

What is driving onion prices

Government has called for import of 1 lakh tonnes of onion to help control rising prices. What has been causing the increase in prices since May, and how far can the new move be expected to reverse the trend?

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LAST WEEK, Ram Vilas Paswan, Union Minister for Food and Civil Supplies, directed the state-owned trading corporation MMTC to import 1 lakh tonnes of onions to help ease the spike in retail prices. The decision marks India's transition from being an onion exporter to an importer.

What has led to the rise in prices?

Prices have risen sharply since May this year, caused by delayed arrival of the new crop and damage to the harvested crop in the main onion-growing states of Maharashtra, Karnataka and Madhya Pradesh.

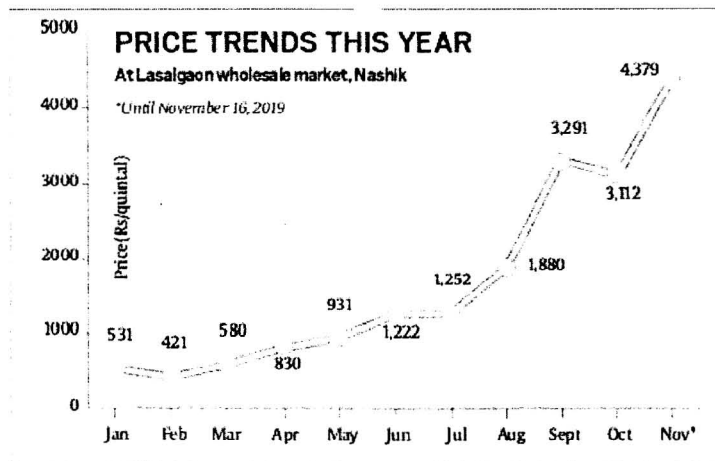
Due to a decrease in onion acreage in the main onion-growing districts of Maharashtra, arrivals dipped across wholesale markets. Prices at the wholesale market at Lasalgaon, Maharashtra, which were in the range of Rs 500-600 per quintal since the start of January, crossed the Rs 1,000 mark after May. Located in Nashik district, Lasalgaon is the largest onion market in the country and sets the price trends for the crop across the country. Retail prices in most cities have been hovering around Rs 70-80 per kg.

Back then, the low supply was due to a decrease in the rabi or summer crop. Farmers in the onion-growing belt of Nashik, Ahmednagar and other parts of Maharashtra harvest this crop after April. This crop is suitable for storage given its lower moisture content, and farmers store them in *kandachawls* (raised platforms designed to prevent moisture ingress and sprouting) and continue liquidating the stock until the new crop arrives after October.

Rabi and two other harvests, *kharif* (harvested after October) and *late kharif* (harvested in January-March) feed the market round the year. While the rabi crop was affected by a drought in 2018, both the *kharif* and *late kharif* crops were delayed, first by a late arrival of the monsoon and later by heavy rainfall in October when the crop was ready for harvest. At the start of the April season, farmers had stored 22 lakh tonnes of onions, of which just around 5-6 per cent remain. *Kharif* acreage, as per the Ministry of Agriculture, has dipped from 2.97 lakh



Fresh onion arrivals in a wholesale market in Pune. Pavan Khengre



hectares in 2018-19 to 2.58 lakh hectares this year. The dip has been mostly in Maharashtra, where the onion belt had not seen much sowing due to the delayed monsoon.

What contributed to the rise in prices was the almost simultaneous damage to the ready crop in Madhya Pradesh, Rajasthan and Gujarat that due to the heavy unseasonal rainfall that hit these states from September.

Maharashtra, which is the leading producer of onion at 35 per cent of the country's production, has seen a dip in both its rabi and *kharif* output.

What measures has the government taken to control the prices?

Since June, the Centre has been keeping a close watch on onion prices, given their

possible political fallout. First came a decision, in June, to scrap a 10% subsidy that was being given to exporters to ship onions out of the country. This was followed by more stringent measures. On September 13, the minimum export price - the lowest at which exports are allowed - was raised to \$850 per tonne, which was followed within weeks by a complete ban on exports as well as putting limits on how much onions traders could hold (500 quintals for wholesale traders and 100 quintals for retailers).

On November 11, income tax officers started verification of stocks and books of accounts of traders for possible violation of stock limit restrictions. They visited offices and premises of 15 traders in various markets of Nashik. While the team's report is yet to be made public, trade sources have said the raids were aimed at controlling prices. Within days after the searches, onion prices across the district had corrected themselves, with major traders staying away from the wholesale market for fear of government action.

The decision allowing import of 1 lakh tonnes is the latest move aimed at controlling onion prices.

What changes with the latest move?

Even at the time it stopped exports, the government had opened up the doors for imports with MMTC floating tenders for 2,000 tonnes in the first week of September itself. While the tenders failed to fructify, private traders started importing the bulb. It is estimated that around 2,000-4,000 tonnes have docked in the Mumbai ports and are expected to reach the markets in the next few days.

Paswan's latest announcement marks a change in India's status from that of an exporter to that of an importer of onions. In the last fiscal, India had exported 21.82 lakh tonnes of onions worth \$497.97 million while importing only 7,080 tonnes worth \$1.12 million. Afghanistan, the United Arab Emirates and Egypt are the main markets from where India imports onions, although domestic traders say such onions are not welcomed in the markets. The traders also point out how the imported onion would have a negative effect on the prices of the new crop that is to due hit the market at almost the same time when the former is expected to reach India.