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A Study on Export Scenario of Onions in Tamil Nadu



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ABSTRACT

Onions (*Allium Cepa*) are one of the most important commercial crops grown in India. India is the third largest exporter of onions in the world after Netherlands and China. Only a handful of exporters from the state involve in exporting only onions. The number of onion exporters from the state is low, they face several hardships throughout the entire process. As onion is among perishable goods, the exporters have to be careful right from the procurement of goods. Finding export quality onions are itself a difficult task. Red Hills in Chennai and Tuticorin are the major hotspots for onion exports from the state. As Indian farmers and traders are facing the problems of plenty, this study is an attempt to bring out the major problems faced by onion traders.

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1.0 INTRODUCTION

Onions (*Allium Cepa*) are one of the most important marketable crops grown in India. India is the third largest exporter of onions in the world after Netherlands and China. It's the second largest patron of onion in the world with an estimated tonnes produced annually (2019). Tamil Nadu is one of the leading directors and exporters of onion in India amongst Maharashtra, Madhya Pradesh, Karnataka and Gujarat. It's produced in sections wise Tiruchirappalli, Coimbatore, Namakkal and Dindigul Districts. India exported onions valued at \$198 million in the April-June period of FY21 and \$364.7 million of total exports in the time 2019 (9.1 of total onion exports in the world). Bangladesh, Malaysia, UAE, Singapore and Sri Lanka are the top importers of Indian onions. The state grows onions in different kinds and sizes for the purpose of domestic consumption as well as exports. Only

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a sprinkle of exporters from the state involves in exporting only onions. Red Hills in Chennai and Tuticorin are the major hotspots for onion exports from the State. The exporters and dealers land their goods grounded on the orders entered, grade them, and pack them for exporting. As the Indian growers and dealers are facing the problems of plenitude, this study is an attempt to bring out the major problems faced by onion dealers.

1.1 Review of Literature

Sharma *et al.*, (2011) stated that onion production witnessed significant growth until 2008-09, leading to increased market arrivals. However, adverse factors like unseasonal rains caused a 20% decline in onion production across the three major growing states during 2009-10 and 2010-11. The recent surge in onion prices can be linked to reduced kharif production due to unseasonal rains during harvest in key onion-producing states, a decrease in the minimum export price, increased exports in November 2010, and traders withholding stocks.

Gummagolmath (2013) stated that the substantial surge in onion prices occurred due to stock hoarding in anticipation of price increases and increased retail markups. Additionally, the crop situation wasn't accurately predicted, leading to a lack of timely information on production losses in market intelligence. Implementing staggered planting of onions with appropriate varieties can help bridge supply gaps throughout the year, ensuring price stability. In line with market reforms, the adoption of market intelligence systems can facilitate the discovery of fair prices for both producers and consumers.

Ahmad *et al.*, (2021) revealed that during the period 2001-2018, the average production of onions and potatoes remained at 1747.5 thousand tons and 2968.7 thousand tons respectively. On the other hand, the production ranges of onion and potato were 1385-2115 and 1567.9-4584.3, respectively, with coefficients of variation of 12% and 31% (AMIS, 2020).

Bhagat *et al.*, (2022) stated that the countries Bangladesh and Malaysia are the most stable markets for Indian onion exports. On the other hand, export markets in Nepal, UAE and Oman are somewhat stable of. Kuwait was the main winner among Indian onion importers, followed by Qatar, Singapore and other countries. The increase in onion export volume and value compared to the base year was 31.16 and 49.56 respectively.

Rajpoot *et al.*, (2022) discussed that the months-long lockdown has resulted in unprecedented price spikes. This may be due to lower arrivals due to various reasons such as transportation and labour issues. Towards the end of lockdown (May 2020), prices also appeared to be dropping. Such a decline could be due to the easing of lockdowns and lower demand. The study also discusses how some unique approaches such as e-marketing, local resource development to achieve self-sufficiency, and development of transport chains especially for agriculture can help in such emergencies.

1.2 Statement of Problem

The number of onion exporters from the state is low, they face several hardships throughout the entire process. As onion is among perishable goods, the exporters have to be careful right from the procurement of goods. Finding export quality onions are itself a difficult task. Thereafter from lack of incentives to ensuring proper storage for the commodity, their problems are endless. This study aims to analyse all such major issues and come out with probable solutions.

