

# All that Glitters is not Gold, but Onions and Milk in India

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## **Abstract:**

There has been a sharp turn in onion prices once again. After the rates had dropped to Rs50-60 a kg in a couple of days after touching Rs 90 in the wholesale markets, in barely two to three days, the prices are back at Rs85 a kg.,as of today i.e.16th December 2019.Onions are once again being sold at Rs100-110 per kg in the vegetable markets. While the prices had eased earlier due to a sudden rush of supply from farmers in Aurangabad, news of rains in Gujarat and Maharashtra has pushed the rates up, once again. Traders at the agriculture produce market at Kalamna say that further supplies were expected from Gujarat and Rajasthan, which would have brought the prices further down. However, rains in these areas in the last few days have delayed the harvest, increasing the rates again.

**Soaring up Milk Prices:** After onions, it is milk that seems to be pinching the pockets of consumers. The Gujarat Cooperative Milk Marketing Federation (GCMMF), better known as Amul, and the National Dairy Development Board-owned Mother Dairy hiked the maximum retail prices (MRP) of their various pouch milk variants by Rs 2 per litre.

This marked the second such rate revision undertaken by the two dairy majors in the current year, 2019 December.

**Key Words: Onions, Milk, Prices, Farmers, Govt.**

## **I. Introduction:**

The onion market has seen wide fluctuation in the past few days in the first week of December-2019. First, the wholesale prices at Kalamna market touched Rs90 a kg, taking the retail rates to Rs120. News of imports brought the prices down to Rs75. After that, a sudden rush of supplies by farmers wanting to sell before the rates further slid led to another fall. This time, the onions were sold for Rs30-60 a kg in the wholesale market here.

Now, farmers in the state say they have little stock left to benefit from the higher prices at present. Onion growers from Aurangabad district had rushed to the Kalamna market due to which onion prices fell, leaving them disappointed. As TOI talked to some of them again, they said there is not much stock left with them at present.

## **II. Statement of the Problem:**

This paper focuses the problem on the major issue at present of highly inflated Onions and Milk Prices, as the Gold is losing its glitter and price hike of onions and milk is becoming more important than gold. Hence, this is the stated problem, “*All that Glitters is not Gold, but Onions and Milk in India*”.

## **III. Objectives:**

- 1. To examine the reasons for the price inflations of onions and milk**
- 2. To find remedies to overcome it**

## **VI. Hypothesis:**

This research study is designed to assess the impact of price inflations of onions and milk on the common citizens of the country, who find it difficult to run the households, due to the dire shortage of these two prominent commodities in the markets. It is based on the hypothesis that the rise in the prices of these two major commodities is creating havoc in the lives of masses, who prepare budget for every item. Milk and onions are beyond their reach and pockets, of course in Indian current scenario.

## **V. Research Methodology:**

### **Secondary data is used for this research work, primarily.**

This paper is based on descriptive study. It is an elaborative research work. The data for this research paper is collected from the secondary sources, newspaper articles, online reports; etc. The information is also gathered from television/newspaper advertisements. Qualitative approach has been adopted in this research paper.

## **VI. Significance of the Present Study:**

### **Responsibilities & Challenges of the Present Government:**

With onion prices showing little signs of easing, the Centre is now looking to ban the export of dehydrated onions, after curbing export of normal onions, said senior officials, it reduced the stock holding limit for retailers to 5 tonnes from 10 tonnes, and for wholesalers to 25 tonnes from 50 tonnes, according to an order issued by the Consumer Affairs Ministry.

The revised stock holding limit is not applicable to imported onions, an official statement added.

The proposal to ban dehydrated onions was brought up in the group of ministers' meeting on Monday, the officials said. Dehydrated onions are those that have dried and from which all moisture is removed to enhance the shelf life. These can then be stored without refrigeration.

India exported \$102 million worth of dehydrated onions in 2018-19, up from \$91 million in the previous year. While exports have been steady in the current fiscal year at \$71 million, it's a very small category, they added. Major destinations are Germany, Russia, the US, and Brazil. Onion prices in the meantime, touched Rs 100 a kilogram in several parts of the country, while in Kolkata it reached Rs 150 a kg.

"At Nasik, the highest wholesale rate was Rs 5,400 per 40 kg, which translates to Rs 135 a kg," said Sibul Malakar, a Kolkata-based agri analyst.

The West Bengal government has been selling onions at subsidized rates through 'Sufal Bangla' stores and mobile vans. The Centre has already banned onion exports and decided to import 120,000 tonnes, besides imposing stock holding limit on traders.

