



India Market and Regulatory Assessment

USDA Emerging Markets Program

The Organic Trade Association is the membership-based business association for organic agriculture and products in North America.

OTA is the leading voice for organic trade in the United States, representing over 6,500 organic businesses across 49 states.

Its members include growers, shippers, processors, certifiers, farmers' associations, distributors, importers, exporters, consultants, retailers and others.

OTA's Board of Directors is democratically elected by its members.

OTA's mission is to promote and protect the growth of organic trade to benefit the environment, farmers, the public and the economy.

www.OTA.com

Background on India: Economics and Culture

State of Domestic Organic Trade

Retail Environment

Organic Regulatory Environment

Import Environment

Lessons Learned

Unanswered Questions

Key Recommendations

Risks

Background on India

Market overview

Making up one third the area of the United States, India has a population of over 1.2 billion spread across 29 states and six union territories. The states differ vastly in resources, agro-climatic conditions, culture, eating habits, living standards, and languages. With over 890 million people below 45 years of age, India has the largest young population in the world. -. It also has more English-speaking people than in all of Europe combined. The middle class, currently at approximately 300 million people, continues to increase as the economy grows.

Key economic indicators

India is ranked as the fifth largest economy in the world with a GDP estimated at \$970 billion in FY 2009/10, and average annual growth of over seven percent during the past three fiscal years. Foreign exchange reserves in September were \$292 billion, up nearly \$12 billion from a year prior. Despite a global recession, India has managed to retain its position as one of the fastest-growing economies in the world, and was forecast to grow at 8.5 percent during the Indian Fiscal Year ending March 2011.

The Indian economy is projected to expand by 8.6 percent in the current fiscal year. Rising income has escalated the purchasing power of Indian consumers, and India's per capita income is projected to grow by 17.3 percent, to \$1,212 in 2010-11, from \$1,033 a year ago. It is estimated that 70 million Indians earn a salary of over \$19,500 a year, but that number is expected to double to 140 million people by the end of 2011.

Consumer demographics

India has a large and expanding young population with a median age of 24. India is witnessing an expansion of middle-income consumers as well as increasing urbanization and, growing numbers of nuclear and dual-income families. India is also experiencing a steady transformation of its food retail sector, rising numbers of restaurants and fast food chains, and greater exposure to international products. These changes are leading to a rapid change of India's food consumption and expenditure habits. Assuming the Indian economy grows at a real compound rate of 7.3 percent per annum from 2005 to 2025 [McKinsey Global Institute Study], the number of households categorized as "seekers" (with real annual household disposable incomes of \$4,380 to \$10,940) and "strivers" (household disposable incomes of \$10,940 to \$21,890) would grow to an estimated 583 million people (128 million households) by 2025. Furthermore, middle-income growth is expected to spread beyond India's largest cities to mid-sized and small cities. Average real household disposable income is expected to grow from \$2,527 in 2005 to \$7,086 by 2025, a compound annual growth rate of 5.3 percent. In fact, India is on track to become the world's fifth largest consumer market by 2025.

Food purchasing behavior

With incomes growing, the standard of living is improving. Increasingly, consumers are now realizing the importance of the impact of food on their health and well-being. The modern Indian lifestyles and lifestyle-related diseases, as well as limited time to cook at home, are also expected to create demand for health and wellness products in the coming years. These factors, coupled with

environmental issues and growing resistance towards genetically modified food products, are predicted to accelerate growth in the organic food category.

Indian consumers currently spend a large portion of their income on food. Nearly 45 percent of consumption expenditures go for food (51 percent in rural areas and 39 percent in urban areas). In urban areas, the consumption of processed and ready-to-eat (RTE) or convenience foods is higher due to relatively higher disposable incomes, exposure to a greater variety of processed foods, a preference for quick meals, and familiarity with foreign foods or cuisines. Rural consumers tend to prefer traditional Indian foods prepared at home, but exposure to processed foods is increasing even in rural areas.

