

EXPORT POTENTIAL OF ORGANIC AGRICULTURE IN INDIA

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Abstract: Organic agricultural export market is one of the major drivers of promoting organic agriculture in India. It provides lot of economic opportunities for different stakeholders especially for exporters who offer organically produced crops. The world demand for organically produced foods is growing rapidly in developed countries like Europe, USA, Japan and Australia. The Price premium for organically produced agriculture products provides a good opportunity for India in the export market. In this context, this paper has been focusing on the export potential of organic products from India.

Keywords

Organic farming, Export promotion, Policy initiatives Global market for organic products, benefits of Organic farming etc

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INTRODUCTION:

Agriculture is the predominant sector of India, despite the steady decline of share of agriculture in the GDP; agriculture is still a largest economic sector which is significant for the overall socio-economic development of the country. The role of Agriculture remains critical as it accounts 58 per cent of employment in the country. At the same time Organic agriculture has made a credible performance during the past ten years in India. India is endowed with lot of potential to produce all varieties of organic products due to its agro climatic conditions, abundant and relatively cheap labour. In several parts of the country, the inherited traditional nature of agriculture facilitates adoption of organic agriculture, making India as one of the most important producers of organic food.

Objective of the Study

The main objective of this study is to analyze export potential of organic products from India. This paper also covers the current global conditions of organic agriculture, organic agriculture production in India and factors promoting trade in organic products.

Global conditions of organic agriculture:

Globally, there has been increased awareness about environmental preservation and assuring of food quality. Organic farming is an ideal alternative which addresses the environmental, food safety and sustainability concerns Global demand for organic products is growing at 15-25%. The sales of organic products worldwide are touching US\$ 50 billion and are expected to reach USD 100 billion by 2012. According to the latest FiBL(Research Institute of Organic Agriculture)-IFOAM Survey on certified organic agriculture worldwide,(data as of end of 2010) the countries with the most organic agricultural land are Australia, Argentina, and the United States. Currently 0.9 percent of the agricultural land is organic.

Thirty-four percent of the world's organic producers are in Africa, followed by Asia (29 percent), and Europe (18 percent). The countries with the most producers are India (400'551), Uganda (188'625), and Mexico (128'862). About one third of the world's agricultural land (12.5 million hectares) and more than 80 percent of the producers are in developing countries and emerging markets.

Factors promoting trade in organic products:

1. **Price premiums:** The Price premiums are important incentives for many farmers to increase production, and attract other farmers to the organic sector.
2. **Marketing strategies:** The appropriate marketing strategies help the exporters in developing countries to sustain in the global market. There must be a direct links with retailers in importing countries and trade partnerships such as e-commerce.
3. **Organic standards:** In order to take part in the organic market, organic standards need to be adhered. The organic “guarantee system” assures consumers that the certified products are indeed organically produced.
4. **Awareness Programmes:** In order to improve the trading opportunities increase awareness Programmes on the environmental, economic and social benefits of organic production.
6. **Government support:** The financial support to organic agriculture and efforts from the part of Government is necessary to enhance the organic producers. The governments can also play an important role in raising awareness, providing market information, and promoting training and capacity building.
7. Farmers’ associations, non-governmental organizations (NGOs), Fair-trade organizations and bilateral and multilateral donors can also play an important role in promoting trade in organic agriculture.

Current status of organic agriculture in India:

Currently, India ranks 33rd in terms of total land under organic cultivation. And more importantly India is one of the country with the most number of producers (400551- FiBL-IFOAM Survey 2010).The country is increasingly becoming a major organic player in the global market, especially in Europe. On the other, the domestic market for organic foods is at an infant stage.

According to the economic survey 2010-11, the agriculture sector GDP has increased only 3.46 per cent during 2004-05 to 2010-11. The cultivated land under certification is around 4.43 million Ha (2010-11). India exported 86 items last year (2010-11) with the total volume of 69837 MT. The export realization was around 157.22 million \$ registering a 33% growth over the

previous year. Currently most of the organic farmers in India are still in the transition phase and hence their costs are still high. If these farmers continue with the organic farming, the cost of production will gradually come down. The organic farming is seen as a good cost effective solution to the increasing costs involved in chemical farming.

