



Chana: Rising warehouse stocks

Commodities Special

Key Points

- ◆ Arrivals active in Rajasthan
- ◆ Stock increase in exchange warehouses
- ◆ Weakness in other pulses like urad and tur
- ◆ MMTC invites bid for 5,000 tonne of pulses in all (1,000 tonne of chana)
- ◆ 2006-07 output estimates marginally lowered in government's Third Advance Estimates compared to Second Advance Estimates

Arrivals in Rajasthan

Chana spot markets were range-bound during the last week mainly due to the lack any fresh trigger. According to National Commodity and Derivatives Exchange, spot prices in Delhi were stable at Rs2,185 with arrivals of 100 trucks (1 truck = 18-20 tonne), compared with an average of over 70-80 trucks last week. In Bikaner, prices were quoted at Rs2,080 per 100kg on arrival of 10,000 bags (1 bag = 100kg), compared with the average daily arrival of 15,000 bags last week.

The range-bound weakness was primarily a result of higher arrivals in Rajasthan. The arrivals from Madhya Pradesh have not seen a rise like that in Rajasthan. Similarly, arrivals in Maharashtra too have not changed much. The arrivals are expected to continue till the end of May. However, some easing of arrival pressure can be expected from the second week of May itself.

Stocks in NCDEX warehouses as on May 4, 2007

Center	Units	Stocks	May 2nd	Week Ago (April 26th)	Month Ago (March 26th)
Indore	Tonne	31	31	31	31
Bikaner	Tonne	8,106	8,117	5,265	0
Delhi	Tonne	5,107	4,538	2,185	0
Total	Tonne	13,244	12,686	7,481	31

The above data clearly shows a rising trend in the NCDEX warehouse stocks during the last one month. From a meagre 31 tonne on March 26, 2007 total stocks have grown to 13,244 tonne as on May 4, 2007. The rise in stocks in Bikaner has been sharp, indicating rising arrivals in Rajasthan. The rise has been much sharper after April 26, 2007.

Weakness in other pulses

Other varieties of pulses like urad, masoor and tur have also been weak along with chana. Weak prices of the other pulses like urad and tur have also added to the subdued sentiments. Urad spot prices in Akola dropped from Rs3,050 per quintal to Rs2,850 per quintal for the week ending April 28, 2007. In Indore, prices dropped from Rs3,100-3,200 per quintal to Rs2,850-2,900 per quintal during the same week.

Tur prices in Mumbai weakened from Rs2,350 per quintal on April 23, 2007 to Rs2,250 per quintal on April 28, 2007.

Masoor prices have also softened recently. Spot market prices for masoor have declined due to the absence of demand from millers and stockists. Prices have declined by about Rs75 to 100 per quintal during the week.

Output estimates

The Third Advance Estimates released by the government has pegged the 2006-07 gram output at 5.97 million tonne.

Year	Output
2001-02	5.47
2002-03	4.24
2003-04	5.72
2004-05	5.47
2005-06	5.60
2006-07*	5.97

(million tonne)

*Third Advance Estimates

Important price drivers

1. Price movement of other related pulses
2. Extent of arrivals in Rajasthan
3. Harvest in other important states like Madhya Pradesh and Maharashtra
4. Size of chana stock in exchange warehouses

Conclusion

Taking the above-mentioned factors into consideration, chana prices are expected to trade on the softer side in the month of May. The rising warehouse stocks and the arrival momentum in Rajasthan are expected to put a downward pressure on the prices as higher deliveries are expected for the May expiry. Arrivals in Rajasthan are expected to be heavy till the May month expiry.

External factors like rupee appreciation have weakened the prices of a large number of exchange-traded commodities. This general weakness in agricultural commodities would also keep the counter subdued due to the spill-over effect.

Chana May contract on NCDEX is expected to move in the Rs2,320-2,250 per quintal range during the month of May. The bias is weak for the counter in the short term.

The author doesn't hold any investment in any of the companies mentioned in the article.

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