CHAPTER -- IX

CONCLUSIONS AND SUGGESTIONS.
I) CONCLUSIONS:

9.1 This study was intended to have an insight into the rapid growth of Lasalgaon as a centre for marketing onion as also the changes in the marketing system, marketing costs and prices of onion in Lasalgaon market over a period of 24 years. As is well known, onion is a semi perishable commodity and needs to be marketed immediately after harvest. In recent years it has achieved the status of an important commercial and cash crop which is grown all the year round. After meeting the needs of domestic market, a sizeable quantity of onion has been exported in the last few years thereby earning valuable foreign exchange for the country. It is in this context that the need for a micro study of the different aspects of marketing which are of vital importance to the producers of onion was felt. We have covered such aspects as changes in quantity and value of arrivals, monthly and annual variations in arrivals and price of onion on Lasalgaon Market as well as costs incurred on transportation, storage, grading and different marketing services. We have also studied changes in area, average yields and production costs of onion.

9.2 In this chapter, we present a summary of the findings of our study. We also make some suggestions for solving the problems that are faced in marketing of
onion on Lasalgaon market. The main conclusions of this study may be summarised under different heads.

9.3 Increase in Arrivals:

The growth of Lasalgaon market is brought out in terms of total quantity and total value of all agricultural produce marketed from 1950-51 to 1984-85. A continuous trend towards increase in arrivals was clearly noticed. The arrivals increased from 2.04 lakhs quintals in 1950-51 to 16.86 lakhs quintals in 1984-85; thus showing a huge growth of more than 8 times over the period.

There was also a tremendous increase in the value of agricultural produce brought to Lasalgaon market. It rose from Rs. 64.21 lakhs in 1950-51 to 1701.74 lakhs in 1984-85. Thus over the entire period the total value had gone up by about 26 times. The increase in value was partly due to a general rise in price of agricultural commodities during the period.

9.4 Importance of Onion in Lasalgaon Market:

For judging the importance of onion, we have to examine the increase in its share in the total arrivals and total value of produce during the above mentioned period. An increasing trend was observed in both the
proportions over the period. However, the fluctuations in the proportions in respect of value of onion were more in number and wider in range than those in respect of its quantity. This is because of the fact that the proportions for value depend not only upon the changes in quantities and prices of onion but also the changes in quantities and prices of other commodities.

Thus the percentage of onion arrivals to total arrivals went up from 45.28 percent in 1950-51 to 63.91 percent in 1984-85. Similarly the proportion in respect of value which was only 13.72% in 1950-51 shot up to 63.78 percent in 1984-85. Though both the proportions have shown a rise, the two have not always moved in the same direction. Thus a fall in the proportion of value in some years was noticed with a rise in the proportion of quantity and vice versa.

9.5 Annual Variations in Arrivals:

The changes in the arrivals, value and prices of onion were analysed for the period 1961-62 through 1984-85. Our analysis deals with the changes in two periods, viz. 1) The period before NAFED's participation and 2) The period after NAFED's participation.
Normally, onion marketing season ranges from October-November to June-July. But in the Lasalgaon market, marketing of onion goes on throughout the year. Farmers bring onion to the market according to their volume of production, cash need as well as their storing capacity of Rabi production.

There was an unmistakable trend towards increase in the arrivals during the 24 years. With 1961-62 as the base year the index of arrivals had increased almost four times to 396 in 1984-85. There were wide year to year fluctuations in either direction in the arrivals in both the periods. Thus there were six years of negative fluctuations in the first and only one in the second period. Moreover the increase in the arrivals was accompanied by a smaller degree of fluctuations in the latter period. This could be mainly attributed to the purchasing operations undertaken by the NAPED and Maharashtra State Cooperative Marketing Federation which succeeded in imparting a degree of stability in market arrivals.

9.6 Annual Variations in Value:

During the 24 years the total value of onion marketed went up by more than 25 times, the value index going up from 100 in 1961-62 to 2550.23 in 1984-85. As in the case of
arrivals index, there were wide year to year fluctuations in the value index too. But their number was more and range wider in the first period. Thus while there were 5 negative fluctuations in the first period, only 1 occurred in the second period.

