

1. Some Onion Lessons

Context:

- The failure to control spiking onion prices (It has crossed Rs.100/kg in Several Retail Markets) has become a nightmare for the central government.

Background:

- The current spike in onion prices could have been anticipated. The Horticulture Statistics Division had reported 7 per cent lower kharif acreage compared to the previous year.
- Due to heavy rains in September/October, almost 58 per cent of the kharif onions in MP, 18 per cent in Karnataka and 2 per cent in AP were damaged. Besides, continuous rains led to a delay in harvesting in Maharashtra.

Government's responses to Increased Onion Prices:

- When retail prices touched Rs 50-60/kg in September-October, the government imposed minimum export price (MEP), put stocking limits on retailers and wholesalers and then banned onion exports.
- However, when these measures failed to tame onion prices, even income tax raids were conducted on traders. This shows the bankruptcy of ideas in policy-making.

Operation Green:

- Government allocated Rs 500 crore for "Operation Green" in the 2018 Union Budget precisely to stabilise the prices of tomatoes, onions and potatoes (TOP). The scheme was to be implemented by the Ministry of Food Processing, but the money has still not been released.
- India is already the largest exporter of onions in the world with average exports of 2 mmt a year. Instead of banning exports, it is better to keep imports open so that when domestic prices rise unduly, private trade can start importing rather than waiting for the government to take a delayed decision.
- This way, India can remain a reliable exporter, which will help farmers get better prices on a sustainable basis. Abrupt export bans are not only anti-farmer but actually reflect the failure of government policy.
- To take care of consumers' interests, India needs to build proper value chains as envisaged under "Operation Green".

Measures should be taken to safeguard the Interests of Farmers as well as

Consumers:

- Storage facilities for rabi onions must be created on massive scale, both at the farmers' end as well as with traders. When prices were hovering around Rs 4-5/kg in April-May, the government could have purchased onions at, say, Rs10/kg and stored the stock in modern, private-sector godowns.
- However, repeated stocking limits and raids discourage private investment in modern cold storages. For encouraging private storages, the Essential Commodities Act has to go, and if traders collude, let the Competition Commission of India (CCI), should look into this issue.
- The government needs to promote the use of dehydrated onions (flakes, powder, granules) among urban households and bulk consumers (armed forces, hospitals, hotels and restaurants, etc).
- As onions are sensitive commodities, the government should also keep a buffer stock of dehydrated onions, which have a much longer shelf life.
- Small and marginal farmers should be organised in Farmer-Producer Organisations and direct buying by organised retailers should be encouraged through contract farming, bypassing the mandi system.
- Additionally, market reforms along with overhauling the infrastructure of existing APMC mandis are required.

Conclusion:

- Without market reforms, the prospects of unified national markets, stabilising prices or ensuring a fair price to farmers and consumers are bleak.
- It is time to wake up from the onion nightmare and work towards more sustainable solutions, rather than knee-jerk measures.