

A Critical Appraisal of Organic Food Market in India

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Abstract

Organic foods are outcome of organic farming which does not involve chemical fertilizers, pesticides, etc. By preserving the regenerative capacity of soil and sound soil management, such foods are produced which are naturally pure, safe, healthy, environment friendly and protects against diseases. With the rising awareness about the adverse effects of usage of preservatives, chemical fertilizers, etc. people have started to prefer organic food and many companies such as Fabindia, Organic India, etc. are actively involved in marketing of organic food items.

Government has also realized the importance of organic farming for social welfare and preservation of environment and that is why the Government is promoting organic farming through various schemes like National Project on Organic Farming (NPOF), National Horticulture Mission (NHM), Horticulture Mission for North East & Himalayan States (HMNEH), National Project on Management of Soil Health and Fertility (NPMSH&F), Rashtriya Krishi Vikas Yojana (RKVY) and also Network Project on Organic Farming of Indian Council of Agricultural Research (ICAR). Government has also implemented the National Programme for Organic Production (NPOP). Currently, India's rank is 10th among the top ten countries in terms of cultivable land under organic certification.

For the expansion of organic food market, attention should be given to many factors such as low availability, high price, complexity of certification, lack of information, publicity of health benefits, freshness, taste packaging, etc.

Although, in the recent past, there has been a huge increase in the turnover of organic food items but even though the percentage of organic food customers is very low. Hence, promotional and awareness programmes are needed to motivate people for purchasing such items and besides ensuring the easy and regular supply of organic food products, financial support from government and private enterprises is also required.

Keywords: Organic Farming, Organic Food

1. Introduction

If a person wants to live a healthier life then he should be committed to healthy eating habits. Healthy eating doesn't mean only eating more fruits, vegetables, whole grains and good fats. Food safety, nutrition and its sustainability is very important. Human health and environment both are affected by the way in which foods are grown or raised. Health benefits and safety for environment motivates the usage of organic food.

“The term organic refers to an ecological method of agricultural production that respects the natural environment. Organics focuses on enhancing the health and vitality of the soil, preserving biodiversity, promoting animal welfare and preserving the ecological integrity of our environment. No synthetic fertilizers, synthetic pesticides or genetically modified organisms are

permitted in organics.” Organic foods are produced using methods of organic farming. For growing organic products; such a system of agriculture is used which is not based on fertilizers and pesticides so that an environmentally and socially responsible approach can be adopted in the field of agriculture. In this kind of farming, efforts are made at grass root level so that regenerative and reproductive capacity of soil can be preserved and at the same time it will help in sound soil management and good plant nutrition which will lead to production of nutritious food. Such food will have more resistance power against diseases.

According to nutritionist Naini Setalvad, “An organic diet is not just about nutrition, it is the Art of Eating – it reflects your attitude to life and to the world, because good food sustains life-bad food kills. For healthy growth, we need PURE food. Organic food is safe, pure, more nutritious, environment friendly,

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protects against diseases and maintains peace of mind. A pure diet fosters purity of mind, body and soul²¹.

For signifying healthy food items, a term 'natural' is also used instead of 'organic'. There is a difference between the two terms. The term 'natural' can be applied on packaged food by any person or company as it is an unregulated term but the term 'organic' can be used only after meeting some specified production standards. These production standards vary from country to country.

2. Organic Food Market in India

For making fruits, vegetables, pulses, larger and plumper, growth hormones are injected in them and preservatives are used for showing them fresh; thus humans are unknowingly compelled to consume these chemicals. Consumption of these chemicals cause many types of diseases and psychological disorder like depression, mood swing, hypertension, obesity, infertility in men, problems in conceiving, etc. Now, people have started to realize the adverse effects of usage of chemicals, fertilizers and preservatives. This realization is enhancing the demand for organic food. Organic food market is the biggest opportunity for green marketers. In India, organic food market is growing very rapidly.

