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Ummyiah HM

Assistant Professor, University of Agricultural Sciences and Technology of Kashmir, Shalimar, Srinagar, Jammu and Kashmir, India

Sumati Narayan

Assistant Professor, Division of Vegetable Science, Sher-e-Kashmir, University of Agricultural Sciences and Technology of Kashmir, Shalimar, Srinagar, Jammu and Kashmir, India

Pradeep Kumar

Assistant Professor, University of Agricultural Sciences and Technology of Kashmir, Shalimar, Srinagar, Jammu and Kashmir, India

Ambreen Nabi

Assistant Professor, University of Agricultural Sciences and Technology of Kashmir, Shalimar, Srinagar, Jammu and Kashmir, India

Malik Ajaz

Assistant Professor, University of Agricultural Sciences and Technology of Kashmir, Shalimar, Srinagar, Jammu and Kashmir, India

Mudasir Magray

Assistant Professor, Professor, University of Agricultural Sciences and Technology of Kashmir, Shalimar, Srinagar, Jammu and Kashmir, India

Correspondence

Ummyiah HM

Assistant Professor, University of Agricultural Sciences and Technology of Kashmir, Shalimar, Srinagar, Jammu and Kashmir, India

Export of organic products: Opportunities and challenges

Ummyiah HM, Sumati Narayan, Pradeep Kumar, Ambreen Nabi, Malik Ajaz and Mudasar Magray

Abstract

Organic agriculture offers trade opportunities for farmers in the developing and developed countries. The market of organic products is expected to grow globally in the coming years and high growth rates over the medium term (from 10-15 to 25-30%) are expected. The organic market expansion makes it possible for farmers to reap the benefits of a trade with relatively high price premiums. However, this market is not very well known to most farmers, especially those living in the developing countries. In developing countries it is therefore essential for major key players (e.g. NGOs, farmer organizations, traders, exporters etc.) that promote organic farming to have up-to-date information on the available opportunities (market requirements) and trends of the organic market. Although the movement is still regarded with some skepticism, the concept of organic farming has strong marketing appeal, growth forecasts are almost all positive and it has been suggested that the 'movement' is now an 'industry'. Major domestic markets for organic products lie in metropolitan cities – Mumbai, Delhi, Kolkata, Chennai, Bangalore and Hyderabad and the export markets are Europe, America, Middle East, Asia, Africa etc. Organic agriculture is one of the fastest growing agribusiness sectors in the world, with double-digit annual growth in land under organic cultivation, value of organic produce and number of organic farmers.

Keywords: organic products, opportunities, challenges

Introduction

Organic farming is one of the several approaches found to meet the objectives of sustainable agriculture. Organic agriculture offers trade opportunities for farmers in the developing and developed countries. This market of organic products is expected to grow globally in the coming years and high growth rates over the medium term (from 10-15 to 25-30%) are expected (Yussefi and Willer, 2002) [6]. This organic market expansion makes it possible for farmers to reap the benefits of a trade with relatively high price premiums (Yussefi and Willer, 2002) [6]. However, this market is not very well known to most farmers, especially those living in the developing countries. Furthermore, information about it is not readily available to farmers in the developing countries. The absence of sufficient technical and market information and financial support also means that few farmers will risk changing their method of production. In developing countries it is therefore essential for major key players (e.g. NGOs, farmer organizations, traders, exporters etc.) that promote organic farming to have up-to-date information on the available opportunities (market requirements) and trends of the organic market. One example is India, a country with a huge number of small farmers who still use traditional methods and do farming with few agricultural inputs. NGOs that promote organic farming and other organizations support farmers in these aspects. Niche markets have gradually been created, commonly based on trust and goodwill (formal certification did not begin until the 1960s and 1970s), and often using novel direct marketing strategies such as box schemes and community supported agriculture. After many years of consumers having to hunt around for their organic produce from several suppliers, perhaps directly from the farmer, the task is now a lot easier with specialist food shops and organic shelf space in supermarkets, in the industrialized world at least. Global links have been forged in all continents as organic agriculture has been seen to be an effective rural development option. Although the movement is still regarded with some skepticism (Trewavas 2001, Kirchmann and Ryan 2004, Trewavas 2004) [5, 4, 3] the concept of organic farming has strong marketing appeal, growth forecasts are almost all positive and it has been suggested that the 'movement' is now an 'industry' (Cornish and Stewart 2002) [2]. Organic agriculture is one of the fastest growing agribusiness sectors in the world, with double-digit annual growth in land under organic cultivation, value of organic produce and number of organic farmers. An organic movement is now emerging in India on different levels

