

ORGANIC FOOD INDUSTRY REPORT



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ORGANIC FOOD INDUSTRY OF INDIA





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EXECUTIVE SUMMARY

Problem Statement

Lack of economic incentives to various stakeholders involved in the supply chain of the Organic Food Industry.

The Organic Food Market in India is yet to be realized at its full potential. Confusing certification frameworks, unconvinced farmers, supply-demand disparity and many other factors make this popular and in-demand sector a difficulty for new entrants to navigate successfully.

We have collected and analyzed data on various characteristics of the Indian Organic Food market such as product types, distribution channels, regional allocation and competitive landscape etc in addition to shedding light on the growth prospects.

With this report, we aim to create a market entry strategy for new entrants in the industry by drawing conclusions from the data gathered so far, to enable them to take advantage of this rising sector. We also hope to provide better information to the consumers so as to make them aware of their choices and help them make informed decisions.

Report Deliverables

- 01 Understand the current Organic Food Industry scenario in India
- 02 Assess the role of various stakeholders in the Organic Food Supply Chain
- 03 Evaluating the competitive and social landscape
- 04 Identifying the impact of the COVID-19 crisis
- 05 Examining real-life cases of innovation in the Organic Food Sector
- 06 Analyze the performance of the Indian Organic Food Industry
- 07 Analyze the performance of the Indian Organic Food Industry

Proposed Solutions

Our report attempts to provide strategies and recommendations regarding Distribution, Pricing and Marketing aspects of an organic food business. We have drawn inspiration from the data gathered during the course of writing this report, in addition to researching modern, tried and tested strategies and processes. Our recommendations cover suitable distribution channels, a comparison of low, medium and high pricing strategies, brand positioning, consumer behavior, and short-term as well as long-term marketing strategies.

Value of the Industry

The Indian Organic Food Market stands at a value of **USD 820 Million** in 2020. **India ranks 1st in Asia** and **5th in the world** with **23 lakh hectares of area** under organic farming, as per the FiBL (The Research Institute of Organic Agriculture) & IFOAM (International Federation of Organic Agriculture Movements) Organics International Federation of Organic Agriculture Movements) Organics International Report 2021. FiBL further estimated in its 2021 survey that India's Organic Food Market is the fastest growing, fuelled by post-pandemic demand for organic produce. Aided by supportive schemes from the government, the market is expected to witness a growth of **CAGR 20.5% between 2022-27** according to a report by EMR. Imarc Group estimates the **growth rate** to be even **higher at 24% between 2021-26**.

Methodology

We conducted both primary and secondary research extensively from reliable sources. The sources used for secondary research are outlined in our References Section.

For the primary research, we created a questionnaire to understand the perception, attitudes, mindset & complaints of the Organic Food buyers. We hoped to identify what drives the consumers, what are their needs & wants, what challenges they face in the current scenario and what could encourage more consumers to buy Organic Food products.

INTRODUCTION



In spite of having new, state-of-the-art technologies at their disposal, more and more farmers across the world are turning to the age-old traditional farming techniques for the greater good of humanity. A new generation of health conscious individuals, increasingly mindful of the adverse effects of pesticides and other contaminants in food, have inspired this organic culture.



What is organic food? Is it really that different from conventionally grown food? Do these products have any real demand? These and many more such questions come to mind when we think about the organic food industry.



Key aspects of Organic Food Production are:

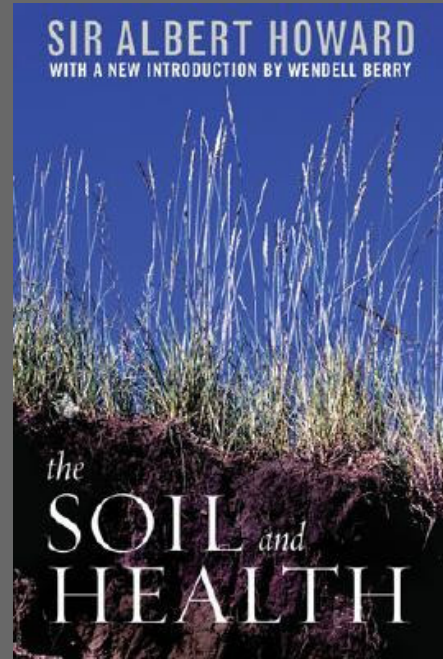
- ✔ Restricted use of artificial fertilizers & pesticides.
- ✔ Emphasis on animal welfare, and prevention of ill health, including stocking densities, free range, choice of suitable breeds.
- ✔ Emphasis on soil health and maintaining this through the application of manure, compost and crop rotation
- ✔ Processors of organic foods have a restricted set of additives to use
- ✔ No usage of Genetically Modified Organisms (GMO) or their products.

HISTORY AND ORIGIN

The term organic farming was coined by Oxford University agriculturalist Lord Northbourne, in his book *Look to the Land*, and published in wartime England in 1940.

Ideas that organic food could be healthier and better for the environment originated in the early days of the Organic Movement, which was a response to the large-scale industrialization of agriculture, as a result of publications like the 1943 book *The Living Soil and Farming and Gardening for Health or Disease* (1945).

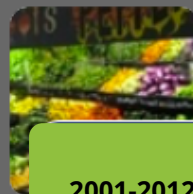
While Organic Food products have always existed in India and even gained a boost during the Green Movement, the rise in their popularity is largely owed to Ms. Kavita Mukhi, founder of Conscious Food, which offers a curated selection of natural and organic items such as cereals, flours, grains, sugars, and oils. She also established the weekly Farmers' Market in Mumbai, which became one of India's primary donors to organic food products.



1945-1983
Appearance
of the organic
concept



1994-2001
Initial
Development



2001-2012
Formal
Development



2013-2022
Fast
Development



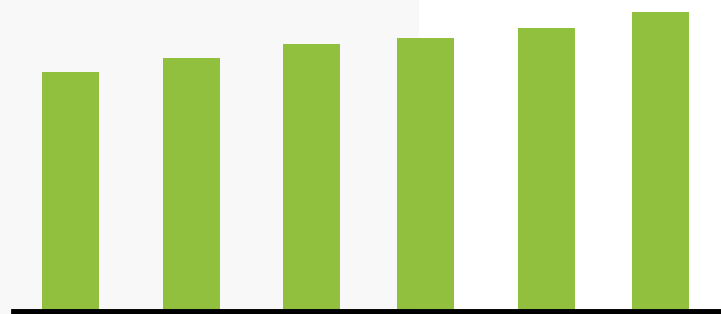
MARKET SIZE

The Indian organic food market attained a value of USD 820 million in 2020, driven by the rising health consciousness following the COVID-19 crisis. India had produced around 3496800.34 MT of certified organic products according to Agricultural and Processed Food Products Export Development Authority of India (APEDA) in 2020-21.

Aided by the supportive schemes of the government, the industry is expected to witness a further growth of CAGR 20.5% in the forecast period of 2022-2027. Imarc Group estimates the growth rate to be even higher at 24% between 2021-26. The industry is projected to touch USD 2,601 million by 2026.

The global organic food and beverages market is expected to reach \$327,600 million by 2022 from \$115,984 million in 2015 at a CAGR of 16.4% from 2014 to 2022.

Indian Organic Food Market Size, 2021-26 (in US\$ Million)



MARKET SEGMENTATION

The Organic Food Market can be segmented on the basis of two types -

PRODUCT TYPE

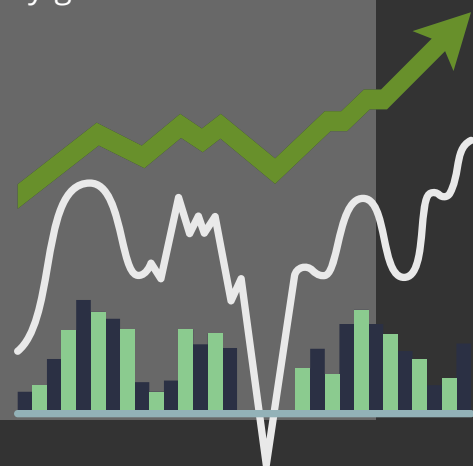
The organic food segment is further divided into organic fruits and vegetables, organic meat, fish & poultry, organic dairy products, organic frozen & processed foods, and other organic foods. The organic beverage segment is divided into organic non-dairy beverages, organic coffee & tea, organic beer & wine, and other organic beverages.

