



In India's organic food market: The price difference between willingness to pay and premium prices

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Abstract

This study looks at the ongoing discrepancy between the price premiums seen in the Indian organic food industry and consumers declared willingness to pay (WTP) for organic foods. The study creates illustrative datasets and visualizations that compare the retail prices of key products at conventional and organic stores using a mixed-methods synthesis of recent empirical studies published in sustainability-related journals, market reports, and retailer listings (2016-2025). It also creates a synthesized distribution of reported WTP values. The majority of consumer surveys, according to the results, centre on a WTP premium of 20-30%, however observed retail price premiums in specialized and online retail usually surpass this range, sometimes significantly, for branded or packaged basics. In order to bridge the gap and promote equitable growth of India's organic industry, the study analyses the factors that contribute to it, including distribution reach, product heterogeneity, certification fees, supply-chain inefficiencies, and trust and labelling. It then makes legislative and management solutions.

Keywords: Organic food, willingness to pay (WTP), price premium, India, consumer behaviour, certification, traceability, supply chain, market gap, sustainability, retail market

Introduction

Over the past ten years, India's demand for organic food has increased significantly, which is indicative of a major change in consumer beliefs and buying habits. The main causes of this increase include growing environmental consciousness, health consciousness, and food safety concerns among urban and affluent customer sectors. Customers are choosing cleaner, safer, and more sustainable food options as a result of growing awareness of the long-term effects of petrochemical fertilizers, chemical pesticides, and genetically engineered crops. This change in mindset is also consistent with worldwide patterns, which view organic food as a healthier and more ecologically friendly substitute for conventional goods. In India, the organic food business has seen quick changes. The market was estimated to be worth USD 1.9 billion in 2024, and by 2033, it is expected to have grown to USD 10 billion (2024a). Organic items, which were once limited to farmers' markets and specialty organic stores, are now widely accessible through a variety of channels, such as large-format supermarkets, specialty health food stores, and significant e-commerce platforms (Canavari, *et al* 2001) [8]. A wide range of organic categories, including grains, pulses, dairy, fresh fruits and vegetables, snacks, and packaged essentials, are now more widely available to consumers thanks to the growth of internet retailing in particular. Recent industry reports indicate that, with to rising domestic demand and positive export trends, India has emerged as one of Asia's fastest-growing organic markets (2023; Manaloor, *et al* 2016).

Despite this impressive headline growth, organic food still represents a relatively small proportion of the total food market in India. One of the most persistent barriers to mainstream adoption is price. A growing body of research highlights that while many consumers express a willingness to pay a price premium for organic products, this willingness typically falls within a moderate range often

20%-30% (Alsubhi, *et al* 2023) [4] above conventional products. In contrast, market prices, particularly in the case of branded and packaged organic goods, often reflect premiums of 50%-100% (Mukherjee, *et al* 2016) or even higher. This mismatch between willingness to pay (WTP) and actual price premiums creates a structural gap that limits adoption, particularly among middle-income and price-sensitive consumers. This pricing disparity is caused by a number of causes. These include increased production costs, certification fees, disjointed supply chains, restricted economies of scale, and premium brands' and retailers' smart pricing. On the other hand, fresh product supplied through participatory guarantee systems (PGS) or local farmer-collector channels frequently carry lower premiums, suggesting that market structure and distribution routes are important factors in deciding ultimate pricing (FiBL & IFOAM, 2023; APEDA, 2023, TechSci, 2024) [5, 20]. This leads to a situation where most customers cannot afford organic food, but it is seen as desirable and aspirational.

It is important from an academic and practical one to comprehend the mechanisms of this price disparity. By increasing market prospects for small and medium-sized organic farmers, closing the gap between WTP and price premiums could improve rural lives, promote sustainable agriculture, and increase food security. Managers may improve product adoption, cultivate brand loyalty, and promote long-term category growth by matching price tactics to customer willingness and expectations. The purpose of this article is to examine the extent and kind of the price-WTP disparity in the Indian organic food industry. It compiles data from industry and market publications, peer-reviewed research articles, and observable internet retail listings. It also provides WTP and comparative price visualizations for important product categories, showing the locations and causes of these disparities. In order to provide insights for both policy interventions and strategic business decision-making in the organic food industry, the article

concludes by analyzing the behavioural and economic factors that underlie these pricing dynamics.

