

PROBLEMS AND PROSPECTS OF ORGANIC AGRO PRODUCTS IN DELTA DISTRICTS IN TAMILNADU

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Abstract

Marketing considerations are important for organic producers. Opportunity to receive premium for Organic agro products have heightened producer's interest in the organic production and marketing. Organic agro products are specialty items and have high growth rate. So special marketing techniques and efforts are needed in its case. Producers must research potential market for size, consistency and competition. They must match their production to their market. Organic marketing is quite different from that of regular marketing. Organic markets are still a niche segment in which specific buyers are targeted. Careful selection and development of target markets, distribution channels, certification, awareness creation etc., are important in the case of organic Marketing. Such marketing requires different skills than regular marketing and may call for additional costs in the initial stages. Through the implementation of appropriate marketing strategies producers and companies can organize organic production and influence consumers' purchasing behaviour. The rapid increase in production of organic food is creating new and more complex challenges for marketing. The study and understanding of existing marketing practices and issues of organic producers will help the stake holders, authorities, researchers and producers to identify the loopholes and plug them correctly. It gives an idea about the current status, conditions and future of the industry. The study explores the marketing trends for organic food products and unveils the areas where more attention is needed and which issues are to be further researched, resolved and improvised.

Keywords: Organic agro products, sustainable development, price premium, health benefits, purchase behavior.

Introduction

Organic production and trade has been emerged as an important sector in India and in other parts of the developing world. It is seen as an important strategy of facilitating sustainable development. This paper discusses the marketing practices, problems and perceptions of organic producers. Here we are discussing about the marketing of organic food products. For boosting organic agriculture, marketing of organic products will be a main driving force. A country like India can enjoy a number of benefits from the adoption of organic production. Economic and social benefits like generation of rural employment, increased earning capacity of household, poverty alleviation, social uplifting, ensuring the health of young generations, women empowerment, sustainable development, prevention of disasters caused by the pesticides, improving the environmental conditions, conservation of the natural resources, improved soil fertility, prevention of soil erosion, preservation of natural and agro-biodiversity are the major

benefits. The threat posed by the conventional food products to the human health and the damage done to the ecology are being viewed seriously. Efforts are made to produce healthy foods and the demand for them is increasing. Though 50% of the organic food production in India is targeted towards exports, there are many who look towards organic food for domestic consumption. ACNielsen, a leading market research firm, conducted a survey among 21000 consumers in 38 countries to find their preference for foods that have additional health benefits. The survey revealed that India was among the top ten countries where health food, including organic food, was demanded by the consumers. The most important reason for buying organic food was the concern for the health of children. Organic food is expensive than conventional food and customers have to pay a premium generally 20 -30% for that. Still many people are willing to pay this higher premium due to the perceived health benefits of organic products. Rising incomes, urbanization, the development of retail trade, changing life styles, and rapid economic growth have been the other key drivers of the increase in sales of organic foods.

Objectives of the study

- ❖ To identify the problems faced by the organic producers.
- ❖ To give suggestions to solve the above said problems.

Methodology

A descriptive and exploratory research design was chosen for the study. The study was conducted in the southern and middle part of Tamil Nadu state. Judgment sampling design was used to select the sample. The information was collected through individual visits, personal discussions and with the help of a structured questionnaire. The study included a survey of 50 domestic producers and 10 exporters. Secondary data was collected from journals, previous research reports, books, and internet.

Review of Literature

Organic produce is considered as a healthy, natural and safe choice by consumers everywhere. A lot of efforts and measures were taken to promote organic farming, production and trade in the recent years in different parts of the world at various levels. By definition, organic means fruits, vegetables, food grains and processed products that have been produced with no pesticides or inorganic fertilizers. Organic production is defined by the USDA as follows: 'A production system which avoids or largely excludes the use of synthetic compounded fertilizer, pesticides, growth regulators and livestock feed additives. To the maximum extent possible, organic farming systems rely upon crop rotation, crop residues, animal manures, legumes, green manures of farm organic waste and aspects of biological pest control to maintain soil productivity, to supply plant nutrients and to control insects, weeds and other pests' (cited in Browne et al, 2000).

