the month of September and has now started to narrow. In the month of January we witnessed that the CNF rates had gained by 5% while the spot prices fell sharply during the same period. CNF rates for Chana gained from $ 750 to $ 790 per ton while prices in the spot markets fell from Rs 87000 to Rs 63000 per ton for the Australian variety, falling as much as 27%. This was mainly due to improved availability owing to imports. Though the spread continues to remain positive it has narrowed down significantly during this month. This move in the spread was anticipated by EAR in its last monthly report on the back of cooling prices in the domestic market. Australian sellers have started to offer their new crop at a discount price of $690 for Sep-Oct'17 delivery.





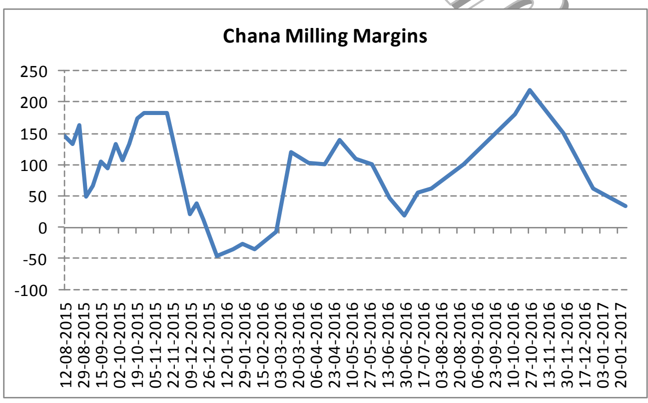
Demand

Demand in the month of January was a tad lower as most of the buyers stayed on the sidelines citing the downfall in prices. Demand in the month of December was relatively better although it did not have the vigour. Currently also most of the millers are going hand to mouth. Only those millers who are able to sell their finished products are purchasing Chana in the market.

Many are also staying on the sidelines as they would now prefer to buy the new crop which will be available in plenty from the month of March. Demand in this month was also tamed down due to availability of cheaper vegetables in the market which reduces the intake of dals. This affected the demand in the retail market and hence impacted the buying sentiments of the millers.

EAR had initially estimated annual demand at 5.02 million tons for the year ongoing year 2016-17. We have downsized this demand number to 4.94 million tons due to lower availability and higher prices which restricted consumption. We believe that during the period March-January, 4.64 million tons would have been consumed as compared to 4.77 million tons during the same period last year. In any normal crop year, the average consumption during this time period is between 4.9-5.4 million tons.

Going forward in the year 2017-18, demand is likely to revive with prices falling substantially from the high. EAR forecasts demand for the coming year at 5.84 million tons, rising 18% from the current year.



Milling margins have come down sharply over the last two months. In the month of November, the margins were as much as Rs 250 -200 per quintal. With the sharp fall in dal prices, milling margins have reduced to Rs 30 per quintal in the recent times. Hence, giving no incentive to millers to buy Chana for processing dal at a time when the market is so volatile.

With production of Kabuli Chana improving in the coming season, export horizons are expected to widen going forward. According to the sources, 300 containers of Kabuli Chana have been contracted for March delivery. The main destinations for Indian Kabuli Chana are Pakistan, Algeria, Sri Lanka, Turkey, Iraq and UAE.

Global Scenario- Australia

India is the largest producer of Chana in the world. However, India still imports chana from Australia, Russia, Tanzania, Unites States, Ukraine, etc due to its huge domestic demand. Australia is the largest supplier to India and hence its supply and demand estimates play a crucial role in governing the prices in India. The table below explains the annual supply and demand balance sheet of Australian Chana, sourced from StatPub

Australian Chickpea Balance Sheet (Oct-Sept)				
Particulars ('MT)	**2014-15**	**2015-16**	**2016-17**	**YoY**
Opening Stocks	37001	7000	9000	29%
Production	690407	1013000	1227000	22%
Total Supply	727408	1020000	1236000	21%
Comsumption				
Exports	662782	944000	1002000	6%
Seed	53400	62500	42900	-31%
Feed & Other	4226	4500	5600	24%
Total Consumption	720408	1011000	1050500	4%
Ending Stocks	**7000**	**9000**	**185500**	**17%**
Stocks/Use	**0.97%**	**0.89%**	**17.66%**	

The year 2015-16 began with miniscule opening stocks which are estimated at 7,000 tons as against 37,000 tons in the previous year. Improved demand and higher prices, encouraged higher plantings in the year 2015-16 as result of which the production jumped to record high levels at 1.01 million tons.

Higher demand, especially from India and Pakistan, resulted in a surge in Australian exports. Exports for the year 2015-16 were 0.944 million tons against 0.66 million tons in 2014-15.The rise in export demand has resulted in the stock to use ratio to edge lower from the initial estimates. The stock to use ratio for 2015-16 is pegged at 0.89%. The latest updates say that exports for the year 2015-16 were close to 1.04 million tons. However, by doing so the stocks number emege as a deficit of 91,800 tons which cannot be true. Hence, we wait for final numbers to be revised before we make the changes in this balance sheet.

Australian farmers have earned good returns in the year 2015-16 and hence the plantings for the year 2016-17 is signficantly higher.

Production number for the year 2016-17 is revised higher from the initial estimates of 1.11 million tons to 1.227 million tons. This would mean that production is now estimated to be higher by 22% from last year, which itself was a record production year. With improved production prospects in India, export demand is likely to ease in the new year and is estimated at 100,2000 tons. Ending stocks are expected to rise signficantly to 185,500. The stock to use ratio is likely to improve to 18% , this would be the highest in last four years.

Australian farmers are currently offering thier crop at $780-790 per ton and they have also started to offer their new crop at $690 per ton. Going forward, we could see a gradual rise in their prices for the current crop ahead of the Ramzan festival when demand from other countries will also emerge.

Outlook

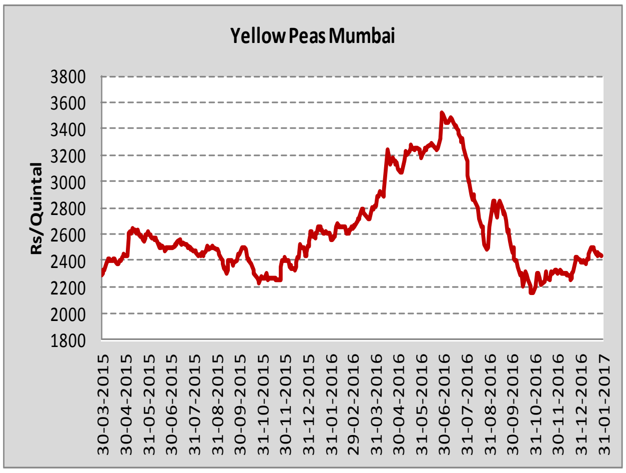
In the month of January, Chana prices moved lower during the month as market witnessed import pressure from Australia, improving the supply prospects in India. Additionally, the robust rabi sowing progress is also seen weighing on the prices. Record high acreage coupled with favourable weather conditions is likely to result in bumper Chana production in the coming year. Lower acreages in Karnataka and Andhra Pradesh have been offset by the gains in other major producing states. Weather remains crucial till the crop is harvested.

We believe that in the month of February, the prices will remain under pressure throughout the month though there could be bouts of buying in the market. Lower prices could bring buying interest as pipelines are empty but higher supplies will dominate the prices in the short term. The recent spell of rains in Rajasthan is likely to benefit the standing crops. Thus, foreseeing a bumper Chana production, EAR expects Chana prices to edge lower towards Rs 5700-5500 per quintal in the Mumbai/Delhi market from the current levels of Rs 6300-6200 per quintal.

PEAS — Range Bound

In the month February, market is likely range bound between Rs 2300-2500 with a mild negative bias. Higher domestic crop will weigh on the prices but firm demand could support prices on the downside. Current market price is Rs 2450.

