Organic, fair and sustainable – growing market opportunities for Indian producers

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Long term challenges

Food ⟷ Growth of population

Food ⟷ Energy

Food ⟷ Non-Food raw materials (fibre, cosmetics etc.)

- Shortage
- Costs
- ...

→ Companies need to set their strategic course!

What is organic?

Organic agriculture is a production system that sustains the health of soils, ecosystems and people. It relies on ecological processes, biodiversity and cycles adapted to local conditions, rather than the use of inputs with adverse effects. Organic agriculture combines tradition, innovation and science to benefit the shared environment and promote fair relationships and a good quality of life for all involved.

Source: IFOAM

Organic and sustainability

What is the benefit of the organic system?

- The organic claim is credible!
- But, is organic sustainable as well? Yes...
  - Biodiversity – organic bans pesticides
  - Soil – organic improves soil fertility and yields
  - Water – organic bans pesticides and synth.nitrogen
    – water consumption through irrigation
  - Energy – organic consumes about 30% less in production,
    – no specific difference in supply chain
  - Climate – less emissions
  - Residues – organic is superior!
  - Social/fair – fair trade or company programs

What is fair?

Fair trade is an organized social movement and market-based approach that aims to help producers in developing countries to make better trading conditions and promote sustainability. The movement advocates the payment of a higher price to producers as well as higher social and environmental standards. It focuses in particular on exports from developing countries to developed countries.

Source: Wikipedia

What is fair?

Various initiatives and programmes are offered by organic certifiers and or companies which qualify to be called „fair“

The market leader is

What is „eco-labelling“/“sustainable“?

Sustainability creates and maintains the conditions under which humans and nature can exist in productive harmony, that permit fulfilling the social, economic and other requirements of present and future generations.

Source: US EPA

Sustainability Approach in Food Business

- New sustainability product labels
- Climate change/carbon neutral labels

- Image building campaigns

What is IPM?

Integrated Pest Management (IPM) is an environmentally sensitive approach to pest management that relies on a combination of common-sense practices. IPM programs use current, comprehensive information on the life cycles of pests and their interaction with the environment. This information, in combination with available pest control methods, is used to manage pest damage by the most economical means, and with the least possible hazard to people, property, and the environment.

Source: US EPA

Examples

Organic:
NOP, EU Organic Regulation, NPOP, JAS organic etc.

Fair Trade:
IFAT, EFTA, FLO, Max Havelaar, Utz etc. About 70% of food certified fair is certified organic as well.

Eco-labelling/sustainable:
Rain Forest Alliance, FSC, MSC, various roundtables e.g. for palm oil etc.

IPM:
All agriculture is aiming at becoming less intensive (?)

Assessment of systems

Criteria	Organic	Fair Trade	Eco/sus	IPM
social	+	++	+	-
environmental	++	0	+	0
commodities	0 (only few and large producer)	- (apart from tea)	++ (e.g. Unilever, Chiquita)	++
Brand/private label	++	++	+	-
price	++	++	0/+	-
image	++	++	+	-

- Not applicable, not part of programme, negative
0 Neutral
+ included, part of the programme, positive
++ strategic, positive

20 years of organic regulations

International milestones

1990: The Organic Foods Production Act (OFPA) is passed. 2002 start of National Organic Program (NOP)

1991: EU organic regulation is passed and implemented in 1993

April 2001: All plant based organic products and materials exported to Japan must be compliant with Japan's Agricultural Standards (JAS)

May 2001: NPOP, India published **March 2006:** USDA recognises India's NPOP as sufficient to meet the standards of the US; **June 2006:** European Commission has approved India's organic standards for equivalence (inclusion in third country list)

June 2009: Canada and the US recognize each other's organic standards and laws (very first "organic equivalency arrangement")

July 2011: Canada and the EU recognize each other's organic standards and laws

***2012:** Equivalence between US and EU ??*

20 years of organic regulations

International milestones

- Today about 75 countries have passed and implemented a regulation on organic food and farming
- Another 25 countries are working on adopting a regulation
- IFOAM plays a decisive role in developing mechanisms for international harmonization through:

  Harmonization of organic systems - GOMA

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20 years of organic regulations

