

## **Marketing of Indian Organic Products: Status, Issues, and Prospects**

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### **Abstract**

Organic farm production and trade has emerged as an important sector in India as in other parts of the developing world, and is seen as an important strategy of facilitating sustainable development. This paper locates the rationale for organic farming and trade in the problems of conventional farming and trade practices, both international and domestic, and documents the Indian experience in organic production and trade. It explores the main issues in this sector and discusses strategies for its better performance from a marketing and competitiveness perspective.

**Key Words:** Organic farming, marketing, India, ethical trade, fair trade

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### **Introduction**

There has been plenty of policy emphasis on organic farming and trade in the recent years in India at various levels as the country is believed to be well placed in this regard. Organic produce is being seen as a natural choice by consumers, and consequently by producers, in both international and domestic markets due to the problems in the supply chain of conventional or mainstream agro produce. The growing health concerns and increasing non-tariff barriers like Sanitary and Phyto Sanitary (SPS) measures in the international market (Naik, 2001), coupled with non-viability of modern farming on a small scale, are some of the factors behind the move from chemical based to organic production and consumption systems.

The 10<sup>th</sup> five year plan emphasizes promotion of and encouragement to organic farming with the use of organic waste, Integrated Pest Management (IPM) and Integrated Nutrient Management (INM) (GOI, 2003). Even 9<sup>th</sup> five year plan had emphasized the promotion of organic produce in plantation crops, spices and condiments with the use of organic and bio inputs for protection of environment and promotion of sustainable agriculture (GOI, 2001). There are many state and private agencies involved in promotion of organic farming in India. These include various ministries and departments of the government at the central and the state levels, universities and research centres, Non-Government Organisations (NGOs) like AME, and OFAI, producer organizations like VDAI, TOFA,

VOFA, and Eco-farms, and certification bodies like Indocert, Ecocert, SKAL, and APOF besides various processors and traders. In 2001, a National Programme for Organic Production (NPOP) which aims at establishing national standards for organic products, based on IFOAM standards, was launched. More recently, Indian Competence Centre for Organic Agriculture (ICCOA) has been proposed which will collect, analyse, document and disseminate information and knowledge on organic farming and build capacity of individuals and institutions besides advocacy, networking and consultancy services (Kumar, *et. al.*, 2003).

The central and state governments have also identified Agri Export Zones for agricultural exports in general, and organic products in particular, in some states. Products suitable for local production and processing have been identified and many facilities and incentives are being offered to encourage production and export of organic products in such zones. In UP and Uttaranchal, the Diversified Agriculture Support Project (DASP) is promoting organic farming practice where biodynamic farming, compost, vermiculture, cow pat pit (CPP), green manuring, biocontrol agents, Integrated Pest Management (PIM), Integrated Nutrient Management (INM), Integrated Crop Management (ICM), etc, are being promoted (UPDASP brochure). The Punjab Agri Export Corporation has launched a programme to make organic farming popular in Punjab from Rabi 2003. In the first week, after advertisements seeking registration of farmers as organic growers were given in local newspapers, about 300 farmers have registered with the corporation to seek consultancy to start organic farming. The programme gives priority to farm clusters and contiguous farms and seeks details of farmer's land holding, acreage

proposed to be put under organic farming and crops the farmer is interesting in growing (Dhaliwal, 2003). In Bangalore, Nilgiris, with 50 outlets in south India, sources organic produce from small growers which is supply driven (Chengappa *et. al.*, 2003). Similarly, International Resources for Fairer Trade (IRFT) based in Mumbai, procures organic cotton and other agro products to sell them to Indian and foreign buyers as part of its fair trade policy to help the rural poor (IRFT, Mumbai, Annual Report, 2002-2003).