Literature Review

Willingness to pay (WTP) for organic food: Surveys and trials conducted in India have consistently shown that many customers are willing to pay more for organic food, albeit the amount varies depending on the product and technique. When consumers are offered price options in surveys or discrete choice experiments, a number of studies show modal WTP figures in the 20-30% range for a variety of fruits, vegetables, and processed staples (Alsubhi, *et al* 2023; Rana & Paul, 2017; Singh & Verma, 2017) [4, 15, 19]. Other studies show wider ranges, ranging from very high premiums, over 50% (Mukherjee, *et al* 2016) for branded, imported, or specialty products to single-digit percent premiums for bulk commodities (2024b).

In India, there is significant variation in observed retail premiums, or the proportion by which organic retail prices surpass conventional retail prices. Organic tur dal was almost 30% more expensive than conventional tur dal, and organically farmed sorghum was 20% more expensive than conventional sorghum (Akash, *et al* 2019) [3]. While fresh produce sold through local farmer-collector channels or PGS networks can have more modest premiums around 10%-30%, data from online specialty retailers and major e-commerce platforms indicates that some categories, such as packaged flour, branded staples, and dairy, frequently carry premiums well above 50% and occasionally above 100% (Gumber & Rana, 2017) [11, 15]. In certain retail settings, "organic rice was 1.8-2.5 times the price of non-organic rice" (i.e., an 80%-150% premium) for India (Sadler, *et al* 2025) [17]. This encourages high prices in actual retail environments, particularly for basic goods. According to market surveys, the ultimate retail price is mostly determined by the distribution route, branding, certification, and packaging.

The following variables affect the conversion from WTP to purchase: Price-value perceptions, distributional access,

certification fees, retailer margins or brand markups, and a lack of faith in labels (fear of fraud, poor traceability) are some of the reasons that account for the discrepancy between declared WTP and actual purchases. Traceability, transparency, and local farmer stories are examples of trust-building interventions that have been shown in experimental research to increase the conversion rate from interest to purchase.

Methodology

In order to compile illustrative price comparisons, this paper employs a synthesis approach that combines: (a) a literature review of recent studies (2016-2025) in sustainability and food policy journals; (b) market-report figures from significant industry reports; and (c) observed online retail listings from well-known Indian organic retailers and e-commerce platforms. The goal is a reproducible, evidence-based series of comparisons that make the price difference obvious and comprehensible, rather than a formal meta-analysis. Construction of the data and warnings: Conventional retail prices were derived from recent press coverage, large retail chains, and Department of Consumer Affairs data as modal/informal averages (representative values utilized). Instead of representing local wet-market organic prices, the organic retail prices were derived from online specialized listings and are indicative of online/specialty retail. When WTP distributions or discrete data were found in the literature, they were combined into a small pooled set for histogram display, which shows central tendencies.

Results and Discussion

The main visualizations used in this paper are listed below. The combined dataset and illustrated store listings are used to construct the figures. Embedded figures: (1) Retail prices of conventional versus organic (chosen products); (2) Organic price premium (%) by product; and (3) The distribution of reported WTP (%) for synthesized organic foods.

