# Onion cartel

It is clear that cartels are behind the periodic surge in onion prices, but the government has done little to curb them.

A marked feature of the United Progressive Alliance government's second term has been a tendency to panic when things go out of hand. And often it is clueless about how to tackle the situation. This was the case when onion prices shot up recently. The government does not seem to have learnt its lessons from the events in the onion market during 2010-11.

### PRICE SURGE

**Price** 

movement

(Modal price in Rs./quintal)\*

1,436

1,440

Marketing Committee yard

The 1998 onion crisis

brought down the

BJP governments in

Rajasthan and Delhi

Onion prices galloped to over Rs.70 a kilogram in retail markets across the country twice over the last couple of months. At the Lasalgaon Agricultural Produce Marketing Committee yard in Maharashtra, Asia's largest onion market, prices hit a record Rs.55 a kg during the middle of

3,693

2,102

1,385

910

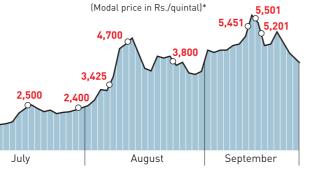
838

September. They began to drop on talk of imports, but may surge again with the rains delaying harvest in Maharashtra. Last month, prices rose as rain delayed arrivals in Karnataka and Andhra Pradesh.

In fact, as early as July, when the prices were tending to rise, government officials monitoring the situation stated that onion was not only held back by farmers, expecting a higher price, but also hoarded by traders. The government failed to step in, and the prices rose.

The irony is that a similar situation arose during December 2010-January 2011, when the prices at retail outlets touched Rs.100 a kg. However, at that time, the price for the best variety at Lasalgaon did not go above Rs.40 a kg.





\* At the Lasalgaon Agricultural Produce Marketing Committee yard

2,378 1,055 © 843 762

1.084

1,689 1,908 842 725 1,069 1.452 549 1,343 1,352 0

2.011

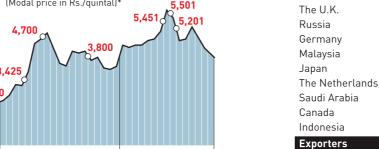
583 651 c 61,311

2,632

2013 FEBRUARY \* At the Lasalgaon Agricultural Produce

Sources: Apeda; U.N. Comtrade; NHRDF; FAO

### THE 2010-11 CRISIS



# The Netherlands

The U.S.

3.36

The Top 10 (2011)

Importers

The U.S.

Mexico China India Egypt Spain The U.S.

France New Zealand Argentina

At that time, the Competition Commission of India conducted a probe into the price rise. It asked the Agricultural Development and Rural Transformation Centre (ADRTC) at the Institute for Social and Economic Change in Bangalore to do a study of the crisis. The institute found that prices had soared because traders had formed a cartel. It also said that farmers had little say in deciding the prices and recommended allowing of a new set of traders and commission agents into onion markets. However, the government did little in

China

Russia

2.12

**Pakistan** 

1.93

India

24.76 15.92

### THE EXPORT FRONT

this respect.

Top 10 global producers in 2011

(in million tonnes)

Egypt

Turkey

The Netherlands

Brazil

1.52

This time, although the government refrained from banning exports, it raised the minimum export price to \$900 a tonne. The ADRTC was opposed both to the ban on exports and to the fixing of a floor price for export, on the grounds that these affected the growers the most.

In fact, in end-2011, when the government imposed an export ban, it hardly lasted a fortnight as farmers refused to

The price movements and arrivals are clear indications that the price surge is not based on any fundamentals but on cartelisation.

Will the current surge lead to a situation that we saw in 1998 when the Bharatiya Janata Party governments in Rajasthan and Delhi were thrown out? It was a cartel that was behind the price surge at that time, too.

# Top producers in India

('000 tonnes)

Value

			,	
	201	1-12	201	2-13
State	Output	Share (%)	Output	Share (%)
Maharashtra	5,638.00	32.20	4,546.00	27.03
Karnataka	2,451.20	14.00	2,523.50	15.01
Madhya Pradesh	1,957.00	11.18	2,153.00	12.80
Gujarat	1,562.20	8.92	1,562.20	9.29
Bihar	1,236.74	7.06	1,280.70	7.62
Andhra Pradesh	824.77	4.71	849.52	5.05
Rajasthan	664.22	3.79	667.74	3.97
Haryana	589.83	3.37	664.22	3.95
Tamil Nadu	556.45	3.18	516.40	3.07
Odisha	418.99	2.39	419.09	2.49
<b>Total</b> (including other States)	17,510.00		16,816.00	

## Top importers from India

2011-12

Volume

2011-12	(tonnes)	(in Rs. lakh)	
Malaysia	3,01,314 44,34		
Bangladesh	3,13,634	38,621	
Γhe UAE	1,79,050	22,190	
Sri Lanka	1,53,267	17,464	
Pakistan	75,621	10,460	
ndonesia	48,511	8,732	
Nepal	34,857	4,346	
Singapore	30,661	3,911	
Oman	26,597	3,415	
Qatar	26,749	3,290	
<b>Fotal</b> including other countries)	13,09,929	1,72,303	
2012-13	<b>Volume</b> (tonnes)	<b>Value</b> (in Rs. lakh)	
Malaysia	3,85,275	49,106	
Bangladesh	4,89,837	43,756	
		23,821	
Γhe UAE	Z, H, /55	23,021	
The UAE Sri Lanka	2,11,755 1,49,394		
		20,492	
Sri Lanka	1,49,394		
Sri Lanka ndonesia	1,49,394 48,824	20,492 6,694	
Sri Lanka ndonesia Singapore	1,49,394 48,824 35,007	20,492 6,694 4,715	
Bri Lanka ndonesia Bingapore Kuwait	1,49,394 48,824 35,007 38,099	20,492 6,694 4,715 4,410	
Sri Lanka ndonesia Singapore Kuwait Oman	1,49,394 48,824 35,007 38,099 36,678	20,492 6,694 4,715 4,410 4,001	
Sri Lanka ndonesia Singapore Kuwait Oman Hong Kong	1,49,394 48,824 35,007 38,099 36,678 24,737	20,492 6,694 4,715 4,410 4,001 3,998	

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