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# Market Development for Organic Foods in the Era of Globalisation

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## INTRODUCTION

It is now widely accepted that societies, economies and the businesses within them need to find a more sustainable path for future development. Achieving this will involve saying some very new things about marketing, and perhaps rediscovering some fundamental marketing truths. Organic agriculture has developed rapidly worldwide during the last few years and is now practiced in more than 120 countries in the world. The share of agricultural land and farms continues to grow. Furthermore, it can be reasonably assured that uncertified organic farming is practiced in even more countries. Organic production system emphasis on proactive, knowledge – based management, on farm resource and working with nature.

## ORGANIC FOODS

Organic foods are made according to certain production standards. For the vast majority of human history, agriculture can be described as organic; only during the 20th century was a large supply of new synthetic chemicals introduced to the food supply. This more recent style of production is referred to as “conventional,” though organic production has been the convention for a much greater period of time. Under organic production, the use of conventional non-organic *pesticides*, insecticides and herbicides is greatly restricted and saved as a last resort.

However, contrary to popular belief, certain non-organic fertilizers are still used. Organic food production is a heavily regulated industry, distinct from *private gardening*. Currently, the European Union, the United States, Canada, Japan and many other countries require producers to obtain *special certification* in order to market food as “organic” within their borders. Most certifications allow some chemicals and pesticides to be used, so consumers should be aware of the standards for qualifying as “organic” in their respective locales. Historically, *organic farms* have been relatively small family-run farms—which is why organic food was once only available in small stores or *farmers’ markets*. However, since the early 1990s organic food production has had growth rates of around 20% a year, far ahead of the rest of the food

industry, in both developed and developing nations. As of April 2008, organic food sales were estimated to account for 1–2% of food sales worldwide.

## MEANING AND ORIGIN OF THE TERM

In 1939, *Lord North Bourne* coined the term *organic farming* in his book *Look to the Land* (written in 1939, but published in 1940), out of his conception of “the farm as organism” to describe a holistic, ecologically-balanced approach to farming—in contrast to what he called *chemical farming*, which relied on “imported fertility” and “cannot be self-sufficient nor an organic whole”. This is different from the scientific use of the term “organic”, to refer to a class of molecules that contain carbon, especially those involved in the chemistry of life.

## IDENTIFYING ORGANIC FOOD

Processed organic food usually contains only organic ingredients. If non-organic ingredients are present, at least a certain percentage of the food’s total plant and animal ingredients must be organic (95% in the United States and Australia) and any non-organically produced ingredients are subject to various agricultural requirements. Foods claiming to be organic must be free of artificial *food additives*, and are often processed with fewer artificial methods, materials and conditions, such as *chemical ripening*, *food irradiation*, and *genetically modified* ingredients.

They may also be required to be produced using energy-saving technologies and packaged using recyclable or biodegradable materials when possible. Early consumers interested in organic food would look for non-chemically treated, fresh or minimally processed food. They mostly had to buy directly from growers: “Know your farmer, know your food” was the motto. Personal definitions of what constituted “organic” were developed through firsthand experience by talking to farmers, seeing farm conditions, and farming activities. Small farms grew vegetables (and raised livestock) using *organic farming* practices, with or without certification and the individual consumer monitored. As demand for organic foods continued to increase, high volume sales through mass outlets such as supermarkets rapidly replaced the direct farmer connection. However, for supermarket consumers, food production is not easily observable, and product labeling, like “certified organic”, is relied on. Government regulation and third-party inspectors are looked to for assurance. A “certified organic” label is usually the only way for consumers to know that a processed product is “organic”.

## LEGAL DEFINITION

To be **certified organic**, products must be grown and manufactured in a manner that adhere to standards set by the country they are sold in:

- Australia: *Australian Organic Standard* and *NASAA Organic Standard*

- † Canada: *Canada Gazette, Government of Canada*
- † European Union: *EU-Eco-regulation*
  - Sweden: *KRAV*
  - United Kingdom: *Department for Environment, Food and Rural Affairs (DEFRA)*
- † Norway: *Debio Organic certification*
- † India: *NPOP (National Program for Organic Production)*
- † Japan: *JAS Standards*
- † United States: *National Organic Program (NOP) Standards*

## ENVIRONMENTAL IMPACT

Several surveys and studies have attempted to examine and compare conventional and organic systems of farming. The general consensus across these surveys is that organic farming is less damaging for the following reasons:

- Organic farms do not consume or release synthetic pesticides into the environment—some of which have the potential to harm soil, water and local terrestrial and aquatic wildlife.
- Organic farms are better than conventional farms at sustaining diverse ecosystems, *i.e.*, populations of plants and insects, as well as animals.
- When calculated either per unit area or per unit of yield, organic farms use less energy and produce less waste, *e.g.*, waste such as packaging materials for chemicals.

