

ONION & POTATO

Monthly **REPORT**

Volume 03

Market Intelligence System

July 2012

Onion

Executive Summary

- The government completely liberalised onion exports on 29th June, allowing shipments without any minimum export price, a move which will further boost exports of onion. Earlier, in the first week of May, the government has abolished MEP for two months till 2nd July to boost onion exports.
- Prices have increased across major mandis of Maharashtra and M.P. due to lower arrivals in the mandis. This is a common phenomenon as rabi onion arrivals tend to decrease after May/June in wholesale markets and stored onion starts coming into the market with higher price quotes.
- Kharif sowing which was lagging due to deficient rain, will gather momentum as monsoon has hit all growing states. Prices are likely to soften a bit with sowing starting in full swing. Kharif and early-Kharif onion crop contribute about 20% of total onion production in India. Late Kharif onion contributes 20% to total production. The remaining 60% is contributed by Rabi season.
- Export inquiries also increased as importing countries like Sri Lanka, Bangladesh and Gulf countries try to import and stock as much as possible before prices start rising further in India on the news of deficient rain. Thus, additional export demand could emerge in the coming days which might pull prices further upward.

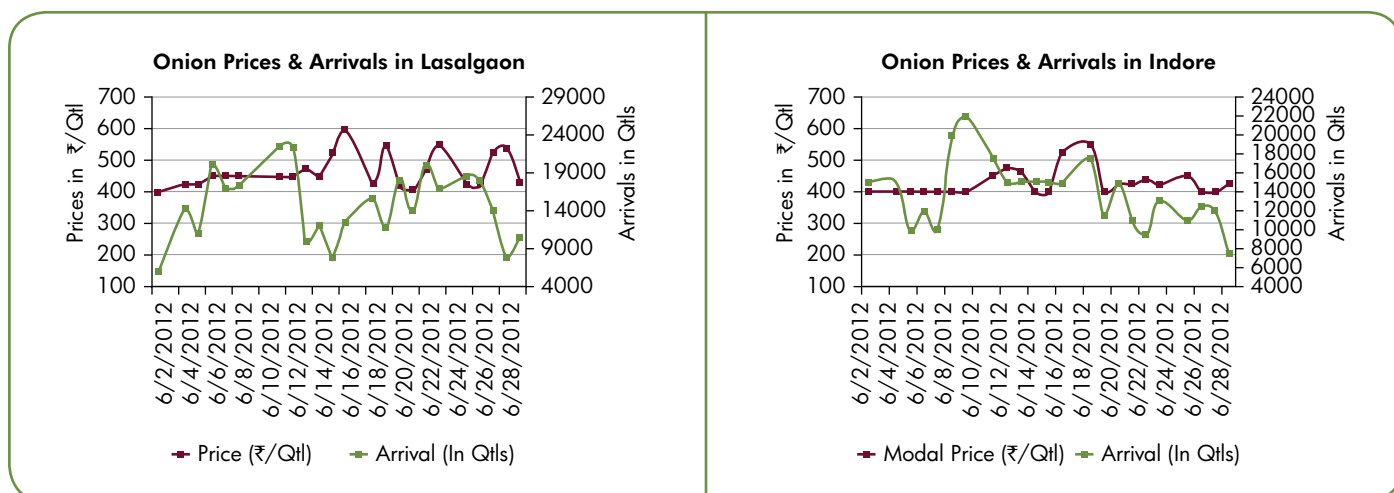
Monthly Average Wholesale Price (₹/Qtl) and Arrivals (in Quintals) Trend Comparison

Market	State	Average Daily Arrival June	Average Daily Arrival May	% change in Arrivals Over Previous Month	Average Prices June	Average Prices May	% change in Prices Over Previous Month
Delhi	Delhi	13411	12691	5.67	606	608	-0.33
Kolkata	West Bengal	7680	3192	140.60	815	719	13.35
Lasalgaon	Maharashtra	14540	21882	-33.55	468	379	23.48
Pimplagaon	Maharashtra	16525	15909	3.87	447	393	13.74
Mumbai	Maharashtra	8287	10256	-19.20	574	482	19.09
Pune	Maharashtra	7592	7394	2.68	579	475	21.89
Rajkot	Gujarat	894	1341	-33.33	396	331	19.64
Gondal	Gujarat	676	1217	-44.45	433	259	67.18
Jaipur	Rajasthan	2767	1947	42.12	673	535	25.79
Chennai	Tamil Nadu	4684	4734	-1.06	895	775	15.48
Lucknow	Uttar Pradesh	430	1369	-68.59	549	561	-2.14
Hyderabad	Andhra Pradesh	5333	4195	27.13	678	731	-7.25
Guwahati	Assam	4720	3740	26.20	1516	1424	6.46

Source: Agriwatch Research

As seen in the table above, daily average onion arrivals in Lasalgaon and Mumbai have decreased substantially. Growers are holding back some of their crop in the hope of fetching better prices in the coming month. Prices which were very depressed in May have increased 10–20% across producing regions during June.

