INTERNATIONAL JOURNAL OF ADVANCE RESEARCH, IDEAS AND INNOVATIONS IN TECHNOLOGY
IJARIIT
ISSN: 2454-132X
Impact Factor: 6.078
(Volume 11, Issue 6 - V11I6-1248)
Available online at: https://www.ijariit.com

# The Triple Barrier: Pricing, Distribution, and Policy Dynamics Shaping Organic Food Sustainability in India

*Naina Singh Khatkar*
*mypublishedpaper@gmail.com*
*Delhi Public School, Haryana*

## ABSTRACT

***This study employs the rigorous frameworks of the Triple Bottom Line (TBL)—assessing people, planet, and profit and Value Chain Analysis (VCA) to investigate the structural imperatives of pricing, distribution, and policy in determining the long-term sustainability of India's burgeoning organic food sector. The market demonstrates robust economic potential, with growth projections estimated up to a Compound Annual Growth Rate (CAGR) of 20.13% through 2033, driven largely by burgeoning urban health consciousness and a strong global export orientation. However, the analysis indicates that true sustainability remains structurally fragile. The sector faces a critical "triple barrier" that restricts value capture and systemic resilience. The report concludes that achieving a sustainable organic ecosystem by 2030 requires integrated policy intervention, specifically focusing on certification reform, public-private investment in cold-chain logistics, and implementing dual incentive models to ensure fair pricing and broader market access.***

**Keywords:** *Organic Food Sustainability, Organic Food Sector in India, Policy Intervention Models, Social Sustainability, Policy Regulation.*

## INTRODUCTION

India's agricultural history naturally aligns with organic principles. Before the Green Revolution era, traditional farmers across the country's 127 agro-climatic zones naturally followed organic practices. The introduction of chemical-intensive agriculture in the 1960s, while critical for achieving food security, ultimately led to a deterioration in crop quality and soil health. In recent decades, consumers and policymakers have recognised the increasing unsustainability and ecological harm caused by conventional methods. Consequently, the organic food movement has gained significant momentum, positioning itself as a necessary alternative aligned with the core principles of human welfare and comprehensive environmental protection. This shift is presented as a restoration of ecological balance, promoting biodiversity, sustaining ecological systems, and maintaining soil health through holistic agricultural practices.

The Indian organic food market is characterised by optimistic growth trajectories. Driven by urbanisation, rising spending power, increasing disposable income, and an augmented focus on health and wellness following the COVID-19 pandemic, consumer demand has increased significantly in urban areas. Market projections are bullish: the market size is estimated to grow at a CAGR of 20.13% during 2025–2033, reaching a projected value of USD 10,807.9 Million by 2033. Some estimates place the current market value even higher, projecting a reach of USD 21.99 billion by 2033, growing at a 10.9% CAGR.

This high growth momentum, however, exists alongside a significant measurement challenge. The considerable discrepancy in current market value estimates, ranging from USD 1.9 billion to USD 8.6 billion for 2024, highlights a foundational issue in the Indian organic sector: inconsistent market measurement and data fragmentation across reporting agencies. This variance makes it difficult for regulatory bodies and investors to accurately gauge true domestic consumption versus production volume, which in turn hinders targeted policy interventions, complicates investment risk assessment in logistics, and ultimately poses a systemic barrier to the sector's long-term economic stability.

## RESEARCH QUESTIONS AND SUSTAINABILITY FRAMING

The core research question guiding this analysis is: **How do pricing, distribution, and policy factors shape the sustainability of the organic food business model in India?**

To address this comprehensively, the study adopts the **Triple Bottom Line (TBL)** model, which measures sustainability across economic (Profit), social (People), and environmental (Planet) dimensions.

Furthermore, **Value Chain Analysis (VCA)** is employed as the methodological lens to trace how pricing, distribution, and policy interventions affect the creation and capture of value across the entire supply chain. This integrated approach ensures that the analysis moves beyond mere economic metrics to capture ecological stewardship and social equity outcomes, providing a comprehensive assessment of the model's structural viability.

