



Opportunities and Challenges in Marketing of Organic Food Products in Uttarkhand.

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ABSTRACT

Rising population, economic growth and awareness regarding environmental sustainability is making the consumers as well as companies to look for alternative products. In this regard, organic food product is one of the source to reduce environmental degradation as well as lead to increased employment opportunities. This paper examines the challenges and opportunities of marketing organic food products in Dehradun city and nearby areas. Additionally it identifies the demand-supply gap and the economic viability of using organic products. Descriptive study is done on the information obtained from retailers/suppliers to study the disparities in the prices of organic food products and the reasons behind them. The study considered organic farming to be a feasible production system towards sustainable development and recommends development of an organic farming policy in Uttarakhand through wide consultation with all stakeholders. Further scope may include recyclable (environment friendly) packaging, other sustainable products such as e-vehicle for logistics and all.

Keywords: Sustainable products, organic food products, Environment sustainability,

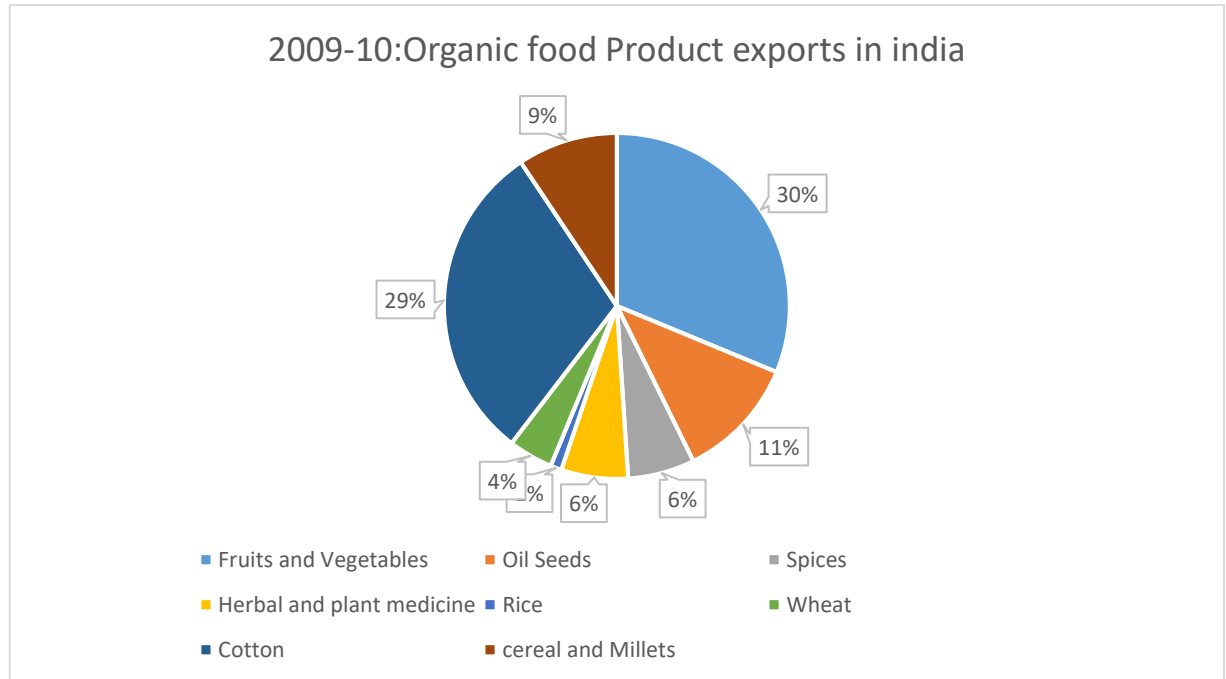
Introduction

Organic food Industry picked up pace in India since 2007. India is second largest organic food producer in Asia after China. Being natural and chemical free are two main features of organic food product. There are almost ten major brands of organic food products exists in India. As per 2017-18 study, India produced around 1.7 million metric ton of certified organic products which includes all variety of food products namely oil seed, sugar cane, cereal and millets, fruits and vegetables, pulses, spices, dry fruits etc. It is believed that trend of health consciousness among consumers lead to bring of search for organic food sector. In 2007, most of the Indian supplier had hard time and they started

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supplying in small scale mostly from their home. Suppliers of organic product made so much of effort to get the order from variant income group and different regions. North America and Europe have potential consumers for organic food products. These consumers have combination of high purchasing power and passion for health consciousness. Domestic market in India is fighting with price war whereas organic food products in India is targeting for exports.



