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Report Highlights:

India's organic agricultural, food, and retail sectors are going strong despite the COVID-19 pandemic in market year (MY) 2020/2021 (April-March). India's organic products exports surpass $1 billion, with the United States absorbing 54 percent of these exports. Domestic consumption of organic food products has grown during the period, driven by growing preferences for healthy and immunity-building foods. India's APEDA reports that in MY 2020/2021 organic crop production reached 3.2 million metric tons (MMT), up 36 percent compared to MY 2019/2020. Oilseeds, fiber crops, sugar, cereals, and millet are the major organic crops being produced in India. However, challenges related to India's organic control system and increased incidences of fraud continue to impact the credibility of India's organic sector, and its exports.

GENERAL INFORMATION

With the backdrop of the coronavirus (COVID-19) pandemic outbreak of 2019, Indian consumer awareness regarding the benefits of immunity building, nutritionally rich food is growing by leaps and bounds. Increasingly, consumers perceive organic foods as being higher quality, safer foods.

India counts with has the highest number of organic farmers on the planet. Forty-four percent of the world's certified organic farmers operate in India.[1] Despite this high number of certified organic farmers, India's total certified organic cultivated area of 2.3 million hectares accounts for but three percent of the global total area of 72.3 million hectares under organic cultivation. Organic production per hectare, compared to conventional production, is lower.

FAS New Delhi (Post) estimates India's organic products market (encompassing food and beverages, health and wellness, beauty and personal care, and textiles) growing to $10.1 billion by 2026. This is impressive considering that in 2020 the organic products market was estimated at $815 million. India is a significant producer of organic crops, which benefits the domestic market and facilitates exports. India in market year 2020/2021 (April-March) exported roughly $1.04 billion worth of organic products. Helping to fuel organic agriculture's meteoric growth have been a slew of Indian government programs encouraging organic farming. Incentives have been so successful, that even now India's remote northeast region is producing organic products for export – thanks to improved market linkages between producers and agribusinesses, better organized retail, and eCommerce.

Notwithstanding the successes in expanding production and the commercialization of organic foods, the organics industry is experiencing growing pains. Earlier in 2021, the United States initiated anti-dumping duty and countervailing duty investigations against Indian organic soybean meal exports.[2] Oversight and compliance concerns with India's organic certification program prompted the U.S. Department of Agriculture's (USDA) National Organic Program (NOP) to terminate its organic recognition agreement with India's Agricultural and Processed Food Products Development Authority (APEDA) on January 11, 2021 (see, GAIN-INDIA - IN-2021-0007 – USDA AMS Ends Organic Recognition Agreement with India).[3]

Fraudulent cotton transaction certificates initially detected by the Global Organic Textile Standards (GOTS) following surveillance audits involve 20,000 metric tons (MT) of falsely labeled organic cotton. Also in 2020, detection of ethylene oxide residues exceeding permissible thresholds were found in European Union (EU) bound shipments of organic spices and sesame seed.[4]

India's organics sector continues to confront supply chain challenges, despite improvements made in storage and transportation of products to market. There are still concerns with food waste, resulting from ample production of commodities such as perishable horticultural products that just do not make it to market in time. Domestic demand for organic food and agricultural products remains concentrated in India's urban centers.

