

ORGANIC FOOD PRODUCTS IN CHINA

MARKET OVERVIEW



ORGANIC FOOD PRODUCTS IN CHINA

MARKET OVERVIEW

Abstract for trade information services

ID=41935

2011

SITC-0 ORG

International Trade Centre (ITC)

Organic Food Products in China: Market Overview

Geneva: ITC, 2011. xii, 36 pages (Technical paper)

Doc. No. SC-11-196.E

Study providing an overview of the Chinese market for organic products – looks at the Chinese organic production, market size and its characteristics; outlines organic standards and regulations, import requirements, consumer profile and behaviour, and distribution channels; identifies potential market niches for key product categories such as dairy products, baby food, and food supplements; examines prospective market developments and the implications for LDC exporters; appendices include a list of major organic importers and speciality shops for organic products in China; summary of China's rules on importing organic products; list of organic food research and consulting organizations in China; and the country's organic certification bodies registered with Certification and Accreditation Administration of China (CNCA).

Descriptors: **Organic Food, China, Export Marketing, Market Surveys.**

For further information on this technical paper, contact Mr. Emilio Portocarrero, portocarrero@intracen.org

English

The International Trade Centre (ITC) is the joint agency of the World Trade Organization and the United Nations.

ITC, Palais des Nations, 1211 Geneva 10, Switzerland (www.intracen.org)

Views expressed in this paper are those of consultants and do not necessarily coincide with those of ITC, UN or WTO. The designations employed and the presentation of material in this paper do not imply the expression of any opinion whatsoever on the part of the International Trade Centre concerning the legal status of any country, territory, city or area or of its authorities, or concerning the delimitation of its frontiers or boundaries.

Mention of firms, products and product brands does not imply the endorsement of ITC.

Digital images on the cover: © iStockphoto

© International Trade Centre 2011

ITC encourages the reprinting and translation of its publications to achieve wider dissemination. Short extracts of this technical paper may be freely reproduced, with due acknowledgement of the source. Permission should be requested for more extensive reproduction or translation. A copy of the reprinted or translated material should be sent to ITC.

Foreword

This publication has been prepared to provide guidance to exporters of developing countries – mainly from Africa – on accessing new and emerging country markets, such as China.

Due to the negative impact of the global financial crisis, exporters from developing countries have recently faced shrinking or marginal export growth in many developed country markets. Although 80% of world imports are still into traditional developed country markets, the imports in large emerging markets, such as those of BRICS countries (Brazil, Russian Federation, India, China and South Africa), are growing faster and there is significant potential for exporters.

The International Trade Centre (ITC) has a comprehensive approach to assisting LDC exporters in market development and market diversification for key products in some priority sectors. This includes improvement of market networks, increased knowledge of new market opportunities in emerging markets and promotion of South-South trade along the value chain, among other activities.

This report is one of a group of sector/market studies in BRICS countries commissioned by ITC. The report supports the need for greater knowledge on how to export organic food products to the Chinese market. It was funded by limited internal resources from the ITC regular budget, and due to costs few printed copies will be published as part of a series of technical papers on selected sector markets for BRICS countries. Dissemination to exporters in Least Developed Countries LDCs will be done electronically and through the ITC website.

Chinese imports of organic foods were about US\$ 20 million in 2009, still a limited amount compared with the size of the population, but the market has been growing rapidly and may become promising for LDC exporters. Consumers are foreigners and emerging high-income local people, with a healthy lifestyle and who are increasingly concerned about nutritional value and pesticides in food. Main exporters of organic foods to China have been the United States, Australia and the European Union. Initially, imports were mostly finished products, but at a later stage bulk organic products were imported for repackaging. Some opportunities for new exporters may include processed products and food supplements, especially gourmet foods, children's food, dairy products, fresh tropical fruits, dried fruits, nuts, spices, ethnic grains, honey, coffee and snacks. This report provides an initial overview of the Chinese market for these products, as well as useful inputs for an initial proactive marketing strategy and preparation of the exporter's sales visit.

Emilio Portocarrero
Chief, Sector Competitiveness Section
Division of Market Development
International Trade Centre

Acknowledgements

The International Trade Centre (ITC) wishes to thank the following for their contribution to this technical paper:

Individuals

Vitoon Panyakul, Organic Agriculture Programme Director, Earth Net Foundation

Zhou Zejiang, Senior Advisor to OFDC (Organic Food Development Center of the Ministry of Environmental Protection of China)

Emilio Portocarrero, Chief, Senior Competitiveness, ITC

Alexander Kasterine, Senior Market Development Adviser, ITC

Julie Wolf and Danielle Carpenter-Sprüngli, Editors

Kathryn Della Corte, Senior Secretary, ITC

Vicky Hagen, Document Formatter, ITC

Companies and Institutions in China

Apple Wang, O'store International Trading

Dr. Xie Biao, School of Geography Science, Nanjing Normal University

Jane Tsao, BIOFarm

Jue Chen, Ph. D. student, Faculty of Business and Enterprise, Swinburne University of Technology

Mika Yuan, Organic Valley Food

Prof. Wenyan Han, Tea Research Institute, Chinese Academy of Agricultural Sciences

Wang Difei, Organic Food Delivering Net

Xiangdong Zhang, Beijing Organic and Beyond

Xiao Xingji, Organic Food Development Center

Xiuwen Gao, China Organic Food Certification Centre

Yanli Hua, China Quality Certification Centre

Xiao Xingji, Organic Food Development Center

Contents

Acknowledgements	v
Abbreviations	ix
Executive summary	xi
1. Introduction: Historical development and key steps	1
2. Chinese organic production and market size	3
2.1. Organic production	3
2.2. Chinese organic exports	5
2.3. Organic imports	6
2.4. Domestic organic markets	6
3. Market characteristics	7
3.1. Organic standards and regulations	7
3.2. Import requirements	8
3.3. Consumer profile and behaviour	8
3.4. Distribution channels	10
3.5. Consumer promotions	12
3.6. Prospective market developments	13
4. Implications for LDC exporters	13
4.1. Potential product groups	13
4.2. Integration into Chinese organic value chain	14
4.3. Recommendations for LDC exporters	14
5. Case studies	17
5.1. BIOFarm (Shanghai) Co., Ltd.	17
5.2. Beijing Organic and Beyond Corporation	19
Appendix I Major organic importers	23
Appendix II Specialty shops for organic products in China	25
Appendix III Summary of China's rules on importing organic products	27
Appendix IV Organic food research and consulting organizations in China	29
Appendix V Organic certification bodies in China registered with CNCA	31
References	35

Table 1.	Key steps in organic agriculture	2
Table 2.	Estimate of organic production in China from various sources (unit: 1,000 ha)	4
Table 3.	Categories of Chinese organic products	5

Abbreviations

AQSIQ	General Administration of Quality Supervision, Inspection and Quarantine (www.aqsiq.gov.cn)
CCAA	China Certification & Accreditation Association (www.ccaa.org.cn)
CGFDC	China Green Food Development Center (www.greenfood.org.cn)
CNAL	China National Accreditation Board for Laboratories
CNAS	China National Accreditation Service for Conformity Assessment (www.cnas.org.cn)
CNCA	Certification and Accreditation Administration of the People's Republic of China (www.cnca.gov.cn)
COFCC	China Organic Food Certification Center (www.ofcc.org.cn)
EU	European Union
IFOAM	International Federation of Organic Agriculture Movements
JAS	Japanese Agriculture Standard
MEP	Ministry of Environmental Protection (www.sepa.gov.cn)
MOA	Ministry of Agriculture (www.moa.gov.cn)
MOST	Ministry of Science and Technology (www.most.gov.cn)
NOP	National Organic Program of the United States Department of Agriculture
OFDC	China Organic Food Development Center (www.ofdc.cn)
OTRDC	Organic Tea Research and Development Centre
RMB	Renminbi, the currency of the People's Republic of China (PRC)
SEPA	State Environmental Protection Administration

Executive summary

Chinese organic agriculture began in the late 1980s, driven initially by environmental concerns and later by export opportunities. The sector's growth was remarkable, reaching over million hectares within five years. The Chinese government was quick to move to regulate the organic sector through a series of rules and regulations introduced since the mid-1990s. By 2005, compulsory organic standards and supervision systems were introduced for organic certification bodies operating in China, and as a consequence all organic products, including imports, must comply with the national rules and standards.

There is no clear and comprehensive statistical information about the volume and value of organic production in China. The latest estimate was 2.03 million hectares of certified organic farmland in 2009, while total organic production was valued at about US\$ 2.4 billion in 2008, of which US\$ 500 million went for export and the rest was sold locally. Organic imports were estimated at about US\$ 3 million – US\$ 8 million per year, and a maximum of US\$ 20 million in 2009.

Food safety led Chinese authorities to start introducing rules and regulations for China's food sector in the early 1990s. National regulations on organic agriculture were first introduced in the early 2000s and the last one was applied in 2005. They require organic certification bodies, inspectors and operators to comply with Chinese national organic standards and certification protocols. Imports of organic products must also meet such national regulations. Because the Chinese organic regulatory system does not yet recognize any other organic systems, inspection and certification of all operation steps must be conducted against Chinese organic standards by inspectors and certifiers directly approved by the Chinese authorities. Currently, there are only 26 organic certifiers who have such approval, and all are based in China.

China's domestic market in organic products began developing in the mid-2000s and has expanded very rapidly, especially in the past few years when stories of food scandals became prominent. Chinese organic consumers can be divided into eight main groups: white collar families; families with young children; families with health issues; overseas returnees; business people from Chinese Taipei and Hong Kong (China); government officials; young people; and foreigners living in China. White collar families, accounting for 40% of organic consumers, are the largest group. Studies regarding organic products indicate that Chinese consumers are very concerned about food quality, which they define less in terms of appearance and more in terms of nutritional properties and safety. Reliable certification is important and trusted more than advertising and promotion, especially by producers and traders. Consumers are also less concerned about whether organics are produced in China or imported.

