

# Organic Food Products Growth in India

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## ABSTRACT

Organic foods are those made from agricultural products grown without the use of pesticides or chemical fertilizers. The demand for environmentally friendly products such as organic foods has significantly increased due to increasing awareness on health, food safety and environmental concerns. In the recent past a growing interest has been observed by different people e.g. consumers, producers, development practitioners in quality and organic foods especially vegetables, fruits and crops. Consumers' preference for quality food taking is based on a general perception that organic foods have more desirable characteristics than conventionally-grown alternatives. Human health, food safety and environmental stewardship, along with several other product characteristics such as nutritive value, taste, freshness, appearance, and other sensory characteristics influence consumer preferences. With the growing number of diversified and complex goods, it has become difficult for ordinary and individual consumers to assess the quality of the products and get the highest value for the money spent. Consumers often feel frustrated and confused in choosing an item that would ensure the reasonable value for money. Often they are cheated and deceived in quality, weight and price by the dishonest seller. Consumer protection is no more a slogan today and it's the concern of everyone as all citizens are consumers. While consumerism has become a strong movement and consumer organizations are highly powerful in the developed as well as in many of the developing countries, a great majority of the consumers in our country are still in the dark about their basic rights and obligations as consumers.

**Keywords :** Consumer Health, Consumer View, Organic Food.

## I. INTRODUCTION

Organic food products are slowly but steadily finding their way in the average Indian household. As an upcoming segment in retail, it is indicative of the rising health-consciousness among the Indian consumers. Pegged at Rs. 5.6 billion in the recent past, the organic food market is gradually witnessing the shift from being an elitist to a healthy product. Although production and consumption figures in India are way behind the world average, the market is now showing signs of consistent growth. However, price continues to be the major deterrent. It is gradually being outweighed by factors such as nutrition, taste, quality and better environment.

The market for organic food products has largely been characterized by inadequate retail presence, absence of certified brands, incomplete range, higher price and highly export-oriented government policies. India may well take a long time to catch up with the global growth rate of 20-30% annually. While certification is mandatory for exports, products for domestic consumption are mostly uncertified. This is because most producers are either small or marginal farmers, small cooperatives or trade air companies. The small farmers, scattered across the country, offer an incomplete product range that are mostly available as a small or local brand. Then in countries like the US and Europe, every supermarket houses a complete range of

certified organic products. The need of the hour therefore is organized retailing and marketing from the prevalent unorganized pattern. Organic products which until now were mainly being exported are finding more consumers in the domestic market. The nutritional benefits of these products have ushered in the organic food revolution in the country, which is currently at an ascent stage. Although health is the key reason for growing demand other incidental benefits such as better taste and better environment are also driving growth. There is growing awareness of the environment and the dangers of chemically grown products. Also with a growing number of retailers offering various organic products they are now more visible and therefore are more likely to generate demand. Another key factor driving demand has been the change in the consumer perception from organic products being elitist to healthy. The rising health-consciousness will certainly trigger demand in the near future.

The scope for marketing organic food in India is vast and still not yet explored to its full potential while the government has taken measures to make these products popular in the domestic market; the consumer is still waiting for the price to be on a par with other products. Prices are likely to come down when the farmer completes the conversion process and the output increases. As the demand goes up, other factors such as economies of scale will automatically set in, leading to a further drop in prices. The farmers, on the other hand, are looking for a boost in the form of subsidies and a retail platform to showcase their products. Until now they are picked up by co-operatives or NGOs. Trade fairs need to be organized more frequently. Lastly, the transition to organic products will help the farmers and the retailers as well as the consumers. Looking at the per capita income level of India, it seems market is not mature and customers will not be ready enough for organic food items which for sure will be sold at a premium price than the regular. Hence the successful establishment of organic food market in India might take some time say at least next 4-6 years.

