

A Market Analysis of Organic Products in India

Dr. Angad Tiwary, Professor

Department of Commerce & Management, Arka Jain University, Jamshedpur, Jharkhand, India

Email Id-dr.angad@arkajainuniversity.ac.in

ABSTRACT: *Farmers in both poor and rich nations may benefit from organic agriculture. Organic product sales are anticipated to increase worldwide in the future years, with strong growth rates predicted over the medium term (from 10-15 percent to 20-25 percent). Farmers may now enjoy the advantages of a trade with a reasonably large price premium thanks to the growth of the organic market. However, most farmers, particularly those in poor nations, are unaware of this market. Furthermore, farmers in poor nations do not have easy access to knowledge about it. Few farmers will risk altering their production technique due to a lack of technical and market knowledge, as well as financial assistance. Major important actors (NGOs, farmer groups, merchants, exporters, and others) that support organic farming in developing countries must thus have up-to-date knowledge on the available opportunities and trends in the organic market. The research study discusses the local and worldwide commercial potential of Indian organic goods. The study report also discloses market development plans for organic goods on a national and worldwide scale.*

KEYWORDS: *Domestic Product, International Market, Market Potential, Organic Product, Strategies.*

1. INTRODUCTION

Organic agriculture creates goods utilizing environmentally friendly techniques that avoid the use of synthetic ingredients like pesticides and antibiotics [1], [2]. To create organic foods and fibers, organic growers and food processors adhere to a set of guidelines. These organic standards include everything from soil and water quality to pest management and animal operations, as well as restrictions for using food additives and technology like irradiation. Through its IFOAM Basic Standards for Organic Production and Processing (IBS), the International Federation of Organic Agriculture Movement (IFOAM), the global umbrella organization for the organic agriculture movement, sets the standards for organic agriculture, production, and processing based on four main principles: Principle of Health, Principle of Ecology, Principle of Fairness, and Principle of Sustainability. According to the most recent FIBL-IFOAM study, about 43.1 million hectares of land across the globe were maintained organically in 2013. The area under organic management has increased dramatically, from 11 million hectares in 1999 to 43.1 million hectares in 2013 [3]–[5].

In the United States, organic fruits and vegetables are the most popular products among the different organic food categories. Organic fruit and vegetable sales are projected to grow at a CAGR of 12%, with sales valued at US\$ 15.06 billion in 2014, up from US\$ 5.37 billion in 2005. In terms of value, organic dairy is the second biggest sector in the organic food category, accounting for 6% of total dairy output in the United States. Organic dairy sales are projected to have grown at a CAGR of 10.4% between 2005 and 2014, from US\$ 2.1 billion to US\$ 5.1 billion. Organic beverage sales in the United States are projected to have grown at a CAGR of 9.3% from US\$ 1.7 billion in 2005 to US\$ 3.8 billion in 2014, with a value of sales rising from US\$ 1.7 billion in 2005 to US\$ 3.8 billion in 2014. From 2005 to 2014, the value of sales of organic packages/prepared meals is projected to have increased at a CAGR of 9.8%, from US\$ 1.6 billion in 2005 to US\$ 3.7 billion in 2014.

In the Oceania area, Australia has the most acreage under organic management. Argentina, in Latin America, came in second with about 3.2 million hectares of organically maintained land. The United States, China, Spain, Italy, France, Germany, Uruguay, and Canada are among the nations having considerable organic land area worldwide.

Organic Monitor estimates that worldwide sales of organic foods and beverages were about US\$ 72 billion in 2013. The North American and European areas have had the highest demand for organic goods. In the Asian area, Japan is another important market.

Objective:

- To analyse the domestic market potential for organic goods in India.
- To determine the demand for organic goods on the global market.

- Identifying market development strategies for organic goods on a national and worldwide level.

