



Indian Farmer  
Volume 8, Issue 07, 2021, Pp. 460-462.  
Available online at: [www.indianfarmer.net](http://www.indianfarmer.net)  
ISSN: 2394-1227 (Online)

POLICY ARTICLE



## Factors affecting Onion Prices in India

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**Article Received:** 12 July 2021

**Published:** 19 July 2021

Diverse climate of India ensures availability of all varieties of fresh fruits and vegetables. Onion is one of important vegetable crop in India and ranks second in onion production in the world, after China. Onions crop is grown widely by large, small and marginal farmers in different parts of the country and produced in sufficient quantity not only for internal consumption but also as highest foreign exchange earner among the fruits and vegetables. India exported Onions worth \$421.2 million in 2018 which is 11.9% of the global onion export after, The Netherlands (19.1%), China (14.4%) and Mexico (12.1%). India is 4<sup>th</sup> fastest growing exporter of Onions, its annual export is growing by 30.7 % since 2014 (Workman, Daniel, 2019).

Onions are an important staple food in India and well known for its flavor and nutrients. It can be consume as raw and cooked form and used in preparations of many dishes like *Chutneys, Curries, Samosas, Biryanis* and *Piazza* and many more dishes. Onions are a requisite ingredient used from base to garnish the dishes of kings to the poorest of poor in small villages. When villagers have nothing else, they will fall back on an onion and a *Roti*. India's average onion consumption stands at 3,000 truckloads every day; however, the massive damage to kharif crop has reduced supply to 1,5000 truck loads in the markets.

In India, Onion prices are always about to rise high due to a variety of factors. One of the important factors for high prices of onion is seasonal production. As a result, supplies of onion are not consistent throughout the year and further requirement to production ratio fluctuate in a very frequent manner. Secondly, spoilage losses are high due to inadequacy of storage. The fact that India severely limits onion imports, production fluctuations and lack of knowledge of post harvest management significantly affects prices. The supply of onions typically declines, and prices trend up between July and September, over the monsoon season and before major harvests.

### **Massive hit to kharif crop**

Onion prices have been rising ever since reports about massive losses to kharif onion in north Karnataka broke out in the last week of August. The early-kharif onion crop sown in Andhra Pradesh and Karnataka were damaged due to incessant rains. Heavy rains also massively hit onion crops grown in parts of Madhya Pradesh, Gujarat, and Maharashtra.

### **Indian government's intervention**

Less than a month ago, the Indian government excluded onions from other essential commodities act while passing amendments to the Essential Commodities Act 1955 — which applies no stock limit.

But with rising onion prices, the Indian government had to intervene and impose stock limits on retailers and wholesalers with immediate effect until December 31. Now, retailers can stock onions only up to 2 tonnes, whereas wholesale traders can store up to 25 tonnes. This will check hoarding and black marketing.

"This is a decisive step. We have imposed stock limits on onion traders with an immediate effect till December 31 after concerns that traders were releasing their stored stocks slowly, creating artificial price rise situations"- Consumer Affairs Secretary Leena Nandan said.

Since retail prices of onions make up a significant part of domestic food indices, onions are inextricably linked to the level of food inflation in the country. "Onion is the only way inflation is understood by ordinary peoples. Onions are so potent that their prices have become a yardstick of good governance. To afford or not afford onion is how poverty is understood across the country." As a result, onions have become one of the most politically sensitive commodities in India, and price hikes have played a part in determining political fortunes. A Story published by Akshaya Mukul "History shows humble onions can deep fry political class" (Times of India, August 14, 2013) explain show shooting onion prices can make a mark in the Indian politics. The triumph of Indira Gandhi's Congress Party in India's 1980 general election is held up as the case example in which food inflation toppled a ruling party. Her victory led her to refer to the election as the "Onion Election." The high prices of onions have also taken down two state governments in the 1998, in Delhi and Rajasthan states.

It's the heat of magical onion flavor which tempted the masses slowly over the centuries to acquiesce with a socially forbidden food, to the current level of prominence on Social prosperity, cultural diversity, economic health and political stability of the nation. Proper planning for production, post harvest management and marketing may help growers to get better prices for good quality produce. It may also encourage them to maintain the production level as well as the supply to the domestic market with a minimum variation in price. Close coordination is needed between the stakeholder like growers, researchers, entrepreneurs, financial institutions and all intermediaries to

develop a more sustainable supply chain of onion get better prices for good quality produce. It may also encourage them to maintain the production level as well as the supply to the domestic market with a minimum variation in price. Close coordination is needed between the stakeholders like growers, researchers, entrepreneurs, financial institutions and all intermediaries to develop a more sustainable supply chain for onion proper planning for production, post-harvest management and marketing may help growers to get better prices for good quality produce. It may also encourage them to maintain the production level as well as the supply to the domestic market with a minimum variation in price. Close coordination is needed between the stakeholders like growers, researchers, entrepreneurs, financial institutions and all intermediaries to develop a more sustainable supply chain for onion