There are many private companies like Ion Exchange, Mumbai which are into export and domestic marketing of organic produce. Ion Exchange Enviro Farms Ltd., a subsidiary of Ion Exchange India Ltd. undertakes contract farming with Community Grower Groups (CGG) having large acreage, on a profit-sharing basis. It covers 1800 acres under this program and has crops of wheat, cotton, papaya, banana, pineapple, mango, millets, basmati, soyabean, groundnut, tur, various grams, spices, sugarcane and cashewnuts, some of which are certified organic and others are under certification. Produce is marketed under the brand names of Organo Fresh and Organo World. Farmers are trained in-house in scientific organic farm management and certification. The company claims that it follows fair trade practices wherein middlemen are eliminated, child labour is banned, men and women are given equal status, and transparency in trade is maintained. In the process, it brings to farmers the best of organic processes and water management techniques, thereby educating and empowering farmers. A CGG is a group of growers who grow their produce in close proximity to each other, and whose farming practices are uniform on the whole, and organised under the same management and marketing system viz., a non-governmental-organisation/self-help group/registered association. The CGG volunteers should be familiar with cultivation area information i.e. general location and

geography of CGG production zone, crop type commonly grown in production area, commonly adopted farming practices, and marketing channel for agricultural produce in the production area. CGG entails many benefits like higher production volumes without corresponding investment in additional land, steady supply of organic produce for domestic and international markets, de-layering of supply chain, reduction in associated costs and time, farmers cultivate land more productively and profitably, obtain better market prices for their produce, and improves the environment by bringing more land under eco-friendly scientific organic farming (website).

The concept of organic farming originated in the U.K. during the 1930s and certified organic produce has been available since the 1970s. Organic quality standards apply both to crop and animal production and the processed foods. The principles of organic agriculture include concerns for safe food production, environment, animal welfare and social justice. Sustainability and organic farming are closely linked as organic farming incorporates human (social), economic and environmental aspects of sustainability (Lampkin, 1994; GOI, 2001; Michelsen, 2002). In fact, organic farming is one form of sustainable agriculture with maximum reliance on self-regulating agro ecosystem (Browne et al, 2000). The other alternatives include Low External Input Sustainable Agriculture (LEISA) and Integrated Farming Systems (IFS) (Lampkin, 1994). The National Organic Standards Board of the U.S. defines organic farming as an ecological production management system that promotes and enhances bio-diversity, biological cycles and soil biological activity. The focus is on ecologically compatible production systems and processes, not on the product itself or specific inputs (Krissoff, 1998; GOI, 2001). Organic production is defined by the USDA as follows:

‘A production system which avoids or largely excludes the use of synthetic compounded fertilizer, pesticides, growth regulators and livestock feed additives. To the maximum extent possible, organic farming systems rely upon crop rotation, crop residues, animal manures, legumes, green manures of farm organic waste and aspects of biological pest control to maintain soil productivity and tilth, to supply plant nutrients and to control insects, weeds and other pests’ (cited in Browne et al, 2000). For example, under the organic milk production system, disease free milch animals are given pesticide free feed and fodder and in the manufacture of organic dairy products, special care is taken to exclude artificial or chemical ingredients like colour, flavour, sweetness or stabilizers. The organic farming involves IPM practices like use of bio-pesticides, bio-fertilisers and vermicompost. The other components of organic farming are crop rotation, intercropping, and green manuring (Rosset, 2000). It is also referred to as biological farming, regenerative farming, bio-dynamic farming, and low input sustainable agriculture (GOI, 2001). The Codex Alimentarius Commission of the WHO recommends another definition of organic farming as “a holistic production management system which promotes and enhances agro-eco system health, including biodiversity, biological cycles and soil biological activity” (GOI, 2001).

This paper examines the main issues in the Indian organic farming and trade sector and discusses strategies for better performance. After locating the growing importance of this form of enterprise in the problems of mainstream farming and trade practices, both international and domestic, in the First section, it profiles global production and demand

scenario in the Second section. It documents the Indian experience in organic production and trade in section III. As a strategic issue, the paper also dwells on the link between organic produce movement and the ethical and fair trade movements in section IV as they are similar in their objectives though there are certain conflicts in the way they are presently conducted. The paper concludes by suggesting ways to give a fillip to Indian organic production and trade from a marketing and competitiveness perspective in section V.