GEOGRAPHY

This has been segmented into North America, Europe, Asia Pacific and LAMEA. Asia-Pacific holds fastest market growth estimated at a CAGR of 22.9%, though the largest market share is controlled by North America and is expected to continue the market dominance through 2022. Asia-Pacific organic dairy products market is estimated to rise with a prolific CAGR of 16.3%

MARKET TRENDS

- The Indian organic food market is experiencing robust growth with the rising awareness about the organic products. The growing level of health consciousness, attention to nutrition content and quality of the food are the key factors driving the demand for organic food.
- In addition, consumer spending on health and wellness products has increased dramatically due to factors such as strong economic growth, urbanization, and rising income levels. Strong government funding is catalyzing the market for organic food products in India.
- In 2020, Nutri-cereals, health foods, and organic foods were the new areas of focus for consumers. 2023 has been declared as the Year of Millets, which is a nutri-cereal, by the UN in an act of endorsing India's proposal for the same in FAO's Committee on Agriculture.
- Now, the 'Organic' certification can be used for livestock, seaweed etc. as well in addition to crops, thus, expanding the demand avenues for stakeholders to cater to.
- Whereas earlier, the organic market was always largely export-driven in India, the domestic sales were in the lead in 2020. Within the next 5 years, the government plans to increase the organic area by 100%, making it 4% of the total agricultural area.
- Earlier non-perishable organic products were popular, but since 2020, there has been a rise in demand for organic fruits and vegetables, followed by bread, cereals, milk and meat. Organically grown fresh fruit took the leading position in international trade too.

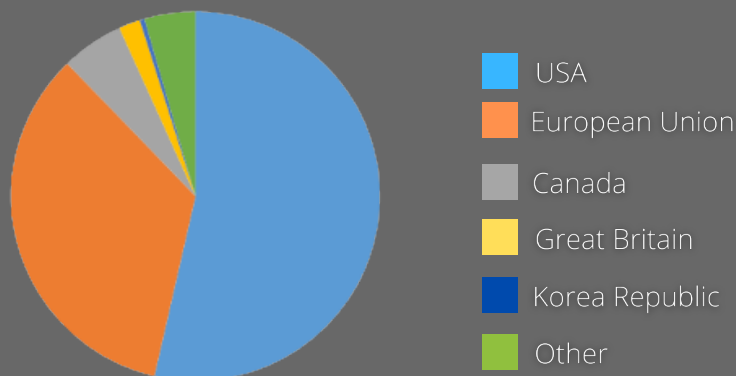


GROWTH DRIVERS

The Government of India has encouraged organic farming through financial assistance to farmers who are implementing organic practices under various government schemes, such as the Mission for Integrated Horticulture Development (MIDH), National Food Security Mission (NFSM), NMSA, and Rashtriya Krishi Vikas Yojana (RKVY).

According to APEDA, organic product exports increased by about 50% in FY 2018-19, to \$5151 crore (\$757 million). Products such as Indian flaxseeds, sesame, soybean, tea, medicinal plants, rice, and pulses like arhar and chana gained popularity too.

Top Exports of Organic Produce in terms of Value in 2020-21



Key drivers of Organic Market Growth in India

Increasing health awareness & focus on fitness

Increasing support from government of India

Urbanization and increase in the working population

Technological advancements

Rising disposable income

E-COMMERCE BOOST

While the market demand for organic products is increasing, supply-side issues are catching up quickly. Taking advantage of India's e-commerce development, many businesses are turning to this channel to increase their sales and market presence. According to a news report, India's e-commerce is expected to reach 99 billion dollars by 2024, growing at a 27 % CAGR over 2019-24 with grocery and fashion/apparel likely to be the key drivers of incremental growth.

The reach of these e-commerce platforms is also undeniable. The segment seems to be dominated by value-first buyers and the majority of these buyers belong to Tier II and III cities in India. Players like Amazon, Flipkart, Big Basket, and Grofers have revolutionized grocery shopping in India. A report on the India Online Grocery Market estimated the growth of the e-grocery market from US\$ 2.9 billion in 2020 to US\$ 4.3 billion in 2021.

In India, there are around 25 e-commerce sites currently that offer organic food online, in addition to several ordinary grocery stores such as BigBasket and Peppertap that now carry organic vegetables as well.

Specialist organic brands such as ISayOrganic, JoyByNature, Ekgaon, and Organic Shop have also entered and grown in India. There are also a variety of initiatives, such as Navdanya, that assist local Indian farmers with improved organic agricultural economic options.

Furthermore, many businesses have transformed their farms into Weekend Resorts, using their home-grown organic fruit as an ingredient in the creation and sale of their own goods.

In India, the organic food business fits within the high-volume, high-margin opportunity category.

As a result, investments in this industry have surged recently too,

**SEAF India Agribusiness Fund
and Sarona Capital's
investment in Khyati Foods**

**Ventureast and Peepul
Capital's investment in 24
Letter Mantra**

**Nexus Capital's investment
in Suminter India Organics;
Fabindia's investment in
Organic India**

**SIDBI Samridhi Fund's
investment in Natureland**

CHALLENGES IN THE INDUSTRY

The biggest challenge to wide-scale adoption of organic food production remains to be the reluctance of farmers to not only adopt but continue practicing organic farming in a manner where organic traceability can be maintained at every step.

1 Untapped Potential

Despite the fact that only 0.4 % of India's land is used for organic farming, there is a significant untapped potential globally.

2 Pandemic

The pandemic has disrupted traditional supply chains of organic food products in numerous ways. There was a shortage of labor in the organic processing sector during COVID-19, due to the lockdown. As a result, organic food processing businesses were unable to find enough staff to process organic items.

3 Low Profits

Only 2-3% of India's small and marginal farmers produce organically. Because of the presence of middlemen, production expenses are also quite high, and the farmers rarely make a respectable profit. Farmers need the appropriate inputs to flourish in this industry and have a bountiful organic crop.

4 Cost of Production

The price of organic produce, which is twice that of chemically grown fruit, is thought to be the main deterrent towards organic production. High prices of Organic produce discourages India's largely middle-class and poverty-stricken population from making organic products a better part of their diet.



IMPACT OF COVID-19

The unprecedented COVID-19 pandemic has not only made an enormous impact on our everyday lives but has also had severe repercussions for the organic food sector including disruption in manufacturing, food processing, exports, supply chain logistics, etc.

Demand for organic food, more specifically vegan and vegetarian food, and its movement around the world, has certainly risen exponentially.

The pandemic has boosted the demand for organic food products to an all-time high. The coronavirus pandemic could actually be a blessing in disguise to increase cultivation and export of Indian organic food products. Covid-19 has raised consumer awareness of the connection between nutrition and health. This has resulted in a surge in interest in products that are beneficial to one's health.

According to the data collected by an AI-powered company, Tastewise, which tracks online consumer engagement, mentions of 'immunity' in context of food searches rose 27% from February 2019 to March 2020 .

In the current crisis, consumers are looking to boost their personal immunity and are spending more money on organic plant-based foods and nutritional supplements. In the quest to improve their overall health and prevent diseases, consumers are willing to pay the price premium.

Though conventionally cultivated food products still dominate a huge share of the market, the organic food industry is slowly changing these market dynamics. This pandemic has made the new-age consumers even more aware of what they consume.