Retailers, especially supermarkets and specialty shops, dominate domestic organic markets. The major sales channel is through conventional and high-end supermarkets, which control more than 80% of retail markets. Specialty shops are growing in number, but their sales are limited.

There is already market saturation in some organic products, such as rice, fresh vegetables, fresh fruits, meat and green tea. Unless they have unique qualities, such as special health benefits or product innovation, such goods have low market potential. Organic products with good prospects include processed products and food supplements, especially dairy products, food for babies and children and processed gourmet foods.

Exporters interested in exporting organic products to China are recommended to:

- Prepare themselves and their products before making trade contact by ensuring that they have 'good' products that are not expensive, taste good and have organic integrity and good and consistent quality. Exporters should also learn about Chinese import rules, including customs and food safety requirements, so that they are familiar with the system and procedures.
- Organize market access by choosing the right importer-distributors as partners. It is important that exporters find opportunities to meet in person with prospective trade partners, such as by attending international organic trade fairs and/or Chinese organic fairs such as BioFach China, Organic China Expo (OCEX) and China Nutrient & Healthy Food & Organic Products Exhibition (CINHOE).

- Introduce their products into Chinese markets by working with the Chinese trade partners to design jointly the sales and marketing plan.
- Ensure market success through product innovation, focusing especially on product quality and packaging.

1. Introduction: Historical development and key steps

As in many other countries in Asia, Chinese organic agriculture is based on traditional sustainable farming practices that existed thousands of years ago. In China, for example, records of sustainable farming dating back 4,000 years mention several organic practices including crop rotation, composting and diversified production.

The Green Revolution in China in 1980s occurred much later than in other East and Southeast Asian countries due to the economic sanctions imposed by western countries after political change in China in 1950. The Green Revolution was driven by the Chinese government to increase agricultural productivity, with the main aim of ensuring national food security. Cheap agrochemicals manufactured by local Chinese factories with subsidies from the government, together with improved irrigation and high-yield varieties, allowed the Green Revolution to expand and penetrate all parts of the country, even remote areas. However, within a decade the environmental impact of agrochemicals was apparent, with soil becoming degraded and water polluted. As a result, agrochemical residues in food products, especially fresh food, became a major concern among Chinese consumers and policymakers.

By the late 1980s, some local government bodies concerned about the environmental began promoting what was known as Chinese Ecological Agriculture.¹ This eco-farming gave rise to organic agriculture. Seeing opportunities in the growing global demand for organic foods, other government bodies began to promote organic farming. One such agency was the Rural Ecology Sector of the Nanjing Institute of Environment Science (NIES) of the State Environment Protection Administration (SEPA, now known as the Ministry of Environmental Protection, or MEP). This agency became a member of the International Federation of Organic Agriculture Movements (IFOAM) and started to promote organic farming in its state in 1989.²

The main drivers of modern organic agriculture in the early period were Chinese enterprises, both state-owned and private, which were contracted to produce organic products such as Chinese tea to be exported to European countries. The first certified organic tea was in the Lin'an County of Zhejiang Province, inspected and certified by Dutch certifier SKAL, and exported to Europe in 1990.³ Most of the early development of Chinese organic agriculture was driven by export opportunities in the European Union and United States, and later on Japan. This also led to the proliferation of organic certification bodies, both local organizations and overseas offices of foreign agencies. The first local organic certifier was the China Organic Food Development Center (OFDC), which was established in 1994 by the NIES.

Meanwhile, concerns about food safety for both export and domestic markets led the Chinese government to introduce food-labelling schemes, comprising two levels – pollution-free food and green food. Local governments first introduced such schemes in the mid 1980s and these were later taken up by the central agency, the Ministry of Agriculture (MoA). Pollution-free products comply with basic food safety standards and green food, while similar, follows some stricter standards. The MoA established the China Green Food Development Center (CGFDC) in 1992 as a public certification body. Initially, CGFDC focused on food safety certifications but it later extended its scope to include organic certification.

Another important turning point for the organic sector came in the early 2000s, when national regulations for certification and accreditation were introduced. In the same period, the Chinese domestic organic markets began to grow more rapidly, with the emergence of new middle- and upper-class consumers.

¹ Yuhui Qiao, S. Setboonsarng and N. Halsberg, 'PRC Country Study on Organic Agriculture and the Millennium Development Goals' ADBI Working Paper (2009).

² Weihua Xie and Xingji Xiao, 'Country Report on Organic Agriculture in China', International Trade Centre's Regional Conference on Organic Agriculture in Asia, 12-15 December, 2007, Bangkok.

³ Yuhui Qiao, S. Setboonsarng and N. Halsberg, 'PRC Country Study on Organic Agriculture and the Millennium Development Goals' ADBI Working Paper (2009).

Table 1. Key steps in organic agriculture

Year	Key events
1989	The Rural Ecology Division of Nanjing Institute of Environmental Sciences, SEPA, became the first IFOAM member in China, initiating the organic movement in China
1990	The first certified organic tea (by SKAL) was exported to EU
1992	China Green Food Development Center (CGFDC) was established by the Ministry of Agriculture to provide certification services for green foods
1993	CGFDC became IFOAM member
1994	Organic Food Development Center (OFDC) was established by Nanjing Institute of Environment Sciences to provide organic certification services and OFDC published its organic standards
1995	State Environmental Protection Administration (SEPA) issued the "Regulations on Administration of Organic (Natural) Foods Labeling" GGFDC introduced "AA-Grade Green Food" as an organic food labelling scheme OFDC became the OCIA Chinese Chapter and started the joint certification of Chinese organic products
2001	SEPA issued Organic Food Certification and Management Measures CNCA was established by the State Council of China in August 2001
2002	SEPA established "State Administration Committee for Organic Foods" in February. In March it issued two more regulations, "Basic Accreditation Requirements for Organic Food Certifiers" and "Registration Norms for Organic Food Certifiers" OFDC was accredited by IOAS under IFOAM Accreditation Programme
2003	CNAS issued the "Basic Requirements on the Accreditation of Organic Certifiers' Certifications to Organic Agricultural Products and Processing" and the "Implementation Guidance on the Establishment of Certification and Accreditation System for Agricultural Products". Certification and Accreditation Administration of the People's Republic of China (CNCA) was authorized by State Council for the administration of national certification and accreditation
2004	"Regulatory Measures on Organic Product Certification Management" were introduced by the State General Administration of Quality Supervision, Inspection and Quarantine in September Eleven ministries from the central government of China, including the Ministry of Commerce, the Ministry of Finance and State Environment Protection Administration, jointly issued "Recommendations on Promoting Organic Food Industry Development", the first national policy on organic agricultural promotion More than 20 domestic organic certifiers were registered by CNCA in China
2005	"National Standard of the People's Republic of China: Organic Products" (GB/T19630-2005) was introduced in January. taking effect in April. In June CNCA issued "The Rule on Implementation of Organic Products Certification" China's first organic products exhibition was organized by OFDC and Jialing Exhibition Corp., Ltd. and held in Shanghai The first Organic China Expo organized by Sunry Advertising and Exhibition under the support of the Ministry of Commerce was held in Beijing Five foreign organic certifiers were approved by CNCA to operate legally in China
2007	The first BioFach China was organized by Nuremberg Messe and China Green Food Development Center in Shanghai

Year	Key events
2008	CNCA applied to be listed in the EU third country list and negotiated with EU Commission on this issue
2009	CNCA organized expert meetings for the revision of “China National Standard for Organic Product”, with the new version of the national standard due to be issued in late 2010 The Technical Committee of Chinese Organic Certification was founded on 14 December, 2009

2. Chinese organic production and market size

2.1. Organic production

Unlike in other developing countries with free market systems, China’s organic production is mostly based on organized systems rather than farming by individuals, and there are very few individual organic farmers in China. Xie and Xiao describe three main organic production models adopted by companies and producer associations.⁴ Under the first, known as firm leasehold management, an organic processor or trader leases land from farmers and this company then manages the farm production. Farmers are paid rent and become farm workers on the company’s leased land. The second model is known as company plus base plus farmers. The processor or trader sets up an organic production project in cooperation with a local agent or government in a village or township. Farmers in the designated project areas are asked to convert to organic production in line with the firm’s demand, and the local government signs a long-term contract with farmers for organic production and purchase. Third is the organic production association, under which the village administration or the farmers themselves organize organic producer associations. The association manages and provides technical support to producer members and buys back their produce, which it then sells to processors or traders.

With such organized production, there are only a few thousand certified organic farms in China. Xie and Xiao estimate the number at 2,500 certified organic producers (with more than 100,000 individual farmers) in 2007. Regarding acreage, it is estimated that about 2 million – 3 million hectares of farmland is certified as organic, putting China among the world’s top five organic producers, in acreage terms. Statistical data on Chinese organic production, however, vary from one source to another. Table 2 below shows estimates drawn from various sources.

⁴ Weihua Xie and Xingji Xiao, ‘Country Report on Organic Agriculture in China’, International Trade Centre’s Regional Conference on Organic Agriculture in Asia, 12-15 December, 2007, Bangkok.

Table 2. Estimate of organic production in China from various sources (unit: 1,000 ha)

Year	In conversion	Organic	Wild harvest	Aquaculture	Total
2000					62 (a)
2001	200 (b)	101 (b)			156 (a) 301 (b)
2002					253 (a)
2003					619 (a) 299 (b) 342 (e)
2004					629 (a) 3 467 (b)
2005					2 300 (a) 2 300 (b)
2006	1 100 (c)	2 100 (c)	2 080 (c)		3 500 (a) 3 466 (b) 5 280 (c) 2 300 (e)
2007	647 (b)	905 (b)	759 (b)		4 100 (a) 1 553 (b)
2008		1 853 (b)	759 (b)	415 (b)	3 027 (b)
2009					2 030 (d)

Sources:

- (a) Various sources quoted in Sheng and other, 2009.
(b) Willer & Yussefi in various years.
(c) COFCC, 2007 quoted in Qiao, Setboonsarng, and Halsberg, 2009.
(d) Liu, 2010.
(e) Xie and Xiao, 2007.

