



# The Organic Food Market

A brief Overview and Outlook

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## Overview

The India organic food market is a niche market, but with the rising number of players it is expected to see more penetration in the next few years. With a rising number of health-conscious consumers and spending power, preferences are gradually shifting towards healthier alternatives and this will only mean greater interest in organic products.

Organic products are grown under a system of agriculture without the use of chemical fertilizers and pesticides with an environmentally and socially responsible approach. India produced around 2.75 million Metric Ton (MT) in 2019-20 of certified organic products which includes all varieties of food products namely Oil Seeds, Sugar cane, Cereals & Millets, Cotton, Pulses, Aromatic & Medicinal Plants, Tea, Coffee, Fruits, Spices, Dry Fruits, Vegetables. Organic food products also include organic candies, organic fruit bars, organic pickles, peanut butter, honey, processed foods and many others. India's rank 8th in terms of World's Organic Agricultural land and 1st in terms of total number of producers as per 2020 data (Source: FIBL & IFOAM Year Book, 2020). The Government of India encourages organic farming by launching various government schemes, such as the Mission for Integrated Horticulture Development (MIDH), National Food Security Mission (NFSM), NMSA, and Rashtriya Krishi Vikas Yojana (RKVY).

The India organic food market stood at a value of USD 849.5 million in 2020. The market is further expected to grow at a CAGR of about 20.5% in the forecast period of 2021 and 2026 to reach a value of about USD 2601 million by 2026.

## Drivers

The Government of India is keen to involve the private sector in organic food business, and is trying to come up with supporting regulations. The APEDA (Agricultural and Processed Food Products Export Development Authority), Ministry of Commerce & Industries, Government of India is implementing the National Programme for Organic Production (NPOP). The programme involves the accreditation of Certification Bodies, standards for organic production, promotion of organic farming and marketing etc.

Major driver for the Industry is rising consciousness amongst people about the side effects of artificial chemicals in food production has boosted the growth of organic food in recent years. With the booming fitness industry will have a positive impact on Organic foods.

Pesticides that are used in non-organic farming are leading to the depletion of water tables and soil contamination. As we know, organic farming is eco-friendly and more sustainable since there is no soil and water contamination from use of synthetic chemicals. Organic farming also prevents the adverse effect chemicals used in farming have on small animals and other fauna who live in and around these farms.

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The extensive use of antibiotics on livestock is leading to a poor immune response in humans. Concerns only heightened during the pandemic where we saw an increased awareness of health as individuals looked to bring in healthy choices in their lives to take care of their immunity and overall health. Animals that are organically raised do not receive these antibiotics and do not feed on any animal by-products. The animals also have more space to move about outdoors, which ensures better health for the animal.

## Restrains

India is a price sensitive nation, with great disparity in the earning power. Organic food, due to various factors, steeper the 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 led to consumers being priced out of consuming organic food.

## Import and Export

The key markets for Indian organic food product exports include developed countries such as the European Union (EU), the US, Canada, Switzerland, Japan and Australia, developing countries such as Bhutan, Middle Eastern countries such as Saudi Arabia, and member countries of the Association of Southeast Asian Nations (ASEAN). The annual growth of Indian organic food market is at 20%–30%. The total volume of export during 2019-20 was 6.389 lakh MT. The organic food export realization was around ₹4,686 crore (689 million USD).

All food products imported into India and which claim to be organic must comply with the applicable provisions laid down in the FSS Act, 2006 and regulations made there under in addition to the provisions of the Food Safety and Standards (Organic Foods) Regulations, 2017. Due to this reason there are less imports compared to exports. The imports of organic food amounted to \$1,102,839.

## Supply Chain and Initial Investment

There is huge potential for new players to establish direct linkages with the farmers or producers of Fruits, nuts and spices and enter into packaging & distribution and also enter the export business for European market as well as the US market. The Initial investment of getting into such a domain will be purely incurred towards the setup of a storage unit plus the purchases of ₹1 Lakhs to 3 Lakhs on the basis of demand.

## Conclusion

From the past few years, Organic food market has grown significantly due to the rise in health consciousness amongst the population. We understand that the cost for such products is comparatively high, therefore we recommend to focus on Urban areas, also as a higher number of health-conscious population is found in those areas. It is also found that the Organic products are not

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easily available in the market which states that there is supply gap in the market. Also, there are less distributors for organic products making it a good market to enter. Starting an organic food store or transport business is a good idea and can be very profitable provided careful and detailed planning is done, the right ties are set up, and it is managed and marketed well.