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Foreign Agricultural Service

GAIN Global Agricultural Information Network

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Report Highlights:

India's organic food and beverage consumption has grown in recent years due to its advanced demographic dividend, improved purchasing power and increased interest for the perceived health and wellness benefits of certain organic products. In market year (MY) 2019, organic food and beverage retail sales reached $69 million and is estimated to further rise by 12 percent to $77 million in MY 2020. Further propelled by a surge of demand in the wake of the COVID-19 pandemic, India continues to be an emerging market for organic food and beverages with robust prospects. With predicted favorable weather patterns, monsoons and a strong focus by the Indian government towards exports to fill U.S., European Union (EU) and South Asia demand, India's certified organic cropland will likely increase.

Market Summary

India is home to 30 percent of total certified organic producers in the world, but accounts for just 3.3 percent (1.9 million hectares) of total organic cultivated area at 57.8 million hectares. A burgeoning middle class with higher disposable incomes, rapid urbanization, elevated concerns for the safety and quality of food and a growing niche of consumers embracing wholesome or naturalistic lifestyles are all factors driving domestic organic food consumption. India's organic food sector is expected to grow at a compound annual growth rate (CAGR) of 10 percent in the MY 2016-2021 period from US $386.32 million in 2015 and reach US $10.75 billion mark by 2025. In the last few years, contribution to the growth in the Indian organic foods landscape has included various national level schemes to encourage organic farming, initiating new exports from the remote North East region, and improved market linkages of producer clusters with agribusiness, phytochemical, organized retail and e-commerce firms.

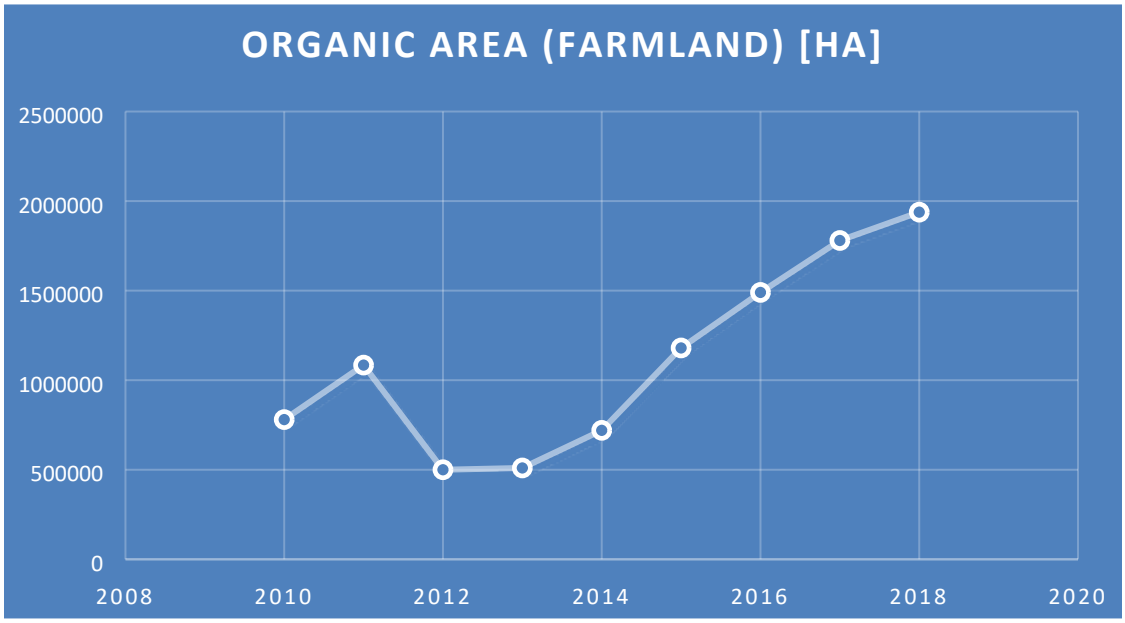
However, the Indian organic food industry is curtailed by multiple challenges including reduced farm production per hectare, a general apprehension among farmers to forego the use of chemical fertilizers and pesticides and higher storage and transportation costs due to the lack of preservatives required for long-term storage. These complexities all result in higher food prices for consumers, thereby attracting only a niche segment of customers. Another prominent factor exacerbating the challenge of Indian organic agriculture is waste due to ample supply, demand that is confined from largely urban centers and often inaccessible for many producers and other supply chain inefficiencies.