However, some critics of organic farming methods believe that organic farms require more land to produce the same amount of food as conventional farms. They argue that if this is true, organic farms could potentially destroy the rainforests and wipe out many ecosystems. A 2003 investigation by the Department for Environment Food and Rural Affairs in the UK found, similar to other reports, that organic farming “can produce positive environmental benefits”, but that some of the benefits were decreased or lost when comparisons are made on “the basis of unit production rather than area”.

## MARKET DEVELOPMENT FOR ORGANIC FOODS IN INDIA

The market for organic foods is growing continuously. Indian standards are modified on the ISOAM basic standards and the seat “India Organic” has been established. In 2001, a group of Indian organisations and companies involved in organic agriculture decided to setup a local certification body named INDOCERT in order to bring down the costs of a local market.

In India, there are three main types of farmers engaged in organic food production.

- Farmers who mostly follow the indigenous methods and technology developed over past thousands of years. They normally grow for their own consumption and have little surplus.

- Farmers with small to medium sized holdings can be divided into two groups, working to revive the Vedic practices and others who follow modern organic agriculture system. For example, they usually have market surplus and sometimes export their goods.
- Private companies that have responded to market demands in the north by using large scale conversions to organic system. They add more economic value to crops and actively engaged in promoting organic agriculture for exports.

In India, organic farming is in a nascent stage. India produces primary organic products and processed foods. Organic products grown in various agri-climatic zones are tea, coffee, spices, fruits, vegetables, cereals, honey, and cotton. Domestic organic markets and consumer awareness are under developed in India, but interest is growing. On the domestic market organic food is usually sold directly from the farmer or through specialized shops and restaurants. A price premium of about 20-30% over conventional products can be received [FAO 2002]. Organic products typically cost 10 to 40% more than similar conventionally produced products. Processed organic foods vary in price when compared to their conventional counterparts.

### MARKET DEVELOPMENT FOR ORGANIC FOODS—A GLOBAL SCENARIO

Organic agriculture is taking shape and has the potential to make a significant positive impact on the further development of the organic sector. The European example shows that a favourable political environment, including subsidies for organic farmers can help to attain substantial percentage of agricultural land under organic farming.

**Table 1:** Area under organic management by country

| Rank | Country - Organic Land Area | Area in Hectares |
|------|-----------------------------|------------------|
| 1    | Australia                   | 12126633         |
| 2    | China                       | 3466570          |
| 3    | Argentina                   | 2800000          |
| 4    | Italy                       | 954361           |
| 5    | USA                         | 889048           |
| 6    | Brazil                      | 887637           |
| 7    | Germany                     | 767891           |
| 8    | Uruguay                     | 759000           |
| 9    | Spain                       | 733182           |
| 10   | UK                          | 690270           |
| 32   | India (provisional)         | 114037           |

Organic food accounts for 1–2% of total food sales worldwide, the organic food market growing rapidly, far ahead of the rest of the food industry, in both developed and developing countries.

World organic food sales jumped from US\$ 23 billion in 2002 to \$52 billion in 2008.

The world organic market has been growing by 20% a year since the early 1990s, with future growth estimates ranging from 10%–50% annually depending on the country.

## North America

### United States

Organic food is the fastest growing sector of the American *food marketplace*.

Organic food sales have grown by 17 to 20 percent a year for the past few years while sales of conventional food have grown at only about 2 to 3 percent a year.

In 2003 organic products were available in nearly 20,000 natural food stores and 73% of conventional grocery stores.

Organic products account for 2.6% of total food sales in the year 2005.

Two thirds of organic milk and *cream* and half of organic cheese and yogurt are sold through conventional supermarkets.

### Canada

Organic food sales surpassed \$1 billion in 2006, accounting for 0.9% of food sales in Canada.

Organic food sales by grocery stores were 28% higher in 2006 than in 2005.

British Columbians account for 13% of the Canadian population, but purchased 26% of the organic food sold in Canada in 2006.

## Europe

European Union (EU25) 3.9% of the total utilized agricultural area is used for organic production. The countries with the highest proportion of organic land are Austria (11%) and Italy followed by Czech Republic and Greece (both 7.2%). The lowest figures are shown for Luxembourg (0.1%), Poland (0.6%) and Ireland (0.8%)

### Austria

11.6% of all farmers produced organically in 2007. The government has created incentives to increase the figure to 20% by 2010.

4.9% of all food products sold in Austrian supermarkets (including discount stores) in 2006 were organic. 8000 different organic products were available in the same year.

**Italy**

Since 2005 all school lunches must be organic by law.

**Poland**

In 2005 168,000 ha of land were under organic management. 7 percent of Polish consumers buy food that was produced according to the EU-Eco-regulation. The value of the organic market is estimated at 50 million Euros (2006).