Normally, if the arrivals increase the total value should also show an increase and vice versa, price remaining the same. Such an increase in the total value is beneficial for farmers as it implies an increase in their income. There were some exceptional years in which either a steep increase (or decrease) in arrivals was accompanied by a substantial fall (or rise) in price resulting in a decrease (or increase) in total value. Thus in as many as eight years the two moved in the opposite direction. Of these 6 occurred in the first period covering 16 years while 2 occurred in the second period of 8 years.

9.7 Changes in Prices

The level of agricultural prices is an important factor which determines the increase in agricultural production. Thus, if prices are remunerative they motivate farmers to undertake more investment by using modern technology in agricultural production. Onion prices increased by about 5 times, the index moving up from 100 in 1961-62 to 520 in 1984-85. Over the years
there was a clear trend for the prices to increase but with wide fluctuations in particular years in either direction. It was observed that the Government’s price support policy and the purchase operations by NAFED and Federation could not entirely succeed in reducing the degree of fluctuations in the price of onion on Lasalgaon Market.

9.8 **Area Under Onions**

Information regarding area under different varieties of onion was collected on a sample basis for the year 1982-83 to 1984-85. We found a small increase of about 30 hectares in total cultivated area under onion of the sample farmers. In other words the area increased from 51.06 percent in 82-83 to 54.05 percent in 1984-85, most of which was accounted by Rangada and Rabi varieties. Classifying the area under onion according to size group of cultivators, it was observed that the 'small' size group devoted more proportion of their owned area to onion than that devoted by other two groups. At the same time the proportions devoted to onion cultivation by the 'middle' and 'large' groups showed an increase over the 3 years.
9.9 Production:

The total production of onion shows a continuous increase rising from about 1.07 lakh tonnes in 1982-83 to 1.17 lakh tonnes in 1984-85. The average per hectare yields were lowest for kharif variety and highest for rabi variety. However, they showed a decline in 1983-84 but recovered in 1984-85, in the case of all varieties produced by surveyed farmers. The per hectare yields showed an increase with the increase in the size of farms.

9.10 Production Cost:

Information about costs of the various inputs that go into cultivation of onion viz. labour, field-operations, seeds, sowing, manures and fertilizers, irrigation, harvesting and others was also collected from sample farmers. The total production cost per hectare worked out at Rs. 5705.54 in 1982-83 and it shot up to Rs. 6058.67 in 1984-85. As a result, the per quintal cost which was Rs. 27.99 in 1982-83 increased slightly to Rs. 28.64 in 1984-85. The increase in per quintal cost was small because the increase in per hectare costs was accompanied by an increase in per hectare yields. Among the two
varieties of onion, the per hectare production cost of kharif variety was less than of Rabi variety. As between different size-groups of farmers the per hectare production cost of the 'small' farmers was less than that of 'medium' and 'large' farmers. However, the per quintal production cost of the former group was more than that of the other two size groups.

9.11 Gross Return and Net Profits

We estimated the gross returns and the net profit per hectare and per quintal in onion cultivation for the three years of our study. It was observed that the per hectare and per quintal profit for the year 1984-85 was more than that for each of the previous two years. The rise in profit was due to increase in per hectare production as well as a rise in the price realised in that year.

9.12 Quantities Purchased by Different Buyers:

In the Lasalgaon market, traders, NAFED and MSCMF constitute the buyers of onion. Upto 1976-77 the entire trade was in the hands of the private sector. The NAFED entered the market as a buyer of onion in 1977-78 while the Federation embarked on the purchase of onion after
farmers agitation for remunerative price in 1980 in Nashik district. It started its purchasing operations in 1980-81 under the price support policy of the Government. The combined share of the two cooperative institutions came down steadily from about 54 percent of the total arrivals in 1980-81 to about 25 percent in 1984-85. Correspondingly, the private traders improved their share from about 46 percent in 1980-81 to about 75 percent in 1984-85.

The decline in purchasing operations of the Federation was mainly because of the huge loss suffered in these transactions and the wavering policy of the Government of Maharashtra about continuation of the operations.

There was neither any coordination about the price to be paid nor any definite understanding among them about the quantum of the arrivals to be bought by each one of the two institutions.