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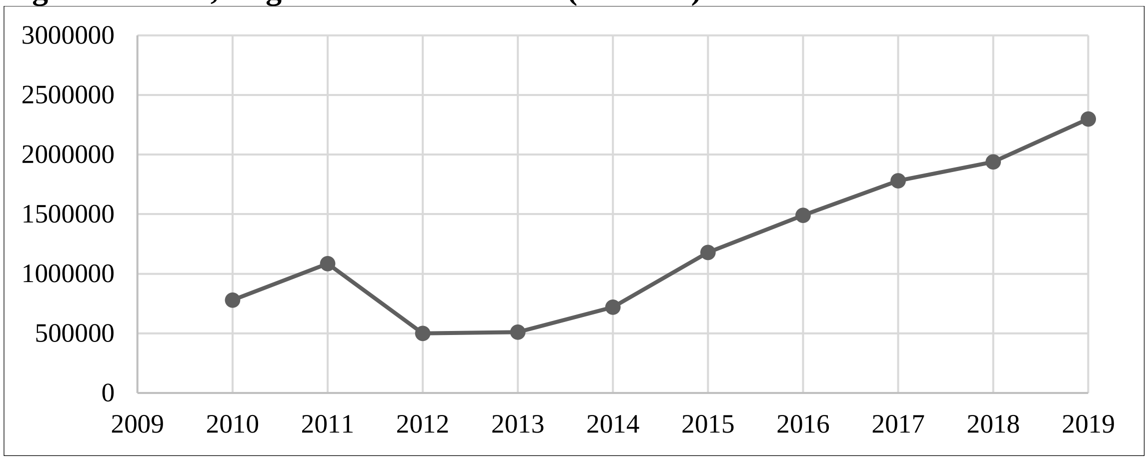
[1] India's Market Year for organic production is April to March.
[2] Source: United States International Trade Commission Press Release.
[3] APEDA is an organization under the Ministry of Commerce and Industry. It has oversight responsibilities for organic agricultural and products.
[4] Source: Organic Market Info, December 21, 2020.

PRODUCTION

Organic Area: India, with 2.3 million hectares of certified organic land under cultivation, ranks fifth globally in total area under organic production.[5] In calendar year (CY) 2020 (January-December), certified organic land accounted for two percent of India's total agricultural production area. In 2020 organic cultivated acreage increased by some 30,000 hectares, growing by one percent from 2019 levels (figure 1).

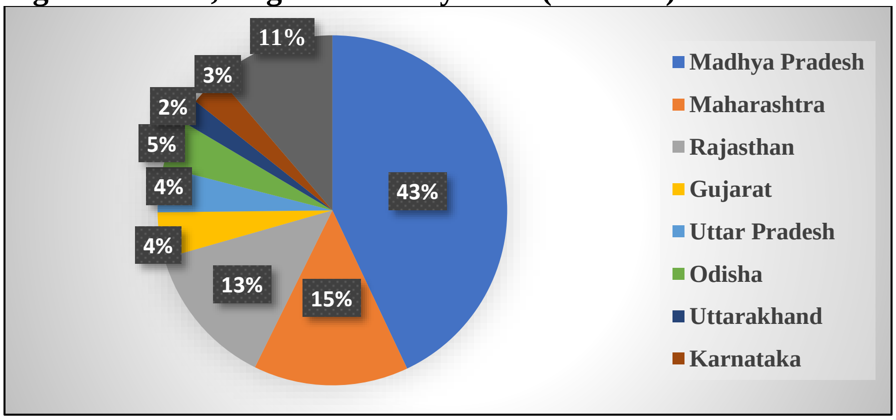
Figure 1: India, Organic Area Farmland (hectares)



Source: Research Institute of Organic Agriculture, 2021.

The Indian states of Madhya Pradesh, Rajasthan, Maharashtra, and Gujarat count with the most land under organic certification (figure 2). Total area under organic conversion for these four states is estimated at 1.3 million hectares. Sikkim is India's full-fledged organic production state, with the entirety of its 76,000 hectares of arable farmland certified organic.

Figure 2: India, Organic Area by State (hectares)



Source: APEDA.

[5] The 2.3 million hectares certified organic land under cultivation number excludes some 1.68 million hectares utilized as wild harvest areas and 1.7 million hectares being converted to organic production. India, by hectares in 2019, trails Australia (35.69), Argentina (3.67), Spain (2.35), and the United States (2.33) based on the FiBL survey 2021.