(producer groups, trainers and advisors, certification bodies and processors and traders). So dissemination of information about the opportunities and challenges for Indian organic products on the domestic and international market is of fundamental concern in order to allow continued development of the organic agriculture movement in this country.

The world of organic agriculture

As per the details released by BioFach 2010 at Nuremburg, the organic agriculture is developing rapidly, and statistical information is now available from 154 countries of the world. The main results of the latest global survey on certified organic farming are summarized below:

- 35 million ha of agricultural land is managed organically by almost 1.4 million producers.
- Regions with the largest areas of organically managed agricultural land are Oceania (12.1 million ha), Europe (8.2 million ha) and Latin America (8.1 million ha)
- Countries with the highest number of producers are India (340,000), Uganda (180,000) and Mexico (130,000)
- About one-third of the world's organically managed agricultural land (12 million ha) is located in developing countries.

Significance of organic agriculture for Indian farmers

In the Indian context, organic farming can be significant in two distinct ways:

1. **To increase the efficiency and sustainability of production:** Organic farming can help to reduce production costs (especially where labor is cheap compared to input costs) and to increase or stabilize yields on marginal soils. This is especially relevant for small holders in marginal areas where Green Revolution agriculture has led to a depletion of soil fertility and to high debts because of increase in input costs.
2. **To increase product value:** In areas where farmers have access to established organic markets within the country or abroad, products can achieve a higher price compared to the conventional market. Especially in the trend of decreasing prices for agricultural products, this can be an important way to stabilize or even increase incomes.

Global Market

According to organic monitor estimates, global sales reached US \$ 50.9 billion in 2008, doubling in value from US \$ 25 billion in 2003. Consumer demand for organic products is

concentrated in North America and Europe; these two regions comprise 97% of global revenues. Asia, Latin America and Australasia are important producers and exporters of organic foods. The financial crises have had a negative impact on the global market for organic products; however, preliminary research finds that growth continued in 2009 despite the poor economic climate.

Indian domestic market and export

Organic Food Consumption in India is on the Rise. Some people believe that organic food is only a "concept" popular in the developed countries. They think that when it comes to organic food, India only exports organic food and very little is consumed. However, this is not true. Though 50% of the organic food production in India is targeted towards exports, there are many who look towards organic food for domestic consumption. The most important reason for buying organic food is the concern for the health of children, with over 66 percent parents preferring organic food to non-organic food. Though organic food is priced over 25 percent more than conventional food in India, many parents are willing to pay this higher premium due to the perceived health benefits of organic food. The increase in organic food consumption in India is evident from the fact that many organic food stores are spurring up in India. Today every supermarket has an organic food store and every large city in India has numerous organic food stores and restaurants. This is a huge change considering that the first organic food store in Mumbai was started in 1997. Organic food exports from India are increasing with more farmers shifting to organic farming. With the domestic consumption being low, the prime market for Indian organic food industry lies in the US and Europe. India has now become a leading supplier of organic herbs, organic spices, organic basmati rice, etc. The increasing demand for organic food products in the developed countries and the extensive support by the Indian government coupled with its focus on agri-exports are the drivers for the Indian organic food industry. Organic food products in India are priced about 20-30% higher than non-organic food products. This is a very high premium for most of the Indian population where the per capita income is merely USD 800. The domestic market is not sufficient to consume the entire organic food produced in the country. As a result, exports of organic food is the prime aim of organic farmers as well as the government.