Private standards and labels

North Americ: No private labels

Asia: Various private labels

IFOAM
INTERNATIONAL FEDERATION OF ORGANIC AGRICULTURE MOVEMENTS

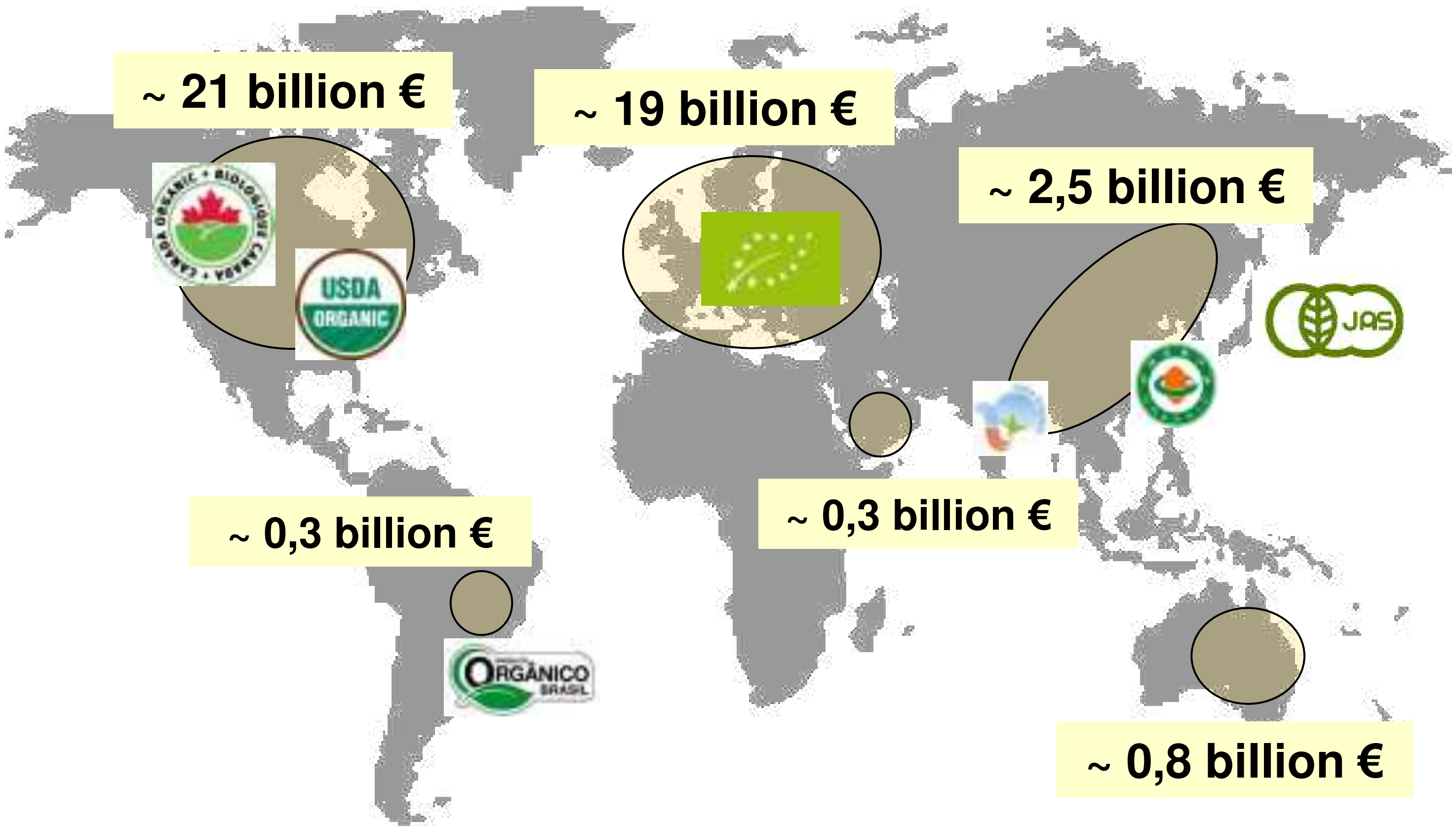
Many of them are IFOAM members and IFOAM accredited

20 years of organic regulations

- Organic becomes more transparent, increased consumer trust and demand
- Organic Action Plans and financial support for conversion
- Market entry of ‘conventional’ retail
- Organic becomes mainstream