The Indian state of Uttarakhand is the first to introduce a state-level act on organic farming, seeking to certify 31 percent of its total agricultural area as organic by the end of 2021 (see, India-Code). By December 2020, Uttarakhand had managed to certify 23 percent of its total agricultural productive area as organic acreage. The Uttarakhand Act (2019) regulates both organic operators, as well as the sale of chemical fertilizers. This act, through the Organic Uttarakhand initiative, seeks to simplify the certification process. On May 5, 2021, Uttarakhand exported its first shipment of Himalayan regionally produced finger millet and barnyard millet to Denmark (see, Press Information Bureau [PIB]).

Organic Operations: In 2021, India has 1.19 million registered certified organic farmers. It has another 1.13 million farmers practicing organic farming methods under the Participatory Guarantee System (PGS India), a locally focused quality assurance system adapted to local markets. However, with USDA/National Organic Program's termination of the mutual recognition agreement with APEDA (2021), a wave of new certifications has ensued. Some 2,100 organic operations are seeking NOP-accredited certification.[6]

Organic Crop Production: India's APEDA reports that in MY 2020/2021 organic crop production reached 3.2 million metric tons (MMT), up 36 percent compared to MY 2019/2020.[7] Oilseeds, fiber crops (cotton), sugar, cereals, and millet are the major organic crops being produced in India (table 1).

Table 1: India, Organic Crop Production by Crop Category (metric tons)

Category	2019/2020	2020/2021	Year-on-Year change (%)
Oilseeds	1,069,178	853,755	(20)
Fiber (cotton)	335,794	811,008	142
Sugar	335,794	797,628	138
Cereals and Millets	271,534	321,006	18
Spices and Condiments	57,379	104,821	83
Pulses	70,886	91,040	28
Medicinal Plant Products	70,436	80,534	14
Fresh Fruits and Vegetables	64,044	67,350	5
Tea	44,771	42,121	(6)
Coffee	20,149	22,402	11
Flowers	7,226	13,191	83
Dry Fruits	8,481	11,500	36
Fodder	8,733	11,060	27
Other	2,486	5,797	133
On-farm Processed Food	2,753	4,004	45
Tuber Products	4,653	3,135	(33)
Total Organic Production	**2,374,299**	**3,240,349**	**36**

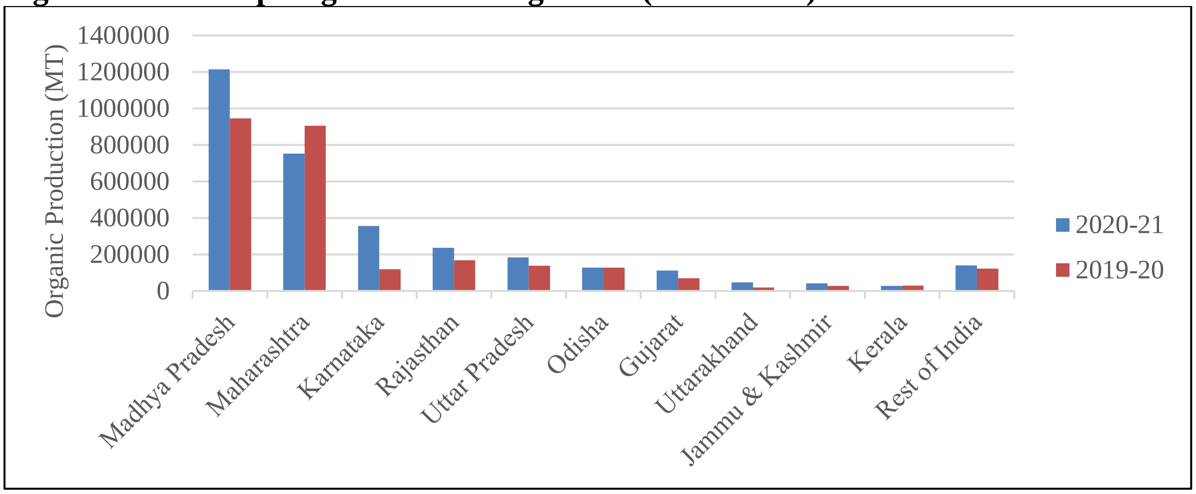
Source: APEDA, FAS New Delhi office research.