Table 1: Major commodities and their area-production under organic management (2008-09)

Type	Products	Area (ha)	Production (MT)
Cereals	Rice	18134	44335
	Wheat	4056	6892
Spices	Cardamom, black pepper, white pepper, ginger, turmeric, vanilla, mustard, tamarind, clove, cinnamon, nutmeg, mace, chilli	6507	17419
Pulses	Red gram, black gram	12023	17560
Fruits and Vegetables	Mango, banana, pineapple, sugarcane, orange, cashew nut, walnut. Okra, brinjal, garlic, onion, tomato, potato.	128879	194505
Oil seeds	Sesame, castor, sunflower	91849	163185
Cotton	Raw seed cotton	259699	284832
Others	Herbal and medicinal plants	32313	129543

Source: National project on organic farming, Department of Agriculture and Cooperation, Government of India.

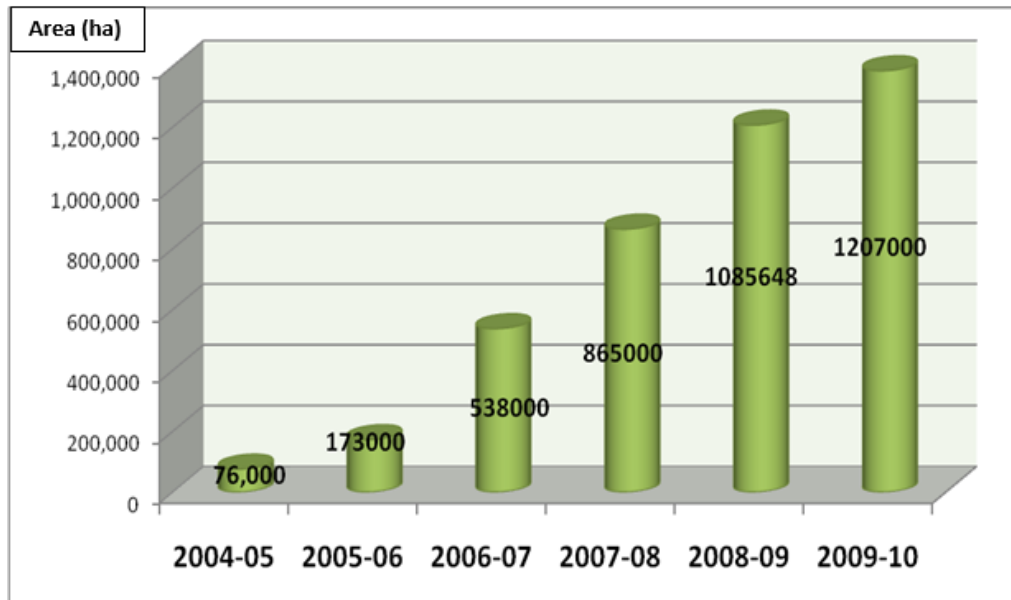
Products for which Indian production has a comparative advantage

India being a country with different agro-climatic zones, each

state produces its own specialty products. Products for which production in India has a comparative advantage are given in the table below: (Source: Org-Marg.)

Table 2

Product	Season	States	Major Locations
Cotton	Kharif	Maharashtra, Gujarat, M.P.	Akola, Amravati, Amreli, Kheda, Indore
Tea	Throughout the year	Assam, West Bengal, Uttaranchal	Darjeeling, Guwahati, Dehradun
Spices	Throughout the year	Kerela, Tamil Nadu, Karnataka	Cochin, Coimbatore, Idduki, Coorg
Coffee	Throughout the year	Kerela, Tamil Nadu, Karnataka	CCoimbatore, Coorg, Wayanadu, Peeremada
Rice	Kharif and Rabi	Punjab, Haryana, Assam, Maharashtra, Tamil Nadu	Amritsar, Jalandhar, Darrang, Ratnagiri, Kanchipuram, Thiruvallur
Wheat	Kharif and Rabi	Punjab, Haryana, U.P.	Ambala, Patiala, Bhatinda, Faridkot
Vegetables and fruits	Throughout the year	All India	Various locations



