

Organic Power

Progressive Grocer spoke to organic industry experts to understand the market proposition of organic products in India and how this trend will shape up in the future.



Indian consumers are often deterred from buying organic products because of higher price and limited visibility. How can retailers and manufacturers address these issues and help make organic mainstream?

Raka Chakrawarti, Founder & CEO, Gourmet

Delight: Organic produce, by nature, is of limited availability, shorter shelf life and prone to damage during transit and storage. So, the price is higher as the quantities produced are limited. Besides, there are other conditions to meet as well. One such condition is that even the surrounding farms have to be organic. In order to make organic mainstream, retailers and manufacturers have to address the issues of creating a pool of farmers and assuring them of minimum quantities for production so that it becomes sustainable for the farmer to grow the produce. Along with the downtime and the wait, it becomes an unviable option for most farmers.

Ishit Pilani, Co-Founder, Organic Express: I have always said that the organic industry comprising

farmers, manufacturers, retailers and other stakeholders need to come together and solve the issue of 3 As for the organic industry to become mainstream. These 3As are:

Affordability: Everyone, who is involved with organic, right from the farmers to consumers need to understand this. High price of organic produce leads to less demand which, in turn, leads to more wastages that again leads to even higher prices and the vicious cycle continues. In the process, the market never grows even though everyone wants to eat safe chemical-free organic food. But at what cost? By and large, consumers are price sensitive but some consumers are also ready to pay a premium. But how much? Often, it is 5-20 per cent max. The infrastructure and supply chain for organic needs to improve but all that will happen only when the economies of scale kick in. That is possible when more consumers demand organic and more farmers convert to organic. Only then will the prices come down. Look at what has happened in the US – Krogers and Costco have priced their



organic products at 5 to 10 per cent premium to the conventional produce. And look what happened to the pricy Whole Foods (had to sell to Amazon). But now, the prices are falling at Whole Foods post the acquisition by Amazon. Needless to say, organic is the fastest growing segment in the US nowadays.

Authenticity: Consumers in India are still skeptical whether what they are consuming is genuinely chemical-free organic or not. Most consumers are not even aware that the organic standards have been in existence in India for more than a decade now, defined by APEDA under the National Organic Program (NOP). These standards, if not better, are equivalent to the ones in the US and EU. Now, even the FSAAI has gone ahead and would be defining the standards under the Jaivik Bharat Program announced recently at Bio Fact, an industry event that took place a few weeks ago at Noida. The retailers and manufacturers need to ensure that they are buying from these certified sources with the certificates clearly labelled on the produce. It will help to increase the trust amongst organic consumers and will act as a deterrent for dodgy purveyors of organic products who are just trying to misuse the label for making unscrupulous gains.



Accessibility: No big FMCG companies have launched organic brands in India even though they have made investments or launched organic brands in other countries (especially, in the developed world where the awareness for organic is much higher). But that should change soon as consumers in India become more aware. At the same time, there are smaller niche players that are doubling or even trebling their growth numbers every year in this category. Also, there are no big retailers like Whole Foods in India and so accessibility to organic is a big deterrent. But that does create an opportunity

for big retailers like the Future Group, Spencer's, Reliance, etc., to step up their game in this segment or for the new-age players like Bigbasket, Amazon Grocery, Flipkart, Grofers, etc, to create a niche in this category. I have always maintained that organic stand-alone retail would never work in India. Indian consumer these days wants convenience. They want the entire food cart to be purchased from one stop rather than moving around town at different grocers. Pure organic retailers would never be able to complete that household purchase basket in one go because of the lower range of produce. Farmers' market is a great concept and the growing popularity of Kisan haats will also help to bridge the gap on the pricing and accessibility front.

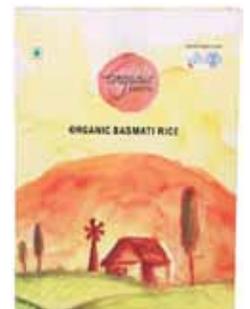
Dolly Kumar, Founder, Gaia: Despite the growing consciousness, the organic category is currently at a very early stage in India. Its exposure, in terms of beneficial attributes, is limited to a small section of consumers who know the benefits of having chemical-free food over traditional inorganic food. Educating and creating awareness is the key. As for the higher pricing, organic products are no doubt premium and thus the pricing is also relatively higher when compared to its conventional or inorganic counterparts. The production cost of organic products is higher – from labor cost to pre and post harvest cost. So for Gaia Organic, after evaluating all the costs involved and to provide value for money, we have kept the price as low as possible so that our organic products reach even beyond our niche audience.