According to RNCOS latest research report “Indian Organic Food Market Analysis”, states are encouraging farmers to develop excessive organic agriculture lands and cultivate these premium-priced and health-oriented crops. With the government support, the organic food market in India is estimated to grow around 15% during 2011-2013. Some of the key findings of the report is:

- Indian organic food market is primarily export-oriented.
- Madhya Pradesh is the top region for organic farming in India.
- The government remains the major contributor in the market's development.
- International companies are investing into organic farming in India.

Organic agriculture policy initiatives in India: In order to promote the organic agriculture in India, the Government has initiated number of measures. Some of the policy initiatives undertaken in India for the promotion of organic agriculture are:

National Program for Organic Production (NPOP): The Agricultural and Processed Food Products Export Development Authority (APEDA) launched the National Program for Organic Production (NPOP) in 2000. This marked the first step for the organized growth of organic farming in the country.

The National Program for Organic Production (NPOP) was approved in May 2001 by the National Steering Committee for Organic Products (NSCOP), under the Ministry of Commerce.

The main objectives of the NPOP have centralized around the export market, they are:

Providing the means to evaluate certification programmes for organic agriculture

- Developing policies for the certification and development of organic products.
- Producing the National Standards for Organic Products (NSOP)
- Formulating the National Accreditation Policy and Programme (NAPP)
- Accrediting certification programmes to be operated by Certification Agencies.

- Facilitating certification of organic products in conformity to the NSOPs.
- Developing regulations for the use of the National Organic Certification Mark.
- Encouraging the development of organic farming and organic processing
- Promoting general awareness of organic agriculture.

National Project on Organic Farming (NPOF): This project has initiated in 2004, which includes more than 2.79 lakh farmers and more than 1.77 lakh ha area under organic management. With more farmers shifting to organic farming and domestic consumption being low, organic food exports from India are increasing. According to a new research report by RNCOS, the prime market for the Indian organic food exists in Europe, which accounts for around 70% of the country's total organic product exports. Other major export destinations include the US, South- East Asian countries and Japan.

Organic Trade Association (OTA): The Indian Organic Trade Association was launched on Dec. 11, 2010. The Association intends to increase the presence of organic outlets and also the number of consumers of organic produce significantly in the next few years. Currently, infrequent consumers of organic produce total about 1 million. Indian OTA underlined numerous important issues such as farm, certification, regulatory and international trade levels awareness and reach of organic products both within and outside the country.

States like Karnataka, Maharashtra, Madhya Pradesh, Bihar, Gujarat, Tamil Nadu and Kerala are promoting organic farming in India. For example the State Department of Agriculture in Kerala launched a programme and policy for 'Organic Sustainability of Kerala', named 'Jaivakeralam' (organic Kerala) seven years ago.

Facts and figures on the state of organic agriculture in India:

According to the Agricultural and Processed Food products Export Development Authority (APEDA), in 2010, India has 20 accredited certification agencies looking after the requirement of certification process and the products certified by them are accepted in countries all over the world. The Indian organic farming consist of about 2099 operators under certification (Table No:1), And the total number of 253 exporters from India exported 86 items, valued around 112 m US\$.

Table No:1

Status of organic agriculture in India

Certification Bodies	20
Operators under certification	2099
Exporters	253
Certified production	1.70 m MT
Value of export	112 m US\$

Source: APEDA 2010

The following table depicts the composition of main organic agricultural products in the export sector of India:

Table No:2

Exported Organic Commodities (Value In Million USD)

Sesame	3%
Processed Food	4%
Medicinal & Herbal Plants	6%
Spices	7%
Honey	8%
Dry Fruits	8%
Oil crops	10%
Basmati Rice	13%
Tea	15%
Cotton	26%

Source: APEDA 2010

Indian organic exports include cereals, pulses, honey, tea, spices, oil seeds, fruits, vegetables, cotton fibre, cosmetics and body care products. India is best known as an exporter of organic tea and cotton. India exported 86 items last year (2010-11) with the export realization registering a 33% growth over the previous year. Organic products are mainly exported to EU, US, Australia, Canada, Japan, Switzerland, South Africa and Middle East.

Standards and regulations:

Organic certification is a certification process for producers of organic food and other organic agricultural products. They provide a framework for national and regional standard-setting and certification bodies to develop detailed certification standards that are responsive to local conditions.

An international framework for organic farming is provided by the International Federation of Organic Agriculture Movements (IFOAM). Legislated standards are established at the national level, and vary from country to country. In recent years, many countries have legislated organic production, including the EU nations (1990s), Japan (2001), and the US (2002).

