

Executive Summary:

- As per news reports, the Sri Lanka government has announced increase in import taxes on big onions. The import tax per kg of big onions has been increased from 25 Sri Lankan rupees (SLR) to 50 rupees. At an exchange rate of 1 INR = 2.37 SLR, this amounts to an increase of over 10 INR per kg. The Sri Lanka govt is procuring big onions from local farmers at SLR 67 per kg (approx. 28-29 INR per kg). This increase in import tax is for promoting and encouraging local farmers. This increase in import tax will have some impact on export to Sri Lanka from major producing regions like Lasalgaon, Pimpalgaon and Bangalore.
- In all the major onion growing regions like Maharashtra, Rajasthan, and Gujarat, sowing is complete in less than 50% of normal sowing area. Farmers are expecting to recover the sowing area of Kharif season in late Kharif.
- In Belgaum (Karnataka) local fresh onion crop from 'Basavan Bagewadi' in Bijapur district will start from August end. While 1-2 trucks per day are currently arriving in the market, from next week, arrivals will be in full pace.
- In Maharashtra and Karnataka late kharif sowing is done till Diwali. Due to deficit monsoon and late arrival of monsoon further sowing is completely dependent upon rain. If there is sufficient rain, the area under the crop will recovered fully. Else it may be only around 50%-60%.
- In Bangalore, onion is mainly coming from Maharashtra and local regions which are contributing approximately 80% and 20% to the total arrival. Average prices in last two days have increased from Rs 880 to Rs 1050. As per trade sources, prices are expected to increase further in coming days.

Kharif Sowing Update:

- In Andhra Pradesh, due to deficit rainfall and late arrival of monsoon, the onion producers managed to complete sowing in only 60% of the normal area so far.
- In Karnataka, approximately 25%-30% of sowing is complete. The normal area of sowing is 90000 hectares. Last year sowing was completed in approximately in 12 % of area at this time.
- In Maharashtra, approximately in 40-45% sowing is completed till now. Last year at the same time sowing was completed in 80-85% of the total kharif area.
- Late Kharif onion is mainly grown in Maharashtra and Gujarat and it is expected that Maharashtra may achieve last year's coverage (75000 hectares).
- In Madhya Pradesh approximately 25%-30% sowing is completed. Transplanting of Kharif onion seedling has started and will continue till mid September.
- In Gujarat, 20%-25% of last year's Kharif area has been sown so far. According to trade sources, if it rains in August and September, than 50%-60% of last year's area would be covered. Now sowing completely depends upon the rainfall.
- In Rajasthan, so far 20%-25% of the sowing is completed of the normal Kharif area which is 22000 hectares.
- So far, approximately 45% of the kharif area has been covered in the country. Further, sowing is completely dependent on rain. According to sources, possibilities are that area under crop will be recovered in late Kharif.



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AGRIWATCH

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

Market	State	Avg. Arrivals 13 August-18 August 2012	Avg. Arrivals 6 August-11 August 2012	% Change in arrivals Over Prev. Week	Avg. Prices 13 August-18 August 2012	Avg. Prices 6 August-11 August 2012	% Change in Price Over Prev. Week
Delhi	Delhi	14750	9000	63.89	750	785	-4.46
Bangalore	Karnataka	9375	8600	9.01	1063	910	16.81
Belgaum	Karnataka	3875	3100	25.00	957	635	50.71
Lasalgaon	Maharashtra	8750	13400	-34.70	665	549	21.13
Pimplagaon	Maharashtra	14000	13875	0.90	682	615	10.89
Mumbai	Maharashtra	10663	8404	26.88	800	740	8.11
Pune	Maharashtra	8785	3938	123.08	745	682	9.24
Rajkot	Gujarat	952	952	0.00	420	420	0.00
Gondal	Gujarat	710	710	0.00	500	500	0.00
jaipur	Rajasthan	2580	2500	3.20	788	750	5.07
Indore	MP	21750	17000	27.94	625	510	22.55
Ludhiana	Punjab	1026	1000	2.60	645	687.5	-6.18