Demand for premium high-value foods such as chocolates, almonds and other dried nuts, cakes and pastries, imported fruits, fruit juices, and Indian sweets peaks during the fall festive and wedding seasons. With the penetration of modern retailing in the suburbs and semi-urban areas, more and more Indians have access to retail shops carrying organic food products.

Shopping habits

Indian consumers traditionally purchase their daily food needs from small neighborhood stores and vendors because of convenience, perceived freshness, and limited refrigeration and storage space at home.

Consumers of organic and health foods generally purchase these food items through modern retail outlets. Quality is considered important, but there is a reluctance to pay a premium. With the penetration of retail outlets in larger cities, suburbs, and semi-urban areas, more and more Indians are gaining exposure to them. A growing number of people in urban areas are widely traveled and have experienced international cuisines and branded food products. These consumer groups (often young professionals) have higher levels of disposable income, and generally prefer making weekly purchases of fresh and processed foods and branded products.

In general, women do most of the shopping and make most of the food purchasing decisions. In households that can afford hired help, servants often do much of the shopping. Availability of many fresh foods, particularly fruits and vegetables, is seasonal, and people are accustomed to adjusting their diet to the season.

A typical Indian household will make regular purchases of wheat flours, pulses, edible oils, ghee (clarified butter), dairy items (milk, butter, yogurt, paneer (a local cheese)), spices and condiments, pickles, noodles, snack foods, jams and jellies, ketchup and sauces, and health drinks. Most packaged food items are sold in small containers to keep pricing low.

Organic agriculture

Agriculture provides a means of livelihood to around 60 percent of the Indian population, and contributes approximately one-fifth of the total gross domestic product (GDP). Currently, India ranks 33rd in terms of total land under organic cultivation and 88th for agricultural land devoted to organic crops compared to total farming area. In India, about 1.18 million hectares are under organic cultivation. This figure includes both certified land and that under transition to organic certification). The total value of organic products at the farm level now stands at \$889 million.

State of Domestic Organic Trade

India suffers a huge dichotomy as far as organic foods are concerned. On one hand, the country is increasingly becoming a major organic player in the global market, especially in Europe. On the other, the domestic market for organic foods is at an infant stage.

State of domestic production

In India, the total acreage under certified organic cultivation was 1.18 million hectares for 2009-10. The domestic market in India is also growing. There are now 2,500 outlets selling organic produce. At the same time, the total number of farmers registered with certification agencies has also increased to cross the half-million mark. The total value of organic products at farm level now stands at \$889 million. With the increasing domestic demand for organic food, a number of organic food stores are springing up in the country. India produced around 396,997 MT of certified organic products, including all varieties of food products from Basmati rice, pulses, honey, tea, spices, coffee, oilseeds, fruits, processed food, and cereals, to Herbal medicines and their value-added products. Organic production is not limited to the foods sector, but also produces significant amounts of organic cotton fiber, garments, cosmetics, functional food products, and body care products.

Government investment in organic agriculture

The Agricultural and Processed Food Products Export Development Authority (APEDA) launched the National Program for Organic Production (NPOP) in 2000. This marked the first step for the organized growth of organic farming in the country. The ensuing decade saw many significant initiatives and developments, implemented by APEDA, to promote organic farming, mainly for export.

Many state-level programs are being put into place by local governments. States like Karnataka, Maharashtra, Madhya Pradesh, Bihar, Gujarat, Tamil Nadu and Kerala are promoting organic farming. Karnataka and Maharashtra have already provided \$4.5 million and \$2.2 million, respectively, in agricultural and market development allocations. Uttaranchal and Mizoram have already declared themselves as fully organic farming states.

The state of Karnataka is a good example of a state-led program. The state government has put forth \$2.5 million towards promoting organic production in Karnataka. This money is being used for technical training for farmers, infrastructure development, public awareness, opening outlets and others. Karnataka is trying to create one-to-one interactions between farmers and consumers. To this effect, it has also started a radio show where, every morning and evening, farmers educate farmers and consumers about organic products and production. For the past eight months on the last Saturday of every month, the Government Director spends one day with organic farmers in a different village. After each event, a book with many pictures is produced to document the day.