In 2020/2021, the Indian state of Madhya Pradesh was the country's largest organic producer. Production increased by volume 28 percent compared to the previous year. However, during this same

[6] Reportedly 150 individual farm producers, 1,300 internal control system (external certification inspectors) grower groups, 700 traders and processors, and 50 wild harvest operators are seeking to certify with NOP-accredited certification bodies.
[7] This figure excludes around 27,808 metric tons (MT) of wild harvest production.

period, Maharashtra state saw a decrease of 17 percent due to disruptions in the organic cotton supply chain. Production in Karnataka at the same time skyrocketed 201 percent. Production in Rajasthan and Uttar Pradesh jumped by a more measured 41 and 32 percent respectively (figure 3). This excludes approximately 37,000 MT of cumulative organic production for Indian farms under organic conversion.

Figure 3: India Top Organic Producing States (metric tons)



Source: APEDA.

POLICY

Domestic Organic Program and Policy: APEDA's National Program for Organic Production (NPOP) (2002) is the central regulatory system for Indian organic agriculture. It encompasses the National Standards for Organic Production (NSOP), which are based on International Federation of Organic Agriculture Movements (IFOAM) standards. The NPOP includes rules for the accreditation of certification authorities, guidelines for certifying growers, and rules for the use of India's organic label.

The Indian government is promoting organic agriculture as part of the *Paramparagat Krishi Vikas Yojana* (Traditional Agriculture Development Scheme), a part of the National Mission of Sustainable Agriculture. It provides producer guidelines for developing sustainable organic farming models through technical best practices, quality assurance and institutional cluster-based producer models. Under the program, farmers receive $671.2 per hectare (~INR 50,000/hectare) in financial assistance over three-years. About $416 is provided through inputs including biofertilizers, biopesticides, organic manure, and compost, among others. The government is also implementing its Large Area Certification program to transform "Traditional Organic Areas" into certified organic production hubs (see, PIB).[8]

The northeastern states of Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, and Tripura are governed by Mission Organic Value Chain Development for North Eastern Region (see, MOVCDNER).[9] At the same time, the government maintains the "India Organic" national seal, used by exporters, processors, and manufacturers. Organic certification is carried out by a third-party inspection agency under the NPOP's purview (see, NPOP accredited certifiers).

[8] Lands considered by the Government of India to be under organic agriculture methods for centuries.
[9] See Organic Farming Association of India for additional information on state-specific organic focused domestic policies. For a description of India's domestic programs, see GAIN-INDIA - IN-2020-0064 – Indian Organic Foods Market Report.

CONSUMPTION

Organic Foods Market Size and Trends: India is an attractive, emerging market for organic food and beverages. By 2024, market sources put India's market size for domestic organic food and beverages reaching $138 million, growing at an annual compound growth rate of 13 percent [CAGR 2019-2024]. Market access for foreign origin imported products, however, remains a challenge.

There is a slew of regulatory import requirements that stymies access to the market. At the same time, the domestic organic sector is producing competitively priced organic foods and beverages. India's domestic consumption of organic products however lags, accounting for less than one percent of the global value demand (in 2019, per capita expenditure was $0.06).[10] However, even as India ranks 49th globally in terms of per capita organic market size, it comes in fourth in terms of global value growth.[11]

India's total organic packaged food and beverage consumption in 2020 is $85 million. SRESTA Natural Bioproducts, with its 24 Letter Mantra brand, leads the organic products sector by sales. It counts with a 2020 market share of over 28 percent. Organic India (14 percent), and Chamong Tea Exports (seven percent) follow as domestic market leaders. The organic retail foods market landscape, however, is fragmented. Thanks to accelerated demand, along with shifting consumer preferences toward organic foods in urban centers, there has been breakout of smaller companies seeking to increase their market share through competitive pricing.