Although the statistical data vary, it is clear that there was a major expansion of Chinese organic agricultural production in the mid 2000s, when acreage jumped from hundreds of thousands to a few million hectares, with significant contributions from wild harvests and aquaculture.

In terms of geographical distribution, from the start most organic farming has been in the eastern and north-eastern parts of China. The highest concentration of organic farms is found in Inner Mongolia (northeast region), Jilin (northeast region) and Yunnan (southern region). In 2004 and 2005, new organic projects, especially organic animal husbandry, grew rapidly in the western part of China, reflecting the government drive known as the Grand Campaign of Developing the West. But due to a lack of market information and platforms, organic animal husbandry declined in following years, and there was a dramatic drop in acreage of certified organic land (mainly organic pasture land) in this region.

Data on the type of organic products in Chinese is also lacking. However, it is likely that Chinese organic farming includes most products, with the exception of a few tropical fruits and vegetables. China has a wide range of agro-climatic conditions that allows production of a wide range of crops and animals.

Table 3. Categories of Chinese organic products

Category	Product type
Grain	Rice, various legumes and pulses, peanuts, wheat, buckwheat, corn, etc.
Beans	Mung bean, kidney bean, etc.
Vegetable oil	Soybean, canola, flax, sunflower seeds, pumpkin seeds, etc.
Vegetables	All kinds of leafy vegetables, tuberous root vegetables, tuberous plant vegetables, fruit vegetables, garlic, ginger, bamboo shoots (mostly wild harvest), mushrooms (both from cultivation and wild harvest), etc.
Fruits	Apples, pears, strawberries, blueberries, peaches, jujube, grapes, etc.
Tea	Green tea, black tea, herbal tea, Puer Tea, Wuloon Tea, etc.
Textiles	Cotton, silk, flax, etc.
Medicinal herbs	Ginseng, various Chinese medicinal herbs (both from cultivation and wild harvest), etc.
Livestock	Meat, eggs and dairy products, etc.
Aquaculture	Fish, shrimp, crab, etc.
Processed foods	Frozen vegetables, dried fruits, can vegetables and fruits, etc.

Due to the lack of statistical data, it is not possible to estimate the volume and value of Chinese organic production. The following provides a partial picture of some Chinese organic production, in terms of quantity and value, in various years:

- In 2006, certified organic tea farms covered 200,000 hectares, producing 13,000 tons, 6,000 tons of which was for export. In 2007, production was 15,000 tons, 7,000 tons of which was for export.
- In 2006 China's organic output, from 2,300 enterprises covering 5.28 million hectares, was 3.85 million tons. In 2006, 68% of organic products were grain crops and horticulture products, 8% were meat and milk, 8% were aquaculture, 7% were beverages, and 8% were other items.
- In 2003, the total value of organic products certified in China was about US\$ 200 million.
- Of the total RMB 2.2 billion in China's organic production in 2004, about RMB 1.2 billion was exported, with only RMB 200 million going to the domestic market, and RMB 800 million sold as conventional produce.
- In 2008, the total value of organic production reached about RMB 16 billion (US\$ 2.4 billion), with exported organic products exceeding US\$ 500 million and the domestic organic market reaching US\$ 1.1 billion. The remaining US\$ 800 million in organic products were sold as conventional products. This is based on an estimated 900,000 ha of cropland, 950,000 ha of pastureland, 410,000 ha of aquaculture area and 760,000 ha of wild collection.

2.2. Chinese organic exports

Until quite recently, Chinese organic agriculture mostly has been export-oriented. As in many other developing countries, Chinese organic exports have three main markets – Europe, North America, and Japan. Main organic products exported are processed vegetables, soybeans, honey, grains, green tea, herbal medicines and beans.

There is also some confusion regarding statistical information on Chinese organic exports. For example, Xie and Xiao report the value of Chinese organic exports in 2006 at US\$ 400 million while Sheng⁵ provides figures of about US\$ 740 million for 2005, rising to US\$ 800 million in 2006. A recent estimate by a Chinese organic expert, Zejiang Zhou, put the figure at more than US\$ 500 million for 2008. Exports in 2009 appear to have declined slightly because the economic recession dampened demand in major importing countries, such as the United States and EU member states. Food scandals in China, which undermine the country's image in international trade, are an additional problem for Chinese organic exports, including those to neighbouring Japan and the Republic of Korea.

2.3. Organic imports

China's organic industries have been importing organic products, especially raw materials and semi-processed products, as ingredients for processed goods, most of which are then exported. Organic sugar, dried fruits, nuts, and honey are the main imported ingredients. The volume of such imports depends on prospects for Chinese organic exports, and thus may have experienced a slowdown in the past two years.

Another category of imports is destined for the domestic market, which has been growing rapidly since the mid 2000s. This mainly involves goods that cannot be produced within the country. Initially, such imports were only finished products, but at a later stage imports included bulk products that were repacked in China. Main imports for Chinese consumers include fresh tropical fruits, dried fruits, nuts, spices, quinoa, honey, coffee and snacks.

In 2005, China's organic regulations took effect, covering imports as well (see following section for more information). To be sold as organic in China, imported produce must comply with Chinese organic standards and certification requirements. The rules led most importers to start asking exporters to comply so that imports could continue flowing. Some, however, continued importing the organic products to be sold as conventional products. Nonetheless, consumers with basic foreign language knowledge can recognize the original foreign label, and thus buy these products as organic. This often occurs through direct sale rather than open markets, such as shops and supermarkets.

Statistical data are not available on the value and volume of organic imports into China. The best rough estimate made by an expert on China's organic market was a minimum of US\$ 3 million to US\$ 8 million per year and a maximum of US\$ 20 million for 2009.⁶ Roughly half goes for further processing and the other half for domestic consumer markets.

Imports of consumer products are dominated by dairy products and processed foods, especially baby foods. A small amount of fresh organic produce, mainly vegetables, is also imported.

2.4. Domestic organic markets

As export markets could not keep up with the rapid development of organic production in China, since the mid 2000s the Chinese organic sector began to focus on the domestic market. Since then, the Chinese domestic market seems to have grown steadily.

There is no official study regarding the domestic organic market in China, making it difficult to know its exact size. The GAIN Report quotes an estimate by the Organic Food Development Center (OFDC), which put the organic domestic market at US\$ 500 million in 2007. An updated estimate was for US\$ 1.1 billion (RMB 7.5 billion) in 2008.⁷ If these figures are correct, the Chinese domestic market for organic products is twice the value of exports (US\$ 500 million), marking a significant shift from export to domestic market orientation.

⁵ Jiping Sheng and others, 'Market trends and accreditation systems for organic food in China', Trends in Food Science and Technology (2009).

⁶ Mika Yuan, private communication, owner and general manager of Nanjing Maoshengyuan Tech Trading Co., Ltd, Nanjing (2010).

⁷ Zejiang Zhou, private communication, IFOAM Representative to China and Senior Advisor to OFDC, Nanjing (2010).

3. Market characteristics

3.1. Organic standards and regulations

There are various regulations and agencies in the Chinese regulatory system for organic agriculture. At the forefront is the Certification and Accreditation Administration of the People's Republic of China (CNCA), the national administrative body overseeing all types of certification and accreditation within China. Established by the State Council of China in August 2001, CNCA's main mandate is to unify and streamline management of standards and certifications, which were previously managed by various departments, resulting in inconsistency. CNCA's authority is mainly derived from the "Regulation of People's Republic of China on Certification and Accreditation", issued in 2003. CNCA's scope stretches beyond food and agricultural products to cover both quality systems and product certifications. For food and agricultural products, CNCA covers food safety and food quality, including "Green Food", good agricultural practices (GAP), good manufacturing practices (GMP), feed production, HACCP, green market and organic products.

The China National Accreditation Service for Conformity Assessment (CNAS), the national accreditation body, does technical conformity assessment. CNAS conducts assessment and accreditation for inspection bodies, laboratories as well as certification bodies. CNAS superseded two former organizations – China National Accreditation Board for Certifiers (CNAB) and China National Accreditation Board for Laboratories (CNAL). CNAB sets technical rules, such as the certification criteria for all certification bodies.

In addition to the above, inspectors of all certification and certification training bodies must be approved and registered with the China Certification & Accreditation Association (CCAA), which was established by CNCA in 2005 to replace the China National Auditor and Training Accreditation Board (CNAT). Members of CCAA are: the accreditation body, certification body, training body, consultation body, labs, test centres and some certified enterprises. The current president of CCAA, Ms. Wang Fengqing, was the administrator of CNCA before 2005.

The diagram below shows the structure of various agencies in the Chinese national conformity system.

The specific regulations and standards for organic certification were introduced and took effect in 2004 and 2005, respectively. The organic standards, i.e. National Standard of the People's Republic of China: Organic Products (GB/T 19630.1~19630.4-2005), are based on international norms with added emphasis on contamination by pollutants and prohibited materials and quality management systems, especially record keeping and traceability.

The two most important regulations are the Regulatory Measures on Organic Product Certification Management and Rules for Implementing the Certification of Organic Products. The first (also known as Decree No. 67 of State General Administration of Quality Supervision, Inspection and Quarantine) defines organic certification and organic products, including the scope and requirements for certification bodies and inspectors. It also sets principles for organic certification, national organic labelling, import requirements, principles for international cooperation and supervision measures.