This paper focuses on current demand and supply scenario of organic food product in India. Most of Indian farmers are organic food grower not organic food traders (Business Man). Punjab is highest pesticide and chemical fertilizer using state and Uttar Pradesh is highest certified area for organic food production.

Literature review

Sustainable product production brings new opportunities for companies. There are available researches considering sustainable products mainly with the aim of targeting related customers (William, Kumju, Seonaidh, & Caroline J., 2010). Ethical or sustainable consumption is increased remarkably among consumers (Berger & Health, 2007). Organic products such as organic foods are produced with no chemical material to maximise sustainability (Snyder & Spaner, 2010). Moreover, there are changes in consumer behaviours toward performing ethical or sustainable consumption such as organic food consumption as they believed by consuming these products, they can protect environment (Hughner, McDonagh, Prothero, Schultz, & Stanton, 2007), and consumers have more willingness to pay more for these products due to health issue and protecting environment (Jan, Nguib, & Anand, 2011).

Core objectives

The core objectives of the present research is many folds and are mentioned as follows:

- * To identify the demand – supply gap as these products are not found regularly in the market and if available can be found only at selected retail outlets .
- * To identify the opportunities and challenges in marketing organic food products in Uttarakhand
- * To identify the success factor for sustainability of organic food product

State-wise ranking of Yield of organic food products in India

Sr. No.	State	Area % share	Production % share	Yield MT/ha	Rank based on area%	Rank based on production%	Rank based on yield
1	Andhra Pradesh	0.86	0.012	0.08	10	12	10
2	Chhattisgarh	5.40	0.011	0.01	5	13	5
3	Goa	2.77	0.001	0.00	8	15	8
4	Gujarat	0.76	0.033	0.23	12	10	7
5	Himachal Pradesh	16.82	0.002	0.00	2	14	2
6	Kerala	0.28	0.042	0.78	15	9	4
7	Madhya Pradesh	7.79	0.282	0.19	3	4	8
8	Maharashtra	4.42	0.716	0.86	6	2	3
9	Meghalaya	0.01	0.033	33.50	16	10	2
10	Orissa	0.79	98.082	661.45	11	1	1
11	Rajasthan	4.01	0.469	0.62	7	3	5
12	Sikkim	0.46	0.014	0.16	14	11	14
13	Tamil Nadu	0.69	0.067	0.51	13	8	6
14	Uttar Pradesh	46.73	0.093	0.01	1	5	1
15	Uttarakhand	2.21	0.076	0.18	9	6	9

16	Others	6.00	0.069	0.06	8	7	8
17	Total	100	100	5.55	-	-	-

Source: National Project on Organic Farming Annual Report 2012-2013

India has a remarkable potential to produce all varieties of organic products, owing to the existence of various agro climatic zones within its borders. Total area under organic certification was 5.71 million ha in 2015-16. This includes 26% cultivable area (1.49 million ha) with and 74% (4.22 million ha) forest and wild area for collection of minor forest produce.

Indian Consumer and organic Food Products: 78 % of non-metro consumers in India are still unaware of the health benefits of organic food products and 88% of consumers do not know the difference between conventional farming and organic farming. They are buying products labeled as natural product assuming them organic. Organic food products are produced, manufactured and handled using organic means defined by certifying bodies, whereas, natural food simply refers to food items that are not chemically altered or synthesized in any form.

The cost of organic food products in India is almost triple the cost of conventional food items which is again a challenge to the purchasing power of Indian consumers. Specialized farmer training cost, processing and inventory holding cost (without chemical additives), packaging, logistics and distribution cost (due to low volume), contribute to the high price of organic food products. The purchase of organic food is restricted to the affluent class residing in large cities.

