

Executive Summary:

- Onion prices at major trading centers registered gains backed by strong pre-monsoon demand and holding of stocks by growers and stockists.
- However, onion prices declined in the consumption centers of Delhi and Bangalore.
- Onion demand from Bangalore was seen weak despite lower arrivals. The lower off-take week-on-week resulted in softening of onion prices.
- Marked increase in onion arrivals in Delhi's Azadpur mandi and in Belgaum (Karnataka) during the week under review led to lower prices.
- Deficit rainfall in onion growing regions of Maharashtra, Karnataka and adjoining regions resulted in delay in Kharif planting of onions. Meanwhile, with the progress of monsoon we can expect sowing to gain momentum during first week of July.

Weekly Onion Prices and Arrivals (in Quintals) trend in important markets across India:

Market	State	Avg. Arrivals 11-16 June 2012	Avg. Arrivals 04-09 June 2012	% Change in arrivals Over Prev. Week	Avg. Prices 11-16 June 2012	Avg. prices 04-09 June 2012	% Change in Price Over Prev. Week
Delhi	Delhi	22962	9750	135.51	535	609	-12.15
Bangalore	Karnataka	13400	15584	-14.01	609	696	-12.50
Belgaum	Karnataka	5800	3400	70.59	510	546	-6.59
Lasalgaon	Maharashtra	16750	16075	4.20	457	440	3.86
Pimplagaon	Maharashtra	12000	20600	-41.75	419	405	3.46
Mumbai	Maharashtra	9150	9720	-5.86	580	540	7.41
Pune	Maharashtra	10563	9446	11.83	600	540	11.11
Rajkot	Gujarat	1181	1036	14.00	398	349	14.04
Gondal	Gujarat	800	703	13.80	375	359	4.46
Jaipur	Rajasthan	2960	2217	33.51	645	621	3.86
Indore	MP	16900	14833	13.94	438	400	9.50
Ludhiana	Punjab	2184	1500	45.60	583	586	-0.51

(Source: Agriwatch)

As seen in the table above, onion prices increased week-on-week in most of the centers except Delhi, Bangalore and Belgaum while marginal decline could be seen in Ludhiana. Increase in onion prices was mainly due to a surge in pre-monsoon demand and stockists activities. Stockists are ramping up their stocks of onions in consumption centers ahead of the monsoon. However, onion demand was seen weak in Bangalore despite lower arrivals during the week under review which resulted in softening of prices.

On the arrival front, increase could be seen in most of the trading centers with significant increase in Azadpur Mandi of Delhi (135%) followed by Belgaum (70%). Higher arrivals in these centers weighed on the market sentiments. Meanwhile, arrivals declined in Bangalore, Pimplagaon and Mumbai as the growers/stockists were seen holding onion back stocks in anticipation of better prices. They are expecting an increase in onion prices with active onset of monsoon over the region.



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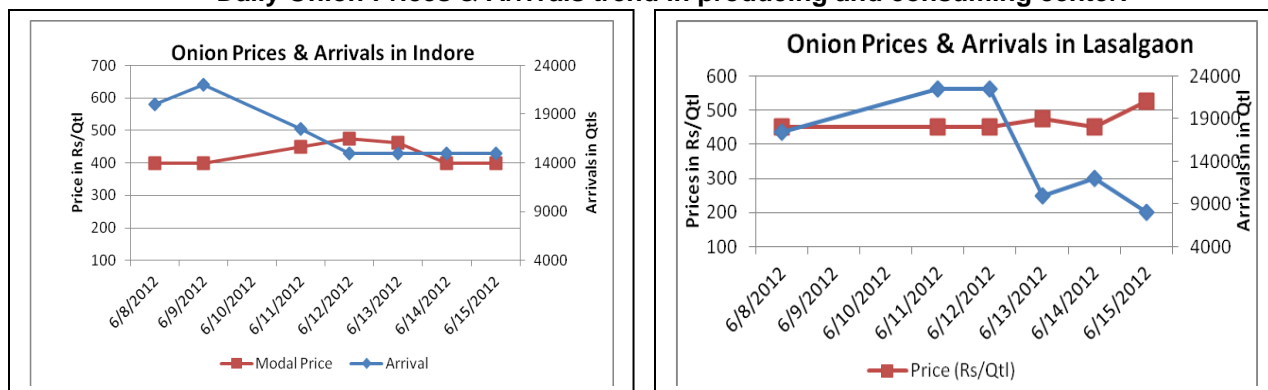


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Onion demand was seen stable in most of the trading regions except for Bangalore where demand/off-take was seen weak. Higher demand just prior to start of monsoon should lend underlying support to the onion prices. Meanwhile, higher temperatures in Northern region of India resulted in higher selling of growers stocks which manifested as higher arrivals in the key consumption center of Delhi. At the same time better demand from the retail market and stockiest in Delhi/NCR region prior to onset of monsoon prevented a sharper fall in prices in Delhi. Prices fell by 12% though arrivals increased a whopping 135% week-on-week. Moving forward we expect demand to stay stable in most of the centers for the next couple of weeks.