## **I. Rationale for Organic Farming in India**

Organic farming has been found to be as or more viable than conventional farming in the United States of America (USA) and the European countries due to either higher yield, lower cost or higher market prices (Lampkin, 1994). In India, environmental concerns have led many NGOs and governments to promote organic farming. High cost modern farming and its unsustainability due to overcapitalization and rising input costs has made organic farming a necessity in many agriculturally grown regions. Organic farming is not only financially less draining for the small farmer and good for environment, it also helps the government to reduce its subsidy bill meant for modern inputs.

The logic for organic farming also comes from the more recent environmental related non-tariff barriers like pesticide residues and fruit fly problem in fruit and vegetable exports from India to the European Union (EU), the USA, China, Australia and Japan, hormones in livestock products exports to the EU, and sesame and tobacco exports to

Japan. Even textile exports to the EU and the USA have not escaped environmental barriers. The United Arab Emirates (UAE) ban on Indian meat imports (for 10 companies) due to health and hygiene reasons and the EU ban on Indian fish imports due to lack of Sanitary and Phyto-Sanitary (SPS) standards especially in canning (only 90 out of 404 plants are approved for fishery exports to the EU) are other recent cases of SPS barriers. The Hand Picked Selected (HPS) groundnut and spices meant for the EU, Italy and Germany and chillies for Spain have faced trouble due to aflatoxin and chemical residues. India had been delisted from the list of approved countries in the EU for import of egg powders, two years ago, for non-submission of Residue Monitoring Plan (RMP). In dairy products export, problems of mastitis in bovines and F& M disease in cattle and buffalo which leads to deterioration in composition of milk, are likely to be faced. Further, input related problems like quality of fodder which affect milk quality are also potential barriers. In case of grains, the 'Karnal bunt' in wheat has been reported to be a problem and Iran rejected Indian wheat sent by two private exporters due to quality problem. Indian basmati rice consignments (40) (of 16 companies) were detained in 1999-2000, by the United States Food and Drug Administration (USFDA) on grounds of being filthy and containing pesticides. Further, the cost of compliance to these standards or barriers is so high that it is estimated that Bangladesh would need to spend 9.4 percent of its annual earnings from fish exports to install a Hazard Analysis and Critical Control Points (HACCP) plant and 1.3 percent to maintain it (Delgado, et al, 2003).

Growing market is another important stimulant for organic farming in India. Several countries are interested in buying organic cotton, the annual demand for which is around



15 million bales (Bajwa, 2003). That consumers are willing to pay premium prices for organic products upto 10 per cent in countries like the USA and even in India is revealed by many studies in the late 1990s. In Baroda and Ahmedabad, more than 70 percent of the consumers with incomes above Rs. 5,000 per month were ready to pay 15-20 per cent premium for organic food. This premium is required to make initial returns from organic farming comparable to that from conventional agriculture (Naik, 1999 and 2001). But, only about 20 per cent of the consumers in India were aware of organic produce and only 10 per cent had ever bought it. The traditional strength of Indian farmers in organic production makes it that much easier.

## **II. Global Production of and Market for Organic Produce**

Demand for organic foods in the USA, the Europe, and Japan is growing rapidly (20 per cent per annum) though market shares remain quite small. There was a US\$ 19 billion market for organic foods in the world in 2001. And it is growing and was estimated to be between US\$ 23-25 billion in 2003. In some markets like Switzerland, Denmark and Austria, it accounts for more than two per cent of the total food sales (Yussef and Willer, 2003). People in a few countries even want to wear clothes made from organic cotton (Dhaliwal, 2003). During the 1990s, organic food sales in U.S grew at an average rate of 24 per cent per annum. Although a quarter of the consumers in USA purchased organic foods, the market share was quite small (1 - 1.5 per cent in 1996). The U.S. was the largest single country market for organic foods with sales worth \$ 4.2 million in 1997. The other major markets for organic foods are Japan, Germany, China, France, the United Kingdom (UK). (7 per cent of total food sales) Austria, Netherlands, Sweden and