According to the FiBL survey on organic rules and regulations, the number of countries with organic standards has increased to 74, and there are 27 countries that are in the process of drafting legislation.

In India, standards for organic agriculture were announced in May 2001, and the National Programme on Organic Production (NPOP) is administered under the Ministry of Commerce. APEDA (Agricultural and Processed Food Export Development Authority) coordinates the export of organic food in India. It regulates the certification of organic products as per National Standards for Organic Production.

The NPOP standards for production and accreditation system have been recognized by European Commission and Switzerland as equivalent to their country standards. Similarly, USDA has recognized NPOP conformity assessment procedures of accreditation as equivalent to that of US. With these recognitions, Indian organic products duly certified by the accredited certification bodies of India are accepted by the importing countries. Organic food products exported from India are marked with the India Organic certification mark issued by the APEDA. It has

recognized 11 inspection certification bodies such as, BVQI (India) Pvt. Ltd, Indian Organic Certification Agency (Indocert), OneCert Asia Agri Certification Pvt. Ltd etc

Relevance Organic Agricultural Export Promotion:

In the context of declining share agriculture in the GDP, it is the crucial time to provide a strong incentive package from the part of government in the agricultural sector. This sector cannot be neglected due its dominance in the area of employment. According to the latest Economic Survey, agriculture contributes the national average of 679/1000 employment. So it is relevant to utilise the agricultural sector to remove the problem of unemployment in India. The promotion of organic agricultural export is an advisable solution for the present problems of Indian economy such as unemployment, low level of agricultural growth, farmer suicides, environmental damage arising from chemical based farming etc.

The global food market is mainly focusing the quality and safety aspects of food items. Since 1990, WTO regime HCCP (Hazard Analysis Critical Control Point) is quite prevalent in global market which concerns food safety. Under this situation it is a good opportunity for India to utilise the export potential of organic agricultural products. The price premiums offered for the organic products in the international market will attracts the younger population of Indian economy towards the agricultural sector who have been away from this sector. More than this, an organic agricultural product offers following advantages:

- ✓ Organic agriculture reduces external inputs by controlling pests and diseases naturally which will increase the agricultural yields.
- ✓ Organic agriculture provides healthy food which contains non toxic substances to the consumers
- ✓ It provides higher benefit cost ratio due to less external input use and premium price (20-25%) to the producers.
- ✓ It takes care of Environmental concerns of Farming by reducing environmental damages arising from chemical farming.

Limiting factors of organic production in India:

- Marketing network for organic products has not yet developed both in the domestic as well as export market.
- The awareness level of farmers about the organic agricultural export market is limited.
- Higher levels of transaction costs for getting farms certified and the complex certification process is another constraint for the farmers. The cost of certification is also unaffordable for small farmers (Rs.22000 to Rs.29200 per certification).
- As the yield from the organic agriculture will be lower in the transition period, the initiative from the side of Government to support farmers in the transition phase is essential, but in India the governmental support has been limited.

With all the above concerns, organic farming is not a feasible alternative to conventional farming in Indian context. So optimisation of export potential of organic agricultural products is more feasible option to improve the contribution of agricultural sector. There will also be scope for practicing organic farming on case to case basis in traditional strongholds to cater to the demands of organic produces in urban areas that would pay premium prices for such commodities. India can convert itself into a potential exporter of the organically produced foods which will be a solution for the high levels of unemployment in the economy.

Conclusion:

The Indian government is committed towards encouraging organic food production. It allocated Rs. 100 crore or USD 22.2 million during the Tenth Five Year Plan for promoting sustainable agriculture in India. Optimisation of the potential trade in organic products is one of the good opportunities for improving the conditions of agricultural sector of India. Through the export of organic agricultural products, India can improve the conditions of Indian farmers as well as the entire agricultural sector. As India now in the initial stage of organic farming, the quantity produced not enough to feed the large Indian population. Under this situation, concentrating on the export aspect of organic farming is more suitable opportunity for India. More than this, in the initial phase of transition to organic farming, there will be reduction in the total yields compared to chemical based farming. Higher prices of organic food are due to this lower yield per acre and

its increased nutritious value due to the non-use of pesticides and fertilisers. In this context, the organic products offer India with great opportunity in the export sector.

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