Following is the price and arrival trend in major trading centers of Indore and Lasalgaon:

Daily Onion Prices & Arrivals trend in producing and consuming center:

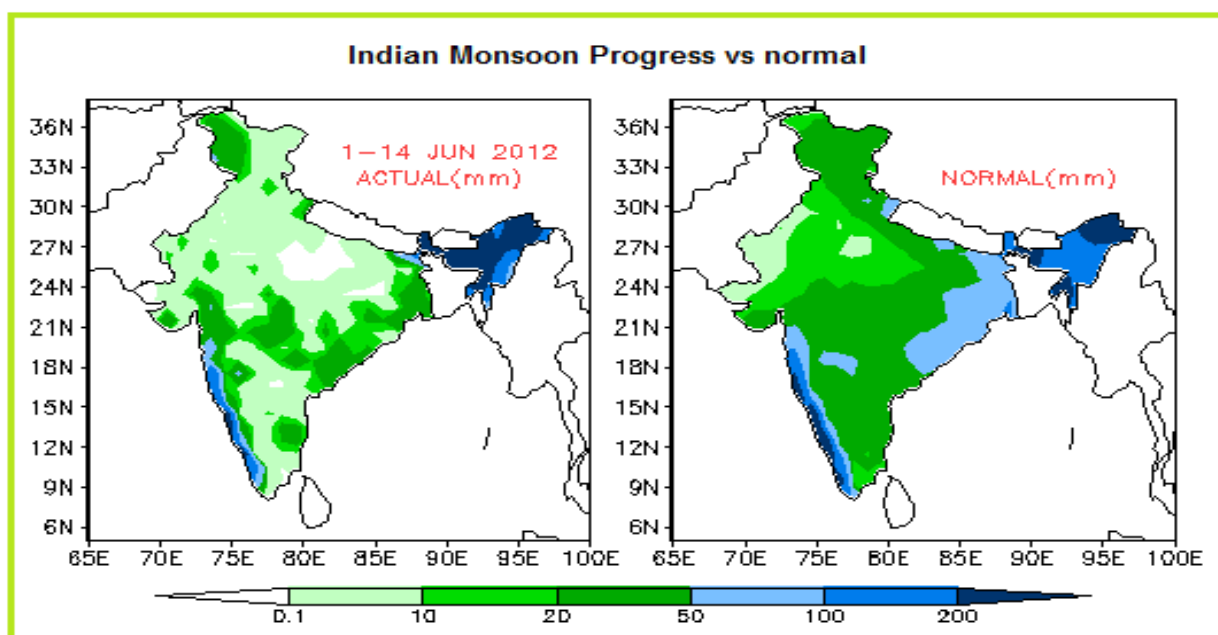


(Source: Agriwatch)

As seen in the chart, onion prices and arrivals in Indore extended its sideways trade during most part the week and remained range-bound. However, marked decline in arrivals could be seen in Lasalgaon lending underlying support to the onion prices. Farmers are tending to hold back stocks in anticipation of higher prices. Moving forward we expect arrivals to decline gradually with the onset of monsoon in these centers which will stand supportive for the prices.

Indian Monsoon and Current Kharif Sowing:

Indian monsoon for the current season (2012) is delayed by a week with major rainfall concentrated over western coast and NE states. Deficit rainfall in most of the central and peninsular region of India is leading to a slow start to Kharif onion sowing.



Source: IMD



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Nasik region of Maharashtra lies on the leeward side of the western ghats and received lower amount of rainfall during the period of 1st June 12 to 14th June 12. Similarly rainfall was seen deficit during the same period in Aurangabad, Dhule, Jalgaon, Buldhana, Washim and Akola regions of Maharashtra. Deficit rainfall in the region has led to sluggish start of onion sowing. The deficit rainfall compared to its normal is shown in the following chart from IMD

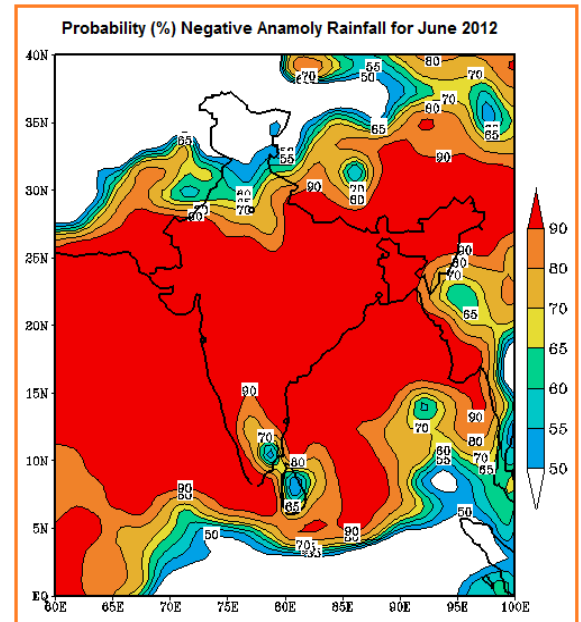
As seen in the chart, IMD expects a 90% probability of lower than normal June monsoon rains in most parts of the country. This means sowing of Kharif onion could be delayed by 2-3 weeks and may extend till July.