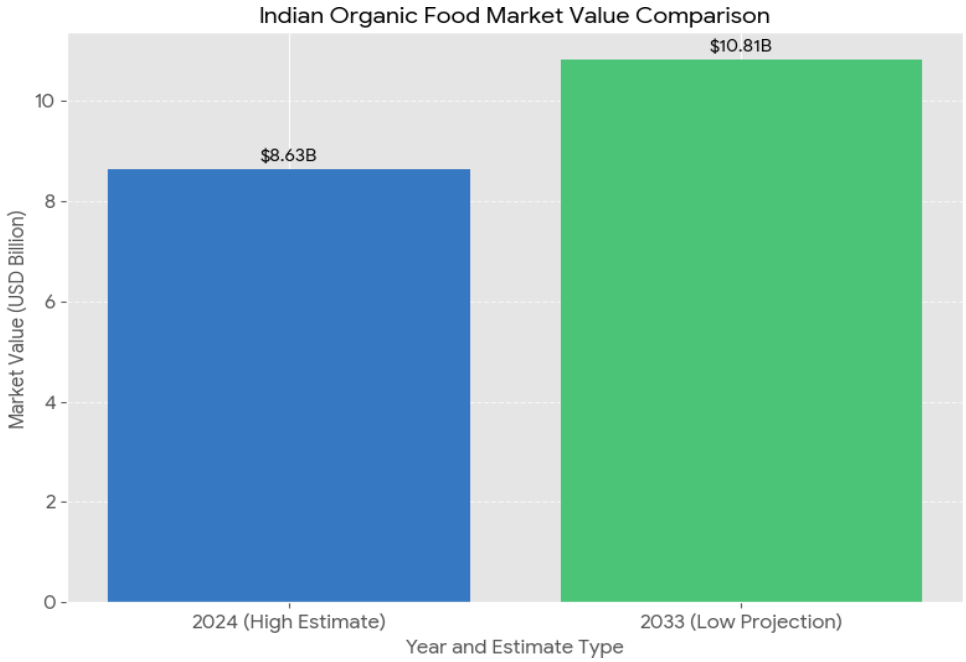



**Figure 1:** Comparative Market Size and Growth Projections (2024-2033)

| Market Metric | 2024 Estimated Value (Low Range) | 2024 Estimated Value (High Range) | Projected CAGR (2025-2033) | 2033 Projected Value (Low Range) |
|---|---|---|---|---|
| Organic Food Market Size (USD) | $1.92 Billion | $8.63 Billion | 10.9% - 20.13% | $10.81 Billion |

## LITERATURE REVIEW

The TBL framework has evolved from a theoretical construct to an actionable sustainability model, providing a structured approach for guiding business practices and informing policy development. Applied to the organic sector, the TBL mandates that sustainability must be achieved across three fronts:

**Economic Viability (Profit):** Ensuring fair trade practices, profitability for all stakeholders, and securing financial stability for farmers.

**Social Equity (People):** Promoting farmer welfare, building organisational capacity, and meeting consumer expectations regarding food safety and perceived health benefits.

**Environmental Stewardship (Planet):** Maintaining soil health, sustaining ecological systems, and minimising waste throughout the production and supply chain.

## VALUE CHAIN ANALYSIS (VCA) IN AGRI-FOOD SYSTEMS: MAPPING VALUE CAPTURE AND LEAKAGE

Value Chain Analysis (VCA) is crucial for examining the set of activities performed by an organisation to deliver a valuable product to society. In the agri-food system, VCA helps identify where economic value is added (e.g., certification, processing) and, critically, where that value leaks away. Historical evidence shows that a foundational failure point in Indian agriculture is the lack of an integrated value chain that provides assured commitment of purchase and price stability. VCA specifically helps confirm that organic farmers often face similar problems of poor productivity and the inability to secure the "best market price possible" for their premium product, despite consumer demand. This analytical tool is essential for quantifying the failure of value transfer from the end consumer back to the producer.

Research consistently indicates a robust demand-side willingness to pay a premium for organic products in India. Urban consumers, especially, are the core market segment, with close to 50% demonstrating a willingness to pay 25–50% more for certified organic goods. This premium willingness is strongly linked to the perception of health benefits, which is the predominant marketing message used for 59% of organic foods in India.

On the supply side, the cost disparity is clear. Certified organic products are inherently priced higher than conventional counterparts because their production requires more labour per unit of output, necessitates the use of more expensive inputs, and incurs significant certification fees.