Organic Farm Production

India's MY 2018-19 organic area accounted for 1.08 percent of total agricultural land and reached 1.93 million hectares, an 8.8 percent increase from 2017 (Figure 1). This excludes 1.49 million hectares for wild harvest collection. The states of Madhya Pradesh, Rajasthan, Maharashtra and Uttar Pradesh have the largest area with organic certification. Furthermore, Sikkim, a north-eastern province in India declared itself the first "organic state" of the world, as all its farmland (76,000 hectares) has been certified organic since 2015. Primary crops grown in the state are fruits (Sikkim mandarin, pear, guava and kiwi); spices (ginger, turmeric and cherry pepper), flowers (cymbidium orchids, anthurium and rose) and mushrooms.

In MY 2019, 453,622 farmers were practicing organic farming under the Participatory Guarantee System (PGS India) and 1.14 million farmers were registered under third party organic certification. With predictions of a normal monsoon at 96 percent of the long period average from the Indian Meteorological Department, and a lower probability of deficient rainfall both indicate that India's reservoirs and ground water levels will rebound (IMD Press Release April 15, 2020). This will likely result in improved production and farmers will see opportunities to transition to organic and reduce the use of pesticides or other non-organic fertilizers.

Figure 1: Organic Area Farmland in India



Source: FiBL (2020)

Organic Crop Production

Per the latest data available with the Agricultural and Processed Food Products Export Development Authority (APEDA), MY 2018-19 certified organic production for all crop categories stood at 2.6 million metric tons (MT). Sugar crops (sugarcane), oilseeds, cereals and millets, fiber crops, pulses, medicinal, herbal and aromatic plants, and spices/condiments are the highest produced organic commodities in India. (Table 1) The largest producer for organic food was Madhya Pradesh, followed by Maharashtra, Uttar Pradesh and Rajasthan. (Table 2)

Table 1: Organic Crop Production MY 2018-19 by Crop Category

India: Category wise Production MY 2018-19			
	Farm (Cultivated area) production (MT)		
Crop Category	**Organic**	**In Conversion**	**Total**
Sugar crops	984730	6910	991640
Oil Seeds	727148	8	727156
Fibre Crops	312945	888	313833
Cereals & Millets	269547	187	269734
Pulses	71875	0	71875
Plantation Crops (tea/coffee/coconut)	61321	224	61544
Spices and Condiments	56208	45	56253
Medicinal/Herbal/Aromatic Plants	48424	1	48425
Fruits	35813	2	35815
Flowers	11016	0	11016
Dry fruits	8834	30	8864
Vegetables	7134	1	7135
Miscellaneous	1964	0	1964
Fodder seeds/Crops	1851	0	1851
Tuber crop	289	0	289
Total Certified production	**2599099**	**8297**	**2607396**

Source- APEDA

Table 2: India- Top Organic Producing States (MT)

Top Organic Production States (MT) MY 2018-19		
State	**Organic Production**	**In Conversion**
Maharashtra	858735	2241
Madhya Pradesh	738878	8
Karnataka	365848	4729
Uttar Pradesh	142512	0
Rajasthan	134611	2
Odisha	88948	1
Gujarat	66106	0
Assam	38457	0
Jammu & Kashmir	33879	19
Uttarakhand	29602	0
Others	101514	1297
Total	**2599089**	**8296**

Source- APEDA

Organic Market Size and Trends

For MY 2020, total market size for organic packaged food and beverages in India is estimated at $77 million, making it the 30th largest market in the world by value. The market landscape of organic foods and beverage is fragmented, where the top companies by sales include Sresta Natural Bioproducts, with a market share of 26.8 percent, followed by Organic India (15.1 percent) and Chamong Tea Exports. (7.8 percent). However, in recent years, these leading companies have lost market share to fairly smaller enterprises.

Table 3: Organic Products Consumption in India (USD million)

Organic Products Consumption In India (USD million)							
Category	2015	2016	2017	2018	2019	2020*	CAGR (2017-2020)
Health & wellness products consumption	10678	12279	14200	15526	16848	18158	8.50%
Organic packaged food and beverages consumption	38.6	46.3	54.6	61.6	69.0	77.0	12%
Organic packaged food consumption	6.7	7.8	9.2	10.2	11.1	11.8	9%
Organic beverages consumption	32.0	38.5	45.3	51.4	57.9	65.1	13%

Note - Estimates for 2020
Source: Global Organic Trade

A growing demographic of young, educated individuals that are increasingly concerned about chemicals and pesticide residue in food products will further grow demand and domestic consumption of organic products. Modern retail outlets like supermarkets, convenience stores, or hypermarkets like Nature's Basket, Foodhall, FabIndia, 24Seven, Star Bazaar, More, Organic India etc. remain the most visible distribution channels for certified organic products, and the retail industry has been providing increased shelf space for the organic category to fuel demand.