Wholesale Onion Prices and Arrivals in Lasalgaon and Indore during June 2012



Source: Agriwatch Research

Technical Analysis of Onion Prices at Lasalgaon, Nasik



Source: Agriwatch Research

Note: Each bar or "candle" in the chart shows the price movement in a particular week. The green candle signifies prices increased and red candle signifies prices decreased in that week. The length of the "candle" shows the upper and lower end of the price range for the week.

The above chart shows the weekly spot price movement of Onion in the benchmark Lasalgaon Mandi of Nasik.

As expected, prices encountered resistance near ₹550 due to regular supply at higher price levels. Though supply has decreased in last two weeks, small farmers are bringing their produce regularly to the market. Once their supply ends or tapers off, prices are likely to increase further as

affluent growers and stockists are holding back their stocks.

Prices are likely to test the resistance of ₹550 per quintal once again in the coming week. Just like ₹450 was a resistance level for a period of 8 weeks until 3 weeks ago, the ₹550 level might become a level of resistance for a couple of more weeks. If the resistance of ₹550 is breached, prices might move quickly to the ₹600 to 650 per quintal level.

Potato

Executive Summary

- As per cold store owners of various potato producing states, the percentage of stored potatoes that have been released so far is as shown in the table.
- Cold store potato are fetching higher price across the country. Average potato prices in Agra have increased by ₹60/Qtl on a month-on-month basis due to higher consumption demand and holding by stockists.
- As per traders, potato demand is expected to increase from August onwards due to additional consumption and demand for seed purpose.
- After the direction of FMC, the commodity exchanges – MCX and NCDEX, has introduced the “Staggered” delivery system in Potato futures contract. Under this system, the delivery tender period starts from 15 days prior to expiry date of the contract. If a seller wishes to give delivery during this period, he/she can give his intention to deliver along with a valid quality certificate

Region	Release from Cold Stores
Farrukhabad	18–20%
Agra	22–25%
Mainpuri	17–18%
Kanpur, G T Road	18–20%
Kannauj	15–16%
Tarkeshwar, West Bengal	20–25%
Gujarat	22–25%

and proof of deposit of goods in accredited warehouse. The Exchange will randomly allocate this delivery to buyers of the contracts who have open positions at the end of that day.

- Under “Farmferry” service of National Horticulture Mission (NHM), a train transported potato from Agra to Vashi Mandi of Mumbai. The potatoes were found even fresher than potatoes transported through road and fetched 10% higher price. The cost of transportation through train route comes out to ₹1,200/ton against ₹2,000/ton through road.

Monthly Wholesale Price Trend in Various Producing & Consuming Centers

Market	State	June 2012 Avg. Wholesale Price (₹/Qtl)	May 2012 Avg. Wholesale Price (₹/Qtl)	Absolute Change Over Prev. Month (₹/Qtl)	% Change Over Prev. Month
Delhi	Delhi	1157	1102	55	4.99
Agra	Uttar Pradesh	1095	1035	60	5.80
Hathras	Uttar Pradesh	1096	1042	54	5.18
Aligarh	Uttar Pradesh	968	944	24	2.54
Farrukhabad	Uttar Pradesh	1055	980	75	7.65
Kanpur	Uttar Pradesh	1028	1026	2	0.19
Ludhiana	Punjab	1291	1171	120	10.25
Kolkata	West Bengal	1115	1086	29	2.67
Siliguri	West Bengal	1200	1036	164	15.83
Hyderabad	Andhra Pradesh	1350	1147	203	17.70
Guwahati	Assam	1250	1125	125	11.11
Jaipur	Rajasthan	1022	904	118	13.05
Mumbai	Maharashtra	1255	1257	-2	-0.16
Bengaluru	Karnataka	1460	1369	91	6.65
Ahmedabad	Gujarat	1061	933	128	13.72

Source: Agriwatch Research

As evident from the table, potato prices in all centers have increased on a month-on-month basis though the pace of increase has decreased as compared to the month of May. Hyderabad has witnessed the highest monthly increase (17%) in prices due to its dependence on UP-region potato during these months. The price increase across cities is due to slow release of cold

store potato from various producing regions of UP, West Bengal and Punjab. The stockiest and farmers are expecting further price increase once monsoon hits the whole country. During rainy season, the consumption of potato increases as the supply of other fresh vegetables decreases and more potato is used to mix with other vegetables during cooking.