In the recent past, level of awareness about organic farming and benefits of organic food among people has increased to a great extent and to take advantage of this situation, many big corporate and retailers have opened a lot of shops for selling organic food items. These shops are mainly in metropolitan and big cities. Some of the examples are given:

- Fabindia is one such chain which has several stores across the country from where organic food can be purchased and online orders can also be made.
- Organic India is another brand which sells organic produce. Its revenue has increased from ` 25 crore in 2008 to ` 175 crore in 2013. Best known for its Tulsi Tea, it makes a range of organic products and has grown so confident of the market's potential that it is setting up its own standalone stores. It has opened two stores in Lucknow and aim to have 20 stores across the country by the end of 2015. It has also launched new products such as organic ghee (using milk from cows fed only organic grass and fodder) and organic chawanprash.
- "Conscious Food, perhaps the oldest in the business, launched almost 25 years ago by eco-nutritionist Kavita Mukhi, has grown at a compound annual growth rate of nearly 35 per cent in the last four years to reach revenues of ` 120 crore. It sells organic sweeteners - honey, raw sugar, jaggery - along with cereals and pulses²².
- Many organic product manufacturers, who earlier were mainly into exports, have realized the increasing interest in

such products within the country. For instance, Bangalore-based Mother India Farms, used to export the organic fruit pulp, dehydrated fruit and vegetables and a variety of spices it produced to France, Germany and Netherlands. But now it has a growing Indian market as well. Sensing the market gap in organic fruit juices in India, they launched a mango-flavoured organic fruit beverage in 2012, under the brand name Organa. They are now selling organic guava juice, organic apple juice and organic mango pulp here as well.

- AMWAY is also an active retailer in the field of organic food in India. Their product NUTRILITE is a vitamin and mineral brand in the entire world which is grown, harvested and processed in their own certified organic farms.

"India produced around 1.34 million MT of certified organic products which includes all varieties of food products namely Sugarcane, Cotton, Basmati rice, Pulses, Tea, Spices, Coffee, Oil Seeds, Fruits and their value added products. The production is not limited to the edible sector but also produces organic cotton fiber, functional food products etc. India exported 135 products last year (2012-13) with the total volume of 165262 MT including 4985 MT organic textiles. The organic agri export realization was around 374 million US \$ including 160 US \$ organic textiles registering a 4.38% growth over the previous year. Organic products are exported to EU, US, Switzerland, Canada, South East Asian countries and South Africa. Soybean (41%) lead among the products exported followed by Cane Sugar (26%), Processed food products (14%), Basmati Rice (5%), Other cereals & millets (4%), Tea (2%), Spices (1%), Dry fruits (1%) and others²³.

Due to the nutritional value of organic food items, customers are ready to purchase them at a costlier price than its non organic substitute. Growth of Indian organic food market at a compound annual growth rate of 20 to 22 percent is the biggest evidence for reflecting acceptance of organic food items by Indian customers.

3. National Programme for Organic Production

A scheme known as National Programme for Organic Production (NPOP) has been started by the Government of India for enhancement of organic farming. The national programme involves the accreditation programme for Certification Bodies, standards for organic production, promotion of organic farming etc. The "NPOP standards for production and accreditation system have been recognized by European Commission and Switzerland as equivalent to their country standards. Similarly, USDA has recognized NPOP conformity assessment procedures of accreditation as equivalent to that of US. With these recognitions, Indian organic products duly certified by the accredited certification bodies of India are accepted by the

importing countries. Among all the states, Madhya Pradesh has covered largest area under organic certification followed by Rajasthan and Uttar Pradesh. Currently, India ranks 10th among the top ten countries in terms of cultivable land under organic certification. The certified area includes 10% cultivable area with 0.50 million Hectare and rest 90% (4.71 million Hectare) is forest and wild area for collection of minor forest produce. The total area under organic certification is 5.21 million Hectare (2012–13)⁴.

4. Initiatives of Government towards Organic Farming

Social welfare and protection of environment is the prime responsibility of Government and organic farming can play an important role in this context. Outcome of organic farming reflects in the form of organic food. Government has also realized the significance of organic farming and this is the reason behind promoting organic farming through various schemes like National Project on Organic Farming (NPOF), National Horticulture Mission (NHM), Horticulture Mission for North East & Himalayan States (HMNEH), National Project on Management of Soil Health and Fertility (NPMSH&F), Rashtriya Krishi Vikas Yojana (RKVY) and also Network Project on Organic Farming of Indian Council of Agricultural Research (ICAR).

4.1 National Project on Organic Farming (NPOF)

“National Project on Organic Farming (NPOF) is a continuing central sector scheme since 10th Five Year Plan. National Project on Organic Farming is being operated by the Integrated Nutrient Management Division of Department of Agriculture and Cooperation, Government of India, and is headed by Joint Secretary (INM). The project objectives are being implemented and monitored through National Centre of Organic Farming (NCOF) at Ghaziabad as Head quarter with its six Regional Centers of Organic Farming (RCOF) located at Bangalore, Bhubaneswar, Hisar, Imphal, Jabalpur and Nagpur⁵.”