Better technology use has helped in connecting the producers directly with the buyers to make sure that the community benefits. Millions of people have recognised the ease and comfort of online shopping. During the lockdown, people only bought most of their stuff online, giving a further boost to organic food products sold on e-commerce platforms.

Moreover, driven by factors like strong economic process, urbanization, and rising income levels, the buyer expenditure on health and wellness products has increased significantly.

India has a chance to step up as a global supplier of organic food products. India has some natural advantages but also some hindrances, which, if taken care of, would make the country a natural source to fulfill the global demand of organic food products.

Some Indian states like Sikkim have taken the lead in converting their entire produce to organic cultivation, and while still unorganized, estimates suggest that Indian organic agriculture is growing at 25% a year. If India is able to change its outlook and manage to streamline the cultivation and branding of its organic food industry, it will be able to achieve the target of becoming the largest supplier of organic food.

LEGAL REQUIREMENTS

Section 22 of the FSSAI governs the Organic Industry.. Businesses in this industry need to register, certify & label their products & services. Companies need to incorporate themselves, and obtain a food license & permit from FSSAI:

- FSSAI Registration license is issued when the turnover is less than Rs 12 lakh
- The state license is issued when the turnover is over Rs 12 lakhs
- FSSAI Central license is issued when the turnover is above Rs 20 crores



Companies also have to apply for a state government license to run an organic business and the owner has to file an employee identification number (EIN). The FSSAI has made the license mandatory. If the business gets the license, then the product should bear an India Organic Certificate in all its products. The Food Safety and Standards (packaging and labeling) Regulations of 2011 has mandated that the following particulars must be mentioned on the label:

- Name of the food, its ingredients, and nutritional information
- Presence of any food additives, veg/non-veg
- Complete details of the packer/manufacturer
- Net quantity
- Details such as lot no./code no./batch no
- Manufacturing date
- Usage and expiry date

It is mandatory to get an Indian Organic certificate that certifies the organic products under the national standards. Organic Certification is a process of certification of organic products involving a set of production standards for growing, storage, processing, packaging and shipping, which includes:

- Avoidance of synthetic chemical inputs (e.g. Fertilizers, pesticides, hormones, food additives etc.) and genetically modified organisms;
- Keeping detailed written production and sales records;
- Maintaining strict physical separation of organic products from non-certified products;
- Undergoing periodic on-site inspections.

There are 2 organic certification systems in India for certifying the organic product produced in the country.



1. National Programme for Organic Production (NPOP) for exports

Organic farming certification is granted by the National Programme for Organic Production through a third-party certification process. The 'India Organics' label can be printed on the products that meet NPOP criteria. However, because India Organic is a third-party certification, it would also include the name and emblem of the Accredited Certification Body, as well as the Accreditation Number.

A product can be labeled as organic under the National Program for Organic Production System if it meets the following criteria:

1. When all conditions are completed according to the prescribed standards, a single ingredient product can be labeled as "Organic."
2. A multi-ingredient product can be labeled as "Certified Organic" if at least 95% of the ingredients are of certified origin.

2. **Participatory Guarantee System (PGS) for India certification**

The Ministry of Agriculture and Farmers Welfare launched the PGS-India programme for local and domestic markets, a farmer group centric certification system, with the goal of making certification affordable and accessible.

PGS-India is a locally relevant quality assurance effort that emphasizes stakeholder participation, including producers and consumers, and operates beyond the scope of third-party certification. Both programmes (NPOP and PGS-India) are separate certification systems, meaning that items certified under one system cannot be processed or labeled under the other. PGS-India certified items can only be traded in the domestic market, while NPOP approved products can be traded in both the export and domestic markets, including imports.

Competitive Landscape

The landscape of the organic food industry is highly competitive. There are various direct and indirect competitors fighting to sell their product within this industry.

The reasons as to why there exists such high competition in the organic food industry can be classified under two main heads:

1. The Mainstream Nature of Organic Food products
2. Mass-Market Retail Outlets Capture Nearly Half of Sales.

The stated reasons can be explained as follows:

1. The Mainstream Nature of Organic Food Products

When it comes to purchasing organic foods, customers now have more alternatives than ever before. Natural food stores and alternative health food stores aren't the only places to find organic goods.

"Every major supermarket chain in the U.S. — from Kroger to Target to Safeway to Walmart — have store-brand lines of natural and organic products. These are truly mainstream products," explains a report from Packaged Facts.

1. Mass-Market Retail Outlets Capture Nearly Half of Sales

It's apparent that traditional supermarkets are eating into the market. Estimates of organic sales of global supermarket chains are as follows:

1. Mass-market retail outlets including supermarkets, drugstores, and mass merchants capture 49% of dollar sales of natural and organic foods and beverages.
2. The natural foods channel, such as Whole Foods, Trader Joe's, and Sprouts Farmers Market, take a 41% share.
3. Other outlets such as gourmet stores, farmers markets, and community-supported agriculture programs comprise the remaining 10% share.

Renowned Indian Organic Food Players

The Indian organic food industry is relatively new. As Indian consumers are becoming more and more conscious about their eating habits, organic companies are incentivised to produce new products to match the increasing demands and hence, competition is intense. These companies are briefly discussed underneath:

- **Organic Tattva**

Organic Tattva is an organic line of nutrition items that are devoid of synthetics. The firm provides a diverse selection of organic grains, legumes, and cereals without sacrificing quality or quantity. These items include natural nutritional ingredients that will improve your life and health. No adulterated goods are utilized, such as pesticides, composts, or additional nutritious elements. All the nutrient impacts are regular, natural, and completely safe to consume.



- **Organic India**

It is one of the most prestigious nature-based nutrition companies. They provide Ayurveda-based goods for a more comfortable and healthy existence. This distinguishes them as a significant organic firm among India's top ten organic food companies. They provide an entirely organic selection from Moringa powder to Triphala, herbal tea, and immunity-boosting pills.



- **Mantra**

One of the organic brands established in India is 24 Mantra. They provide clients with handmade, high-quality organic goods that are rich in nutrients and minerals. 24 Mantra strives to provide a sustainable living for farmers, a sustainable lifestyle for people across the country, and ultimately a sustainable environment via the use of traditional but proven healthy lifestyle methods.



- **Wingreens Farms**

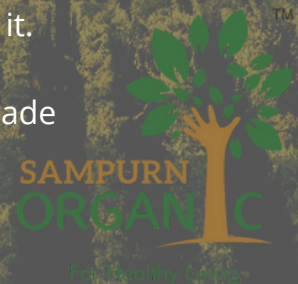
Wingreens Farms is a well-known brand among the 10 Best Organic Food Brands in India, according to a chain of women who market new farmstead nourishment goods with zero % synthetic and unnatural fixings. The brand offers a wide range of products, including organically baked goods, spreads, margarine, chips and plunges, unique tastes, and chillies with an international flair and Indian flavour. It's an intriguing organic store with a hint of global and Indian influences and a broad range of nutrition items that will satisfy your taste buds to the hilt without any complaints. It directly maintains ecological sustainability and well-being with unadulterated and pure products.



- **Sampurn Organic**

Any agribusiness cannot afford to eliminate the use of substance composts and pesticides, but can surely substitute it with a natural and socially reliable procedure.

The goal of Sampurn Organic is to raise awareness about the benefits of organic farming and to encourage farmers to participate in it. Its marketing section will assist farmers in selling their organic products throughout India. The organization has made preparations to provide organic food to Indian customers who live a healthy lifestyle.



- **Pure and Sure**

The Phalada Pure and Sure line of 100% certified organic foods is the result of 20 years of experience in organic agriculture. Their 140+ items are sourced directly from ranchers and prepared under strict quality standards, ensuring a genuine organic experience on your plate. Phalada Agro is dedicated to developing manageable cultivating techniques that maintain harmony between humans and the natural world. Its homesteads and handling offices are certified in accordance with Indian and international standards.