- Only one or two vessels of peas is expected in this month, hence no major import pressure expected
- Domestic crop is expected to be very good with record plantings this year
- Supply in the market will remain ample in the coming short term
- Demand is likely to remain supportive as most of the millers and stockiest tend to procure during this time
- Markets are anxious about the fumigation rule which is set to expire on 31st March 2017.
- *Prices in the month of January'17 remained range bound as expected.*



Indian Pea Balance Sheet							
(In Million Tons)	March-January 2016			Annual (Mar-Feb)			
Particulars	**2015-16**	**2016-17**	**Change**	**2015-16**	**2016-17**	**2017-18(F)**	**% Change**
Opening Stocks	0.49	0.38	-23%	0.49	0.38	0.46	23%
Production	0.41	0.55	36%	0.52	0.66	0.88	33%
Imports	1.73	2.37	37%	1.86	2.42	2.22	-8%
FSR				0.09	0.09	0.09	0%
Total Supply	2.62	3.30	26%	2.78	3.36	3.47	3%
Domestic Use	2.22	2.76	24%	2.40	2.90	2.85	-2%
Exports	0.00	0.00		0.00	0.00	0.00	
Total Demand	2.22	2.76	24%	2.40	2.90	2.85	-2%
Ending Stocks	0.40	0.54	35%	0.38	0.46	0.62	34%
Stocks to Use	18%	20%		15.6%	16.0%	21.8%	36%

Supply

The market has remained well supplied in the recent times on the back of robust imports. Jump in imports during the period of November-January have ensured good availability in the market. In the month of December, prices dipped to Rs 2261 and recovered to some extent. While in January, prices remained in the range of Rs 2400-2550 per quintal. Higher imports swelled the supply pipelines which resulted in prices drifting lower to Rs 2260. However, at lower prices buyers were enthusiastic to buy which resulted in good lifting of stocks. This helped prices to rebound from the lows.

Of the total production, 0.57 million tons was available as the marketable surplus, of which that 0.55 million tons is expected to have been consumed by the end of January. Due to higher prices since the start of the season, farmer selling this year has been higher at 0.55 million tons (Mar-Jan) as against 0.41 million tons last year, up by 36%. Imports during the period of March-January were 2.37 million tons, 37% higher from the same period last year. As a result of which the total supply in the market is up 26% from last year despite a lower carryover stocks.

We foresee the ending stocks for the year 2016-17 to surge to levels seen during the year 2014-15. The year 2014-15 can be categorically described as the year with higher imports. Favourable import parity and bumper production in the sourcing nation has resulted in dumping of the higher exportable surplus in India. The ending stocks are estimated at 0.46 million tons which would be higher than previous year's 0.38 million tons. The stock to use ratio at the current levels is pegged at 16% as against 15.6% last year.

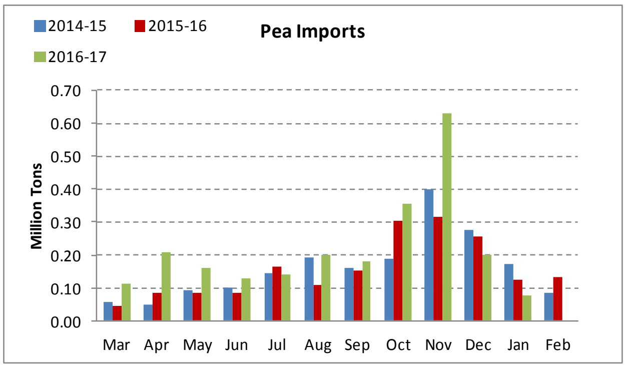
Focus of the market is now on the Rabi pulses production which is expected to be robust. As on 27th January, 11.25 lakh hectares has been sown as against 9.58 lakh hectares. Not only has pea surpassed the normal acreage of 9.51 lakh hectares but has made a new record this year. The record high acreage can be attributed to favourable weather and shift of acreage from Chana in parts of Madhya Pradesh. The crop so far is stated to be in very good condition and this is likely to help production jump to a record of 0.88 million tons in the coming year if all goes well. Due to higher production and stocks, imports is expected to be lower. Consumption is expected to be tad lower. This is due to reduction in substitution demand as prices of Chana are also expected to come down. We do not foresee a drastic reduction in demand due to the higher acceptance of pea in the recent years. Ending stocks for 2017-18 are forecasted at 0.62 million tons. This is however subject to revisions. The table below lists the state wise acreage sown under peas:

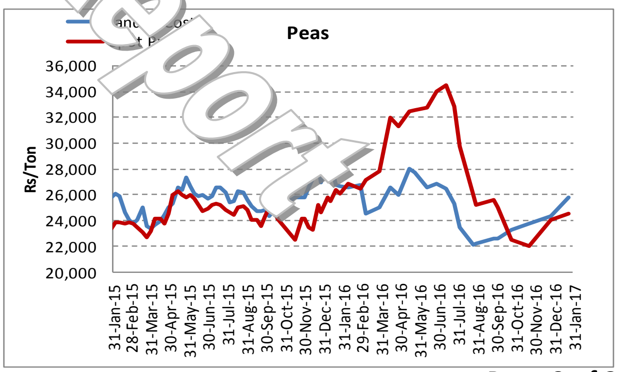
Pea sowing progress as on 27th Jan 17 (Lakh Ha)				
State	Season Normal	2016-17	2015-16	% Devtn
Uttar Pradesh	3.41	4.62	3.43	34.7%
Madhya Pradesh	2.87	4.87	4.58	6.3%
Bihar	0.19	0.32	0.33	-3.0%
West Bengal	0.13	0.14	0.15	-6.7%
Chhattisgarh	0.45	0.53	0.47	12.8%
Others	2.1	0.77	0.62	24.2%
Total	**9.15**	**11.25**	**9.58**	**17.4%**

Imports

EAR had initially estimated imports for the year 2016-17 at 2.1 million tons. However, the robust imports in the months of November and December have forced us to revise our import numbers higher. EAR has revised imports from 2.1 million tons to 2.42 million tons, this would be 30% higher than last year. The surge in imports can be attributed to the aggressive selling strategy adopted by the Canadian sellers to offload their surplus production. Considering higher Rabi crop prospects post a good Kharif production, prices in India are likely to remain under pressure in the year ahead and hence the suppliers from Canada were inclined to sell most of their surplus production at the earliest.

Imports in the month of January'17 were a tad lower than our initial estimates and are approximately 0.08 million tons. Imports in January'1 are lower than the same time last year which stood at 0.12 million tons. However, if we were too see the import during the peak import period of Nov-Jan, they stand at 0.88 million tons this year as compared to 0.69 million tons during the same period last year. Imports during the said quarter in the year 2014-15 were 0.84 million tons and this is the year when prices dipped to Rs 2100 in the month of December'14.Most of pea imports arrived this month was of Canadian origin. However, small quantities also arrived from United States, France and the Baltic Nations.





The chart above illustrates the monthly imports for last three years. We have seen that since the start of this crop year, imports have been mostly higher owing to higher demand and positive import parity. However, imports in the month of January'17 were a tad lower.

The second chart is based on the trend of the landed price of imported peas versus the spot prices of the same variety in India. Since the month of March, the trade witnessed good import parity for over six months. However, the parity started shrinking in the month of September as prices in the Indian market started adjusting to the Canadian new crop prices. From the chart it is clear that landed prices made a bottom in the month of August, this is when the Canadian sellers offered their produce at the lowest prices. Post which the CNF rates started gaining. While prices in the spot market made a bottom in the month of December and rebounded sharply from the lows. In the month of January we witnessed that disparity widened from the levels seen in the previous month.

In the domestic market, spot prices gained from Rs 24,000 to Rs 24,500 per ton, gaining as much as 2%. During the same time, the CNF rates edged a tad higher from $330 to $350 per ton, gaining 6%. As a result of this price behaviour, the disparity widened from Rs 300 per ton to Rs 1300 per ton.

Demand

Demand was seen steady to firm for the second month in a row. When prices hit the seasonal lows of Rs 2251 due to peak arrival pressure, demand in the market emerged from the millers. Similar trend was seen last year when prices dipped to Rs 2300 in the month of October and then rallied all the way to Rs 3500 per quintal. However, this year we do not foresee any big rally in prices due to ample availability in the market for not only peas but all the major pulses. Demand for pea in the last two years have improved significantly due to higher prices of the all the major pulses, particularly Chana. The sharp rise in Chana made Pea a lucrative and cheaper substitute. Higher prices of other dals resulted in bulk consuming centres as well as lower income segment group to switch to peas. In the recent times, we have seen that yellow pea has developed its market share in many regions of India.

