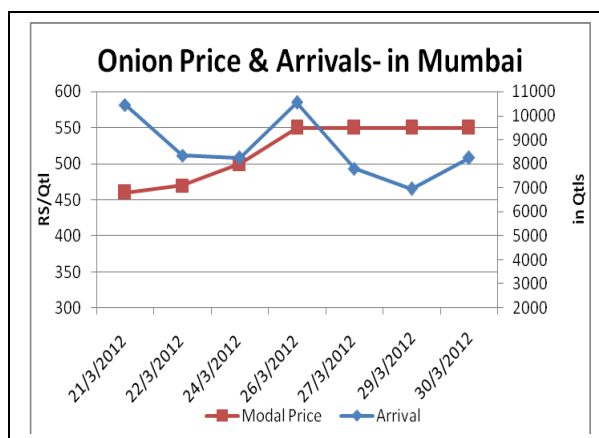
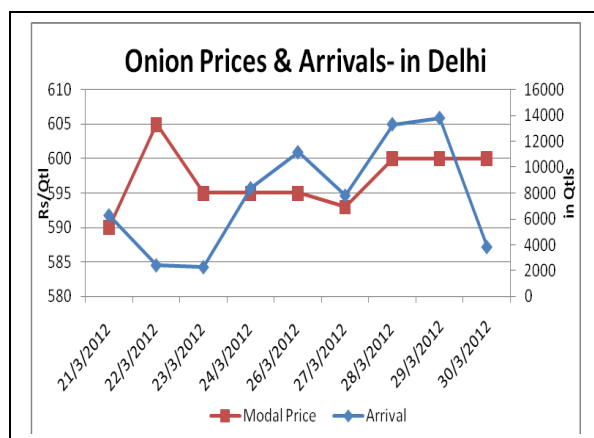


Executive Summary:

- The Rabi Onion crop arrival has started in wholesale markets of Maharashtra and is poised to increase further in next two weeks after week long dull activities due to March-end closing and festival holidays.
- Since, Rabi onion has long shelf life, traders and farmer prefer storing it for next 5-6 months so that it can be supplied during lean season.
- Exporters and traders will be active once pink variety onion arrives in the wholesale markets of Maharashtra.
- Average wholesale prices in Maharashtra APMCs have increased 15-20% during the last one month due to reduction of minimum export price (MEP) to \$125 FOB from \$150 earlier.
- The trading and farming communities are demanding that the government should remove MEP and set up Minimum Support Price (MSP) for onions.
- Farmers cost of production for onion has increased due to shortage of labour. Any further hike in diesel prices could increase the transportation cost and result in higher onion prices at end consuming centers.

Market Outlook

Onion prices in Delhi & Mumbai 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



(Source; APMC, Agriwatch)

Fundamental Scenario:

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 as compared to 14.6 million tonnes in the previous year.

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.

Export Markets

Once the good quality crop arrivals starts from Maharashtra we expect exporters to go for active buying from the market, lending support to the onion price. 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.

As per NAFED, India has exported around 13.4 lakh metric tonnes of Onion till February 2012. It is likely that we end up this year with a figure of 15-16 lakh tonnes of onion export.

Onion Arrival Analysis:

Onion arrivals in most of the trading centers in Maharashtra declined during the week under consideration due to lower prices. Decline in arrivals across the markets of Maharashtra is primarily attributed to holding of produce by the growers keeping in view lower prices.

Onion arrivals in important markets of Maharashtra:

(Arrivals in Tons)

Market	Per Day Average Arrivals 24-31 Mar 2012 (Days Reported)	Per Day Average Arrivals 16-23 Mar 2012 (Days Reported)	Average Arrivals 24-31 Mar 2011 (Days Reported)	% Change (Over Previous Week)	% Change (Over Previous Month)	% Change (Over Previous Year)
Chandvad	352.67 (3)	387.76 (5)	697 (1)	-9.05	-47.03	-49.4
Khed(Chakan)	1712.5 (2)	2330 (2)	389.86 (5)	-26.5	-36.05	339.26
Kolhapur	529.06 (5)	763.54 (7)	624.74 (5)	-30.71	-22.03	-15.32
Lasalgaon	529.75 (2)	1069.63 (4)	1667.5 (1)	-50.47	-73.01	-68.23
Nagpur	210.35 (4)	245.32 (4)	48.22 (6)	-14.25	-53.53	336.23
Nasik	80.78 (5)	113.88 (5)	91.59 (7)	-29.07	-58.87	-11.8
Solapur	890.57 (3)	1530.68 (6)	1507.72 (6)	-41.82	-47.33	-40.93
Vashi New Mumbai	844 (5)	992.5 (6)	1325 (4)	-14.96	-15.94	-36.3

(Source: AGMARKNET)

Arrivals in major producing region have fallen drastically on W-o-W and M-o-M basis. This could be due to farmer's reluctance to bring onion at prevailing lower price and in hope of the government deciding on MEP and price support mechanism.

Onion Price Analysis:

The following table depicts how the prices are sensitive to arrivals. Prices have increased across the markets due to fall in supply on week-on-week and month-on-month basis.

Onion prices (Rs/Qtl) in important market of Maharashtra:

District	Prices 24-31 Mar 2012	Prices 16-23 Mar 2012	Prices 24-28 Feb 2012	Prices 24-31 Mar 2011	% Change (Over Previous Week)	% Change (Over Previous Month)	% Change (Over Previous Year)
Ahmednagar	355.19	343.18	412.17	410.55	3.5	-13.82	-13.48
Aurangabad	290.23	271.76	248.34	393	6.8	16.87	-26.15
Jalgaon	392.37	400	369.53	419.12	-1.91	6.18	-6.38
Kolhapur	419.13	400	400	500	4.78	4.78	-16.17
Mumbai	538.18	462.96	474.41	599.69	16.25	13.44	-10.26
Nashik	343.48	334.37	306.4	495.67	2.72	12.1	-30.7
Pune	415.43	365.93	347.2	462.65	13.53	19.65	-10.21
Satara	474.97	378.53	381.84	530.27	25.48	24.39	-10.43

However, prices are still considerably lower on a year-on-year basis. In most markets, prices are lower by 10-16% compared to last year. However, in the Nashik market which is a major supply centre, prices are almost 31% lower as compared to last year. This explains the demands from farmers and traders to revoke the MEP and set up price support operations through MSP. It also explains why the arrivals have declined, as farmers are opting to hold back the crop due to lower price realization at the mandis.

Disclaimer

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