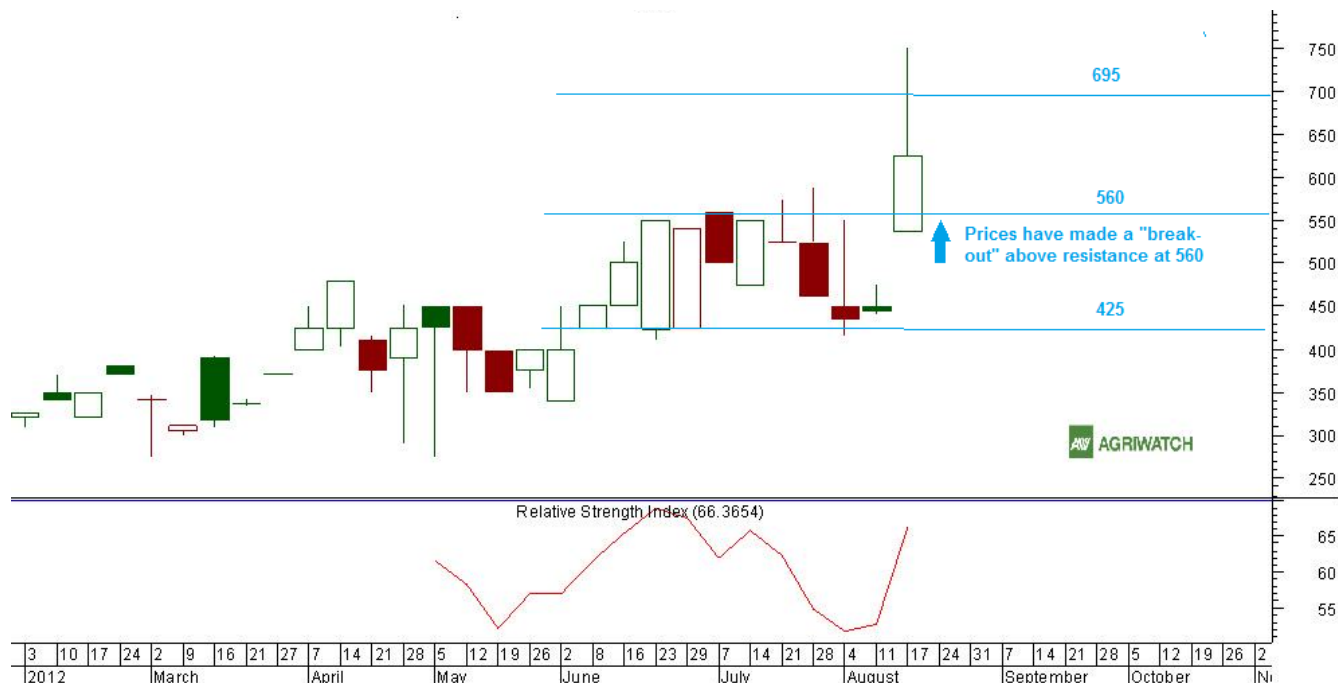
(Source: AGRIWATCH)

As visible in the table above, onion prices have increased in most of the markets during the week despite higher arrivals from producing regions. This is because the quality of onion was good so and fetched better prices. However, in the main Lasalgaon market, arrivals were almost 34% lower which directly impacted the prices. As per traders, arrivals were low due to holding back of stocks by farmers in expectation of higher prices in the coming days.

In Indore market, onion is mainly arriving from local regions. Major demand for Indore-side onions is from North India, especially Delhi and U.P. Prices are moving in the range Rs 500/quintal to Rs 700/ quintal. As per traders, prices are expected to touch Rs 800/quintal in the coming weeks.

In Hyderabad, Kurnool onion prices are lower by Rs 5- Rs 10/kg as compared to Maharashtra onion because it is smaller in size. As per trade sources, supply from Maharashtra will gradually decrease as onion from Kurnool is available in market.

Technical Analysis of Onion Prices at Lasalgaon, Nasik:



(Source: AGRIWATCH)

(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 market of Nasik. During the week, modal prices shot up to Rs. 750 but then declined and closed at Rs 620. Supply on a week-on-week basis is drying up in Lasalgaon as peak arrival season is coming to an end.

As seen in the chart, prices have made a convincing "break-out" above long time resistance at the Rs 550-560 level. This "break-out" will be confirmed if prices close the coming week above 560. This will imply that the previous intermediate trading range of 435-560 has ended and a new trading range will begin. Typically in such cases, technical analysis theory suggests that the next price target will be higher by a magnitude of the trading range. I.e. Trading range = $560 - 425 = 135$. Next target = $560 + 135 = 695$. Thus prices are likely to trade around the Rs 695-700 level in the coming weeks.

For the coming week prices might come down to the Rs 550-560 level which was previously the resistance and has now become the support. However at 550-560, there is likely to be very strong buying interest which will quickly take prices up to the 650-700 range.

Disclaimer

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