THE INDIAN ORGANIC FOOD MARKET








Contents

Definition of "Organic"

✓An Organic label indicates to the consumer that a product was produced using certain production methods. In other words, Organic is a *process claim* rather than a product claim.

✓The International Federation of Organic Agriculture Movements (IFOAM), a non-governmental organization, internationally networking and promoting Organic agriculture, has established guidelines that have been widely adopted for Organic production and processing.

✓Codex Committee on Food Labeling has debated "Draft Guidelines for the Production, Processing, Labeling and Marketing of Organically Produced Foods" for adoption of a single definition for Organic agriculture by the Codex Alimentarius Commission at its meeting in June, 1999.

According to the proposed Codex definition,

"Organic agriculture is a holistic production management system which promotes and enhances agro-ecosystem health, including biodiversity, biological cycles, and soil biological activity. It emphasizes the use of management practices in preference to the use of off-farm inputs, taking into account that regional conditions require locally adapted systems. This is accomplished by using, where possible, agronomic, biological, and mechanical methods, as opposed to using synthetic materials, to fulfill any specific function within the system."

Organic Agriculture

- ✓ Organic agriculture systems and products are <u>not always certified</u> and are referred to as “Non-certified Organic agriculture or products".

- ✓ Certified Organic products are generally more expensive than their conventional counterparts for a number of reasons :

- Production cost for Organic food is typically higher because of greater labour inputs per unit of output.

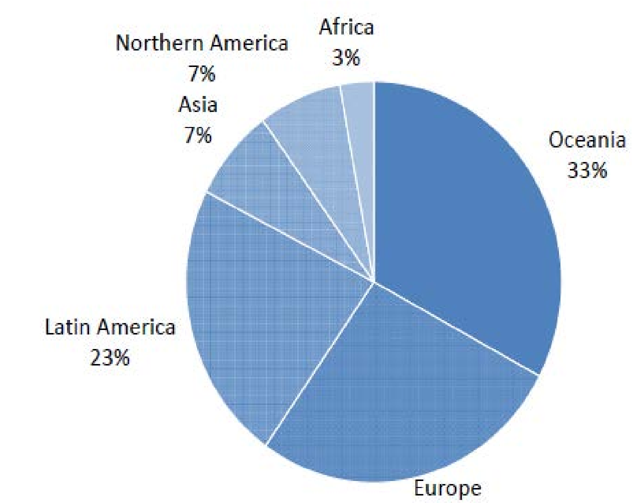
- Post-harvest handling of relatively small quantities of Organic food results in higher costs because of the mandatory segregation of Organic and conventional produce.

- Marketing and Distribution chain for Organic products is relatively inefficient and costs are higher because of relatively small volumes.