Renowned International Organic Food Players

The international organic food product market is highly competitive. The United States of America holds the largest market share on the global platform, harboring some of the world's highly renowned companies. These companies are briefly discussed under this segment of the report.

- **Whole Foods**

Whole Foods Market, a USDA-certified grocery company established in the United States, provides items free of artificial colors, preservatives, hydrogenated fats, and flavors. Whole Foods Market pioneers organic and natural items retailing and offers a wide range of non-GMO, vegan, and gluten-free products. The firm has over 500 locations in the United Kingdom, Canada, and the United States. Amazon Inc. paid a staggering USD 13.4 billion for Whole Foods Market in 2017. In order to cater to its health-conscious customers, the business promised that all items sold in its North American stores would be labeled if they included GMOs. In 2018, the grocery chain updated its commitment, stating that it will not promote a food product as non-GMO until it has been confirmed by a third party.

- **Farmdrop**

Farmdrop is a UK based online ethical supermarket that delivers locally sourced organic goods and ethical household necessities to your doorstep. It delivers better-tasting, healthier, and more convenient food to everyone while supporting a more sustainable food system. Farmdrop gives producers a higher price by taking out intermediaries, while buyers obtain food that is up to five times fresher than what is offered in traditional supermarkets.





- **Earth's Best Organics**

Earth's Best Organics is a baby food manufacturer based in the United States. Infant cereals from organic orchards, gluten-free food, frozen meals, and other baby care goods are a few of the company's offerings. Earth's Best Organics was purchased by Heinz Company in 1996 for a whopping USD 30 million in order to create development possibilities in the fast-growing natural and organic foods market and to utilize supply chain skills to support that growth.



- **Edamama**

Edamama is a Germany based organic food company that was founded in 2015. Its pasta is composed entirely of organic beans and is high in nutritional content. They replace empty calories from wheat with healthy beans to move side dishes like pasta to the center of the plate.



Social Landscape

1. Pricing & Expensiveness of Organic Food Products

Certified organic products are generally more expensive than their conventional counterparts (for which prices have been declining) for a number of reasons:

1. Organic food supply is limited as compared to demand.
2. Production costs for organic foods are typically higher because of greater labor inputs per unit of output and because greater diversity of enterprises means economies of scale cannot be achieved.
3. Post-harvest handling of relatively small quantities of organic foods results in higher costs because of the mandatory segregation of organic and conventional produce, especially for processing and transportation.
4. Marketing and the distribution chain for organic products is relatively inefficient and costs are higher because of relatively small volumes

As demand for organic food and products is increasing, technological innovations and economies of scale should reduce costs of production, processing, distribution and marketing for organic produce.

Prices of organic and conventional food differ not only on the basis of the cost of the food production itself, but also a range of other factors that are not captured otherwise, such as:

1. Environmental enhancement and protection and avoidance of future expenses to mitigate pollution. For example, higher prices of organic cash crops compensate for low financial returns of rotational periods which are necessary to build soil fertility.
2. Higher standards for animal welfare.
3. Avoidance of health risks to farmers due to inappropriate handling of pesticides and avoidance of future medical expenses.
4. Rural development by generating additional farm employment and assuring a fair and sufficient income to producers.

2. An emerging trend: More shelf space for organic food in supermarkets

Growing health consciousness and awareness about harmful pesticides has nearly quadrupled the size of organic foods in India in the last three years. Organic food, which started out by occupying fewer shelves at retail stores, is now a Rs 300 crore business in the domestic market. The export market from India is even bigger at Rs 700 crore, according to industry experts.

Consumers are opting for healthier eating habits which is driving entrepreneurship in organic foods, prodding retailers to offer greater shelf space to brands in this category. As per industry estimates, the category is currently growing at 50 per cent per annum.

Industry experts believe that with growing talk about the ill effects of chemicals and pesticides used in the food industry, products believed to be free of such substances will grow exponentially.

3. Producers Paradox

With organic products moving towards the mainstream, there are questions as to how consumers will receive these changes in the marketplace.

On one hand, the presence of more organic products in renowned brands such as Walmart and Target most likely means more affordable prices for consumers. Thus, accessibility of organic food should increase for people of all socio-demographic statuses – a win for proponents of more equitable food environments.

However, there are others who contend that increased availability of organic materials may actually be detrimental to the broader organic brand. For some consumers, organic food may serve as a status symbol. If the price premium is removed, so, too, is the status that accompanies it, which could drive at least some consumers away. This lack of ability to command premium prices might then dis-incentivize the production of organic products as their volume might increase, but their margins will decrease in the long run.

4. Agricultural Policy and Domestic Support

The Government of India mandates the National Programme for Organic Production (NPOP). Established in 2002, NPOP serves as the central system responsible for organic agriculture regulations which encompass the National Standards for Organic Production (NSOP), that are based on the International

Federation Of Organic Agriculture Movements (IFOAM) basic standards. NPOP also includes rules for the accreditation of certification authorities and certification schemes and guidelines for the certification of growers/grower groups and the rules for the use of the 'India Organic' label.

The GOI maintains the voluntary national logo 'India Organic', which is used by exporters, processors and manufacturers. The certification is carried out by a third-party inspection agency under the NSOP. There are no organizations representing the private organic sector in India.



Government Support And Schemes

The Government of India has introduced multiple schemes to encourage the adoption of organic farming.

Government Schemes
Highlights and Specifics

Paramparagat Krishi Vikas Yojana (PKVY)

1. In FY 2018-19, budgetary allocations of \$11.12 billion (revised estimates)
2. INR 20,000 (\$278) will be given to farmers for up to three years for performing organic cultivation
3. Procuring packaging material, preparation of labels, holograms, printing and branding of organic produce at INR 2,500/acre (\$35/acre)
4. For transportation of organic produce to marketplaces, financial assistance up to INR 120,000 (\$1667) for one cluster of 50 acres is also provided for producer groups (Please note that the land holdings in India are highly fragmented)
5. To motivate and support marketing facilities, financial assistance is given at INR 36330 (\$504) per cluster for organizing an organic fair to meet the expenses of arranging stalls, rent and labor charges, publicity material and management of the event

National Project on Organic Farming (NPOF)

1. 25-30% annual financial outlay
2. INR 40-60 lakh (\$55600-\$83400) aid by National Bank for Agriculture and Rural Development (NABARD) for setting up biofertilizer units
3. Promoting integrated use of chemical and organic manure, including biofertilizers

National Mission for Sustainable Agriculture (NMSA)

1. INR 20,000/hectare, to a maximum of INR 40,000/hectare (\$265-\$555/hectare) for adoption of organic farming under PGS certification
2. 100% financial assistance for setting up biofertilizer and biopesticide manufacturing units
3. 100% financial assistance by the state government for setting up machinery for fruit/ vegetable waste
4. Promotion of organic inputs (manure, vermi-compost, liquid/solid biofertilizers, waste composts, herbal extracts, etc.)
5. INR 10 lakhs (\$13,000) per village for integrated manure management and biological nitrogen harvesting
6. INR 85 lakhs (\$118,056) in assistance for setting up biofertilizer testing quality control laboratories under Rashtriya Krishi Vikas Yojana (RKVY)

Rashtriya Krishi Vikas Yojana (RKVY)

- Promoting zero-budget natural farming for agricultural inputs
- Organic farming/natural farming project components considered by respective state level sanctioning committee (SLSC) according to their priorities

National Food Security Mission (NFSM)

Under its Accelerated Pulses Production Programme (A3P), use of rhizobium culture and phosphate solubilizing bacteria is encouraged

National Horticulture Mission (NHM) and Horticulture Mission for North East and Himalayan State

- INR 30,000/beneficiary (\$417/beneficiary) for adopting organic farming
- 50% subsidy for a vermicomposting unit

INR 5 lakh (\$6,944) for farmer groups covering an area of 50 hectares under organic production.



