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## Market trends and economic analysis for organic farming

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### Abstract

The journey begins with a fundamental understanding of organic farming, elucidating its values that are based on biodiversity, sustainability, and the rejection of artificial inputs. After that, a worldwide viewpoint is presented, emphasising the expanding demand for organic farming. Data from important areas and nations highlight the industry's strong growth, driven by an expanding customer base looking for alternatives that are produced more ethically and healthily. The story then turns to analysing the changes reshaping the field of organic farming. A thorough investigation is conducted, covering everything from the changing tastes of consumers and the use of cutting-edge technology to the acceptance of sustainable practices and the constantly changing environment of laws and certifications. Most importantly, the organic agricultural industry's economic core is examined. The market's size and importance, the supply chain's complexities, and the precarious balance between possibilities and obstacles are all made clear. Case studies of profitable organic farming methods demonstrate the sustainable agriculture's economic feasibility by offering concrete instances of the industry's success. An important background for analysing how supporting efforts affect the economic fabric of organic farming is the policies and incentives set by the government. Unravelling consumer behaviour and marketing tactics reveals the complex dance between purposeful consumption and successful promotion. The chapter finishes with a look forward to organic farming, identifying trends, tackling issues, and imagining a scene where environmentally friendly and financially feasible methods are the norm. This chapter functions as a thorough guide, providing readers with a detailed grasp of the markets for organic farming, their patterns, and the economic currents that influence their course.

**Keywords:** Organic farming, organic farming market, economics analysis, government policies

### Introduction

India's diverse agroclimatic zones, long history of agriculture, and deeply rooted people make it an attractive place to examine the dynamics of organic farming. This chapter attempts to do an economic analysis based on the most recent research results and interpret the present trends affecting the Indian organic farming industry. According to Nedumaran *et al.* (2020) <sup>[10]</sup>, organic farming practices have been more popular over the last ten years as a viable remedy for the problems confronting the agricultural sector. There is potential for improving food quality, protecting the environment, and preserving nonrenewable resources via organic farming. According to Charyulu and Dwivedi (2016) <sup>[5]</sup>, organic farming is vital to society from the standpoints of both farmers and consumers. The secret to turning rural agriculture into a highly sustainable sector may lie in organic farming. It can maintain soil sustainability, pay conversion expenses, and act as a cornerstone for sustainable agriculture (Yadava 2019) <sup>[19]</sup>.

### Organic farming and its guiding concepts

India's economy is primarily centred on agriculture, which employs more than half of the labour force and involves a sizable portion of the population. The pressing need for the country to modernize its agricultural techniques and build enterprises centred on agriculture presents a dual necessity. This is necessary to promote sustainability over the long run as well as to guarantee food security. The adoption and encouragement of organic farming provides a viable path towards accomplishing these objectives. Using natural techniques to grow crops and raise animals instead of synthetic pesticides, herbicides, or genetically modified organisms is known as organic farming.

The tenets of organic farming go beyond simple techniques of production; they include biodiversity preservation and promotion, improved soil health, and adherence to sustainable agricultural practices. India, realizing the many advantages of organic farming, is at a pivotal point in its history when adopting this strategy may considerably advance the country's long-term sustainability objectives while simultaneously addressing current food security problems. The transition to organic farming is a comprehensive approach that supports human health, environmental preservation, and the health of the agricultural ecosystem as a whole.

India's organic agricultural sector has grown significantly in the last few years. Growing consumer knowledge of the advantages organic food has for their health and the environment is the driving force behind this development. The number of farmers using organic farming techniques has increased as a result of the growing demand for food that is produced responsibly and without the use of chemicals. The expansion of organic farming has been greatly aided by government programmes and subsidies. Numerous states have enacted laws pertaining to organic farming, offering farmers training programmes, subsidies, and incentives. Additionally, organic produce certification procedures have been expedited, which has increased customer trust in the veracity of organic goods.

In addition, there has been an increase in the number of start-ups and entrepreneurial endeavours in the organic industry. These businesses facilitate the availability of organic goods in both urban and rural markets by concentrating on the whole value chain, from production to distribution. Partnerships with e-commerce sites and retail chains have expanded organic farmers' market reach and aided in the growth of the sector as a whole.