Pankaj Agarwal, Co-founder & MD, Just Organic: Conventional food is grown by using chemical fertilisers and the accompanying pesticide cover gives it a larger shelf life too. They are easier to produce than organic food, which is priced higher because of the higher costs involved in manual farming, storage, certification, retail margins, etc. Investing in organic results in the production of cleaner food items, which ensure better health and wellness. That is why several brands like us are investing time and money on a daily basis to take this knowledge of healthy food across consumer segments. The retailers, who have a direct connect with the customers, can be vital cog in this effort by providing better shelf space and interacting and educating the consumers more about healthy eating. We can all collectively make efforts to spread the awareness regarding the benefits of organic and this is primarily the area where media can play a very effective and far-reaching role.



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— Ishit Pilani
Co-Founder,
Organic Express



Do you think that flavor and taste is also an inhibiting or limiting factor in the greater adoption and acceptance of organic food products?

RC: As many consumers who consume organic produce are aware, it does not look very good. There may be marks on the produce and it may not grow into a perfect shape or size and may look extremely unfresh in transit. Also they taste much mellow than the produce grown with the help of fertilizers. Flavor and taste as well as the look of the produce are inhibiting factors in the acceptance of organic produce.

IP: Absolutely not. In fact, taste and flavor helps consumer get attracted towards organic. Try eating organic naturally ripened mangoes or any other raw fruit or vegetable and you shall have your answer. People do associate or confuse organic with bland, tasteless food. Organic means safe chemical free without any artificial flavoring, coloring or preservatives. I would say that if someone finds non organic conventional produce tastier than organic than most probably they don't even know the real taste of the produce. The irony today is that the lemon juice that we use and consume has artificial flavors. The real culprits in processed conventional products are sugars, artificial flavors and additives like MSG, which get consumers hooked onto a product. Organic food exists in raw unprocessed form and nothing can beat it for purity and wholesomeness.



People who are buying organic produce are also buying into the fact that they are creating greater awareness and reducing the environmental footprint. They are giving back to the land without stripping it off its natural nutrients.

— Raka Chakrawarti
Founder & CEO,
Gourmet Delight

DK: Organic fruits, vegetables, spices and grains have several measureable nutritional benefits over conventional crops. The flavor and taste is never an inhibiting factor. That is because when a plant grows organically without pesticide, its taste is enhanced



as well. Without pesticides to guard against harm, an organically farmed plant will produce more of its own compounds called anti-oxidants to fight the damage. Studies show that higher anti-oxidant levels affect food's organoleptic qualities – taste, aroma, and mouth-feel, and how the human senses detect a food's unique flavor. But one has to segment the consumers very carefully when pitching organic food. The cosmopolitan culture in bigger cities is more conducive to the adoption of organic food first, which will over time gradually spread to tier II and III cities.

PA: No. Taste and flavor is a subjective matter. In general, organic food is tastier and more aromatic and food products were originally available to us in their organic state. With time, the use chemicals have, in some cases, altered our taste preferences. However, as per Just Organik's experience, we have only received appreciation for the taste and quality of our organic produce and we get plenty of repeat sales. Hence, we feel taste and flavor of organic food only has a positive impact, if any.

Apart from the growing health consciousness driving the growth of organic food products, do retailers and brands also need to draw attention to organic's other attributes such as its smaller environmental footprint and the fact that organic products are created with concerns for social equity in mind. Do you think highlighting such attributes will make consumers more disposed towards buying organic products?

RC: I think that is a major consideration, people who are buying organic produce are also buying into the fact that they are creating greater awareness



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Founder, Gaia

and reducing the environmental footprint. They are giving back to the land without stripping it off its natural nutrients. A lot of times people are repelled by the look of organic produce, so I think awareness needs to be created around it. A lot of people are switching to organic due to a variety of health reasons. Highlighting the benefits of organic produce, both to our bodies and the environment, will help create a bigger demand for such produce.

IP: No doubt, there is a certain section of society that is worried about the environmental footprint, social equality and the legacy they are leaving for their children and future generations. Yes, their numbers are growing and more and more people are making better choices each day. But when it comes to the majority of people, though they do talk about the fact that environmental concerns bother them, their decisions are hardly made with such considerations in mind. When buying organic food, people are mostly concerned about the 3As that I mentioned earlier – affordable, authentic organic food that is easily accessible. So to answer your question, considerations like smaller environmental footprint and social equality will take time to enter people's consciousness when buying organic. Drawing attention towards these attributes is like good to have add-ons but the majority of the effort should be spent on solving the 3As because that shall fetch the maximum results.

DK: Yes, definitely and the same is already in process. Modern formats of retail are driving the

growth of organic food with its regional chains. While, traditional grocers and convenience store still needs lot of convincing to place products.

