

noting different prices. Average prices today are about \$0.54 per kilo. If the seller likes your tickles you hail a porter. He carries your newly bought sacks on his head to a dispatch depot where another group of couriers takes them into the city.

"I'm crazy, like the guys you see in the movies. I don't negotiate," declares Sanjay Pingle. One of the market's biggest agents, he charges the seller a 6.5% commission. The buyers pay loading charges on top of that and a fee to the market. He says business is tough—bad debts from customers run at a fifth of sales and he has to pay interest rates of 22% on his own debts. The solution to the onion shortage is obvious, he says. "In China they keep things in storage facilities—if India had the same facilities as China has, prices would be lower." He says he has seen photographs of Chinese technology on his mobile phone.

By the afternoon thousands of cars and trucks are picking up small batches of onions to take them into Mumbai. In Chembur, a middle-class neighbourhood, Anburaj Madar runs a big sub-distributor. He handles 200 sacks a day which he sells to retailers and restaurants. He buys daily from Vashi market and has space to store only about 12 hours' worth of stock. Rent is dear and he too reckons cold storage destroys the flavour of onions. He marks up his prices by perhaps 20% but says a chunk of what he buys has to be thrown away—it is either damaged or of inferior quality.

For the onions that do make the cut the next stop is a small shop down the road where they are sold for another mark-up of 10% or so. From here Indubai Kakdi is hand-selecting onions with elaborate care. Buck-toothed and ragged, she sells seven kilos a day from a wooden barrow; she makes a 10% margin. She says climate change has made prices more volatile.

Peeling back the layers of truth

The journey of an onion from Mr Devkar's field to the end customer in Mumbai takes only a few days but is enough to make you weep. There are some underlying reasons why prices have risen—higher rural wages have pushed up farmers' costs. But the system is horribly fiddly. Farms are tiny with no economies of scale. The supply chain involves up to five middlemen. The onion is loaded, sorted or repacked at least four times. Wastage rates, either from damage or weight loss as onions dry out, are a third or more. Because India has no modern food-processing industry, low-quality onions that could be turned into paste or sauces are thrown away. Retail prices are about double what farmers receive, although the lack of any standard grading of size or quality makes comparisons hard.

The system is volatile as well as inefficient. Traders who buy onions from farmers may hoard them, but for the supply chain as a whole far too little inventory is

stored. As a result small variations in demand and supply are amplified and cause violent swings in price. In the first week of December 2013 prices fell again.

It is easy to see how heavy investment by supermarket chains and big food-producers—whether Indian or foreign—could make a difference. They would cut out layers from the supply chain, build modern storage facilities and probably prod farmers to consolidate their plots.

The shoppers of Chembur agree that

Indian onions are the world's tastiest but are fed up with price swings. No one mentions reform as a solution and until there is popular support and political leadership it is hard to see much changing. And what of the last stage of the onion's odyssey, to the stomach? By one stall stands an elderly lady who says she likes the vegetable so much that she doesn't bother to cook it. Instead she chomps on raw onions as if they were apples. At least someone has an eye on efficiency. ■

American food distribution

Meal deal

NEW YORK

Sysco shows how to distribute food with ruthless efficiency

WHEN John Baugh and his wife Eula Mae launched Zero Foods in 1946, to deliver frozen food to businesses in Houston, America's distribution system consisted of countless small local firms. So Baugh set about consolidating it. In 1970 he persuaded eight similar firms to merge with his to form the Systems Services Company (Sysco), which he then expanded through a series of acquisitions. Baugh died in 2007, but on December 9th his firm announced a deal which, if antitrust regulators approve it, may be the culmination of his visionary strategy to build the type of modern and efficient food-distribution system that India lacks (see main story).

In an acquisition valued at \$8.2 billion, Sysco will buy US Foods, its closest rival in America. There has been speculation for years that these two firms would get together. Indeed, William DeLaney, Sysco's boss, says he consid-

ered buying US Foods seven years ago, but decided that the price was too high.

Thanks to its strategy of acquisitions and an obsession with cost control and efficiency it got from Baugh, Sysco has long been the market leader in delivering food, frozen and otherwise, to schools, fast-food chains and even fancy Michelin-starred restaurants such as the French Laundry in California's Napa Valley. With US Foods it will account for over a quarter of the American market. Food producers will not relish the extra clout of the combined firm. Likewise, restaurants, which will lose the chance to get lower prices by playing off Sysco and US Foods against each other. So the merger will provide a stern test for Barack Obama's antitrust enforcers after their recent attempt to block the merger of American Airlines and US Airways fizzled out embarrassingly.

After a hard year of slow growth and a scandal over poor storage of perishable food in some depots in California, Sysco hopes to return to what it knows best, stripping out costs. The outlook may be grim for employees of US Foods, who had hoped for an easier exit from six years of ownership by Clayton Dubilier & Rice and KKR, two private-equity giants. Workers would doubtless have preferred an initial public offering or even a sale to a big retailer like Walmart.

Successfully integrating two such sprawling, decentralised firms (Sysco alone has more than 70 operating businesses in America) is likely to take several years. That will create opportunities for smaller rivals such as Performance Food Group and the innovative Gordon Food Services to poach customers disgruntled by the merger process. It will also hold back Sysco's efforts to apply its strategy to markets outside America. Many of them are almost as fragmented as America's when Baugh started earning his reputation as the "Sysco Kid".



Dinner is served