The global organic market today

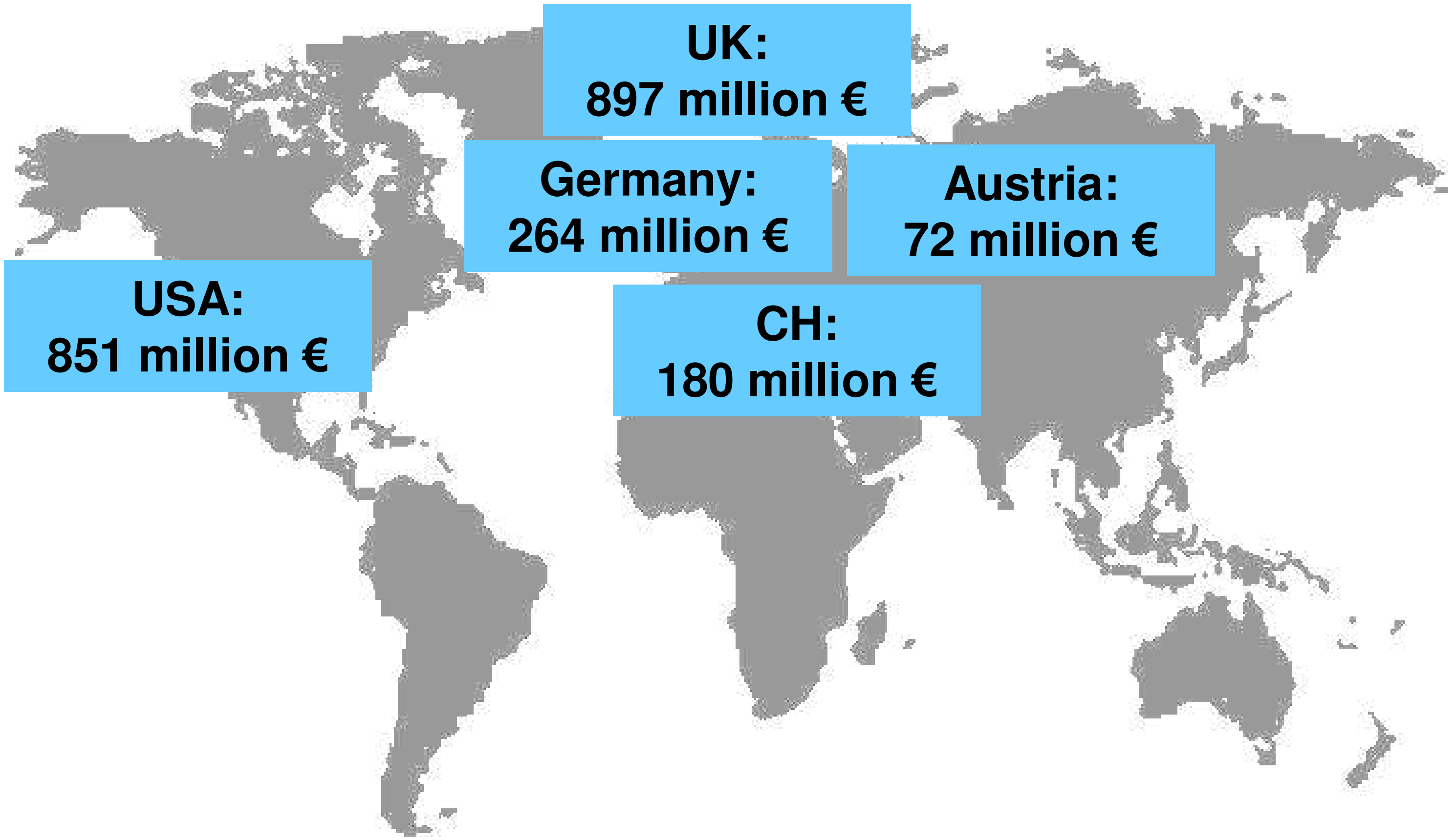
Organic market sales 2010: ~ 45 billion € (estimation)



Source: Own compilation and World of Organic Agriculture 2011 (IFOAM, FiBL)