India's organic agricultural industry is expanding as a result of the increased demand for organic goods worldwide. Indian organic farmers discover chances in both the local and international markets as customers prioritise environmental awareness and sustainability more and more. The growing organic farming sector in India indicates a move in the right direction towards more environmentally friendly and sustainable farming methods, even if there are still issues to be resolved, such as the need for more comprehensive education and infrastructure development.

## **An overview of organic farming on a global and Indian scale**

### **Statistics on the global organic farming market**

The market for organic farming is expanding worldwide, as shown by the remarkable figures that show its noteworthy potential and quick expansion. To help you visualize, consider these important numbers:

#### **Market size**

- According to Precedence Research's "Organic Food Market Size, Trends, Share, Growth, Report 2032," the market was valued at approximately USD 183.35 billion in 2023 and is projected to reach USD 546.97 billion by 2032 (Organic Farming Global Market Report 2024). This indicates a compound annual growth rate (CAGR) of 11.60% over the ensuing ten years.
- This robust increase is a result of rising consumer demand for wholesome, environmentally friendly food

alternatives as well as growing knowledge of the advantages organic farming has for the environment.

### **Regional trends**

- **North America:** According to Precedence Research's "Organic Food Market Size, Trends, Share, Growth, Report 2032," this area is predicted to increase at a CAGR of 13.3% between 2023 and 2032, despite now holding the greatest market share.
- **Europe:** With a CAGR of almost 14%, Europe is expected to overtake the USD 186 billion market by 2032, trailing closely behind the United States (Precedence Research, "Organic Food Market Size, Trends, Share, Growth, Report 2032").
- **Asia Pacific:** Growing disposable incomes and growing worries about food safety are driving the greatest growth in this area (The Business Research Company, "Organic Farming Market Trends, Industry Analysis, Size, Insights 2024-2033").

### **Product segments**

- **Fruits and vegetables:** According to Precedence Research's "Organic Food Market Size, Trends, Share, Growth, Report 2032," this market category is in the lead and will have 42% of the worldwide market share in 2022.
- **Meat, fish, and poultry:** this market sector is expanding significantly and had a 21% market share in 2022 (Precedence Research, "Organic Food Market Size, Trends, Share, Growth, Report 2032"), despite difficulties in organic production.

### **Major Contributing States**

Leading the way in organic farming, Madhya Pradesh has over 613,000 hectares under organic agriculture, according to the Agricultural and Processed Food Products Export Development Authority (APEDA). Closely after, Rajasthan takes second place with 569,000 hectares, making a substantial contribution to the organic agricultural environment. Based on APEDA statistics, Maharashtra is the third-largest state with 422,000 hectares planted to organic farming. Notable is Sikkim (100% organic), which prides itself on being a totally organic state; other noteworthy areas in the field of organic farming include Andhra Pradesh, Karnataka, and Tamil Nadu. The significant impact and diverse contributions made by various states to the organic agricultural industry are emphasised by this geographical breakdown.

### **Major Organic Crops**

Fruits and vegetables have a dominant position in the organic agricultural industry. Mangoes, bananas, apples, grapes, onions, potatoes, and leafy greens are among the most popular crops. Fresh produce goods are the most popular products, indicating an increasing trend among consumers to choose healthier and more ecologically friendly choices. Pulses are becoming quite popular in the organic market in addition to fruits and vegetables because of their high nutritional content and growing demand for organic chickpeas, lentils, and pigeon peas. Due to the increased demand for organic black pepper, chiles, turmeric, and ginger due to their alleged health advantages, the market for organic spices is expanding rapidly. Additionally, farmers are embracing oilseeds-such as

organic groundnut, sunflower, and sesame seeds-because of their increased market value and beneficial effects on soil health. This wide variety of organic vegetables demonstrates how the market adapts to customer tastes and the larger movement towards wholesome and sustainable eating options.

Organic farming is being aggressively promoted by the Indian government via a number of programmes and initiatives that include market development, technical support, and financial aid. Notwithstanding the expansion, there are still issues like inadequate infrastructure, a lack of knowledge, and poorer yields than in traditional farming.

