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The Story Behind India's Organic Cotton Certification Crisis and Its Global Impact

30 July 2025, New Delhi: In an effort to promote organic agriculture and boost exports, the Government of India had introduced the National Programme for Organic Production (NPOP) in 2001 under the Ministry of Commerce and Industry. This programme, implemented by the Agricultural and Processed Food Products Export Development Authority (APEDA), was designed to regulate and certify organic products, especially for export markets. A critical component of this structure involves the recognition of certification bodies (CBs) that verify Internal Control Systems (ICS). These ICS units are essentially clusters of 25 to 500 farmers collectively involved in organic farming—most notably, organic cotton. By 2025, the system had expanded to include over 6,046 ICS groups and 35 certification bodies across the country.

At the heart of this certification process lies 'Tracenet', a digital platform that records and verifies organic production, allowing the issuance of what is called a 'transaction certificate'. This certificate acts as the legal marker identifying cotton produced by an ICS group as certified organic. On paper, this mechanism appears rigorous and trustworthy. However, the situation on the ground tells a dramatically different story.

The Ground Reality: Farmers Unaware, Data Manipulated

Recent revelations indicate that many farmers listed in ICS groups have no knowledge of their registration or association with organic cotton production. These are not isolated instances but a widespread phenomenon. In most cases, the farmers have not adopted organic practices and are cultivating genetically modified Bt cotton. Certification bodies and ICS administrators have been accused of fabricating farmer data to obtain transaction certificates fraudulently. This manipulation enables them to market and export conventional cotton as organic, thereby claiming a significantly higher price in international markets.

The consequences are far-reaching. While genuine Indian farmers struggle to obtain a fair value for their produce, traders and exporters exploiting the loophole are reportedly earning six times more by misrepresenting their goods. This deceitful practice not only cheats the producers but also results in massive tax evasion, particularly of income tax and Goods and Services Tax (GST). The long-term implication is even more damaging—India is now being viewed internationally as a hub for fraudulent organic certifications, and several global regulatory bodies have begun to revoke their trust in the country's organic framework.

The Scale of the Deception and its Financial Implications

This is not a minor violation. The scale of the fraud is staggering, with estimates suggesting that the financial magnitude of the scam exceeds ₹2.10 trillion. Over the past ten years, it is believed that 1.2 million farmers cultivated approximately ₹1.05 trillion worth of cotton. However, instead of receiving the premium that comes with organic branding, these farmers had their cotton purchased at conventional prices. Exporters then resold this produce as organic at two to three times the original value, depending on seasonal and market variations.

The average farmer in this system cultivates around 2.5 acres, yielding about 7 quintals per acre each year. At ₹5,000 per quintal, that equates to an annual income of ₹87,500. From the 2.4 million farmers who are part of ICS clusters, nearly 1.2 million are believed to have been directly defrauded. Even investigations into just two of the business entities involved in this fraudulent network

uncovered GST evasion worth ₹750 crore, implying that the real scam value could be around ₹7,500 crore—since this evasion constitutes just 5 percent of the illicit transaction volume.

International Alarm and Erosion of India's Credibility

Global regulatory bodies have not remained silent in the face of these revelations. In October 2020, the Global Organic Textile Standard (GOTS) discovered forged transaction certificates and revoked the recognition of multiple Indian companies while terminating the accreditation of a prominent certifier. Following that, in June 2021, the United States Department of Agriculture (USDA) suspended India's automatic recognition for organic certification, effectively tightening scrutiny on Indian exports to the U.S. market.

In November 2021, the European Union took similar action by cancelling the licenses of five Indian certifiers after prohibited chemical residues were discovered in supposed organic shipments. By January 2022, the situation had drawn the attention of international media. A detailed investigation published by The New York Times claimed that up to 80 percent of India's organic cotton exports might be fraudulent. According to the report, many farmers were unaware that their identities and documents had been used to fabricate ICS group profiles. Several ICS groups were allegedly built on forged documents and stolen credentials, further deepening the crisis.

Government Communication and Mounting Political Pressure

The growing concern over the scam prompted political action. Senior Congress leader Digvijay Singh raised the issue directly with the Prime Minister through a formal letter dated August 27, 2024, citing rampant fraud in the organic cotton supply chain, especially in Madhya Pradesh. The Ministry of Commerce, through Minister Piyush Goyal, responded on November 28, 2024, acknowledging irregularities and stating that a certification body had been deregistered while investigations had been initiated into others.

Singh followed up with a parliamentary question on December 20, 2024, and once again addressed the matter in writing on January 24, 2025, urging a thorough investigation. A second response from the Minister arrived on March 8, 2025, confirming that surprise audits had been conducted and that a First Information Report (FIR) had been filed against an ICS group manager in Dhar, Madhya Pradesh. However, critics argue that the government's actions have been superficial and inadequate given the depth of the fraud.

Systemic Inaction and Allegations of Collusion

The opposition has raised serious concerns over the role of the ministry and APEDA, pointing out that several regulatory directives issued since 2017—especially concerning Aadhaar-based verification—have never been implemented in practice. Despite Tracenet 2.0 being launched in January 2025 by Minister Piyush Goyal, systemic enforcement remains largely absent. Critics have gone as far as alleging that the ministry is complicit, given its continued inaction despite mounting evidence and internal reports highlighting the issue.

Additionally, while some ICS groups were initially suspended due to fraudulent practices, these suspensions were quickly reversed within just one month. Complaints made to the Enforcement Directorate (ED) and the Economic Offences Wing (EOW) have yet to result in any meaningful prosecutions. Even worse, local law enforcement has been accused of misusing FIRs not for justice, but for extortion. In one instance, Indore's Crime Branch registered a fake extortion case rather than investigating the actual scam, raising further questions about the integrity of the process.

Demand for Accountability and Systemic Reform

Farmer groups, political leaders, and several civil society actors are now calling for a full overhaul of the organic certification framework. Their foremost demand is the formation of a Special Investigation Team (SIT) led by the Central Bureau of Investigation (CBI), under the supervision of a sitting High Court judge. They insist that all pending consultations issued since 2017 must be enforced without delay, including the full operationalization of Tracenet 2.0.

There is also a growing call for criminal prosecution against the 192 ICS groups previously suspended due to fraudulent conduct, most of whom had their suspension lifted within a month without explanation. Every one of the over 6,000 ICS groups is being urged to undergo a transparent, independent audit, and any individual found complicit in the fraud must be prosecuted under criminal law. Certification bodies, too, must be held accountable and subjected to rigorous, transparent inspections to restore trust in the system.

Equally important is the question of justice for the farmers who were used as pawns in this complex web of fraud. Many of them continue to suffer financial losses while their names and land records are used without consent to facilitate export fraud. These farmers must be adequately compensated, both to restore their livelihoods and to re-establish India's credibility in global organic markets.

The Road Ahead: Rebuilding Trust in Indian Organic Agriculture

India once held aspirations of becoming a global leader in organic production. With its rich agricultural heritage and vast farming community, the country was well-positioned to serve as a reliable supplier of organic cotton to the world. But the current scandal has not only exposed the loopholes in the system—it has triggered a trust deficit that could take years to repair. If no decisive action is taken now, India risks losing its position in global organic supply chains, and the very farmers who were meant to benefit from the organic movement will remain its biggest casualties.