

# Marketing Strategies for Organic Produce of Sikkim



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**( A Govt of India organization under Ministry of Agriculture and**  
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# ***Marketing Strategies for Organic Produce of Sikkim***

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## EXECUTIVE SUMMARY

Sikkim is the first state of the country declared 100% organic in January 2016. Organic farming has led to sustainable agriculture production and has been instrumental in adding value to the State's reputation and economy. The state has a huge potential for diversified horticulture development with a thrust on cultivation of high value crops, which would fetch higher prices to the farmers ensuring higher net returns even if the production is low.

Presently, 99% of the cultivable land owned by 66,000 farmers in the State is under organic management. While Sikkim sets an example to the other States of the country, it is only a first step in the long term sustainability of organic agriculture, the next steps requires market linkages with domestic and International consumers.

In order to enhance the farmers' shares in consumer price, forward linkages to the domestic and international markets, standardization of quality and grades are the pre requisites. In addition to the creation of infrastructure an eco-system needs to be developed for creating conducive trading environment close to the production areas. In Sikkim the farmers are grouped under ICS, as per the mandatory requirement of certification process, this is an added advantage by which small-scale farmers can work together for traceability. This system will help the major buyers to access the farmers and disseminate information, inputs, technical and quality assistance, and meet various other needs to create a network for timely and accurate market information.

**Purpose of the study:** In context of the scope for leveraging the advantages of high value organic agriculture produce for high end market, this study was designed to do market analysis for five identified crops (Ginger, Turmeric, Large Cardamom, Buckwheat and Cymbidium) and suggest an action plan to link the producers of Sikkim state to consumers of premium market.

The study has been divided in three modules. The overall strategy and action plan for domestic market is covered in first module. The situational analysis of the market shows that in absence of organized markets, the organic spices and horticulture produce are sold at conventional markets resulting in a loss of value of the crop grown organically. A systematic plan of investment, establishing institutions to manage organic produce and capacity building of producers and stakeholders in market led extension is the key suggestion to achieve profitability in domestic market.

The second module has analysis of International markets in terms of requirement of WTO and other trade agreements After achieving efficiencies in entire supply chain

of the produce, the international market with premium consumers need to be reached with a value added product range. This study analysis product/sector wise profitability of the possible export ventures in both Indian as well as international markets and acceptance of these products in traditional markets of USA, EU, Japan etc as well as new emerging markets of Africa and Middle East.

The third module covers a commodity specific market plan for identified crops. Commodity plan incorporates an in-depth analysis of the consumption status reflected through import trends of product groups identified by the Sikkim Government at the 6 digit level of HS code. Analysis of situation analysis, production base, price spread, rate of return, value chain analysis has been done to draw an action plan under Mission on Organic Value Chain Development (MOVCD)

### **Findings:**

The findings of the study are:

- The organic sector of Sikkim is constrained by low productivity, high cost of production, lack of post-harvest infrastructure, fragmented supply chain, lack of market led extension and poor market access.
- The organic produce in Sikkim is constrained by the quantity available by marketing as well as quality of the produce. The uneconomic quantity the each farmer increases the cost of taking produce to markets.
- Low base of production in Sikkim hinders the availability of threshold quantity in distribution channel of product. The organic produce in Sikkim is constrained by the quantity and quality of the produce. The uneconomic quantity increases the transaction cost and marketing cost.
- In spite of the produce being organic the produce from Sikkim has not been branded and positioned as a premium product. There is need to focus on aggregate the produce and have value addition. While Sikkim markets raw ginger and turmeric the trend in international market is for value added and diversified products.
- The study has identified that there is an absence of organized market and marketing channels for organic spices and horticulture produce. The organic produce is sold at conventional markets resulting in a loss in the value of the crop grown organically. The organic produce of Sikkim is sold at a regulated market of West Bengal which is not designed to handle organic produce. The organic produce here is mixed with conventional produce which results in to increase of the price of the conventional produce.
- For many commercial entities (such as exporters, big traders, retailers, processors etc.) the prospect of working with a large number of small farmer raises concerns about communication, management, quality, reliability of supply and transaction cost and dispute resolution.