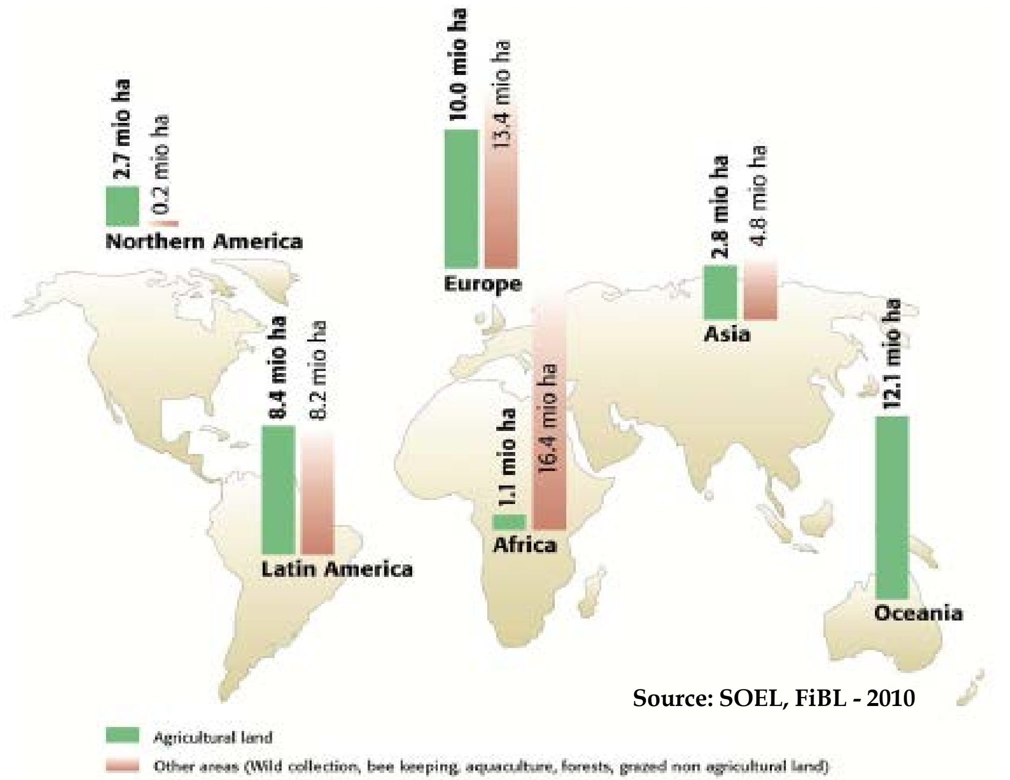
Global Organic Agri Land

- ✓ 37 million hectares of agricultural land is organic (including conversion areas).
- ✓ 160 countries
- ✓ 1.8 million producers

Distribution of organic agricultural land by region (2010)



Source: SOEL, IFOAM- 2010



Source: SOEL, FiBL - 2010

✓ About 1/3rd of the organic agricultural land (12.5 million ha) is in transition/ developing markets and emerging markets.

Development of Organic Land- Trend–10 Years

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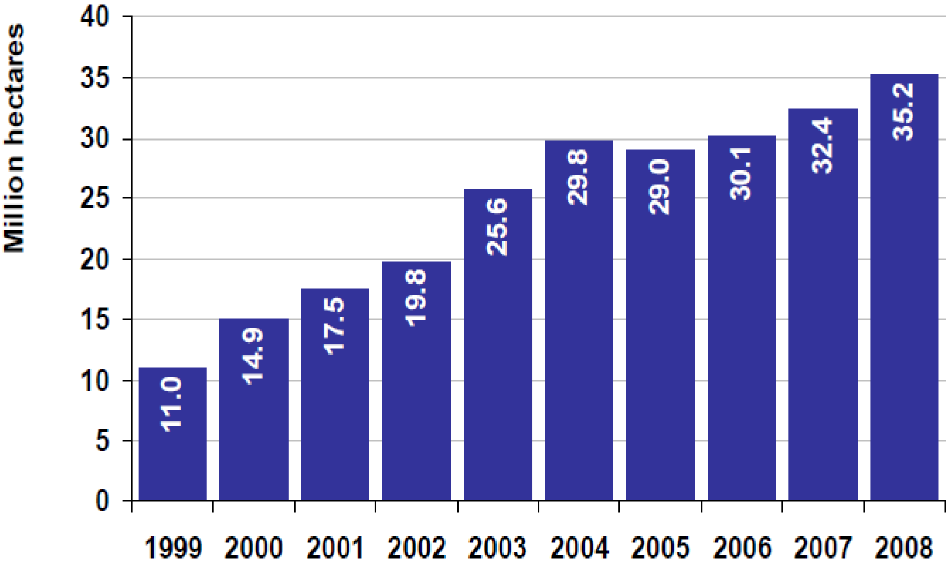
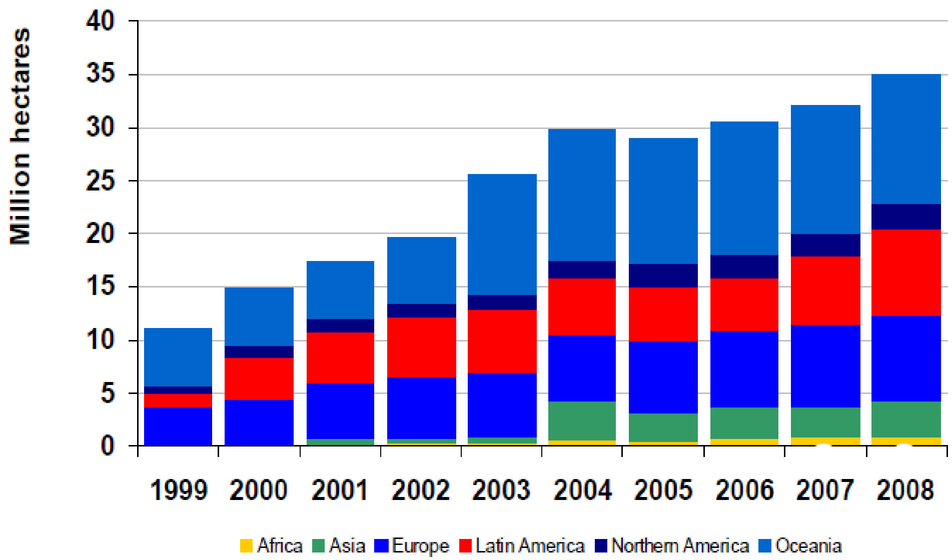
✓ The countries with the highest number of producers are India (340,000 producers), Uganda (180,000) and Mexico (130,000). More than one third of Organic producers are in Africa. On a global level, the Organic agricultural land area increased in all regions, in total by almost 3 million hectares, or 9%, compared to 2007.