Relatively newer trends in organic retailing, such as the emergence of specialty organic stores catering to high income neighborhoods in metropolitan cities, specially curated artisan organic menus in select hotels and restaurants will continue to be a strong demand driver. Another emerging trend for marketing organic products has been through social media channels via influencers, brand engagements and unique product placements (on Instagram, Facebook, etc.) which have been effective in promoting awareness on organic products to target audiences. E-commerce companies like Big-basket, Amazon India, Jaivik Haat and Nourish Organics, among others, are emerging as alternate channels for creating brand awareness and increasing sales of organic products.

Organic foods are priced at a premium and often target high-income urban populations in metropolitan cities. The segment has its own niche and has high growth potential, owing to an increasing number of health-

conscious individuals due to perceived benefits of the 'purity' or 'quality' of the organic ingredients used like herbs and spices. Organic tea tops the list among organic beverage categories. Organic fruit/vegetable juice is projected to have the highest growth rate within the organic beverage category.

During the national lockdown, select media reports and industry sources indicated that India witnessed an unprecedented surge in retail sales of organic food products from mid-March onward, due to the perceived benefits around immunity, overall food quality and easy availability through online/e-commerce channels. (Source: Pureecoindia)

Agricultural Policy and Domestic Support

National Programme for Organic Production (NPOP) has been modelled after the IFOAM Basic Standards for Organic Production and Processing; EU regulations as well as that of the Codex Alimentarius for maximum residue levels. The EU's recognition of India is limited to unprocessed plant products (not including seaweed) and vegetative propagating material for seeds for cultivation. Market access exists for unprocessed plant products in the EU and Switzerland and through a conformity assessment by the USDA National Organic Program (NOP). (Equivalence Tracker: India)

The Government of India mandates the NPOP. Established in 2002, NPOP serves as the central system responsible for organic agriculture regulations which encompass the National Standards for Organic Production (NSOP), which 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 NPOP falls under APEDA, located within the Ministry of Commerce and Industry (GOI).

The GOI maintains the voluntary national logo "India Organic," which is used by exporters, processors and manufacturers (Figure 2. left-side icon). The certification is carried out by a third-party inspection agency under the NSOP. There are no organisations representing the private organic sector in India. The list of accredited certification bodies under NPOP is given here.

Figure 2: India's National Organic Labels

To safeguard the interests of small and marginal farmers who traditionally have minimal access to finance for their organic certification, India employs the Participatory Guarantee System (PGS), created in 2011 as a locally focused quality assurance system, where farmers living in a similar geographical area (neighboring towns or villages) inspect and verify each other's process and production methods, and confirm the adoption of standards. Being participatory in nature, PGS does not require a third-party certification. According to the Indian Government, PGS-India is a locally focused, affordable organic certification system ideally suited for the domestic market, which is regulated within the Department of Agriculture and Cooperation under the National Project on Organic Farming. PGS-India standards are the same as the NSOP, where any amendment or modification of standards in the latter is applicable to the former. It should be noted however that price premiums are better with NPOP certification, as it allows for greater export opportunities. Another concern is traceability, although PGS is fairly organized as farmers groups are arranged under regional and zonal councils which make the operating structure institutional. PGS ensures traceability only until it is in the custody of PGS group. Once the product leaves the custody of PGS group, there is no control of PGS on its product integrity. Therefore, PGS is ideal for local direct sales/direct trade between producers and consumers, and direct trade of packed finished products with a PGS logo (Figure 2. right-side icon) between the PGS group and traders/retailers.

Furthermore, Food Safety and Standards Authority of India (FSSAI) has the mandate to regulate manufacture, imports, distribution or sale of organic foods as per the notifications under Food Safety and Standards (Organic Foods) Regulations, 2017.

