



# Organic Farming in India

STATUS, ISSUES AND WAY FORWARD



## Executive Summary



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# **Executive Summary**

Globally, there is growing awareness of the adverse impact of chemical inputs on the soil, environment and human health. This has prompted both developed and developing countries to shift towards organic farming and organic food products. In India, traditional methods of farming were by default 'organic', with hardly any use of chemical inputs. However, concerns about ensuring food security for a large population led to the Green Revolution in the 1960s, which resulted in an increase in the use of chemical inputs to improve crop yields, leading to the same deleterious effects on soil and consumer health that developed countries had already experienced. Consequently, there has been a spurt in demand for organic food products both in developed countries as well as within India, resulting in a premium on the prices for these products. This has impelled organic food exports from India.

Given the growing demand for organic food products both domestically and globally, and the need to protect soil and consumer health, the Indian government has taken various measures to support the growth of organic farming and organic exports.

In this context, the objective of this study is to: (a) understand recent trends and developments in organic farming globally and the scope for the development of organic farming and export of organic food products from India, (b) identify global best practices in regulations on organic products, (c) examine the measures taken by the Indian government to support organic farming and organic food, (d) identify the issues faced by organic farmers and organic processed food producers, exporters, importers and other supply chain agents, (e) find the policy gaps and (f) make policy recommendations to the government for the holistic growth of this sector based on global best practices and the country's own requirements. This study is based on a primary survey and analysis of secondary data.

### Some Key Findings

As per the latest available cross-country statistics, in the year 2015, India ranked first in terms of the number of organic producers among over 170 countries and ninth in terms of the area under organic agriculture. India has potential for export of organic products and was ranked 11<sup>th</sup> in organic product exports in 2015. Key markets for India include developed countries such as the European Union (EU), the United States (US), Canada, Switzerland, Japan and Australia, developing countries such as Bhutan, Middle Eastern countries such as Saudi Arabia, and

member countries of the Association of Southeast Asian Nations (ASEAN).

Global trade in organic products is dependent on the recognition of standards and processes by the importing countries, and each importing country has its own standards, certification process and labelling requirements, which can be a barrier to trade. To counter this barrier, countries and regional groups such as the EU have entered into equivalence arrangements whereby a country or region may unilaterally or bilaterally recognise the standards, certification process, label, etc., of its trading partner.

In India, the Agricultural & Processed Food Products Export Development Authority (APEDA) under the Department of Commerce, Ministry of Commerce and Industry, took the initiative to develop regulations for the export of organic produce, known as the National Programme for Organic Production (NPOP), in early 2000, based largely on the EU organic policy/regulations, but customising it to meet Indian requirements. All organic exports from India have to meet NPOP requirements. Thus, India has export regulations for organic products but, as of June 2017, there were no regulations governing organic food product standards and labels for the domestic market and imports. The Ministry of Agriculture and Farmer's Welfare has also introduced the Participatory Guarantee System for India (PGS-India) with the National Centre of Organic Farming (NCOF) as the nodal agency, which lays down certain standards for organic produce but compliance with the standards laid down is voluntary, not mandatory. PGS-India is a self-certification process, established to encourage small and mid-sized farmers to take up organic farming and to promote organic farming in the domestic market on a large scale.

To understand the trends, and issues faced, in organic farming and exports, a primary survey of the various stakeholders involved was conducted. This included a survey of companies engaged in organic farming, processing and/or exports, organic farmers, certification bodies, laboratories, sector experts and policymakers both in India and in selected countries such as the United Kingdom (UK) and Bhutan.

The survey found that a majority of the companies (72.66 per cent) entered the organic food business in or after 2006. There are a large number of start-ups in this sector and the sector can contribute to food processing and create employment, if supported by the right policy. Most companies (94.6 per cent) work directly with farmers, providing them guidance and training in areas such as land conversion, use of inputs, organic pest control and vermicompost. The companies reach out to consumers through various store and non-store retail formats. While

a number of them have created their own brands in India, most of them export unbranded products, which are branded by the foreign buyers or their clients.

Around 81 per cent of the companies operating in the organic food business found it to be more profitable vis-à-vis the conventional food business. According to them, the organic food market is growing at a rate of 14 per cent and they envisaged a growth rate of 20 per cent in the next five years, if supported by the right policy. India's exports of organic products increased by over 17 per cent in volume terms between 2015-16 and 2016-17. Thus, the export market is growing rapidly. However, there are issues related to the recognition of Indian standards and procedures by major trading partners such as the EU, Canada and the US, which has impeded value addition in the country. In the year 2013, for instance, the EU withdrew the unilateral equivalence for processed food products that it had earlier given to India.