Source: National project on organic farming, department of agriculture and cooperation, government of India

Fig : Growth of area (ha) under organic management

Table 3: Overall status of organic production and export (2008-09)

Component	Quantum
Area under org cert. process (ha)	757978.71
No. of farmers under org cert. process	351297
No. of operators	2099
No. of processors	427
No. of grower groups	919
No. of exporters	253
Total production (MT)	1,811,111
Quantity exported (MT)	53,918
alue of export in US \$	116.09 million
Value of export in Rs	591 crores

Source: National project on organic farming, Department of Agriculture and Cooperation, Government of India.

Demand for Indian organic products in the domestic and export markets

Domestic market

The domestic market for organic products is as yet not as developed as the export market. The products available in the domestic market in organic quality are rice, wheat, cotton, tea, coffee, pulses, fruits and vegetables. Wholesalers / traders and supermarkets play major roles in the distribution of organic products. As most organic production originates from small farmers, wholesalers / traders account for a 60% share in the distribution of organic products. Large organized producers distribute their products through supermarkets as well as through self-owned stalls. Considering the profile of existing consumers of organic products, supermarkets and restaurants are the major marketing channels for organic products. Major

markets for organic products lie in metropolitan cities – Mumbai, Delhi, Kolkata, Chennai, Bangalore and Hyderabad to name a few. According to the interview results, domestic sales of organic products are barely 7.5% of the organic production.

Export market

Indian organic producers and exporters are well aware of the demand for organic products in developed countries. Products available for the export market are rice, wheat, tea, spices, coffee, pulses, fruits & vegetables, cashew nuts, cotton, oil seeds and medicinal herbs. The channels adopted for the export of organic products, except for tea, are mainly through export companies. Organic tea is produced by major well organized tea estates which are exporting tea directly. In the case of other organic products, predominantly small farmers are involved in producing organic products. Hence, these products are exported through exporters. Organic products are mainly exported to the following countries (in order of priority):

- Europe: Netherlands, United Kingdom, Germany, Belgium, Sweden, Switzerland,
- France, Italy, Spain;
- Americas: USA, Canada;
- Middle East: Saudi Arabia, UAE;
- Asia: Japan, Singapore;
- Australia;
- Africa: South Africa.

Table 4: Obstacles and solutions for the low import of Indian organic products

Aspect	Obstacle	Solution
Price	"Price expectations are too high in relation to quality"	The export traders from India should have realistic prices
Quality	"Low consistency of quality; contamination"	The quality must be consistent. For this reason, higher quality standards must be enforced to develop and maintain a good reputation. Post-harvest practices should be improved.
Availability	"Reliability of exporters"	More promotion from Indian traders and governmental institutions. Better understanding of the demands of buyers (small quantities). Suppliers must show financial stability.
Logistics	"Slow shipment, restrictions for importing Indian organic products"	The logistics must be better coordinated from the place of dispatch for shipment. Duty ports must reduce the time taken to complete the customs process. Enhance the infrastructure available to guarantee quality upon arrival (cool rooms).
Certification	"Lack of national certification and accreditation"	Local certification bodies accredited by national and international organizations would enhance the acceptance of organic products from India.
Export authorities	"Time consuming and complicated paper work."	Develop a fast track for export.
Information	"Lack of information on availability and certification"	More promotion activities on the part of traders, farmers and governmental institutions (e.g. international fairs). Establish an internet portal to enable easy access to information on Indian organic products.
Administration	"Inconvenient modus of payment (letters of credit); The governmental bank's system is too slow"	Indian traders must show more flexibility in modus of payment. The bank's systems must reach higher standards.
Customer service	"Poor customer service from the Indian traders after sales."	Increase service quality; in particular, client follow-up systems must be implemented. Traders must accomplish what they promise.