Types of companies producing organic products

One must keep in mind that many of the companies involved in marketing and trading organic products in India are very young. The packaged organic food industry is highly fragmented, with a large portion of the business accounted for by unorganized players. Over the years, certain larger companies such as Fab India, Pristine Organics Pvt. Ltd., Organic Packaged Food India and Organic India Pvt. Ltd. have managed to establish a noticeable presence for themselves through exhaustive marketing and by expanding their product portfolio. Some of these companies, such as Fab India, have opened their own stores and developed their own organic standards.



Fab India is an Indian chain store retailing garments, furnishings, fabrics, ethnic products and, since 2004, organic food products. Not all of its food products are organic but FabIndia works with its farmers towards the certification of their products. The green seal, sign of a certified organic product, is recognized by many consumers.

Types of products produced

The Indian production for organic food is predominantly made up of non-packaged foods, such as fresh fruit and vegetables. India remains a traditional grower of organic food because of an inherent reliance on natural fertilizers for farming. Although a large proportion of Indian produce is “naturally organic,” only a miniscule portion of this produce goes through a certification process. The high cost of certification, very low level of corporate farming, small and fragmented land holdings, and a lack of awareness among farmers are key reasons for this.

The most commonly produced organic food items in India include wheat, rice, jowar, bajra, maize, pigeonpea, chickpea, greengram, blackgram, chana, groundnut, castor, mustard, sesame, cotton, sugarcane, jaggery, ginger, turmeric, chillies, cumin, tea, coffee, cardamom, banana, sapota, custard apple, papaya, tomato, brinjal, cucurbits, cole crops, and leafy vegetables.

There are marketing opportunities in the following categories:

- Organic Baby Food
- Organic Bakery Products
- Organic Confectionery
- Organic Dairy Products
- Organic Ice Cream
- Organic Oils and Fats
- Organic Ready to Eat Meals
- Organic Snack Bars
- Organic Soup

- Organic Spreads
- Organic Sweet and Savory Snacks
- Other Organic Food

In the different retail stores visited, the most common food categories/products found were pulses, tea, preserves, spices, rice, honey and beans.

The Indian organic industry

An industry geared towards exports

India plays a dynamic role in the global organic market. During the year 2009-10, India exported 175 organic products under 21 categories for a volume of 58,500 Metric Tons (MT) for a value of \$112 million. Organic products are mainly exported to the EU, USA, Australia, Canada, Japan, Switzerland, South Africa and the Middle East.

Production and Trade Statistics (2009-10)

Total Production	1.7 million MT
Total quantity exported	58,408 MT
Value of total export	USD 112 million
Share of Exports to total Production	3.5% approx.

Source: 2009-10, Organic Food Production, Problems, Prospects and Opportunities, National Center for Organic Farming, Ministry of Agriculture, Govt. of India

The government's organic program is spearheaded by a branch of the Ministry of Commerce, whose announced goal is to enhance Indian exports. Thus, exports are driving organic food production in India. This point is reinforced by the following quote from Mr. Siddharth, Joint Secretary, Ministry of Commerce and Industry, India: "We will try to explain to other ministries, including agriculture and public distribution, that certain organic products, which are niche products, are expensive and not meant for the public distribution system (PDS) and are primarily produced keeping in mind the export market or a particular market, should be allowed to be exported in reasonable quantities."

