

## **Current Scenario and Challenges of Organic Market in India**

Dr. V. Gurumoorthy,  
*Senior fellow-ICSSR,*  
*Madras Institute of Development Studies,*  
*Chennai*

---

**Abstract:** Consumers in India prefer to turn completely organic in their food habits. Non availability of organic fruits and vegetable is still a concern and there is need for stronger supply chain. Organic beverages like tea have the highest value share followed by pulses and dairy products. The demand for Indian organic food products is on constant increase world wide as India exported organic products worth \$ 515 million in financial year 2017-18, from \$ 370 million in 2016-17.. A noteworthy trend that is being observed is gradual emergence of organic food as an essential part of the daily diet among the upper class population in India. The organic products market in India has been growing at a CAGR of 25 per cent and it is expected to touch 10,000-12,000 crore by 2020 from the current market size of 4,000 crore. Hence, against the scenario, the present study is attempted to highlight the current status and challenges of organic market in India.

**Keywords:** Organic market, current scenario

---

### **Introduction**

Organic food in India is a niche category and the wave which is still to sweep across the nation. Demand is expected to rise in the coming years due to increasing number of incidence of food adulteration, rising consumer consciousness coupled with increasing income. Growth in e-commerce sector is acting as facilitator for the companies as an appealing route to the potential consumers as channels margins in ecommerce are lower. There are dedicated as well as generalist e-commerce websites selling organic food. Companies are also opening up small kiosk at malls across major metropolitan cities.

Consumers in India prefer to turn completely organic in their food habits. Non availability of organic fruits and vegetable is still a concern and there is need for stronger supply chain. Organic beverages like tea have the highest value share followed by pulses and dairy products.

The demand for Indian organic food products is on constant increase world wide as India exported organic products worth \$ 515 million in financial year 2017-18, from \$ 370 million in 2016-17. Hence, against the scenario, the present study is attempted to highlight the current status and challenges of organic market in India.

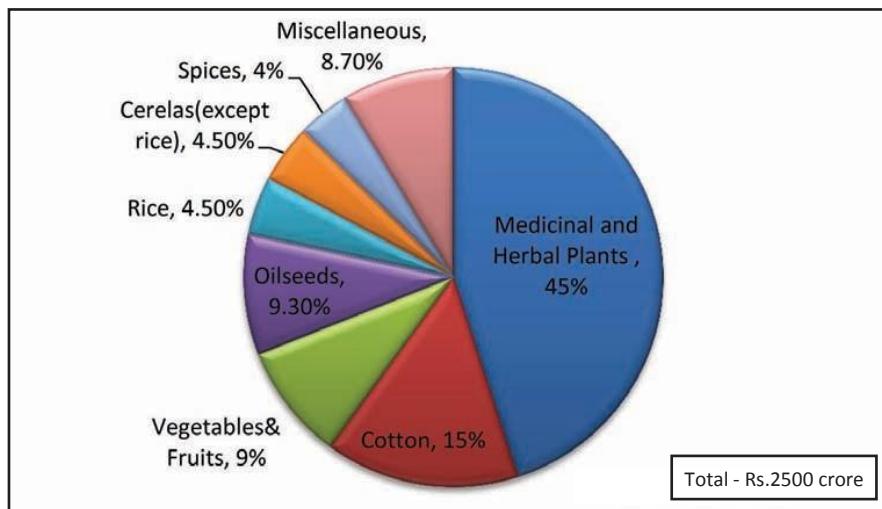
### **Significance of Organic Market**

According to India Organic Food Market Forecast & Opportunities, 2020, the market for organic food in India is anticipated to grow at a CAGR of over 25% during 2015-20. A noteworthy trend that is being observed is gradual emergence of organic food as an essential part of the daily diet among the upper class population in India. The organic products market in India has been growing at a CAGR of 25 per cent and it is expected to touch □10,000-□12,000 crore by 2020 from the current market size of □ 4,000 crore, according to a report produced jointly by ASSOCHAM and Ernst & Young.

Even though India has the highest number of farmers currently engaged in organic farming at 8,35,000, the country accounts for less than 1 per cent the global organic market **pie** which is valued at \$90 billion in 2016, the report said. In terms of total area under organic cultivation, India ranks at 9th position with 1.49 million hectares. Australia, which tops the list, has more than 27 million hectares under organic farming

Moreover, in light of the health benefits associated with consumption of organic food and rise in the number of diseases on account of excessive chemical contamination of conventional food, the preference for organic food is growing rapidly. In consonance with the growing health consciousness among consumers, restaurants and food chains in major cities are also adopting organic food products.