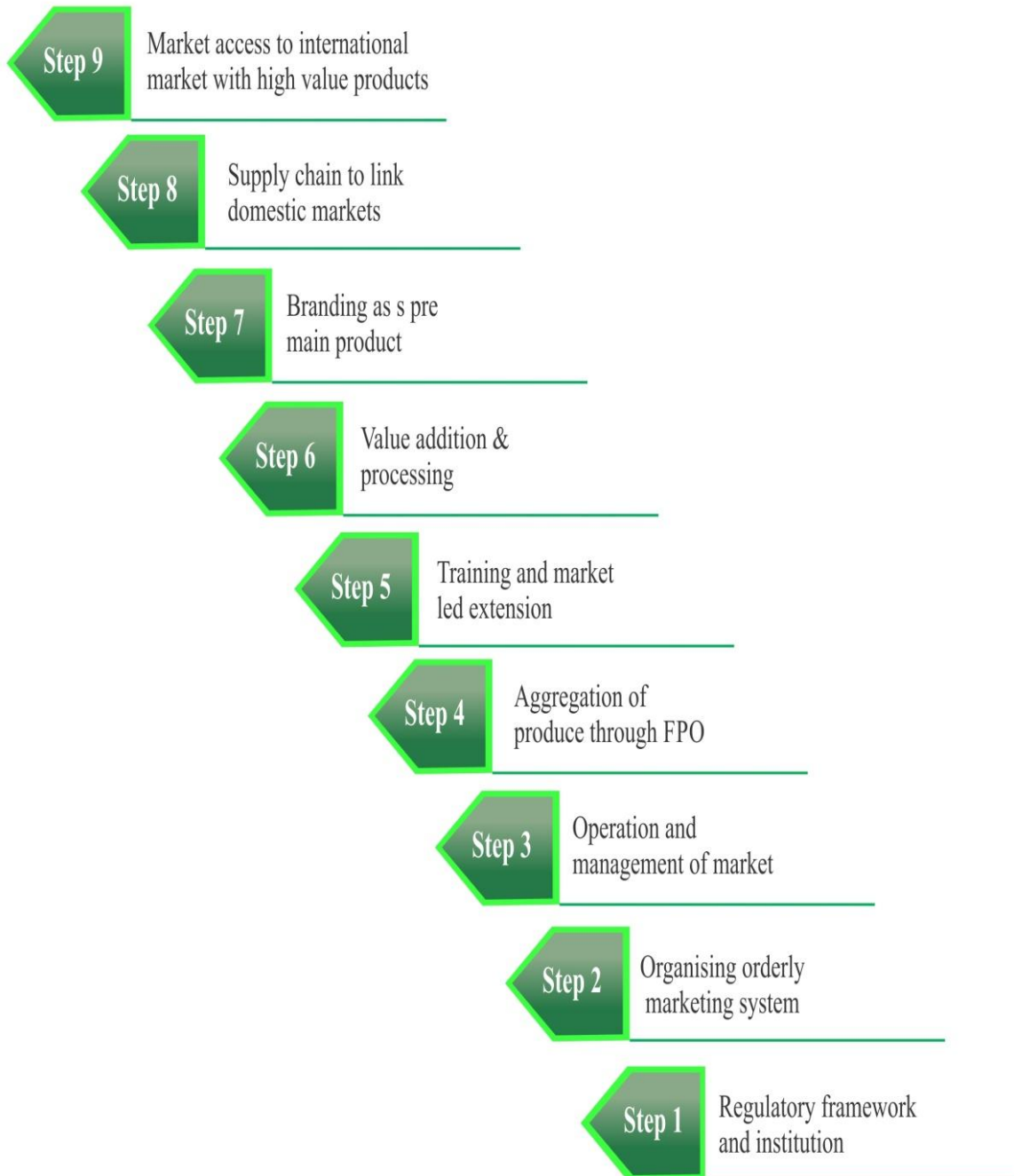
- One of the challenges that the agro exports of the state of Sikkim is the complete absence of branding and marketing of its products. It has been seen that while other states in NE including Assam has filed a lot of Geographical Indications towards promoting its image into international market for instance; Assam Karbi Anglong Ginger. However; state of Sikkim has huge production potential but only one GI has been filed for Sikkim Large Cardamom. State of Sikkim should go ahead with filing GI to improve its branding.
- There is an absence of a regulatory framework from governance of marketing which hinders the facilitation and development of markets.

### **Suggestions :**

The study highlights the necessity of bringing reforms in the agri marketing system in the state both operational and infrastructure which can help in creating an enabling condition for state producers to take benefit of marketing of organic produce.

### **Market for Sikkim Organic Produce:**

- Sikkim possess a strong production base but the absence of right market channel for Organic produce, absence of value addition by post harvest management and high transport cost has made Organic produce to be sold with limited choice of market. Outreach of Sikkim to national markets has been constrained by other factors, however Sikkim producers need to be linked with domestic retail chain and exporters who aggregate produce for international markets
- The market for Sikkim Organic produce should target following segment:
  1. Organic Premium Market- (Superstores and hypermarkets in Tier-I Cities)
  2. Export Market with Value added products
- The first step in this direction should be to de channelise the flow of the produce to Siliguri market and capture the value of the Organic produce within State. This means Sikkim should aim for being a market of organic produce rather than putting the organic produce in a conventional market channel.