The Implementing Rules on Organic Certification (CNCA 2005 No.1) regulates organic certification activities of the certification body. It defines organic certification objectives, scope of application, standards, certification procedures, administration after certification, certificates, marks and logos, as well as certification fees.

Under this complex system, rules and regulations are set by various agencies. For example, the organic certification body must first comply with rules set by CNCA on qualifications of certification bodies, such as minimum registered capital, minimum staff, requirements regarding joint work with foreign certification bodies, and so on. Then the certification body must comply with technical rules set by CNAS so that it can acquire accreditation. At the same time, inspectors working for certification bodies must comply with CCAA rules and have CCAA approval.

3.2. Import requirements

Since the enforcement of organic regulations in 2005, these have covered imports as well as domestic production. Article 36 of the Regulatory Measures on Organic Product Certification Management requires imported organic products to be certified under Chinese organic standards and comply with all other relevant Chinese laws and regulations. As the Chinese organic regulatory system does not yet recognize other systems, inspection and certification at all operational stages, such as farming, handling, processing and packing, must comply with Chinese organic standards, even if such operations have already been certified as organic for other systems.

Inspection of imported organic products must also be done by organic inspectors registered with CCAA who have had CCAA-organized training, testing and interviews. So far, because these have only taken place in China, no foreign inspectors have been approved. Inspection of organic imports therefore must be carried out by Chinese inspectors, creating additional costs, especially for producers and exporters from developing countries. A summary of the existing rules related to the import of organic products to China can be founded in appendix III.

In mid September 2010, CNCA issued a draft “Rules on Importing of Organic Products from Other Countries and Regions”. These proposals would allow mutual recognition between CNCA and regulatory bodies in exporting countries so that organic products certified outside China could be accepted into the country. At the time of the report’s preparation, the draft document was under internal consultation. The rules were expected to be finalized and approved in late 2010 or early 2011. They are summarized in appendix III.

CNCA is in the process of negotiating with various governments for bilateral and multilateral agreements regarding organic regulatory recognition. These include the European Union, the United States, Canada, Japan, Australia and Thailand. While progress in these negotiations is unclear, they are not expected to be concluded soon.

Beside the organic requirements, organic imports must also meet Chinese government food safety requirements. While these may be similar to international standards, there are some discrepancies. For example, one organic importer reported that organic oatmeal imported from the United Kingdom failed to meet Chinese standards on bacterial contamination, even though it met United Kingdom food safety standards.⁸

3.3. Consumer profile and behaviour

As in many other countries, organic products are relatively expensive and consumers who purchase them are mainly from well-off families with high levels of education. They include people working for large or foreign companies, managerial staff, expatriate families and high-ranking government officials. Nonetheless, most Chinese consumers are price sensitive and look for value for money when buying food. While consumers traditionally prefer to buy Chinese foods, western lifestyles and food consumption are increasingly becoming popular, especially among younger generations who have travelled overseas to study or work.

It is possible to divide organic consumers in China into eight main groups: white collar families; families with young children; families with health issues; overseas returnees; business people from Chinese Taipei and Hong Kong (China); government officials; young people; and foreigners living in China. Each group has different consumption preferences and behaviour.

1) White collar families

This is the major group of organic consumers in China. With high education levels and disposable incomes, people in this group have become increasingly concerned about their own health and some are also interested in environmental protection and conservation. This group accounts for about 40% of China’s organic consumers.

⁸ Mika Yuan, private communication, owner and general manager of Nanjing Maoshengyuan Tech Trading Co., Ltd, Nanjing (2010).

2) Families with young children

This group has a market share of about 10%. The “One Child One Family Policy” has created millions of single-child families, especially in cities. In these families, as many as six adults – father, mother, two grandfathers and two grandmothers – look after only one child. They are therefore concerned to provide the best food possible for this child. In many such families, parents are young, highly educated, and knowledgeable about the health benefits of organic foods. They thus choose organic foods for themselves and their children. Consumers in this group usually have middle to high incomes, with both husband and wife working. They mainly buy from specialty shops and supermarkets, and have access to a whole range of organic products, such as organic baby foods, organic dairy products, organic skin care products for children, organic fruits and vegetables, and other functional foods. There is some overlap between this and the first group. But there is also a key difference – the first group is mainly made up of consumers who buy organic indefinitely, while some families with young children are only temporary organic consumers who stop buying products, such as baby food, as their children grow up.

3) Families with health issues

This group includes families with members, often the elderly, who have health problems, such as high levels of blood pressure, cholesterol or blood sugar, or heart disease. These people are under medical treatment or in recovery and need to have healthy meals. Such families buy organic foods for those with health problems as well as other family members. They also consume other health food supplements. This group of consumers, either the elderly or their children, usually is middle-income or high-income. They buy various kinds of organic food and are regular purchasers. They prefer to buy organic products from specialty shops and their main purchases are of natural foods with little processing and functional foods. Their market share is likely to be about 10% of the total organic market in China.

4) Overseas returnees

According to governmental statistics, in the 20 years between 1990 and 2009 about 500,000 young people who studied or worked abroad returned to China. During their stay abroad, they were exposed to western lifestyles, including knowledge of organic food. These returnees now play an important role in Chinese national economic and technical development as most of them are in managerial or high-level positions in public and private organizations, spread out among the country's major urban centres. They account for about 5% of organic consumers. It is likely this group will expand rapidly in coming years, as the number of overseas returnees is expected to grow.

5) Business people from Chinese Taipei and Hong Kong (China)

According to statistics, there were about 1 million people from Chinese Taipei and Hong Kong (China) working in Mainland China in 2009. Most of them worked for private companies owned by people from Chinese Taipei and/or Hong Kong (China). This group is concerned about recent food scandals in China and is therefore keen to buy safe food products. Given their generally high salaries, these people are willing to pay more to guarantee food safety and their own health. They have about 5% of the market share.

6) Government officials

There are about 10.5 million government officials in various levels of administrative and party offices. If all employees paid by public budget, including teachers, professors and those in government supported research institutes, are taken into account, the number could exceed 40 million. In addition to their basic salary, these officials receive various bonuses or benefits, except in some provinces that apply a new government official payment system. In recent years, some government offices have introduced organic food as a bonus for their employees. Although this is not very popular yet, the large number of government officials makes the market share quite significant, an estimated 10%.

7) Young people

With China's rapid globalization, many Chinese have been exposed to new ideas and concepts, including healthy and environmentally friendly lifestyles. Young, trendy Chinese people are quick to adopt such lifestyles, buying and consuming organic foods for health and environmental reasons. They are likely to buy from direct sale, especially from producers. The young people in this group usually do not quite have high incomes, but they are willing to pay more for organic food. The organic market share of this group is estimated at about 3%.

8) Foreigners living in China

This group of consumers is mainly from Europe, North America, Japan and the Republic of Korea. There are about 2 million foreign people working in China, concentrated in major cities, with more than 300,000 foreigners working in Shanghai, for example. Most foreign people working in China have relatively high incomes and are able to afford organic food, which they usually knew about before coming to China. Some of them buy organic products as part of a healthy lifestyle while others buy organics because they are concerned about pesticide residues in foods. With quite high disposable income, this expatriate group buys a wide range of organic products, especially those imported from their countries. Comprising around 7% of the market, they shop from specialty shops, supermarkets, and direct sales.

The above 8 groups account for about 90% of the organic market. The other 10% is made up of high-level hotels, restaurants and other people who buy organic products irregularly or occasionally.

A study on consumer buying behaviour carried out among 204 Chinese organic consumers in Beijing and Shanghai reported that 98% have a university degree or higher and 67% are office workers.⁹ In the survey, the researchers also found that almost three quarters, or 71%, were prepared to pay a price premium of 20%–50% for organic food and almost a quarter, or 21%, would not be prepared to pay any price premium. Supermarkets are the preferred location for buying (74.5% of the respondents). When asked why they buy organic foods, the top five reasons were:

- 1) Enforcement of quality
- 2) Overall quality
- 3) Certification relating quality
- 4) Food safety
- 5) Information about nutritional value

Issues that Chinese consumers were less concerned with were:

- 1) Promotion and advertising of organic food
- 2) Appearance
- 3) Whether the organic food was produced in China
- 4) The social status of people purchasing organic food
- 5) The idea of face saving (mianzi) when purchasing organic food

These results indicate that Chinese consumers are very concerned about food quality, which they define less in terms of appearance and more in terms of nutritional properties and safety. Reliable certification is important and trusted more than advertising and promotion, especially by producers and traders. Consumers are also less concerned about whether organics are produced within China or imported.

3.4. Distribution channels

The structure of Chinese organic retail market consists of producers (including processors and packers), importers, distributors, retailers and food services as shown in diagram 4.1.

Producers

Producers include domestic processors and packers who handle part of the organic product value chain. Given that they have organic in-conversion products that they are not able to export as organic, producers have sought small premiums in prices for such goods on the Chinese domestic market. In addition, producers have focused on domestic markets when export channels were squeezed by food safety scandals in China or the economic downturn in major importing countries such as the United States and EU members. In recent years, however, China's domestic organic food market has enjoyed significant growth and retailers have become important players in market development, challenging the domination of the producers.

⁹ Jue Chen, Antonio Lobo and Bruno Mascitelli, Bruno, 'Buyer behaviour of organic food in China: Consumers have their say', Global Business and Technology Association, paper presented at Twelfth Annual International Conference, 5-9 July, 2010, South Africa.

Of about 6,000 organic producers in China, 5,000 sell only domestically with the rest producing for export. Domestic producers are certified by one of the 26 locally approved certifiers, while production for export is certified by foreign certifiers approved by Chinese authorities (such as ECOCERT, BCS, IMO, CERES and JONA) because no local certifiers have been approved by importing countries. In addition, so far no foreign certifying body has been approved by CNCA to conduct Chinese organic certification. The only exemption is ECOCERT, whose Chinese partner is registered as a domestic certification body, so that they may certify to both international and Chinese national standards

Importers and distributors

There are currently few companies importing organic products to distribute on the Chinese market. Main imports are from Australia, mostly organic dairy products and meats, the United States, Europe and Japan. These occur through official import channels and are sold with official Chinese organic logos. Most importers also carry out domestic distribution, selling to several retailers, but a few only handle imports for their own retail sale.