INDUSTRY ANALYSIS

SWOT Analysis of the Indian Organic Food Industry



S

Strengths

- Outsized young customer base
- Favorable climatic conditions
- Eco-friendly production methods, i.e.uses fewer pesticides, reduces soil erosion, decreases nitrate leaching into groundwater and surface water
- Sustainable in the long-run
- Government Support
- Health & Nutritional benefits lending a favorable brand image

W

Weaknesses

- Premium Pricing
- Lack of awareness among farmers
- Storage & warehousing issues due to shorter shelf life & perishability of organic produce
- Reluctance of middlemen
- Confusing certification frameworks

O

Opportunities

- Rising middle-class working population
- Rising modern retail
- Rising e-commerce penetration in the Food trade
- Rising urban drift
- Surge in disposable incomes
- Rising health, fitness & well-being consciousness
- Lucrative export opportunities due to good international demand

T

Threats

- Cheaper substitutes available in the form of conventionally-grown products
- Increased competition due to presence of many big players
- Competition in the Global Market

PESTLE Analysis

POLITICAL FACTORS

Food industries are one of the most tightly-regulated sectors of India, with various restrictions on growing practices, storage and transport, labor conditions, food safety & quality, certification & authentication. While extremely necessary for the benefit & safety of the public,, these restrictions hamper the growth of the organic food industry to some extent.

The government's free trade agreements, though, are extremely beneficial for the Organic Food Industry as it allows the various players to cater to the global demand by way of exports. Considering how high the global demand & awareness for organic foods is, this is a blessing for both small & large producers of organic food items.

ECONOMIC FACTORS

Economic factors like disposable income, interest rates, consumer spending, inflation, unemployment, monetary issues, taxation, and economic recessions in various countries affect the growth of any industry. Same is the case for the Organic Food Industry.

Disposable incomes have constricted for many middle-class households during the COVID-19 pandemic which has impacted the sales of organic products which are generally priced at a premium.

Similarly, during the pandemic, many companies were unable to cope with the cost and had to cut labor to survive. The subsequent increase in unemployment and downfall in disposable incomes has had a direct impact on demand for organic food products as the cheaper conventional foods are obviously the preferable choice for financially struggling households.

SOCIAL FACTORS

The attitude of consumers regarding organic food products is quite complex as it relates to their ethics, identity, consciousness, environment, and the views of the surrounding society as a whole.

Organic Food products have gained popularity among the younger generation in particular, a generation which has climbed onto the fitness & diet wagon.

Rising health consciousness and knowledge about necessary dietary restrictions, has made many consumers shift towards organic options. While conventional foods are still largely consumed, businesses in the food industry are adapting to bring in healthy, organic options for various reasons, be it a branding tactic or genuine concern for the society at large.

In spite of its growing acceptance, the Organic Food Industry still has lots of ground to cover in terms of offering a diverse range of products to cope with the varied food & taste preference of a culturally diverse India.

PESTLE Analysis

TECHNOLOGICAL FACTORS

Many companies have started or are starting to take their business online so as to cut out the middlemen and reach their customers directly. Easy access to online platforms and the shift in shopping patterns due to the pandemic, has made it easy for organic producers to reach a wider base of consumers and market their products.

Social Media platforms have penetrated the Indian audience so deeply that messages of health, fitness, sustainability etc travel far and wide, influencing the population & marketing the benefits of Organic Food produce through word-of-mouth.

Organic Farming makes use of age-old, tried & tested techniques such as green manures, composting, biological pest control, crop rotation & mechanical cultivation.

ENVIRONMENTAL FACTORS

Organic Food Products are known as much for their benefits to people as for their benefits to the environment. By reducing the use of chemical fertilizers and pesticides, Organic Farming practices help in the natural replenishment of nutrients in the soil.

They make the food supply healthier and toxin-free, reduce animal mortality, and ensure food safety. Products grown through organic practices are believed to be safer due to the lower risk of chemical contamination.

Need for sustainability makes organic farming a very popular and viable alternative to the more harmful conventional farming practices.

LEGAL FACTORS

Environmental and food safety laws are extremely necessary to comply with. Checking the proper regulations for growing, processing, producing, marketing and distributing is time-consuming and restrictive.

The Organic Food Industry faces ambiguity in getting the proper certifications for their products making it difficult to ascertain the authenticity of the organic produce.

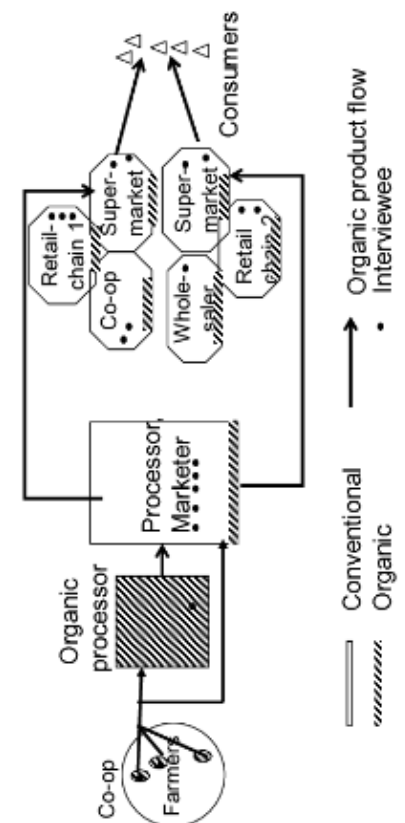
Companies in the food industry also have to pay attention to various labor laws. Differences in regulations and practices between trading countries can also hamper a brand's image in the organic food market.

VALUE CHAIN

- India is primarily an agrarian economy with its agricultural sector providing employment to 70% of the population.
- Before the 1940s, India's agricultural production was mostly organic in nature because farmers did not have access to chemicals like fertilizers and pesticides and didn't know how they could be used to increase production.
- Agricultural production in European countries, on the other hand, grew exponentially at the same time after the use of chemical fertilizers and pesticides, with an accompanying reduction in the quality of agricultural soil and produce.
- In the 1960s, the 'Green Revolution' entered India and farmers switched to more chemical-intensive techniques. This conversion helped in increasing the yield of grains and ensured food security which was vital at that time.
- However, it has been observed for quite some time that the overuse of chemicals is deteriorating the soil and crop quality, infusing our food and water supply with harmful toxins. Producers and consumers are moving towards organically produced food for both environmental and health concerns.
- **The shift can further be reasoned by:**
 - 1) Increased awareness among consumers, farmers, policymakers, and environmentalists about the ill-effects of chemicals in agricultural produce.
 - 2) Growth in the price premium on the exports of organic produce in developed countries.

The Result:

- Across 170 countries, the total land under organic farming has gone up from 11 million hectares in 1999 to 50.9 million hectares in 2015.
- The demand for organic food in India has grown massively too, especially in the urban areas. The organic food sector in India is largely unorganized currently.
- The government of India has played a key role in initiating the right schemes in order to help the organic farmers in the country.
- Since 2015, the government has been promoting organic farming under two dedicated schemes namely, Mission Organic Value Chain Development for North Eastern Region (MOVCDNER) and Paramparagat Krishi Vikas Yojana (PKVY).
- Third-party certification of organic farming is promoted by Agriculture Processed Food and Export Development Authority (APEDA), Ministry of Commerce. FSSAI, the country's apex institution has also participated by introducing 'Jaivik Bharat' framework to promote organic farming. The demand for organic products is showing an uptrend in the market with a parallel surge in supply.