#### Driving factors

- **Growing health consciousness:** As consumers look for more nutrient-dense and healthful food alternatives, demand for organic products-which are thought to have fewer chemical residues and a greater nutritional value-is rising (Grand View Research, Organic Food and Beverages Market Size Report, 2030).
- **Environmental concerns:** According to Coherent Market Insights, "Organic Farming Market Size, Trends, and Forecast to 2030," consumers are becoming increasingly conscious of the advantages organic farming has for the environment, including lower pollution, better soil health, and higher biodiversity.
- **Support from the government:** Several governments are putting laws and programmes into place to encourage organic farming, offering farmers financial incentives and technical help (Organic Farming Market Trends, Industry Analysis, Size, Insights 2024-2033).

#### Challenges

- Organic goods have greater production costs owing to labor-intensive processes, specialized expertise, and expenditures in fertilizers and pest control. Organic items are more expensive than conventionally farmed ones. This greater cost may impede market uptake, especially for low-income customers. Despite the premium, knowledge of organic goods' health and environmental advantages sustains demand (Grand View Research, "Organic Food and Beverages Market Size Report, 2030").
- **Lower yields:** Organic farms often produce less than conventional ones. This is due to natural pest control and soil fertility management approaches taking time to work. Lower yields make it harder for organic farmers to fulfil global food demand and make a profit. Even with productivity issues, organic farming's focus on sustainability and environmental friendliness drives customer choice (Coherent Market Insights, "Organic Farming Market Size, Trends and Forecast to 2030").
- **Limited infrastructure:** Organic agricultural supplies like seeds, fertilizers, and processing facilities may be scarce in some places. Lack of infrastructure limits organic market growth and may deter farmers from becoming organic. Organic farming and a stronger organic market need better infrastructure, including organic inputs and processing facilities. Governments, organizations, and stakeholders must work together to construct organic agricultural infrastructure to overcome these constraints. Coherent Market Insights, "Organic Farming Market Trends, Industry Analysis, Size, Insights 2024-2033".

#### Economic Analysis

##### Market Size and Value

- **Current Market Size:** The market for organic food showed notable development, with a worth of USD 183.35 billion in 2023. Forecasts suggest a significant growth, with a projected market size of USD 546.97 billion by 2032-a Compound Annual Growth Rate (CAGR) of 11.60%. According to Precedence Research, "Organic Food Market Size, Trends, Share, Growth, Report 2032," this increase is a sign of consumers' growing preference for organic goods due to issues like environmental awareness, health consciousness, and a desire for food that is supplied ethically.
- **Regional Growth:** With a predicted CAGR of 13.3%, North America, which now owns the greatest share of the global organic food industry, is predicted to keep growing. With a growth rate of 14%, Europe comes very close behind. The region with the quickest growth is Asia Pacific, which may be ascribed to increased disposable incomes and growing consumer awareness of food safety issues. This geographical difference emphasises how the organic food market is worldwide in scope and how many variables shape its global growth (Precedence Research, "Organic Food Market Size, Trends, Share, Growth, Report 2032").
- **Product Segments:** Fruits and vegetables account for a hefty 42% of the market share for organic foods. This shows that customers are giving preference to organic product selections, maybe because they are worried about pesticide residues. Following with a sizable 21% share, the meat, fish, and poultry category reflects the rising desire for organic substitutes in the protein category. "Organic Food Market Size, Trends, Share, Growth, Report 2032" by Precedence Research offers insights into consumer preferences and highlights the wide spectrum of organic goods that are driving the market's overall growth.

##### Supply Chain Analysis

- **Production:** Unlike conventional agriculture, organic farming is based on sustainable and natural methods. To preserve soil health, organic farmers place a high value on practices like crop rotation, companion planting, and the use of organic fertilizers like compost. When raising livestock, natural diets are prioritized above the use of antibiotics and artificial hormones. Authentication agencies, like the USDA Organic or similar groups across the world, are essential in guaranteeing that growers follow defined organic guidelines. These guidelines include a number of topics, such as managing weeds and pests, soil quality, and the use of artificial pesticides is forbidden.
- **Distribution:** Organic product is transported to customers via distribution networks after harvest. When it comes to gathering goods from various organic farms and delivering them to processors, wholesalers, or retailers, distributors are essential. Organic goods are guaranteed to retain their quality and integrity throughout the supply chain by the distribution procedure. In order to guarantee a consistent and dependable supply of organic commodities to fulfil the increasing demand, efficient distribution networks are crucial.

