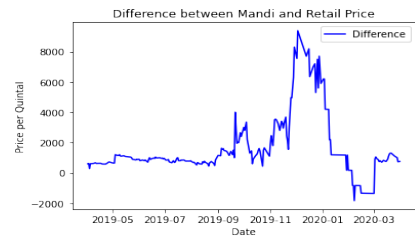
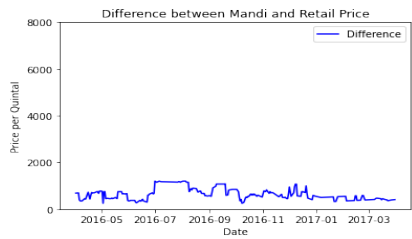
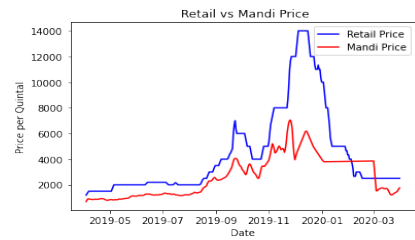
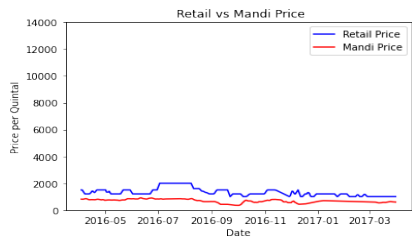
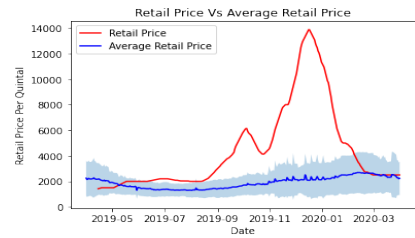
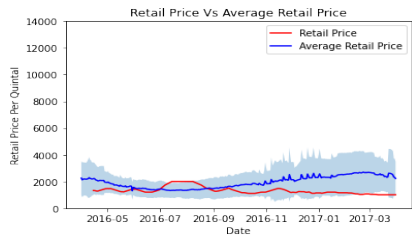
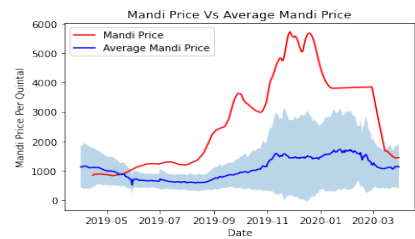
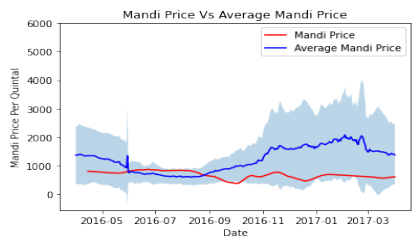
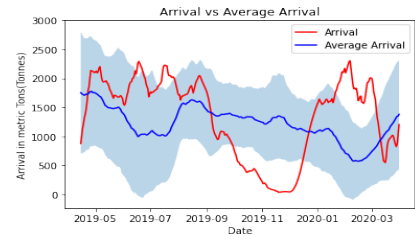
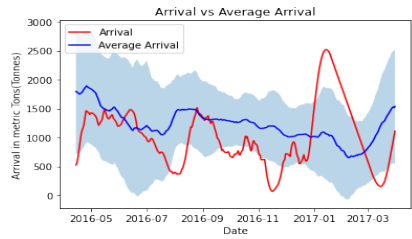
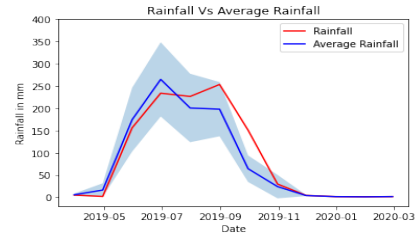
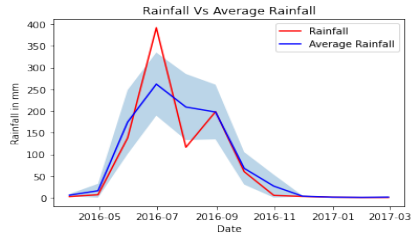


A study on Onion Crisis

May 2020

Introduction

The following analysis compares the 3 major events in Onion market: **1.** Demonetisation, **2.** Onion Crisis, 2019 and **3.** COVID-19 Pandemic lockdown



(a) Demonetisation, 2016

(b) Onion crisis, 2019
COVID-19 Pandemic, 2019

Figure 1: Major Onion events

The red curve in the first two graphs show the rainfall amount for a particular year, and the blue curve shows the average rainfall (from 2006 onwards). The other figures are plotted similarly.

1 Demonetisation, 2016

On November 9, 2016, the Government of India announced the demonetisation of ₹500 and ₹1,000 currency notes which were 86% of the total currency in circulation. The Government pushed for cashless transactions and digital payments. Like 83% of the Indians [1], most of the farmers did not have smartphones, and so they could not make online transactions to the labourers and transporters. There were no auctions for ten days in Lasalgaon market, Asia's biggest agricultural market. Onions stored in the market stayed unsold, and when markets reopened, new produce flooded the market reducing onion prices (Figure 1a). Prices were fallen further because of the excessive monsoon. Onions were traded between ₹650 and ₹1,500 per Quintal in November 2016, compared to ₹3,027 to ₹5,600 in 2015 [4].

2 Onion Crisis, 2019

The crisis began in mid-august when abnormally heavy rains (Figure 1b) damaged the Kharif crop of onions. This led to low arrivals. The arrivals at APMCs across Maharashtra dropped from 143.7 (lakh Quintals) in 2018 to 91.2 (lakh Quintals) in 2019 for September to November, which led to high prices. The wholesale price rose from September to November by almost 54%. The variation between retail and wholesale prices also started to increase in November. One more reason that led to the high prices was mismanagement of the stock. Just before onion prices shot through the roof, the National Agricultural Co-operative Marketing Federation of India (NAFED) wasted around 53 per cent of the buffer stock of the kitchen staple, which could have helped tide over the crisis. Under the Price Stabilisation Fund, NAFED managed a buffer stock of 57,372 metric tonnes (MT) [2], which stored in Maharashtra and Gujarat. However, since August, when onion prices in the retail market crossed ₹40 per kg, the central agency could only disburse 26,700 MT among the states and other agencies. The rest of the buffer stock began to exhibit signs of decomposition. The buffer stock procured from these states at an average rate of ₹1250 per Quintal, higher than the modal rates in mandis (₹1000 per Quintal), but it was sold to the states at about ₹1550 per Quintal which hardly recouped the transportation cost of ₹500-800 per Quintal that was added. The newspapers reported that the price increased because of erratic rain and poor management by the Government. There was no reported case of hoarding.

3 COVID-19 Pandemic lockdown, 2019

The CORONA pandemic hit India on January 30, 2020, when the first case was reported. The total cases reached the mark of 100 on March 15, 2020. On March 22, the Government of India decided to completely lockdown 82 cities including Delhi, Bengaluru, Chennai, Mumbai, Chandigarh and Kolkata districts till March 31. Due to which the labourers could not go to work. The Government asked markets to stay open, but due to lack of availability of labourers and transporters the onion market in Lasalgaon, Maharashtra was shut from March 26 [6]. The market opened the first week of April, but due to shortage of transport and labour and decreased demand from the hotels and restaurants,

the price at the markets falls to ₹650 per Quintal. The fall in wholesale prices did not help end customers. Onions were being sold for ₹30 per kilogram in Mumbai retail markets [7].

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