The Government of India has introduced multiple schemes to encourage the adoption of organic farming. (Table 4)

Table 4: Government schemes promoting organic farming in India

Government Schemes	Highlights and Specifics
Paramparagat Krishi Vikas Yojana (PKVY)	▪ In MY 2018-19, budgetary allocations of $11.12 billion (revised estimates) ▪ INR 20,000 ($278) will be given to farmers up to three years for performing organic cultivation ▪ Procuring packaging material, preparation of labels, holograms, printing and branding of organic produce at INR 2,500/acre ($35/acre) ▪ 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) ▪ To motivate and support marketing facilities, financial assistance is given at INR36330 ($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)	▪ 25-30 percent annual financial outlay ▪ INR 40-60 lakh ($55600-$83400)aid by National Bank for Agriculture and Rural Development (NABARD) for setting up biofertilizer units ▪ Promoting integrated use of chemical and organic manure, including biofertilizers
National Mission for Sustainable Agriculture (NMSA)	▪ INR 20,000/hectare, to a maximum of INR 40,000/hectare ($265-$555/hectare) for adoption of organic farming under PGS certification ▪ 100 percent financial assistance for setting up biofertilizer and biopesticide manufacturing units ▪ 100 percent financial assistance by the state government for setting up mechanization of fruit/ vegetable waste ▪ Promotion of organic inputs (manure, vermi-compost, liquid/solid biofertilizers, waste composts, herbal extracts, etc.) ▪ INR 10 lakhs ($13,000) per village for integrated manure management and biological nitrogen harvesting ▪ INR 85 lakh ($118,056) in assistance for setting up biofertilizer testing quality control laboratories
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 percent subsidy for a vermicomposting unit ▪ INR 5 lakh ($6,944) for farmer groups covering an area of 50 hectares under organic production

Note: 1 USD= INR 72

Trade in Organic Products

The latest official data available from APEDA indicates total exports at $757.4 million in MY 2018-19 (Table 5). India remains a net exporter of organic products and exported $692 million in MY 2019, according to industry sources. The United States was the biggest importer of Indian organic products, with the total value

estimated at $359 million in MY 2019. Other prominent export destinations in MY 2019 included the EU, Canada and Switzerland. The top organic products exported by value were oilseeds (47.6 percent), cereals and millets (10.4 percent), tea and coffee (8.96 percent), dried fruits (8.88 percent) and spices and condiments (7.76 percent).

Table 5: India Exports by Market Destination MY 2018-19

Country Wise Export during 2018-19 (MT)		
Country	**Exported Volume**	**Total Value (USD)**
United States	334113	429705430
European Union	155255	223117745
Canada	101943	68602268
Switzerland	6199	9888235
Australia	2131	7468130
Japan	751	2397738
New Zealand	1978	2125925
Israel	3070	1865450
Vietnam	3186	1679401
Lebanon	681	1633755
Rest of World	4783	9014585
Total	**614089**	**757498662**

Note: 1 USD=INR 68
Source- APEDA

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 the USDA NOP standard and the Indian NPOP standard.

Presently, only organic products certified according to the U.S. organic standards (i.e. NOP standards) can be imported to India for the purpose of re-export to the United States (for example, ingredients used in a processed product). Certified organic products imported to India for the purpose of re-export need a re-certification according to NPOP. For that purpose, the accredited certification bodies are required to apply to APEDA for re-certification of imported organic products.

Note - Organic food exports to India under bilateral or multilateral agreements on the basis of the equivalence of standards between NPOP and the organic standards of the exporting countries shall not be required to re-certify on import. All organic food consignments should be accompanied by a Transaction Certification (TC) 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 an FSSAI organic logo on the primary label of all certified

organic products entering India. On August 21, 2018, FSSAI issued an order announcing that use of a non-detachable sticker to display FSSAI's organic logo would be permissible until December 31, 2018.

Table 6: India- Year-on-Year Agricultural Imports by Country (USD Million)

India Agricultural Imports (USD millions)			
Country of Import	**2016-17**	**2017-18**	**2018-19**
Indonesia	4,808.58	5,745.44	4,067.45
Ukraine	2,170.27	2,073.38	1,966.64
Argentina	2,353.63	2,120.33	1,785.71
USA	1,455.69	1,833.87	1,659.40
Malasia	1,987.68	1,643.43	1,643.35
Brazil	1,454.45	1,382.66	950.04
Singapore	55.43	57.95	638.18
UAE	362.53	362.53	636.20
Vietnam	382.88	419.10	470.48
Cote D'Ivore	393.03	353.82	434.42
Others	9,615.50	8,311.34	6,098.89
Total Import of Agricultural Products	**25,039.64**	**24,303.84**	**20,350.76**