Base: 33 traders, Source: FiBL, 2002

Opportunities and Challenges

Organic farming has attracted considerable attention from those who see it as a panacea to those who see it as ideological nonsense. A more humble responsibility for the organic movement may be to serve as role model for a farming system in which values other than financial are cultivated. Organic farming asks how we ought to relate to each other and our natural environment. The values of the organic movement are not esoteric, but are based on observation and common sense: treat livestock well, use resources sparingly, use the least harmful method, nature is inherently valuable and so on. Food security depends upon personal relationships of integrity and trust among farmers, farm workers, suppliers, consumers and others up and down the agricultural supply chain and integrity and trust have been fundamental to organic agriculture's success. Organic farming has emerged as one of the best known alternative farming systems developed in response to the short comings of mainstream agriculture. Many of the key benefits and opportunities for organic agriculture are suitable areas for the organic movement to show leadership and innovation, including assurance and auditing procedures, rural and regional development and low cost agricultural systems relying on biological and ecological processes. Some of the challenges are in conflict with each other (e.g. global harmonization versus local adaptation) and some challenges are also opportunities (e.g. dynamic review of policies and standards).

Opportunities

- In recent years, awareness of health and environment among consumers has increased the demand of organic produce. Indian agriculture needs not only to increase but also to maintain the production of food grains.
- In India chemical fertilizers are applied only in 30% of the cultivated area which is irrigated and the remaining land is under rain-fed agriculture with almost no fertilizer application which accounts for about 40% of the food grain production of the country.

- The potential areas and crops with low or no use of chemicals could be explored and brought under organic agriculture. The rain-fed, tribal, Northeast and hilly regions of India where traditional farming on eco-friendly lines is more or less practiced could be considered. The introduction of organic farming in these areas will immediately lead to increased food production.
- The simple technologies with low input use developed for dry farming can be transferred to the farms for organic farming. About 600-700 million tonnes of biomass is available to be converted to manure. This could increase the nutrient value from 0.3-0.4% to 1-2%.
- Organic agriculture is now being practiced in more than 154 countries with a total area of 35 million ha by 1.4 million producers. This constitutes 0.7% of total agricultural land of the world. Global demand for organic products remains robust with sales increasing by over US\$ 5 billion a year.
- By March, 2010, India has brought more than 4.48 million ha under organic certification process. Indian organic industry is estimated at US\$ 116.09 million and is entirely export oriented. According to APEDA about 585970 tonnes of organic products worth Rs 301 million are being exported from India.
- Exceptional growth rates have tightened the supply in the market and this is creating opportunity for the organic food exporters. The organic export market is expected to reach \$1 billion by 2015 (The Economic Times, 2010).
- Growing awareness, increasing market demand, increasing inclination of farmers to go organic and growing institutional support have resulted in more than 200% growth in certified area during the last 2 years.
- NGO's are spearheading the organic movement in India as in other countries. About 20 agencies with the assistance of international bodies have entered the field of inspection and certification.
- India has the potential to become a major organic producing country given the international demand for our farm products, different agro-climatic regions for

cultivation of a number of crops, the size of the domestic market and above all the long tradition of environment friendly farming and living.

and Landbau. Bad Dürkheim, Germany, 2002.

Challenges for organic agriculture

- Maintaining sustainability in the global economy: balancing organic principles with commercial imperatives.
- Maintaining flexible organic standards and certification processes to address issues such as:
 - a. nature conservation and regeneration;
 - b. equitable, affordable and flexible access to certification services;
 - c. responsible labour relations and land tenure arrangements;
 - d. animal welfare;
 - e. new inputs such as 'natural' biocides, soil amendments and GMOs;
 - f. Incomplete or unscientific basis for including/excluding materials from organic standards.
- Pursuing international harmonization of standards and certification.
- Developing locally applicable agronomic solutions to production constraints, such as weeds, animal health and soil fertility.
- Expanding research activities in many disciplines (particularly beyond Europe and North America) and foster the integration of knowledge.
- Preserving food quality while trying to increase productivity.
- Educating and training at all levels to build capacity, infrastructure and networks.
- Inadequacies in regulatory and marketing structures (e.g. labelling).
- Excessive consumer prices and inconsistent quality and availability.
- Establishing and maintaining credibility and professionalism.

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