1.3 Research Gap

The research on the export scenario of onions from Red Hills in Tamil Nadu is limited in its scope and depth. While there is ample literature on onion production and trade in India, there is a noticeable gap in understanding the specific challenges, opportunities, and market dynamics of onion exports from this region. Existing studies primarily focus on National or State-level analyses, overlooking the unique characteristics of Red Hills as an onion-producing area. A comprehensive investigation into factors such as production practices, infrastructure, market trends, and policy implications is needed to provide a tailored and strategic perspective for stakeholders interested in harnessing the export potential of Red Hills' onions.

1.4 Objectives of the Study

- To study about the onion exports in India.
- To analyse the State wise market arrivals and average wholesale price of onion.
- To analyse all India monthly arrival and monthly wholesale price of onion.

1.5 Hypothesis

- **H₁:** There is significant difference in average wholesale price between 2021 and 2023.

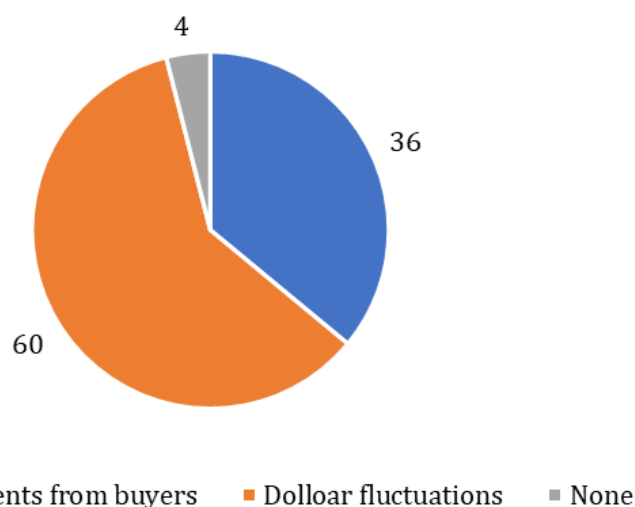
2.0 METHODOLOGY

Primary data and Secondary data are used throughout this project. The Primary data used in this project is collected through personal enquiry. The collected data is analysed to find the trend in onions. The primary data was collected from one hundred respondents from Red Hills District. A sample size of 100 respondents ensures statistical reliability and provides a balanced representation of local perspectives, enhancing the study's accuracy in analysing onion export dynamics in Red Hills, Tamil Nadu.

3.0 RESULTS AND DISCUSSION

Chart 1

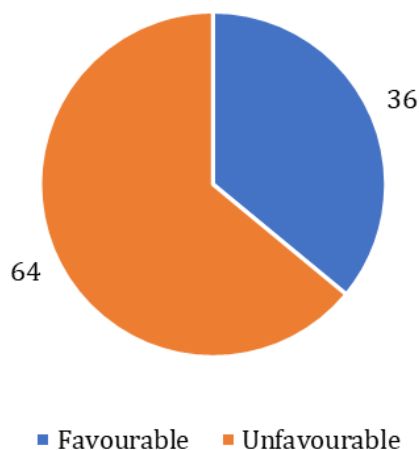
Financial Issues Faced by Onion Exporters



Source: Primary Data

Chart 1 shows that 60% of the respondents have experienced delayed payments from the buyers and as a result of which they delay paying their suppliers and it eventually ends in delayed payments for the farmers. Apart from this, 36% of the respondents experienced dollar fluctuations and 4% of the respondents doesn't experience any financial related issues.

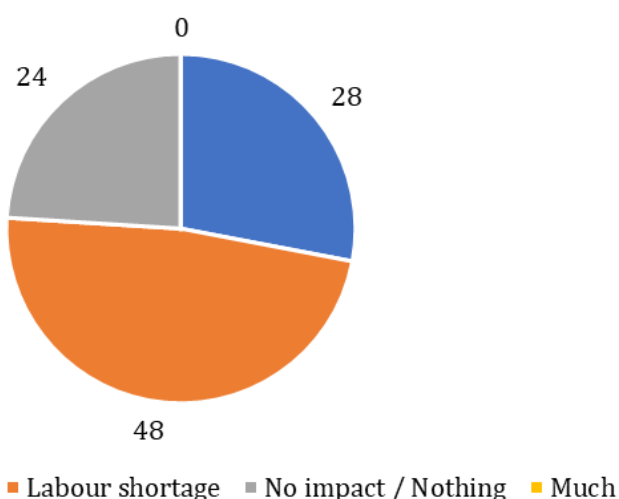
Chart 2

Export Ban Strategy

Source: Primary Data

From Chart 2, it is clear that 64% of the respondents have felt that the export ban strategy from the government is unfavourable. 36% feel that the government should categorise the onions and specifically ban only those that are in demand in the local markets. Banning onion in general is less feasible. They also feel that there should be a notice of at least 10 days, before restricting onions from exports.

