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# **Economic Considerations, Marketing and Export Potential of Organic Farming**



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# Economic considerations

- Productivity of farm is less in initial years
- Yields increases progressively under organic farming
- The extent of decrease in yields depends on the intensity of external input used before conversion
- Replacement of external inputs and organic price premium have given mixed results on profitability



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# Yield and economics organic and conventional farming

Year	Status	Yield (q ha <sup>-1</sup> )	Gross income (₹)	Premium (20%)	Total (₹)	Net income (₹)	Surplus/ deficit over conventional
Conventional	—	10	20,000	0	20,000	9,000	0
First year	Year of conversion	5	10,000	0	10,000	750	-8,250
Second year	Year of conversion	5.75	11,250	0	11,250	3,750	-5,250
Third year	Organic	6.25	12,500	2,500	15,000	7,000	-1,500
Fourth year	Organic	7.50	15,000	3,000	18,000	10,500	1,500
Fifth year	Organic	8.75	17,500	3,500	21,000	13,500	4,500
Sixth year	Organic	10.00	20,000	4,000	24,000	16,500	7,500

**Rajendran *et al*, 2005**



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# Marketing of Organic products

- The basic focus of organic farming should be first to produce farm products for the home market and second for export market
- Three types of organic producers in India are
  - Traditional organic growers
  - Commercial farmers
  - Private companies having large farms or organise conversion programmes with growers



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# Major products produced in India by Organic Farming

Type of Product	Products
Commodity	Tea, Coffee, Rice, Wheat
Spices	Cardamom, black pepper, white pepper, ginger, turmeric, vanilla, tamarind, clove, cinnamon, nutmeg, mace, chilli
Pulses	Pigeonpea, blackgram
Fruits	Mango, banana, pineapple, passion fruit, orange, cashew nut, walnut
Vegetables	Okra, brinjal, garlic, onion, tomato, potato
Oilseeds	Mustard, sesame, castor, sunflower
Others	Cotton, sugarcane, herbal extracts



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# Global organic market

1. Organic market share = 1% of total food sales	
2. Global market	
(i)	2000 = 17 billion USD
(ii)	2003 = 25 billion USD
(iii)	2004 = 26 billion USD
(iv)	2005 = 31 billion USD
3. Value of organic food sales	
(i) USA	= 80000 million USD
(ii) Germany	= 2100 million USD
(iii) UK	= 1000 million USD
(iv) Italy	= 1000 million USD
(v) France	= 850 million USD
(vi) Switzerland	= 450 million USD
4. Organic export in India	= 15.5 million USD (2003) 710 million rupees



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# Indian Organic Overview (2004-2005)

Area under certified	2.5 M.ha.
Total certified product	115,238 metric tonnes
Total project certified	332
Number of processing units	158
Accredited Inspection and certifying agencies	11
Number of products exported	35
State ranking 1 <sup>st</sup> in organic exports	Kerala (1232 metric tonnes)
All India total organic export	6472 metric tonnes
Premium collected against organic export	Rs 80.90 crore (tentative)



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# Export potential of Organic Products

1. IFOAQM	<ul style="list-style-type: none"><li>● Established in 1972</li><li>● Headquarters in Germany</li><li>● Umbrella for organisation Organic Agricultural Association</li><li>● Developed internal basic standards of organic agriculture</li><li>● Set up International Organic Accreditation Service (IOAS) in July 2001</li></ul>
2. CODEX	<ul style="list-style-type: none"><li>● Codex Alimentarius Commission – A joint FAO/WHO</li><li>● Intergovernmental body</li><li>● Established in 1962</li><li>● Produced a set of guidelines for organic production</li></ul>
3. EU Regulation	<ul style="list-style-type: none"><li>● Laid out a basic regulation for European Union organic standards in council Regulation No 2092/91 (June 1991)</li></ul>
4. Demeter	<ul style="list-style-type: none"><li>● Demeter International is a worldwide network of 19 International Certification Bodies in Africa, Australia, Europe</li><li>● Developed guidelines for biodynamic preparation</li></ul>
5. JAS	<ul style="list-style-type: none"><li>● A set of guidelines Japan Agricultural Standards for organic farming</li></ul>





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# Latest production and exports statistics of organic products in India (2015-16)

Total production of certified organic products (2015)	1.35 Mt
State having largest area under organic certification	Madhya Pradesh
Total volume of export	263,687 Mt
Organic food export realization	298 USD
Share of export of oilseeds	50%
Share of export of processed foods	25%
Share of export of cereals and millets	17%
Share of export of tea	17%
Share of export of pulses	2%
Share of export of spices	2%
Share of export of dry fruits	1%



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