The central contradiction arises at the juncture of these two findings: while the end consumer pays a significant premium and production costs are demonstrably higher, farmers frequently fail to realise this premium for their produce. This inability to capture the premium erodes the primary economic incentive for transitioning to organic practices, thereby representing the central structural threat to the *Economic Sustainability* of the model and serving as a deterrent for risk-averse farmers.

## POLICY INTERVENTION MODELS: CERTIFICATION AND SUBSIDY EFFECTIVENESS (NPOP, PGS, PKVY)

India's structured organic policy framework began with the launch of the National Programme for Organic Production (NPOP) in 2001, providing a reliable system for third-party certification and marketability. Subsequently, the Participatory Guarantee System (PGS) was introduced as a locally focused, low-cost alternative quality assurance system suitable for smallholders and domestic markets. Government schemes such as Paramparagat Krishi Vikas Yojana (PKVY) and the Mission Organic Value Chain Development for North Eastern Region (MOVCDNER) provide financial support, subsidies, and training to encourage adoption.

However, existing literature confirms that while policies exist, inconsistent state-level implementation and weak market linkages remain persistent bottlenecks. Policy evaluation must therefore assess the effectiveness of implementation, particularly focusing on the successful integration of farmer organisations (FPOs) and the building of necessary managerial capacity and digital literacy at the grassroots level.

## METHODOLOGY

The sustainability assessment relies on mapping the core factors (pricing, distribution, policy) against the TBL outcomes (economic, social, environmental). This framework, detailed below, guides the analysis of how structural weaknesses manifest in sustainability deficits.

| TBL Dimension | Pricing Mechanisms | Distribution Architecture | Policy & Regulation |
|---|---|---|---|
| **Economic (Profit)** | Premium realisation, Cost efficiency, Farmer income stability | Supply chain efficiency, Post-harvest loss reduction | Subsidies (input/certification), Export market access (NPOP) |
| **Social (People)** | Fair trade realization, Affordability, Consumer Willingness to Pay | Market transparency, Product traceability (Jaivikkheti) | Certification credibility (FSSAI/Jaivik Bharat), FPO/SHG capacity building |
| **Environmental (Planet)** | Incentivization of bio-dynamic inputs | Reduced waste via cold chain, Optimised logistics | Standardisation, Bio- input policy support |

The methodology for this report involves synthesising and critically analysing a wide range of secondary sources, including official government documents from the Agricultural and Processed Food Products Export Development Authority (APEDA) and the Ministry of Food Processing Industries (MoFPI), industry market forecasts (IMARC, Research & Markets), and published academic literature. This comprehensive secondary research approach enables the identification of systemic challenges and supports a prescriptive analysis necessary for proposing a "Road Map for 2025," as suggested by organic sector strategy documents.

## THE HIGH COST OF PURITY: ORGANIC INPUT COSTS AND CERTIFICATION FEES

The transition to organic farming is financially demanding. Organic products are costlier to produce due to reliance on higher labor input and the higher cost and restricted availability of organic inputs compared to conventional agrochemicals. Farmers also struggle with the shortage of essential nutrients (biomass) in the soil, which leads to lower productivity during the transition period. Policy measures that successfully support the use of bio-pesticides and bio-dynamic inputs are essential for reducing these primary input costs.

Certification represents another significant economic burden. The fees vary based on the certifying agency and the scale of the operation. Small and marginal farmers face annual fees starting around ₹1000, plus daily inspection charges (₹1000–₹1200 per day) and associated travel expenses. For larger entities, fees can be percentage-based, calculated as 0.1% to 0.2% of Gross Revenue from Organic Product Value (GROPV). Furthermore, exporters targeting multiple jurisdictions often require dual or triple certification (e.g., NPOP for India, NOP for the USA, EU standards, Organic JAS for Japan), which can effectively double certification costs and logistics overhead, hindering global price competitiveness.

## DEMAND-SIDE ANALYSIS: URBAN CONSUMER WILLINGNESS TO PAY (WTP)

The existence of a healthy WTP among urban consumers sustains the market's economic growth trajectory. The analysis confirms that this demand is primarily concentrated in the urban areas, where nearly 50% of consumers are willing to pay a 25–50% premium. Consumer preference is overwhelmingly driven by the marketing message centered on perceived health benefits (59% of organic foods), rather than the environmental credentials, which are frequently highlighted in developed markets.