The main objectives of this project are promotion of organic farming in the country through technical capacity building of all the stakeholders including human resource development, transfer of technology, promotion and production of quality organic and biological inputs, awareness creation and publicity through print and electronic media. It also aims at capacity building for soil health assessment, organic input resource management, technology development through support to research and market development.

Financial Assistance upto 25% and 33% of total outlay upto a ceiling of ` 40 lakhs and ` 60 lakhs respectively is provided as back ended subsidy through NABARD in this scheme. This financial

assistance is provided for establishment of bio-pesticides/bio-fertilizers production units and agro waste compost production units respectively.

4.2 National Horticulture Mission (NHM)

Presently, India is the 2nd largest producer of fruits & vegetables in the world. “A National Horticulture Mission has been launched as a Centrally Sponsored Scheme to promote holistic growth of the horticulture sector through an area based regionally differentiated strategies. The scheme is fully funded by the Government and different components proposed for implementation financially supported on the scales laid down. It was launched under the 10th five-year plan in the year 2005-06. The NHM’s key objective is to develop horticulture to the maximum potential available in the state and to augment production of all horticultural products (fruits, vegetables, flowers, plantation crops, spices, medicinal aromatic plants) in the state⁶.”

Under National Horticulture Mission (NHM), financial assistance is provided for setting up vermi-compost production units @ 50% of the cost subject to a maximum of ` 30,000/- per beneficiary, for adoption of organic farming @ ` 10,000/- per hectare for maximum area of 4 hectare per beneficiary and for organic farming certification @ ` 5.00 lakh for a group of farmers covering an area of 50 hectares.

4.3 Horticulture Mission for North East & Himalayan States (HMNEH)

For overall development of horticulture, a centrally sponsored scheme known as Horticulture Mission for North East and Himalayan States (HMNEH) has been implemented by the Department of Agriculture & Cooperation, Ministry of Agriculture. Sikkim, Jammu & Kashmir, Himachal Pradesh and Uttarakhand are covered under this scheme. With the help of forward and backward linkages, entire range of horticulture starting from production to consumption is included in this scheme. The programmes under HMNEH have been designed after considering local interests and it also includes viewpoint of state governments. It covers plantation works, area expansion, post harvest management, processing, value addition including that of aromatic plants, marketing and exports. In this mission, special emphasis is placed on “Low Volume, High Value, Less Perishable Horticulture Crops”.

The main purpose of this scheme is to enhance quantity and quality, i.e. production and productivity of horticulture crops by utilizing the regional potential. Under this mission, efforts are being made for development of a horticulture based farming system so that viable and ample opportunities for employment, especially for women can be provided besides improving the productivity of land.

By the end of 2015, Sikkim wants to become an organic agricultural state but it is not easy to achieve this target. For achieving this goal, many challenges have to be faced. To meet the challenges of change in climate, organic agriculture can prove to be a revised and improved version of traditional farming but there is doubt about its acceptance and sustainability. The biggest challenge lies in acceptance by farmers because usually farmers are reluctant to adopt this new technique as they are habitual with the use of fertilizers and techniques of traditional farming. The financial investment is also huge, especially for the certification process, which is costly and complex. Also in terms of sustainability, financial support will be required even 10 years after the implementation,

4.4 Rashtriya Krishi Vikas Yojana (RKVY)

“To spur growth in the Agriculture and allied sectors, National Development Council (NDC), in its meeting held on 29th May, 2007 observed that a special Additional Central Assistance (ACA) Scheme be introduced to incentivize States to draw up comprehensive agriculture development plans taking into account agro-climatic conditions, natural resources and technology for ensuring more inclusive and integrated development of agriculture and allied sector. In pursuance to aforesaid observation and in consultation with the Planning Commission, Department of Agriculture & Cooperation (DAC), Ministry of Agriculture, Govt. of India launched Rashtriya Krishi Vikas Yojana (RKVY) from 2007-2008, which has been operational since then”⁷. The main objectives of the scheme are to incentivize the States so as to increase public investment in Agriculture and allied sectors and to provide flexibility and autonomy to States in the process of planning and executing Agriculture and allied sector schemes.

Assistance for promotion of organic farming on different components is available under RKVY with the approval of State Level Sanctioning Committee.

4.5 Network Project on Organic Farming

A network project on organic farming has been implemented by Indian Council of Agricultural Research (ICAR) in different agro-ecological regions of the country for developing package of practices of different crops and cropping system under organic farming. It involves a budget of ` 5.34 crore. Organic farming package of practices for 14 crops namely basmati rice, rainfed wheat, maize, redgram, chickpea, soyabean, groundnut, mustard, isabgol, black pepper, ginger, tomato, cabbage and cauliflower have been developed.