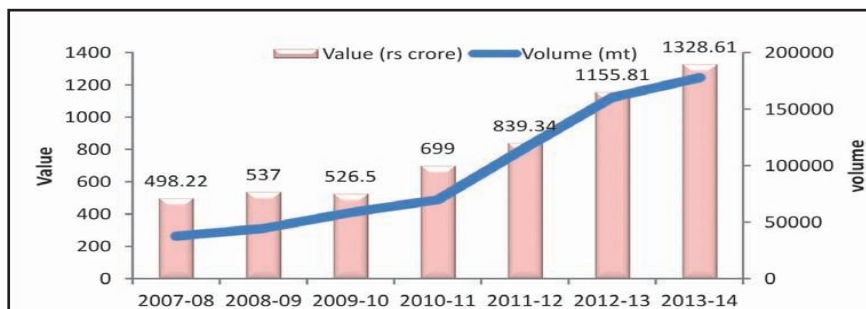
**Fig: 1**  
**Organic Product Industry - segmentation by Crops Grown**



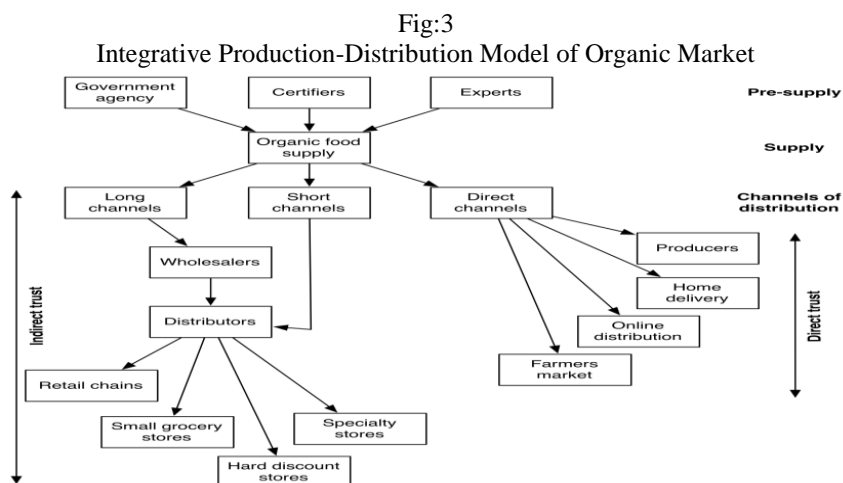
The above figure depicts the organic products by various crops like cereals, Rice, Spices, Fruits and Vegetables etc grown, which amounts to Rs.2500 crore. With the boost from Government initiatives the crops grown show a positive trend.

**Fig:2**  
**Export of Organic Food from India**

**Source:** Lok Sabha Starred Question No.268 dated 25<sup>th</sup> July,2014



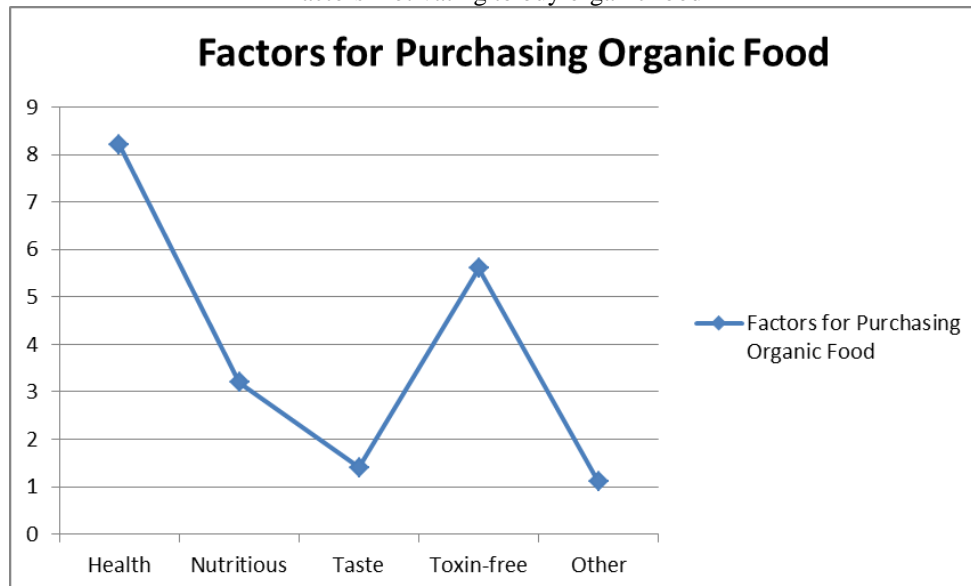
From the above figure, it is clear that the export of organic food from India has increased from 2007-08 to 2013-14 gradually, both in terms of value and volume over the years.