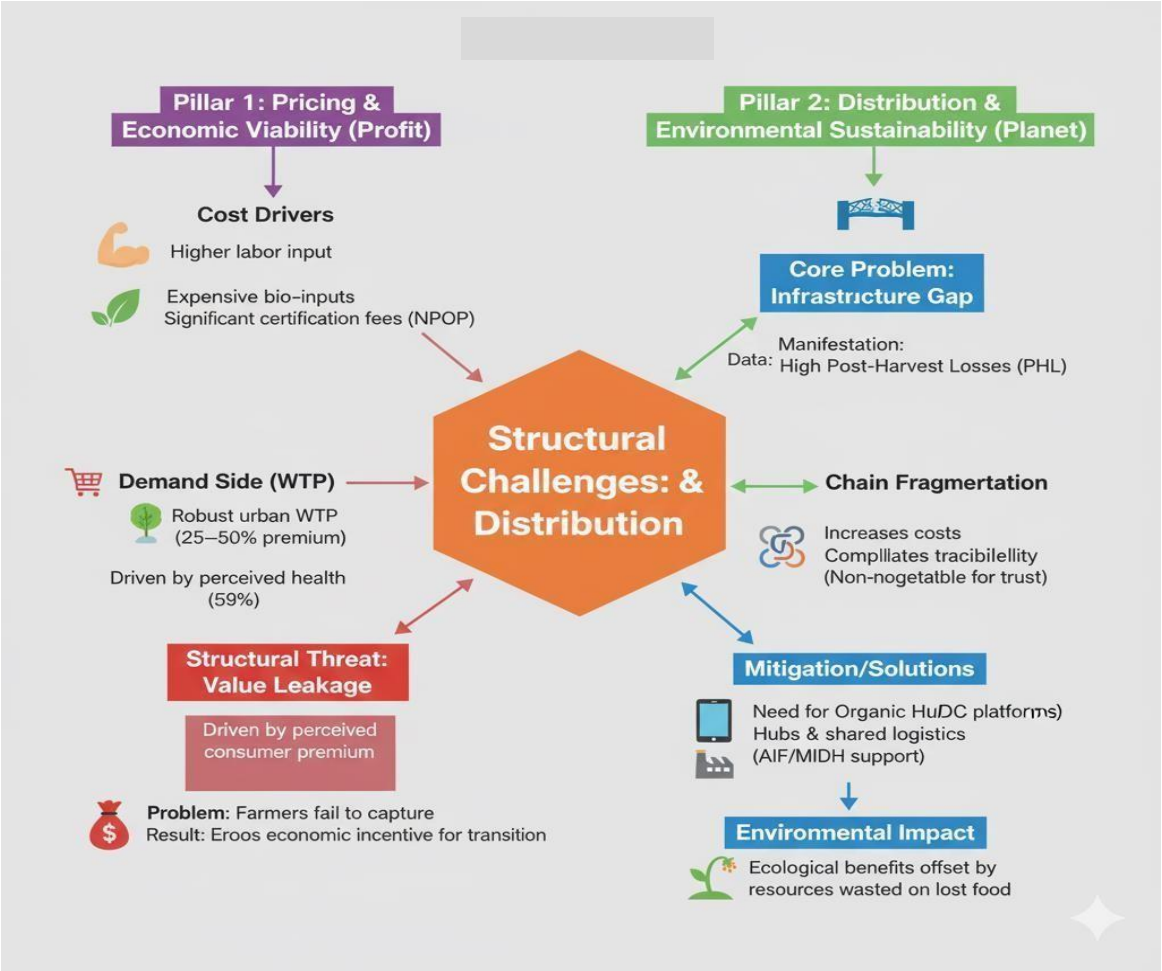
Despite the high WTP, the organic sector struggles to scale because the high price premium, driven by compounded supply chain and certification costs, confines organic consumption predominantly to the "top of the socioeconomic pyramid." This financial exclusivity restricts the market to a niche size, limiting its scaling potential and making the business model highly dependent on discretionary urban income. To democratize access and move organic products into mainstream food systems, policy measures that reduce this financial barrier, such as NITI Aayog's suggested GST waivers on organic inputs and products, are strategically necessary.

