

A study on the Expected Compound Annual Growth Rate of Indian Organic Food Industry in comparison with Global Organic Food Industry

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ABSTRACT

The high growth of population and digitalisation, the current economy is growing at a faster pace to fulfil their needs both personal and psychological. Individual's decisions are mainly based on the available information and by considering peer needs. The use of inorganic products with pesticides, added preservatives, coloring etc had badly affected the health of consumers. The concern for nutritional safety has increased because of the improved modes of education. Overexploitation of natural and non renewable resources also affected the sustainability of the environment where we all live. Organic farming, organic pest control, crop rotation, recycling, etc will surely solve the issues in the environment to a level. Organic market is facing lot of challenges in the global market because of the shortage of organic products and competition from other producers. The United States Department of Agriculture (USDA), promotes the organic food industry in the world economy. The government of India is also promoting organic farming through newly adopted programs like Harithakeralam, NPOP, Rashtriya Krishi Vikas Yojana etc. This will surely lead to a penetrated growth for organic food market. The current study evaluates the secondary sources of data to study the growth rate of organic industry in India and in the world. The study found that the organic food industry in India shows a positive growth in the future periods.

1. Introduction

The current economy is explored to maximum world markets because of globalisation. The increased international trade and digitalisation of developed countries drastically affected the developing and least developed countries economic growth positively and negatively. The food market of Indian economy is growing at a faster pace because of increased population. One of the main problems faced by the Indian individuals is the least availability of pure and safe products to consume. Organic food market is the solution for the same. Most of the veggies, food products etc are prone to chemicals and pesticides, this created health issues in the community. Organic food products play a pivotal role in protecting the health of individuals.

In medical dictionary Organic food is defined as food grown or raised without the use of additives, coloring, synthetic chemicals (e.g. fertilizers, pesticides, and hormones), radiation, or genetic manipulation and meeting criteria of the U.S.D.A (United States Department of Agriculture) standard national organic program.⁽¹⁾

According to Associate Chamber of Commerce (ASSOCHAM), the organic food market in India is growing at 25-30% as per the government data in FY 2015.⁽²⁾

Compound Annual Growth Rate (hereafter referred as CAGR) is a useful measure of growth over multiple time periods. The CAGR is defined as proportional growth rate from the year to year for a business or industry. It is essentially the geometric mean used to calculate growth over a time.⁽³⁾

$$CAGR = (EV/BV)^{1/N} - 1$$

EV-Investment ending value

BV-Investment beginning value

N- Number of periods (Months, year etc)

This study is a secondary data based study on the variation in the CAGR of organic food industry over several periods.

1.1 Statement of the Problem

The organic industry in India is a growing stage. The world market for the same is also witnessing a rapid growth because of the consumer's health consciousness. The Indian organic food industry market is expected to touch 1.36 billion by 2020.⁽⁴⁾ A drastic growth in the world economy will surely have an impact on the Indian economy since, Indian economy is focusing on marketing of goods and services produced or grown in India. The central government of India also promotes the organic food product industry by programs like NPOP (National Program for Organic Production), Harithakeralam mission etc, which will surely increase the growth rate of organic industry India. Organic farming, organic food products and organic medicines are highly demanded now days.

This study is an evaluation of the expected CAGR of Indian and global organic industry. The study focus to analyse the secondary data of organic food product industry based on CAGR for several periods.

1.2 Review of Literature

1. Business news daily: The organic industry grew by 9.5% overall in 2011 to reach \$31.5 billion in sales according to the findings of OTA (Organic trade association). Of this organic food and beverage sector

was valued at \$ 29.22 billion, while the organic non food sector reached \$2.2 billion.⁽⁵⁾

2. Natural news: The value of organic food market in 2013 exceeded \$35 billion. According to the “Indian organic food market forecast & opportunities,2019”, the organic food market revenues in India are expected to grow at a CAGR of around 25% during 2014-2019.⁽⁶⁾
3. Pnnewswire: According to techsci research report, “Global organic food market forecast and opportunities, 2020”, global organic food market is projected to register a CAGR of 16% during 2015-2020.⁽⁷⁾
4. Techsciresearch: According to the study made by techsci research on “ India organic food market by product type, competition, forecast and opportunities, 2011-2021, the market for organic food in India is anticipated to grow at a CAGR of 25% during 2016-2021.⁽⁸⁾
5. Techsciresearch: According to the study conducted on the topic, “India organic food market forecast & opportunities,2017”, the Indian organic food market is anticipated to grow at a CAGR of 19% during 2012-2017.⁽⁹⁾
6. Techsciresearch: The global organic food market by product type, by region, completion, forecast and opportunities, 2011-2021”, the global market for organic food products is projected about 14% during 2016-2021.⁽¹⁰⁾
7. Rncos: Indian organic sector was estimated to grow at a CAGR of 15% during 2011-2013 period.⁽¹¹⁾

1.3 Objectives

- To study the variation in the CAGR of Indian organic food industry for a period of 5 years.
- To study the variation in the CAGR of global organic food industry for a period of 5 years.
- To compare the change in the CAGR of organic food industry in India with global CAGR of organic food industry.
- To study about the expected compound annual growth rate of organic food industry in India.