Opportunities :

1) Increasing Health Awareness :

As the level of education is increasing, there has been rise in the health concerns. Everyday we hear cases of various diseases coming up as result of pollution and contaminations. Adulteration being one of the cause, people have started giving importance to the hygiene and nutritional value in the food they eat resulting an increase in the demand of organic food.

2) Rising Demand :

As the working population and the student population is growing over the years in Uttarakhand and people are getting more health conscious. The demand for organic food is rising continuously. Increase in urban population also implies growth in per capita purchasing power as well as a change in lifestyle and food habits. Fruits such as apples, oranges, pear, grapes peach, plum apricot, litchi, mangoes and guava are widely grown in the state and therefore have immense potential for development.

3) Rising disposable income:

Rising income and education levels are leading to an increase in the expenditure of people on healthcare products. The per capita income of Indians at current prices increased by 10.4% to INR103,007 in 2016-17, as against INR93,293 during 2015-16. Average household incomes are expected to triple in the next two decades, making India the world's third-largest consumer economy by 2025, up from the current seventh position.

4) Traditional Organic farming by default :

Majority of the traditional settled upland agriculture is organic by default because of the problems of access to agrochemicals, poor crop response to chemical fertilizers in the widespread rainfed condition and fairly high crop yields.

5) Increasing Population :

The Himalayan state's population has increased from 84 lakh .. in 2001 to 1 crore, based on an analysis of the 2011 census conducted by the directorate of economics and statistics, department of planning. The state's GSDP increased at a compound annual growth rate (CAGR) of 16.03% during 2004-05 to 2015-16. Which itself is an evidence that there is good scope of doing business in Uttarakhand. Proximity to key markets and supply centres of North India further adds to the attractiveness of the state as an investment destination.

6) Immense scope of Tourism :

There is wide and diversified demand for tourism in this state from both the domestic and international markets in terms of content and standard of facilities and utilities. The state attracts tourists for pilgrimages, cultural tourism, nature tourism, adventure tourism, wildlife tourism, eco-tourism, and amusement and leisure tourism. In the tourist places like Nainital, Mussoorie the concept of organic restaurants have started attracting tourists by claiming that end-end organic materials are used in preparing different cuisines

7) Advantages of growing crops demanded in Export market :

Uttarakhand is bestowed with lot of potential to produce varieties of organic products due to its various agro climatic regions. This holds promise for the organic producers to tap the market which is growing steadily in the domestic and export market. Products like Basmati Rice, Medicinal, herbal and aromatic (The state has 175 species of rare medicinal and aromatic plants)plants have good

demand in the export market. Many Agri-Export Zones (AEZs) have already been declared under the AEZ scheme of Government of India for products such as litchi, floriculture & horticulture, herbs, medicinal plants and basmati rice. A biotech park near Pant Nagar is coming up in the state.

8) Abundance of Organic Manure & Water :

Farmyard manure prepared with the animals' dung has been the main soil additive in the region. The manure has been prepared by collecting animal excreta with the dried leaves and grasses spread on the floor of the animal shed for making bedding material. In hill areas, wood obtained from forest has been major fuel. Ash dust is a product obtained after the burning of fuel wood. The kitchen ash, thus obtained has been mixed with the farmyard manure and applied into the field. Crop rotation, grazing of farm animals (The excreta dropped during grazing is used as organic manure) have also added to organic manure preparation and spreading.

9) Technological developments:

Innovative technological solutions using artificial intelligence, imaging and renewable energy among others are being developed by private companies for the organic food industry.

Challenges :

Producer-level challenges:

1) Certification process:

Issues like high certification costs, lengthy procedures, international validity, inadequate certifying agencies and inadequate supporting infrastructure facilities for verification are rampant in the certification process for pursuing organic farming. It costs between INR50 and INR500 per farmer per year for certification and the cost of internal audits and documentation is approximately INR2,500 per farmer. Although the cost of certification has reduced, it is expensive for many small groups of farmers or individual farmers.