There are also some importers that import organic goods as conventional products and sell them without the Chinese organic logo. Some Chinese consumers recognize the foreign labels on such products (e.g. EU organic or USDA organic seals), and buy them as organic. This is somewhat tricky because if the products were imported as organic, they would have to be re-certified in China. Under Chinese regulations, all imports must be labelled in Chinese before appearing on the domestic market. Importers selling foreign organics as conventional products do not translate “Organic” or “Bio” into the Chinese word for organic, “YOU-JI”, on the Chinese labels. This practice is accepted at present, but the authorities may change their view in the future.

Currently, there are very few dedicated distributors for organic products, with dedicated distribution usually mainly carried out by the organic producers and processors themselves. Importers also organize distribution themselves. All distributors are city, provincial or region-wide and may collaborate with distributors in other areas because the country is too large for distributors to have their own nation-wide distribution network. appendix I provides a list of the major importer-distributors and their operation coverage in China.

Retailers

Retail sale of organic products in China occurs through five different channels: specialty shops, supermarkets, direct sales, food services and farmers markets.

According to organic food directory compiled by CESDRRC, there were 264 outlets selling organic foods in China in four major areas in 2008.¹⁰ The breakdown of these organic outlets is summarized in table below. It is believed that the number of outlets had reached 500 by 2010 because in the last few years many supermarkets in major cities have started offering organic products as have a number of restaurants and hotels.

	Beijing	Shanghai	Northern China	Southern China	Total
Specialty shops	37	16	21	48	122
Supermarkets	19	38	19	26	102
Direct sales	7	3	n.a.	n.a.	10
Food service	10	5	n.a.	n.a.	15
Farmers markets	8	7	n.a.	n.a.	15
Total	81	69	40	74	264

Source: Adapted from CESDRRC (2007).

Note: Outlets here refer to selling places where organic products can be found. There are several shops and supermarkets that have multiple outlets.

¹⁰CESDRRC, *Organic Food Directory for China 2008*, (Beijing, CEEC, 2007).

At the initial period where the domestic market just began, organic products are sold mainly through specialty shops. Currently, there are two major types of these shops. The first are shops selling healthy foods and environmentally friendly products managed by professional retailers. Secondly, there are shops owned and managed by producers, including processors. The first group offers a wider range of products, while the second group has producers' own products, with few or no products made by competitors. Some specialty shops may have multiple shops and large spaces akin to supermarkets. The big players are Lohao City Organic Shop (Beijing), Lukasu Organic Shop (Beijing), Crab Island Organic Shop (Beijing), Diandian Green Organic Food Shop (Beijing), Haikele Organic Food Chain Shops (Shanghai), Tongmai Food (Shanghai) and Planck Organic Food Shops (Nanjing). Specialty shops are listed in appendix II.

Conventional supermarkets are the major channel for selling most organic products to consumers. High-end supermarkets, such as HK Citysuper, Cityshop, Japan Global Plaza, Parksons, Nextage Department Store, operate in some large cities while hypermarkets such as Carrefour, Walmart, Metro, Jusco, Tesco, Lotus and Tops have stores in many major cities. These supermarkets dominate organic retail sales in China, accounting for over 80% of the retail market.

In some major cities, organic products are also sold through direct sale (home delivery), food services (restaurants and cafes) and farmers markets.

3.5. Consumer promotions

There are no studies on organic consumer promotions in China. Generally, such promotions involve the private sector rather than the government. The central government does not currently have a nationwide policy for promoting organic agriculture and organic food. But some government annual reports, including those published by the central government, have in recent years focused on organic agriculture and organic food. Although this has little direct influence on consumers, it provides a supportive environment for the Chinese organic sector.

As in other developing countries where the organic market has recently started to develop, it is individual traders, especially retailers, rather than organic producers that are most active in promoting retail outlets. This is mainly because individual producers are too small to invest in promotion, while traders have much higher turnover and are in a better financial position to invest. Traders with more resources may invest in mass media advertising on television and in printed media, such as newspapers and magazines. Although such media tends to be regional, they reach large consumer groups and are therefore quite effective. Television advertisements may last for one to three months, or even one year, newspapers advertising campaigns appear to be much shorter, lasting up to a few days.

Traders with fewer resources and some producers engage in market promotions using low-cost methods such as the Internet and membership systems. The Internet is the most popular route for promoting Chinese organic markets because many middle- and high-income Chinese are intensive Internet users and it is the cheapest. In fact, almost all producers, processors and traders have their own web sites to promote their products and sales channels. These provide information for consumers on types of organic products and prices.

Some traders, especially small- and medium-size importers, sell their products exclusively through the Internet, providing consumers with home delivery service. The popularity of e-commerce reflects not the reduced cost for traders, who do not have to invest in shop space, but also the fact that there is less administrative control by local authorities.

Membership systems, meanwhile, allow interested consumers to enjoy a variety of privileges and services, including sales promotions. For instance, members get discount coupons and are invited to farm visits or other special activities and events. Some traders may try to work with existing consumer groups rather than creating their own groups because of the large existing membership of some consumer groups. For example, one of the biggest groups in Shanghai has more than 50,000 organic consumer members.

Trade fairs, both for conventional products and special fairs for organic goods, are also common. There are a number of organic and natural products shows in major Chinese cities every year, with two events in Beijing, two in Shanghai, two in Guangzhou, one in Hong Kong (China), among others. These fairs have business days when only business buyers are allowed and public days when the fair is open to all

consumers. The biggest is BioFach China in Shanghai at the end of May each year, attracting more than 300 exhibitors and more than 11,000 visitors.

Media reports about food scandals and GMO foods also help to promote consumption of organic products in China. The best-known case in this respect was the melamine milk powder scandal in 2008, after which organic traders heavily promoted organic dairy products and there was a large increase in organic milk powder sales, especially imports. Similarly, Chinese media reports on GMO soybeans, particularly those imported from the United States and Argentina, and potential health risks have been used by organic traders to promote organic soybean products.

3.6. Prospective market developments

Although Chinese markets are relatively closed when compared with other developing countries, they are growing steadily and rapidly, thanks to the country's strong economic expansion in recent decades. However, slower organic exports in the past few years have led to significant investments in developing domestic markets, accelerating their growth. Many experts therefore expect Chinese organic markets to continue to exhibit strong growth potential, at least in the short term. Medium- and long-term prospects, however, depend on macro-economic developments as well as the speed with which Chinese regulations on organics change to facilitate increased imports instead of blocking them, as is currently the case. This would allow Chinese consumers to enjoy a wider range of organic products at lower prices, encouraging further domestic market expansion. Also, maintaining restrictive import rules could jeopardize Chinese organic exports if importing countries decided to retaliate. It is likely that Chinese authorities are already aware of these implications and may relax import rules soon.

Another important element in the development of China's organic market involves consumer perceptions. Given the profile of Chinese consumers of organic products, the market appears to be evolving, with greater demand for quality products and convenience. This does not only regard the physical quality of products, such as freshness, safety and functionality, but also issues such as reliable certification. Trends regarding convenience include ability to purchase in supermarkets, products that are easy to prepare and consume and quantities that are not too large, given family size and storage constraints.

China's food scandals have had a serious impact on the trust of Chinese consumers in domestic food safety and guarantees, such as certification. Some consumers prefer to buy imported products or those with foreign certification because these are viewed as more trustworthy. Committed organic consumers thus pay greater attention to product brands and suppliers. Meanwhile the Chinese government has sought to regain consumer confidence by introducing stricter rules and regulations, focusing especially on production management supervision, where Chinese authorities have strong experience. Such supervision tends to centre on paperwork, such as recording keeping and traceability, adding costs for food producers and processors, both conventional and organic. However, the authorities lack experience in field inspection, with qualified people tending to work for certification bodies, consulting agencies or food producing companies. This could constrain the development of the domestic market, at least in the short- and medium-term.

4. Implications for LDC exporters

4.1. Potential product groups

According to the Chinese organic traders interviewed, there already is market saturation in some organic products. These include rice, fresh vegetables, fresh fruits, meat and green tea. Unless there are unique qualities, such as special health benefits or product innovation, such goods have low market potential. Organic products that continue to have good prospects include dairy products, food for babies and children and processed gourmet foods.

The following describes potential market niches in key product categories.

(a) Organic fruits and vegetables

Market opportunities for organic fresh vegetables, either temperate or tropical, are slim in China because there are already many domestic producers competing for market share. In addition, long-distance transport adds costs and can compromise quality, especially freshness.

Markets for organic fruits are more promising, especially tropical fruits, where there is little production in China. Temperate fruits with special qualities may be able to penetrate the market as Chinese consumers value exotic or unusual foods. There can be good market opportunities for common and exotic tropical fruits such as banana, durian, pineapple, pampelo, star fruit, rambutan and guava.

However, as mentioned earlier, quality – both physical and aesthetic – is a key factor for success in Chinese organic markets. Interviews with Chinese organic traders highlighted the market attraction of special nutritional value and/or health functionality. Reliability and good logistics are also important.

(b) Rice and grain

Market opportunities for organic rice and grain appear limited because there are already many producers in the country. Specialty rice and grain may find niche markets in China, however. For instance, there remains strong demand for fragrant long-grain rice, black rice, and quinoa. Also, processed rice, such as GABA, could be of interest to many Chinese consumers.

(c) Processed foods

Processed foods are the most promising product category for Chinese organic markets. Baby foods, dairy products and gourmet foods would be of much interest to Chinese consumers. Good taste, health value and interesting packaging are important product attributes.

