

INDIA'S ONION MESS: A Problem of Plenty

Our country produces much more than it consumes; government can ensure price stability by incentivising exports and maintaining adequate stocks, say traders.

Jayashree Bhosale reports. The government's decision to ban onion exports and impose stock limits may have arrested the steep rise in prices of the essential vegetable, but experts feel it's more of a knee-jerk response that hurts farmers rather than resolving the country's onion mess. "India's onion problem is not so much about managing the shortages as it is about



managing the surplus," said Danish Shah, a third generation onion exporter from Maharashtra. Most trade insiders agree. India does produce much more onion than it consumes. What causes sudden spikes and slumps of prices is the supply cycle. Fresh onion is available from January to May. After that, the country eats rabi crop onions stored by Maharashtra, Madhya Pradesh, Rajasthan and Gujarat. By mid-August, a small early kharif crop starts coming to the market from Karnool in Andhra Pradesh and Karnataka, which augments supplies in August and September. The kharif crop from Maharashtra starts arriving from October while Gujarat onions come from December onward. According to trade experts, there are only two factors that can create shortages and price rise — one, delayed arrival of monsoon and in turn delayed sowing of early kharif crop, and two, significant rains at the time of harvest of Andhra Pradesh and Karnataka crop in August/September. Both these happened this year. However, such shortages are rare and temporary, lasting at the most for two or three months, traders said. It can be easily overcome if the government stocks 150,000-200,000 tonnes of onions, they said.

FARMERS HURT

"The warning signs of impending shortages are very clear," said Shah whose Sanghar Exports also distributes onions in the domestic market. "If government acts with measures like increasing its own stocks and putting timely export restrictions, it can help reduce sharp fluctuations in prices." Instead of that, the government often resorts to export ban and stock limits, as it has done this time. It only hurts farmers, traders said. Imposition of stock limit of

10 tonnes on retail traders and 50 tonnes on wholesale traders, for example, has affected demand at mandis. Now, farmers are unable to sell their produce, which is deteriorating in quality every day, they said. Ban on exports affects farmers even more. That is because the country produces about 23.5 million tonnes of onion (2018 figure) a year, but consumes only about 14 mt. So, export is necessary to maintain prices and ensure that farmers get a profit.

“When onions are harvested during December to June, farmers are forced to sell it at non-remunerative prices,” Shah said. “Only exports can help to maintain the price levels during this time.” A significant section of farmers and small traders in the onion belt are furious over the government’s price control measures, calling it appeasement of urban voters and consumers. “The government intervenes when prices rise, but it didn’t show up when onions were selling at ₹1/kg,” said Ajay Nerkar, an onion trader at Nampur APMC in Nashik. Milind Darade, a farmer from Niphad taluka, said he had to sell his onions for just 5 paise per kg in 2016. “The farmers didn’t get good returns in the last five years,” he said. “I have just about 45 quintals of onion left with me and this is deteriorating because of the weather. Why is the government not letting me make some money?” Farmers had suffered heavy losses during monsoon season of 2018 as prices remained at about ₹ 7 per kg, which was less than their production cost. From March 2018 to March 2019, average wholesale price of onion at Lasalgaon market ruled below ₹ 7.50/kg, the cost of onion production as derived by the central government. For four months, they ruled under ₹10/ kg, while for two months they were under ₹ 13/ kg. In fact, trade insiders expect a deluge in the market soon as the arrival of new onion crop has been delayed and overall plantation of kharif crop has increased due to good prices. They estimate that the kharif crop can be 150% of the normal size. This crop will start hitting markets November onward and flood them from December.

EXPORTERS SEEK POLICY CONSISTENCY

It is vital to maintain a reliable export market to keep prices from crashing, particularly during the rabi harvest season when more than half of the annual onion production takes place. And that calls for consistent policy. “Export plays a big psychological role in onion market,” Shah of Sanghar Exports said. “As a reliable exporter, one should be able to supply the commodity throughout the year.” Indians settled abroad constitute the main consumers

of exported onions. The country used to have more than 80% market share of the onion trade in traditional markets for Indian onion like the Middle East, Far East, Sri Lanka and Bangladesh. However, due to inconsistent export policies of the Indian government, China, Pakistan and Egypt have taken up a major share of traditional Indian export markets. "Egypt had never exported a single onion to Sri Lanka till last year," Shah said. "For the first time, Holland onions are also going to Sri Lanka despite six weeks travel time. Onion prices have doubled in Sri Lanka since India banned exports." Traders called for export incentives to improve incomes of farmers. The New Agriculture Export Policy does speak about giving transport subsidy for most of the agricultural commodities to boost exports. Onion was omitted from the list because its prices were slightly on the higher side when the policy was being drafted. "It is a symptomatic treatment of the problem," an exporter said. "Export incentives help us to compete with other countries and increase our share in the export market."

WAYS TO CHECK PRICES

When the government needs to check price rise, it can impose minimum export price (MEP) instead of banning exports altogether to check unrestricted exports, exporters said. MEP can be effectively implemented if the government insists on letter of credit, which forces exporters to report the actual export price. It would help curb consignment-based onion exports undertaken by traders involved in domestic trade to maintain their domestic price levels, they said. Reducing storage wastage is another way to check extreme price fluctuations, traders said. Storage losses in onions in India are 35% to 40%. Simple techniques like keeping a neck of about three inches while harvesting onions reduces possibility of bacterial infection of the bulb, they said. One reason for steep rise in prices during shortages is the concentration of onion trade in the hands of a few big traders, industry insiders said. Cartelisation and manipulation are known to be thriving despite all the efforts of the government to tame it. Forcing agricultural markets to remain closed for a few days is one of the most commonly used techniques by a handful of onion traders in Maharashtra to manipulate the prices, they said. And no government has ever tried to stop these ad hoc market closures, they alleged. Traders said promoting organised retailing of onions can reduce wide variations in retail prices in different parts of the same city. It can



help to set benchmark retail prices. “As onions and potatoes are required 365 days of the year...we want to make onions available like FMCG product available at nook and corner like milk and bread,” said Shah whose Sanghar Exports has tied up with the Dabbawalas of Mumbai for the household delivery of onions. “We are able to sell cheaper than the prevailing retail prices due to cutting off 6-7 middlemen in the channel,” he said. Sanghar Exports also supplies onions in packs of one kg to 400 Kiran stores in the city. It has tied up with National Research Centre for Onion and Garlic in Rajgurunagar for developing cold storage technology for onion. Since this technology is not developed in the country, onions go for curing immediately after harvest. The sensitivity of the political class towards onion prices is one of the biggest factors adding to the ‘onion mess’ of India. “As compared to the crores of consumers, the population of onion growers is minuscule,” a high-level official said on condition of anonymity. An onion trader said, “The bureaucracy is completely lost about managing the spikes in prices of tomato, onions and potatoes. Speaking about secondary processing of onions (powder, flakes, etc), which has a smaller market than the primary processing (grading, packaging, etc) that has bulk business, will not help solve the situation.” ‘Operation Green’, a scheme launched with funds of Rs 500 crore to address price fluctuations of tomatoes, onions and potatoes (TOP), remains on paper two year after its announcement. Trade insiders said the government needs to get its act together before the rabi crop hits the market to prevent another price crash. If the policy response delays once again, not only will the farmers cry, but it will sow seeds of next onion shortage.

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