An industry in the process of organizing itself

The Indian organic industry is in the process of organizing itself. On Dec. 11, 2010, the Indian Organic Trade Association was launched by Joint Secretary, Ministry of Commerce and Industry, in the presence of Association members, industry participants, and a delegation from the Organic Trade Association (OTA) of North America. The Association intends to increase the presence of organic outlets and also the number of consumers of organic produce significantly in the next few years. Currently, infrequent consumers of organic produce total about 1 million. During the inauguration speech and in the initial press release, the Indian OTA underlined numerous important issues that it feels should be addressed immediately:

- *Allow import of organic products from other countries to be used as inputs in the processing of final products to be exported from India*
- *Allow export of various food products with standing permission in place for all organic products as a ban on exports harms the sustainability of an organic project. As a project usually takes three to four years to obtain organic certification, all the effort and time invested in gaining certification would be wasted if the commodity is banned for export. The continuity of exports is key to retaining farmers' interest in organic farming.*
- *Allow import and re-export of organic products from India.*
- *Allow the import of organic products for the domestic market if the certification agencies are satisfied with the status of the organic products, especially for domestic retail markets.*
- *The certification agencies allowed to certify for USDA and the EU should be accepted automatically as certifiers for Agmark India Organic.*
- *Make provisions in the HS Codes by adding two digits for organic exports from India. This will ensure that organic products can be classified separately and be allowed for exports.*
- *Organic products should be categorized under "Vishesh Krishi Utpaad" or "Special +Agricultural Products."*
- *India should explore markets beyond the EU and USA for its organic exports as the potential is huge and the industry is expanding in all countries.*

Retail Environment

Indian Retail Food Marketing venues

The retail food environment in India is highly decentralized, fundamentally made up of neighborhood markets and retail operations commonly run by independent proprietors. Small or medium-sized networks of chain stores are fairly rare.

In this fragmented retail environment, there are four different types of stores where one can find organic products. Two are very small type stores:

- **Import stores:**



These stores are geared chiefly towards expatriates and Embassy communities as well as upper middle class Indian families, especially those who have been to Europe or the United States. These stores exclusively carry imported products. Here, it is possible to find one or two organic products hidden among the shelves of conventional products. Import stores are fairly small, and are located in residential areas and shopping malls.

- Mom & Pops, Kirana (neighborhood) stores that specialize in organic and natural products.



The Mom & Pops neighborhood stores still dominate retail food markets in India. These small, family-owned shops are very customer-oriented. In-store product selection is often limited. However, customers or their domestic help call in orders, ask for very specific products, and have them delivered to their homes without any problem. These shops are usually located in residential areas, and represent the traditional way of purchasing food in India. Indian consumers traditionally purchase their daily food needs here because of convenience, perceived freshness, and limited refrigeration and storage space at home.

Some of these shops have specialized in selling organic and natural products; they maintain close relations with the farms they buy from as well as with many of their customers. They typically only carry Indian organic products, and those are not necessarily certified. Since close ties have often been formed with farmers, the organic appellation and integrity have resulted from close personal relationships and trust. Customers who frequent these stores have often been referred to them by yoga instructors, nutritionists or close friends and colleagues. The products that are certified usually carry the Indian organic seal; a lot of them also carry the EU and US organic seals as well. The presence of foreign seals often indicates that the product is also exported.

There are also two types of medium- size to large format stores:

- Specialized organic/natural retailers: these stores are bigger than kirana stores.



They are more modern and western-looking, they focus less on a close connection to the customers, and are more “high-end” stores in prosperous neighborhoods. These stores are boutique venues where wealthy Indians enjoy meeting with and being seen by their contemporaries. Shopping in this environment is more commonly done by family members and rarely by their domestic help. They typically have between two and six cash registers. These types of stores have a larger choice and range of products. Uncertified domestic organic fresh vegetables and fruits can be found in the front of the store, and pulses and grains

are frequently displayed together in the center of the store. The selection of certified imported organic products is limited, and is generally located in the rear of the store. However, Indian consumers' increasing awareness of the connection between diet and the avoidance of pesticides is prompting a rise in the number of certified organic products. Many of the same brands and products will be found from one shop to another. Organic food stores are gaining popularity in the country as well. Down to Earth, 24 Letter Mantra, Fabindia and Econut are some of the organic food stores operating in the country, while Organic India has also joined the fray by launching its first store in Maharashtra.