- **Processing:** To preserve the organic integrity of the goods, minimum intervention is required throughout the organic processing stage. Basic chores like cleaning, sorting, and packing may be performed by processors to get items ready for the market. Certain processors focus on producing organic goods with additional value, such as frozen vegetables, jams, and juices. The objective is to satisfy customer desires for ease and a wide range of product options while maintaining the organic components' inherent properties.
- **Retail:** Supermarkets, specialty shops, internet retailers, farmers' markets, and other retail outlets are some of the outlets by which customers may purchase organic goods. Supermarkets often have whole aisles devoted to organic goods, giving customers many of options. Speciality shops provide customers with particular tastes by specializing only in organic and natural items. Organic goods may be easily accessed via online channels, while farmers' markets provide direct communication between producers and customers, promoting openness and community involvement.
- **Customers:** Customers are a major factor in the demand for organic goods. People select organic products because they believe they are healthier, because they don't include artificial chemicals or pesticides, because they are better for the environment because of sustainable agricultural methods, and because they care about animal welfare and treating farmers fairly. The organic supply chain is influenced by consumer choices and preferences, which pushes growers, distributors, processors, and retailers to change and satisfy the market's shifting needs.

## Challenges and Opportunities

### Challenges

- **Higher production costs:** Organic farming necessitates the application of specialized expertise, labor-intensive techniques, and investments in organic inputs like compost and natural pesticides. In contrast to traditional agriculture, which often uses mechanization and synthetic inputs, these approaches increase output costs even if they are in line with sustainable and ecologically favourable principles. This discrepancy in costs may put organic farming's financial sustainability in jeopardy and reduce the marketability of organic goods.
- **Lower yields:** Because organic farms rely mostly on natural techniques for managing soil fertility and insect control, they may see lower yields. Instead of using synthetic fertilizers and pesticides, organic farmers depend on cover crops, crop rotation, and organic amendments. Although these techniques support the long-term health of the soil, they may not be as immediate as their more traditional equivalents. Reduced yields may affect organic farms' bottom lines and cast doubt on their capacity to supply the world's expanding food demand, which exacerbates issues with food security.
- **Limited market access:** In comparison to conventional agriculture, the infrastructure and distribution networks for organic goods are sometimes less established. Organic growers may have difficulties in effectively reaching customers due to a lack of market outlets and logistical assistance. Market accessibility issues may

impede the expansion of the organic industry by making it difficult for farmers to distribute their goods to customers, which lowers their competitiveness in the larger agricultural market.

- **Competition from traditional agriculture:** Due to its established market channels and economies of scale, conventional agriculture is able to produce and distribute goods in large quantities at a reduced cost. Organic farmers now face a competitive challenge as they try to match the productivity and cost-effectiveness of conventional agricultural operations. The potential of organic goods to break into mainstream markets and their market share may be impacted by competition from conventional agriculture.
- **Price sensitivity of the consumer:** Because organic goods are more expensive due to greater production costs and lower yields, low-income customers may not be able to afford them. Although organic goods are often thought to be healthier and more ecologically friendly, certain demographic groups may find the extra price to be prohibitive. The heightened price sensitivity of consumers is a hurdle to the development of the organic industry, as it may dissuade a substantial segment of the populace from selecting organic solutions.

### Opportunities

- **Increased demand:** Consumers' increased awareness of environmental sustainability, ethical sourcing, and health has resulted in a rise in the market for organic goods. Businesses and farmers involved in organic farming stand to gain a great deal from this movement. In response to customer demand for goods that they believe to be healthier and more environmentally friendly, more farmers are switching to organic techniques, which has led to the growth of the organic industry.
- **Government support:** A large number of governments worldwide acknowledge the advantages of organic farming and provide different sorts of assistance. Financial incentives, subsidies, technical help, and market development initiatives are a few examples of this support. Governments encourage more farmers to embrace organic techniques and facilitate the spread of organic markets both locally and globally by fostering an environment that is conducive to organic farming.
- **Technological developments:** Continuous improvements in organic farming methods, such the creation of biofertilizers, precision agricultural technology, and other sustainable farming methods, help to raise overall sustainability, lower production costs, and increase yields. In addition to addressing some of the issues related to organic farming, these technical developments also boost the effectiveness and competitiveness of organic goods on the market, encouraging more farmers to adopt these methods.
- **Diversification:** Farmers have the chance to expand their businesses beyond conventional organic crops by specializing in high-value goods like textiles, cosmetics, and processed meals. In addition to broadening the selection of organic products, this diversification opens up new markets and sources of income. Value-added goods may also have larger profit margins, which supports organic agricultural

businesses' overall financial sustainability.