✓ About one-third of the world's organically managed agricultural land is located in the Oceania region. Latin America and Europe also account for a considerably large proportion of the world's total organic land.

Continent-wise Distribution: Organic Land

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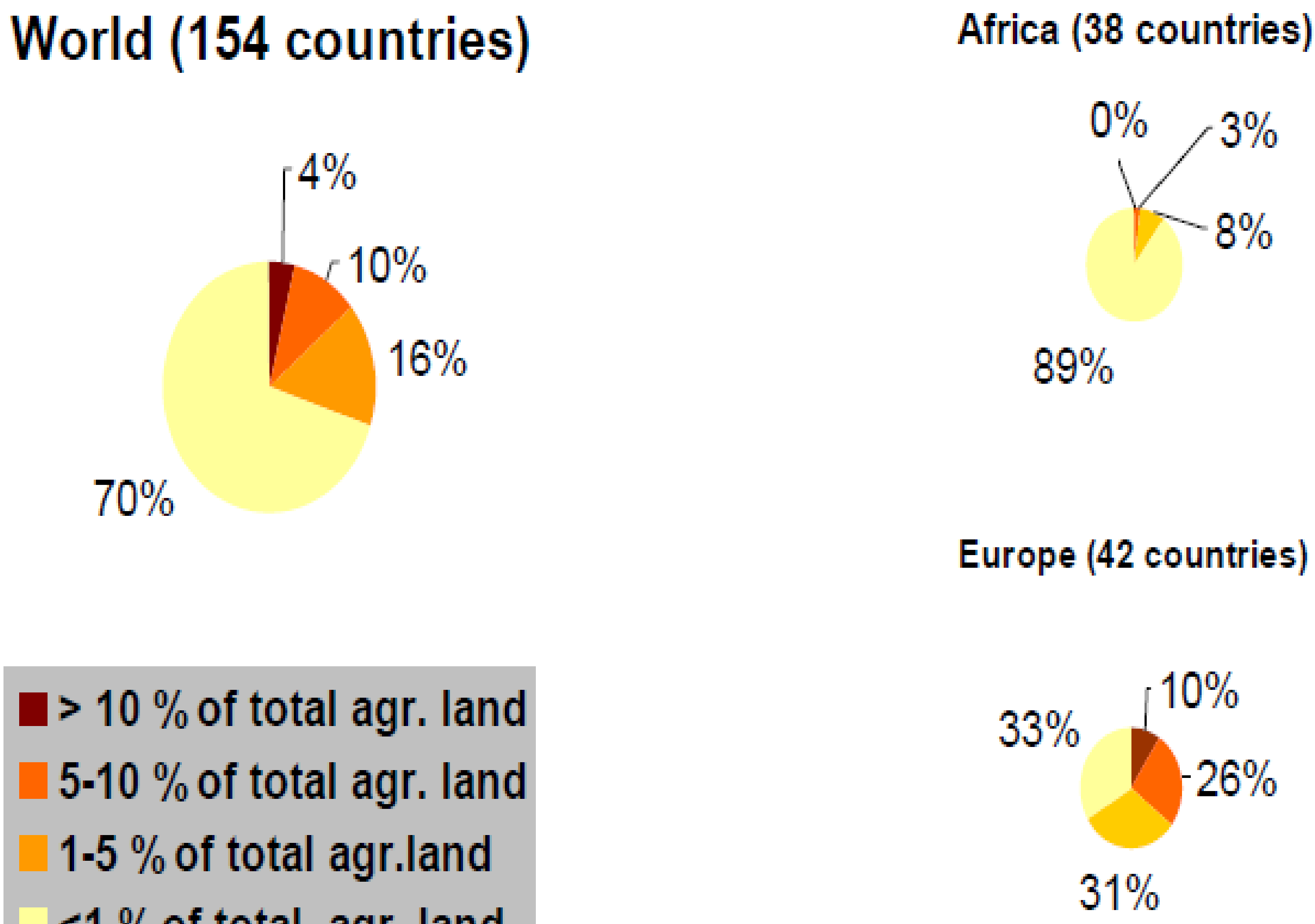
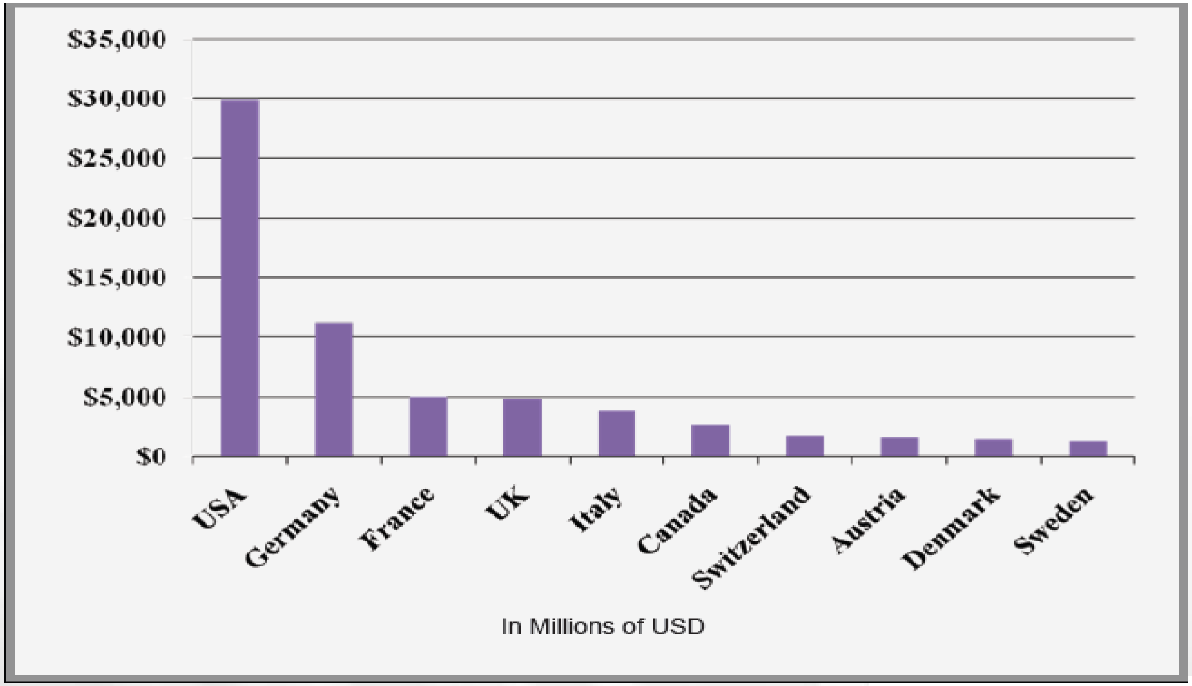


- > 10 % of total agr. land
- 5-10 % of total agr. land
- 1-5 % of total agr.land
- <1 % of total agr. land