9.13 Transportation:

Handling and transportation of onion starts just after its harvesting from the field. If the produce is not properly handled and speedily transported to the disposal end, the efforts put in production go waste.
In Lasalgaon Market onion is brought from the field in bullock-carts, tractors and trucks depending on quantity and distance.

Our study shows that tractors were the predominant mode of transport contributing over 75 percent of the total arrivals on Lasalgaon Market in each year. Further, the share of bullock-cart was continuously decreasing from year to year while that of trucks was increasing especially over longer distances. This was probably due to large scale economies available for this type of transport. However, we could not find distance-wise variations in transportation cost. It tended to increase in peak period due to delays in auction and weighing. Therefore, reduction in transport cost requires elimination or minimising of the waiting period through daily clearance of arrivals in peak period.

9.14 Storage:

Onion being a bulbous vegetable contains about 86 percent water at the time of storing. It is subject to attack by numerous diseases which ultimately cause great losses to farmers. Farmers generally stored about 46 percent of their total produce and used either godowns their own houses or rented for the purpose. A slight
increase was noticed in the total quantity stored (in both methods) over the 3 years. Thus it increased from 46.62 percent in 1982-83 to 47.60 percent in 1984-85.

The total loss during storage almost doubled in both quantity and money terms in 3 years. The loss due to putrefication and sprouting and loss in weight formed a major part of the total losses. It is possible to reduce them to some extent by using pesticides at maturity stage of crop and by extending the use of model godowns.

9.15 Grading:

Fruits and vegetables require special attention of marketing facilities as a necessary adjunct to effective grading. Under the Regulation of Markets Act, the regulated markets provide the required infrastructure for grading and package facilities.

In Maharashtra, onion is graded at two levels, vis. producer's level and exporter's level. The Government of Maharashtra and the Market Committee jointly established a grading unit in 1964 in the Lasalgum Market. The Government and Committee graders allot usual grades to onion arriving in the market. Normally onions are stored into 4 classes based on size and other characteristics.
The opinions expressed by sample farmers throw light on partiality in grading and co-relation between the prices received by them and the grades given. Out of 330 farmers, 64.24% informed that there was no partiality in grading. Further, only 37.57 percent were of the view that the price obtained by them was based on the grading.

9.16 Difficulties Encountered by Farmers on the Market:

These relate to delays in auction, weighment and payment, all of which add to the marketing costs of onion and can be overcome by appropriate action by the Market Committee. About three fourth of the farmers surveyed by us complained about delay in auction and weighment, while almost half of them complained about delay in payment.

9.17 Total Marketing Costs:

Efficiency of agricultural marketing is related to the cost of marketing a produce and a lowering of cost implies greater efficiency and vice versa. The producers of onion have to incur a variety of marketing costs which can be divided into two groups viz.

1) Marketing charges payable by the producers for various
marketing services and 2) Incidental costs incurred personally by the producers.

The average total cost of marketing of onion was worked out on per quintal basis and changes in it analysed during the 24 year period of our study. The cost of marketing shows an increasing tendency in absolute terms going up continuously from year to year except in 1970-71. Thus it rose from Rs. 4.32 in 1961-62 to Rs. 23.54 per quintal in 1984-85. This increase was in keeping with the general rise in prices of onion as also other commodities.

The share of all charges (commission, hamali, weighment, market fee and warai) in the total costs was only 7.40 percent in 1961-62 but increased to 12.53 percent in 1984-85 as a result of an increase in the rates of different charges. Storage, transport and incidental costs account for a major share in the total marketing costs. In money terms they increased from Rs. 4.00 in 1961-62 to Rs. 20.59 per quintal in 1984-85. However, their proportionate came down from 92.60 percent in 1961-62 to 87.47 percent in 1984-85.
9.18 **Share of the Producer:**

We have computed the onion producer's share in Rs. 100 received by him on Lasalgaon Market. Since the average per quintal price of onion changed from year to year and since the marketing costs increased during the period, the share obtained by the producers has also fluctuated. In 21 out of 24 years we found that the producer's share was more than that in 1961-62. It went up from Rs. 71.20 in 1961-62 to a maximum of Rs. 84.02 in 1979-80. It thus implies an increase in marketing efficiency.