Denmark (3-4 per cent of retail food market) (Thompson, 1998). In fact, in China, organic food accounted for 6 per cent of total food sales in 1995 with no imports. On the other hand, in U.K., Canada, Germany and Netherlands, more than 60 per cent of the organic foods was imported. The average retail premium in various countries range from a minimum of 12 per cent in Australia to as high as a minimum of 30 per cent in Canada and China. In fact, Canada and Australia are also very active exporters of organic foods to Asia, the USA, and the Europe respectively (Lohr, 1998). The EU had two per cent of its total area and some other European countries even as high as 10 per cent of their total area under organic production during the 1990s. By 1998, 1.7 per cent of all farms and 2.2 per cent of total farming area was under organic production in the EU. Some of the countries like Sweden and Austria had 15 per cent and 9.6 per cent of farms and 7.8 per cent and 8.4 per cent of all area respectively under organic production. On the other end were countries like Denmark with 3.5 per cent of farms and 3.7 per cent of area under organic production (Michelsen, 2002).

Demographic variables such as age, marital status, number and age of children and education are important variables in explaining consumer demand for organic products. The place of purchase of food and habit persistence related to age and household composition are also important in understanding where potential growth in organic food might occur. With 40 per cent of retail food expenses made on food away from home, it can also be an important determinant of demand for organic products (Thompson, 1998). For example in the USA, 80 per cent of all organic food sales were made by farmers to wholesale outlets, 13 per cent directly to consumers, and seven per cent to retail outlets

(Klonsky and Smith, 2002). In some countries like Germany, there are specialist organic retailers (1800 in early 1990s) who offer complete range of organic groceries (Tate, 1994). Growth in organic food sales might be highly dependent on the ability of the industry to bring to market a consistent supply of diverse food products marketed by large-scale supermarkets which are becoming a major channel all over the world (Haest, 2003). In fact, major UK retail chains like Safeway, Asda, Sainsbury and Tesco started organic food sales in the 1980s itself. But, there is mistrust between organic producers and supermarket chains on the very ethics of organic agriculture as producers perceive supermarkets to be expensive, wasteful and only profit driven (Tate, 1994). Price premium can decline as economies of scale are attained in marketing and distribution (Krissoff, 1998) or due to rapid expansion in supply in the absence of market development for organic produce (Lampkin and Padel, 1994).

Certification of organic products has emerged as an important issue in their marketing. Certification not only assures consumers that a product that is not observably different from non-organic food was grown, processed and packaged according to rules that limit or ban synthetic inputs and that protect the environment, and assures producers that unscrupulous use of the term 'organic' does not defraud them of price premiums and market shares, it also makes the market more efficient by reducing information asymmetry along the marketing chain. It can be very costly for governments to set domestic standards for organic foods if only a few crops are grown organically and volume traded is small. In such situations, private certified bodies fill the void (Lohr, 1998). About 60 countries have already implemented or are in the process of

implementing organic standards. But, different standards being used by countries importing organic products have also become a new trade barrier for organic product exporters and producers as seen in the case of organic tea exported from India. This led to higher costs and losses for all involved i.e. importers, certifiers, producers, and government agencies, due to the incompetent handling of information in the chain (Bachi, 2003). The harmonization of standards can reduce the cost of obtaining information by protecting consumers and growers from fraudulent products and claims, and processors can have low cost verification of the authenticity of organic produce inputs. But, there are difficulties in harmonization as there are different stakeholders in the organic food sector with different objectives (Krissoff, 1998).

The growth of organic farming in India and other Asian countries has been slow due to the emphasis given to food security rather than food safety. This is in contrast to the growth of organic farming in Latin American countries where it was encouraged by increased opportunity for export of organic products (Naik, 1999) or in Cuba where a crisis (of the fall of the Soviet Union in 1989 and the economic sanctions against Cuba by the USA for 30 years) was converted into an opportunity through shift to organic farming which meant bio-pesticides (microbial products) and natural enemies to combat insect/pest attacks, crop rotations and microbial antagonists to combat plant pathogens, better rotations, and cover cropping to suppress weeds. Synthetic fertilizers were replaced by biofertilisers, earthworms, compost, other organic fertilizers, natural rock phosphate, animal and green manures. In place of tractors, for which fuel, tyres, and spare parts were largely unavailable, there was a sweeping return to animal traction. The main pillars