Traders were aware of the massive imports arriving during the month of November and December and hence they were going very slow in their purchases. As prices dipped significantly in the month of December, buying emerged which helped prices recover from the lows. Demand has remained firm over the last month and that has helped prices remaining steady throughout the month. However, we have seen that demand at higher levels is slowing down which is keeping the upside capped. Going forward, demand at higher prices will be tamed owing to improved availability of all the pulses. Post a good Kharif harvest, rabi harvest is also likely to be bumper.

Demand for dal was steady with no major spurt in consumption. Pea dal prices in the month of January remained firm in the range of Rs 2900-3000 per quintal. Falling prices of other dals like Tur, Masoor as well as Chana kept the upside capped.

Global Scenario- Canada (Sep-Aug)

The year 2016-17 saw robust planting which was supported by good weather conditions throughout the cropping season which resulted in higher yield this year. Acreage planted in the year 2016-17 stood at 4,239,000 as compared to 3,680,000 acres planted in the previous year. Yields jumped to 2515 pounds per acre as against 1917 pounds per acre last year. Due to higher acreage and higher yields, production jumped to 4.83 million tons as against 3.20 million tons last year, up 51% higher from last year. The sharp jump in production is partially offset by the lower opening stocks and hence the total supply is expected to be higher by nearly 29% year on year.

Particulars (MT)	2014-15	2015-16	2016-17	2017-18(F)
Production	38,10,100	32,00,700	48,35,900	45,85,000
Carry In	3,29,000	6,84,000	1,76,000	7,50,000
Imports	27,200	27,500	28,000	28,000
Supply	**41,66,300**	**39,12,200**	**50,39,900**	**53,63,000**
Disappearance				
Export	30,94,432	26,51,881	32,34,000	29,10,000
Seed	2,59,000	2,98,000	3,14,000	2,97,000
Feed & Waste	75,365	6,36,679	6,66,900	6,81,000
Domestic	53,503	1,49,640	75,000	75,000
Total Usage	34,82,300	37,36,200	42,89,900	39,63,000
Ending Stock	**6,84,000**	**1,76,000**	**7,50,000**	**14,00,000**
Stocks/Use	**19.64%**	**4.71%**	**17.48%**	**35.33%**

The total supply in the year 2016-17 stands at 5.04 million tons as against 3.91 million tons during the same time last year. Exports for the year 2016-17 are estimated at 3.23 million tons, higher from the previous year's 2.65 million tons. The jump in exports is attributed to improved demand from European, South American and Pacific Rim. Stocks at the end of the year is expected to jump to 0.75 million tons as against 0.17 million tons. The stock to use ratio is expected to jump to 17.48% as against 4.71% last year.

In the coming year, acreage is expected to rise but the yields are expected at normal levels which are a tad lower from the current year. Production for the year 2017-18 is pegged at 4.58 million tons. With a jump in beginning stocks, the total supply is expected to make a new record at 5.36 million tons. Ending stocks will make a new record at 1.4 million tons with the stock to use ratio rising to 35.33%.

Outlook

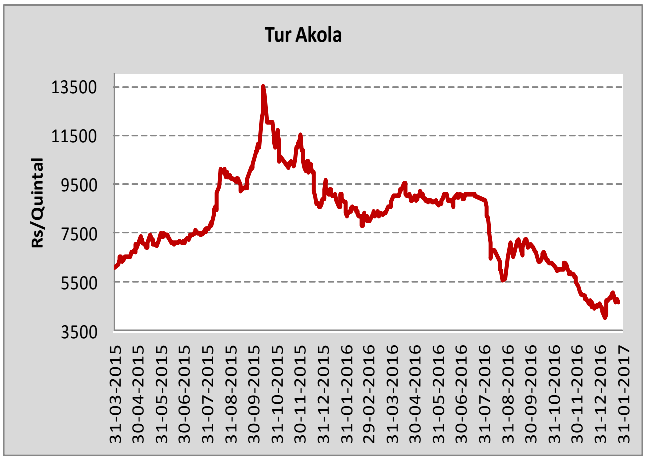
In the month of January, prices did witness marginal gains as expected by EAR on renewed buying interest. However, gains were capped owing to higher supply in the domestic market as well as the world market. Good demand and lifting from ports helped prices recover. Not only were the prices attractive but traders were also concerned about the possibilities of interruption in imports arising from the fumigation regulation which is expiring in March'17. Since, India had to depend on pulses import to meet its supply shortfall, Canada, US and France were granted a special facility as a result of which cargoes from these origins were allowed to be imported without the methyl bromide fumigation certificate; but the Indian importer had to undertake such fumigation here at the port of discharge after paying specified fees. This exemption is set to expire on 31st March 2017. In other words, the fumigation rule is now sought to be enforced which means that imported pulses will need to be fumigated with methyl bromide at the port of loading and a certificate to that effect will be required.

In the month of February, we expect range bound movement with a mild negative bias. Higher rabi crop in India will weigh on the prices but the sharp fall will be limited supported by demand. Rabi harvesting will begin by the end of this month and so far the crop is expected to be in very good condition. Prices in the Mumbai market are likely to remain in the range of Rs 2300-2500 per quintal, current market price being Rs 2450.

PIGEON PEAS/TUR — Bearish

In the month of February, arrival pressure is expected to mount and drag prices lower towards Rs 4000-4200 in the spot markets of Latur from the current price of Rs 4900.

- EAR expects Tur production at a record of 3.96 million tons, up 93% from last year
- Arrivals in the major producing centres is likely to rise and peak in this month
- Import dependency in the year 2016-17 is expected to reduce considerably
- Demand is likely to pick up pace in the coming month but will fail to impact prices.
- Government procurement will remain in focus as prices have dipped below the MSP
- In the month of January, prices fell sharply much in line with EAR's expectations.



Indian Tur Balance Sheet in mln tons

Particulars	Jan 2016	Jan 2017	Change	2015-16	2016-17	YOY
Opening Stocks	0.019	0.04	130%	0.02	0.04	130%
Production	0.343	0.51	48%	2.06	3.96	92%
FSR				0.05	0.05	4%
Imports	0.017	0.01	-41%	0.55	0.20	-63%
Total Supply	0.379	0.56	48%	2.58	4.16	61%
Domestic Use	0.279	0.36	27.1%	2.54	3.55	40%
Exports	0.000	0.00		0.00	0.00	
Total Use	0.279	0.36	27%	2.54	3.55	40%
Ending Stocks	0.100	0.21	109%	0.04	0.61	1281%
Stock to Use	**35.67%**	**58.55%**		**1.74%**	**17.19%**	

Supply

The year 2016 ended with stocks as much 0.04 million tons which were carried in the year 2016-17 which marked record production in India. EAR recently completed its crop tour in the two major states of Maharashtra and Karnataka. Both of these states contribute almost 55% of the total production. Based on all crop tour and telephonic feedback from farmers in other states, EAR pegs Tur production for the year 2016-17 at 3.96 million tons. This is higher from our initial estimates of 3.6 million tons. The table below lists the acreage, yields and production numbers state-wise for 2016-17, followed by the observations of the crop tour.

State	Area (Lakh ha)			Yield (Kg/ha)			Production (Lakh tons)		
	2015-16	2016-17e	Var	2015-16	2016-17e	Var	2015-16	2016-17e	Var
Maharashtra	10.39	15.29	47.2%	500	940	88.0%	5.20	14.37	176.7%
Karnataka	7.30	11.85	62.3%	425	630	48.2%	3.10	7.47	140.6%
Madhya Pradesh	5.82	6.90	18.6%	562	630	12.1%	3.27	4.35	32.8%
Andhra/Telan	4.37	7.08	62.0%	375	575	53.3%	1.64	4.07	148.4%
Gujarat	2.35	3.38	43.8%	900	1050	16.7%	2.12	3.55	67.8%
Uttar Pradesh	3.72	3.52	-5.4%	600	700	16.7%	2.23	2.46	10.4%
Orissa	1.38	1.32	-4.3%	800	820	2.5%	1.10	1.08	-2.0%
Jharkhand	1.06	1.10	3.8%	890	930	4.5%	0.94	1.02	8.4%
Others	1.56	1.74	11.5%	610	735	20.5%	0.95	1.28	34.4%
INDIA	**37.95**	**52.18**	**37.5%**	**542**	**760**	**40.3%**	**20.55**	**39.65**	**92.9%**

Tur production in Maharashtra, which contributes 31% of the total Tur production is expected to be at a record high of 14.37 lakh tons against 5.2 lakh tons in the previous year. Higher acreage at 15.29 lakh ha and improved yields (by 88%) in the parts of Marathawada region (Latur, Nanded, Osmanbad, Parbhani, Beed, and Jalna), and Vidarbha (Buldhana, Akola, Washim, Amravati and Yavatmal) have reflected in the higher production. Yields in Vidarbha (55%) and Marathawada (120%) were higher as it received well spread rains and farmers also irrigated crop for 1-2 times. Tur also benefitted from the irrigation given to the cotton fields. Clear and dry weather after October has led to minimal pest incidence during flowering to pod formation stage.