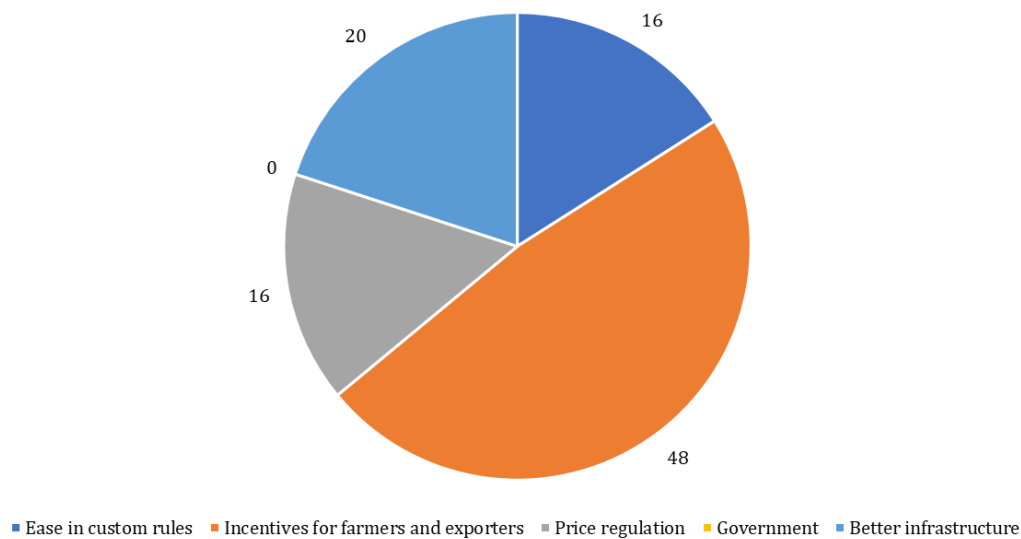
Chart 3

COVID-19 Lockdown Impacts

Source: Primary Data

Chart 3 shows that 48% responded for lack of sufficient labourers is the single most impact of the lockdowns prevailing. 28% for reduced demands and productions are obvious as the lockdowns are worldwide.

Chart 4

Suggestions to Improve Onion Exports

Source: Primary Data

Chart 4 shows 48% of the respondents suggested to improve incentives for farmers and exporters, 20% of the respondents suggested for better infrastructure, 16% suggested for ease in custom rules and another 16% of the respondents suggested for price fluctuations.

Table 1

State wise Market Arrivals and Average Wholesale Prices of Onion

State / Union Territory	March 2021		March 2023	
	Market Arrivals (in tonnes)	Average Wholesale Price (₹ per Qtl.)	Market Arrivals (in tonnes)	Average Wholesale Price (₹ per Qtl.)
Andhra Pradesh	20166.30	1164.60	1.05	Nil
Chhattisgarh	4009.20	2243.60	3991.4	622
Goa	229.47	1740.80	723.1	Nil
Gujarat	247750.33	1037.43	79459.4	1363
Haryana	2041.36	1684.83	19073	1185
Himachal Pradesh	967.73	2443.17	31507.4	1104
Jammu and Kashmir	6919.96	2296.45	1601.27	1249
Jharkhand	94.20	3217.20	1156371	966
Karnataka	97123	1439.66	96000.9	965
Kerala	7672.37	4344.14	6446.58	1575
Madhya Pradesh	59832.45	1163.05	30678.8	1400
Maharashtra	490453	1272.71	0	1018
Manipur	293.80	Nil	521861	2392
Nagaland	21.50	6500	63059.4	674
NCT of Delhi	29723.94	1547.34	869624	731
Odisha	5951.11	3374.29	4791781	2438
Punjab	23845.72	1798.54	950.6	Nil

Rajasthan	47152.01	1302.23	1.5	4174
Telangana	844473.70	1361.77	328.21	1094
Tripura	210.19	3797.67	190061	1752
Uttar Pradesh	71450.93	2280	21645.5	893
Uttarakand	6205	1980.80	148378	773
West Bengal	18254.90	2567.95	248445	1068
Average	53141.50	2298.11	517951	1967

Source: AGMARKNET, Ministry of Information and Broadcasting, GoI

Table 1 shows that State-wise arrivals significantly affect onion exports from Tamil Nadu at the National level. Varied production levels across states lead to supply imbalances. Surplus from major onion-producing states often floods the market, causing price fluctuations and rendering Tamil Nadu's exports less competitive. National policies are influenced by these dynamics, impacting export opportunities and prices in Tamil Nadu.