of this transformation in Cuba were: agroecological technology instead of chemicals; fair prices for farmers; redistribution of land turning state farms into Basic Units of Cooperative Production (UBPCs), a form of worker-owned enterprise ( known as the 'linking people with the land' campaign); and greater emphasis on local production. Due to this shift to organic farming, Cuba now has eleventh position on Physical Quality of Life Index (PQLI) (with the USA being at the 15<sup>th</sup> position) and the Right Livelihoods Award (alternate Nobel Prize by Swiss Parliament) has been given to Cuban Organic Farming Association (Rosset, 2000).

Organic farming is practiced in almost all countries of the world and its share in agricultural land and farms is growing with total organically managed are being more than 22 million hectares world wide with major part of it being in Australia, Argentina and Italy (Yussefi and Willer, 2003). Now, there are 90 countries producing organic commodities for commercial scale with more than 20 in Asia and equal number in Latin America (23) and Africa and Middle East (AME) (18) each with thousands of enterprises (60, 000 in Asia, 1.1 lakh in Latin America and 57000 in AME) producing variety of crops and agricultural produce over lakhs of hectares. And, there are global commodity chains and networks in organic trade as well which are largely driven by buyers and certification agencies (Raynolds, 2004). Asia alone has about 6,00,000 hectares under organic production which accounts for 2.6 per cent of all organic area world wide and 15.1 per cent of all organic farms world wide. India has 41, 000 acres under organic farming which is only 0.03 per cent of all agricultural land in India (Yussef and Willer, 2003).

### **III. Organic Production and Markets in India**

Major organic produces in India include plantation crops i.e. tea, coffee, and cardamom, spices i.e. ginger, turmeric, chillies and cumin, cereals i.e. wheat, rice, jowar, and bajra, pulses i.e. pigeonpea, chickpea, green gram, red gram, and black gram, oilseeds i.e. groundnut, castor, mustard and sesame, fruits i.e. banana, sapota, custard apple and papaya, and vegetables i.e. tomato, brinjal, and other leafy vegetables, besides honey, cotton and sugarcane especially for jaggery (GOI, 2001). But, there is no organic production of meat products like poultry, livestock and fisheries in India as yet. In 2003, 5661 farms in India were certified as organic. There are three types of organic producers in India – traditional organic growers who grow for their subsistence needs, commercial farmers who have surplus and export their produce through different channels, and private companies which either have their own farms or organise large conversion programmes with growers (Yussef and Willer, 2003).

The organic products available in the domestic market are rice, wheat, tea, coffee, pulses and vegetables. On the other hand, products available for export market, besides these, include cashew nuts, cotton, oilseeds, various fruits and medicinal herbs. Whereas wholesalers and traders, super markets and own shops are the major channels in the domestic market which is mainly in metropolitan cities and accounts for only 7.5 per cent of the total organic production, the market channel for export of organic products is export companies with the exception of tea which is produced and exported by tea

estates. The major markets for Indian organic products are the EU, the USA, Canada, Australia and the Middle East Asian countries. Quality production with traditional methods, low use of chemical inputs in mountain and tribal areas, easy availability of cheap labour, NGO interventions, and various types of support provided by the governments as the main advantages of Indian organic products. On the other hand, high price expectations, delayed delivery, quality restrictions, lack of certification and marketing networks are some of the constraints in marketing organic products internationally (Singh, 2003). On the other hand, in home market, there are no separate markets for organic products in many commodities like wheat in Rajasthan. Thus, the market does not offer any incentive for the production of organic produce. But, more recently, some agencies have tried to create separate market outlets for organic produce like the Maharashtra Cotton Marketing Federation which purchased organic cotton from growers separately, for export (GOI, 2001).

