

Executive Summary:

- The government on Friday completely liberalised onion exports, 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 till 2nd July to boost onion exports.
- Onion prices at major trading centers registered gains backed by strong pre-monsoon demand and holding of stocks by growers and stockists. Supply also decreased from the major producing regions.
- Increase in onion prices was mainly due to a surge in pre-monsoon demand from southern and eastern states. Prices also increased due to delay in kharif sowing in different states due to deficit rainfall. Stockists are ramping up their stocks of onions in consumption centers ahead of the monsoon and due to the news of delay in kharif sowing.
- It is now common knowledge in the trade circles that the kharif crop is delayed due to delay in rain and also that with rains being erratic, the yield could be affected if the rains don't become normal soon. Harvesting of kharif onion starts in Oct-Nov and till then stored onion from Rabi season need to fulfill the demand in market.
- 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 poor rains. Thus, additional export demand could emerge in the coming days which might pull prices further upward.

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

Market	State	Avg. Arrivals (25-30) June 2012	Avg. Arrivals (18-23) June 2012	% Change Over Prev. Week	Avg. Prices (25-30) June 2012	Avg. Prices (18-23) June 2012	% Change in Price Over Prev. Week
Delhi	Delhi	10334	12734	-18.85	640	638	0.31
Bangalore	Karnataka	15167	15667	-3.19	816	836	-2.39
Belgaum	Karnataka	3500	4000	-12.50	705	600	17.50
Lasalgaon	Maharashtra	13844	16107	-14.05	491	473	3.81
Pimplagaon	Maharashtra	18500	20000	-7.50	480	481	-0.21
Mumbai	Maharashtra	6110	8700	-29.77	584	605	-3.47
Pune	Maharashtra	5372	5860	-8.33	605	590	2.54
Rajkot	Gujarat	784	814	-3.69	426	394	8.12
Gondal	Gujarat	520	834	-37.65	530	484	9.50
Jaipur	Rajasthan	3100	3300	-6.06	720	785	-8.28
Indore	MP	10600	12000	-11.67	425	423	0.47
Ludhiana	Punjab	1260	960	31.25	640	595	7.56

(Source: Agriwatch)



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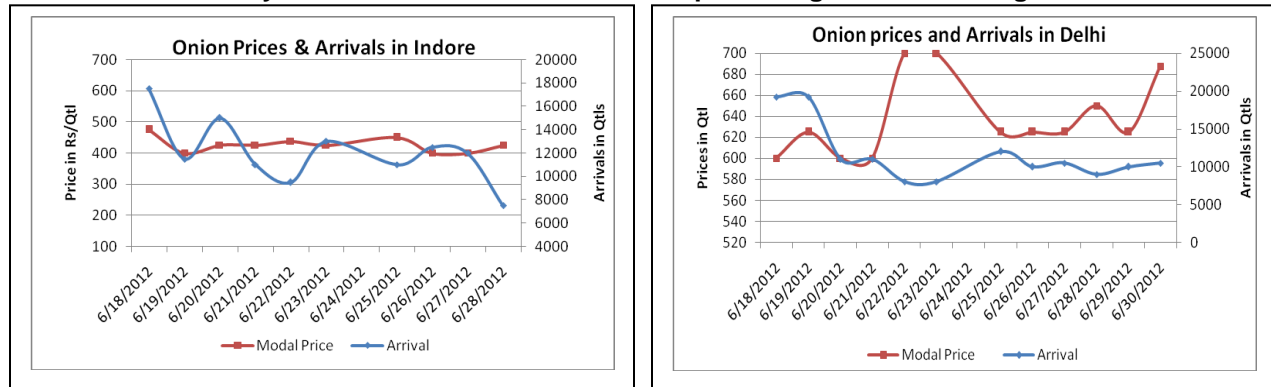