## THE FARM-TO-CONSUMER PRICE SPREAD AND VALUE LEAKAGE

The failure to establish price stability and commitment to purchase is the greatest threat to economic sustainability. The traditional value chain in India lacks integration, resulting in significant value leakage, where farmers often sell organically grown produce as conventional produce because they lack sufficient market information or committed buyers.

The fragmented supply chain involves numerous intermediaries. While modern distribution channels and D2C brands are working to shorten this path, social structures like Self-Help Groups (SHGs) are proposed as critical local intermediaries. These SHGs can procure produce from farmers without direct market access at a rate "slightly higher than conventional prices," thereby capturing some portion of the premium for the producer. The conclusion derived from VCA is that structural failure in value transfer, rather than a lack of consumer interest, is the primary threat to the *Economic Sustainability* of the organic model.

The Indian organic supply chain is highly fragmented, contributing to increased costs and complexity. Logistics costs are elevated for farmers attempting direct sales to customers or retailers. Crucially, this fragmentation complicates the establishment of reliable end-to-end traceability, a non-negotiable requirement for quality assurance and consumer trust. E-commerce platforms, such as the government- initiated Jaivikkheti portal, and various D2C brands are emerging as crucial solutions, streamlining the chain, enhancing transparency, and leveraging real-time tracking to strengthen quality control.

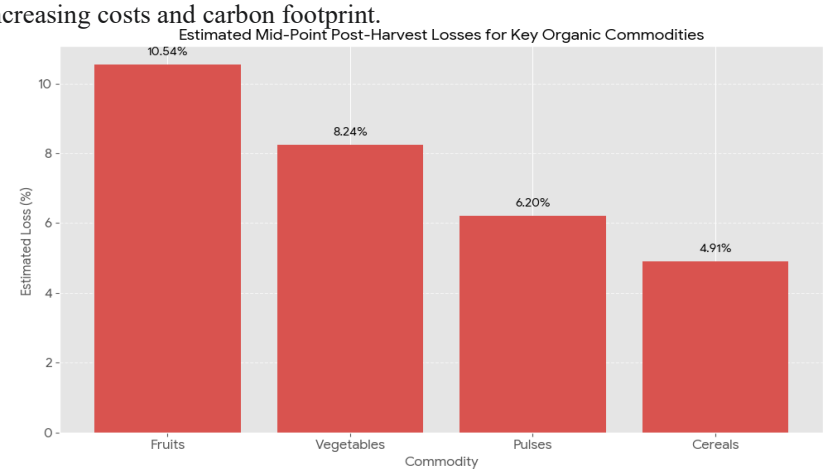



The most tangible threat to **Environmental Sustainability** stems from systemic infrastructure deficiencies. Poor supply chain and infrastructure result in high post-harvest losses, generally estimated to be between 20% and 30%. Specific losses for high-value organic commodities are alarmingly high: fruits register losses of 6.02–15.05%, and vegetables 4.87–11.61%.

**Table 2:** Estimated Post-Harvest Losses for Key Commodities (A Proxy for Distribution Inefficiency)

| Crop/Commodity | Estimated Post-Harvest Loss (%) |
|---|---|
| Fruits | 6.02 - 15.05 |
| Vegetables | 4.87 - 11.61 |
| Cereals | 3.89 - 5.92 |
| Pulses | 5.65 - 6.74 |

The ecological benefits derived from chemical-free cultivation are significantly offset by the environmental cost of expending resources (land, water, labour) to grow food that is subsequently wasted. Furthermore, the lack of adequate cold chain infrastructure restricts market access, forcing complex and inefficient transport solutions for exports. For example, perishable organic produce from India's North Eastern states must sometimes be transported by road to major hubs like Mumbai before being airlifted to global destinations, drastically increasing costs and carbon footprint.




