

## Government Onion Procurement Price Sees Significant Drop



The Indian government's average purchase price for onions has registered a substantial 48% year-on-year decline, falling to ₹16.75 per kilogram for the current fiscal year (FY26) from ₹29 per kilogram in the previous year (FY25). This significant drop in procurement costs is attributed to a robust harvest and higher production prospects across major onion-growing states, leading to softened market prices. The government has commenced its procurement drive to build a buffer stock under the Price Stabilization Fund (PSF).

The National Agricultural Cooperative Marketing Federation of India Ltd (NAFED) and the National Cooperative Consumers' Federation of India Limited (NCCF) are the central agencies tasked with this procurement. Their objective is to acquire 0.3 million tonnes (MT) of onions to create a buffer for 2025-26, which will be strategically released into the market during periods of price spikes, particularly around the festive season, to curb inflation and ensure consumer affordability. As of late July 2025, over 1.07 lakh tonnes of summer onions have already been procured, with the majority from Maharashtra.

The sharp decline in government purchase prices reflects a broader trend in the market. Mandi (wholesale market) prices for onions at key hubs like Lasalgaon in Nashik, Maharashtra, are currently hovering in the range of ₹15-₹16 per kilogram, representing over a 30% reduction compared to prices a year ago. This downward pressure on prices is largely a result of an estimated 27% increase in onion production in the 2024-25 crop year, reaching 30.77 MT. The higher output is expected to keep market prices subdued in the coming months.

While beneficial for consumers, these lower prices pose challenges for farmers. The Ministry of Agriculture and Farmers Welfare noted in the Lok Sabha on July 24, 2025, that despite a 46% increase in onion cultivation area in Maharashtra during 2024-25, the Wholesale Price Index (WPI) for onions has seen a sharp decline of over 33% from June 2024 to June 2025. This has led to financial distress for many farmers, with market prices occasionally falling below production and transportation costs.

To mitigate farmer distress, the government has implemented measures such as the Market Intervention Scheme (MIS) under PM-AASHA and recently introduced a Price Differential Payment (PDP) component. Additionally, the 20% export duty on onions, imposed last year, was lifted from April 1, 2025, to encourage exports and potentially stabilize domestic prices. The government's efforts to balance consumer affordability with farmer remuneration remain a critical aspect of its agricultural policy.