

## **1. Poor market Intelligence Impacts Food Prices**

### **Context:**

- The frequent rise in the price of commodities, especially onions, has seen little to no effective response from policymakers.

### **Background:**

- After two years of subdued market conditions, the prices of several essential commodities - vegetables, vegetable oils, pulses and sugar, to name a few - are heading northwards.
- Onion prices, for instance, have gone through the roof, as it were, creating a political backlash. Under the lead of palm oil, edible oil rates are markedly up as compared to even six months ago. Prices of pulses and sugar are rising too.

### **Low Production:**

- Without a doubt, vegetables in general — and onion in particular — have faced the nature's fury.
- **Maharashtra, the country's largest producer of onion and pigeon pea**, has faced harvest losses estimated between 30 and 40 per cent.
- Nationally, in 2019-20, sugarcane output is down to 378 million tonnes from 400 million tonnes and at 8.3 million tonnes, kharif pulses' harvest is at a four-year low.
- In the case of edible oil, we find that palm oil prices have shown a 15-20 per cent spurt in recent weeks. India is the world's largest importer of palm oil, with annual import volume touching 9 million tonnes. A weak rupee has added to the escalation in landed cost.

### **Lack of Government's Response:**

- Unfortunately, the government's response to crop losses and the resultant price rise has been far from satisfactory.
- The market invariably gives advance signals; but those concerned should know how to read those signals and take appropriate action.
- The onion is a classic example. The ongoing shortage and government's knee-jerk response is not happening for the first time, nor is it likely to be the last.
- Successive governments failed to address the core issues and to prevent the repetition of the crisis.

### **Steps to be Taken to prevent the Repetition of the Crisis:**

1. **Invest in Infrastructure:** It is critical for the State governments to invest in storage infrastructure for onions, especially at the large producing centres.

Because onions are not highly perishable, they lend themselves to storing in what are called ‘cool chambers’, which are low-cost but effective underground storage chambers to extend the life of the produce. Land available at APMC market yards can be utilised to build the cool chambers. Irradiation can help eliminate infestation, if any, and extend the shelf life of the produce.

2. **Promote Value Addition:** The onion market often alternates between glut and shortage, because of which growers are the worst affected. In order to stabilise prices, it is necessary to set up processing facilities.

The onion is used as an ingredient for a number of products. Dehydration facilities will help capture value. Institutional consumers will be the target consumers of the dehydrated onion.

3. **Continue Foreign Trade:** Banning export, as it happens in times of shortage, is a bad idea. Any restriction on export of agricultural commodities is anti-grower. We must keep both the export and import windows open all the time. Through the judicious use of tariffs (customs duty), policymakers will be able to encourage or discourage export-import activity in onion.
4. **Reducing the long supply chain** that adds cost and provides little value will mitigate the price risk. For instance, farmer-producer organisations and consumer cooperatives can work together to reduce the role of middlemen and create a ‘win-win’ situation for growers and consumers alike.
5. But most importantly, **the policymakers have to be alert and alive to the situation.** Often, they shut the stable after the horses have bolted. Delayed intervention does not help the stakeholders.
6. To be able to take proactive steps, **the government needs to strengthen its Research and Commercial Intelligence Capabilities.**