In the survey, 418 farmers, under both NPOP and PGS-India, were interviewed across different states of the country. Around 59 per cent of the farmers in the survey have small landholdings (landholding size of less than or equal to 2 hectares). Ninety-five per cent of the farmers were satisfied with organic farming and wanted to continue practicing it. Over 77 per cent of them believed that the certification process should be mandatory as under the NPOP, since it enables them to access the export market and thus earn a premium for their produce. The survey also found that the training provided under PGS-India is useful, and even farmers under NPOP undergo this training. Less than 10 per cent farmers raised issues with the third-party certification process; those who did mainly complained about the rigid monitoring and documentation process. Regarding cost of third-party certification, some large farmers bear the cost on their own while the cost of certification for small and marginal farmers is mostly covered by corporates, non-governmental organisations (NGOs) or associations that source products from them.

### Key Issues

The companies, farmers, certification bodies, laboratories and state policymakers identified some common issues, which include: (a) the lack of a nodal agency as exists in other countries, with several government agencies introducing piecemeal regulations in an uncoordinated manner, (b) lack of a comprehensive policy for the holistic development of this sector, (c) lack of uniform standards for organic inputs, (d) lack of standards and clarifications regarding labelling and certification requirements for the domestic market and imports, leading to malpractices such as mixing organic with conventional produce, (e) lack of willingness on the part of key trading partners to

sign equivalence arrangements and (f) lack of a proper organic supply chain, leading to product contamination and spoilage. The lack of a proper organic supply chain is felt more acutely in hilly, tribal and remote places that have a high potential for organic farming, but have difficult terrain or underdeveloped infrastructure.

### Policy Recommendations

In spite of these barriers, this report found that India has the potential to develop as a major producer and exporter of organic food products, and that this is one of the fastest growing sectors in India. A comprehensive policy can lead to the growth of organic food processing, enhance export earnings, enable India to attain sustainable development goals, improve India's ranking in sustainable development indicators, help double farmers' income by the year 2022, attract foreign direct investment in the organic food sector and develop India as an organic agro-product processing hub to support the Prime Minister's 'Make in India' initiative.

As survey participants pointed out, it would help if the Central government brought out a vision document on organic farming—*Organic Vision 2022 and Beyond*—laying out clearly how the government plans to promote organic farming, setting short term and long term targets taking into account sustainable development goals and agricultural practices, improving environment and soil quality and ensuring food safety and consumer health. This document will remove policy uncertainty, and bring clarity to farmers and entrepreneurs who want to invest in organic farming and food production.

To begin with, it is necessary to come up with a comprehensive definition of 'organic agriculture' and 'organic food products'. This report discusses how India can develop such definitions based on global best practices.

Most countries have a single nodal agency for organic farming and produce, which is usually the Ministry of Agriculture or a department under the Ministry of Agriculture, since organic farming is a holistic farming practice encompassing all activities from treatment of land, creation of on-farm inputs to cultivation. Experiences of other countries show that a single nodal agency for organic agriculture for the domestic market and exports has helped link farmers with global value chains and enabled the development of a comprehensive policy. The survey found that farmers' income cannot be doubled by the year 2022 if the farmers are not connected to the global supply chain and if the Ministry of Agriculture and Farmer's Welfare, the nodal ministry for farmer's welfare, does not play an active role in promoting organic food exports. Most developed



and developing countries including the US, the EU, Switzerland, Canada, Japan, South Korea, Turkey, Thailand, Argentina, Brazil, Chile, Mexico and Tunisia have a comprehensive regulation related to organic agriculture and food products, encompassing the domestic market, imports and exports. In a globalised world, imported raw materials and domestic raw materials are used to produce food products for exports and the domestic market. Thus, there cannot be two different standards—a higher standard for exports and a lower standard for imports and the domestic market. Besides, unlike conventional products, an 'organic product' is a premium food product that fetches a higher price in both the export and domestic markets for following certain standards, processes and labelling requirements. These products are often prescribed by physicians to consumers with certain illnesses. Hence, ensuring quality and uniform standards through appropriate regulation is important. The report, therefore, outlines how India can develop a comprehensive regulation for organic products for the domestic market and for trade.