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As seen in the table above, onion prices increased week-on-week in most of the centers due to lower arrivals in the market yards. Average arrivals in Lasalgaon have fallen down to 13,844 Qtl from 16,107 Qtl a week ago. Similarly, in other major producing regions like Pimplagaon and Indore, average arrivals have fallen by 7.5% and 11.6% respectively. In Ludhiana where arrivals were down by 56% two weeks ago, arrivals increased by 31 % last week but average prices increased from Rs. 595/Qtl to Rs.640/Qtl. Prices also increasing due to delay in Kharif sowing in different states due to deficit rainfall. Stockists are ramping up their stocks of onions in consumption centers ahead of the monsoon.

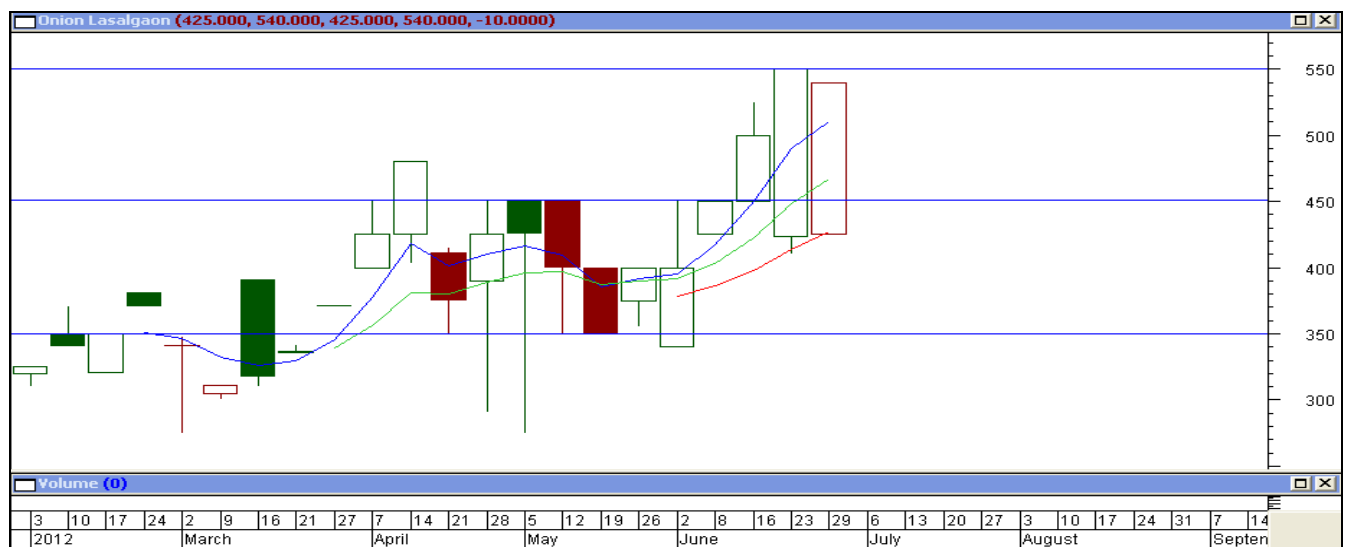
Following is the price and arrival trend in major trading centers of Indore and Delhi:

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



(Source: Agriwatch)

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.

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As expected, prices encountered resistance near Rs. 550 due to regular supply at higher price levels. Though supply has decreased in last two weeks, small farmer 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 Rs 550 per quintal once again in the coming week. Just like Rs 450 was a resistance level for a period of 8 weeks until 3 weeks ago, the Rs 550 level might become a level of resistance for a couple of more weeks. If the resistance of Rs 550 is breached, prices might move quickly to the Rs 600 to 650 per quintal level.

What could trigger the breach of the Rs 550 resistance is further delay in Kharif sowing in the key growing states like Maharashtra, Gujarat & Karnataka. If that happens, sentiment will be further upbeat and prices could spike up to Rs 650 quickly.

Disclaimer

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