**Nine steps strategy for marketing of organic produce of Sikkim**

### **Marketing Infrastructure:**

- Aggregation models for produce need to be developed with a network of assembly points, collection centres a terminal market in Sikkim. Government of Sikkim needs to invest in specialized markets and market infrastructure to handle organic produce and retain the organic attribute at each point of value chain. A systematic plan of investment, establishing institutions to manage organic produce and capacity building of producers and stakeholders in market led extension is a key suggestion to achieve efficiency in supply chain. The study has provided the list of the markets to be developed as assembly points, collection centres and wholesale markets based on different criteria.
- The study has developed a market plan for each identified crop by taking the value chain approach and there are suggestions on the interventions required at different stages of value chain.

### **Organic Produce Marketing Strategy:**

The report suggests three pillars of strategic interventions for marketing of produce i.e.

- (i) Formulating competitive strategies
  - (ii) Adding value to trade
  - (iii) Fostering marketing linkages
- As Sikkim Organic market is at nascent stage a good market mix and strategy to reach the premium market needs to be developed. Focused intervention on market development, product development, product diversification and place strategy is required to be taken systematically. There are lessons to be learnt from marketing strategy of Green Net and IFOAM which needs to be taken up as it a good example for organic produce marketing strategy.
  - Insights from domestic scenario of marketing of Organic produce leads to the pointers that the State needs a plan to promote their select agro products with an aim to gain market access to in the international markets and ensure participation of small scale enterprises and agro units to be the part of global value chain.
  - Sikkim would require skilled manpower to understand the marketing needs, devise appropriate marketing strategies, skilled to operate and manage specialized markets. A centre for excellence is suggested to be established to undertake capacity building and training of producers and other participants of the value chain.

### **Strategy to promote agro exports:**

For formulating the competitive strategies to boost the exports from the State, the study suggest formation of online web based export competitive tool; possibilities of enhancing innovations to enhance competitiveness not only at national but also at

international level; brand building for Sikkim agro products; promotion of Geographical Indications to promote exports from the state and finally tackling the non tariff barriers that the agro products may have to face thus reducing the possibilities of export rejections for the agro products from the state and finally enhancing the export competitiveness in totality.

### **Producer Participation in Organic Value Chain**

- Smallholder participation in markets is limited by lack of access to markets and support mechanisms and is further dependent upon their ability and willingness to participate in the markets along with functionality of markets.
- As shown in the value chain analysis the gap between existing and ideal practices in large cardamom, turmeric and ginger needs to be plugged in by having interventions in providing marketing infrastructure and processing facilities. It emerges that market led extension to the farmers need to be in place to bring awareness about market demands and standards so that small and marginal producers can adopt the right methods of post harvest management. Their participation will depend on remunerative price realization. Installation and operation of requisite machineries will be provisioned under budget available in MOVCD.
- The participation of small and marginal producers in the value chain needs to be ensured by taking right steps in undertaking capacity building programmes and training them on handling the produce in a way that organic produce can be marketed at a profitable price.

### **Regulatory Framework and Institutional Set up**

- It is recommended to have two bodies to have a legal framework which regulates, facilitates and promotes organic produce. It is important to form rules and bye laws for Agricultural Produce and Livestock Marketing Act 2017 and establish State Agriculture Marketing Board which will look into establishment, operation and management of market, develop market infrastructure, provide market information system and provide market linkages.
- Another body for product development, promotion and marketing of organic produce is required to be established on the lines of Uttarakhand Organic Commodity Board. This Commodity Board should act as facilitators for marketing and promotion of organic produce, undertake capacity building, product development, strategies for branding and strategies for market access in international markets.
- It is recommended that both Marketing Boards and Commodity Boards should work in consonance with each other.
- An action plan for investment in marketing infrastructure, training and promotion under the Mission on Organic value Chain Development has been detailed out.



### **Market based Solutions and Action Plan**

The study offers a comprehensive market based solution and action plan adopting for development of the market infrastructure, capacity building, identifying markets for export, devising marketing strategies for branding and promotion.

The marketing plan for organic produce of Sikkim is to implemented under the Central Sector Scheme entitled " Mission Organic Value chain Development for North Eastern Region". The scheme aims at development of certified organic production in a value chain mode to link growers with consumers and to the support the development of entire value chain.

The action plan for Sikkim has been developed with the focus on:

- Creation of facilities for collection, processing, marketing and brand building is to be undertaken in mission mode.
- Developing a strong brand of organic products needs to be focused by taking consistent steps to manage the flow of the produce and marketing the produce as a niche produce rather than a mass produce.
- Operation and management of facilities under the ownership of growers organization/companies under Public Private partnership
- The funds for the infrastructure to be made available under MOVCD and other Central sector schemes

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