People in the know had said that state-owned trading firm MMTTC, which is importing onion on behalf of the Centre, has placed an order of 11,000 tonnes of the commodity from Turkey. The Opposition Congress attacked the government over high onion prices and accused BJP members in Parliament of creating a ruckus in order to prevent a discussion on the important issue.

The attack by the Opposition party came amid rising prices of onions that were selling at a high price of Rs 75-100 per kg in major cities. Adhir Ranjan Chowdhury, the Congress' leader in Lok Sabha, took a dig at Prime Minister Narendra

Modi, saying he had said “**Na khaaonga na khaane doonga (will neither indulge in corruption, nor allow others to do so)**”, but **middlemen were indulging in corruption.**

The Congress gave a notice for adjournment motion to discuss the issue of onion prices, but when the opportunity “came for us to speak”, the ruling party people began to create a ruckus for no reason. However, it can be seen that the milk MRP increase during the NDA government’s tenure, since its first tenure started on May 26, 2014, has been quite insignificant. The overall rise in the last more than five-and-a-half years works out to just Rs 8 per litre, with half of it coming within the past seven months.

#### Reasons Explained For The Price Hike

##### Signals food inflation

As India’s largest “crop” by value bought and consumed daily, milk is more representative of the return of food inflation. Unlike onion, the prices of which can be expected to fall after March, the milk supply situation may take longer to ease.

Contrast this to the period since 2010 before this government assumed office, which saw the MRP of full-cream milk in the Delhi-NCR market going up by Rs 18 per litre, while amounting to Rs 14 for toned milk. The price trend also mirrors consumer food inflation, which averaged below 3.3 per cent year-on-year during the NDA government’s first term from June 2014 to May 2019, as against 11 per cent-plus between 2009-10 and 2013-14 under the Congress-led UPA.

1. While consumers have had a relatively good deal during this regime, the same cannot be said about farmers, though. The average procurement price paid to milk producers by GCMMF unions, for instance, rose from Rs 298 per kg of fat in 2008-09 to Rs 535 in 2013-14. That, for full-cream milk containing 6 per cent fat and 9 per cent solids-not-fat, translates into an increase from Rs 18.42 to Rs 33.06 per litre or 79.5 per cent. But since 2013-14, the average producer price has gone up by only Rs 155 to Rs 690 per kg fat or Rs 42.64 per litre in 2018-19. That is less than 29 per cent over five years.
2. This relatively bad deal for producers is what’s witnessing some correction now.

NEW PRICE DATE	FULL-CREAM	TONED
Feb 12, 2010	30	Unchanged
May 1	Unchanged	24
July 4	32	Unchanged
July 15	Unchanged	25
December 30	34	26
May 1, 2011	36	28
August 5	38	29
April 16, 2012	40	30
May 1, 2013	42	32
October 15	44	34
February 1, 2014	46	36
May 9	48	38
June 3, 2016	50	40
March 11, 2017	52	42
May 21, 2019	54	44
December 15	56	46

Source: GCMMF.

Table-1

Consumer food inflation in November touched 10.01 per cent, the first time it has crossed single digits since December 2013. This is being reflected in milk as well, with both cooperative and private dairies reporting 4-5 per cent lower procurement so far this fiscal compared to in 2018-19.

GCMMF unions alone — perhaps, for the first time — have recorded a 5-6 per cent drop in milk collection, despite paying Rs 100-110 more per kg fat to their 30 lakh-odd producers. Meanwhile, skimmed milk powder prices have roughly doubled to Rs 300 per kg levels in the last one year.

The reasons for the tightness in supply may be partly weather-related and partly structural. The “flush” season for milk — when production by animals goes up due to better fodder and water availability, besides lower temperatures and humidity — is normally from October till March. This time, the flush has been delayed because of excess rains from September through November.

“It’s been raining intermittently, so much so that even the open fields where animals graze are waterlogged. The fodder isn’t coming up, as the water has to go down first for that. Now that the winter has set in and the rains have also subsided, the flush should take off. The demand situation, too, is likely to ease with the end of the marriage season,” says the chairman of a leading south-based private sector dairy company.

As far as structural reasons go, R. S. Sodhi, managing director of GCMMF, feels that the extended three years or so period of low prices have resulted in farmers reducing herd sizes and also under-investing in animal nutrition and health. On top of it, the cost of maize, cottonseed oil cake, de-oiled rice bran and other feed ingredients has also increased. “The recent price revisions should hopefully encourage

farmers to buy more animals and feed them better,” he says.