Since the classification of a product as organic is not a food safety issue (even conventional food products can be safe for consumption) but a labelling issue, a comprehensive regulation and a single standard will enable the Food Safety and Standards Authority of India (FSSAI) to identify fraudulent practices and ensure consumer welfare. The regulations on organic products in most countries focus on organic standards, certification process, accreditation of certification bodies, labelling, logo, who can be exempted from the third-party certification process and what should be the punishment for fraudulent practices. The underlying elements of regulations of developed countries such as the US and the EU are similar to India's NPOP regulations and, if NPOP standards are adopted for the domestic market and imports by the FSSAI, it will be easier for India to sign bilateral equivalence arrangements. The report gives specific examples of how several government agencies designing standards for organic food can lead to lack of clarity.

Globally, PGS is promoted by several countries. The report highlights how NPOP and PGS-India can coexist. However, PGS is not recognised by developed countries such as the US and the EU and, therefore, the product of a farmer under PGS-India cannot be exported to such markets, even if the product is of the same quality as one certified under NPOP.

The survey also found that it may be difficult for FSSAI to punish a company for not adhering to a voluntary standard as in the case of farmers under PGS-India. Therefore, the FSSAI should only focus on mandatory standards. Overall, the role of FSSAI, according to survey

participants, is to ensure that organic standards are implemented, and that products carry the correct labels and logos so that consumers are not misguided. If the products do not meet the specific standards and/or carry the correct label and logo, FSSAI can seize the product, investigate and punish players indulging in malpractices.

The survey highlighted that state certification bodies have reduced the cost of third-party certification and the certification costs are clearly listed on APEDA's website. Hence, cost of third-party certification is not as much of an issue as it was in the past. However, the requirement of foreign certification bodies to have a presence in India is an issue for exports to key markets such as the UK, whose certification bodies do not want to have a physical presence in India. Other countries such as Canada and the US allow certification by bodies that do not have a physical presence in the country, and India may explore this option to reduce the cost of certification. The survey found that all laboratories accredited by the FSSAI should ideally be able to test organic food products for the domestic market and trade. This will reduce the cost of laboratory testing.