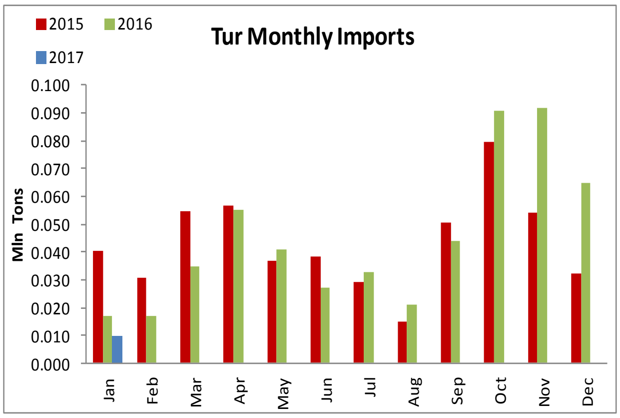
Tur production in Karnataka is expected to be all time high at 7.47 lakh tons against 3.10 lakh tons of previous year, higher by 140.6%. Tur crop in Karnataka is mainly cultivated as a single crop. In some pockets it is intercropped by Moong & Urad. Higher production is mainly attributed to increased acreage (higher by 62% at 11.85 lakh ha) and higher yields (48%). Last year acreage and yields were drastically lower due to drought situations. Regular rainfall during early phase supported the vegetative growth. Heavy rains during Sept end- Oct 1st week enriched soil moisture but in some low lying fields it dampened crop growth which affected yields. Despite good monsoon in early season higher gains in yields could not be attained due to heavy floods in Gulbarga & Bidar during October 1st week. Clear and dry weather after October led to minimal pest incidence during flowering to pod formation stage which prevented any major crop loss. No major pest/disease was reported during growth period.

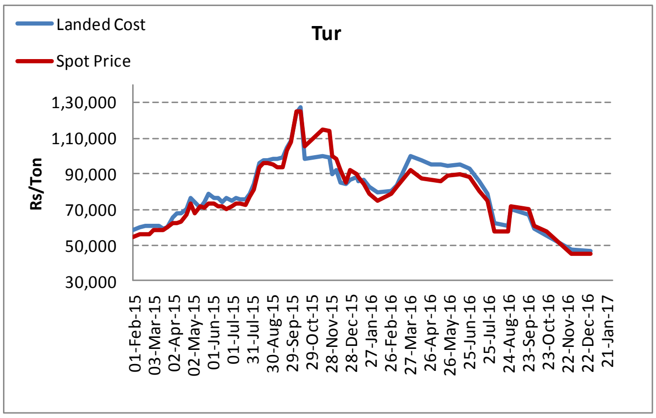
With production jumping to never seen before levels, import dependency is expected to reduce drastically this year. With production rising by nearly 93%, imports are expected to fall by 63% to 0.02 million tons. The total supply in the year is estimated at 4.16 million tons, up 61% from last year's 2.58 million tons. With increased supply and lower prices, demand is also likely to return to normalcy. Lower prices will bring the consumers back in the market and hence we expect consumption to rise by 40% year on year. Despite the rise in consumption, ending stocks are expected to be at 0.61 million tons. With this the stock to use ratio is estimated at 17.19% as against 1.74% in 2015-16.

Imports

India imports majority of its requirement from Myanmar and from the African nations. Myanmar harvests its new tur crop in Feb-March and hence imports in India start gathering pace from the month of March and peak in the month of May-June. Imports continue to arrive in the remaining months, although the quantity diminishes. In the second half of a calendar year, imports from Myanmar slowdown while imports from African nations like Tanzania, Ethiopia, and Mozambique pick up as the new crop is harvested in this region during Sep-Oct.

With bumper Tur production, EAR estimates tur imports at 0.20 million tons for the year 2016-17 as against 0.55 imported in the year 2015-16. In the month of January, Tur imports were in line with our expectations and were approximately 10,000 tons. Majority of the tur imports arrived in this month were from the African nations. Very small quantity arrived from Myanmar.





In the month of December, we witnessed the trade turning in disparity after witnessing import parity for three months. In this month, we witnessed CNF prices falling along with the spot prices. CNF rates fell as much 2% over the month to touch $ 650 per ton while the spot rates fell from Rs 47500 to Rs 45000 per ton during the same time. The spread continues to remain in disparity in this month. We believe that with the rise in domestic availability, spot prices are likely to remain under pressure.

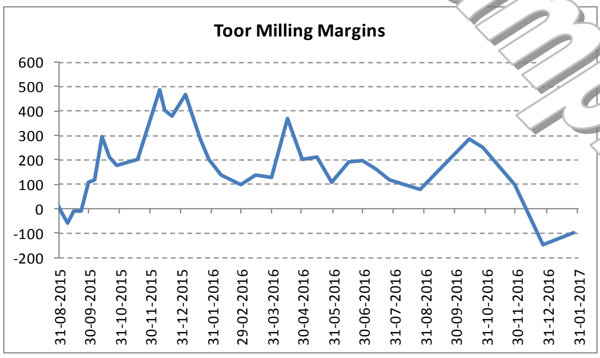
Demand

Over the last two years higher prices have shrunk tur demand in the Indian markets. This is because prices surged to never seen before levels, gaining three times over two years and thus making it unaffordable for many. However, with production at record levels this year, prices are likely to remain under pressure throughout the year and this will help consumption recover to the normal levels. EAR estimates, Tur consumption for the year 2016-17 at 3.55 million tons, up from 2.54 million tons last year.

Demand in the month of January was although better than the same time last year but much slower than expected. Many millers remained on the sidelines witnessing the constant decline in the prices despite the arrival of the new crop. There were very few buyers who purchased only hand to mouth requirement. Those millers who sold dal came to the market to purchase the raw material. This is because they feared further price correction knowing the fact that arrival pressure is expected to increase in the coming times.

Demand in the retail market was also affected which added to the misery of the millers. Winter brings in cheap and leafy vegetables which are often preferred by the consumers. This year this trend was accentuated as the fresh vegetable prices crashed. Hence, in the retail market we witnessed slowdown in demand as consumers opted more of vegetables which were available at much cheaper price than the dals.

However, in February, we expect demand to pick up as the empty pipelines will bring back buyers in the market. However, stockiest demand is expected to be minimal this year as there is no price incentive to stock tur as ample availability will keep prices under pressure. But since the millers have been away since a long time now, lower prices of the new crop will invite buying interest in the market in the short run.



Milling margins have fallen over the last two months dramatically due to sharp fall in dal prices. Prices of Tur dal fell from Rs 9400 per quintal to Rs 6800 over the span of two months down by 28%. While tur prices fell as much as 22% over the same time frame, thus eating away the margins. Recovery in demand for dal will help margins recover in the times to come.

Apart from this, NAFED has started to accumulate tur for creating buffer stock. So far the government has procured 46,178 metric tonnes of tur from various producing states. Of the total, 17,954 tons is procured from Maharashtra, 14,699 tons from Karnataka and 13,277 tons from Telengana. However, the quantity purchased so far is too small to make any impact on supplies and do much to benefit the farmers as prices have fallen below the Minimum Support Price.