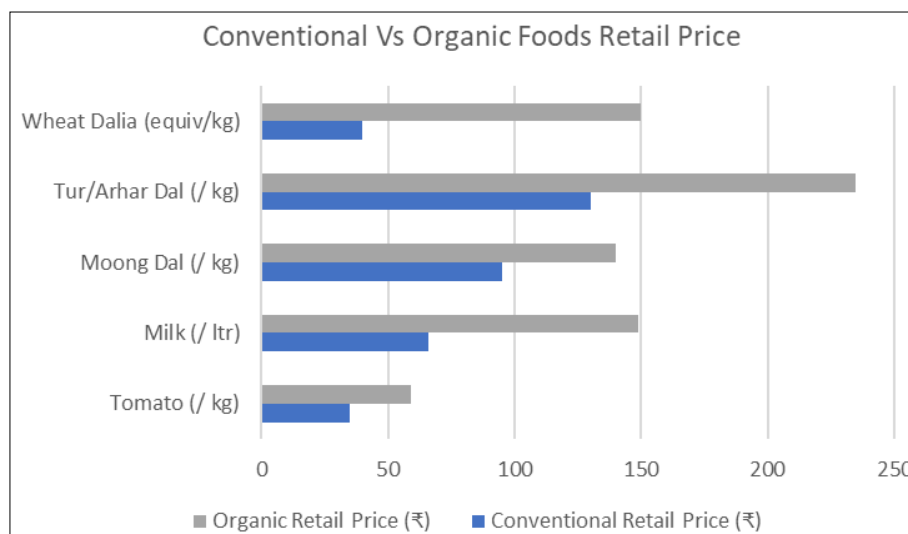


Fig 1: Retail pricing for a select of products in India

The Figure 1 compares the pricing of a few products (tomato, milk, moong dal, tur/arhar dal, and wheat dal equivalent) at conventional modal retail versus organic retail listing prices. Organic prices are normal for online and

specialist listings, while conventional prices are median retail baselines. Prices are displayed in Indian rupees per kilogram or litre, as applicable.

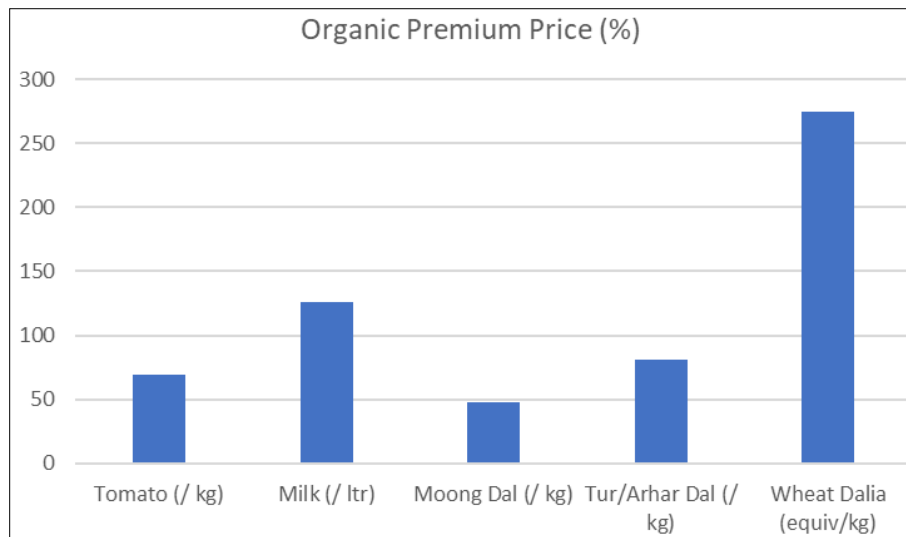


Fig 2: Product-specific organic pricing premium (%) (chosen goods)

Figure 2: The percentage that the organic retail price for the products in Figure 1 is higher than the conventional median retail price. Premiums differ significantly by product and

channel; in our sample, packaged branded staples have higher markups.