Trading Volume Analysis of Potato Futures at Commodity Exchange

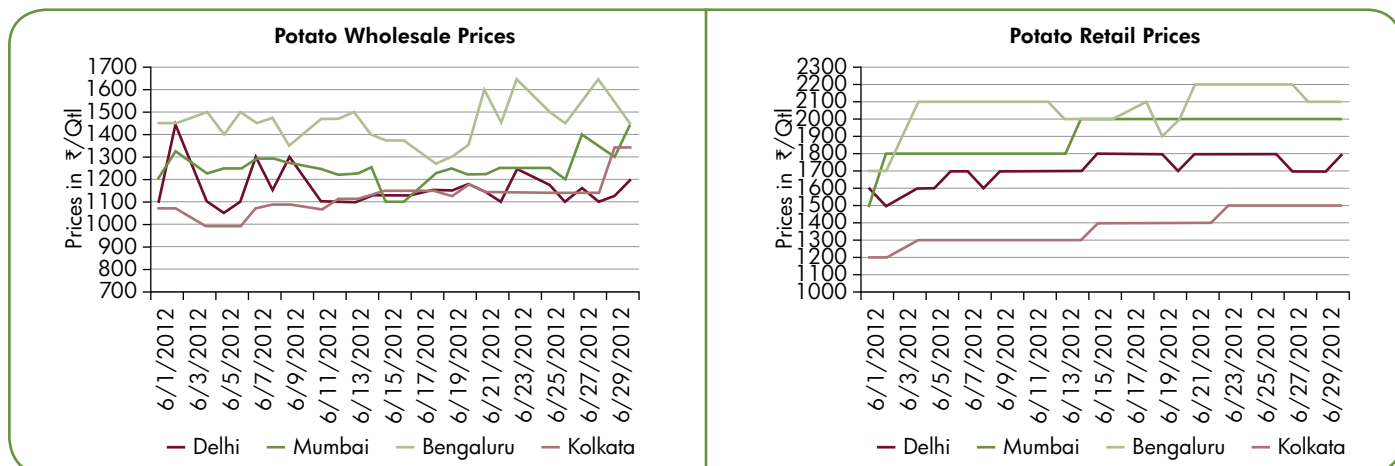
Month	Volume MCX-Agra (in MT)	Volume MCX-Tarkeshwar (in MT)	Volume NCDEX-Agra (in MT)	Total Futures Volume in MT (MCX+NCDEX)	% Share of MCX	% Share of NCDEX	Monthly Agra Spot Closing Price (₹/Qtl)	% Change Over Prev. Month
Jan-12	968730	111450	221220	1301400	83.00	17.00	325	–
Feb-12	1668960	276180	314490	2259630	86.08	13.92	405	24.62
Mar-12	3131790	539310	720120	4391220	83.60	16.40	615	51.85
Apr-12	767730	161490	218865	1148085	80.94	19.06	1050	70.73
May-12	375120	74730	145080	594930	75.61	24.39	1015	-3.33
June-12	295380	65370	81450	442200	81.58	18.42	1150	13.30

Source: MCX, NCDEX and Agriwatch Research

The above table shows the potato futures trading volume on Indian Commodity Exchanges and corresponding price behavior in spot market of Agra. As we can see, trading volumes in futures contract are gradually coming down from the peak. The peak volume in both the Exchange was during March when potato prices started to increase sharply. The change in Agra monthly spot prices was highest in the next month. The closing price during the month of April was ₹1050

with change of approx 70% over March 2012. This suggests trading activities gathered momentum in the month of March, before potato prices started rising fast. The reason could be greater buying interest by traders and speculators at lower prices due to estimates of lower production during this season. Now when the prices are at their peak, trading volume has come down drastically which indicates less interest at these price levels.

Wholesale & Retail Potato Prices Trend in Metro Cities



Source: Agriwatch Research

Source: State Civil Supplies Dept.

The above charts show the wholesale and retail price during June in different metro cities. Fluctuation in wholesale prices of Bengaluru is greater as here supply depends on UP and crop progress was not so good in

Hassan district. Wholesale prices in Delhi and Mumbai are hovering between ₹1100–1300/Qtl whereas retail prices in Mumbai are higher as compared to Delhi as Delhi is nearer to the supplying region of Agra/UP.

DISCLAIMER

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