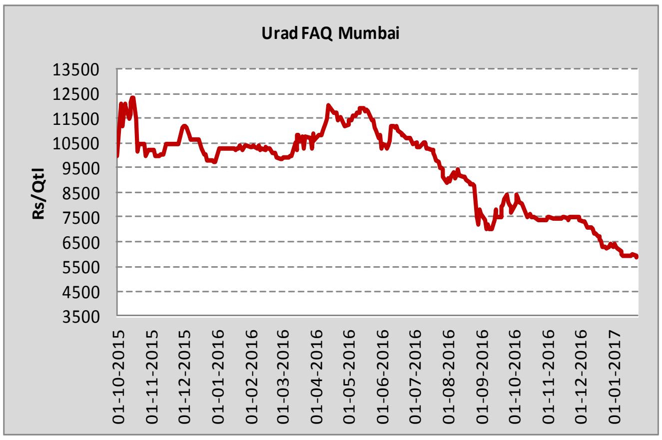
Outlook

Prices in the month of January fell sharply much in line with EAR's expectation. New crop arrivals are expected to rise in the coming times as harvesting gathers pace in Vidarbha and other states like Madhya Pradesh, Uttar Pradesh and Gujarat. Record production will keep the market well supplied throughout the year. Demand is expected to improve in this month but higher supply is likely to dominate the sentiments. We except prices to edge lower in this month towards Rs 4200-4000 per quintal in the spot markets.

BLACK MATPE/URAD — Mildly Bearish

In February, EAR expects urad FAQ prices to edge lower towards Rs 5500-5400 per quintal on ample availability in the market from the current levels of Rs 5850 per quintal. Upcoming rabi harvest will aggravate supplies in the domestic market.

- Market is well supplied with ample availability from the Kharif crop
- Rabi sowing which was lagging behind has witnessed a good recovery and is now higher YoY
- Rabi harvesting shall begin by end of Feb and arrivals should begin by early March
- Imports are likely to remain in the range of 10-20K tons in February
- Demand in the market is subdued due to lack of buying interest of the millers.
- *In the month of Jan'17, prices edged lower much as expected by EAR.*



Indian Urad Balance Sheet

(Million Tons)	Oct-Jan			Annual (Oct-Sep)		
Particulars	**2015-16**	**2016-17**	**Change**	**2015-16**	**2016-17(F)**	**YoY**
Opening Stocks	0.102	0.059	-42%	0.102	0.059	-42%
Production	0.524	0.804	53%	1.220	1.790	47%
FSR				0.043	0.043	0%
Imports	0.028	0.072	157%	0.316	0.247	-22%
Total Supply	0.654	0.935	43%	1.595	2.053	29%
Domestic Use	0.584	0.659	13%	1.536	1.884	23%
Exports	0	0		0	0	
Total Use	0.584	0.659	13%	1.536	1.884	23%
Ending Stocks	0.070	0.275	293%	0.059	0.169	186%
Stock to Use	12.01%	41.75%		3.85%	8.98%	

Supply

Market has remained adequately supplied this season on the back of higher production. Farmer selling has been higher this year which has ensured availability in all the major centres. Arrivals which generally dry up till now have continued till date. Rajasthan production in the Kharif season was robust and this state is seen supplying to southern India as well. Kota, Baran, Ramganj and Bhwanai mandi are witnessing arrivals ranging from 700-1000 bags per day. While in Madhya Pradesh, centres like Ashoknagar, Guna, Ganjbasoda, etc are witnessing arrivals ranging from 300-600 bags per day. By the end of January, 0.80 million tons is expected to have arrived in the market as against 0.52 million tons arrived during the same period last year, up 53% year on year. Higher imports in this period ensured that the total supply is up by 43% from last year. We opine that the higher stock scenario in Myanmar have resulted in improved imports in this crop year. Though the demand is higher year on year, supply continues to dominate the sentiments. This is reflected in the stock scenario which is quite inflated if we were to compare it with the same time last year. Stock to use ratio is also comfortable at 41.75%.

Rabi sowing was initially lagging behind due to poor rainfall during the sowing season. However, with the recent spell of rains we have witnessed a good recovery in acreage. Acreage in Andhra Pradesh was down by 36% at the start of December which has recovered sharply over the two months. Acreage in this state is now higher by 2.3% year on year. As per ground reports, moong and maize acreage in this state is diverted to urad due to higher prices. The total acreage sown under Urad as on 27th January stands at 8.62 lakh hectares as against 7.94 lakh hectares. Urad acreage in the rabi season has surpassed the normal acreage of 7.68 lakh hectares. The table below lists the state wise acreage details-

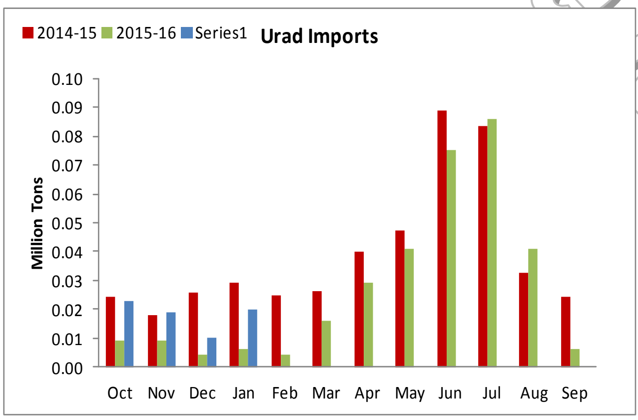
Urad sowing progress as on 27th Jan 17 (Lakh Ha)				
State	**Season**	**2016-17**	**2015-16**	**% Devtn**
Andhra Pradesh	3.46	3.95	3.86	2.3%
Tamil Nadu	2.59	2.21	1.91	15.7%
Karnataka	0.08	0.03	0.05	-40.0%
Chhattisgarh	0.06	0.10	0.08	20.3%
Odisha	0.05	2.05	1.85	10.8%
Others	0.95	0.28	0.19	47.4%
Total	**7.19**	**8.62**	**7.94**	**8.5%**

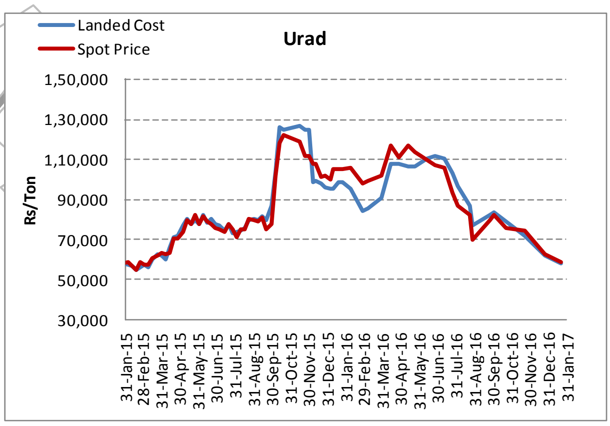
Imports

With higher production in the year 2016-17, import dependency is expected to reduce drastically. EAR estimates imports for the year should be close to 0.24 million tons, down 22% YoY. This would be the lowest imports in the last five years.

Imports during the period Oct-Jan of the ongoing crop year were higher than last year and this could be attributed by aggressive selling approach by the stockiest in Myanmar before the new rabi crop arrives in India to fetch better prices. Also, stockiest in Myanmar wanted to offload their old crop before the new crop arrives in March in order to fetch better prices. As we had discussed in our previous report that there could be stocks to the tune of 100,000 ton in Myanmar. This seems realistic now as imports were higher than expected during the fag end of the crop season.

Imports for the month of January'17 stood at approximately 20,000 tons. This is higher than last year's 6,000 tons. However, imports are lower than 25,000 tons arrived in January'15 which is justified by higher domestic production in this season. Imports in the month of February are expected to be around 10,000-15,000 tons. Higher domestic availability, upcoming rabi harvest and falling prices will keep the importers interest subdued in the months of February and March. The chart below depicts the month on month imports versus the previous year and the price trend of the landed cost and spot prices.



