

Summary:

Dwindling old crop stocks of onion and holding of onion stocks by the growers led to decline in arrivals in major trading centers of Maharashtra. Meanwhile buyers are waiting for Rabi crop arrivals to begin from 1st-2nd week of April.

Onion prices in the domestic markets are steady and with the arrival of new crop from early April 2012 prices could soften initially. However we do not foresee any sharp drop in onion prices, in view of the rising freight costs and steady export demand.

Fundamental Outlook:**Government is moving towards lifting Minimum Export Price (MEP) on Onions**

Based on representations received from exporters and state agencies, government is now considering removing the MEP on onion exports. While the current exports are taking place at levels higher than US\$ 125 per metric tonne MEP, it is increasingly being felt that MEP on exports does not help the country in the present situation. Hence government might remove the floor price of US\$ 125 per metric tonne (FOB) any time now. This move will be welcomed by the trade circles, as the step is pragmatic. Removal of MEP shall stand supportive for the onion prices moving forward.

Lull in Exports seen in the 2nd fortnight of March 2012

With old crop availability declining and new crop (Rabi) arrivals still around a fortnight away, exports during the second half of March is expected to be subdued. From the 2nd fortnight of April 2012, we expect onion exports to revive.

Demand continues to stay strong from Middle East countries such as Dubai, Kuwait, UAE. Demand from Singapore, Malaysia and other SE Asian nations are relatively stable with importers inquiring for Dark Red Onion varieties. Once the new crop arrivals starts from Maharashtra we expect exporters to go for active buying from the market, lending support to the onion price.

Stocking activities in Maharashtra is reported to be poor as stockists are eyeing better variety to stock (Garwa variety) which will start coming into the market after 15-20 days. During the period of 15-20 days we expect onion prices to stay range bound.

Diesel price could be hiked any time

It is becoming increasingly likely that diesel prices could be hiked any time now in view of the rising crude oil prices globally. Mounting subsidy on diesel could be adjusted and the burden could be passed on partly to consumers. This would immediately push up truck freight rates, which in turn is likely to affect both export and domestic costing. Onion prices would slightly go up in view of the rising freight charges.

Onion production expected to be around 15 million tonnes

Estimates by trade and industry point towards Onion production of around 15.1 million tonnes during 2011-12 compared to 14.6 million tonnes in the previous year.

New Crop Arrivals from Rajasthan to Delhi market already started

New crop arrivals from Rajasthan has already started in a small way and expected to gain momentum from 25th March, 2012. Quality of initial Rajasthan crop is not satisfactory and hence it is sold at a discount to Maharashtra and Gujarat onions in Delhi. However, as the quality of new crop from Rajasthan improves with increased arrivals, we are expecting arrivals from Maharashtra and Gujarat to Delhi will dwindle.

According to a news release by APEDA, exporters are likely to benefit as payment issue with Iran is resolved as on March 19, 2012. Exporters' body FIEO on Sunday said it would be easier for Indian exporters to export to Iran as the long-standing payment problem has been resolved. "Rupee Mechanism issues have been sorted out with active involvement of FIEO, UCO and Persian Bank.

Onion Arrival Analysis:

Onion arrivals in most of the trading centre in Maharashtra declined during the week under consideration except for Nandgaon where arrivals was seen up. Decline in arrivals across the market of Maharashtra is primarily attributed to holding of produce by the growers keeping in view the lean

season demand and decline in old crop stocks. Details of the arrivals market-wise is shown in the table below:

Onion arrivals (ton) in important market of Maharashtra:

Markets	Arrivals 16-23 Mar 2012	Arrivals 09-15 Mar 2012	Arrivals 16-23 Mar 2011	% Change (w-o-w)	% Change (m-o-m)	% Change (Over Previous Year)
Chandvad	560.9	1456.5	2797.5	-61.49	-82.09	-79.95
Devala	155	1110	1047.5	-86.04	-91.64	-85.2
Dindori (Vani)	-	-	1098.8	-	-	-
Kalvan	-	1050	200	-	-	-
Lasalgaon	1954	6384	4046	-69.39	-72.78	-51.71
Lasalgaon (Niphad)	-	1815	1372	-	-	-
Malegaon	890	2380	1100	-62.61	-73.67	-19.09
Malegaon (Umarane)	-	2650	2873.6	-	-	-
Manmad	50	3640	3462.5	-98.63	-98.99	-98.56
Nandgaon	1093	957.4	959.3	14.16	-	13.94
Nasik	239.8	483.1	1349	-50.36	-73.05	-82.22
Pimpalgaon Baswant (Saykheda)	-	1859.1	1842.7	-	-	-
Satara	-	-	1227	-	-	-
Sinner	-	-	1604.6	-	-	-
Yeola	2537.1	6662.5	8553.7	-61.92	-84.27	-70.34
Total	7479.8	30447.6	33534.2	-	-	-

As per the data reported by APMCs; Arrivals are in ton.