### **Some Facts**

Leading organic food producers in India -

Sresta Natural Bio-products, Organic India, Moraka Organic, Nature Bio Foods, Sunstar Overseas, Kashmir Apiaries  
Number of organic food farmers in India - 5,70,000  
Size of the Indian organic food market - `100Crores  
Global organic food market - 60 billion dollars  
Organic food exports from India in 2011 -839 crores  
Total area under organic crop cultivation in India with 50% under food - 1 million hectares  
Total number of organic food exporters in India – 235

## **II. LITERATURE REVIEW**

The organic farming is an old concept in India in terms of the extensive farming carried out in the country. The organic food market is worth more than USD 129.3 million and shows huge potential for growth in future. The increasing export market coupled with government's support has driven the market. An analysis of the drivers explain the factors for growth of the industry including the huge export market, organized retail enhancing distribution network, government initiatives and increasing health consciousness among consumers. The key challenges identified encompass high prices of organic food, lack of integrated supply chain and difficulties for farmers, certification barriers. The global organic food market grew by 9.7% in 2009 to reach a value of \$60 billion. In last 3 years, the global organic food market has grown by 25%. In 2014, the global organic food market is forecast to have a value of \$96.5 billion, an increase of 60.7% since 2009. The fruit and vegetables segment generated 31.5% of the global organic food market's overall revenues. Central strategy on organic foods has always slanted toward the global market, leaving the critical mass of domestic consumers out in the cold. Currently, about 70 per cent of organic agriculture items produced in India are being exported. Organic products fetch a 20-30 per cent higher price than inorganic products in the world market. According to the Indian Competence Centre for Organic Agriculture, the global market for organically produced foods is \$26 billion and is estimated to increase to \$102 billion by the year 2020. As part of 10th Five Year Plan (2002-07), the government earmarked Rs 100 crore (Rs 1 billion) for the promotion of sustainable agriculture in the country but the main components of this initiative have benefited exports, from the establishing of national organic standards under NPOP (National Program for Organic Production), putting in place a system of

certification for products, and establishing APEDA (Agricultural and Processed Food Export Development Authority) as the nodal agency to promote exports opportunities. Domestic retail avenues for organic produce have traditionally been the odd cottage emporium, fruit mart, bakery and kirana store along with an up market provision store here and a delicatessen there. Today, however, marginal growth is slowly becoming evident in the increase in organized producers, retailers and product offerings in the market, where before the movement had been driven entirely by the spirit of individual initiatives of the farmers, the odd entrepreneur and non-governmental organizations. When organic farmers and traders are operating in an anonymous market, certification is developed to show and guarantee to consumers that a product has been produced in consistency with organic standards. While certification has provided Indian produced organic products with inroads into foreign markets, domestic bound produce is largely uncertified, owing to the fact that most producers are either small or marginal farmers, small cooperatives or fair trade companies. Under current government policy, it takes approximately three years for a farm in conversion to be certified as organic and costs are hefty for the small farmer.

### III. ORGANIC FOOD CONSUMPTION IN INDIA: CURRENT STATUS

Some people believe that organic food is only a "concept" popular in the developed countries. They think that when it comes to organic food, India only exports organic food and very little is consumed. However, this is not true. Though 50% of the organic food production in India is targeted towards exports, there are many who look towards organic food for domestic consumption. AC Nielsen, a leading market research firm, recently surveyed about 21,000 regular Internet users in 38 countries to find their preference for functional foods - foods that have additional health benefits. The survey revealed that India was among the top ten countries where health food, including organic food, was demanded by the consumers. The most important reason for buying organic food was the concern for the health of children, with over 66 percent parents preferring organic food to non organic food. Though organic food is priced over 25 percent more than conventional food in

India, many parents are willing to pay this higher premium due to the perceived health benefits of organic food. The increase in organic food consumption in India is evident from the fact that many organic food stores are spurring up in India. Today, almost every supermarket has an organic food store and every large city in India has numerous organic food stores and restaurants. This is a huge change considering that the first organic food store in Mumbai was started in 1997. However, the Indian organic food consumer needs education. There are many consumers who are unaware of the difference between Natural and Organic food. Many people purchase products labeled as Natural thinking that they are Organic. Further, consumers are not aware of the certification system. Since certification is not compulsory for domestic retail in India, many fake organic products are available in the market.

**Organic Consumers:** What we consider as the "organic consumer" is that person who is responsible for buying food for the household and who buys organic food at least once or twice in a month. So, if there are people who buy randomly or less than once in a month then they are not considered as regular organic consumers.

### IV. RESEARCH METHODOLOGY

#### Objectives of the Study

- 1) To study the consumer buying behaviour for organic foods in the Indian domestic market.
- 2) To examine current trends, potential and growth of organic food market in India.
- 3) To analyze the key challenges and opportunities of organic food sector.
- 4) To gain knowledge about consumer attitude towards organic food product.
- 5) To know the reasons that may influence customers' intention of buying organic food products.