Table 2: India, Organic Products Consumption ($ million)

India: Organic Packaged Food and Beverage Consumption ($ million)								**CAGR* (16-19) %**	**CAGR (20-22) %**
Category	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**		
Organic beverages**	38	44	53	63	71	81	92	18%	14%
Organic packaged food consumption	8	9	11	13	14	15	17	18%	9%
Total Combined Organic packaged food and beverages	**45**	**54**	**64**	**75**	**85**	**96**	**108**	18%	13%

Notes: (*) Compounded Annual Growth Rate. CY 2021 is estimated, 2022 is forecast (out year). (**) This category includes packaged food & beverages that are certified organic by an approved certification body. Fresh food products and or individual ingredients are not included within this category.
Source: Global Organic Trade Guide.

Indian retail growth significantly declined during the COVID-19 pandemic and related national lockdowns. However, India's mom-and-pop stores (*kirana*) and e-commerce (hyperlocal food delivery companies) became the mainstays supporting Indian consumers, especially in Tier II and III cities[12]. Organic product supply and distribution throughout the pandemic has remained unfazed despite some temporary disruptions. Sales increased thanks to shifting consumer behavior, with a growing positive perception of organic products. Categories that gained the most included essential foods such as organic eggs, dairy, and fruits and vegetables. Despite the 2020/2021 COVID-19 national lockdowns, retail sales of organic foods surged from March 2021 onwards. Driving demand for organic products is a

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[10] India has a population of 1.3 billion, growing 1.04 percent annually (Central Intelligence Agency, July 2021 estimate).
[11] Global Organic Trade Guide, https://globalorganictrade.com/country/india.
[12] Tiers classify Indian cities based on population density. Tier II cities include Jaipur, Agra, Mysore, and Bhubaneswar.

growing number of consumers perceiving these products as offering improved immunity, better quality, and increased availability through online/eCommerce channels.[13] Organic teas, condiments, dressings, sauces, and fruit nectars are the most consumed organic packaged food and beverage categories.

India's young, highly educated consumers are concerned with chemicals and pesticide residues in food products. This demographic is spurring demand for organic products. Supermarkets, convenience stores, and hypermarkets such as Future Group, Avenue Supermarts (DMart), Reliance Jio (JioMart), the Aditya Birla Group/More Retail are some of the retail points for this influential group of consumers.

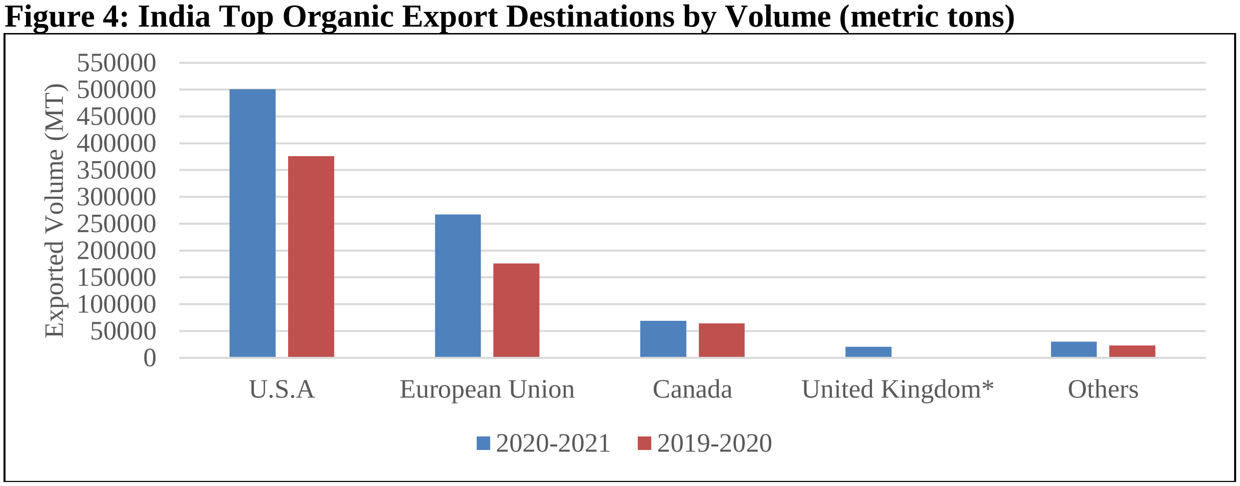
Indian high-income consumers are similarly propelling organic food and beverage consumption. High-end hotels and restaurants are offering specialized organic menus for patrons. This is leading to the mushrooming of specialty organic stores catering to high-income consumers in Tier-1 cities. Even India's Prime Minister Narendra Modi is known to promote consumption of organically produced foods.