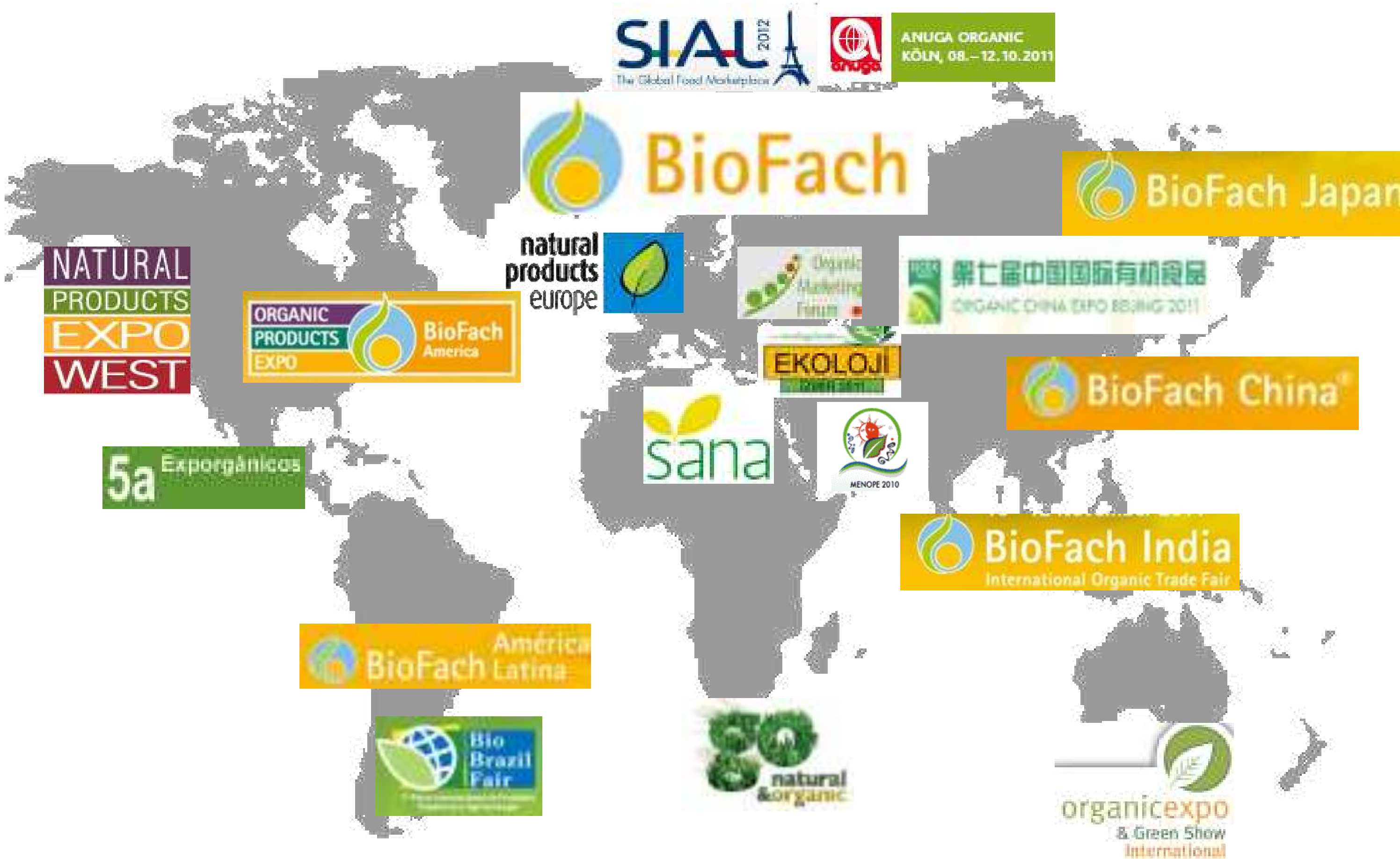
The global fair trade market – organic and social

Global Fairtrade sales 2009:
estimated at 3.4 bio €



Globally, only 0.1% of the Fairtrade certified product sales is comprised of spices and herbs **(source: CBI, 2010)**

Global trade fairs in organic



General market trends for spices

1. - Oversupply for certain spices due to new production in emerging countries (international newcomers) putting pressure on prices

2. - Shortage due to decline of soil fertility, intense agriculture, diseases and climate change (drought)
   - Shortage due to trade interruption (export ban)
   - Shortage due to domestic demand (curcuma)
   - Shortage due to complex of quality and residue problems (nutmeg)
   - Prohibitive prices as consequence of the above

3. - Globalisation fuels demand (immigration especially to the US, Europe fueling ethnic foods)
   - International tourism (fueling ethnic foods)

General market trends for spices

4. - Increased demand for convenience food requires the food industry to add the required flavours (in organic: from natural sources (oil, extracts, no artifical flavouring)

5. - European consumers have a strongly increased interest in a healthy lifestyle replacing (natural/artificial) and adding additional spices

6. - The market for organic food as well as Fair Trade food is increasing.