2) Certification standards:

There is also a gap in the understanding of the certification standards and labeling requirements. Additionally, key trading partners have traditionally demonstrated a lack of willingness to sign equivalence arrangements.

3) High dependency on agriculture:

India has the highest number of producers in the world yet they cultivate less than 1% of the organic area. The conventional production system is more lucrative given the land fragmentation.

Processor Level Challenges

1) Supply chain issues:

Many farmers are apprehensive of organic farming since it involves high production costs. The emphasis on collection, transportation and storage of fresh organic produce is very high. Due to relatively low volumes, the marketing and distribution chain of organic food products is relatively inefficient and the costs involved are very high. For example, organic produce cannot be stored in government warehouses that practice chemical treatment of storage areas. High demand and low supply further create inflationary pressure on organic food products. Therefore, these products have higher price markups than conventional products. Additionally, many sellers mix the produce from different geographical regions to help attain a competitive price, thus compromising the geographical origin norm.

Lack of a proper organic supply chain is felt more acutely in hilly, tribal and remote areas that have a high potential for organic farming but have difficult terrain or underdeveloped infrastructure

2) Global competitiveness:

A major challenge India faces is that of increasing its share in the global organic food export market, in lieu of global competitiveness. There often exists a dichotomy between international quality and safety standards and Indian organic standards, which puts Indian produce at a disadvantage.

3) Lack of proper branding and packaging:

Promotion and sale of organic products require separate packing material that is natural and requires distinctive branding that distinguishes organic from conventional products. At present, there is an absence of regulations on labelling standards.

Consumer-level challenges

1) Lack of awareness among consumers:

Majority of consumers in Uttarakhand are still unaware of the health benefits of organic food products. The consumers do not know the difference between conventional farming and organic farming. They are buying products labelled as natural assuming them to be organic.

2) The high cost of organic food products:

The cost of organic food products is currently higher than that of conventional food items. Processing and inventory holding cost, increased packaging, logistics, and distribution cost (due to low volumes), contribute to the high price of organic food products. The switch to organic food is likely to cost an additional INR1, 200–1,500 per month for a family. Therefore, the purchase of organic food is restricted to the affluent class of consumers residing in large cities.

3) Limited availability of organic food products:

Though there is lack of awareness among consumers but those who are aware and health conscious complain that there is limited availability of organic food products in the market. There are very few retail shops that store and sell organic food items.

4) Maintaining quality is a challenge in Monsoons :

As synthetic pesticides are not used in organic food products so maintaining the quality becomes a challenge especially in the monsoons. There are complaints of insects and fungal diseases and convincing customers becomes a challenge.

5) Lack of Trust :

The consumers have a general believe that organic just means pesticide free, they don't know what they are getting while making a purchase unless they know the grower, there is no guarantee that your produce has been grown without pesticides or other chemicals. It's a point to consider, given the substantially higher cost of organic foods.

Conclusion :

As per state budget 2016-17, the Government of Uttarakhand proposed a new scheme of Madhav Singh Bhandari Krishi Syebhagita Yojna, which would boost cooperative farming in the state during 2016-17. According to the Department of Industrial Policy & Promotion (DIPP), the cumulative FDI inflows, during April 2000 to March 2016, stood at around US\$ 563 million¹. Exports from the state reached US\$ 1.41 billion in 2014-15, reflecting a growth of 8.1% in comparison to 2013-14. The

government is planning to develop Uttarakhand as a manufacturing hub for organically processed food units. Thus, it is inviting food processing companies to come and manufacture organic processed food units in the state. Yet the farmers in the hills of Uttaranchal are mostly marginal farmers; practicing low external input based production system. Agriculture, horticulture, livestock, forestry and combined with animal husbandry provides opportunities for optimum utilization of the resources available in the system. It may be a blessing in disguise, the ill effects of synthetic chemical based agriculture are very limited here, the soil has not been polluted and the environment is clean and green with abundant biodiversity. If efforts are not being made at this juncture, this sustainable system may follow the same path of high external input agriculture.

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