2. DISCUSSION

2.1. Organic Food Production and Trade on a Global Scale:

Oceania has been leading the world in terms of organic agricultural land, accounting for about 40% of all organic agricultural land [6]. In 2013, Europe had a 27 percent share of the worldwide organic agriculture market, accounting for the second biggest area under organic agriculture. In 2013, the Latin American area managed approximately 6.6 million hectares of land organically, accounting for 15% of all land under organic agriculture globally. In 2013, the organically managed area in North America accounted for approximately 7% of the worldwide organic agriculture area. Organic agriculture was practiced on 3.4 million hectares of land in Asia, accounting for approximately 8% of all organically farmed area worldwide. With 1.2 million hectares of agricultural area under organic cultivation, Africa accounted for 3% of worldwide organic agriculture acreage.

2.2. Global Organic Markets:

2.2.1. The United States Market:

Organic food consumption has been steadily increasing in the United States, owing mainly to health and environmental concerns. Organic foods, which were formerly considered a specialty item, are now available in a broad range of outlets in the US, including farmers markets, natural product supermarkets, and traditional supermarkets. Organic food sales in the United States have increased from US\$ 15.6 billion in 2006 to an anticipated value of US\$ 34.8 billion in 2014, as per the Nutrition Business Journal [7]. Organic product sales in the United States were projected to be US\$ 28.4 billion in 2012, accounting for over 4% of overall food sales in the country. From 2006 to 2014, sales of organic foods are expected to have grown at a compound annual growth rate (CAGR) of 10.5 percent.

2.2.2. Europe Market:

According to FiBL and IFOAM, the European Union was the second biggest market for organic goods after the United States in 2013, accounting for 40% of the global organic market [8]. In 2013, the organic market in Europe was valued at Euro 24.3 billion, while the organic market in the European Union was valued at Euro 22.2 billion. In 2013, Germany was Europe's biggest market for organic goods, accounting for 31.3 percent of the European market [9]. According to a USDA study, Germany is the world's second-largest organic foods market, behind only the United States. In 2013, the value of organic product sales in Germany was Euro 7.55 billion, accounting for 4% of overall food sales in the country. In France, the organic market has been gradually growing over the years, with a similar trend anticipated in the future.

In 2013, the organic market in France was worth Euro 4.4 billion, up about 10% from the previous year. Between 2005 and 2013, the French organic market grew at a compound annual growth rate of 13.5 percent, with revenues increasing from Euro 1.6 billion to Euro 4.4 billion.

According to World of Organic Agriculture 2015, the United Kingdom is Europe's third biggest organic market, accounting for 8.6% of total organic sales in the year 2013. The sustainably grown market in the United Kingdom was assessed at Euro 2.1 billion in 2013, with a year-on-year rate of growth of 7.7%. Organic product sales in the United Kingdom fell at a compound annual rate of 3.2 percent between 2007 and 2013, from Euro 2.56 billion in 2007 to Euro 2.1 billion in 2013, owing to the economic crisis and lower organic output. Switzerland has the greatest per capita intake of organic foods in the world in 2013, with about Euro 210 per capita. In 2013, the Swiss organic market was valued at approximately Euro 1.69 billion, with an annual growth rate of 11%. According to a research conducted by FiBL and IFOAM, Switzerland placed sixth in Europe in terms of market size.

2.2.3. Japan Market:

Because there is a limited supply of organic foods in Japan, the organic market is still developing. Around 60% of the country's organic food demand is met via imports, indicating that the organic industry has considerable development potential. Organic foods sales accounted for 1% of the Japanese foods market in 2010, according to the Organic Market Research Project (OMRP) study performed by IFOAM, Japan, and were valued at about US\$ 1.3 billion to US\$ 1.4 billion [10].

2.3. Organic Farming in India:

From 0.04 million hectare in 2003-04 to almost 0.72 million hectare in 2013-14, the cultivated area under organic certification has grown at a CAGR of 33.5 percent [11]. The organic-certified cultivated area increased from 2006-07 to 2008-09, but then dropped in 2009-10 and continued to fall in following years. From 2.43 million hectares in 2006-07 to 4.00 million hectares in 2013-14, the area under wild harvest increased. As a result, organic farming's overall area grew from 2.97 million hectares in 2006-07 to 4.72 million hectares in 2013-14. During the period 2009-10 to 2013-14, India's output of certified organic produce decreased at a compound annual rate of 7.5 percent, with the amount of produce falling from 1.7 million tonnes in 2009-10 to roughly 1.24 million tonnes in 2013-14.