The growing health concerns and increasing non-tariff barriers like Sanitary and Phyto Sanitary (SPS) measures in the international market (Naik, 2001), coupled with non-viability of modern farming on a small scale, are some of the factors behind the move from chemical based to organic production and consumption systems. According to Sylvander (1999) the market for organic food is currently growing by around 20% per year. Though organic produce is expensive, consumers are showing interest in organic products. Consumers were very much interested to buy organic food, as they had become aware of the harms of chemical-laced

conventional food production and the need to maintain their health (Seikh, 2000). Thus, the organic market is growing fast, but market demand is not stable (Hamm, 2001).

Organic production in India

In India organic farming was practiced since thousands of years. In traditional India, where organic farming was the backbone of the economy, entire agriculture was practiced using organic techniques, where the fertilizers, pesticides, etc., were obtained from plant and animal products.

Organic Agro Products and Markets in India

Major organic agro produces in India include plantation crops(tea, coffee, and cardamom), spices (ginger, turmeric, chillies and cumin), cereals (wheat, rice, jowar, and bajra), pulses (pigeonpea, chickpea, green gram, red gram, and black gram) ,oilseeds(groundnut, castor, mustard and sesame), fruits (banana, sapota, custard apple and papaya),vegetables(tomato, brinjal, and other leafy vegetable), besides honey, cotton and sugarcane especially for jaggery (GOI, 2001). The organic products available in the domestic market are rice, wheat, tea, coffee, pulses and vegetables. On the other hand, products available for export market, besides these, include cashew nuts, cotton, oilseeds, various fruits, ayurveda products and medicinal herbs.

Factor analysis for marketing problems of marketers for organic agro products KMO and Bartlett's Test

Table – 1
Total variance explained for Marketing Problems

Marketing Problems	Rotation Sums of Squared Loadings					
	% of Variance	Cumulative %	% of Variance	Cumulative %	% of Variance	Cumulative %
Local competition	34.215	34.215	34.215	34.215	14.975	14.975
Fixation of Pricing	20.359	54.575	20.359	54.575	14.775	29.750
Transportation cost	10.137	64.712	10.137	64.712	13.868	43.618
Price level changes	7.224	71.936	7.224	71.936	12.782	56.399
Government control	2.929	89.938	2.929	89.938	4.539	89.938
Taxation	2.614	92.551	*	*	*	*
Seasonal fluctuation	2.287	94.838	*	*	*	*
Poor quality	2.066	96.904	*	*	*	*
Marketing Information	1.459	98.363	*	*	*	*
Lack of sales forecasting	1.260	99.623	*	*	*	*
Legal proceedings	3.033E-16	100.000	*	*	*	*
Equalisation of production and sales	7.451E-17	100.000	*	*	*	*
Seasonal pricing	6.307E-17	100.000	*	*	*	*
Length of time for selling	-1.311E-17	100.000	*	*	*	*

Source: Output generated from SPSS 19

Table – 2 KMO and Bartlett's Test for Marketing Problems

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.832
Bartlett's Test of Sphericity	Approx. Chi-Square	1723.977
	df	15
	Sig.	.000

Source: Output generated from SPSS 19

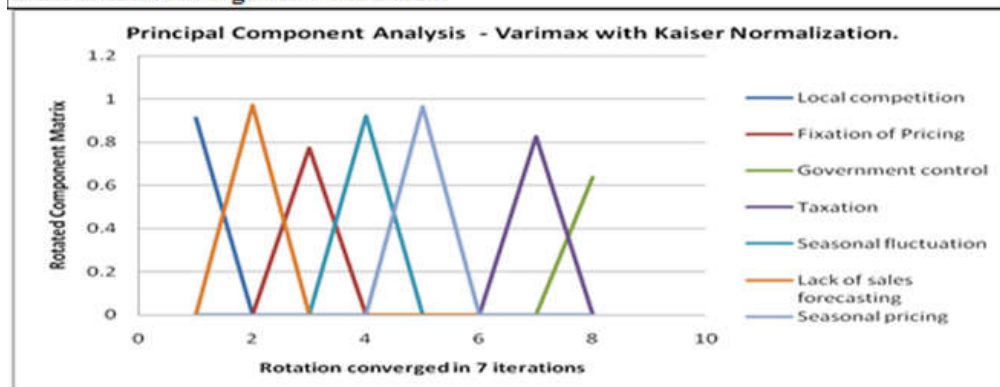
High value of KMO (0.832 > .05) indicates that a factor analysis is useful for the present data. The significant value for Bartlett's test of Sphericity is 0.000 and is less than .05, which indicates that there exist significant relationships among the variables (Table-4.51). The resultant value of KMO test and Bartlett's test indicate that the present data is useful for factor analysis. Eigen Value represents the total variance explained by each factor. Percentage of the total variance attributed to each factor. One of the popular methods used in Exploratory Factor Analysis is Principal Component Analysis, Where the total variance in the data is considered to determine the minimum number of factors that will account for maximum variance of data. All the statements are loaded on the two factors.