PA: Yes. Brands, as well as some retailers, are doing precisely the same. But the scope is limited to the population we can reach out to. Exhibitions and other customer connect programmes help in the same. We are trying to innovate by working on various initiatives like conducting seminars for students, engaging a teleshopping network and through extensive use of social media, where we also request customers to discuss the benefits of organic with their friends and peers. The endorsement of organic food by our Prime Minister is raising the general awareness amongst people for organic food and is helping to make it more acceptable to the masses.

At the moment, the organic segment is probably growing faster than its regular packaged and processed food counterparts. What all need to be done by retailers and brands so as to give this category a self-driving growth momentum and keep the demand buoyant in the years ahead?

RC: The reason that the organic segment is growing faster than its regular packaged counterparts is due to the fact that people are more aware about the benefits of organic produce. They would like to eat healthy and use produce, which is less damaging to the environment. I think consumer demand will naturally make retailers and manufacturers stock more varieties of organic produce. Driving the awareness will keep the demand buoyant. In our case, we find that consumers are much more aware than they used to be even five years ago.

IP: In terms of big retail chains and other conventional retailers, they stock what the consumer demands and what gives them the maximum margins. It is hard at the moment for the organic segment to compete with the big conventional brands on both the fronts. That will become possible only when a lot of money flows into the organic brands either from investors or traditional brands, and at the moment it is not happening. Yes, there are things like fair pricing, decent payment cycles, etc, that retailers could work upon, for sure. On the organic brands front, they need to understand that they are competing with the big brands and conventional players. Just going around saying that we are organic without understanding what the consumers and retailers want won't help the category grow.



DK: Expanding the shelf-space for organic vis-a-vis other regular products along with the right marketing collateral are a must for driving growth and the category's expansion. Food festivals and fairs across different regions will also help create connect with the right kind of retailers.

PA: The growth momentum and demand for organic will come through awareness, education regarding certification and strict action by government against non-certified entities claiming to be selling organic produce. The absence of the same only causes confusion in the minds of the consumers. Nobody wants to consume anything that is a health hazard for their family. The more confident a customer is regarding the produce he/ she is buying, the easier will it be for switching to organic food. Also, organic as a food segment, connects the farmer, nature and the consumer holistically. Since the awareness of organic is growing, almost everyone wants to create a brand of their own, where goods are bought from somebody, packaged and sold with no connection with the holistic approach I mentioned earlier. As a result, many brands appear and disappear without a trace, sending the entire industry's effort to the bin. Retailers are front runners in the food business, and as such they should play an active role in keeping the unscrupulous brands off their shelves. Retailers should ideally be focused on checking the reliability of the featured brands and in creating awareness rather than diluting the consumer trust by creating more and more brands only for the lure of even greater margins.

How important is it for organic products to show transparency on the labeling front and how can this be ensured?

RC: It is very important. Transparency in labeling is a must. However, different manufacturers use

different bodies for certification. Organic produce has a shorter shelf life. Hence, theoretically it cannot be stored for a long period of time, thus proving its authenticity.

IP: It is absolutely necessary. Traceability is one of the hallmarks of organic certification. The consumer should know where exactly is the produce coming from. Pure organic retailers are not doing it because of the insecurities – someone else shall procure and sell from their source. Then, there are those that want to cheat and make a quick buck in the name of organic. The authorities need to be more vigilant to avoid the misuse of labels. As I mentioned, organic standards have been in existence for decades. Certification costs need to come down for all genuine produce to get certified. The government should subsidize certifications at least and promote organic. FSSAI has now come up with Jaivik Bharat program – one nation, one standard, one certification. The use of barcode or QR code for organic should be promoted so that the consumer can scan and see the actual information or video of the farm from where the produce has come. Actually, a better idea would be to label all the non-organic conventional produce and list what all chemicals have been sprayed during the cultivation and at various stages.

DK: It has become a necessary tick mark in the packaging, since no player has reached the stage of brand loyalty in this category as yet. Being in an introduction stage, people want to check what actually they are buying in the name of organic. A brand name with both strong equity and loyalty can risk to experiment or challenge the packaging nomenclature. Also, the fact that you need to avail 'Organic Certification' in India for which you have to strictly meet the norms and quality conforming to the national standards for organic products.

PA: It is extremely necessary. Otherwise, there will always be undetected black sheep in the industry and customer will never be able to understand what exactly is organic food and how beneficial it can be for everyone. Greater trust comes from stricter rules and we believe accepted certification logos should be placed prominently on every pack that has organic produce. Today, there are brands claiming to have chemical free organic food with no proof of the same. Measures are being taken for the same by the government and FSSAI will soon be coming with norms wherein only those who are certified Organic can use the term. **PG**



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Co-founder & MD,
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