During the 2012-13 fiscal year, Madhya Pradesh was the top state in terms of organic food production, accounting for almost 32% of total organic food output. Between 2009-10 and 2012-13, the area under organic certification in Madhya Pradesh decreased at a compounded annual rate of 2.4 percent, from 2.8 million hectare to 2.6 million hectare. In 2012-13, Himachal Pradesh was India's second-largest state in terms of organic agricultural land, although producing a little amount of food compared to other states. During the period 2009-10 to 2012-13, the area under organic farming grew at a CAGR of 26%, from 0.7 million hectare to 1.4 million hectare. Between 2009-10 and 2012-13, the area under organic farming in Rajasthan grew by 22.8 percent, from 260.8 thousand hectares to 483.3 thousand hectares. During the 2012-13 fiscal year, the state placed third in the nation in terms of organic agriculture area and fourth in terms of organic output. Maharashtra's organic acreage increased at a 28 percent CAGR from 35.4 thousand ha in 2009-10 to 74.4 thousand ha in 2012-13, accounting for about 1.4 percent of the country's total organic area.

2.4. Government Initiatives to Promote Organic Farming:

2.4.1. National Project on Organic Farming:

The Nationwide Project on Organic Farming (NPOF) is a centrally sponsored scheme or initiative with a budget of Rs. 57.04 crore that was executed during the Tenth Five Year Plan. The program was then extended with a budget of Rs. 101 crore in the Eleventh Five Year Plan. The NPOF Scheme's main goal is to promote organic food production as well as the manufacturing and use of organic and biological inputs including bio-fertilizers, organic manure, bio-pesticides, and bio-control agents.

2.4.2. Capital Investment Subsidy for Setting up Of Organic Inputs Production:

The NPOF offers financial support to fruit and vegetable waste composting facilities by covering 33% of the project's capital costs, up to a maximum of Rs. 63 lakh. Furthermore, the NPOF offers a subsidy of up to 25% of the capital cost of a bio fertilizer or bio pesticide manufacturing unit, up to a maximum of Rs. 40 lakh, for the building of such a unit. The remaining costs are expected to be covered by financial institution credit and margin money. The subsidy is credit-linked, back-ended, and NABARD-mobilized.

2.4.3. National Project on Management of Soil Health and Fertility (NPMSF):

During the Eleventh Five Year Plan era, the National Project on Management of Soil Health and Fertility (NPMSF) was launched with a budget of Rs. 429.85 crore to encourage the appropriate and prudent use of fertilizers and farm yard manure on a soil test basis. This scheme offers Rs. 500 per acre in financial support to encourage the usage of organic manure.

2.4.4. Network Project on Organic Farming by ICAR:

The ICAR's Network Project on Organic Farming, which began in the tenth 5 Year Plan just at Project Directorate for Farming Systems Research in Modipuram, Uttar Pradesh, involves developing a package of organic farming practices for various crops and farming systems in various agro-ecological regions of the country. The initiative has been implemented in 13 locations throughout 12 states, including State Agricultural Universities (SAUs). Basmati rice, rain-fed grain, maize, black gram, chickpeas, soybean, peanut, mustard, isabgol, ginger, black pepper, tomato, cabbage, and cauliflower are among the crops for which a package of organic agricultural techniques has been created.

2.4.5. National Horticulture Mission:

This is a national program that was established in 2005-06 with the goal of bolstering the horticulture sector's development, which includes fruits, veggies, roots and tuber crops, mushrooms, spices, flowers, fragrant plants,

cashew, and cocoa. NHM helps with the costs of setting up vermi compost facilities and HDPE vermi beds. Under the Mission, a group of farmers spanning a 50-hectare region would get Rs.5 lakh in assistance for organic certification.