1.4 Methodology

Type of study : Exploratory Study

Data : The study uses secondary data which is published in websites. Study analyses the CAGR published by different research institutions in the online media.

1.5 Limitations

- Lack of primary data
- Limitations of secondary data are applicable.
- Lack of information.
- Less time

1.6 DATA ANALYSIS AND INTERPRETATION

I- INDIAN ORGANIC INDUSTRY CAGR ANALYSIS

1.1: Table showing estimated CAGR of Indian organic food industry for 5 year period

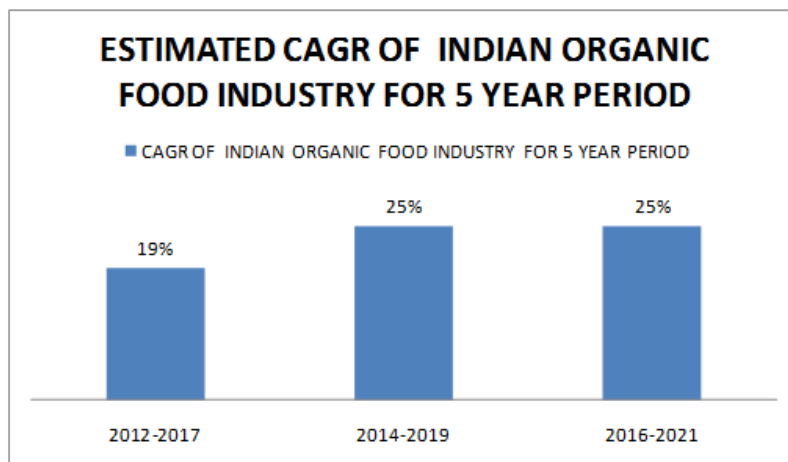
Serial no	Year	CAGR
1	2012-2017	19%
2	2014-2019	25%
3	2016-2021	25%

SOURCE: Secondary Data

(1) 2012-2017 :www.techsciresearch.com

(2) 2014-2019 : www.naturalnews.com

(3)2016-2021: www.techsciresearch.com



Interpretations

From the figure above it is clear that there is a 6% expected increase in the CAGR of Indian organic food industry from 2012-2021. For the periods 2012- 2017, the CAGR of Indian organic food industry for 5 years is forecasted as 19%. It is expected to reach at a CAGR of 25%, by 2016-2021.

Table showing estimated CAGR of global organic food industry for 5 year period.

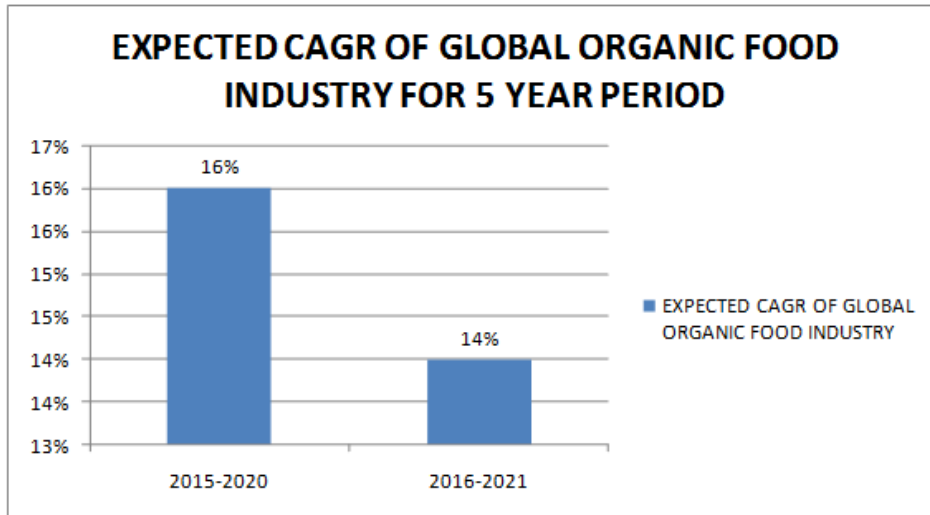
SERIAL NO	YEAR	CAGR
1	2015-2020	16%
2	2016-2021	14%