Since the melamine scandal in early 2009, imported products dominate the Chinese organic dairy market. Families with small babies are willing to pay much higher prices to buy milk powders viewed as safer. Even middle-income families are keen to seek out imported organic dairy products. The imports come mostly from Australia and New Zealand. This has increased local competition, and major dairy companies, such as Yili and Mengniu, are converting their dairy production to organic. Some of the milk products produced by these companies have already been certified as organic by Chinese certifiers. If and when there is renewed consumer confidence in local organic certifications, the organic dairy market is likely to return to locally produced products.

(d) Food supplements

This product group, although quite new in China, may grow quite rapidly with the change of lifestyles of urban consumers. The Chinese traditional belief in functional foods provides a strong basis for food supplements, with pro- and pre-biotic products and herbs of interest. While there may be some conventional products already available in the market, organic products are rare.

4.2. Integration into Chinese organic value chain

The market potential for raw materials and semi-processed products to be used by Chinese processors is small, unless the imports are cheaper than their Chinese equivalents, which is highly unlikely, or cannot be produced in China. While temporary shortages of some raw materials could lead Chinese processors to import products, the rapid growth of organic agricultural production in China would quickly fill the gap.

In addition, import levels of raw and intermediate materials depend on the evolution of Chinese organic exports. If Chinese exports grow, there will be a greater need for imports of the raw and intermediate materials used in processed products for export. But if such exports decline, the demand for imports would also drop.

4.3. Recommendations for LDC exporters

The following is a summary of key issues and concerns of relevance to organic exporters from less developed countries wishing to enter China's organic markets, divided along four marketing aspects – product, price, place and promotion.

Product	<ul style="list-style-type: none"> Given that Chinese consumers have serious concerns about the integrity of the organic products, and some may even doubt the effectiveness of Chinese organic certification, exports should carry the seal of an internationally recognized certification body Chinese regulations stipulate that imported products also have a Chinese organic seal Products should be of reasonable quality, taste good, satisfy Chinese taste preferences and be sold in attractive packages Consistent and stable supplies are important China's organic market is already saturated with some locally produced products, such as vegetables, rice, grain and medicinal herbs. The image and reputation of a product's origin should be good, particularly regarding environmental issues Exporters should check specific food safety requirements of Chinese authorities to see whether these differ from standards used in the export product's production and processing Products should have a reasonable shelf-life because of the time it can take for importing and distribution
Price	<ul style="list-style-type: none"> Chinese consumers are generally price sensitive Prices should be competitive for mass products and reasonable for premium quality products Importing costs, including custom clearance, are quite significant, making it preferable to ship as large a volume as possible to spread costs
Place	<ul style="list-style-type: none"> Most organic products are sold in supermarkets, while premium products are sold in high-end supermarkets and specialty stores Distributors are normally regional, rather than nation-wide It is important to find a good, reputable and committed Chinese importer-distributor as a partner to introduce, distribute and market the product
Promotion	<ul style="list-style-type: none"> Should focus on the organic integrity and product quality, especially if the product has unique nutritional or functional value Should portray clean environment and sustainable ecosystem of place of origin Attractive packaging with exporting country's characters. This does not need to be luxurious, but should be clear and attractive

Based on the above points and the information in previous chapters, it is possible to make a number of practical recommendations. These are discussed below in four stages: prior preparation before making trade contact; choosing the trade partner; market introduction; and ensuring market success through product innovation.

1) Product preparation

While having a "good" product to sell is the most important success factor in marketing, what is considered a good product can vary from one market to another. Surveys of Chinese importers and distributors show that the main attributes of good organic products are, in order of the most frequently mentioned, not expensive, organic integrity, good quality (consistency) and good taste. Other desired qualities in organic products mentioned by Chinese importers and distributors include attractive packaging, reasonable shelf life, known origin and stable supply.

As mentioned earlier, Chinese consumers are quite price-sensitive. In addition, complicated bureaucratic clearance procedures and transportation costs mean imported products are usually higher in price than local products. Efforts should be made to reduce logistical costs, such as shipping large volumes or exporting bulk products to be packed in China. Regarding organic integrity, the product should have organic certifications from a recognized guarantee system, such as IFOAM Accreditation Program, EU, USDA and JAS. Putting such an organic seal on the visible part of the product may help consumers to easily identify it. Beside this, the producers may need to have Chinese organic certification so that the products can bear the Chinese organic seal as well.

Consistency of product quality is another common consumer expectation. Therefore, even medium- and low-premium products should have consistent quality. Good taste, however, is trickier because Chinese

consumer taste preferences can vary by region. That said, products that are fragrant tend to appeal to Chinese consumers.

In addition to preparing products, exporters should prepare themselves. Only a few Chinese traders are good at foreign languages, even English. Translating product descriptions, especially technical information, into Chinese is helpful for both importers and consumers. The accuracy and precision of such translations is very important. It is advisable to ask Chinese experts to proofread the translation, especially the label, before printing, as many overseas Chinese may not be familiar with some of the expressions currently used in Mainland China.

Exporters should also learn about Chinese import rules, including custom and food safety requirements, so that they are familiar with the system and procedures. Information can be obtained from the Ministry of Commerce or Chinese consular offices. There is also the website of the General Administration of Quality Supervision, Inspection and Quarantine of the China PRC (AQSIQ) at www.aqsiq.gov.cn/ and Chinese Ministry of Commerce at www.mofcom.gov.cn/. Some international organizations, such as the United Nations Food and Agriculture Organization (FAO), have published useful booklets, such as “A Practical Manual for Producers and Exporters from Asia: Regulations, Standards and Certification for Agricultural Exports”.

2) Organizing market access through importer-distributors

For producers with high-quality products and a limited supply, it may be more appropriate to work with a selected high-end retailer that has its own import and distribution system. For exporters with large supply volumes, however, it is advisable to work with Chinese importer-distributors because many retailers depend on importer-distributors to identify new products and organize logistics, such as bulk importing, repacking, labelling, and distribution. Importers are likely to know market demands better, including where the gaps are, and may help to promote sale of products through different retail channels. In addition, some large importer-distributors may have a distribution network that goes beyond their own regions. Therefore, having a partnership with such importer-distributors may be more effective in gaining market than trying to work directly with retailers.

Appendix I lists some importers who currently handle organic products, as well as the region they operate in and their contact information. It is advisable to find opportunities to meet face-to-face with importers. Some large importers may go to international organic trade fairs such as BioFach, but most are at Chinese organic fairs. Three important organic fairs in China are BioFach China, Organic China Expo (OCEX) and China Nutrient & Healthy Food & Organic Products Exhibition (CINHOE). BioFach (www.biofachchina.com) is held annually at the end of May in Shanghai; OCEX (www.ocex.com.cn), also an annual event, is held in Beijing in late September; and CINHOE (<http://aisffv021325.5jw.cn>) is held annually in about mid September in Guangzhou. These three fairs are in the north, middle and south of China, respectively. The biggest one, BioFach China, in 2010 had about 300 exhibitors, including 50 from abroad, while the another two are much smaller and are held with other big food fairs.

3) Introducing a product in China

Handling this step well is crucial if the product is not well known in the Chinese market. Once the exporter identifies the importer-distributor it wants to work with, it should invite the importer to see the production sites and processing-handling facilities. The visit should help the importer understand and appreciate the product's integrity and quality. This is also a good opportunity for both sides to learn more about each other and cultivate their relationship, especially as Chinese culture places significant value on personal friendship. The visit also gives the exporter more opportunity to provide detailed technical information about the product and convince the importer about its special quality or functionality.

In addition, product promotion activities can be discussed and agreed on, especially if promotion costs are to be shared. Promotion activities that the exporter should explore with importer-distributor include producing a product brochure in Chinese, organizing articles in health magazines, product testing and providing free samples.

4) Ensuring market success through product innovation

After successfully establishing market access, the exporter needs to continue with product innovation. This is important in maintaining market success because it helps to expand the market through adding value or increasing sales. Innovation should focus on the product's quality and packaging, making it more appealing to Chinese consumers. Collaborating with the Chinese importer-distributor should help the exporter to understand the specific requirements of targeted consumers.

5. Case studies

5.1. BIOFarm (Shanghai) Co., Ltd.

Established in 2004, BIOFarm, which is 10 minutes from Shanghai Pudong International Airport, is the first organic trading company in China, specialized in organic foods. Besides importing organic consumer products and exporting raw materials, the company also produces various fruits and vegetables, including cress and seedlings, baby and micro vegetables, and edible flowers. The original business, under the company O'Store, was to focus on domestic retailing. But BIOFarm then became a separate company under the same ownership. The company has built up a Participatory Guarantee System on food safety through the operation of farmers' markets and the Community Supported Agriculture programme. Through long-term links with local farmers and city consumers, BIOFarm and O'Store have channels to sell organic products to world-class hotel restaurants, high-end supermarkets, community markets, etc.

O'Store was created through the investment of a Chinese American family in early 2004, when Ms. Sherrie Tian was appointed as general manager of the company. During the first few years of business, the company encountered many difficulties, as the market was still in an infant stage, and the investor and manager had differing views on how to develop the business. The conflict led to the withdrawal of the investor in 2007, with Ms. Tian purchasing O'Store and its sister company, BIOFarm. Now BIOFarm is one of the best-known brand names for organic products in the Chinese market. Ms. Tian is originally from Chinese Taipei and spent some time in North America. She has become known as a pioneer due to her contribution to the development of Chinese organic market.

BIOFarm has four sales points at high-end supermarkets in Shanghai, such as Japan Global Plaza, CITYSUPER, Parksons and Nextage Department Store. Its products are also sold to community supermarkets and distributed to other cities.