The producer's share in Rs. 100 worked out with the help of average per quintal price received by surveyed farmers, shows only a marginal increase. It increased from Rs. 64.37 in 1982-83 to Rs. 66.37 in 1984-85. These figures are less not only than the figures of the corresponding years but also for most of the years arrived from Market Committee data.

9.19 **Total Costs and Prices:**

By adding production cost and marketing cost we have estimated total cost per quintal for the three years 1982-83 to 1984-85. The per quintal costs increased from Rs. 49.60 in 1982-83 to Rs. 52.18 in 1984-85. The price realised also increased from Rs. 60.66 in 1982-83 to Rs. 69.39 in 1984-85. In other words the price
obtained by onion producers was able to cover the local costs and leave some profit. Thus the net profit was Rs. 11.06 in 1982-83 and it increased to Rs. 17.21 per quintal in 1984-85. The increase in profit was mainly due to rise in price received by our surveyed farmers.

II) MAJOR POLICY ISSUES:

In the light of the above findings we discuss below some of the major policy issues pertaining to onion production and marketing.

9.20 Extension Measures:

As we have seen though the area under onion is substantial, the yields per hectare in India are very low as compared to other countries. There is great need and scope for improving per hectare yields in different parts of the country through the development and application of improved varieties of onion.

Recently, NAFED has sponsored A.A.D.F. to undertake research work on production and post harvest technology to improve the yields and quality of onion. It has undertaken pilot projects on production, use of improved seeds, manure and fertilizers, pesticides etc. in Nashik district. This activity needs to be extended to other districts also.
9.21 **Storage Policy**

Storage is an important aspect of marketing of onion which has a high moisture content and short self life. Large losses take place during storage of onion most of which continue to be stored in house and chawls. The NAFED has undertaken pioneering work in setting up model godowns for storage in Nashik district which can reduce storage losses by 8 to 12 percent. However, there is need for large scale expansion of such storage capacity to meet the storage requirements in the State. The State Government should therefore formulate a policy which will encourage the construction of model godowns in large numbers in onion producing areas.

9.22 **Transport**

Transportation plays an important part in marketing of perishable like onion. It was observed that freight rates for truck transport were higher by 2 to 3 times than for Railways. This unnecessarily adds to the procurement cost of NAFED which offers better price for onion to the farmers in comparison to those of the traders. The NAFED has therefore, to depend largely on Railways for this purpose. However, due to shortage and slow turn round of wagons and other allied problems, it has been facing difficulties in carrying its marketing activity efficiently. In order to carry out their onion
marketing activity efficiently NAFED and MSCMF should be given priority by the Railways by providing sufficient wagons in major producing areas. Research should be conducted by the Railways for devising suitable wagons for carrying onions so as to minimise losses in transport.

9.23 **Prices**

The price of fruits and vegetables tend to be lowest in the post harvest season in the producing areas. Onion also suffers from large inter and intra seasonal variations in prices. With a view to giving relief to the onion producers, the Government of India took some ad-hoc measures. In 1977-78 it fixed prices between Rs. 45/- and Rs. 50/- per quintal for different grades of onion and the State Government undertook support purchases through the MSCMF and NAFED.

However, these prices were not considered high enough to cover the production and other costs of onion by Shetkari Sanghatana which started an agitation in Nashik district in November, 1980. The agitation turned violent and claimed 7-8 lives in firing. As a result the State Government decided to purchase onion at support price through the agency of NAFED and MSCMF in 1980-81. Though this did not entirely satisfy the farmers it involved the agencies in huge losses which had to be paid by the State Government.
Because of the losses suffered by the purchasing agencies, another policy change was introduced in 1982-83. In that year the Central Government did not announce support prices but instead adopted a new approach viz. the policy of open market purchase at pre-determined procurement prices. Under it the NAFED undertook purchases at a price of Rs. 55/- to Rs. 70/- and then at Rs. 60/- to Rs. 75/- per quintal. Thus the Government's policy in respect of onion price and purchases operations has undergone a change in recent years with the involvement of NAFED and MSCMF. The main objective of this policy is that the co-operative agency provides support through purchase operations at fixed or open market prices.