SOURCE: SECONDARY DATA

www.pnnewswire.com/news-releases/global-organic

www.techsciresearch.com

II- GLOBAL ORGANIC FOOD INDUSTRY CAGR ANALYSIS

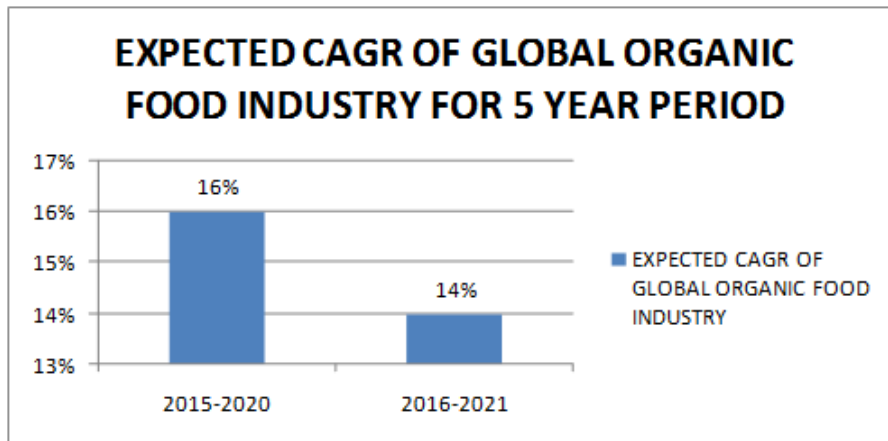


Interpretations

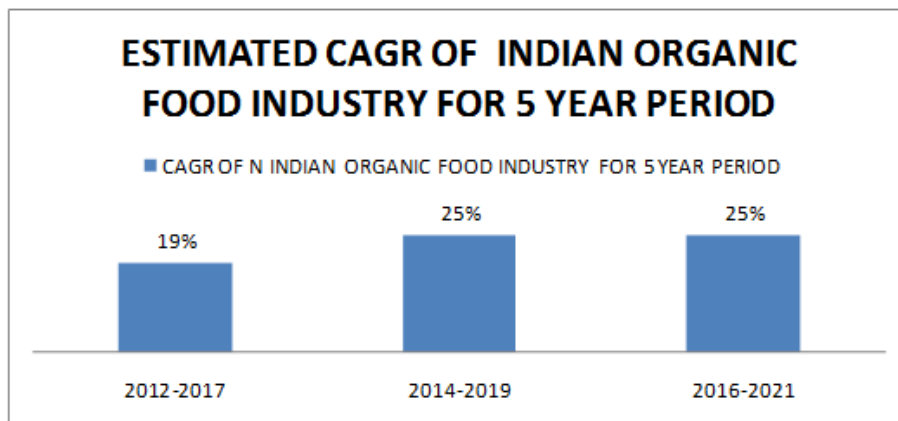
As per the graph above, the expected CAGR of global organic food industry was about 16% for the forecasted period

2015-2020. The figure shows 2% decrease in the growth of organic food industry from 2016-2021.

III- Comparative Analysis of Global and Indian Organic Food Industry.



Source : Secondary data



Source: Secondary data

Analysis And Interpretation

It is clear from the figures that the global organic industry is having a decline in the expected growth rate for the periods 2016-2021. It shows a 2% decline from the 2015-2020 periods

for which the estimated CAGR was about 16%. With that the Indian organic industry was in a raising stage for the demand for organic products because the CAGR for the periods 2012-2017 was about 19%. Even though the Indian organic industry is also

facing challenges because in the figure it shows a constant CAGR for the periods including 2014-2019 & 2016-2021.

1.6 Findings

1. The Indian organic food industry shows a positive variation for the periods 2012-2017 & 2014-2019. So it is found that for a period of 5 years starting from 2012-2017 & 2014-2019, 6% increased expected variation is there for the organic industry in India.
2. There exist a 10% CAGR for the Indian organic food industry from 2011-2016 periods.
3. The global organic food industry showed a negative expected variation in its CAGR from 2016-2021(14%), when it is compared with 2015-2020 (16%) CAGR rate.
4. It is found that the Indian organic food industry is expected to have a constant CAGR for the periods 2014-2019 & 2016-2021 ie 25%.
5. The global organic food industry shows a 2% decrease in the expected CAGR value for 2016-2021 periods. This is having a direct impact on the Indian organic food industry since the Indian organic food industry is steady during the periods 2014-2019 & 2016-2021. There is no variation in the expected CAGR value because of the global organic food industry decline during the same period.

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11. <http://www.rncos.com>

1.7 Conclusion

From the secondary data analysis the Indian organic food industry is showing a relationship with global organic food industry. The Indian consumer's awareness level about chemicals and pesticides and its effect on health has created a growth in the sales of the organic food products in India. The government of India is also promoting the sales of organic food products because it has more export opportunities to the developed countries.

The study reveals that the Indian organic industry is expected to have a constant growth during the period 2014-2021, since the global market for the same product shows a decline as per the secondary data.

The marketing and branding of organic food products will surely increase the use of organic products by the consumers. The localised market and its existence will generate a positive growth in the Indian economy. Organic farming and crop rotation has given prior concern by the government. It is expected to grow for the future periods. Further studies can be made on the factors influencing the growth of the industry, the future market potential of the industry can also be evaluated.