<i>The farm</i>	<i>Training site right located in the farm</i>
<i>Products of the company distributed to supermarket</i>	<i>Ad for home delivery of organic products</i>

BIOFarm set up the first organic seed bank in China. It has a high reputation in training, research and development, eco-education, and social service. Everyday, visitors from various parts of China and other countries visit BIOFarm. Young volunteers from universities, NGOs and other countries also go the company to help and learn.

Shanghai has a population of close to 20 million, including over 300,000 foreigners. Quite a large number of Shanghai residents have high incomes, and Shanghai has the highest average income per capita in China. As such, there is a big demand for organic food in Shanghai and surrounding areas.

Besides more 180 organic products produced by BIOFarm itself, BIOFarm also sells imported organic products. These include chickpeas, quinoa and tropical fruits, processed organic foods and snacks, such as dried fruits, nuts, sugar and spices, and household products with fair-trade, regional and eco-characteristics including handicrafts, textiles, and ecologic living products.

BIOFarm supports the local economy and sustainable agriculture by purchasing products with a low carbon footprint. BIOFarm also trades organic products from other domestic and overseas geographical zones, particularly under its Hand-in-Hand project. This project helps organic farmers, preserves farm land, local culture and traditions, increases rural employment and conserves biodiversity. The following are examples of the company's Hand-in-Hand projects:

- Organic apples from Shannxi province
- Organic rose tea (dried) from Jiangyou of Sichuan province
- Organic passion fruit juice from Kunming of Yunnan province
- Wild pine seeds and mushrooms from Chuxiong of Yunnan province
- Organic rice from Hulin Farm of Heilongjiang province

BIOFarm also has trade licenses to import and export food products. BIOFarm always purchases directly from producers, visiting before purchase to gather information and observe organic farming practices. This is effective in guaranteeing the traceability and reliability of organic product sources. Company staff also go abroad to visit farms and processors. As a result, the company only buys organic products, whether in China or abroad, after such products have been investigated or sourced by the company itself.

The following are the company's requirements regarding imports, including from less developed countries:

- Quality control
- Geographic identification
- Local original and good taste
- Brand story
- Fair trade
- Good design on package
- Competitive price
- Documentation on supporting a sustainable and reliable production, etc.

Fair trade is important to the company, as often traders rather than farmers receive most of the premium from organic trade. The company would like to contribute by buying products under the Hand-In-Hand projects, including those from less developed countries, as part of its drive to make a difference in fair trade and environmental protection. Through these imported products, BIOFarm also hopes to educate its customers about environmental and fair trade issues.

For exporters in less developed countries, the company underlines that the two most important concerns shared by Chinese importers are the need for consistent quality control and reasonable prices. It is expected that organic products from less developed countries be reasonably priced, to reflect moderate production costs. In addition, the company is keen to see reductions in the cost of organic certification, custom clearance and import taxes so that imported products from less developed countries are more price competitive. Governmental cooperation and trade treaties are needed, which may include mutual recognition of international product labels, such as organic certification, geographic identification, fair trade and carbon footprints.

Impressive packaging that reflects the product's geographical or country character would be a plus. Eye-catching design on the package creating a strong impression of geographic region or country, together with a brand story linked to fair trade or charity aims, can help retailers promote products. Complete documentation regarding a reliable production system is also helpful.

Ms Jane Tsao, sales manager	Packed products	Fresh products	Ms Apple Wang, production manager
--------------------------------	-----------------	----------------	--------------------------------------

5.2. Beijing Organic and Beyond Corporation

In business for several years, Beijing Organic and Beyond Corporation (BOBC) has become an important organic retailer in Beijing through its direct sales activities. After returning from North America, Mr. Xiangdong Zhang, chairman of the company's board, took keen interest in the emerging organic food market in China as a prospective business venture. He began preparations by visiting organic fairs, farms and companies, and conducted a series of market studies and consumer surveys in Beijing and other cities. He also consulted with agricultural and marketing experts before deciding to launch the business in 2006. The business started in 2007 with organic home delivery. Within a few years of operation, the company has developed considerable experience in the production and marketing of organic food products.

Currently, the company works with contracted organic farms and distributes high-quality organic products in various Chinese provinces. These contract farms are very experienced and located in places with good environmental conditions. They include organic vegetable farms in Beijing, apple farms in Beijing and Shannxi, orange farms in Jiangxi, rice and grain farms in Heilongjiang and Liaoning, crab aquaculture in Jiangsu and layer farms in Inner Mongolia. With the help of its senior advisers, the company developed its own BOBC organic standards based on the China national standard with reference to NOP, JAS and EU regulations. To guarantee product integrity, the company requires compliance with the BOBC Standard. The company also has established a series of practical operational rules regarding production, processing and marketing of organic products, including a strict audit trail system. BOBC staff conduct regular supervisory visits to each contracted production base.

In a strategic decision, the company chose Beijing as its business base because the city's political and economical weight and the existence of a number of organic consumer groups. BOBC delivers organic products to more than 50,000 families in Beijing and its vicinity. The company has become one of the biggest and most important companies in China in terms of organic marketing.

Its main organic products are vegetables, fruits, milk, dairy products, dry nuts, edible oil, snacks, textiles and cleaning agents. The share of organic imports in BOBC's business is quite small, but consumer demand is increasing. Prices of imported products are apparently not so high compared with those from local sources, but still much more than conventional products. Some of the imported products are 3 to 8 times more expensive compared with conventional ones..

All domestic products first come to the company for repacking and labelling. All packed imported products currently remain in their original package, but the company is considering adding its own label.

BOBC has four main considerations in product sourcing:

- "Mileage": this mainly applies to perishable products such as vegetables and fruits, for which it is better to source from farms near consumer markets
- Product character: specialties and premium items, such as waxberries, honey-sweet mandarins, dried fruits from Xinjiang and special mushrooms from Yunnan
- Reputation: specialty items that are well-known such as apples from Shannxi, jujube from the Hetian district of Xinjiang, edible fungus from Yunnan and rice from the Wuchang county of Heilongjiang
- Organic standards: compliance with the relevant standard and the company's own organic standard is viewed by the company as the most important factor in sourcing decisions
- Sustainability and capacity of the supplier and products

Regarding organic imports, BOBC presently buys seafood from the United States, and organic beef and milk from Australia. The company plans to import organic dried fruits, chocolate and olive oil that are local specialties or have unique characteristics. Factors that BOBC considers when deciding on imports from less developed countries are:

- Local characteristics and uniqueness
- Market potential

- High quality
- Ease of further processing or repacking in China
- Legal status of imports
- Reasonable prices

The company believes that most organic imports in China are raw materials or semi-processed goods. These are further processed, reprocessed, or repackaged before selling. BOBC does not expect major changes in this situation, as the prices for primary and simple processed products are lower and such goods are safer, with low risk of contamination from processing and packaging.

Recommendations for LDC exporters wishing to sell their products to China are:

- Find a professional sale agent in China at the initial stage to decrease difficulties and risks, even if this means reduced profits
- LDC exporters should have organic certification that is recognized by the Chinese government. Currently, the Chinese government requests that all organic imports meet with the Chinese organic standards. Exporters need to work with an organic certification body recognized by the Chinese government or their government to negotiate with the Chinese Ministry of Commerce and CNCA for mutual recognition.

President of the company Mr. Zhang Xiangdong	Organic products handled and delivered by BOBC	Diplomatic families, BOBC's consumers
---	---	--

BOCC's contract orange farm in Jiangxi province	Organic dinner in Beijing organized by BOBC
---	---

BOBC's imported organic products			
Product	Spec (g/box)	Price (RMB/US\$)	Member price (RMB/US\$)
Hazelnut	230	33.00/5.0	30.00/4.5
Almond with shell	250	33.00 /5.0	30.00/4.5
Pecan	250	43.00/6.5	40.00/6.0
Macadamia nut	320	33.00/5.0	30.00/4.5
Walnut	180	26.00/4	23.00/3.5
Brazil nut	330	30.00/4.5	27.00/4.0
Pistachio	280	58.00/8.5	58.00/8.5
Cashew	320	50.00/7.5	50.00/7.5
Australian milk (full cream)	1L/box	32/5	n.a.
Australian milk (low fat)	1L/box	32/5	n.a.

Appendix I Major organic importers

Company	Location	Website
Nanjing MaoShengYuan Technological Limited Organic Valley Food	3rd Floor West 2/f, 81 LongPanZhonglu Road, Nanjing 210018	www.organicvalley.com sales@organicvalley.com.cn Tel: +86-(0)21-62420368 Fax: +86-(0)21-62420313 Mobile: 13918897739
Beijing Gurun Food Trade Co., Ltd	23 XibaheXili, Chaoyang District, Beijing 100028	No website No phone information
Shanghai Sanchang Development Co., Ltd. Goodwell China Marketing Service Co., Ltd.	Room 2003, #3131, Kaixuan Road, 200030, Shanghai	www.goodwellchina.com annie@goodwellchina.com Tel:+86-(0)21 6487 6284 / 6487 6287 Fax:+86-(0)21 6487 6159
Shenzhen Nanyu Import and Export Co., Ltd.	1515-1518, A Tower, South Intl. Plaza, Yitian Rd., Shenzhen, Guangdong Province	www.gittis.21food.cn/ Tel: +86-(0)755-82823186 +86-400-666-7818
Shanghai City Supermarket Co., Ltd.	1505 Greenfield Business Building, 1258 Yuyuan Road, Shanghai	www.citysuper.com.cn/index.php contact@citysuper.com.hk Tel: 86-(0)21-50120998
City Shop Co. Ltd.	1701 Haisen Intl. Building, 1469 Kangding Road 200042, Shanghai	www.cityshop.com.cn Tel: +86-(0)21-62327070 Fax: +86-(0)21-62322155
Rocks & Wings Ltd. (Shanghai)	Shanghai Shaanxi Nan Lu 25/12 204-205, Luwan District Shanghai	www.rocksandwings.com xk@rocksandwings.com Tel./Fax: +86-(0)21-62568743 Mobile: +86-136 01611944
O-Store International Trading	Suite E, F-1, No. 88, Taigu Rd, Waigaoqiao, Shanghai	www.ostore.21food.cn Tel: +86-(0)21-54902121
Lcc (Shanghai) International Trade Co., Ltd.	4th Floor No.1146A Yan'an West Rd. Shanghai 200052	www.ognfood.com/ www.lcctrade.com/English/index.aspx mary_overseas@163.com Tel: +86-(0)21-52386146, 52386147, Fax: +86-(0)21-52386152
Ausnutria Dairy Corporation Ltd.	Changsha of Hunan Province	www.ausnutria.com.hk/indexen.aspx Tel: +86-(0)731-82229278 Fax: +86-(0)731-82229708