Source - PIB

Prospects for Organic Foods in India

The Indian domestic organic food sector is still at an emerging stage yet rapidly developing due to increased consumer demand. This growth is attributed to new consumer-oriented products, a wider availability of products in the market, and the development of new brands selling packaged organic products. In recent years, multiple certification systems has enabled the entry of many smaller sized companies (private labels or new entrepreneurs) thereby increasing price competition. Organic products are however still priced at a premium as mentioned earlier. Indians are price conscious, discount seeking consumers. Post analysis suggests bundling two or more complimenting products at an attractive price could be an effective strategy to push sales in organized retail formats, as is conventional in consumer-packaged goods

Products with the biggest prospects for U.S. organic exports in the short term include apples, vinegar and substitutes, pears and coffee. However, there has been a significant drop in U.S. agricultural exports to India since 2018 due to the retaliatory import tariffs imposed by India, which has also hampered trade prospects in the organic sector (Source: USTR and USDA report).

Nevertheless, Post recommends India as a long-term trade destination with seemingly attractive prospects characterized by its demographic dividend.

Table 7: U.S. Organic Exports to India

	2017		2018		2019		2019/18 YoY Change	
Product	Value	Qty	Value	Qty	Value	Qty	% Change in Value	% Change in Qty
Organic Apples Fresh	2806	2899067	2403	2732256	1004	1014919	-58%	-63%
Organic Vinegar and Substitutes	0	0	704	1085881	648	1005318	-8%	-7%
Organic Pears Fresh	90	72425	0	0	38	34398	-	-
Organic Coffee Roast Not Decaf	5	408	0	0	30	4239	-	-
Organic Strawberries Fresh	0	0	24	4390	24	4537	0%	3%
Organic Peach/Nectarin Fresh	0	0	0	0	12	2189	-	-
Organic Cauliflower Fr/Ch	0	0	0	0	8	16232	-	-
Organic Milk	0	0	0	0	4	5091	-	-
Organic Potatoes Fr/Ch Xsd Oth	8	25200	0	0	0	0	-	-
Organic Cherry Tomato Fr/Ch	8	6303	0	0	0	0	-	-
Organic Lettuce Not Head Fr/Ch	0	0	0	0	0	0	-	-
Organic Carrots Fr/Ch	0	0	67	66908	0	0	-100%	-100%
Organic Oranges Fr/Dr	0	0	0	0	0	0	-	-
Organic Grapes Fresh	33	6430	0	0	0	0	-	-
Organic Cherries Fresh	0	0	0	0	0	0	-	-
Organic Tomato Sauce Ex Ketchp	40	42015	0	0	0	0	-	-
Organic Peas Fr/Ch	167	208199	21	9966	0	0	-100%	-100%

Note - Cumulative to date, quantities/values in thousands of dollars
Source: GATS and U.S. Census Bureau Trade Data

Advantages for U.S. Exporters to India's Market:

- Growing middle class segment, often characterized by aspirational consumption traits in Tier-1 cities like Mumbai, New Delhi, Bangalore, Hyderabad, Pune, Chennai and Kolkata. Higher purchasing power and more disposable income among Indian consumers drive organic food sales, especially among urban and higher income demographics;
- Increasing Indian consumer awareness and desire of organic products grown using sustainable and ecologically friendly methods;
- Presence of some select groups of imported organic products on the shelves of organized retail outlets and 'mom & pop' stores in affluent residential neighborhoods, like processed organic foods, vinegar, fresh fruits and vegetables etc.;
- Growing hotel, restaurant and institutional (HRI) sector, especially the emergence of health and wellness cafes, established hotels developing special curated menus to cater to changing consumer tastes; and
- Developing distribution channels, expanding sales possibilities and service quality.

Challenges for U.S. Exporters in Market Access to India:

- Strong competition from the South East Asian and African countries;
- Price sensitivity a main factor in organic food purchases for most Indians;

- Lack of specialized organic distribution channels for meeting demand;
- High share of "fresh/green food," competing by much lower prices in the unorganized retail sector;
- Lack of consumer education and information on certified organic products, which should be included as an Indian market access strategy. Local consumers usually do not see a difference between certified organic products and food marketed as so called healthy "fresh/green food;"
- Organic products sector is still in a nascent growth stage, which increases the level of market uncertainty; and
- Market demand capacity is limited to metropolitan and select Tier-1 cities.

Appendix

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Attachments:

No Attachments.