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Organic Farming for Sustainable Agricultural Production

Dr. Dillip Kumar Swain, Professor
Agricultural and Food Engineering Department

Lecture 40 : Marketing of Organic Products

Purpose of Marketing of Organic Products

- **Providing quality food to the population**
- **Encouraging growing of organic foods**
- **Encouraging more growers to go organic**
- **Encouraging less use of chemicals in agriculture**

Challenges to Marketing of Organic Products

Consumer level:

- Consumers' lack of information about organic products.
- Lack of consumer awareness. Therefore, much effort needed on consumers' education.
- Organic products unable to compete with conventional products, as most consumers are unknown to organic products and their health benefit, just compare the prices.
- Constant communication to customers would be ideal, but is time consuming.
- Number of organic consumers is very small and operators are competing for the same people.

Challenges to Marketing of Organic Products

Market development:

- Limited expertise in marketing.
- Supermarket challenging - pricing, variety, global trends.
- Organic suppliers being smaller than conventional ones, wholesalers tend to discontinue slow moving items - continuous disruptive supply.
- No labelling laws exist in the country
- Influx of pseudo-organic and "organic claims" (and a lack of regulations from government bodies)

Product (quality) development:

- Lack of confidence in organic farming on the part of the farmer.

For organisations involved in wholesale, retail or operating home delivery systems, a basic flowchart is as follows:



SET UP CONSIDERATIONS

1. SCOPE AND STRUCTURE OF THE OPERATION

- A local organic marketing initiative's set up and operating strategy should match its scope. The adopted choice will depend on the country, the location, nature and availability of product range, scale of intended operation and prevailing market/sector conditions.
- Establish direct contact with producers and reduce the intermediaries. *Work with producers or set up own farm? (Better control of quality, quantity, variety control)*
- Decide on appropriate business set up. *Build the initiative around one (or few) key products.*
- At start focus on organic or sell natural products as well

SET UP CONSIDERATIONS

2. LOCATION

Criteria for the selection of a location mainly include accessibility for customers and the minimization of logistical bottlenecks in the delivery of the produce.

The location should ideally have the following characteristics:

- Accessible by private, commercial and public transportation
- Parking should be available
- Visible by passers-by
- Available year-round
- Close proximity to commercial or office areas will increase potential customers
- Sufficient space for current needs, as well as to allow for future expansion of the bazaar



3. MARKETING STRATEGY

- Interpersonal contacts are important, also to get feedback on products. Work with grassroots (associations, community clubs, schools) for farm visits.
- Use interest of mass media to publish on new and trendy issues.
- Base marketing strategy on knowledge of culture and habits of consumers.
- Use (strong) logo for communicating the products and the company. *f*
- Focus on both local and export market (export market as money generator for local market development).



Marketing (Promotion) and Sales Management

- Be pro-active with certification (expensive, but essential to build consumer trust).
- Good packaging with clear (corporate) identity and labeling.
- Use the media (TV, Radio, Newspaper, etc) for publicity of organic food quality
- Product development (in maturing market consumers ask for more products).
- Strategy (benefits of organic agriculture and product benefits).
- Collaboration with other in organic sector for generic promotion activities.

From niche to mainstream: An agenda for organic marketing

Price Policy

- Often a high price policy is desirable because a high price is closely associated with the image of the product and an indicator of quality.
- Price of the organic products about 20-30% higher than conventional products may increase the demand.

Education

- As supply expands and consumers become more price conscious, education becomes the key to expanding the consumer base.
- The mainstream consumer is often unaware of the problems and extra costs involved in organic production techniques, Nor do they fully recognize the various external benefits of organic agriculture and the intrinsic values of organic food.
- This requires a communication to present organic food as a “value for money” alternative, even with a premium.

From niche to mainstream: An agenda for organic marketing

Forward contracting

- To increase supply, producers need to be confident about long-term future of the market. Forward contracting between producer and Processor/ Industry is a way to do this.
- It demonstrates commitment and provides a secure market for the producer

Cooperative Marketing

- Group marketing by producer co-operatives is a means of co-ordinating supply and overcoming problems of fragmentation and discontinuity of supply.
- By co-operation, producers are not only able to ensure adequate and reliable supply, but also offer greater variety and strengthen their bargaining position.
- This is particularly important when supplying to the supermarkets

From niche to mainstream: An agenda for organic marketing

Product presentation in supermarkets

- If careful attention is paid to appropriate presentation and packaging, organic food can be distinguished more clearly from the conventional produce, and consumers are interested to buy for reasons other than price.
- Introducing shop-in-shop systems in super market, where organic food is displayed separately. This has the advantage that the produce does not suffer from direct comparisons of price or appearance.

Local and regional initiatives

- The local distribution schemes include local shops, farm shops, food co-ops., with their strong commitment to direct marketing should be encouraged to promote a regional marketing network.