Organic Food – Global Scenario



Global Organic Food Market

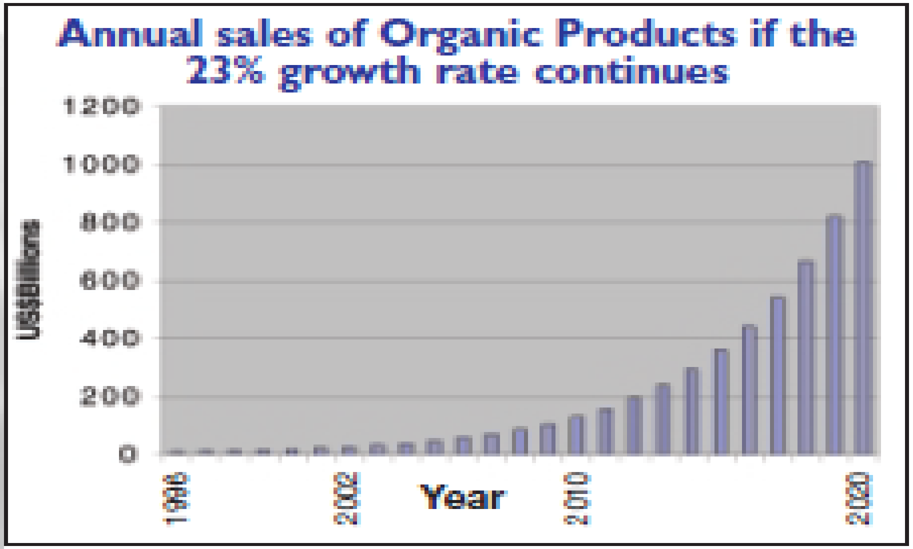
- ✓2010 : 59.1 billion US dollars
- ✓2009 : 54.1 billion US dollars
- ✓1999 : 15.2 billion US dollars

Major Markets

- ✓ U.S.A : 26 BN US$
- ✓ Japan : 3 BN US$
- ✓ Europe : 12 BN US$
- ✓ Others : 10 BN US $

Annual Growth : 20 -30%

Market Share : 1% of Total Food Sales



Organic Clusters/Retailers - Global & Organic Brands

- ✓ Whole Food Markets
- ✓ Organic Clusters, Rhone Alps
- ✓ "Produce of Heaven", Tasmania
- ✓ Walmart
- ✓ Asda
- ✓ Costco
- ✓ Pronatura
- ✓ Kroger
- ✓ Safeway
- ✓ Wild Oats
- ✓ "O"- organics

Organic Farming / Food-Investments Globally

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S.No	Name of Organic Food Company	Investor	Quantum	Additional details
1	Maharishi Organic Agriculture	ICO N Private Equity		Ukraine
2	Pronatura (Organic distribution)	Activa Capital	Euro 10 million	France
3	Abel & Cole (distribution)	Phoenix Equity Partners	Euro 40 million	UK
4	Adina For Life	Bradmer Foods LLC		Beverages company from Senegal (Fruit juices)
5	Whole Foods	Has made 15 acquisitions in Organic space	Approx. 300 stores and USD 12 billion sales	USA

Indian Organic Market

- ✓ Total Organic area: 4.43 million ha
- ✓ Total certified production: 17.11 lakh tonnes
- ✓ Total exports: 69837 MT
- ✓ Value of export: INR 700 Crores

Crop	Quantity produced in MT (2009-10)
Cotton (seed cotton)	837293
Rice	17762
Wheat	113570
Other cereals and millets	271042
Pulses	53227
Oil seeds and Soybean	315067
Tea/ Coffee	40614
Spices	168507
Fruits and Vegetables	889844
Herbal and Medicinal	189193
Other	24661

Source: APEDA, YBL Research

States/UTs	Area in Ha
Madhya Pradesh	2866572
Himachal Pradesh	631902
Rajasthan	217712
Maharashtra	177345
Uttar Pradesh	111645
Uttarakhand	105466
Karnataka	88729
Gujarat	48519
Tamil Nadu	34878
Orissa	24418
Jharkhand	24300
Haryana	14764
Andhra Pradesh	14351
Goa	13304
Mizoram	12544
Chhattisgarh	8449
Kerala	6598
West Bengal	6126
Total	**4427519**