That organic farming is, most of the time, viable is brought out by many studies recently. In H.P., the net income per hectare from organic farming was found to be 2-3 times higher both in case of maize and wheat. This was not only due to good yields but also the higher prices obtained by organic produce as well as byproducts which were 2-3 times higher in case of wheat and various pulses and vegetables due to taste and freshness. In Haryana, the cost of production was lower and net returns higher (2-3 times) in basmati rice, soyabean, arhar and wheat because of 25-30 per cent price premium on organic produce and lower cost of production and marketing. The farmer's net returns ranged from a low of Rs. 8-9 thousand on traditional vegetables and as high as Rs. 17-28

thousand in the case of baby corn and exotic vegetables like broccoli and red and Chinese cabbages. The major factors in the success of organic farmers were found to be marketing of vermi compost and contractual marketing of produce (Singh, 2003).

In Maharashtra, organic cotton production was concentrated in low productivity and high uncertainty areas like Vidarbha and has been grown since the early 1990s. The Vidarbha Cotton Growers' Association, set up in 1994 with 135 members, has tied up with international agencies for the exports of the crop (GOI, 2001; Vaswani et al, 2003). The farmers preferred organic cotton for risk aversion, lower cost of production (30 per cent) and cash payment in that order. The yield was lower by 20 per cent though the price was higher than that of conventional cotton. Thus, the cost benefit ratio of organic cotton was 1:1.63 as against 1:1.47 for conventional cotton. The major problems were non-availability of suitable varieties and certification agencies, and delayed procurement and payment by the buyers (Singh, 2003). In Gujarat, organic production of chickoo, banana and coconut had higher profitability but field crops and mango had both lower input costs as well as yields (Naik, 2001).

In Karnataka, groundnut, jowar, cotton, coconut and banana were organic crops and the major reasons for shift to organic farming were sustained soil fertility, reduced cost of cultivation, higher quality of produce, sustained yields, easy availability of farm inputs and reduced pest and disease attacks. Most of the organic inputs were being obtained in-house or from local farms though all of it was totally non-certified because of the high cost of certified organic manure and ignorance about it. Almost all the farmers agreed



that organic farming increases soil fertility. But, only 50 per cent of them found organic yields higher than conventional. The cost of organic farming was found to be lower by 80 per cent of them and produce quality good in all cases. But, only 40 per cent of them fetched higher price for organic produce. The farmers perceived the demand for organic produce to be low or same as for conventional produce. Only about 22 per cent of the farmers were producing organic products exclusively for market. The cost of cultivation for organic groundnut was lower, price higher, and net returns lower than conventional groundnut with the cost benefit ratio being only 1:1.26 compared to 1:1.31 for conventional groundnuts. In case of jowar, the cost of production for organic was higher (20 per cent), price more or less same, and net returns higher due to the higher yields of organic variety. Thus, the cost benefit ratio for organic jowar was found to be 1:1.36 compared to 1:1.28 for conventional. Similar was the case of cotton with a cost benefit ratio of 1:1.34 (organic) and 1:1.24 (conventional). The cost benefit ratios for coconut and banana were significantly higher for organic farming (1:1.7 and 1:3.66 respectively) compared to conventional farming (1:1.31 and 1:2.82) due to the lower cost of cultivation and higher price factors. The major problems encountered by organic farmers were found to be initial lower yields, no price incentives, and no separate markets for organic produce, besides lack of and high costs of certification (Singh, 2003).

At present, In India, there are six accreditation agencies approved by the Ministry of Commerce for organic produce. These are Agricultural and Processed Food Exports Development Authority (APEDA), Coffee Board, Spices Board, Tea Board, Coconut Development Board, and Cocoa and Cashewnut Board. There is also an organic

commodities Board at the national level and another at the state level (Uttaranchal Organic Commodities Board (UOCB). Besides, there are private (Indian and foreign) certification agencies for organic farms (Kumar, *et.al.*, 2003).