- **Direct-to-consumer channels:** Organic farmers may communicate directly with customers by using direct-to-consumer channels, such as farmers' markets and internet platforms. By using this strategy, farmers can demand greater pricing for their goods, rely less on middlemen, and build customer confidence and transparency. Farmers may improve their market position by communicating the special features and benefits of their organic goods to the final customer directly.

### Future Outlook

Predicting the future trends in organic farming requires a forward-looking analysis of various factors that may shape the industry.

### This involves

- **Emerging Technologies:** Technological developments might have a big influence on organic farming, increasing sustainability and efficiency. For example, precision agriculture makes use of drones, sensors, and GPS to maximize agricultural efficiency. This reduces waste and the effect on the environment by enabling farmers to accurately manage resources like water, fertiliser, and insecticides. Farmers may make more informed choices by using data analytics, which can provide insights into crop health, production forecasts, and resource utilization. The creation of bio-based insecticides, organic soil amendments, or the employment of beneficial insects to organically manage pests are some examples of innovations in organic fertilization and pest management practices. While upholding the fundamentals of organic agriculture, production may be increased by incorporating these technology into organic agricultural methods.
- **Changing Consumer Preferences:** It's critical for the organic agricultural sector to comprehend and prepare for changes in customer preferences. Demand for organic goods is rising as people become more environmentally concerned and health sensitive. Consumer preference for organic products may be influenced by health trends, such as an emphasis on clean eating and knowledge of the possible health hazards connected to conventional agricultural methods. Customers looking for items that match their beliefs also play a part, as do worries about sustainability and the environment. The desire for plant-based diets and other lifestyle decisions might affect the market for organic fruits and vegetables. Organic producers may adapt their products to satisfy changing customer requirements by keeping an eye on these shifting tastes.
- **Potential Shifts in Government Policies:** Government rules and laws have a big influence on the organic agricultural sector. It is essential for industry stakeholders to anticipate any prospective changes in regulations concerning subsidies, incentives, and organic requirements. A boost to the industry may come from modifications to government support for organic agriculture, such as enhanced financing or revised laws. Furthermore, changes to organic certification requirements or standards may have an impact on the definition and labelling of organic goods.

Governments may also implement programmes to solve environmental issues or encourage sustainable farming methods, which might have an impact on the organic farming industry as a whole. Stakeholders may adjust their tactics to fit with changing government regulations and sustain a competitive advantage in the organic market by keeping an eye on political and regulatory changes.

### Conclusion

The present study undertook an extensive exploration of the complex field of "market trends and economic analysis for organic farming." The investigation began with an explanation of the fundamentals of organic farming and a synopsis of its international and Indian settings before delving into the vast terrain of the organic market. The analysis of worldwide patterns revealed the rapidly expanding organic agricultural sector, with specific emphasis on important areas and the motivating factors behind this development. A detailed examination of customer behaviour revealed the variables that influenced decisions, from willingness to pay higher costs to belief in organic labelling. Concurrently, an examination of marketing tactics revealed the complex interplay of branding, certifications, and promotional initiatives that supports the market success of organic goods. With an eye towards the future, forecasts were made about new developments in technology, growing consumer tastes, and possible changes in governmental regulations, providing stakeholders with insight into how the organic market would develop. The increased level of competitiveness in the industry, scalability issues, and the significance of technology developments in overcoming barriers were all covered in the discussion of difficulties and achievements.

A summary of the major conclusions highlighted the most important lessons from the economic analysis and trends as the chapter came to an end. Organic farming relies heavily on sustainable and profitable methods; this is a guiding philosophy that highlights the importance of organic farming in reducing environmental impacts, boosting local economies, and offering better food options. This chapter unravels the complex threads that connect the history, current state, and possible future of organic agricultural markets, so acting as a comprehensive guide. It calls on all parties involved to adopt sustainable methods, adjust to changing fashions, and work together to support organic agriculture's worldwide success and benefits.

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