Table – 3 Rotated Component Matrix for Marketing Problems

Marketing Problems	Component							
	1	2	3	4	5	6	7	8
Local competition	.913	.100	.289	.223	.006	.017	.103	.091
Fixation of Pricing	.377	-.005	.773	.223	.028	.079	.214	.028
Government control	.144	-.003	.357	.411	.193	.000	.274	.638
Taxation	.281	-.013	.207	.295	.032	-.019	.828	.130
Seasonal fluctuation	.255	-.007	.212	.923	.032	.018	.128	.082
Poor quality	.912	.100	.289	.223	.006	.017	.103	.091
Marketing Information	.377	-.005	.772	.223	.028	.079	.214	.028
Lack of sales forecasting	.085	.971	.023	-.003	.120	.175	.013	.020
Legal proceedings	.010	.119	.044	.037	.965	.166	.036	.075
Seasonal pricing	.010	.119	.044	.037	.967	.166	.036	.075

Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 7 iterations.



Source: Output generated from SPSS 19

The dimension ‘Marketing Problems of Marketers for organic agro food products’ comprises 15 attitude statements. Out of 15 statements, six statements contribute more towards Marketing Problems. The statements are (1) Local competition, (2) Fixation of Pricing (3) Government control (4) Taxation (5) Seasonal fluctuation (6) Lack of sales forecasting and (7) Seasonal pricing control these statements accounted for 89.938 percent of the variance in the original 15 statements. The remaining eight statements contributed minimum towards marketing problems of Marketers for organic agro products (i.e.) 10.062 percent of the variance.

Findings for problems of organic agro producers

The researchers had personal discussions with the producers about various problems faced by them. Open ended questions are also used in the questionnaire to get the response of the producers about their problems. The information about the constraints collected by the researchers through personal discussions and questionnaire are given below:

Problems faced by the organic exporters

- ❖ Main problem is cost involved in the production process. To produce organic products 3-4 times cost is involved when compared with conventional non-organic products.
- ❖ No market/less market share in India. For organic products usually the premium is very high due to the high production, processing and distribution cost. An ordinary customer in India cannot afford that price. Even in metro cities a big campaign is needed to attract rich customers and create awareness. This again adds cost and demand should be created within short time period because of the short shelf- life of the products.
- ❖ Financial shortage and quality maintenance problems
- ❖ Non availability of commodities and skilled manpower
- ❖ Infra-structure and system maintenance problems
- ❖ Changing climatic conditions and consumer tastes and preferences
- ❖ Competition and consistency in supply.
- ❖ Usage of IPM products (Integrated Pest Management) instead of organic products.
- ❖ Marketing problems.
- ❖ Inadequate Supporting Infrastructure -The state governments should formulate policies and a credible mechanism to implement them. Exclusive bodies and departments should be set up for that. More certifying agencies, awareness campaigns, organic markets, trade channels etc., are yet to be formed.
- ❖ High Input Costs -The costs of the organic inputs are higher than those of industrially produced chemical fertilizers and pesticides including other inputs used in the conventional farming system.
- ❖ Labour turnover.

Problems faced by the Domestic Organic producers:-

- ❖ Government is not doing anything specifically to encourage organic producers and to increase the consumption of organic products. Government support is needed to create the public awareness.
- ❖ Lack of Awareness - Social groups and other stakeholders must show more interest in awareness building and encouraging the producers.
- ❖ Changing climatic conditions.