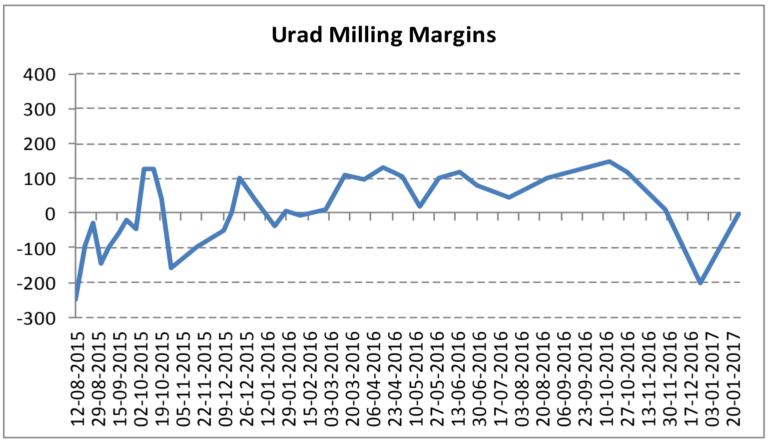


In the month of January, spot prices edged lower owing to higher domestic availbility and optimistic rabi sowing which is likely to inflate the supply pipelines in India. This resulted in prices edging lower for the Myanmar variety in the markets. Prices of Urad FAQ fell from Rs 63,000 to Rs 59,000 per ton over a span of one month, down by nearly 6%. While the CNF rates fell from $890 per ton to $825 per ton, falling by as much as 7% over the month. Import parity which was close to Rs 2650 per ton had shrunk to Rs 700 per ton in December and has remained at those levels in January as well. Lower import parity does not give any incentive for importers to import.

Demand

Annual demand for the year 2016-17 is estimated at 1.88 million tons. This would be higher by 23% from last year. The rise in consumption could be attributed to improved demand at lower prices and thereby returning to normalcy. As prices in the year 2015-16 were much higher throughout the year, demand rationing resulted in lower consumption.

Urad demand in the month of January was much lower than expected. We did not see any major recovery in demand and most of the millers were going hand to mouth. Millers are not able to sell their dals at higher prices which has clearly impacted their milling margins.



Over the last two months, dal prices have fallen by 12% but despite which millers are not able to sell their dal at the current market prices of Rs 8200 for urad mogar. Seed prices have come down too but the sharper fall in finished goods has kept the margins poor.

Apart from this, NAFED has bought 53,251 tons of urad from the various states as on 20th January. Of the total urad purchased, 14,304 tons is procured from Rajasthan, 14,135 tons from Uttar Pradesh and 13,141 tons from Maharashtra. However, the quantum is not significant enough to make any major impact on supply or prices.

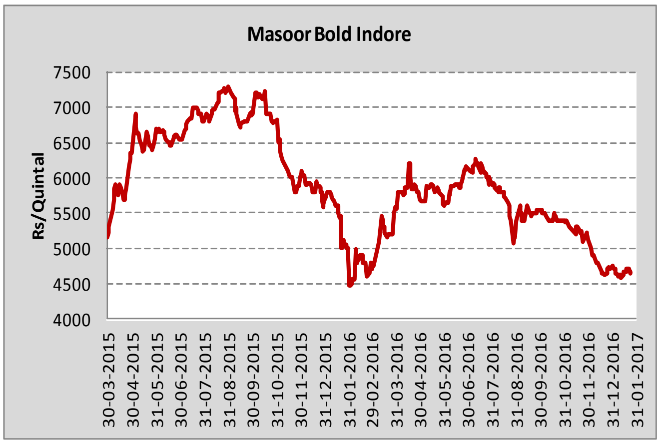
Outlook

In the month of January, urad prices remained under pressure on good supply and poor demand much as expected by EAR. In the coming month, we expect that demand could improve due to empty pipelines but the gain in prices will be capped by higher supply in the market. Higher rabi crop prospects will also weigh on the buying sentiments. Rabi harvest will begin from the end of this month and the crop is expected to be much better than the expectation at the start of the rabi season. March also marks the arrival of the new crop shipments from Myanmar. Considering all the above factors, EAR expects that Urad prices for FAQ variety in Mumbai is expected to edge lower towards Rs 5500-5400 per quintal from the current prices of Rs 5850 per quintal.

LENTILS/MASOOR Mildly Bearish

Masoor is expected to trade range bound between Rs 4200-4900 with a negative bias, CMP Rs 4600. Arrival pressure from imports will reduce but markets will be overlooking a bumper crop production in the coming harvest.

- Supply in the market is adequate with the recent imports
- Arrival pressure of imports is likely to reduce this month
- Lentil sowing in India is robust and the crop is expected to be in a very good condition
- Indian lentil production is estimated at 0.62 million tons up almost 30% from last year
- Demand in the month is expected to be only hand to mouth
- In the month of Jan'17, prices edged lower as expected by EAR.



Indian Lentil Balance Sheet							
(In '000 Tons)	Mar-Jan 2016-17			Annual			
Particulars	2015-16	2016-17	Change	2015-16	2016-17	2017-18(F)	YOY
Opening Stock	75	248	231%	75	248	89	-64%
Production	271	378	39%	362	474	615	30%
Imports	1041	611	-41%	1126	690	710	3%
Total Supply	1387	1237	-11%	1563	1412	1414	0%
Domestic Demand	1070	1087	2%	1230	1235	1220	-1%
Retention for Sowing	0	0		85	88	88	0%
Total Demand	1070	1087	2%	1315	1323	1308	-1%
Ending Stocks	317	150	-53%	248	89	106	19%
Stock to Use Ratio	29.7%	13.8%		18.9%	6.7%	8.1%	

Supply

In the month of January, most of the crop traded in the market was of imported variety as availability of the desi variety has shrunk significantly being the fag end of the season. In the month of February as well, domestic arrivals will be miniscule and majority of the demand will be met by imports.

Imports in the month of January were in line with our expectations. Record imports arrived last year (2015-16) which resulted in a steep price correction over a span of five months. When the imports arrived, prices in the domestic market were at year lows. It is because of this loss suffered last year, importers this year were cautious. As a result of which the imports were much lower than what we had expected in the ongoing year 2016-17. EAR had initially expected 820,000 tons of imports but we have now revised them lower to 690,000 tons.

Due to record supply last year, the scenario in the year 2016-17 is relatively tight. Ending stocks at the end of January'17 is pegged 150,000 tons as against 317,000 tons last year, down by 53%. However, if we were to compare it with stocks by end of January 2015 which was 47,000 tons then we are relatively loose.

Acreage in the year 2016 expanded in all the major producing states. This was mainly due to adequate rainfall and favourable weather conditions at the time of planting. Lentils ate away Chana acreage in Madhya Pradesh this year as prices of Chana seeds were extremely high and farmers were reluctant to take such big risks and hence opted for lentils and peas. Yields are expected to be very good in all the major producing states. As on 27th January, the total acreage under lentils sown stood at 16.64 lakh hectares as against 13.68 last year. Acreage this year has surpassed the normal acreage of 14.79 lakh hectares and made a new record this season. The table below gives a state wise breakup of the acreage sown under lentils. The table below depicts the state wise acreage of the pulse.

Lentil sowing progress as on 27th Jan 17 (Lakh Ha)				
State	Season	2016-17	2015-16	% Devtn
Madhya Pradesh	5.85	5.86	5.48	6.9%
Uttar Pradesh	5.08	6.63	4.53	46.4%
West Bengal	0.62	1.13	0.85	32.9%
Bihar	0.18	2.13	2.14	-0.5%
Others	3.06	0.89	0.68	30.9%
Total	**14.79**	**16.64**	**13.68**	21.6%

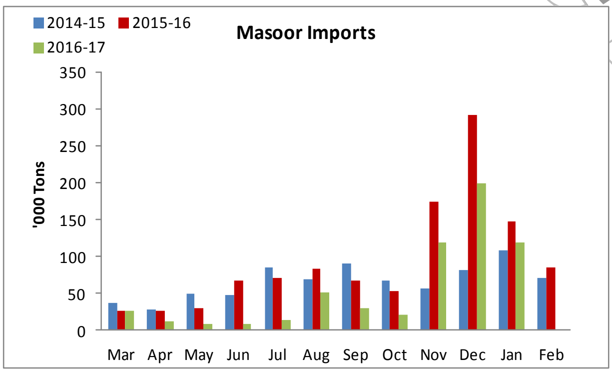
Based on the ground report, EAR has revised its production estimates for the coming year. EAR now estimates lentil production to be higher 30% at 615,000 tons against the initial estimate of 571,000 ton. Since acreage is at record levels supported by optimum weather conditions, there are higher chances of production being revised higher in the coming times. Considering the base case scenario, imports are expected to be a tad higher at 720,000 tons due to lower opening stocks. We saw a lot of substitution demand in the year 2016-17 which is not likely to emerge in the year 2017-18. Hence, demand estimates are revised lower by 1%. Ending stocks are expected to be 106,000 tons. This is subject to change if our production numbers vary widely from our initial estimates.