- The Business Process of an Organic Food seller generally has 4 major steps:
 - 1) Procurement
 - 2) Processing
 - 3) Quality Control
 - 4) Sales

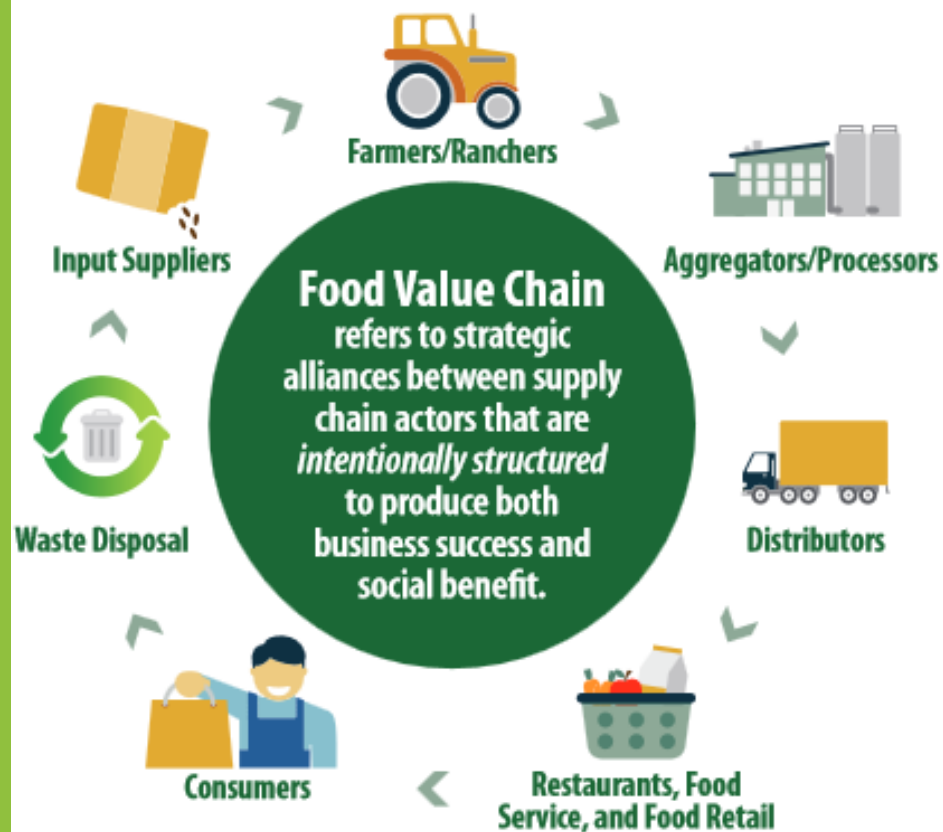
Procurement & Quality Testing

- The Procurement stage involves the selection of a region from which the organic produce has to be sourced. A sample of produce may be obtained from the farmers & checked for its quality.
- If the quality of the organic produce is found to be acceptable, price negotiations take place, post which a purchase order will be placed with the concerned farmers.

Processing & Sales

- The Raw material is received at the cold storage & processed in 4 basic steps: cleaning, grinding, grading, and crushing. The processed material is packed as per market demand. Material quality check is done again. Sales, either retail or in bulk, are made according to the distribution mode of the company.

Organic



CASE STUDIES

FARMWELLA: A Story from Nigeria

Cornelius Adewale founded Farmwella to reduce poverty in his native country Africa by supporting the next generation of farmers.

Cornelius got the idea of organic farming in Nigeria after receiving an undergraduate degree in Agricultural Economics at Obafemi Awolowo University. He used to grow vegetables that Nigerians ate every day like tomatoes, peppers, okra etc. and within two years he increased his land area from 1 to 5 acres.

Seeing how education impacted his life, he wondered how he could help his neighbors from overcoming poverty too. Firstly, he worked on enhancing his knowledge by attending the Washington State University to attain a Ph.D. in Natural Resources & Environmental Science.

There, with mentor Lynne Carpenter-Boggs and others, Cornelius developed Ofoot. Ofoot was an internet-based tool to help organic farmers mitigate the environmental impact on their farms and help in estimating the impact of organic farming methods on soil organic matter and greenhouse gasses.

After completing his Ph.D, he received a \$100,000 funding grant from Bullitt Foundation to start what eventually became Farmwella.

Farmwella matches a farmer with a sponsor who provides the financial resources to lease land and build the farm infrastructure. Farmwella oversees the progress by monitoring through video conferencing. So far,

Farmwella has produced 2575 tons of food, improved 110+ lands, trained 300+ people, and generated close to \$50,000 in income for its farmers. They continue to make sustainable farming profitable and attractive for Africans through efficient production systems, farm support services, and access to profitable markets.



FarmwellaTM

...empowering farmers to feed the planet



A-FRAME FARM: A story from Madison, Minnesota

Luke and Ali Peterson, partners in A-Frame Farm, in 2016, along with farming mentors Carmen and Sally Fernholz, currently farm certified organic acres employing practices like cropping, minimal tillage, and crop livestock rotation with the goal of becoming self-sustaining and truly regenerative.

Luke and Ali started out by buying old machinery, getting some equipment and then farming on their own. After two more years, Luke began selling seed to a local corporation.

But what made Luke Peterson turn to organic farming was the thought of producing more and more food while still preserving the land for the upcoming seasons.

They transitioned their farm to organic in 2014. They planted perennial plants and also introduced a grass-fed beef herd. They now are taking some row crops out of production, introducing grass-fed beef and then rotating that throughout the farm for their fertility source.

Luke and Ali had help from their neighbors too, who had been farming organically for 40 years. The right information at the right time prevented many crop failures and the informational videos on YouTube also served a role in their growth.

The Petersons are harnessing the power of social media to create their own branding and reach out to more and more people to sell their organic produce amidst this pandemic. Working on 500 acres of land, they sell their grains locally to bakeries, other farmers and even to corporations. They are working on building their marketplace and reaching more and more consumers.



A-Frame Farm



JIVAN ORGANICS-

Saritha SS started harvesting vegetables without the use of any chemicals back in 2013. Today, she runs Jivan Organics, an organic food retailing business in Bengaluru.

She started out by visiting farmers and agricultural experts to learn about the basics of organic farming. Then, she began growing organic fruits and vegetables in her garden and supplying them to her friends and family.

She opened the first Jivan Organics store in October 2014 in Yelahanka Newtown in Bengaluru. The store originally sold millets, cold pressed oils, organic fruits and vegetables. After getting a good response from her customers, stoneware and earthenware utensils were added to the range too.

While most businesses were struggling during the COVID-19 pandemic, sales at Jivan Organics increased tremendously as people started buying organic products due to health concerns.

JivanOrganics



BRIGHTCROP: Efforts in North-East India

Brightcrop Agro Products, founded by Manjul Choudhary and Harsh Rakhecha, has one aim: helping organic food growers in processing, production, domestic and export sales of certified natural and organic food products.

Their efforts are solely towards the promotion of sustainable agriculture in India, specially focusing on the North-eastern region where farmers have a broader understanding of organic farming. Their product, Brightcrop, is recognised by the MSME, APEDA and various other government institutions.

They have worked with more than 1,000 small and marginal organic growers in Assam, Manipur, West Bengal and Maharashtra. They have successfully developed a useful and effective supply chain for their products.

Brightcrop has stated that their farmers receive better value for their harvest, 30% extra than the conventional equivalent, just by indulging in organic methods of farming. On-farm expenses have also been reduced by 60% because of the non-usage of external inputs, for example fertilizers and growth hormones.

The company was started with just 2 lakh rupees and has now grown 300% year-on-year from 2020 and the figures are still showing a positive trend. According to the founders of Brightcrop, the presence of various middlemen in the supply chain of these organic products and multi-layer margin has reduced the product costs. The D2C model has helped them hugely in this cascading chain.



**Brightcrop**

A CASE FROM SRI LANKA

The Government of Sri Lanka launched a national program titled 'Vasa Visa Nethi Ratak' in 2016, to make the country free of poisonous agrochemicals, and thereby free it of poisonous or polluted food materials including vegetables, fruits, and rice etc.

Rathnapura and Badbulla districts of Sri Lanka have a higher potential for organic farming as compared to other cultivated areas in the country. The crops cultivated organically in these areas include coconut, tea, spice crops (cinnamon, clove, nutmeg, ginger, and pepper), fruits and vegetables.