- Hyper Markets:



This large format of one-stop shopping is still under development in India. Hyper-Markets, which can be found in big cities, are all relatively new. These stores indicate a shift in cultural buying habits, and offer large selections of a variety of retail categories, including groceries, housewares, clothing, electronics and furniture. Additionally, they offer one-stop shopping experiences to families and distinct advantages from shopping at multiple Kirana stores to get the day's or week's food supply. While these retail stores are not as integrated into neighborhoods, they do offer parking spaces, making it possible for the whole family to shop together. Many middle-class families are now shopping in retail stores for most of their grocery shopping. This is a key development in more affluent communities like Bangalore. The number of organic consumers is expected to swell as urban populations continue to grow, with a rising middle class foreseen as a major factor in establishing India as one of the largest consumer markets in the world. According to a McKinsey Global Institute (MGI) study titled 'Bird of Gold': The Rise of India's Consumer Market, the total consumption in India is likely to quadruple, making India the fifth largest consumer market by 2025. Urban India will account for nearly 68 percent of consumption growth, while rural consumption will grow by 32 percent by 2025. Not all retail stores carry organic products; those who do frequently have a special "store within a store" section dedicated to imported organic, natural and specialty foods. Hypercity in Mumbai, for example, has a section devoted to imported products, and some of those products are organic. However, organic products are integrated within the specialty shelves and rarely called out with point-of-sale materials or signage.

Big retail stores are expected to continue to grow rapidly to reach up to \$535 billion in sales in 2013, reflecting a fast-growing middle class that demands higher quality shopping environments and stronger brands. It is important to note that domestic investment is funding this change, as direct foreign investment in retail is not allowed.

- Description of product display

There are two types of small- and medium-sized retail formats:

- Segregation of organic and conventional products
- Integration of organic products with conventional ones.



Small, specialized shops usually have certified and non-certified products side by side. Customers who frequent these types of stores are usually better educated about the existence and benefits of organic products, and know what they are looking for. In addition, shop owners will know their way around their products and can recommend specific brands or products.

Medium Format

Specialized medium format retail stores typically have fresh vegetables up front.



They will have certified and non-certified organic teas and pulses in the middle of the shop.



Processed products and non-food products will usually be stored in the back of the stores.



Larger format and Hyper-Market retail chains that have invested in organic usually adopt both the boutique within a store or organic sections as well as the integration approach. They will typically have a specific space dedicated to organic products, and then have organic products side by side with conventional ones on the shelves. Some Indian brands specifically request not to be segregated from conventional ones as they have decided against segregation as a strategic marketing approach.



Example of a space dedicated to organic products at Spencers in New Delhi

Organic Regulatory Environment:

The Government of India, Ministry of Commerce and Industry launched the National Program for Organic Production in 2000. India formally notified The World Trade Organization of these regulations in October, 2001 under the Foreign Trade and Development Act.

The National Organic Programme on Organic Production (NPOP) provides information on standards for organic production, system criteria & procedures for accreditation of inspection and certification bodies, the national organic logo, and regulations governing its use. The Sixth Revision to the standards was issued Sept. 9, 2005, to include group certifications as well as to meet the latest international requirements.

The NPOP is administered by the Agricultural and Processed Food Products Export Development Authority (APEDA). NPOP is currently a voluntary standard, and the vast majority of domestic organic products are not certified. In order to be authorized to use the India Organic Seal, producers or processors must be certified by an independent third-party certification organization. The most prominent certifications organizations in India are EcoCert, Control Union and the Institute for Marketecology (IMO). The EU, USDA and India Organic Seals are often prominently displayed on certified organic products.

The USDA National Organic Program (NOP) recognized APEDA as a competent authority to accredit India certification organizations that comply with the USDA National Organic Program NOP in February 2006.

During OTA meetings with APEDA in December 2010, APEDA indicated it was considering making the NPOP mandatory by mid-2011. At subsequent meetings at BioFach in Nuremberg in February 2011,

APEDA stated that the NPOP “might become mandatory in the future.” The lack of mandatory standards continues to create confusion in domestic markets and erodes consumer confidence in organic products in general.