#### Research Design

A market survey was conducted to know about the consumer behaviour towards organic foods in India. The stepwise methodology is listed below:

**Primary Research:** Primary research was conducted through surveys via:

(a) Interaction with customers at shopping malls and other market places.

(b) Interaction with customers at their residence.

(c) Interaction with sellers.

**Secondary Research:** Relevant information was obtained through journals, proceedings of Agricultural Conferences, business magazines and websites.

## 5. SAMPLING

**Selecting the sample:** The sample largely included randomly selected customers of organic food and sellers of organic food.

**Sampling Technique:** Simple Random Sampling (SRS)

**Sample Size:** 50 respondents (total)

Questionnaires were designed to conduct interviews.

**Preparation and tabulation of data:** After the data was collected, it was entered into Microsoft Excel and was prepared for analysis.

**Data Analysis:** The data so collected was analyzed in Microsoft Excel with the help of bar diagrams, pie charts, etc.

## 6. FINDINGS AND ANALYSIS

The major observations pertaining to individual queries are listed below:

1. Consumer understanding of the word "Organic" - Most respondents believed that the word "Organic" meant natural while least understood it as genetically modified.
2. Types of food available as organic – Maximum number of respondents believed that only fruits and vegetables can be organic foods followed by those who chose all the options as their choice. Very few comprehended that frozen juices, frozen meals etc. could also be organic foods.
3. Uniqueness of organic products - Most of the respondents replied that organic products are grown using natural methods, have health benefits and better taste.
4. Parameters set to produce organic dairy, meat and poultry - Most of the respondents thought that organic dairy, meat and poultry is produced under natural living conditions and involves use of organic feed.
5. Difference between organic and natural food - More than half of the respondents thought that natural and organic foods are the same while less than a quarter believed that they are completely different.
6. Are all of the whole-food market's products organic? - Most of the respondents didn't know whether all of the whole-food market's products are organic.
7. Is organic food costlier than conventional food? - More than half of the respondents believed that organic food is costlier than conventional food while almost a quarter had no idea.
8. Is the price of organic food worth it? - Respondents gave a mixed response choosing different options. However, what they seem to agree upon is that organic food is expensive and price should match quality.
9. The label "Natural" on meat packaging means- Exactly half of the respondents thought that the label "Natural" on meat packaging meant that it was natural and less than a quarter believed that it meant "Organic".
10. What certification system would/do you trust more? - More than half of the respondents trusted Green/Agro Producers Association Certification.
11. Is organic processing better for the environment? - Majority of the respondents were in favour of the notion that organic processing is better for the environment.
12. Information provided by labels on organic food products - Most of the respondents were of the opinion that the information provided on organic food products' labels is sufficient enough while very few respondents thought that information was confusing.
13. Consumer experience of organic food / food products - Exactly half of the respondents felt more than satisfied with organic food / food products.
14. Consumers' response on whether it is only government's responsibility to handle environmental problems - Majority of the respondents believed that everyone should take responsibility and care for the environment.

## V. CONCLUSION

In the modern market economy, the system of organic agriculture, especially the system of organic food production, becomes more and more important factor of

national and international economic system development. The importance of organic food marketing is conditioned by the fact that it enables producers for better understanding of customers' needs serving the purpose of better meeting their needs and it also enables consumers to realize better organic products supply. Defining the main feature of organic agriculture and its importance is the starting point for conceptual establishment of organic agriculture.

A quality guarantee of organic food products directly influences consumption intensity, absorption power of the market, packaging material design, advertising messages, choice of the distribution channel, and distinguishing organic from conventional products according to their market characteristics makes the fundamental factor of the product differentiation and diversification with the aim of producing such organic food that would certainly find its way to the consumer. Still despite awareness levels being low and by extension consumption incidence, perceptions and attitudes towards organic foods appear to be quite positive. Once the respondents are exposed to this, an overwhelming majority say that indeed organic products are ecologically balanced foods and also give a high score on the importance scale saying that it would be very important to them if the quality is ensured at all stages of production (freshness, healthiness, flavor, nutrition, safety, price, environmental effects) – from producers to consumers. The usage of chemical pesticides has no boundaries and without proper dictation the farmers are in quite a dark about quality food delivery procedures. Unethical chemical suppliers are making food production unhealthy for consumers. Most people feel that there should be some kind of verification system for organic products. Therefore, we need a proper system in place for consumers to feel confident about the quality of organic food. This is only possible when the government will set standards for organic farming. Mass-media could also be helpful to alter the perception for organic food consumption in India.

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