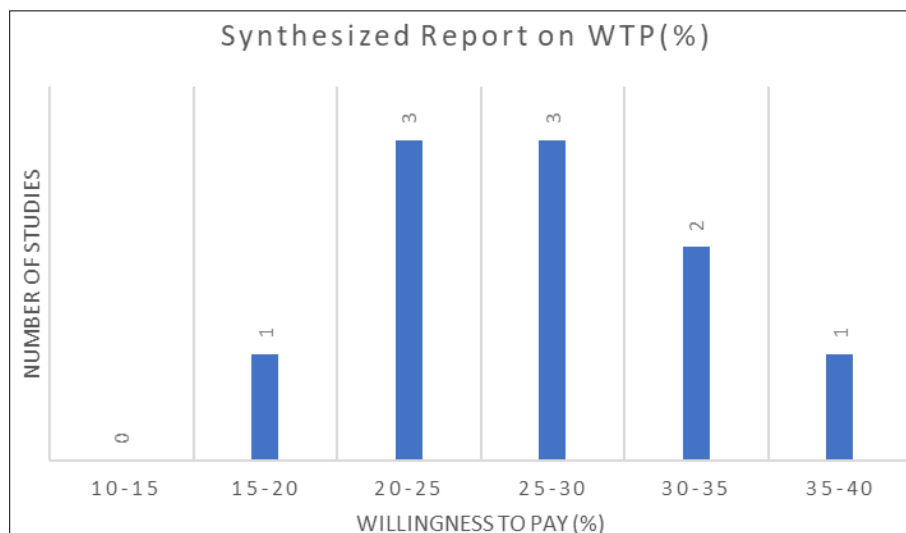


Fig 3: The distribution of reported WTP (%) for organic food

The histogram in Figure 3 summarizes the synthesised WTP values (in percentage premium) gathered from a number of consumers WTP research and reviews with an emphasis on India. There is a centre clustering in the distribution at 20-30%.

Important findings from the figures

Finding 1: Numerous research cluster around 20-30% WTP, according to the synthesized WTP distribution. This suggests that many urban consumers have a low realistic mass-market WTP.

Finding 2: The observed retail premiums in the chosen online listings are frequently higher than 20–30%, and in many instances, significantly higher. As a result, there may be a discrepancy between what customers want and what they pay in the marketplace.

Finding 3: Category heterogeneity is important: in online listings, fresh product that is perishable frequently

commands lower premiums than packaged or branded staples. Short supply chains and local supply can lessen premium magnitudes.

Understanding the gap

Evidence suggests that WTP and price premiums are somewhat aligned: while many consumers are willing to pay small premiums (20-30%), real retail premiums for a number of regularly purchased items especially branded packaged staples and some dairy products often surpass this range. The disparity lowers the conversion rate from stated intent to actual purchase and contributes to the explanation of why organic market penetration is still concentrated in affluent urban areas.

The following are the underlying drivers

Retailer and branding markups; certification and supplier costs; distribution and scale challenges; and trust and label credibility. Both supply-side (aggregation, certification reforms) and demand-side (trust-building, pricing

experiments) initiatives are needed to address these problems.

Management and Policy Suggestions

Policy measures

- Make it easier for smallholders to obtain affordable, reliable certification (extend PGS and fund certification where needed).
- To lower post-harvest losses and distribution expenses, make investments in cold chains and aggregation infrastructure.
- Encourage public awareness initiatives and digital traceability pilots to increase consumer confidence in organic labels.

Managerial measures

- To raise perceived value, use transparent value communication (farmer stories, traceability, and unambiguous certification).
- To lower the perceived risk of paying premiums, provide trial-size products, subscription plans, and promotional prices.
- Create farmer-aggregation and direct sourcing strategies to lower intermediary margins and equitably capture value along the chain.

Limitations and Future Research Recommendations

Limitations

The pricing dataset utilized for the visualizations is not a nationally representative time-series; rather, it is illustrative and based on representative traditional prices as well as online retail listings. Variation at the retailer, regional, and seasonal levels is important and needs to be considered in formal analysis. Direct comparison is made more difficult by the variety of WTP measurements.

Future research ideas include

- A nationally representative choice experiment to robustly estimate WTP elasticities and heterogeneity (stratified by city tier, income, and product category).
- Longitudinal studies that monitor the translation of claimed WTP into recurrent purchases under treatments aimed at fostering trust.
- Supply-chain cost decomposition studies to pinpoint the locations of value capture and suggest focused actions to cut unnecessary margins.

Conclusion

Customers' willingness to pay for organic food and the premium prices it commands are actually at odds, and this has an impact on India's organic industry. The observed price premiums in niche web listings and branded packaged items sometimes surpass this band, preventing mass-market adoption, even though many Indian customers express WTP in the 20-30% range. Enhanced aggregation and distribution infrastructure, enhanced certification and traceability, coordinated regulatory action, and retailer tactics that reduce perceived risk and clearly communicate value are all necessary to close this gap.

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