

A Teary Tale of Onion Farmers

A Study in Nashik



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SOCIAL CHANGE THROUGH PUBLIC POLICY

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1 Introduction

Onions are a very important crop for both Indian farmers and consumers. Whenever there are price fluctuations in the market, the Government changes the rules on the trade of onions. In 2020 alone, the trading status of onions was changed 7 times, i.e. the government would ban the exports of onions and then relax it. This distorts the market and disincentivises investments in trade infrastructure like warehousing. Two Acts, the Essential Commodities Act (ECA) and the Foreign Trade (Development Regulation) Act (FTDR) empower the government to limit warehousing capacity and regulate the trade of commodities.

The ECA allows arbitrary imposition of warehousing capacity that can see warehouses turned criminal overnight. This has meant that investments in warehousing technology are poor. As a result, 30-40% of onion stock is lost due to poor warehousing conditions. This directly impacts the income of farmers, warehouse owners, and everyone in the supply chain.

The FTDR allows the government to regulate the trade of all commodities and services. This means that bans on the trade of onions, for example, can be done by an executive decision without any justification. These bans cannot be challenged judicially. Whenever the prices of commodities like onions go up, the government issues bans and limits the trade rights of farmers.

This set of case studies looks at the plight of onion farmers across three markets in the Nashik region of Maharashtra. Maharashtra is one of the most important onion growing regions in India. Maharashtra ranks first in Onion production with a share of 28.32%.

2 Lasalgaon: Asia's Onion Capital?

Lasalgaon, a small town in the Nashik district of Western Maharashtra, had a reputation as the Onion capital of Asia. Located around 60 kilometres away from the cultural city of Nashik, the reputed Lasalgaon Agricultural Produce Market Committee (APMC) was the first market we visited. Large fields with different crops on both sides of the road connecting Lasalgaon to Nashik greeted us.



Figure 1: Walking path between farms

Onions are an essential crop for the agricultural industry in Maharashtra. The APMC is an integral part of this system. Farmers bring their produce to the APMC, where traders from all over bid for different onion batches in an organised auction.



Figure 2: A tractor arrives with onions to the APMC



Figure 3: Sign welcoming visitors to the APMC yard in Lasalgaon

The APMC has a good reputation amongst the farmers because of its transparency and guaranteed 24-hr payment from the trader. Farmers were happy with the APMC but not with the rates- something the APMC cannot regulate. In Lasalgaon, there is a dedicated APMC solely for Onion trade- this was moderately sized. A smaller APMC was situated close by for other crops and vegetables.



Figure 4: Sacks of onions ready for sale

Mukund Dnyaneshwar Holkar is one farmer who shared his experience of the Lasalgaon APMC. He is an Onion farmer based in Lasalgaon and has lived there all his life. Belonging to the upper caste, Mr Holkar owns around 35 acres of land on which he has cultivated crops like sugarcane and soybean, apart from onions. He lives in a modest bungalow; in the corner, there were sacks of grain waiting to be sold in the market.



Figure 5: Workers organise onions for sale

Mr Holkar was not sure if the export ban was still imposed or not, such is its erratic nature. He highlighted that the market rates have been low. His brother thought that if exports were in force, he could have exported at least 10-15% of Grade 1 Onion.

Currently, they store the onion in these Chawls, hoping to bring it to the market once the rates improve. The rates were around INR 800-900 per quintal at the Lasalgaon APMC in May. If the exports were active, the rates would be well above INR 1500 per quintal. In hopes of rising rates, Mr Holkar stored the onions in his shed. He planned to sell only the grade 2-3 onions in the market to recover his investment cost.

Mr Holkar was doing better compared to a majority of farmers present in Lasalgaon. He belonged to the upper caste and hence possessed hereditary land. He can grow different types of crops on his 35-acre piece of land. He can improvise and be flexible with the produce he cultivates. If onion does not

do well in a particular year, he can rely on other crops. Even though he is not wealthy, he is doing much better than most farmers.

Conversations with the Holkar family were insightful. They explained the landscape of onion cultivation in the current times, stressing that rates have been lower than in previous years. This region of the country is known for its onion cultivation. The black soil of Lasalgaon and its concurrent properties are ideal for onion cultivation. Furthermore, since this region produces enough onion for local and international markets, most farmers cultivate the crop. Despite the lower rates, the farmers are not keen on moving to other crops. This hesitation is because the onion APMC has a reputation for timely payment to the farmers. Even in more challenging times, like now, farmers have a stream of income, even if it may not be up to their desired standard.