While the dual system aims to be inclusive, its current structure creates a form of **Structural Inequality** that compromises **Social Equity**. The central flaw is that PGS certification is explicitly *not accepted for exports*. This policy decision effectively excludes the vast majority of cost-sensitive smallholders who rely on PGS due to its low barriers to entry from accessing high-premium global markets. This restriction limits their income diversification potential and confines them to lower-margin domestic sales.

| Certification System | Share of Total Certified Area | Visual Representation (Bar/Pie Slice) |
|---|---|---|
| **NPOP** (National Programme for Organic Production - *Export Focus*) | **84%** | High Export Reliance |
| **PGS** (Participatory Guarantee System - *Domestic Focus*) | **16%** | Limited Domestic Scope |

## BUSINESS AND MANAGEMENT PATHWAYS FOR SUSTAINABLE GROWTH

The organic food sector in India, though analyzed primarily through sustainability lenses, presents equally significant insights from a business and management perspective. As the market moves toward institutionalization and global integration, business leaders, policymakers, and entrepreneurs must adopt a systems-management approach to overcome the triple barrier of pricing, distribution, and policy.

**i. Strategic Management Perspective**

The organic food industry operates in an environment defined by uncertainty, regulatory complexity, and high operational costs. Applying Porter's Competitive Strategies framework reveals that differentiation through authenticity, certification credibility, and traceability can establish defensible market positioning. Firms such as Organic India and 24 Mantra Organic exemplify how brand trust, ethical sourcing, and quality assurance are leveraged for sustainable competitive advantage. Managers should aim to transition from cost competition to value-based competition, focusing on long-term brand equity and consumer trust.

**ii. Supply Chain and Operations Management Sustainability**

In this sector, it directly depends on effective supply chain design and operations. Using lean and agile management principles, businesses can optimize procurement and logistics. Implementing Integrated Supply Chain Management (ISCM) supported by digital traceability platforms can minimize value leakage and improve coordination among farmers, FPOs, and retailers. The adoption of Enterprise Resource Planning (ERP) tools in mid-scale organic enterprises would enable real-time monitoring of supply, certification validity, and inventory flows, thus reducing inefficiencies that escalate final consumer costs.

**iii. Marketing and Consumer Behavior Management**

Marketing in the organic sector should go beyond highlighting health benefits to communicating shared value and social impact. The Theory of Planned Behavior (TPB) suggests that consumer purchase intention increases with perceived behavioral control and positive attitudes toward sustainability. Business models integrating transparent communication and storytelling—linking the farmer's journey to consumer benefit—can create emotional brand attachment and expand the consumer base beyond elite urban segments. Retailers must use digital and omnichannel marketing to drive awareness and affordability.

**iv. Financial and Strategic Investment Decisions**

Management decision-making must balance short-term profitability with long-term sustainability. Applying risk management frameworks like the Triple Bottom Line Accounting (TBLA) approach ensures that environmental and social metrics are considered alongside financial performance. Venture capital and impact investment funds are increasingly prioritizing ESG-compliant agribusinesses. Firms that align reporting standards with GRI or ESG benchmarks gain better access to global funding, enhancing scalability and reputation.

v. **Leadership and Innovation**

It is essential for embedding sustainability within corporate DNA. Management should foster innovation through cross-sector collaboration with agritech startups, academic institutions, and cooperatives. Encouraging intrapreneurship within organizations enables continuous improvement, leading to innovative solutions for certification, logistics, and marketing challenges. The institutionalization of sustainability-oriented management practices is the next critical step in professionalizing India's organic food ecosystem.

## MAPPING FACTOR INTERACTIONS: THE TRIPLE BARRIER NEXUS

The analysis reveals that the challenges in pricing, distribution, and policy do not exist in isolation; rather, they form an interdependent "Triple Barrier Nexus" that collectively restricts the scalability and sustainability of the Indian organic model.