Table 2

All India Monthly Arrivals of Onion

(Arrivals in '000 Tonnes)

Month	All India Arrivals			
	2018	2019	2020	2021
January	1107.18	1322.96	1105.54	1580
February	1101.31	1368.88	1190.04	10300
March	949.31	1211.48	900.62	13990
April	919.51	1285.27	460.81	12130
May	1456.76	1164.66	604.88	2100
June	1532.87	1355.04	655.82	0
July	992.66	1110.71	1082.27	1020
August	1043.20	1017.57	885.46	11780
September	1010.70	886.68	1013.87	13465
October	1095.50	804.43	570.67	10860
November	867.99	832.43	738.21	6990
December	1110.47	835.13	885.04	3800

Source: AGMARKNET, Ministry of Information and Broadcasting, GoI

Table 3

All India Monthly Average Wholesale Prices of Onion

(Price in ₹ per Quintal)

Month	2018	2019	2020	2021
January	3514.10	1374.80	4358.60	5000
February	2603.20	1243.80	2660.00	4165
March	1755.20	1344.30	2064.20	2368

April	1367.00	1379.20	1567.80	1433
May	1473.20	1445.50	1116.30	1425
June	1639.40	1849.40	1236.40	0
July	1883.10	1908.60	1283.03	2100
August	1821.40	2313.50	1323.78	2261
September	1702.20	3036.00	2309.55	1892
October	1777.60	4833.60	3833.45	2786
November	1760.70	4661.20	4197.85	3350
December	1331.20	6244.80	2823.14	3188

Source: AGMARKNET, Ministry of Information and Broadcasting, GoI

t - test

- **H₁:** There is significant difference in average wholesale price between 2021 and 2023.

Table 4

Result of t-Test

	Average Wholesale Price 2021	Average Wholesale Price 2023
Mean	2422.821667	1356.777778
Variance	1969573.055	670800.7712
Observations	18	18
Hypothesized Mean Difference	0	
df	27	
t-stat	2.78341926	
P (T ≤ t) one-tail	0.00485061	
t Critical one-tail	1.703288446	
P (T ≤ t) two-tail	0.00970122	
t Critical two-tail	2.051830516	

The p value is less than 0.05 so there is significant difference in average wholesale price between 2021 and 2023.

4.0 SUGGESTIONS AND POLICY RECOMMENDATIONS

- 64% of the respondents feel that the Government exports ban strategy is unfavourable and 36% of the respondents feel that government strategy on export is favourable. Instead, a notice could be given at least ten days in prior so that the traders could clear all their orders and stop taking further orders.
- They also feel that the government should categorise and impose ban only on those types of onions that are in demand in the local markets. There are certain varieties such as rose onion which are exclusively for export purposes. Imposing ban on onions in general is less feasible.
- Most of the respondents suggest that providing incentives and subsidies to both farmers and traders could help in boosting the onion exports from the state.
- 48% responded for lack of sufficient labourers is the single most impact of the lockdowns prevailing. 28% for reduced demands and productions are obvious as the lockdowns are worldwide.

- Also, as the government is imposing export restrictions, traders and exporters from the state are losing their international market share.
- There should be a proper and agreed terms of payments for both buyers and sellers. This will reduce the impacts of depreciation of Indian currency and will reduce the delay in the payments as well.
- The Government should categorise the onions before imposing export restrictions.
- The farmers should not over utilise fertilizers and pesticides as they will reduce the life span of the products.
- Farmers should not indulge in any malpractices so as to improve the quality of their yield.
- Farmers should try and produce keeping in mind the climate and the demand in the markets.
- Farmers should be aware of the prices and demand prevailing in the markets.
- They should not indulge in hoarding so as to create artificial demands.
- Dollar fluctuations (depreciation) and delayed payments from the buyers hinder the smooth functioning of onion traders from the state. Delayed payments from the buyers will eventually end up in delayed payments to the farmers thus affecting the entire cycle.

5.0 CONCLUSION

India is the second largest producer of onions across the globe, the acreage is still underutilised. All the parties involved - the Government, the producer and the traders should work hand in hand to improve the Indian exports of onion. This study has concluded that only when all three parties work together, the exports of onions can be improved. From providing better quality seeds to the producers to fixing standard terms of payments for the exporters, Government should play their part. There are orders throughout the year and thus with the little support the exporters can do wonders. India has the potential to become the leading producer and exporter of onions in the world. All that this demand is the mutual coordination.

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