Social media channels actively promote organic products. Brand engagements along with product placements on Instagram, Facebook, and others help promote organic product awareness and influence audiences' tastes. However, the price premium associated with organic products hinders lower-income consumer access.

TRADE

Organic Exports: India's exports organic agricultural products in MY 2020/2021 grew 39 percent to 0.88 MMT reaching $1.04 billion. The United States, European Union (EU), and Canada are the largest export markets for organic products. India's organic product exports to the United States are already up 33 percent this year; while exports to the EU are up 52 percent and those to Canada up seven percent.

Figure 4: India Top Organic Export Destinations by Volume (metric tons)



Note: Exports to the United Kingdom (UK) for 2019/2020 are captured within the EU volumes.
Source: APEDA.

India's top organic products exports (by value) include oilseeds (36 percent) followed by cereals and millets (26 percent), and sugar (17 percent). Good export volumes exist for spices and condiments (four

[13] PureEcoIndia, https://www.pureecoindia.in/were-selling-more-than-before-pandemic-indias-organic-food-industry-rutaksha-rawat/.

percent), as well as for fodders and teas (both at three percent). India exported in MY 2020/2021 over 660,000 MT ($588 million) of organic processed food products. Organic processed foods are India's largest organic export product category to the United States (table 3).

Table 3: India, Exports of Organic Products to the United States

Category	2020/2021	
	Volume (MT)	Value ($ million)
Processed Foods	409,424	360
Oilseeds	33,688	41
Cereals and Millets	22,906	32
Sugar	14,646	10
Pulses	6,497	14
Spices and Condiments	6,122	33
Medicinal Plant Products	1,887	29
Dry Fruits	1,519	15
Tea	1,319	9
Coffee	1,162	4
Tuber Products	825	2
Essential oils	113	5
Flowers	175	2
Others	651	3
Total	**500,936**	**558**

Source: APEDA.

Notwithstanding the 2020/2021 COVID-19 pandemic and the national lockdowns that led to unprecedented marketing and supply chain disruptions, India's organic product exports still shot up 51 percent in MY 2020/2021 to hit $1.04 billion. The United States is India's key organic product export destination, absorbing 54 percent of Indian exports. United States imports of Indian organic products reached $558 million in MY 2020/2021, up 58 percent from the previous year.

Decision to Initiate Antidumping and Countervailing Duty Investigations: On March 31, 2021, the Organic Soybean Processors of America, a U.S. industry association filed a petition with U.S. Department of Commerce and the U.S. International Trade Commission (USITC) against 19 Indian exporters and five U.S. importers, alleging that organic soybean meal (OSBM) from India is being imported into the United States at less than fair value and seeks imposition of antidumping and countervailing duties.[14] The petitioners have alleged a calculated anti-dumping margin of 154.12 percent *ad valorem*, and a countervailing duty margin above the *de minimis* (see, Federal Register).

On May 14, 2021, the USITC determined that there was reasonable indication that U.S. industry was materially injured by OSBM exports from India. As a result, the U.S. Department of Commerce has continued its investigations, with a preliminary determination expected in September 2021.

[14] The anti-dumping duties are levied on goods being imported at a substantially lower price whereas the countervailing duties are levied on subsidized products in the originating or exporting country.