The hindrances to organic farming, in general, include high initial cost (15-20 per cent), high cost of certification especially for relatively small farmers (Klonsky and Smith, 2002), complicated production technology, alienation of farmers from the concept, lack of standards, and lack of large market opportunities comparable to those for non-organic produce markets (Levin and Panyakul, 1993). It takes four years for a farmer to free his land completely of conventional material after stopping the use of chemicals as nutrients and crop savers. Because of this, it becomes difficult for farmers to start organic farming, as their neighbours may not cooperate. The cooperation from neighbouring farmers is required as pesticides and fertilisers used by them can affect the organic crop of a farmer engaged in this job. To protect organic crops from pesticides that may be used in the neighbourhood, one has to raise at least 20m-high wind barriers. This raises the cost of production. Still, it is very difficult to stop chemicals from seeping into organic fields from the neighbourhood through water used for irrigation (Dhaliwal, 2003).

#### **IV. Organic Farming and Trade, and Ethical and Fair Trade**

The growing interest in organic and ethical production and trade has been both consumer driven and trade driven. The participation by producers in organic and ethical production may be limited by the availability of skills, labour and time (human capital) and land

tenure (social capital). Increasingly, ethical and organic trading are beginning to overlap. The ethical trading involves being people centered i.e. no child labour, fair wages, reasonable and safe working conditions, gender equality in wages and conditions, and freedom to organize: environmentally focussed i.e. sustainable environmental practices such as land use and management and non-degradative environmental practices like reducing pollution by chemical inputs: and animal centered which includes no animal testing of products and non-exploitative treatment of animals (Browne *et. al.*, 2000). Ethical trade aims to improve employment conditions in supply chain with its main principles being no forced/child labour, freedom of association and collective bargaining, safe & hygienic work conditions, no exploitation/discrimination, regular employment, and fair wages (Tallontire, 2000).

An increasing number of fairly traded goods are also organic (70 per cent) and the organic movement is moving towards including social rights and fair trade in its standards. Fair trade involves partnership with producers and consumers for improving the position of dis-empowered members through trade. It aims at poverty alleviation through fair price to producers, supporting producers in social/environmental projects, gender equality, product development for high market access, and long-term relationship for stability and security of livelihoods. The logic of fair trade is that there are unfavourable terms of trade to developing world in terms of unfair prices which need to be corrected through intervention. Also, it aims to serve as cushioning mechanism during the transition of producers to high value products. Partnership involves fusion of market and ethics in the supply chain links from producer to consumer. There are two

approaches to fair trade – labeling approach and branding approach. The core of the fair trade partnership is the branding approach adopted by the Alternative Trading Organizations (ATOs) and the producer organizations/ Self Help Groups/Co-operatives. Fair trade aims to bridge the north-south divide in development through trade (Tallontire, 2000; Tallontire, 2001).

There are many fair trade agencies in the north and the south like Shared Earth, Traidcraft, OXFAM, TWIN (UK), SERRV, Equal Exchange, Market Place (USA), Bridgehead, Ten Thousand Villages (Canada), Nepali Bazar, Global Village (Japan), Aid Through Trade, Trading Partners (Australia), Asha Handicrafts, Silence, IRFT (India), and Fair Trade Group (Nepal) besides the International Federation of Alternative Trade (IFAT). There have four phases of the fair or alternative trade movement i.e. goodwill selling during the 1950s and the 1960s; solidarity trade during the 1970s and the 1980s; mutually beneficial trade during the 1990s with consumer focus; and trading partnerships which is an emerging mode of fair trade. The main products which have been the focus of fair trade are: tea, coffee, cocoa, spices, and handicrafts and major forms of support have been marketing, skill upgradation, and finance. But, those critical of this paradigm of development through trade argue that it helps some producers at the cost of others, and prolongs dependence of producers/countries on losing products (Tallontire, 2000). Despite this, fair trade will be an important basis for organic production and trade as a means to bridge the concerns of the developed and the developing worlds (Yussef and Willer, 2003).