Figure 6: Tractor arrives at APMC yard

The Holkars also illustrated various other nuances of onion cultivation. Onion is a labour-intensive crop, requiring an estimated 20-25 people during the seeding season. Some must be housed to carry out tasks like irrigation and weeding. These labourers charge around INR 10,000-12,000 per acre of land, contributing to the rising cost of cultivation.

Om Chauthani, a Lasalgaon-based onion trader, expressed distress with the lack of communication from the government. The timing and suddenness of the export bans caused him great displeasure. Notifications have an immediate effect, and the trader has no time to make provisions to minimise losses.

He gave an instance from the latest ban where he was not allowed to sell his goods. His trucks had reached the export centre, but he had to wait under the pretext that the transit permit system was under maintenance. At night, the circular for the ban on onion export was released, and the trading yard denied the permit to transfer their goods. In this case, he had to bear the losses of purchasing the goods from the farmers, grading and sorting and then packaging them. Nor is he compensated by the importing trader. He also explained that importing nations like Bangladesh or Sri Lanka have turned to other countries as they cannot rely on Indian onion. The erratic and frequent bans have disturbed the supply chain and the trust of the onion importing nations.

He was very vocal about the shortcomings of the National Agricultural Cooperative Marketing Federation of India (NAFED). He iterated that the NAFED procured onion at rates not feasible for the farmers and then stored this onion without any planned usage. This onion frequently goes to waste. It was unfair to the farmers that the executives who sit in air-conditioned offices in Delhi took these major decisions without grassroots knowledge.

Like Mr Chauthani, many others were disheartened to see the current state of the onion market. They felt that the attention and media publicity came only when the rate was high for

the consumers. In those times, the farmer earned a deserved income from the sale of onions. However, when governments decided to side with the consumer, they imposed interventions like export bans. Mr Chauthani and Mr Holkar emphasised that if consumers can pay hefty prices for non-essentials like Cinema tickets and popcorn, why is it an issue if the price of onion reaches INR 50 per kilo.

Lasalgaon exuded a diminishing spirit, a spirit of once the biggest onion market now constrained by rising inflation, depressed crop rates and other tangential factors. The only solution at this point seems to be a transparent policy framework that empowers and safeguards the farmers against any future obstacles.



Figure 7: Basic weighing scale used at the Lasalgaon APMC

3 Satana's Struggles

Satana, a small town 90 km northeast of Nashik city, prides itself on a bustling APMC, which provides farmers from

Satana and nearby regions a market to sell their harvest. Satana APMC is an important landmark in the onion-growing belt of Maharashtra. Farmers from nearby tehsils like Kalvan and Malegaon sell their produce in the Satana APMC.



Figure 8: Tractors lined up for the Satana APMC

We visited the APMC on a scorching hot Wednesday morning on the 25th of May 2022, when an onion auction was taking place. Farmers from across the onion-growing belt of Satana and neighbouring villages were present. Pickup trucks of different sizes and tractors with huge trolleys parked in rows with their rear ends facing each other. Onion laid just in front of the trolleys on a carpet, exhibited for the auction. Traders followed a stout man, the auctioneer, who visited every vehicle and started the bidding process. Traders glanced at the onions displayed and bid accordingly. The bids were staggeringly low — one batch of onions sold for as little as INR 355 per quintal. This particular farmer was distressed. He could have denied the trade, but that would have meant a loss due to the transport costs incurred.



Figure 9: Farmers and traders congregate to assess onion produce

The Satana APMC Secretary, Mr Tambe, kindly explained the role of APMC in the entire trading process. He mentioned that the APMC-appointed auctioneer oversees the bidding process, and the highest, unchallenged bid wins. Then the associates of the winning trader sign a *Sauda Patti* or trade receipt to the farmer. The farmer's name, village, the rate at which the onion was traded, and the trader's/trader's company's name are mentioned in the receipt. If the trader has an allocated space inside the APMC premises, then a note of the weight, quantity and total cost is made there. If the trader has a warehouse elsewhere, the produce is taken there to complete the process. An APMC-appointed weigher inspects the electronic weighing scale and gives a second receipt called the *Kaata Patti*. This receipt includes the weight of the produce and the rate. Based on this receipt, a *Hishob Patti* or calculation receipt is made at the trader's office. The trader then calculates the total fee, subtracts his labour and weighing costs and gives the farmer

the total amount in cash. Traders can also make an online payment if that's the farmer's preference. Post that, the trader submits complete records of the total transaction made.