For maintaining quality of soils, ICAR emphasizes on integrated nutrient management. For this purpose, it recommends conjunctive use of both organic and inorganic source of plant nutrient which should be based on soil test. ICAR has developed

technologies to prepare various types of organic manures such as Phospho-compost, Vermi-compost, Municipal Solid Waste Compost etc. from various organic wastes.

Besides these schemes, Government is promoting organic/chemical free fertilizers under Capital Investment Subsidy Scheme of National Project on Organic Farming (NPOF) through NABARD by setting up of Fruit & Vegetable Waste/Agro Waste Compost Units under Municipalities, Agricultural Produce marketing Committees (APMCs), Public Sector/Private Sector Companies, individual entrepreneurs and Bio-fertilizer/Bio-pesticide Production Units through Public Sector, Co-operative/Private Sector Companies, NGOs and individual entrepreneurs. For example, for promoting usage of organic manure; financial assistance of ` 500 per hectare is provided under National Project on Management of Soil Health and Fertility.

It is the result of these efforts that currently, India is the 2nd largest producer of fruits & vegetables in the world. The result of Government's initiatives towards promoting organic farming is very positive and it is evident from the fact that India exported agri-organic products of total volume of 160276.95 MT and realization was around ` 1155.81 crore in the year 2012-13.

5. Factors Affecting Buyers' Decisions in Organic Food Market

At the time of taking decision of purchasing organic food, a buyer considers many factors in this regard. Importance of these factors for consumers is responsible for the growth of market of organic food. For the expansion of organic food market, attention should be given to following factors:

5.1 Availability

A product is successful only when it is purchased repeatedly or frequently by the buyers. For frequent purchases, regular and adequate availability is essential. Low and irregular availability of organic products especially fruits and dairy products often compel buyers to switch back to non-organic varieties. It also reduces possibility of trials by non users which acts as a hurdle in expansion of customer base.

5.2 High Price

A major portion of Indian customers is price conscious. Usually organic items are costlier than non organic variety. For example, a liter of 'Ghee' approximately costs around ` 400 but if it is purchased from organic stores it costs around ` 900. Although a certain percentage of customers are ready to pay this extra price on account of associated health benefits but price matters more than health benefits for a major portion of customers.

5.3 Certification and Information

In case of organic food items, level of standardization and authenticity is not so high yet and people are also not much aware about the benefits of organic products. Standardization of quality parameters and certification will help consumers to take decision regarding purchase of organic items. Certification of product authenticity creates a sense of assurance among customers which induces consumers for trial of organic items. Thus, proper standardization and its publicity can help a lot in increasing the number of customers for organic food items.

5.4 Health Benefits

The biggest advantage of organic food items is its health benefits. Existing customers understand the positive impact of organic food on their health and are ready to purchase more quantity but there is lack of clarity on the exact benefits offered by replacing non-organic products with organic ones. Promotional offers and recommendations from existing customers can encourage non buyers to switch to organic products on the ground of health benefits.

5.5 Freshness

Limited stocks of organic food at retail stores create doubt about their freshness. Since non-organic varieties are more readily available; thus, freshness is not a motivating factor for the usage of organic food.

5.6 Taste

Non users of organic food cannot make their decision on the basis of taste because they have not experienced it. Existing customers do not give much weightage to taste because their decision is primarily based on health benefits not on taste.

5.7 Packaging

If organic food products are available in small sized packs then it will be possible for more people to try them inspite of high prices. With the growth of organic food market, visual appeal will become an important factor in future. Currently, there is very limited competition in the field of organic food market. When competition will increase among retail brands of organic food

then packaging especially visual appeal will definitely play an important role in attracting customers.

6. Conclusion

In India, organic food is such a field which has immense growth opportunities for the marketers. Real development is not only associated with quantity but also with quality. Now, people have started to realize the importance of organic food for quality living and safe environment but in comparison to total population, their percentage is not so high. Thus, there is a great need of such type of awareness and promotional programmes which will motivate people to buy organic food items. Besides this, for the expansion of organic food market; regular, easy and adequate availability must be ensured. From the point of view of financial support, Government is running many schemes and projects for enhancing organic farming. But in a vast country like India only government efforts will not be able to provide the adequate support. Since organic production needs a huge financial outlay, thus, public private partnership can be proved to be a viable solution for this problem.

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