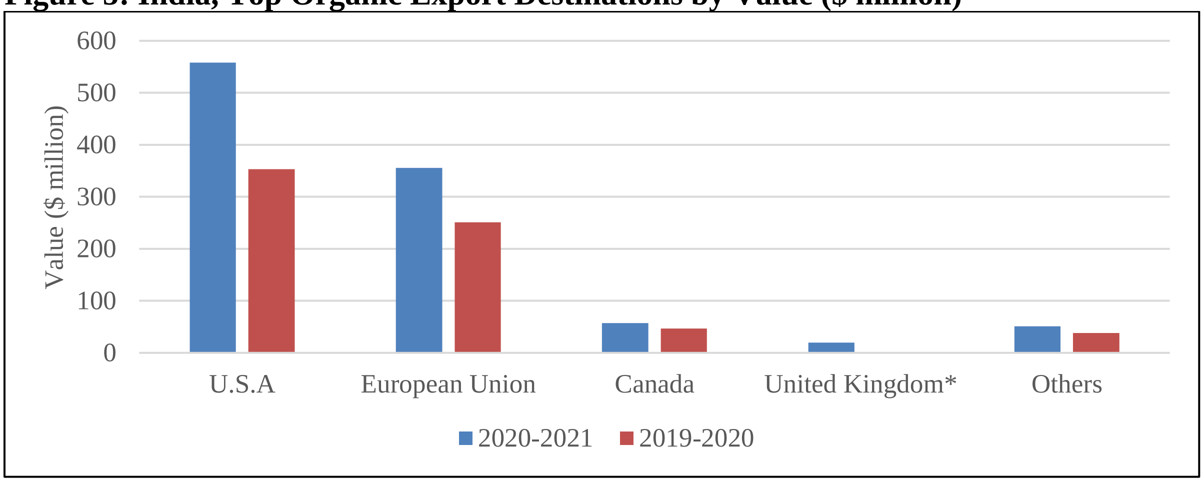
India is the largest supplier of OSBM to the United States, maintaining a 42 percent market share of combined OSBM and raw organic soybeans of these imports into the United States. Imports of organic soybean meal from India saw triple digit growth between 2016 and 2019 and grew by 30 percent in 2020 year-on-year. India's organic soy exports include round soybean cake, ground soybean chips, and soybean flakes, which are used as animal feed ingredients for U.S. organic poultry (75 percent) and dairy (25 percent) operations. Marginal volumes are used for other organic livestock operations including pork production. Typically, Indian OSBM oil content is one to two percent. However, recent OSBM exports have contained approximately six-to-seven percent oil content, based on requested specifications from U.S. importers.

Table 4: India, Organic Soymeal Exports to United States

Calendar Year	Value ($ million)	Volume (MT)
2016	18	21,776
2017	38	53,161
2018	86	129,893
2019	191	304,772
2020	248	386,817

Note: HS Code 2304.00.0000 includes Organic Soybean Cake and Meal.
Source: [Global Agricultural Trade System](), FAS New Delhi office research.

Figure 5: India, Top Organic Export Destinations by Value ($ million)



Note: Note: Exports to the United Kingdom (UK) for 2019/2020 are captured within the EU volumes.
Source: APEDA.

Trade Agreements: India is identifying Geographical Indication certified organic products for exports. India currently has equivalence agreements with the EU (unprocessed plant products only) and Switzerland. The Indian government has widely publicized it and is currently in dialogues with multiple governments, including Taiwan, South Korea, Japan, Australia, UAE, and New Zealand for attaining mutual recognition agreements for exports of organic products from India (see, Economic Times).

Currently, no regulations or agreements exist for the import of organic products from foreign countries to India. International organic standards are not formally recognized as equivalent by India, but there is a conformity assessment with a limited number of countries. Only organic products certified according to U.S. NOP standards can be imported to India for the purpose of re-export to the United States. Certified organic products imported to India for the purpose of re-export require recertification according to NPOP standards.