If there is consumer pressure for this overlap, then there would be considerable implications for the volume of trade, the developing country producers' ability to meet the requirements and for the working conditions and livelihoods of producers. The philosophy of organic agriculture has always been to progress towards, as per International Federation of Organic Agricultural Movements (IFOAM), an entire organic production chain which is both socially and ecologically responsible. This would mean that all organic produce certified by organic produce agencies would also be ethical. Internationally, many organizations involved in organic or ethical trade see a natural link between ethical trade and organic production. This is particularly true of smaller organizations in direct touch with suppliers where, at the operation level, some producers could be viewed as ethical and organic in all but name. All the fair trade producers produce some brands of products that carry both fair trade and organic produce symbol. The market players, especially supermarkets see this link to the consumer concern for environmental issues and perceive that it is impossible to be fully ethical without being organic and vice versa. It is possible for organic production to be ethical by adding social criteria to the standards of organic regulatory authorities. Similarly, ethical can also become organic with the inclusion of some limited environmental aspects (Browne, *et.al.*, 2000).

## **V. Strategies**

The steps needed for promoting organic farming include cost support or premium (but not in cash), certification or conversion support or subsidy as done in California (upto 70

per cent) by the USDA in 2001 and in the EU for conversion to or continuing with organic production under the EU-agri environment programme since 1993 (Klonsky and Smith, 2002; Padel et al, 2002), and promotion of market mechanisms like Mumbai Grahak Panchayat which had dedicated consumer groups who place advance orders. But, it is market oriented programmes which are more sustainable as was the case in Denmark (Padel et al, 2002). Targeting institutional market i.e. hotels, hospitals, airlines and railways, to begin with, is an important strategy for promotion of market for the organic produce in the domestic market. NGOs can also be roped in for market creation as they have credibility for such products. Further, home delivery can prove effective tool in high end segment of the market. Tying up of the organic products with other environmental friendly products can also help (Gupta, et. al. n.d.).

There is need to establish incentives/penalties system for better/poor quality of organic produce meant for, export in particular, and domestic market in general. Adoption of HACCP and better quality monitoring systems is another much needed step in this effort. Incentives for quality at producer/society/group level for meeting organic standards need to be created. For example, the Clean Milk Production Programme (CMPP) of NDDDB launched in Punjab, Karnataka, A.P., M.P. and W.B. is aimed at quality improvement at producer level. Here, Milk Plants implementing CMP in Punjab pay an extra Rs. 0.5/Lt. and those in A.P. and Karnataka an extra Rs.0.20/Lt. Better vertical co-ordination mechanisms like contract farming, co-operative-corporate alignment is the need of the hour to achieve competitiveness even in organic produce markets. It is here that New Generation Co-operatives (NGCs) can come in handy as they are business oriented.

On the production side, there is need to encourage and promote use of organic inputs like bio-fertilisers, bio-pesticides and organic manure and even farm practices like IPM and INM. It has been found that even in agriculturally advanced states like Haryana, even farmers who were exposed to IPM practices by various agencies had never used bio-pesticides, not even neem. The main reasons for very low acceptance of IPM were found to be lack of awareness and skills, and lack of faith in the practice itself besides cumbersome and time consuming nature of the practices. The predominant dependence of farmers on dealers for advice on pest control took them further away from these inputs and practices. Similarly, very few farmers used bio-fertilisers due to lack of awareness and poor quality of product (Alam, 2000). Here, NGOs and farmers' organizations can play an important role.

In the times of competitive international trade, the processing and marketing links in the supply chain, especially super markets, can play an important role as they will increasingly convey and fashion the changes needed in the supply chains due to their own selfish interest in organics in terms of ethical trade image, differentiation from competitors, new market segments, and attracting consumer loyalty. The super markets have the purchasing power, drive, dynamism, adequate logistics, omnipresence, efficiency, quality management, and communication power though they also have their own agenda and practices like ethical trade inertia, dumping, and technical barriers which may not be in tune with that of the organic producers and other players (Haest, 2003). The processing/marketing firms should go the organic way proactively. This will be

similar to agricultural input firms moving from chemical to organic inputs instead of perceiving organic as a threat. The agribusiness firms should look at organic farming and trade as an opportunity which is in accordance with the larger developmental goal of sustainability. This is one more historic opportunity for the industry to contribute to human progress substantially as they are best placed to tailor the chain organically. They should implement and promote Good Farm/Agricultural Practices.

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