Source: Indiastats, YBL Research

Organic Food- Domestic Sales and Exports

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Product	Domestic Sales- MT
Tea	1500
Coffee	750
Spices	500
Rice	5000
Jaggery, sugar	6000
Wheat & flour	3000
Pulses	2500
Fruits and vegetables	5000
Millets flour	2000
Oils & ghee	2000
Squashes, Jams	500
Snacks	500
Honey	2000
Others(essential seeds, etc)	5000

Product	Exports - MT
Oil Crops (except Sesame)	17966
Cotton & Textiles	17363
Processed Food	8752
Basmati Rice	5243
Tea	2928
Sesame	2409
Honey	2409
Rice	1634
Dry Fruits	1472
Cereals	1348
Spices-Condiments	1174
Medicinal & Herbal Plants/Products	627
Coffee	320
Vegetables	167

The India Domestic market is around INR 1000 Crores; growing at 30-40%

Source: Sec Research, YBL Research

Indian Organic Food- Market Size

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Brands	Turnover in Crores
Conscious Foods	120
24 letter mantra	65
Ecofarms	85
Morarka "Down To Earth"	75
Organic India	175
Navdanya	25
Fab india	20
Others	435
Total	1000

State	Turnover in Crores
Mumbai	200
Chennai	90
Delhi/NCR	125
Bengaluru	90
Pune	20
Gurgaon	25
Others	450
Total	1000

Source: Sec Research, YBL Research

SWOT- Organic Sector

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Strengths	Weaknesses	Opportunities	Threats
❑ Wide variety of fruits and vegetables and other commodities can be grown organically ❑ Very less consumption of chemicals in India as compared to developed nations. These areas can be turned into organic ❑ Organic pockets existing in different parts of the country ❑ Differentiation can be easily created ❑ Rising interest of farmers as well as Government interests in Organic farming ❑ Various niches in fruits & vegetables can be created ❑ Increasing investments by Indian corporate firms in agribusiness and specially in Organic farming	❑ Short shelf life varieties ❑ Lack of farmer awareness about agricultural practices, products and technologies for Organic farming ❑ Price competitiveness ❑ Lack of market information and intelligence ❑ Lack of Global market research ❑ Inadequate post harvest management and related specialized infrastructure to support Organic food production ❑ Lack of R & D in Organic food production ❑ Unavailability of inputs used in the system ❑ Certification and labeling ❑ Less access to international market	❑ Favorable Government vision ❑ WTO offering global opportunities ❑ Price –premiums in different markets ❑ Export opportunities in new product/market (section) ❑ USA, Europe and Japan are rising markets ❑ Branding offers new opportunities for differentiation ❑ Rising demand for Organic products ❑ Big retail stores/chains coming up ❑ New developments in post harvest technologies ❑ Private sector keen to join Organic value chain	❑ Competition from domestic industry ❑ Threat from imported products ❑ Non-tariff barriers may be imposed by developed nations

Issues in Organic Value Chain

Value Chain Pitfalls

Convert Farms to Organic & Organize Certification	Procure Crops from Farmers	Process, Pack & Add Value to Products	Sales & Distribution
• Convincing farmers to keep product free of pesticides • Certifying organic land	• Finding material of organic standards • Cash payments • Cashflow and working capital • Aggregation of small farmers • Increasing price of raw material	• Cleaning farm grade level product • Controlling infestation • Managing infrastructure and technology fit for western world • Processing multiple products within one unit and managing cross contamination	• Breaking into markets; which are usually dominated by 2-3 huge customers • Managing tracebility • Managing customized products as per specifications unique to each customer • Managing numerous products into one container

Roadmap to Organic Farming- Recommendations

- **Vegetable Initiatives for Urban Clusters-**This is being championed by Department of Agriculture & Cooperation under Ministry of Agriculture. Aims at encouraging farmers to grow organic produce and provide enhanced funding to them.

- **State governments to take lead for subsidising group certification** of organic products, so as to reduce the overheads for farmers wishing to take up organic farming

- **Encourage setting up "Community Based Organisations" (CBO)** for organic farming in villages. State government to provide subsidy schemes for capacity building.

- **State government support to Organic farming producer groups** by forming "Organic farmer markets" in urban centres for direct sales to consumers by producer groups.