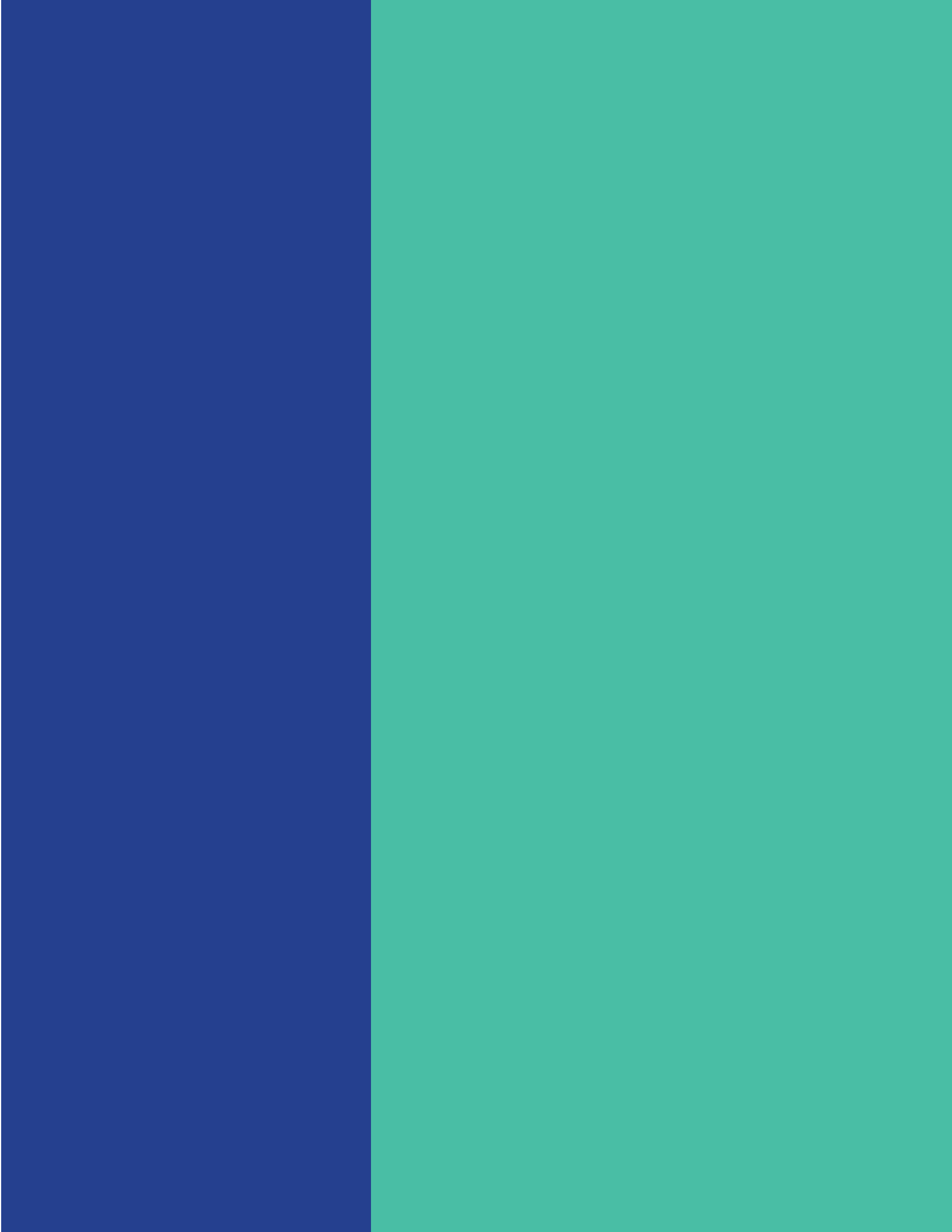
The survey showed that both Central and state governments have taken a number of steps to promote organic agriculture. In addition, the governments can support organic agriculture through various interventions such as: (a) providing subsidies to compensate farmers for yield losses during the conversion period from conventional to organic farming as given by countries such as the UK, (b) providing access to equipment (such as nets, and polyhouses), good quality organic seeds and other inputs, (c) promoting research and development in organic seeds and inputs, (d) developing a system of standardisation of inputs, (e) banning harmful pesticides and fertilisers that have been banned in developed countries, which has already been done by countries such as Bhutan and (f) promoting organic clusters and agri-zones from which global buyers can source organic produce. In addition, the government should revise curricula in agricultural universities to include organic farming practices, provide training to upgrade the skills of field officers supervising organic farming and farmers, and improve farmers' market linkages by supporting investment in the organic supply chain and marketing. The survey participants strongly believe that subsidies should be targeted and need-based. They should be carefully designed to target small and mid-sized farmers and help link them to the global value chain.

A number of domestic and foreign companies/entrepreneurs who want to invest in the organic sector referred to the lack of official time series data on organic agriculture, food production, exports by product categories and exports by different states, etc. The data base for organic exports as given on APEDA's website

is outdated. It is, therefore, important to have a robust system of data collection and processing, and the data can then be made available in the public domain.

Last but not least, once a comprehensive policy based on international best practices but adapted to Indian requirements is designed, India can push for bilateral equivalence arrangements with key export markets for fresh and processed food products to boost exports.

Organic food products should be key components of India's international trade agreements as in the case of some of the recent trade agreements discussed in the report. A product that meets the standards approved by key importing countries and has been labelled organic should not be mandated to undergo additional tests such as those related to checking for the maximum residue limits for chemicals and artificial colouring. This will reduce the cost and time taken to get clearances from multiple government organisations.



**G**lobally, there is growing awareness of the adverse impact of chemical inputs on soil, environment and human health. This has prompted both developed and developing countries to shift towards organic farming and organic food products. The Government of India has been actively supporting organic farming through various policies and schemes. India has an advantage of producing organic food products and is among the top 10 global exporters of such products. The domestic market for organic food products is growing at a fast pace. Given this background, the objective of this report is to: (a) understand recent trends and developments in organic farming globally and the scope for the development of organic farming in and export of organic food products from India, (b) identify global best practices in regulations on organic products, (c) examine the measures taken by the Indian government to support organic farming and organic food, (d) identify the issues faced by organic farmers and organic processed food producers, exporters, importers and other supply chain agents, (e) find the policy gaps, and (f) make policy recommendations to the government for the holistic growth of this sector based on global best practices and the country's own requirements. The report is based on the first pan-India primary survey of companies and farmers following different organic certification processes.



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