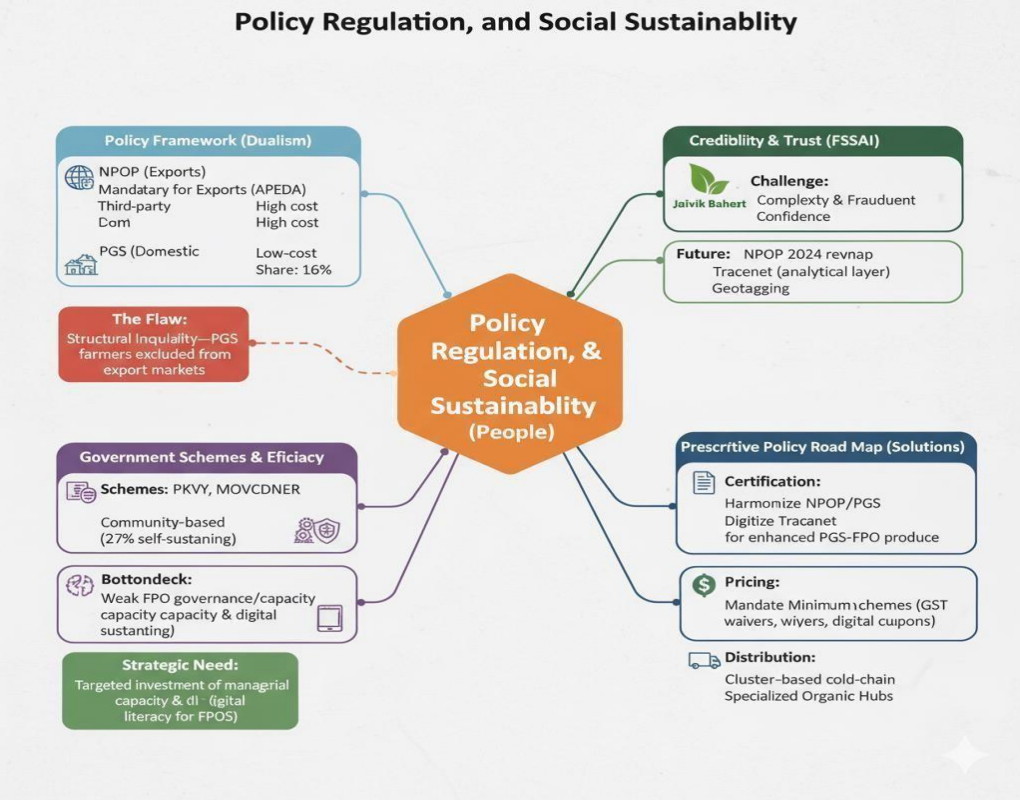
i. **Policy Gaps Exacerbate Distribution Failures:** The high cost and complexity of NPOP, combined with inadequate cold chain logistics and certification complexity, make it prohibitive for small farmers and emerging FPOs to access high-value export markets. This leads to supply concentration in the less efficient domestic distribution channels.

ii. **Distribution Failures Drive Price Instability:** The high rate of post-harvest loss (a distribution failure) increases the effective operational cost of production, necessitating a higher consumer premium (a pricing failure). This resultant high price restricts the market size (a social/economic failure), trapping the sector in a perpetual niche and limiting the potential for economies of scale.

iii. **Pricing Failure Undermines Policy Effectiveness:** If government schemes (PKVY) incentivize farmers to undertake the difficult and costly transition to organic, but the failure of distribution and market transparency prevents the farmer from capturing the consumer premium, the core economic incentive for organic adoption is eroded. This outcome renders the public policy investment ineffective in driving structural change.

## RESULT AND ANALYSIS

The sustainability of India's organic food business model hinges on critical structural reforms that prioritise logistical robustness, pricing fairness, and regulatory harmonisation. The sector benefits from high consumer demand and government support but remains structurally flawed, characterised by market fragmentation and policy architectures that inadvertently prevent smallholders from realising the economic benefits commensurate with their efforts. Transforming India's organic potential into a durable, scalable ecosystem requires moving beyond production incentives to focusing on value chain integrity and market governance. Moreover, Investment from schemes like the AIF and MIDH must be strategically channelled into developing cluster-based cold-chain logistics and specialised organic sorting facilities, prioritising areas with high organic cultivation density. This infrastructural focus directly tackles post-harvest losses, minimising waste generation, and ensuring the fulfilment of Environmental Stewardship. Simultaneously, promoting e-intermediary models (D2C, Agri-tech startups) can introduce technological solutions for supply chain forecasting and logistics optimisation, thereby reducing physical distribution fragmentation.




## CONCLUSION

Future research should focus on quantitative and comparative studies to guide precise policy reforms.

This includes quantifying value leakage across regional organic value chains to assess how much consumer premium reaches producers, conducting longitudinal comparisons of FPOs to evaluate sustainability under different certification strategies (NPOP vs. PGS) and market models (D2C vs. wholesale), and assessing the regulatory impact of the FSSAI Jaivik Bharat initiative in enhancing consumer trust, curbing certification fraud, and boosting organic adoption in non-urban markets.

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