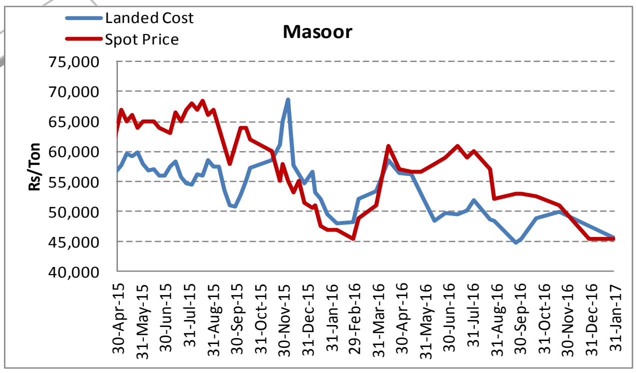
Imports

Masoor imports are pivotal in balancing the supply and demand scenario in India. India imports nearly 75% of its domestic demand from the nations like Canada, USA and Australia. Of the total imports, 80-85% of the imports are sourced from Canada and remaining is sourced from USA and Australia.

Imports in the year 2016-17 were sharply lower than last year. Although, last year was an exceptional scenario when the imports surpassed 1.1 million tons, imports this year were much lower than what EAR had estimated. The initial estimates of EAR stood at 820,000 tons which are now revised lower to 690,000 tons. Imports at the start of the crop year that is March-August'16 were lower as stocks in Canada were negligible. After suffering from losses last year, importers were cautious as production of all pulses is expected to improve significantly.

Imports in the month of January were approximately at 120,000 tons in line with our expectations. Majority of the imports arrived this month were sourced from Canada. Share of Canada is expected to remain high in the coming months as against other sourcing nations like US. Imports for the year 2016-17 are estimated at 740,000 tons as against 1,126,000 tons imported last year.





In Jnauary, we have seen the import parity remaining negative although the disparity shrunk from the previous month. This was mainly because of a sharper fall in landed cost as compared to the spot prices. CNF rates for Canadian variety fell as much as 4% over the month. While the spot rates fell from Rs 46,500 to Rs 45,000 in the Mumbai market, down by as much as 3%. As a result of such price movement, the disparity which was approximately Rs 1000 per ton in December shrunk to Rs 500 by the end of January. Going forward in this month we expect the disparity to prevail as we opine that spot markets will edge lower with the harvest of the rabi crop will the CNF rates are likely to remain firm to higher as the peak arrival pressure in Canada is over.

Demand

Demand in the month of January was a tad better but lower than the same time last year. Falling prices kept the buyers sceptical of further downside and hence stayed away from aggressive buying. Apart from this, demand for dals in the winter season tends to decline. This is because the consumers opt for fresh green vegetables which are available at much cheaper cost. The substitution demand which we witnessed during the first half of the year is also seen declining. When Tur dal prices were trading at Rs 140 per kg, masoor dal was available at almost half the price. This had resulted in mixing of masoor dal with toor dal in many small time eateries and also low income group consumers. But as the prices of Tur dal started easing and is now below its yearly lows, this substitution demand is seen waning. This is also causing a slowdown in the overall demand scenario and hence the millers are not seen aggressively procuring raw material. Masoor dal rates have come down this month due to Rs 56 per kg from Rs 59 per kg. Milling margins have gone to negative as many millers are complaining about inferior quality of masoor. Dal component post milling which usually is about 85% has dropped to 80-81% while the tukdi component has gone up from 2% to 3-4%. As a result of which milling margins are not encouraging. This could also restrict demand in the coming times.

Global Scenario- Canada

Canadian Lentils Balance Sheet (Sep-Aug)					
Particulars (MT)	**2014-15**	**2015-16**	**2016-17**	**2017-18 (F)**	**YoY**
Production	19,87,000	25,40,500	32,48,200	33,94,000	4%
Carry In	7,86,000	3,65,000	73,000	7,00,000	859%
Imports	15,000	17,000	14,000	15,000	7%
Total Supply	27,88,000	29,22,500	33,35,200	41,09,000	23%
Total Export	21,80,674	21,44,831	20,59,000	27,89,000	35%
Seed	1,25,800	1,92,200	1,83,800	1,45,800	-21%
Other Domestic	1,16,526	5,12,469	3,92,400	3,74,200	-5%
Total Usage	24,23,000	28,49,500	26,35,200	33,09,000	26%
Ending Stock	3,65,000	73,000	7,00,000	8,00,000	14%
SUR	**15.1%**	**2.6%**	**26.6%**	**24.2%**	

The table above explains the supply and demand scenario of lentils in Canada sourced from StatPub. The year 2015-16 was one of the tightest years in the recent history. The year 2016-17 began with stocks as meagre as 73,000 tons. It was this tight opening stock number which held the prices firm during the fag end of the season. Production in the year 2016-17 is expected at 3.24 million tons as against 2.54 million tons in the previous year, notching a gain of 28 % year on year. The total supply after considering the stocks and imports is expected to be 3.33 million tons as against 2.92 million tons, up 15% from the previous year. Exports are forecasted to edge marginally lower year on year due to lower demand expected from the importing nations. Domestic consumption is also expected to decline in the ongoing year. Considering all the aspects, stocks are expected to jump significantly in this year to touch 700,000 tons. The stock to use ratio for the year 2016 is estimated to be 26.6%, improving from the levels of 2.6%.

As per the initial forecast, acreage in the coming year (2017-18) is expected to decline owing to sharp rise closing stocks expected at the end of 2016. However, yields are expected to be better than the ongoing year which was affected owing to higher rainfall during the cropping season. Initial estimates of production are pegged at 3.39 million tons as against 3.24 million tons. Supply is expected to be 23% higher in 2017 than this year. Lower prices could spurt exports and total usage is expected to rise 26% year on year. Ending stocks are expected to be all time high at 800,000 tons.

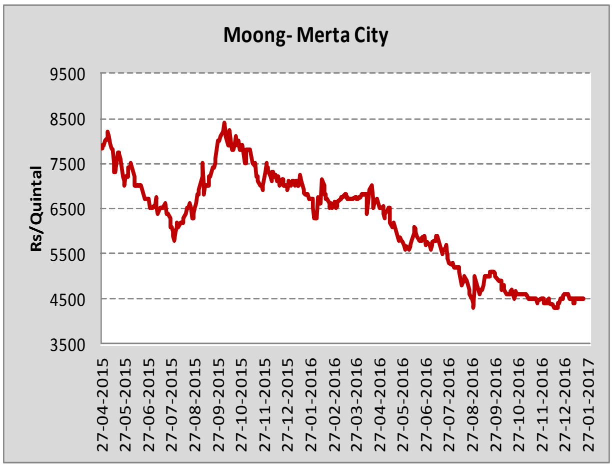
Outlook

In the month of January, prices edged lower much in line with EAR's expectation. Market was well supplied on the back of imports. Higher availability of other pulses also weighed on the buying sentiments. Going forward, market will now be focussing on the new crop which is expected to be harvested by the end of this month. Record acreage coupled with favourable weather conditions is expected to result in higher production in the coming season. We will be witnessing a bumper crop this year not only for lentils but all other major rabi pulses like Chana and Peas. EAR expects lentil prices to gradually drift lower towards Rs 4400-4200 per quintal from the current levels of Rs 4600 per quintal in the Mumbai market with the arrival of the domestic crop. However, we do not foresee prices falling below Rs 4000 per quintal in the short term.

GREEN GRAM/MOONG — Range Bound

Moong is likely to witness a minor recovery in prices towards Rs 4800 per quintal from the current levels of Rs 4400 on prospects of demand recovery. However, sharp gains will be capped owing to upcoming rabi harvest.