**UK**

Organic food sales increased from just over £100 million in 1993/94 to £1.21 billion in 2003 (an 11% increase on 2003).

**Caribbean**

**Cuba**

After the collapse of the *Soviet Union* in 1990, agricultural inputs that had previously been purchased from Eastern bloc countries were no longer available in Cuba, and many Cuban farms converted to organic methods out of necessity. Consequently, organic agriculture is a mainstream practice in Cuba, while it remains an alternative practice in most other countries.

**Table 2:** Main countries of origin for imported organic fruit and vegetables, major products, major season of supply

| <i>Country</i>     | <i>Product</i>   | <i>Season of Supply</i>                                     |
|--------------------|--|---|
| Israel             | green pepper, Chinese cabbage, potatoes<br>avocado<br>tomatoes<br>oranges, grapefruits, tangerines | winter<br>spring<br>all year<br>February to May<br>all year |
| Italy              | apples<br>oranges<br>lemons<br>fennel, aubergines, green pepper, tomatoes, lettuce                 | winter<br>October to March<br>all year<br>winter            |
| Spain              | oranges, lemons<br>grapes<br>cucumbers, cabbage, broccolis<br>weet potatoes                        | October to March<br>winter/spring<br>winter<br>all year     |
| France             | cabbage, lettuce<br>garlic, shallots, parsley,<br>greece oranges, lemons                           | October – March<br>all year                                 |
| Dominican Republic | bananas  | all year  |

Although some products called organic in Cuba would not satisfy certification requirements in other countries (crops may be genetically modified, for example), Cuba exports organic citrus and citrus juices to EU markets that meet EU organic standards. Cuba's forced conversion to organic methods may position the country to be a global supplier of organic products.

### Organics Olympiad

Organics Olympiad 2007 awarded gold, silver and bronze medals to countries based on twelve measures of organic leadership. The gold medal winners were:

- *Australia* with 11.8 million organic hectares.
- *Mexico* with 83,174 organic farms.
- *Romania* with 15.9 million certified wild organic hectares.
- *China* with 135 thousand tonnes of organic wild harvest produces.
- *Denmark* with 1805 organic research publications recorded.
- *Germany* with 69 members of IFOAM.
- *China* with an increase of 1,998,705 organic hectares.
- *Liechtenstein* with 27.9% of its agricultural land certified organic.
- *Mali* with an 8488% annual increase in its organic hectares.
- *Liechtenstein* with a 10.9% 4-yearly increment of the organic share of its total agriculture.
- *Switzerland* with a per capita annual spends on organic produce of 103 Euros.

### Constraints to Market Development

Constraints to market development are found on production as well as marketing sides.

*On the production side,*

- Due to climatic constraints, production is limited to a certain range of products.
- Most farmers producing organic vegetables are small-scale farmers who have a considerable history in direct sales. In the fruit and vegetable sector direct sales still play a major role. Production of small-scale farms cannot be increased to meet the requirements of supermarkets.
- Conversion of large-scale farms is difficult as their specialization prevents the nutrient cycling and pest management required in organic farming.
- Therefore, a high percentage of the fruit and vegetables (conventionally and organically produced) need to be imported.

*On the marketing side,*

- Consumer attitudes and price expectations are the strongest limitations.
- Consumers prefer regional products. Freshness is very important for buying, especially in the vegetable sector. For some consumers (especially for the ecologically conscious) ecological transport is relevant since transit is a major issue of the ecological debate in few regions.

- For organic products, the confidence in certification mechanisms is important. The highest confidence is reached through direct sales by the producer.
- Direct sales further reduce exact price comparisons.
- Most supermarkets offer organic products under their own labels. Trust in the labels of supermarket chains is less than in the labels of producers. Producer labels are found more frequently in natural food stores and on-farm shops.
- Sales via supermarkets have increasingly reached new consumers' groups, but as they offer organic and conventional products side by side, the price becomes the main criterion of choice.

### Constraints to Imports from Developing Countries

- Consumer perceive credibility of organic standards abroad as low. Prospective exporters need to ensure that the certification is comparable to European standards;
- The biggest organic farmers' associations are partners in almost all large-scale marketing projects and play a key role in market access. It tries to obstruct products that might compete with domestic production.
- Retailers are reluctant to stock products with short shelf life. This applies especially to organic products, as retailers are not sure of the expected demand.

### CONCLUSION

Beyond Organic is a concept aligned with the idea of creating sustainable and ecological systems of food production capable of transcending the standards currently affixed to foods and processes now categorized by the term "organic". Since the organic food movement has been increasingly industrialized and often forced to undergo processes similar to those of conventional agriculture (such as monocultural plantings on massive scales) due to market pressures, many members of the what was originally the organic food movement are demanding that new standards be established for sustainable organic foods.

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