It will be important to monitor developments towards mandatory requirements for certification in India because mandatory certification will most likely require accreditation of all certifiers to the NPOP. It is important to note that the India Organic Trade Association has called for certification agencies currently certifying to USDA and EU standards to be automatically accepted as accredited certifiers for granting use of the Agmark India Organic seal.

APEDA has developed a sophisticated web-based “field to shelf” TraceNet traceability system modeled on its successful GrapeNet system. The system uses GPS positioning to identify individual organic production units, and traces product from the farmgate through all phases of processing, including multi-ingredient products, and packaging to store shelves. TraceNet is designed to assure organic integrity, especially for exports to the United States, EU and Asian markets, and will be a very useful tool for domestic production as well. It remains to be seen if APEDA will require imported products to use TraceNet. Ideally, APEDA will allow NOP-accredited certifiers to provide integrity verification through U.S. supply chains.

State Regulations and Subsidies

India state governments are very complex. Tariffs and toll charges at border crossings are trade limiting, and add significant cost in a very price-sensitive market. In addition, time delays significantly affect the quality of fresh products transported across state lines.

However, many states have aggressive organic programs to encourage organic production within their borders. Karnataka, Maharashtra, Madhya Pradesh, Bihar, Gujarat, Tamil Nadu and Kerala have already developed organic farming policies to increase certified organic production in India.

Other Regulatory Barriers to Import Trade

Import Restrictions

India has traditionally limited or prohibited the import of foreign food products, especially processed products. Consequently, there are very few offerings of foreign organic products, and a burgeoning “grey market” for processed products. However, Washington apples and pears as well as Californian plums and grapes have enjoyed success in Indian markets.

Export Restrictions

Because of recent crop failures, many India commodities including rice and wheat have been prohibited for export. The India organic trade industry has called for the elimination of many of these trade restrictions for organic products because these restrictions will unfairly punish organic producers who have been working for three years to earn certification. Additionally, the India Organic Trade Association points out that, restricting organic exports, will make it impossible for India’s organic products to meet export goals of \$1 billion U.S. over the next four years.

Investment restrictions

India requires 51 percent ownership by India nationals for multi-brand retail establishments. While these restrictions have limited the development of global retail outlets by companies like Wal-Mart, Costco and Carrefour, these companies are currently developing partnerships with Indian hypermarkets.

Lessons Learned

India's organic industry is just beginning to gain traction in the marketplace in urban centers, primarily with small shops and occasional Mini-Mart-sized markets. Today, India's organic market is very similar to the developing organic market in the United States in the 1970s. Similar to the U.S. organic consumers in that era, the population of early adopters are scattered far and wide across the country. However, the retail scene in India is beginning to see dramatic changes with the recent developments of Hyper-Markets in Mumbai, New Delhi and Bangalore.

Organic awareness and access to organic markets are now developing as Indian consumers become more health conscious and begin to understand the connections between diet and the rise in heart disease, obesity and diabetes in the Indian population. Also, there is a growing interest in avoiding chemical residues in foods.

While the Indian organic industry is in its infant stage, it will expand rapidly because of the sheer size and growing incomes of upper- and middle-class citizens. The next five years will see increased growth. It is estimated that the growth of Indian organic markets will be dramatic over the next ten years.

The biggest challenges to developing conventional and organic markets in India are the lack of distribution infrastructure and the lack of sophisticated supply chain management systems.

Secondly, there is a very limited understanding of the major components necessary to safeguard high-quality products from the field to store shelves. Knowledge of effective packaging, storage, refrigeration and transportation is limited. There is also limited knowledge of key post-harvest handling techniques and of proactive Hazard Analysis Critical Control Point management systems.

The United States has experienced significant success in developing conventional markets in India for Washington apples and pears as well as California plums and grapes. This was accomplished with the assistance of an India contractor working with U.S. trade boards, the U.S. Agriculture Trade Offices in Mumbai and New Delhi, and with funding from USDA Market Access Programs.

