Challenges in Organic Food Marketing, Pricing and Shelf Space Allocation (with reference to branded retail chain in outlets in Indore)

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Introduction

The importance of organic farming has been felt since the past three decades all around the world. Organic farming has been catching up as a concept in India, but not until recently have we recognized the comprehensive benefits bestowed upon us by the usage of organic produce.

This synopsis is an attempt to present a bird's eye view of the proposed work on the marketing of organic food products in a tier three city like Indore.

The subject under consideration is so vast that it includes organic product cultivators, farmers, certification agencies, government considerations, legal framework, co-operative norms observed by farmers, role played by operators, handlers, packers, processors of organic food products, marketers, and other intermediaries.

The proposed work is to be done under the marketing sub-stream, and is likely to touch upon the concerned subject matters in some ways. However, apart from clarity in understanding and the agriculture mechanism and the certification process, the earlier stages of organic food products like farming are not in the purview of the research, but rather the study focuses on the sales concerns and pricing decisions arrived at by the sellers.

There are various considerations such as pricing, availability, distribution networks, awareness, health and environmental benefits on which the mainstay research is possible.

Research Questions

1. To determine the price considerations of marketing organic food products in the mentioned geographic location.

2. To determine the awareness level in customers in the marketing of organic food products in the mentioned geographic location.
3. To determine the availability of organic food products in the mentioned geographic locations.
4. To determine the health and sociological benefits offered by organic food products in the mentioned geographic location.
5. To determine the distribution network relationships in the marketing of organic food products in the mentioned geographic location.

Literature Review:

The presence of organic food products in retail chain outlets (‘supermarkets’)of the given frame of area has been there since well past a decade. Earlier, when the concept of departmental stores, supermarkets, hypermarts and eventually e-tailing or e-marketing was not so deep rooted in the everyday life of people, organic products were not so well managed, procured, marketed, priced and provided to the end users. However, the fact that they existed cannot be denied.

In the Indian context of farming, soil tilling, turning, weeding, pest control and other activities were performed with much astuteness or *satvik-ta.* As a result, Indians have been accustomed to earth-friendly farming, livestock-rearing, apiculture, pisciculture, sericulture and similar land-based harvesting activities. We are a people who are attuned to the single-minded and devoted usage of available resources provided by the mother Earth, which is the mainstay of organic farming.

As result, the organic products reaching us are truly exclusive and valuable. These qualities are reflected in their marketing, pricing and shelf-space allocation. Usually they are not attributes which the lay-man can understand, and hence these very qualities pose a challenge before those who are interested in propagating them.

Exhaustive, intense and wide-ranging studies have been undertaken the world over on related topics. Research scholars have focused on many issues. Indian organic products and agriculture 'has trade opportunities for farmers in both, developing and developed countries. Expected to see growth rates from 10-15% to 25-30%. (Youssefi and Willer 2002).

The research paper titled '***Marketing Opportunities and Challenges for Indian Organic Products' archived http://orgprints.org/00002684/ by Salvadore V Garibay and Katke Jyoti of Research Institute of Organic Agriculture (FiBL) Switzerland and AC Nielsen ORG-MARG February 2003*** includes a study of the domestic and export market to provide Indian farmers with the necessary information. The study was jointly conducted by FiBL, AC Nielsen and SECO, a Swiss bureaucratic arm.

The scope of the study is good for different levels (producer groups, trainers, advisors, certification bodies, traders and processors). The study also measures organic products on the basis of packaging, processing the use of or no use of preservatives. The paper discusses APEDA's (Agriculture and Processed Food Products Development Authority) role in setting up a database in the field.

It was revealed in the study that of a sample of farmers, 54% were interested in 100% organic production and 46% were not interested in 100% organic production (source: ORG-MARG 2000).

It was known from the study that organic product marketing suffered from two limitations:

a) Lack of information on availability and certification
b) Price expectations too high compared to quality.

There were these categories/ commodities of organic products which were desired by Indian customers :

vegetables pulses tea herbal extracts

fruit	wheat	coffee	edible oil
spices	rice	baby-food	

The interviewed NGOs projected growth in domestic market for organic products would be driven by these factors:

Health consciousness

Awareness about organic products

Marketing techniques adopted

Year-long availability

The research paper also stated the role played by the government of India. Six accreditation agencies were created under the Ministry of Commerce:

APEDA	Coffee Board	Spice Board
Coconut Development Board	Tea Board	Cocoa and Cashew nut Development Board

The paper also describes the six Certification agencies under **NPOP** (National Program on Organic Production):

ECOCERT Intl. (based in France, Germany, Branch Office in Aurangabad, India)

IMO (Institute of Marketecology) (Swiss, based in Bngalore)

INDOCERT (based in Kerala)

LACON GmBH (based in Germany, Branch Office in Mumbai)

SGS India Pvt Ltd (based in Switzerland)

SKAL Intl. (based in The Netherlands)

The paper reveals that large organized producers distribute their products through supermarkets as well as self-owned stalls. It further states that supermarkets and restaurants are the major marketing channels for organic products. The major markets for them are Mumbai, Delhi, Kolkata, Chennai, Bangalore and Hyderabad.