Source: <https://www.intechopen.com/>

The supply chain management of the organic products has been given in the above figure. The various channels involved in the distribution is elaborately given here.

Fig: 4  
Factors motivating to buy organic food



Source: <https://www.theindianwire.com/>

The various factors motivating the consumers to opt for organic food is given in the above figure. Out of the factors, Health is the main factor considered to purchase organic food. The toxin-free nature of the food is the second reason, followed by Nutritious.

### **Challenges in Organic Market**

The booming organic market faces challenges at every stage of production, marketing and distribution. The producers face innumerable challenges with regard to pest control, Government support, etc. The consumers find it real hard to cope with high price of the organic products. The various challenges have been given below.

#### **Lack of Awareness about Organic Products:**

The organic food industry is a fledgling industry where its consumers mostly belong to the “fad diet” category, with a great lacking in awareness. Working on a word by mouth principle, core awareness for the category is negligible, with many people opting for these options as they seem fancy. This deficiency in knowledge creates consumers that glamorize the organic consumption, creating temporary demand. This, in turn, affects the sustainable growth of the whole industry. The concern for safe food is still far away.

#### **Consumer Preference for Low Price Product:**

India is a price sensitive nation, with great disparity in the earning power. Organic food, due to various factors is steeper on price. Unaware consumers are wary of spending that much on Organic food. Huge difference between the pricing of Organic and the conventional product price has created disfavour towards Organic food.

#### **Convince the Farmer:**

Farmers have got so used to the chemical fertilisers and pesticides etc that they hold a deeply entrenched fear in converting to organic. The fear is for the loss of the crop, which might set back the whole years earning. A great deal of sensitization and education is needed to address the fear. Yet, their fear holds much ground and hence proper mechanisms to compensate for the loss of the yield (which may be only initially) should be introduced.

### **Pay Extra Percentage to the Retailer:**

Retailers prefer conventional over the organic for the quick movement from the shelf and hence for bringing in a greater margin per sq. inch of the shelf space, because organic material replenishment cycle is much more as compared to the conventional product. Retailers demand a good premium in order to create a shelf space to showcase the organic product. There is a push from the manufacturer and the brand than the pull from the market because the whole of the industry is new, adding a scope for the retailer to further assume an upper-hand. So the brands have to give a lot more percentage to the retailer than the conventional brand to get the shelf space. That makes the whole organic thing more expensive than it should be.

### **Expensive Storage Method:**

Apart from pricing, a hike of expenses is noted in terms of storage and preservation. Very expensive storage method is being used as chemical input is not utilized to store these products for long-term. Conventional farmers enlist the use of chemicals to reduce their loss of crops, while organic farmers have to remain restricted to limited natural methods. Without the requisite chemical preservatives added to conventional foods, organic foods face a shorter storage time and shelf life and hence require a greater level of maintenance.

### **Supply-Demand Disparity:**

The basket of the organic production is not balanced. What is in more demand is lacking in supply e.g. fresh fruits and vegetables while the supply of some of the grains outgrows the demand Hence there is the disparity in terms of what is needed by the consumers versus what is provided by the producers. This gap needs to be filled by local production in clusters.

### **Need For The Government Support:**

Government is the most crucial stakeholder. There are certain aspects that can only be taken care of by the government. Like provision of organic inputs, those are far more costly than the subsidised chemicals provided by the government bodies. The education of the farmer and compensation initially for the loss of the crop are other important aspects where the government can support.

### **Conclusion**

The ever growing organic market offers a bountiful growth in the upcoming years. The increased awareness is one of the main stimulants for the surging growth. If necessary steps are taken to market the products in a customer centric manner, the market would grow progressively. With remarkable increase in Government subsidy, the market is all set to expand globally.

### **References:**

- [1]. Bhattacharya, P., & Chakraborty, G.(2005). "Current Status of organic farming in India and other countries", *Indian Journal of fertilizers*, Vol-9, 1(9).
- [2]. Tak A.V, Tak V.B(2010), " Organic Farming Expanding Spread and Global Trends", *Financing Agriculture*, Vol.42, issue 8, August.
- [3]. Retrieved from [www.businesswire.com](http://www.businesswire.com)
- [4]. Retrieved from [www.pnewswire.com](http://www.pnewswire.com)