Kharif onion sowing has started in Maharashtra, Gujarat, and scattered sowing could be seen in selected pockets of Haryana, Punjab, Rajasthan, West Bengal and Orissa where irrigation is not a problem.

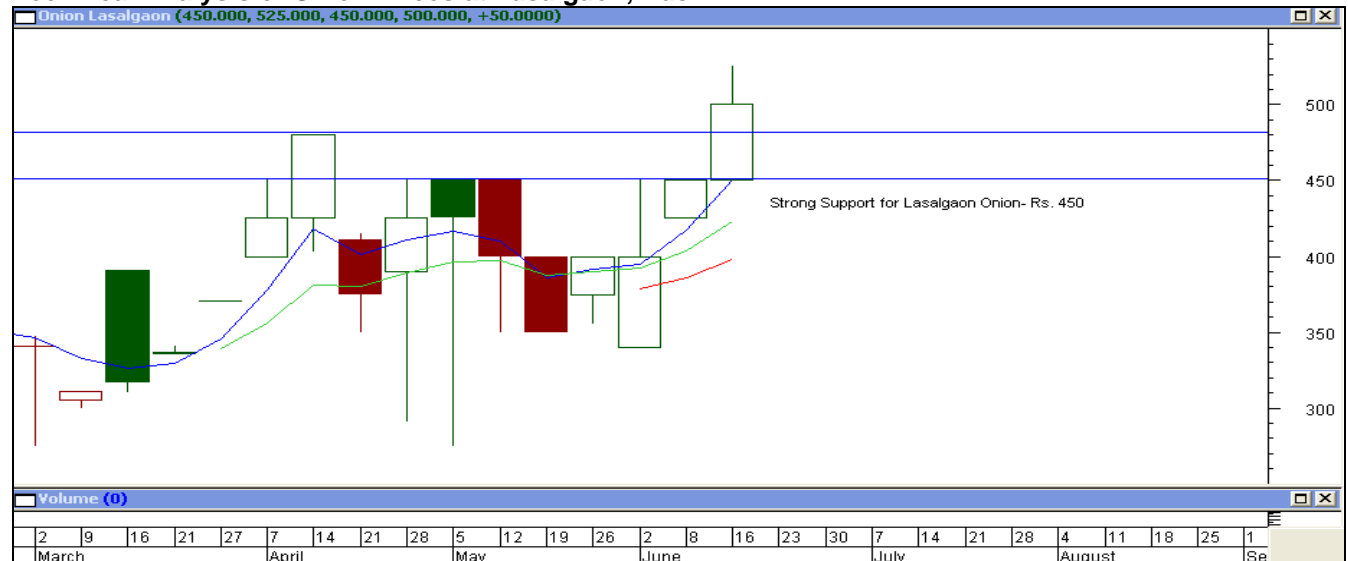
Sowing in Karnataka is 5-8% complete and is lagging year-on-year due to deficit rainfall. Sowing is likely to extend into July, a delay of almost 2-3 weeks.

In A.P. sowing of onion in Kurnool region has just started and will be completed with the onset of monsoon.

As per trade sources, sowing has just started in Pune and the sowing in Nasik will kick off during coming couple of weeks. Any rainfall deficit during 1st to 2nd week of July as predicted by various meteorological departments of developed nations could hamper sowing further. However, the picture of the area sown in different regions of India will become clearer during 2nd to 3rd week of July.



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 discussed in the previous weekly report (11 June), prices are likely to increase this week as availability of other green vegetables will be lower and export demand is likely to pick up for good quality onion. The market behaved exactly as we indicated. During the week, prices breached the resistance level of Rs 450 which was holding good for the last 7-8 weeks. The break of the Rs 450 resistance level will be the start of a new upward move in prices. As indicated in our previous weekly, the next upside target for Lasalgaon onion prices is Rs 550. We expect the Rs 550 level to be reached within a week or two. Farmers are advised to off-load some of their stocks near Rs. 550-600 levels.

If there is any short-term decline in prices, the Rs. 450 level which acted as resistance till now, will act as a strong support level. Lasalgaon prices are unlikely to fall below Rs 450 for the rest of the season and are now likely to trade in the Rs 500-600 range.

Disclaimer

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