2.4.6. *Rashtriya Krishi Vikas Yojna:*

For projects developed and authorized by the State Level Sanctioning Committee, assistance for decentralized production and sale of organic fertilizers is provided under the Rashtriya Krishi Vikas Yojna (RKVY).

2.5. *Organic Products: Status of Industry and Trade from India:*

According to Industry Sources, India's organic food industry was worth Rs. 675 crore (USD \$150 million) in 2009-10. During the 2013-14 fiscal year, the market was projected to be valued Rs. 1928 crores (USD 306 million), increasing at a 30% annual pace. The organic food industry in India is gradually growing, thanks to rising disposable income and growing health concerns. The organic goods sector is mostly export-oriented, with exports accounting for about 70% of total revenue. India's organic goods are mostly exported to the United States, Canada, South Africa, and European countries. In terms of organic food exports from India, Germany is one of the top ten trade partners. Australia and Japan are two more important export markets.

India's biggest organic export sector is organic cotton and textiles. Tea, basmati rice, lentils, honey, spices, coffee, and fruits like as mangoes, bananas, and sugarcane are among the other organic goods in great demand on worldwide markets. Organic mangoes are a significant export from India to the United States. Over the years, both in terms of value and volume, organically managed food exports have been steadily increasing. Organic food exports grew at a CAGR of 18% in value terms, from Rs. 498.2 crores in 2007-08 to about Rs. 1328.61 crores in 2013-14. Exports increased at a 29 percent compound annual growth rate (CAGR) from 38 thousand tonnes in 2007-08 to almost 178 thousand tonnes in 2013-14. India's organic food exports have found a large market in Europe. During the 2013-2014 fiscal year, the EU accounted for 41.7 percent of overall organic food exports. Aside from EU nations, Switzerland was the largest importer of Indian organic foods in Europe, accounting for 7% of total European organic food imports from India in terms of value and 6% in terms of quantity.

In the fiscal year 2013-14, the United States accounted for 37.6% of India's organic food exports. During the 2013-14 fiscal year, exports to the United States were valued at Rs. 498 crore, with a volume of 75 thousand tonnes. In 2013-14, Canada accounted for 13.7 percent of all exports. In 2013-14, Japan was the most important Asian importer of organic foods from India, accounting for almost 43% of the total value of India's organic food exports to Asia. In terms of volume, Japanese organic food imports from India were 309 tonnes in 2013-14. The UAE was the second-largest Asian importer of organic foods from India, accounting for 11% of Asia's overall imports of Indian organic foods. In the 2013-14 fiscal year, the UAE imported 171 tonnes of goods worth Rs. 4.26 crore. Israel is the third biggest importer of Indian organic goods in Asia, with imports totaling Rs.3.72 crore. Sri Lanka (7 percent), South Korea (6 percent), the Philippines (5 percent), China (4 percent), Iran, and Singapore are the other major Asian importers of organic goods from India (3 percent each). With a share of 1.1 percent and 0.3 percent, respectively, Australia and New Zealand are additional important export destinations for India's organic goods.

2.6. *Challenges and Strategies:*

2.6.1. *Supply Chain Management:*

Poor collecting channels, inadequate output of organic goods, poor transportation facilities, and a lack of appropriate processing facilities in accordance with global organic standards all pose difficulties to the organic products industry's supply chain. Quality control is also a challenge due to a lack of suitable storage infrastructure. Although many organizations in India have established explicit quality standards, frequently in collaboration with farmers, and have included them in their contracts, the staff directly engaged in purchasing from farmers has found it difficult to adhere to them. It has also been difficult to provide enough training to farmers, growers, and processors. To solve supply chain issues, improvements in distribution (building up own cold room, buying air-conditioned vehicle for delivery) and packaging (packing done entirely by business personnel, establishing up specialized packaging centre) may be explored. The significance of focusing on comprehensive quality control at each stage in the supply chain cannot be overstated. The supply chain may be made more efficient by establishing

direct commercial relationships, arranging sales in accordance with production, and implementing advance buying schemes.

