

The demand for chana has been relatively subdued since the past couple of months. Despite positive triggers like increase in stock limit to 3,000 bags from 1,000 bags and time period to 75 days from 30 days by Rajasthan government, chana prices have not witnessed any major upside since then.

Going forward, the marriage season has already begun, which is likely to support chana prices as demand for sweets and farsan normally shoots up and besan forms to be a key ingredient in sweets and farsan.

The marriage season will be followed by festivals like Ganesh Chaturti, Navratri, Dassera, Diwali and Ramzan Id, extending up to nearly three months. During these festivals the demand for sweets normally shoots up. This in turn, provides support to chana dal demand.

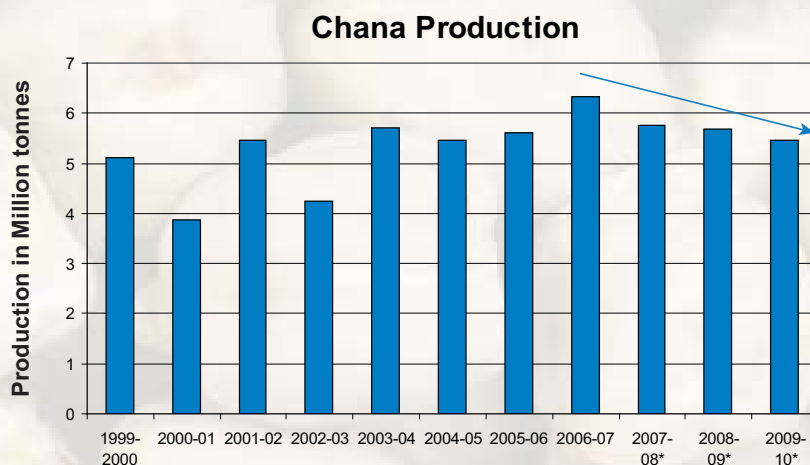
Most importantly chana dal besan cannot be replaced with yellow peas besan, as the latter makes eatables bitter. Hence, it cannot be used to prepare sweets.

Chana's arrival at mandis in Delhi and Indore has reduced by almost 50-60% as compared to the previous months, which is the peak season for chana arrival.

The government of India has acquired warehouses in Madhya Pradesh to store buffer stocks of wheat, which led to the shortage of chana storage by stockists. Thus the pressure from stockists of Madhya Pradesh has reduced to a great extent.

On the production front chana's production has witnessed a constant decline over last three years as per our estimates. The downside in chana's production was mainly on account of 50% decline in desi chana production from Rajasthan and also partly due to more of acreage dedicated towards kabuli chana in the state of Madhya Pradesh.

Years	Chana Production
1999-2000	5.12
2000-01	3.86
2001-02	5.47
2002-03	4.24
2003-04	5.72
2004-05	5.47
2005-06	5.6
2006-07	6.33
2007-08*	5.75
2008-09*	5.68
2009-10*	5.45



Source - Agri Ministry of India

* - Traders Estimates.

Outlook

The outlook for chana is bullish in the short term. We expect chana prices to remain supportive and the price of Rs 2,320-2,390/quintal is quite likely in the next 2-3 months with a maximum downside potential of Rs 2,070/quintal. Thus we recommend buying chana between Rs 2,160-2,180/quintal targeting Rs 2,320-2,390/quintal with a stop loss below Rs 2,070/quintal.

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