It was also stated in the paper that Indore and near-by areas are involved in organic product procurement / growth. They include the companies Pratibha Syntex Ltd. Of Indore, which grows organic pulses and Maikaal BioRe Pvt. Ltd. Of Mhow which grows organic cotton, medicinal herbs and extracts, aloe vera and sapota.

The paper details that 23% traders imported organic products from India. These included traders from Germany, The Netherlands, UK, USA, Switzerland and Japan.

In the second paper titled ***'Strategies for Enhancing Organic Food Quality' by Christopher Stopes of EcoS Consultancy Ltd, which has been undertaken by IOTA under PACA Research Project OFO0347, funded by Defra and relegated to the Institute of Training and Advice,*** the biological aspects of organic food production and its imminent effect on human health has been discussed.

The paper states that…'taken overall, the balance of evidence shows that organically produced grains, fruits, livestock and veggies contain more beneficial nutrients than non-organic. There's a high degree of consensus among the scientists that the Vitamin C, Iron, Magnesium an phyto-nutrients like flavenoids tend to be higher in organic products whilst the dry matter content of organic products is also higher. Hence the 'nutrition density'of organic products is greater.

Lueck et al (2008) summarise that the generally beneficial impact of extensive production protocols on composition of livestock producs (meat, milk, eggs) is becoming increasingly clear.

It has been summarised that quality expectations of consumers always radiate around four central concepts:

- Taste (and other sensory characteristics)
- Health
- Convenience
- Process Characteristics (organic production, natural production, animal welfare , GMO free)
- (Grunert2005)

The paper also states that few additives linked to health and behavior problems are not permitted in organic products. These include

- hydrogenated (trans) fats
- phosphoric acid
- artificial colors and sweetners
- MSG

This factor goes in favour of childrens' health and thus is a potential benefit of organic food products.

The concept of 'vital quality' **(Huber 2002)** is a valuable one for the consideration of wider aspects of quality within organic farming systems. Vital quality has been described as that aspect of organic products which offer enhanced nutrition values on consumption.

Leifert et al (2008) review that there's no evidence that organic and 'low input' production systems pose higher food safety risks than foods from conventional systems as claimed by **Avery (1998)** and **Trewavas (2001)**. **Baker et al (2002)** report that organically grown foods consistently had one third as many residues ass non-organically grown foods and one half as compared to those produced using IPM (Integrated Pest Management) ystems.

Benbrook et al (2008) has estimated that consumption of organic food reduces the risk of intake of pesticide residues by 97%.

The ***FSA (Food Standards Agency)*** of USA acknowledges that ***'eating organic food is one way to reduce consumption of pesticide residues'*** .

The composition of milk is affected by the production system, with organic production leading to higher levels of short chain essential omega three fatty acids in milk. (**Ellis et al 2008**)

The paper also discusses that human health benefits due to the following putative differences between organic and non organic products:

- fewer additives in organic products
- more beneficial nutrients in organic products
- prohibition of conventional synthetic pesticides in organic products
- less pesticides used in organic products
- GMO (Genetically Modifies Organisms) prohibited in organic products
- less veterinary drugs used (particularly antibiotics) some prohibited in organic products

According to ***Dimitry and Oberholtzen,*** the main challenges facing organic food marketing are pricing competition and logistics arrangement.

Research Methodology

It has been proposed to include both primary and secondary data collection techniques in the research. As the topic is meant to solve current problem at hand, relevant historic data is required which can be provided the secondary sources of organizational publications of NSSO, CSO, WHO, ORG, MARG etc. Internet has also been proposed to be used extensively as a source owing to its great potential of providing the needed information. Books on marketing, organic food and its processing and relevant journals can be used effectively to reach to the problem solution.

Primary data collection techniques include data collection in the form of questionnaires developed for Indian producers, retailers, traders, procurers, NGOs, Certifying Agencies, Commodity Boards and consumers.

Direct interviews and telephonic interviews can be conducted with relevant publics for quantitative and qualitative data estimates.

Suitable Statistical tools can be implemented as and when required during the study.

Research Implications

The proposed research plan has the potential to influence a wider research study owing to its innovative and promising aspects. As the field of organic products can be predicted to be the market front-runner in the coming times, there is a great need for thorough and accurate investigation into it to explore researchable problems and find suitable solutions to them.

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