Unanswered Questions

At the moment, immediate and short-term opportunities for U.S. organic fruits seem the most promising. However, the scale of those opportunities are unknown, and will require additional research to determine the interest of U.S. organic fruit producers and distributors to export to the Indian organic market place.

The market potential for U.S. organic processed products is virtually untapped. The potential is also largely unknown because processed products are currently a very limited part of diets in India. However, the expansion of larger-format retail outlets will most likely encourage the expansion of processed products in the Indian diet.

A great deal of the success of the Indian organic marketplace will directly depend upon India consumers' perceptions of the quality and organic integrity of certified organic products. Key to consumer confidence will be how APEDA implements the India NPOP as well as how rigorous the TraceNet System is and how it actually works to instill confidence in certified organic products. The Indian organic program may receive a significant boost of confidence if APEDA continues to keep markets open to certified organic products from USDA's NOP and other creditable foreign seals.

If, or when, APEDA makes certification to the NPOP mandatory, it will be critical to move quickly to maintain and support the development of U.S. markets for certified organic products in India. If India requires accreditation by APEDA for NOP-accredited certifiers, it will slow the process of developing U.S. markets in India. However, if India continues to recognize USDA's NOP and EU-certified organic imports, the market for U.S. products, especially organic fruits, will be in a more favorable position in India.

Key Recommendations

Develop Phase II of the Emerging Markets Program for India.

Key components of Phase II will be to:

- Develop a feasibility study and survey U.S. organic, apple, pear, plum and grape producers to determine the level of interest in developing organic markets in India, and in which cities they see the most opportunity. Our early assessment is that Bangalore may be the place to start because of its significant population of rising middle-class IT personnel and foreign expatriates.
- Develop a Global Based Initiative (GBI) (program for an organic pilot program for organic fruits as indicated by the U.S. feasibility study cited above. Engage current conventional fruit distributors and solicit bids from in-country contractors experienced in market access development in these commodities.
- Continue to monitor the organic regulatory environment in India.
- Remain in close conversations with APEDA, similar to our meetings at BioFach in Nuremberg, to stay abreast of developments in the India NPOP and, as possible, guide APEDA towards organic standards that are harmonized with USDA's NOP as well as the continued acceptance of USDA certified organic products and recognition of NOP-accredited certifiers.
- Remain in close contact with the Indian Organic Trade Association. A first follow-up meeting is planned for June 16, 2011 at OTA's DC office.
- Invite APEDA to make a presentation of the TraceNet system at the All Things Organic Conference in Baltimore in September of 2011.
- Develop and deliver organic HAACP seminars for APEDA and Indian importers, distributors and retailers.

Risks

As with any market development opportunity, there are associated risks that vary from country to country and by the type of products destined for export markets.

There is a proven track record for the sale of U.S. organic fruits in India. If U.S. organic fruit producers are interested in developing India markets, the challenges can be mitigated by building on U.S. successes in exporting conventional fruit. The risks to developing the India organic fruit market appear to be

moderate, and the risks and costs should be mitigated by building on the established channels of distribution and marketing successes for Washington apples and pears and Californian plums and grapes. However, as the India consumer is very price sensitive, it will be important to not price organic products too high and therefore be priced out of the market by cost alone.

The risks associated with the development of markets for U.S. certified organic processed product appear to be high as there are few legal distribution channels, Indians still are not inclined to consume processed foods, and there are no successful marketing models for processed products in India. A possible exception may be for targeted processed organic condiments such as garlic, cilantro and curries. However, the supply chain is very immature, and the product category is untested.

There is also a risk from holding back from entering Indian markets for organic products. Failure to enter markets soon may result in China and Vietnam dominating the organic marketplace in India. Also, India is currently one of the few markets where the EU has not already established a powerful foothold prior to the United States entering the market.

India's population is burgeoning, and the rise of a middle class with pent-up demand and disposable income could create large markets for U.S. organic products. However, the markets are fragmented. Success will most likely be driven by focused market access programs based on currently successful conventional U.S. export programs. While potential market opportunities are huge, investing in developing Indian organic markets is not for the faint of heart.