There is a booming market for Sri Lankan organic foods in the Middle East. However conventional farming is still widely employed in these districts to meet the local demand.

Most Sri Lankan farmers possess good traditional experience and knowledge related to organic farming, passed down by their ancestors. The Sri Lankan government also takes effort to disseminate knowledge and innovations relevant to organic farming through field level agricultural extension officers.

The most prominent information sources for organic farming are the Agricultural Extension programs, in which the Sri Lankan Government takes effort to disseminate knowledge and innovations relevant to organic farming through field level agricultural extension officers.

The farmers also have a positive outlook towards several aspects of organic farming, including the health-enhancing, employment-generating, environment-protecting and resource-exchanging ability of organic farming.

Besides great potential, these areas also have some constraints for organic farming. The availability of traditional knowledge and experience in organic agriculture and favorable climatic conditions are the main plus points, but labor intensiveness and lack of appropriate quality certifications for organic products continue to pose challenges.

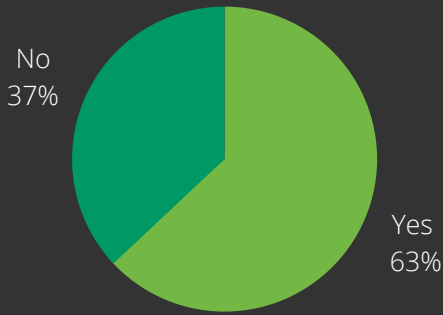
Therefore, it is possible to conclude that the farmers can be motivated towards organic agriculture in these districts if the necessary conditions are provided. Creating efficient and sufficient marketing facilities and reasonable price levels for organic products, providing required facilities for producing organic food, developing a certification process, and a system for processing and value addition will promote organic agriculture among more farmers, thereby supporting sustainable development in these areas.



Survey Results: Consumer Perception

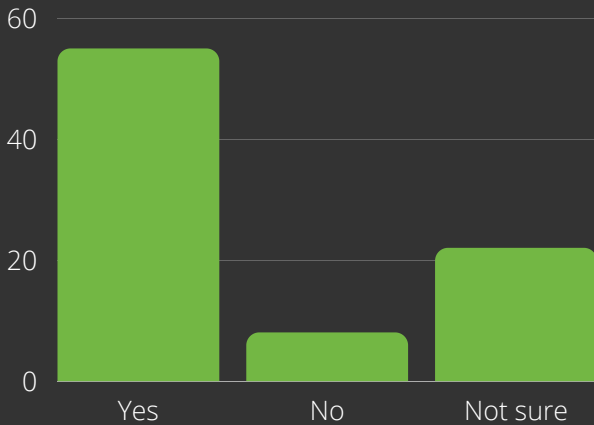
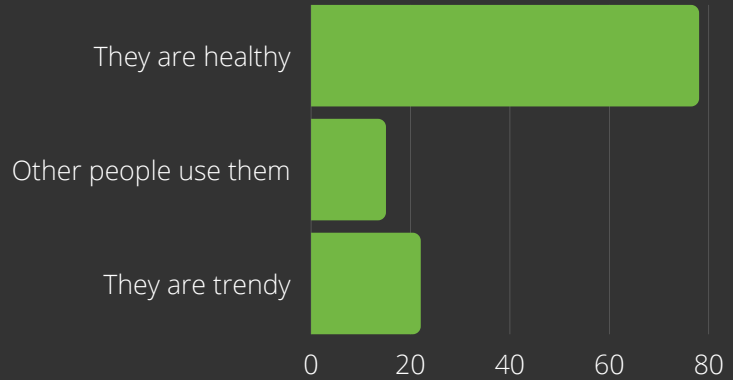
We conducted a survey in which a questionnaire was circulated, attempted majorly by a population of age group 19-35, to understand the viewpoints of consumers and their awareness regarding the industry.





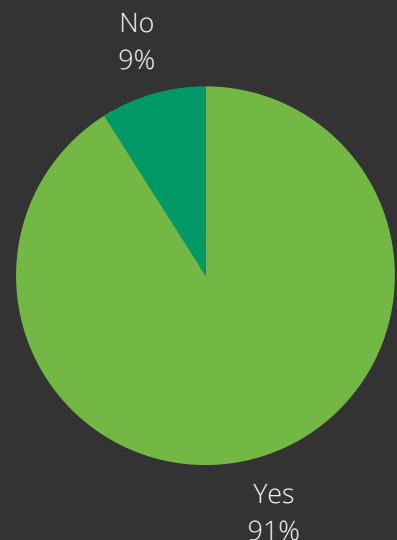
Majority of the respondents we targeted, about 63%, were consumers of Organic Food Products.

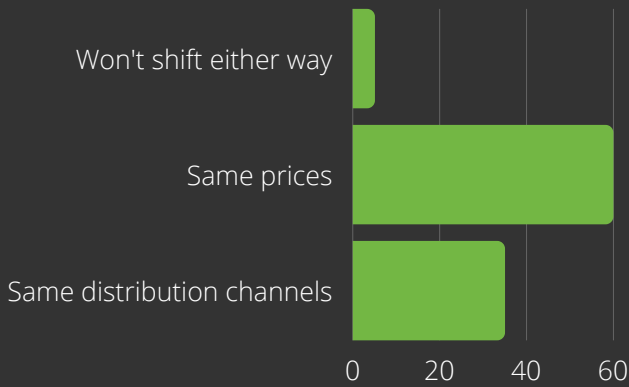
About 78% respondents consumed Organic Food Products because they believed these products have various health benefits, while others cited reasons such as trendiness and having seen other people use organic products.



We found that about 22% of the respondents were doubtful about the existence of any such benefits and while they didn't deny the health factors, they fell somewhere in the middle of the spectrum.

A 91% majority believed that Organic Food Products are priced at a premium and are costlier to buy than conventional food products. This is also a major deterrent to the widespread acceptance of Organic Food Products by consumers.



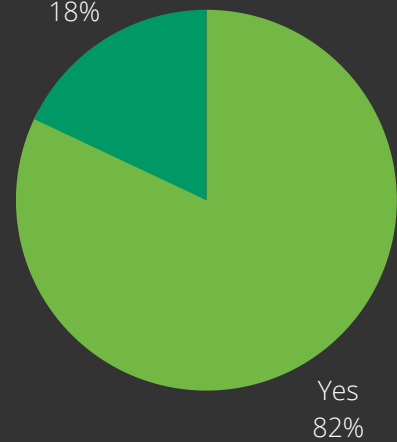


When the non-consumers of Organic Food Products were questioned as to what will make them shift from conventional food products to Organic Products, 60% answered that the Organic produce should be offered at the same price, followed by 35% wanting the organic products to be available through the same distribution channels while the rest won't shift due to either of these

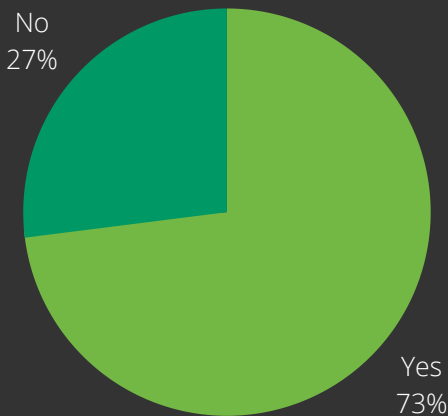
reasons.