2.6.2. *Food Origin and Mileage:*

In the case of organic food items, the notion of food mileage, which refers to the distance travelled by food from the moment it is produced until it reaches the customer, takes centre stage. The country of origin of food and food miles have become more significant in the last decade. Most food businesses are concerned about maintaining supply quantities and continuity. Minimizing food miles requires streamlining logistics, which may include reducing the time from farm to store and extending the shelf life of fresh organic foods. Implementing integrated automated storage/retrieval systems, automatic product identification, conveyors, order-picking systems, RFID, sortation gear, and software and system interfaces would be required to overhaul warehouse management, order management, and transportation management.

2.6.3. *Size of Farms and Collaboration:*

Produce output on small and medium farms is modest, averaging a few hundred tonnes per year. This is especially true in industries like dairy, poultry, fruits, and vegetables, where scale and connection to primary processing are crucial. Smaller manufacturers often have a harder time accessing marketing channels. Furthermore, many consumers seem to be undecided regarding distribution methods. The formation of cooperatives and producer firms by unorganized small organic farmers may allow them to put their products together, acquire financing, own processing and storage facilities close to their production, and increase their negotiating power. By outsourcing management and marketing to hired experts, working as cooperatives and producer firms may allow farmers to concentrate more on production methods. Aggregation may also make it easier for farmers and producers to get marketing and specialized production training.

2.6.4. *Handling and Stock Management:*

The organic goods sector has struggled with stock control methods and stock management. Organizations often struggle to maintain their information current, and as a consequence, the data produced is not always utilized to its full potential. In terms of certification, market access, and product positioning, the sector has faced significant challenges due to poor documentation. Total Quality Management, which may include a contingency plan for managing waste, is critical in handling and stock management. Monitoring purchases, waste, and sales is critical for making educated decisions, production planning, and buy volume. The key to making the system successful is to make efficient use of the data produced by appropriate record keeping.

2.6.5. *Marketing and Sales Management:*

Organic product marketing encompasses both the social and environmental elements of the goods. Capacity development, production-related problems, quality criteria, and the logistics of obtaining goods, particularly from distant and inaccessible regions, must all be addressed. In terms of marketing, organic certification is becoming more significant. Supermarkets have the potential to be appealing sales channels for organic goods. They are, however, often picky about product quality, availability, and pricing. Organic product sales may be boosted by proactive certification, excellent packaging techniques, product development based on customer preferences, cooperation within the organic sector for generic promotion efforts, and effective marketing tactics using media and display messaging.

3. CONCLUSION

Organic farming is still in its infancy in India. According to government data, India had just 304 organic farms in February 2001, but that number has risen to 1426 farms in February 2002. As of February 2002, there were 2775 hectares under organic agriculture, accounting for just 0.0015 percent of total agricultural land. However, the database remains inadequate, and it is reasonable to infer that the true numbers are considerably higher. Tea, spices, vegetables and fruits, rice, cashew nuts, coffee, oil seeds, legumes, cotton, and herbal extracts are among the organic goods produced in India. Based on temperature, soil condition, and rainfall, India is divided into 21 agro-ecological zones. As a result, each zone has a comparative advantage in the production of various goods, such as tea in the east, spices and coffee in the south, rice and wheat in the north, and cotton in the west. Fruits, vegetables, rice, and wheat are examples of products having promise in the home market. Tea, fruits and vegetables, rice,

cotton, wheat, and spices are all products having export potential. India offers the following benefits in addition to the previously stated potentials:

- India is known for its high-quality tea, rice specialities, ayurvedic herbs, spices, and other products.
- India has a long history of agricultural practices that may be used to develop organic farming systems.
- The cost of labour is reasonable.
- On a broad scale, the Indian government has begun to promote organic agriculture.

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