- ❖ Low Yields in the initial 3 years– Financial support is needed at least in the initial 3 years during when the yield is usually very less. The loss of organic producers should be supported by the government's initiatives in educating the customers, finding out the markets and giving financial incentives. Small and marginal farmers are facing the risk of low yields for the initial 3 years on the conversion to organic farming. There are no schemes to compensate them during the gestation period. The price premiums on the organic products will not be much of help in this case.
- ❖ High Input Costs -The costs of the organic inputs are higher than those of industrially produced chemical fertilizers and pesticides including other inputs used in the conventional farming system. The groundnut cake, neem seed and cake, vermi-compost, silt, cow dung, other manures, etc. applied as organic manure are increasingly becoming costly making them unaffordable to the small cultivators.
- ❖ Shortage of Bio-mass - The small and marginal cultivators have difficulties in getting the organic manures.
- ❖ Unexploited opportunities in national and international market.
- ❖ Absence of an Appropriate Agriculture Policy to co-ordinate and help organic producers.
- ❖ Absence of certification.
- ❖ Inability to tap the export market.

Suggestions

- ❖ Certification (Quality Assurance) - The analysis of data illustrates that the domestic producers who produce mostly vegetables, fruits and flowers don't have certification. Most of them are small scale farmers and for them the certification process is costly and unaffordable. Certification enhances the credibility of the product and ensures the quality also. This will improve the customer's confidence and trust and will result in increased sales. As the number of certifying agencies is less and the certification process is costly and time consuming, the government should find some other alternative for domestic small scale organic product certification.
- ❖ Untapped Market Segments- From the analysis it is clear that the institutional market segment, organic cooperative stores and retail market are still untapped. The state department and NGOs can help and train the domestic producers to exploit these channels properly. Exporters can rely on online sales also.
- ❖ Cost Reduction Leads to Affordable Pricing and Increased Consumption- Large number of exporters charges a premium 21- 50% and domestic producers 6 - 20%. The reasons behind charging high premium by the exporters are mainly the production cost, certification cost, transportation cost, processing cost, quality assurance cost, storage cost, shipping cost, labour cost and input cost.
- ❖ Financial Support during the Gestation Period- Small and marginal farmers are facing the risk of low yields for the initial 3 years on the conversion to organic farming. There should be some schemes to support them and to compensate their loss during the gestation period.
- ❖ Organic Inputs at Subsidized Rates- To overcome the difficulty of unavailability and high cost of organic inputs, it can be distributed at subsidized rates through agriculture department.
- ❖ Awareness Creation- The domestic producers need the help of State and Central governments to create awareness among the public about organic products and to sell

their products under a brand name. More campaigns in the educational institutions, government offices and media campaign by the state departments will help the organic producers to survive.

- ❖ Consumer Education- The Indian organic food consumer needs education. Many consumers are unaware of the difference between natural and organic food. Many people purchase products labeled as Natural thinking that they are organic.
- ❖ Producer Education and Training Programmers – Producers should be educated about the available opportunities, benefits and requirements in the national and International markets. Making them up to date with technical and marketing information and imparting the required skills will improve the system efficiency.
- ❖ Development of an Integrated Organic Management Model- To develop an integrated model of organic management, more studies are required in the fields of procurement, production, quality assurance, pricing, distribution, communication, financing, and supply chain management of organic products.
- ❖ System Approach – A system approach is required to study, plan, implement, monitor and correct the organic management activities. Each sub- system or part should get individual attention and professional approach is needed.

Conclusion

The organic agro producers- both exporters and domestic producers, unanimously agree that there will be an increase in the organic product sales in the next five years and they are satisfied with their business. They expressed their willingness to expand the business also. They have a highly positive expectation about the future growth of organic consumption and Tamil Nadu market. Objectives such as increasing the earning capacity of household, poverty alleviation, social uplifting, ensuring the health of young generations, women empowerment, sustainable development, prevention of disasters caused by the pesticides, improving the environmental conditions etc can be achieved through a well-developed Integrated Model of Organic Management. The government should take initiatives for this with the help of other stake holders.

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