No

18%

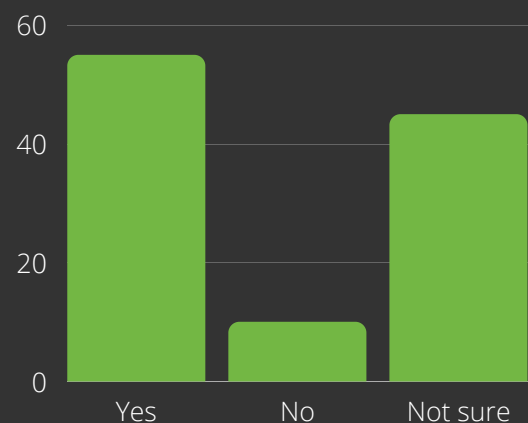


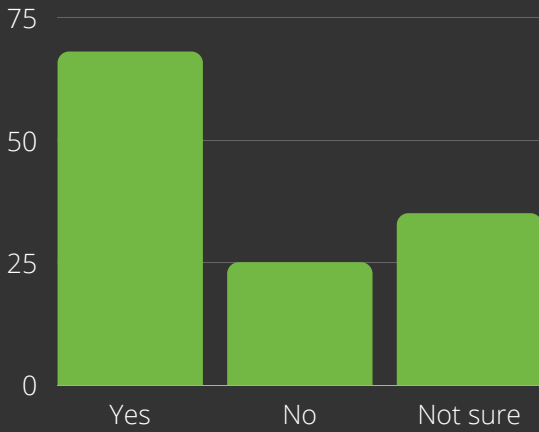
About 82% of the respondents had begun consuming Organic Food Products during the COVID-19 pandemic



Though only 73% believed that organic food could actually provide any real health benefits or enhance the immunity of individuals.

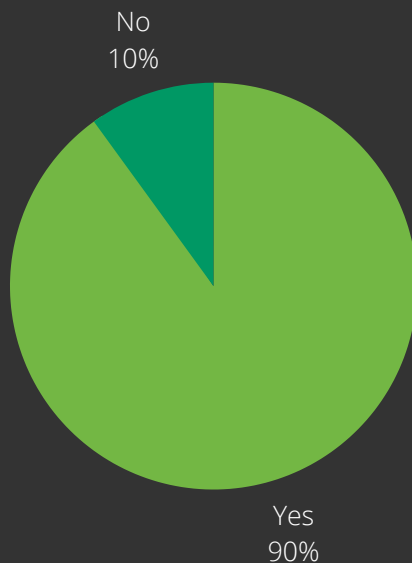
Surprisingly, close to half of the respondents weren't confident about the credibility of the Organic Food Products they purchased when it comes to quality and safety.





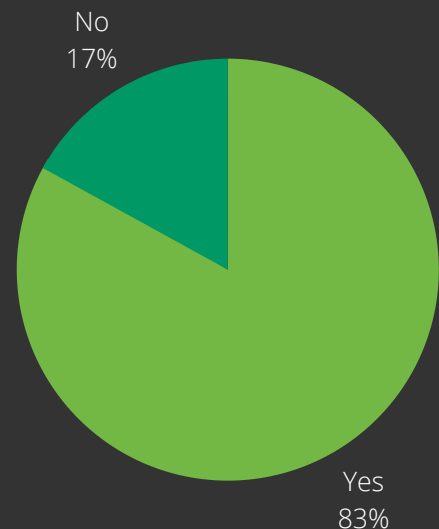
About 54% of the respondents believed that it isn't easy to purchase organic food products, which could point to the lack of transparency and credibility when it comes to sourcing organic products.

Though, 90% of the respondents believed that Organic Products are sustainable and environment-friendly, their preference was still skewed towards conventionally-grown food products with about 64% choosing conventional foods over organic ones.



About 90% of the respondents weren't aware of any government schemes running for the benefit of the Organic Food Industry.

83% of the respondents believe that high maintenance requirements are a hindrance to the growth of the Organic Food Industry.



Market Strategy

Distribution

- Your organic food outlets or stores should be located in populated areas, where people are aware of organic foods and also willing to buy them. There shouldn't be too many **competitors** in the area. It's important to apply for the necessary registrations and permits, especially for the organic food category.
- While selecting the appropriate **distribution channel**, as covered previously in the report, we need to consider aspects like perishability, bulk & weight, the distance between producer and consumer etc.
- **Direct Marketing Channel** would be the best for perishable Organic Produce such as fruits and vegetables. They are quicker than indirect channels and save costs by cutting out the middlemen.
- Organic Food products can be showcased at **Organic-specific trade fairs** as well.
- Organic food companies can sell their products through third-party e-commerce sites which display products, deal and collect orders, manage payments, ship orders and track delivery for a fee.
- Companies can also set up their **own website** for selling and delivering their products.
- **Social Media Shopping** is an increasingly popular entry point. Web-based trend setters, food magazines, and blogs, or specialist social media influencers can help in breaking into untapped markets.
- While online retail can be extremely beneficial during these times, it usually works for packaged, non-perishable Organic Food items like snacks, spices, pulses, grains etc and not for perishable products like fruits & vegetables.



Pricing

- According to a researcher from Aarhus University in Denmark: *“Because consumers view price as a cost, but also a quality cue, all price levels can actually be appropriate for organic products, leaving it to the organic food producers and retailers to fit the pricing strategy to their general strategy goals.”*
- While setting medium price ranges is the most common strategy in organic food markets, setting **low prices** can help to drive up demand and promote **repeat sales** of certain organic food products.
- On the other hand, **setting high prices can increase cross purchases**. If the business has a large assortment of product categories with high differentiation, then setting high prices and targeting higher-income groups is a viable strategy because it drives up cross purchasing of products and can promote a high-quality & exclusive brand image.
- The above strategy can work for those customer groups which associate high prices with high quality.
- Hence, **while a low-cost pricing strategy is considered common to bolster sales, a high-cost pricing strategy can prove to be advantageous provided good research is done to understand the buyers.**



Marketing

- The target market for organic products is usually technologically knowledgeable so reaching out to them through various social media platforms is a good idea.
- Marketing techniques can try to elicit the following psychological responses:
 1. **Concern for Safety** - Caring about the well-being of oneself, their family and of the environment. Products with harmful additives & preservatives are in contradiction to this.
 2. **Need to Nurture** - Need for fruits, meals with vegetables, easy snacks and beverages. The consumer needs to satisfy these desires but doesn't want to expose themselves or their family to harmful additives.
 3. **Egocentric fulfillment** - Feeling like you are being responsible and ethical by avoiding harmful products. You are doing good for your health & fitness by buying organic foods.
- Some of the attributes of consumers of organic food products listed in the study were **altruism, ecology, universalism, spirituality, benevolence and self-direction**. Organic Food companies can ride on these attributes and capture the market.
- Having business partnerships with fitness organizations can help in driving up sales by **Cross Promotions**.
- **Earned Media or word-of-mouth** is essential to promotion of any food brand because when customers buy food products of a particular brand, they are essentially trusting their health to that brand.
- **Short-term Incentives** like discounts and offers are some other common promotional tactics.
- Maintain a **good website** for your brand.
- **Conscious Packaging**, meaning shifting from single-use plastics to environment-friendly options can support the traditional image of an Organic Food brand.
- Coming up with a **Brand Mascot** can make the brand more relatable to the customer.

Conclusion

The purpose of this report was to delve deeper into the Organic Food Industry of India, for which we conducted extensive secondary research. In addition to covering all aspects of the industry, we conducted primary research to understand the consumer's perception of the organic food market.

As per the insights gained from the survey, consumers buy organic food products primarily for the perceived health & nutritional benefits. Majority of the consumers believed that Organic Food Products are priced at a premium and will shift to organic food products if they were offered at the same price.

The COVID-19 pandemic has had an effect on consumer preferences with the more people shifting to organic food products. Regardless, consumers prefer conventional food products due to lack of transparency and credibility when it comes to sourcing organic products.

The Organic Food Industry in India has a lot of scope to reach consumers, both domestically and internationally. Increasing consumer awareness and adopting relevant technologies to enhance the transparency of the organic food supply chains can help consumers in transitioning to organic food products smoothly.

Our report concludes with numerous recommendations and strategies aimed at improving the distribution, pricing and marketing processes of an organic food business.

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