Opportunities for exporters in developing countries (DCs) of spices & herbs lie in the following fields:

- Ready-to-use segments, like pizzas, sauces and other convenience food.
- Health-food sector, for example, organic spices & herbs and herbal teas.
- New authentic varieties of mixed spices and herbs.
- Organic and ethically sourced spices and herbs.

Source: CBI Market Survey 2010, The spices and herbs market in the EU

General market trends for spices

7. Structure and trends of the conventional market do generally also apply for the organic market!
8. With a share of 24% of total EU imports of spices and herbs, pepper is the largest product group imported, followed by paprika (17%), mixtures (9.2%), nutmeg, mace & cardamom (8.4%) and spice seeds (7.5%).
9. The product groups with the highest shares of import from developing countries are saffron, turmeric, ginger, pepper and vanilla.

Strategic challenges for organic spices' producers

Long term challenges:

- Quantities are restricted
- The market is not elastic
- Product diversity is restricted
- **Quality** is below market standard
  - Organic certification equals quality?
    - Yes, however indirectly only...
    - No definition of product quality in standards or regulations
    - Product quality has to be/is defined by market partners

Strategic options for organic spices' producers

- Solutions?!
  - Strengthening brands, excellence
  - Joining forces in exports (e.g. Spices Board as service provider assisting in international accessability for smaller producers, but focus on quality and individuality rather than mass products)
  - Uniqueness in product quality, taste, heritage
  - Traceability and transparency:
    - **Responsibility for the product chain!!**
      - Certificates along the chain of custody
      - Theoretical and practical traceability

Strategic options for organic spices' producers

→ Consequence: Investment in supply chain responsibility (cooperation, sourcing, reliability etc.)

  - Individually organized
  - In cooperation with other players

- Sustainability
- Others...

Strategic challenges/options for organic spices' producers

- Positive:
  - Food culture, heritage
  - Geographic and other indications
  - International image is positive
  - raw material export more or less working
- Negative:
  - No/weak brands
  - Fragmented structure
  - Quality (residues, microorganisms etc.)
  - Logistics (storage, transport etc.)
  - Quantities (supply shortages)
  - Prices

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Organic market trends for spices

- No reliable figures for the organic spice market
- Market share
  - In ‘developed’ organic markets >5%, leaders with 10%
  - In emerging markets <1%
- Continued market growth (average 10%, no negative impact of last years economic crises)
- Growth both in domestic as well as export markets
- Market chances in non-organic industries seeking organic products because of quality and residues e.g. baby food industry, herbal/spiced teas, and others with high quality profile
- Disadvantage for countries with known history of intense agriculture (endosulfan, ...) e.g. Egypt, India, China others with advantages e.g. Latin America, Africa, South East Asia

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Organic market trends for spices

Table 5.2: Prices for certified organic spices and herbs in the EU as from January 2009 – December 2009

	Price range in €/kg Jan 2009	Price range in €/kg Dec 2009	Origin	Notes
SPICES				
Allspice	8.95	14.65	Guatemala	
Aniseed	5.75 - 15.20	7.95 -10.35	Turkey / Egypt	
Caraway	5.75 - 7.95	6.10 – 6.45	Czech Republic	
Cardamom	n/a	20.7	Guatemala	
Cinnamon	15.90	14.25	Sri Lanka	
Cloves	8.35 - 12.00	9.70 – 9.90	Sri Lanka	
Coriander	4.45 - 5.30	3.65 – 7.75	Italy / Turkey/ Egypt	Max 1%
Cumin	8.70 - 10.00	8.20	India	
Fennel	4.45 - 9.25	5.35 – 6.05	Egypt / Turkey	Max 1%
Ginger	8.05 - 11.45	7.40 – 8.60	Sri Lanka	Powder
Paprika	11.30	11.30 – 14.20		Red granulate 1-3 mm
Pepper, black	5.25 - 8.90	4.40 - 8.20	India	Steam-treated cleaned

Source: CBI, The Netherlands

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Summary

- The certified organic market is growing from 45 billion € in 2010 at about 10% per year.
- The Fairtrade market is growing from 3.5 billion € in 2009 at about 15% per year.
- The eco-labelled/sustainable market is growing due to having partnered with global food players and conventional retail.
- Integrity and quality in all aspects of the product chain, logistics, product chain responsibility, traceability, organic combined with sustainable criteria, heritage and geographical provenance, organisation of (small) producers are some buzzing words for future sales in international markets.