Figure 10: Farmer displays their *Hishob Patti*

Two farmers joined Mr Tambe, Mr Sriram Baliram Wagh, a small farmer with around 4.5 acres of land, and Mr Keshav Shankarrao Mandavle, a member of the APMC with 25 acres of land. Mr Tambe reiterated that the lower rates affect small farmers the worst. Small farmers cannot store the yield in sheds or chawls for an extended period. Their produce had to be sold at the current rates to earn a living and provide for the family's daily expenses. They can't wait till the latter months of the year to sell the produce at higher rates - another reason why an active export market would have benefitted small farmers.



Figure 11: A tractor with onions at Satana APMC



Figure 12: Workers unload onions from the tractor

Mr Wagh added that this year the onion would not last long. It will go to waste. The extreme heat and the succeeding humidity caused by the monsoon mean the onions will perish quickly. He explained the onion's direct contact with sunlight under the shed, followed by shade when the sun sets, followed by the incoming humid weather, culminating in the red onion decolourising and scaring.

Mr Wagh also discussed what it was like to experience this slow market first-hand. The rising costs for onion cultivation were one of his top concerns. He said that labour costs had risen this year, similar to the Lasalgaon study, and since onion is such a labour-intensive crop, you can't run away from it. Mr Wagh said that transport expenses have also increased because of fuel costs. He feels lucky to live 5 km away from the APMC and is empathetic towards farmers from villages as far as 25 km. These increased costs have further reduced his profits this year. A year ago, Mr Wagh had sold his yield for around INR 1300-1400 per quintal. This year the rate has been INR 700-800 per quintal. He said that he had tried cultivating cabbage but had suffered a loss. Most of Mr Wagh's income is spent on his son's education, who is pursuing an MBA.

On the other hand, Mr Mandavle has the flexibility of storing the crop till the rates are good, or he can profit from alternate crops. But he is also alarmed by the rising costs of cultivation. He says that he has spent around 5 lakh rupees cultivating onion on 6 acres of land, which is a considerable investment for him. He felt the two biggest challenges were labour and electricity. Mr Mandavle believed that the labourers were getting free rations like wheat and rice through the government; hence, their wives didn't want to work anymore for it. These welfare schemes made it harder to look for labour and therefore made labour expensive.

Secondly, Mr Mandavle described the lengthy electricity cuts in these regions. He said that electricity rarely comes on during the daytime. Hence, a lot of electricity-related work like water pumping needs to be shifted to the night when the electricity

is available. The family is unable to get sleep because of this. These problems have made life difficult for all onion farmers of Satana.



Figure 13: A worker unloading tractors in the summer heat

Satana is a small but important centre for the onion trade. Small and large farmers from the local onion-growing belt rely on Satana for an assured market transaction. Satana offers a localised and communal space present in the onion-growing belt itself. The disadvantage, though, can be seen in the marginally lower prices compared to the other markets. Tehsils like Satana are essential for the Indian agricultural industry. Satana's fabric lies in its farmers, the local yield and the enterprising trading process.



Figure 14: A basket of onions waits for a buyer

4 Pimpalgaon's Proliferation

Pimpalgaon Baswant is a town situated in the Niphad tehsil, 30 km away from Nashik city. The locals say that Pimpalgaon Baswant has become "too big" to be a part of the Niphad tehsil and deserves its own municipality. But due to political reasons, there seems to be no hope for that. Unlike Lasalgaon, the conjectures about Pimpalgaon were full of hope. Pimpalgaon Baswant wasn't even supposed to be a part of the study, but locals insisted it was an important avenue for the onion landscape.