## VII. Findings of this research work:

### Reviews of the Indian Masses

#### Onions-'We can't afford it': Country teary-eyed after tenfold rise in onion prices

Farmers and other stakeholders in the value chain estimate that 30 per cent crop damage this kharif season would result in a decline of about 2 million tonnes in output from Lasalgaon district alone. Similar crop damage across the country could lead to an onion shortage of nearly 7 million tonnes this year. This shortfall might need to be met through a higher acreage in states other than Maharashtra — Gujarat, Karnataka, Rajasthan, and non-traditional ones like Bihar, Uttar Pradesh and West Bengal. What’s worse for farmers is that prices, already falling sharply, could see a further slide.

“Prices are unlikely to rise from here, as the arrival of local seasonal ‘red onion’ has started increasing. Farmers have also started harvesting pre-mature onion crop to benefit from high prices before a drop. So, prices have fallen by 42 per cent in the past two days to Rs 41 a kg in the Lasalgaon wholesale mandi. They will decline further to Rs 20-25 a kg over the next two weeks,” says Suvarna Jagtap, chairman of APMC Lasalgaon

Rajhans Chavan from Tambe-Dhondgaon village said that last week he had reached Nagpur with around 10 quintals of onions, but the price he got “could not even recover the transportation expenses”. He may still harvest another 12 to 15 quintals, but does not find it feasible to make another trip to Nagpur.

Sandeep Ade from Ghardon Tanda village said that if the rates touched Rs85 in bulk market, it may be “enough to recover at least the sowing expenses”.

M/s Jaiprakash Wasani of Pankaj Traders said that the arrivals have come down to just 10 vehicles, and that there is a little scope for the prices to ease this month. Mohmad Ataf of M/s Afzal Trading said that given the volatility, even traders are wary of stocking onions.

Table-2

## STATE OF AFFAIRS: WHERE THE EDIBLE BULB IS PRODUCED

State	Production '000 tonnes	% share in total output
Maharashtra	8,047	34.3
Madhya Pradesh	3,714	15.8
Karnataka	2,645	11.3
Bihar	1,403	6.0
Gujarat	1,111	4.7
Andhra Pradesh	971	4.1
West Bengal	638	2.7
Uttar Pradesh	440	1.9
Haryana	397	1.7

Source: CARE Ratings (Ministry of Agriculture)

Earlier, onion prices had surged to Rs 130-140 a kg in retail markets, as sellers purchased the bulb at Rs 75-80 a kg from wholesale mandis.

APMC Lasalgaon Secretary Narendra Wadhwane says: “For any commodity, a price rise gets reflected in retail markets immediately; but a price decline comes with a lag of about a week. So, onion price decline in wholesale mandis should get reflected in about a week to 10 days.”

**Onion shortage: Prices may halve in two weeks on increased new arrivals-December-2019**

Meanwhile, in a relief to farmers, cold waves have intensified in some parts and soil moisture has started reducing. Such a climatic condition favors standing onion crop, helping increase the size of the bulbs, and the yield thereby. “Now, onion arrivals will increase further with the arrival of red onion from major producing centres of Maharashtra. With a shelf life of only two-three days, red onion needs to be sold immediately. So, the government must withdraw stock limit on onions,” says Jaydatta Holkar, former chairman, APMC Lasalgaon. Interestingly, rise in onion prices is a cyclical phenomenon, occurring every three years. In view of high prices, farmers typically

increase area under the crop which leads to a sharp rise in output in the next two years.

“The government has allowed onion import at a landed cost of Rs 80 a kg. Why can the same price not be given to local farmers,” asks Pramod Purandhare, a Niphad-based farmer. Farmers, nevertheless, are stressing the government's stable onion export policy, as this was banned until two months ago.

### **VIII. Conclusion -Closing Thoughts:**

#### **WAYS TO CHECK PRICES**

When the government needs to check price rise, it can impose minimum export price (MEP) instead of banning exports altogether to check unrestricted exports, exporters said. MEP can be effectively implemented if the government insists on letter of credit, which forces exporters to report the actual export price. It would help curb consignment-based onion exports undertaken by traders involved in domestic trade to maintain their domestic prices levels, they said. Reducing storage wastage is another way to check extreme price fluctuations, traders said.

Storage losses in onions in India are 35% to 40%.

Simple techniques like keeping a neck of about three inches while harvesting onions reduces possibility of bacterial infection of the bulb, they said. One reason for steep rise in prices during shortages is the concentration of onion trade in the hands of a few big traders, industry insiders said. Cartelization and manipulation are known to be thriving despite all the efforts of the government to tame it. Forcing agricultural markets to remain closed for a few days is one of the most commonly used techniques by a handful of onion traders in Maharashtra to manipulate the prices, they said. And no government has ever tried to stop these ad hoc market closures, they alleged.

Trade insiders said the government needs to get its act together before the rabi crop hits the market to prevent another price crash. If the policy response delays once again, not only will the farmers cry, but it will sow seeds of next onion shortage.