- Kharif arrivals will be slowing down while Rabi crop will arrive only by the end of this month. Although, there will be ample availability in the market.
- Imports in the month of February are expected to remain subdued owing to the fag end of the season in the sourcing nation
- The latest updates show that rabi acreage has improved year on year
- Lower prices and end of winters will bring back millers interest in the market.
- Stockiest participation is likely to be minimum this year due to no price incentive for stocking
- *In the month of Jan'17, prices remained range bound as expected by EAR.*



Indian Moong Balance Sheet						
Million Tons	Oct-Jan			Annual (Oct-Sep)		
Particulars	2015-16	2016-17	Change	2015-16	2016-17	YoY
Opening Stocks	0.053	0.090	72%	0.053	0.090	72%
Production	0.637	0.805	26%	1.350	1.800	33%
FSR				0.050	0.050	0%
Imports	0.092	0.033	-64%	0.328	0.150	-54%
Total Supply	0.781	0.928	19%	1.680	1.990	18%
Domestic Use	0.700	0.716	2%	1.590	1.836	15%
Exports	0.000	0.000		0.000	0.000	
Total Use	0.700	0.716	2%	1.590	1.836	15%
Ending Stocks	0.081	0.212	160%	0.090	0.154	70%
Stock to Use	11.64%	29.55%		5.67%	8.37%	

Supply

In the month of January, arrival pressure in the all the major markets was seen easing. Although there was good availability in the market owing to bumper production in the Kharif season especially in Rajasthan. In Rajasthan market, moong prices which were trading near Rs 6200 per quintal in the month of September have now cooled down to Rs 4400 per quintal for the mogar variety. Qualities which are a tad inferior are available at Rs 3800 per quintal. The drop in prices is attributed to the sharp rise in production of moong as well as other pulses. In the month of January, we witnessed range bound movement with prices trading in the range of Rs 4400-4500 per quintal in Merta, Rajasthan.

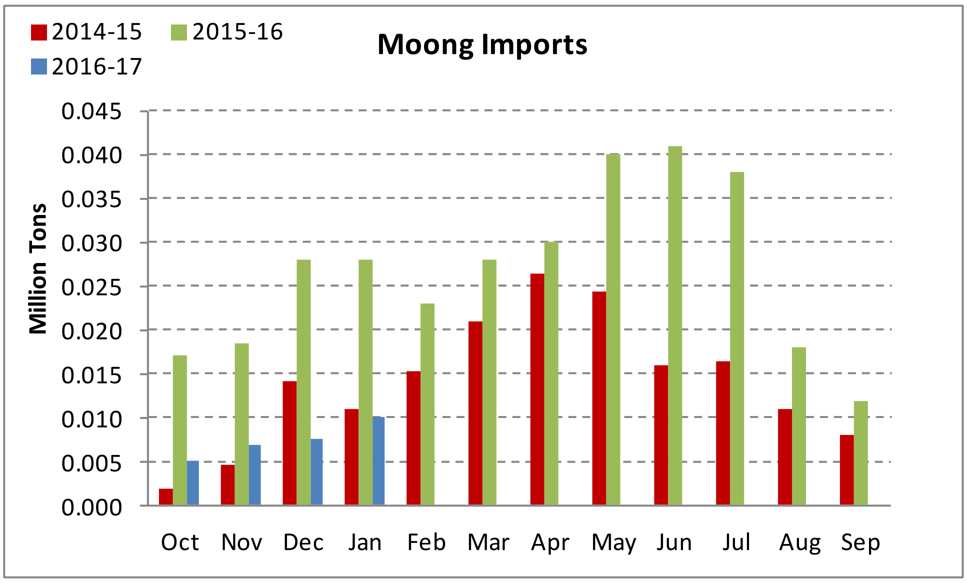
The year 2016-17 (Oct-Sept) is expected to have begun with higher stocks pegged at 0.09 million tons. Lucrative prices had encouraged higher sowing in the kharif season of 2016-17. Higher acreage coupled with improved yields resulted in good Kharif crop this year. Production in the Kharif season is expected to have jumped by almost 59% this year, while annual production is expected to be 1.8 million tons, up 33% from last year.

During the period Oct-Jan, almost 0.80 million tons arrived in this crop year as against 0.63 million tons. Higher production has resulted in higher arrivals which is why we have seen a 26% rise in farmer selling this year. Higher availability has reduced dependency on imports which is why imports in the same period are lower by 64% this year. Despite the sharp drop in imports, the total supply in the market is up 19% year on year.

Rabi crop is seen progressing well but the acreage gain was limited due to lower rainfall during the cropping season. Many farmers in Andhra Pradesh have opted urad over moong due to higher prices restricting the acreage gain. As on 27th January, moong sowing was completed on 6.36 lakh hectares as against 6.05 lakh hectares sown last year. Although, acreage is higher year on year it is much lower than the normal acreage of 9.21 lakh hectares.

Considering higher annual production and higher opening stocks, supply scenario is likely to remain comfortable throughout the year. The ending stocks are currently pegged at 0.154 million tons, up 70% from last year and the annual SUR is likely to improve from 5.7% to 8.4%.

Imports



India imports moong from many nations but Myanmar is the largest supplier to India. Moong imports were significantly higher in the year 2015-16. With higher production in India, imports for the year 2016-17 are expected to decline. Annual imports for the year 2016-17 are estimated at 0.15 million tons, down by over 54% from last year.

In the month of January, imports totalled to just 10,000 tons in line with EAR's expectation. The lower imports are mainly because of higher availability in the domestic market and fag end of season in Myanmar. Apart from this, there is import disparity currently which is another reason behind the sharp drop in imports. New crop is being offered by Myanmar sellers at $ 900-950 per ton which amounts to around Rs 58,000-60,000 per ton. The Indian moong crop is available between Rs 40,000-48,000 per ton. This disparity will be result in lower imports in the coming times as well.

In the month of January'17, imports arrived in small quantities from many nations. Majority of the imports came from Australia. Good influx was seen from Madagascar, Mozambique and Myanmar. Majority of the imports arrived at Nhava Sheva and Chennai ports while small quantities arrived at Kolkata and Tuticorin ports.

Demand

Demand in the month of Sept-November was subdued across all the major consuming centres. Falling prices had kept the millers away in fear of further price correction. Hence they were purchasing only hand to mouth requirement. However, from the month of December we have witnessed an improvement in demand. Over the month of January, demand was steady although the vigour in demand has been absent. This is mainly because demand in the retail market is affected. Winters season brings in good leafy vegetables at lower prices. This year, vegetable prices were at lowest levels seen in many years. As a result of which many consumers opted vegetables over dals thus reducing demand for dals. However, in this month as winters will be drawing to an end, higher temperatures will result in prices of vegetables also inching higher. This is likely to improve the demand for dals and hence bringing the millers back in the market.

Millers in most of the northern region were procuring their raw material from the Rajasthan markets. Moong prices in Rajasthan are much cheaper than moong prices in Maharashtra and Madhya Pradesh. Millers were procuring various qualities of moong from Rajasthan at Rs 38-40 per kg factory delivery. While in Maharashtra, moong factory delivery rates varied between Rs 45-48 per kg depending on the quality. As a result of which many millers in these states started procuring their material from Rajasthan. Many small millers who opted to buy from their own states couldn't sustain due to cheaper availability in the market and hence were not able to sell their dals in the market. As a result of which many these mills have shut down operations. Stockiest demand is expected to be minimal this year. Due to ample availability, the possibility of higher returns is minimal and hence the stockiest will not opt to take the risk of stocking this year.

Apart from this, NAFED purchased 120,064 tons of moong from the various states in India as on 22nd January 2017. Nearly 88% or 120,064 metric tonnes of moong were procured from Rajasthan, while rest 12% or 14281 metric tonnes were sourced from other states like Maharashtra, Madhya Pradesh, Haryana, Andhra Pradesh, Telengana and Karnataka.

Outlook

In the month of January, prices remained range bound as expected by EAR. Considering the supply and demand scenario we believe that market will remain well supplied throughout the year. However, we expect that demand from the millers will revive this month due to possibilities of improvement in retail demand. Rabi arrival pressure is not expected to be significant as the crop is small and will only begin by end of February or early March. Kharif arrivals have started declining in the all the major markets. We expect in the month of February, prices could see a marginal recovery towards Rs 4800 per quintal from the current levels of Rs 4400. However, in the medium term prices are likely to remain range bound with possibilities of swing lower during the peak arrival season of rabi and summer crop.

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