Termination of USDA-APEDA Recognition Agreement: Because of fraudulent activity, on January 11, 2021, the USDA NOP terminated its organic recognition agreement with APEDA. The agreement with APEDA was terminated due to India's inability to effectively manage its organic program, leading to significant concerns about fraudulent organic products exported from India to U.S. livestock operations, processors, and consumers. The 2006 agreement had allowed APEDA-accredited certifiers to provide USDA organic certification in India. The National Organic Program has provided an 18-month transition period for certified organic operations in India to become USDA-certified by July 12, 2022. USDA organic certification by a USDA-accredited certifier will be required to import organic products from India into the United States (see, GAIN-INDIA - IN2021-0007 – USDA AMS Ends Organic Recognition Agreement with India and GAIN-INDIA – IN2021-0073 – U.S.-India Organic Transitory Timeline for Market Access and Accreditation).

Exports to India: Organic food exports to India under bilateral or multilateral agreements based on the equivalence of organic standards between NPOP and exporting countries shall not be required to re-certify on import. All organic food consignments should be accompanied by a Transaction Certification issued by an accredited certification body covered under the terms of equivalence agreement. Since July 1, 2018, food business operators in India are required to follow the Food Safety and Standards (Organic Foods) Regulations, 2017, which mandates the use of the Food Safety and Standards Authority of India (FSSAI) organic logo on the primary label of all certified organic products entering India.

Table 5: Organic U.S. Product Exports to India

Product	Values in Thousands of Dollars ($)					
	2016	**2017**	**2018**	**2019**	**2020**	**% Change**
Apples Fresh	1,082	2,806	2,403	1,004	1,098	9
Vinegar and Substitutes	0	0	704	648	677	4
Pears, Fresh	26	90	0	38	66	74
Cauliflower	0	0	0	8	7	(13)
Milk	0	0	0	4	3	(25)
Potatoes	0	8	0	0	0	0
Cherry Tomato	0	8	0	0	0	0
Lettuce, Non-Head	10	0	0	0	0	0
Carrots	12	0	67	0	0	0
Grapes, Fresh	71	33	0	0	0	0
Strawberries, Fresh	0	0	24	24	0	0
Coffee, Roasted, Non-Decaf	0	5	0	30	0	(100)
Tomato Sauce	12	40	0	0	0	0
Peas	445	167	21	0	0	0
Peach/Nectarine Fresh	0	0	0	12	0	(100)
Total	**1,657**	**3,157**	**3,218**	**1,768**	**1,852**	***5**

Note: (*) 2020-2019 year-on-year change.
Source: Global Agricultural Trade System, FAS New Delhi office research.

In 2020, the United States exported an estimated $1.85 million in organic products to India, a decline of 42 percent since 2018. Reasons behind this decline include ambiguous regulatory policies and overlapping import requirements between APEDA and the Food Safety and Standards Authority of India. While the overall value is small, there remains significant growth potential in the next four years, absent market access challenges. U.S. exporters of organic products find a limited, but dedicated, and rapidly growing consumer segment that remains interested in U.S. organic food categories including flours and grains, apples, and vinegars/apple cider vinegar, and pears.

Prospects for Organic Foods: The Indian organic food and beverages sector is still at an emerging stage. It is nonetheless rapidly developing due to growing consumer demand. This growth is attributed to increased consumer attention on healthy eating due to the pandemic, new consumer-oriented products, wider availability across cities, and the new brands selling organic products. In recent years, the Participatory Guarantee System has enabled the entry of many smaller sized companies (private label or new entrepreneurs), thereby increasing price competition.[15]

A growing emphasis on healthy and immunity building foods will continue to drive demand for imported organic food and beverage products, led by categories like organic teas, juices and apple cider vinegar. Organic dairy products and fruits and vegetables maintain the highest growth potential in the Indian market.

Nevertheless, many challenges remain for foreign companies exporting to India given the government's move toward "self-reliance," including for organic food and beverage products. Despite the market size and growth potential, exporters and investors may continue to face non-transparent and often unpredictable regulatory challenges in India's organic sector.

Attachments:

No Attachments.

[15] India's PGS is a quality assurance initiative designed to be locally relevant, emphasizing the participation of stakeholders, including producers and consumers and operate outside the frame of third-party certification.