Figure 15: Farmers stand ready with their produce

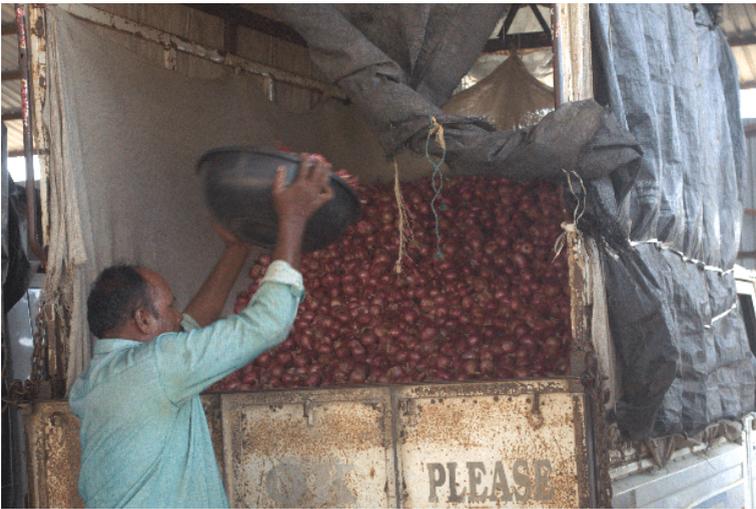


Figure 16: Loading a van with onions

The Pimpalgaon Baswant APMC stood tall behind a grand entrance. The gate's arches opened into an APMC spread across 100 acres of land. Upon entering, one could tell the market's expanse was bigger than that of Lasalgaon and Satana. The APMC was located on the Pimpalgaon-Jopul highway, improving connectivity for farmers and traders. The APMC has features and amenities like a farmer's lodge, merchant's complex, one crore litre water storage ponds, wastewater treatment plants, and sheds for afternoon onion auctions. Evidently, the facility had a state-of-the-art infrastructure to carry out everyday businesses.

Mr Deepak Gawli, the head of the Onion and Tomato market at the Pimpalgaon Baswant APMC, illustrated the background of the onion trade at the market. He said the Pimpalgaon APMC had separated from the Lasalgaon APMC in 1995. A new APMC started in Pimpalgaon Baswant on the 1st of January 1996. Then onwards, the growth of the APMC was exceptional. In 2013, this new facility was inaugurated on 100 acres to accommodate the growing number of visiting farmers.

Various factors have been responsible for Pimpalgaon's staggering growth. Firstly, farmers travel from 45 connected villages to Pimpalgaon. Pimpalgaon, unlike Satana, doesn't have a significant quantity of onion production. The soil present isn't ideal for onions. It depends on yield from the onion-growing region of Satana, Kalvan and many other tehsils. Some farmers travel 60 KM to sell their produce at the Pimpalgaon APMC. Farmers bring large quantities of produce to the market to recover transportation costs.



Figure 17: A flurry of activity at the Pimpalgaon APMC



Figure 18: Traders crowd a tractor full of onions

Even if there are 2500 trucks in a day at the auction, the traders check every batch. The sale is made right then, and the APMC ensures timely payment. Farmers also get better rates at this APMC. At the time of the study, a grade 1 batch of onion easily fetched around INR 1200-1300 per quintal. Lastly, the yield brought for sale is of a variety of qualities. Hence, there is something for traders looking for a certain quality and more scope for the farmers.

We spoke to a farmer from a neighbouring village, Shivaji Dnyaneshwar Dhipade, a young farmer from a farming family who came to sell his cultivated onion at the afternoon auction. He didn't come with any great expectations. Mr Gawli pointed out that he should have sorted his batch before bringing it to the market. He emphasised that presentation is critical for traders. If the batch has a variety of onions of different sizes and quality, it doesn't get the rate it deserves.



Figure 19: Tractors as far as the eye can see

Shivaji, a great orator, spoke about his and his family's distress due to the low rates. When asked about his thoughts on exports, he said they should be kept active as this will benefit both the farmer and the trader. The trader cannot keep storing onions in his warehouse. If exports are active, his stocked onion will be off the shelves faster, thus increasing the pace of the trade. The farmer, on the other hand, will get much better rates. Mr Gawli said that if the exports had been active, grade 1 quality onion would have fetched around INR 2000 per quintal.



Figure 20: Tractors overflowing with onions

Mr Gawli's association with traders at the APMC proved to be informative. He said that the ones who have been exporting onions have come to a standstill. Exporters are frustrated by the erratic nature of export policies. The sense of trust and the supply chain has been compromised because of these ill-timed bans. Importing traders claim that coincidentally when the demand is high for onion supplies, an export ban is imposed nationwide. The economic meltdown in Sri Lanka has

caught exporters in a fix. The demand for onions exists, but the guarantee for payments doesn't. Exporters don't seem to be interested in taking that risk.

Pimpalgaon Baswant is a contemporary example of what the Indian agricultural system has to offer. The facilities empower farmers, traders and the entire industry to perform better for each other's benefit. Its success is already an example for other agricultural markets across the country. One can only hope that a more prudent export policy that allows farmers to trade will be adopted.



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