Major Brands - India

Farm2Kitchen
Redefining Convenience

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cgh earth
experience hotels

MahaMaya Pariwar

Conscious Food

Navdanya

dubdengree

Umami's
Synergise your senses...

Ecofarms
Organic Fair Sustainable

1st Bites
ORGANIC FOOD SUPPLEMENT FOR CHILDREN

AuroAnnam

Satori

24 letter mantra
live an organic life

fabindia

aceagro

Eaternal

Mahindra
Rise.

Vegan Bites

Organic Uttarakhand
Delivering Prosperity through Sustainable Agriculture

Himachal Organics

Morarka Organic

reStore
Health • Livelihoods • Nature

NATURE BIO-FOODS LTD.

Nature's Delight

WWOOF INDIA
World-Wide Opportunities on Organic Farms - India

Hello ORGANIC
a rich source of well being

bhojanam
ORGANIC PRODUCTS

Major Brands - India

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NEW CUFFE PARADE
Life at Lodha

tattva
Fresh Organic Kitchen

A LIP SMACKING MEAL
AT THE ORGANIC CAFÉ.

Lumiere
Nature's Partner
Completing the Chain of Trust

LODHA
BUILDING A BETTER LIFE

JINDAL NATURECURE INSTITUTE
A Charitable Hospital
(An abode of health since 1978)

PRO™ NATURE
100% Organic

Live Organic
Purity Promised

CELEBRATING 10 years
ANANDA
IN THE HIMALAYAS

Calorie Care
DELICIOUS MEALS. FITNESS DELIVERED

Sahaja Organics

SOUKYA™
Dr Mathai's Holistic Health Centre
At the Organic Farm, Bangalore, India

the altitude store

"HEALTH CARE IS SELF CARE
IS EARTH-CARE" The Health Awareness Centre, Mumbai

ayushakti
Ayurved Health Centre
"Deep Pulse Reading
Deeper Healing"
An ISO 9001 - 2008 Company

organic uttaranchal

Major Brands - India

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organic haus

soulfood
BY SHONALI SABHERWAL

orgavita™
back to roots

KHANDIGE
Pure & Pristine

ORGANIC INDIA®

phalada
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Suminter
India Organics

Vitabio

Shimla Hills

timbaktu Organic
food for the soul

KaliBio

the altitude store

go India Organic

Organic Farming/Food-Investments in India

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S.No	Name of Organic Food Company	Investor	Quantum	Additional details
1	24 letter Mantra (Sresta Natural Bio-products)	Peepul Capital	USD 15 million (2011)	Domestic Sales in 2011- INR 65 Crores
2		Biotechnology Venture Fund, a fund managed by Ventureast Fund Advisors India Ltd.	USD 1.14 million (2004)	
3	Suminter India Organics	Nexus India Capital	USD 3 million (2008)	Domestic Sales in 2010- INR 20 Crores
4	Natural Mantra	Freemont Capital	Unknown	

About YES Bank

- ✓ 8 Years of YES Bank
- ✓ Food and Agribusiness Strategic Advisory and Research (FASAR) group

Girish Aivalli

Group Executive Vice President & Country Head – Food and Agribusiness Strategic Advisory and Research, YES Bank

Girish Aivalli leads the Food and Agribusiness Knowledge Banking initiative for YES BANK, working as the key relationship stakeholder responsible for origination, advisory & execution oversight of the food and agribusiness consultancy and research mandates in the sector.

Prior to joining YES BANK, Girish worked with Dabur India Limited, Olam International Limited and Cargill India Private Limited in various capacities, over a span of 16 years. In his previous role at Cargill, he was heading their procurement and operations for the grains and oilseeds business for India. He also set up stand alone agri-retail chains, collaborative farming projects, stock financing models, besides taking up policy issues with the various government departments to create a better business environment for Cargill.

He also worked on major assignments in Indonesia and the Ivory Coast in West Africa with Olam International. He has an excellent understanding of the global commodity trade flow and has undertaken significant agri-projects in Nigeria, Ghana and India.

Girish is a well-recognized thought leader in the food and agri-business industry with an excellent mix of operational experience and knowledge of challenges and policy issues in the industry. He is also a member of the CII's National Council on Agriculture, and is a member of various sub-committees. Girish has a MBA with specialization in marketing and finance.

Thank You