Onion Price Analysis:

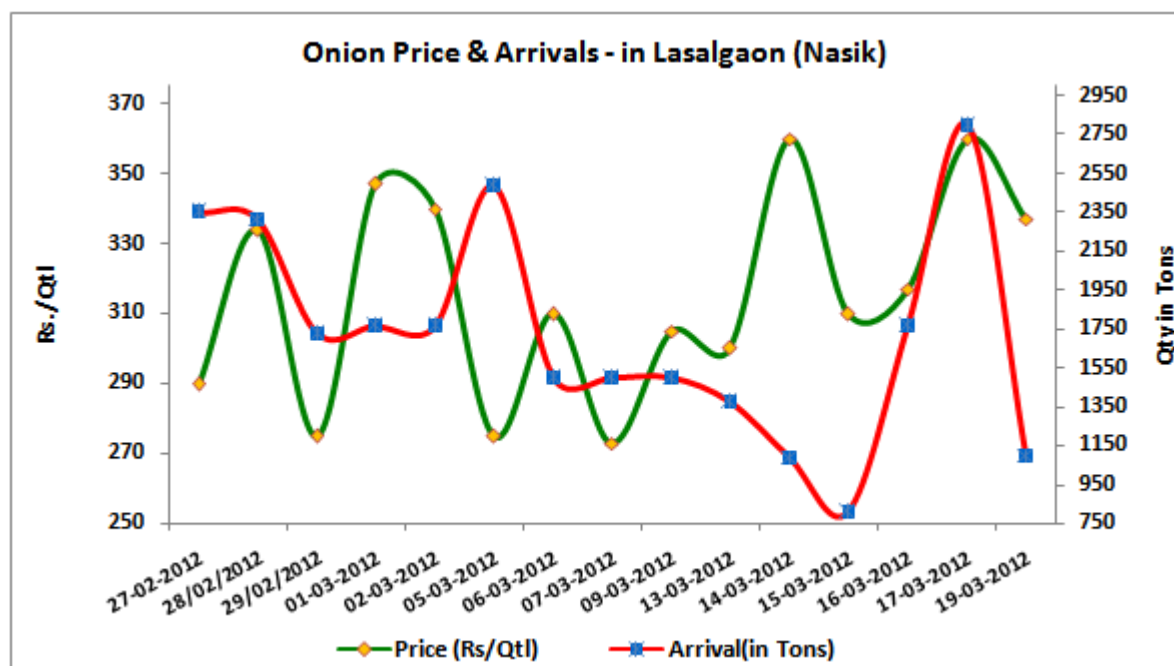
Onion prices (weekly average) at Lasalgaon, the major trading center, declined during the week under consideration. However prices were higher in few markets. Lower demand for pink variety of onion at higher price levels resulted in the decline in prices. However the demand for dark red variety was seen at higher levels keeping the prices of the same at higher levels week on week. Detail of onion prices in the market of Maharashtra is as shown in the following table:

Market	Prices 16- 23 Mar 2012	Prices 09- 15 Mar 2012	Prices 16- 23 Mar 2011	% Change (w-o-w)	% Change (m-o-m)	% Change(Over Previous Year)
Chandvad	-	330.59	1060.47	-	-	-
Devala	420	350	1685.2	20	27.16	-75.08
Dindori(Vani)	-	-	905.44	-	-	-
Kalvan	-	433.86	1592.5	-	-	-
Lasalgaon	355	356.53	1509.57	-0.43	-3.59	-76.48
Lasalgaon(Niphad)	-	311.37	1353.19	-	-	-
Malegaon	290	305.67	2177.65	-5.13	-14.36	-86.68
Malegaon(Umarane)	-	327.08	891.74	-	-	-
Manmad	350	288.6	1511.22	21.28	11.06	-76.84
Nandgaon	275	280	1872.04	-1.79	-	-85.31
Nasik	386.45	389.99	1618.95	-0.91	5.67	-76.13
Pimpalgaon Baswant(Saykheda)	-	300.07	999.81	-	-	-

Satana	-	-	1999.39	-	-	-
Sinner	-	-	1767.89	-	-	-
Yeola	295	284.77	1653.58	3.59	-5.54	-82.16
Average	338.78	329.88	1506.58	-	-	-

Onion Price Trend in Lasalgaon:

The following chart depicts arrivals are sensitive to the prices especially during the fag end of the season. Improvement in prices has led to subsequent increase in arrivals during the next day. Moving forward we expect arrivals to stay in the range of 1550 to 2350 during coming week in Lasalgaon. We expect onion prices in Lasalgaon to stay in the range of Rs 310 to 340/Qtl in the coming week.



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