At these prices the NAFED and/or MSCMF are free to determine the quantity of onion to be purchased. Actually, they curtailed their purchases which resulted in a slump in onion prices. Therefore in 1983-84 the Government of India again switched back to price support policy and announced the same prices viz. Rs. 55/- to Rs. 70/- and Rs. 60/- to Rs. 75/- as support prices. This policy is in force at present. In this connection it is observed that there is little coordination among the co-operative institutions in respect of the quantities to be purchased by them.
9.24 **Co-operative Marketing**

During the last decade, the Government has called upon the co-operative sector to play an important role in the marketing of onion. The main objective is to provide price support to the producers through the active association of the co-operative sector with the purchase, inter and intra-state movement of onions, besides exports. In Maharashtra the NAFED and MSCMF took part in the procurement of onions. However, the latter did not succeed in onion marketing due to following reasons.

1) In any trading activity a professional approach is necessary. This approach is lacking among the cooperative institutions. Moreover, decision taking requires full powers but there are not always available to the managers of co-operative institutions.

2) The MSCMF does not have sufficient experienced personnel for undertaking onion purchasing operations. Further the passiveness of co-operative servants results in delay in decision taking.

3) They also lack in infrastructural facilities like sufficient open space for sorting, loading and unloading, storage etc. As a result it is not possible to work efficiently in competition with the traders.
4) The frequent changes in the Government’s policy about continuation of purchasing onion at support price, procurement or open market prices. Such frequent changes have not only resulted in losses to the co-operatives, but made it difficult for them to plan on a long term basis. Therefore, Government should adopt a firm policy about purchasing through these institutions so that they can influence the prices of onion in the country.

III) SUGGESTIONS:

9.25 From the above conclusions of our study, the following suggestions emerge which are made with a view to render onion cultivation more profitable through a more efficient system of marketing. These suggestions lay emphasis on solving problems encountered at the time of marketing:

1) Due to lack of adequate facilities of transportation many farmers have to incur more transport cost. Therefore, it is suggested that transport co-operatives of small farmers should be encouraged for providing sufficient and cheap transport of onion to the market. Such co-operatives have been working efficiently in other sectors like Milk Producers co-operatives.
2) To effect quick movement of onion from market to the consuming centres, the Railways provide the cheapest and most suitable mode of transport. Regular and faster movement of railways wagons is necessary if the railways are to fulfill this task. It is necessary to have sufficient supply of wagons at Lasalgaon station and the same should be allotted on priority basis for onion transport especially in peak period.

3) To avoid the huge losses during storing period, better and improved types of storing facilities are necessary. Recently NAFED has developed special 'cage system' and 'model godowns' of storage. Such storage facilities should be created in onion producing villages through construction of rural godowns by service co-operatives. This will increase the holding capacity of producers and enable them to sell when prices are attractive besides reducing storage losses.

4) The Government should adopt a clear long term policy about price, export and purchase of onion. It is suggested that support prices should be announced well in advance of the sowing season every year.

5) There should be coordination among NAFED and MSCMF in respect of the prices to be paid and the quantities to be purchased in each season.
6) The domination by a few traders in onion trade has resulted in oligopolistic practice. To counteract them and create a competitive atmosphere the role of co-operative institutions like NAFED and MSCMF should be steadily increased. To enable them to fulfil this role the Government should help them by providing all infrastructural facilities. They should also have properly trained and professional staff.

7) The Government as well as the Market Committee should intensify propaganda activity so as to encourage farmers to get their produce graded prior to sale.

8) To avoid delay in weighing it is necessary to have weighbridge facilities. We, therefore, suggest that this facility should be provided by the Market Committee.

9) At present transportation and incidental costs are high and form a major part of the total marketing cost because of delay in auction and weighing. The Market Committee should see that daily clearance takes place of all onion arrivals. This will reduce to some extent these costs and result in an increase in the producers' share.
10) The per hectare yield of onion in India is much lower than in other countries and needs to be increased. The extension agencies of the Government should provide technical guidance about use of quality seeds, fertilizers, pesticides, irrigation rotation etc. and also make them available to the farmers at controlled rates.