Onion Price Rise

What is the issue?

- The failure to control spike in the retail prices of onion (crossed Rs 100/kg) has become a nightmare for the central government.
- It is time to wake up from this onion nightmare and work towards more sustainable solutions, rather than knee-jerk measures.

What is the concern over the price trajectory?

- 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.
- Such a situation has arisen almost every alternate year, but we have refused to learn.
- The current spike in onion prices could have been predicted.

Why did the onion price rose?

- The Horticulture Statistics Division had reported 7% lower kharif acreage compared to the year 2018 in major onion growing states.
- [Major onion growing states - Maharashtra, Karnataka, Madhya Pradesh, Andhra Pradesh, Gujarat and Rajasthan.]
- Due to heavy rains in September/October 2019, the kharif onions in MP, Karnataka and AP were damaged.
- Besides, continuous rains led to a delay in harvesting in Maharashtra.

What was the government's reaction?

- The government woke up to the problem late and directed MMTC to import 1 lakh million tonnes (mt) of onions.
- With relaxed fumigation norms, onions are being imported from Afghanistan, Turkey, and Egypt.
- 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.

What is Operation Green?

- As finance minister, the late Arun Jaitley had announced and 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 their website shows that the money has still not been released.
- To take care of consumers' interests, India needs to build proper value chains as envisaged under "Operation Green".

What could be done?

- Steps should be taken to safeguard the interests of farmers and 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 low, the government could've purchased onions and stored the stock in modern, private-sector godowns.
- The government needs to **promote the use of dehydrated onions** (flakes, powder) among urban households and bulk consumers.
- As onions are sensitive commodities, the government should also keep a buffer stock of dehydrated onions, which have a much longer shelf life.
- Also, 1 kg of dehydrated onion equals 10 kg of fresh onions.
- This is the right time to promote their use.
- There should be a **contract farming model** in which the price to be paid to growers is assured by the company even before planting.
- If the market price after harvest is higher than the assured price, then farmers get a price that is 60 paise/kg less than the market price.
- Such models of contract farming reduce market risk and need to be scaled up.
- **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.
- The government should carry out **APMC reforms** in the states.
- Without that, 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.

Source: Indian Express

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