Company	Location	Website
Chopsticks Company Ltd	1/F, 185A Tai Po Tsai Village, Clear Water Bay Road, Sai Kung, Hong Kong (China)	www.hk.chopsticks-co.com/en/contact sales@chopsticks-co.com (852) 3421 1455 (852) 3421 1460
Shenzhen Yueyi Green Life Trade Co., Ltd.	6F/ Building 5, Xili Tongfuyu Industrial Park, Taoyuan Community, Nanshan District, Shenzhen, Guangdong	www.g-life.cn Tel: +86-(0)755-86674400 Fax: +86-(0)755-86674404
Guangzhou Xinrui Bio-Tech Co., Ltd.	Room 505, Tianfeng Building, 452 North Tianhe Road, Tianhe District, Guangzhou	www.xinyuan-gz.com/cn/ Lei@xinyuan-gz.com +86-(0)20-38921370 +86-(0)20-86495276

Appendix II Specialty shops for organic products in China

Location	Organic specialty shop	Website	Telephone
Beijing	Beijing Lohao City Jingshun Road Shop	www.lohaocity.com	010-58670265
Beijing	Beijing Lohao City Zaoying Road Shop	www.lohaocity.com	010-58670265
Beijing	Beijing Lukasu Organic Shop	www.slimcoco.com	010-51662434
Beijing	Beijing Wangkanggang Organic Shop	www.wangkanggang.com	010-6550811
Beijing	Joyful Organic (Beijing) Co., Ltd.	www.joyfulorganic.com/link.htm	010-6229-6800
Beijing	Beijing Boyang Organic Food Shop		010-62117726
Beijing	Beijing Yuanyi Organic Health Lifestyle Shop		010-84066659 13811007178
Beijing	Beijing Crab Island Organic Shop		010-67826151
Beijing	Beijing Diandian Green Organic Food Shop		010-84549825
Shanghai	Shanghai City Super–Paris Spring Shop	www.cityshop.com.cn	021-62150418
Shanghai	Shanghai City Super–Hongmei Shop		021-62150418
Shanghai	Shanghai City Super–Shanghai Center Shop		021-62150418
Shanghai	Shanghai City Super–TimeSquare Shop		021-62150418
Shanghai	Shanghai Haikele Organic Food Chain Shops (5 shops)		021-34160208
Shanghai	Shanghai Tongmai Food Co., Ltd.		021-51370982
Shanghai	Organic Food Specialty Booth in South Plaza of Shanghai Carrefour Supermarket		021-34124688
Shanghai	Organic Food Specialty Booth in Gubei Shop of Shanghai Carrefour Supermarket		021-62098899
Shanghai	O'store International Trading (Shanghai) Co., Ltd	www.3201098.71ab.com/	021-68885488
Shanghai	Shanghai Organic Panex Notoginseng Specialty Shop		021-55666621
Hangzhou	Hangzhou New Eco-Organic Lifestyle Shop		0571-88333653
Hangzhou	Hangzhou Bihe Organic Product Shop	www.hzxst.quanso.net	0571-88333653
Nanjing	Planck Organic Food Shops (10)		025-84629777
Nanjing	Lotusjoy Organic Living Shop	www.lotusjoychina.com/	025-86463020
Nanjing	Nanjing Jinfu Organic Food Chain Shop		400-6868-020

Location	Organic specialty shop	Website	Telephone
Nanjing	Nanjing Ruikang Organic Food Shop		025-66862289
Nanjing	Yuanshengfang Organic Food Chain Shop	http://www.of2u.com	025-84563212
Guangzhou	Yuanyi Organic Health Life Shop		020-61283781
Guangzhou	Guangzhou Shop of Beijing Diandian Green Organic Food Chain Shops		020-38820629
Guangzhou	Guangzhou Shop of Health New Start Co.,		020-86375257
Shenzhen	Shenzhen Organic Source Food Co., Ltd.	www.ososk.com	0755-83702877
Shenzhen	Shenzhen Jianyi Sugar-Free Food Shop		0755-26416859
Shenzhen	Shenzhen Shop of Beijing Diandian Green Organic Food Chain Shops		0755-82211386
Xiamen	Yueyixuan Organic & Nature Health Life Shop(80% products from Chinese Taipei)	http://www.yueyixuan.cn http://yimita.cn.alibaba.com	0592-2210440
Quanzhou	Fujian Shop of Health New Start Co., Ltd.		0595-88987378
Haikou	Haikou Lohao Organic Food shop	www.lhtsp.mall.taobao.com	
Dalian	Organic Specialty Shop of Dalian Xinglongken Organic Products Co., Ltd.	www.1004062.71ab.com/	0411-83788060
Dalian	Dalian Baishiwu Super Shop Co., Ltd.	www.bestfoods99.com/	0411-82589766
Shenyang	Shenyang Qiushi Agri-Product World		024-24850731
Shenyang	Shenyang Green Eco Garden Shop		024-62173085
Chengdu	Organic Food Shop of Chengdu Health Choice Co., Ltd.		028-88097812
Kunming	Kunming Organic Food Fare		0871-8081233
Wuhan	Shanyuanju Natural Vege Food Shop		027-87870432
Jiangxi	Wanzai Organic Food Specialty Shop		0795-8225641
Changsha	Angli Sunlight Ecolife Whole Sale Co., Ltd.		0731-2912506
Urumqi	Likun Organic Lamb and Beef Shop		0991-8851588

Appendix III Summary of China's rules on importing organic products

The Chinese National Authority for Certification and Accreditation (CNCA) issued the National Administrative Rules for Organic Product Certification in 2005 together with the National Standard for Organic Products (GB/T 19630-2005). The following are the articles related to importing organic products:

Article 3	All activities of organic product certification and organic product production, processing and marketing within the territory of the People's Republic of China shall comply with the provisions of these "Rules".
Article 6	The State executes international mutual recognition on the basis of equality and mutual benefits. Certification bodies undertaking organic product certification (hereinafter referred to as the CBs) shall undertake activities of mutual recognition according to mutual recognition agreements signed by CNCA with foreign countries or organizations.
Article 7	Establishment of CBs shall be in accordance with the requirements of related laws. CBs shall have basic conditions defined in <i>Regulations of the People's Republic of China on Certification and Accreditation</i> and technical competence to undertake organic certification. Organic product certification activities shall only be undertaken once the CBs are accredited by the accreditation body (hereinafter referred to as the Accreditation Body) appointed by CNCA. Foreign certification bodies that undertake organic product certification within the territory of the People's Republic of China shall comply with the provisions of <i>Regulations of the People's Republic of China on Certification and Accreditation</i> , as well as other relevant laws, administrative regulations and requirements.
Article 13	Operators or individuals of organic production, processing and/or their representatives (hereinafter referred to as the applicant) may submit organic product certification application to CBs accredited by China accreditation body. When applying for certification, the applicant shall submit the following materials: <ol style="list-style-type: none"> 1) Name, address and contact information of the applicant 2) Scope of production base, scale of production and processing 3) Plan of product production, processing and marketing 4) Description and data of the surrounding environment of the production, processing and marketing sites 5) Quality management system documents in compliance with the requirements of organic product production and processing 6) Qualification documents of the applicant's responsible technical and administrative staffs 7) Affidavit for following organic certification rules, technical rules and other applicable requirements 8) Any other documents required. <p>In case that the applicant is not the organic product producer or processor, written contracts between the applicant and organic product producer or processor shall be also provided.</p>
Article 20	CBs shall not undertake certification activities for processed products containing less than 95% of organic ingredients (by weight or liquid volume excluding water and salt).
Article 21	Operators and individuals who produce, process and sell the organic products shall work with CBs to undertake appropriate measures for ensuring the balance of organic product production and sales in line with the product scope and quantity defined in the certificate.
Article 29	National organic product certification logo shall be used in accordance with the scope and quantity defined in the certificate. Applicants and operators who have been certified shall use the national logo on the certified products or on the smallest package of product in accordance with the requirements of the Rules. Applicants and operators who have been certified may print the national logo on the labels, specification and advertisement materials of the product certified. Amplifying or reducing the size of the logo is allowed but the shape and the colour of the mark shall not be changed.
Article 30	When using the national organic product certification logo on the products or on the smallest package of the products certified, logo or name of the CBs shall be indicated in adjacent position and the logo of CBs shall not be larger than that of the national organic logo.

Article 35	The applicants and operators or individuals who have been certified or who are engaged in organic product marketing shall establish complete audit trail and record keeping systems for the process of production, processing, packaging, transportation, storage and handling in accordance with the requirements of national standard of organic product of the People's Republic of China and the provisions of this "Rules".
Article 36	Imported organic products shall comply with the requirements of relevant laws, regulations and rules as well as the national standard for organic product of the People's Republic of China.

The newly proposed revision of "rules", released by CNCA in mid September 2010, has a special chapter for regulating the import of organic products. Key aspects of the draft rules are:

1. Equivalence evaluation by the Chinese organic authority CNCA on the application of the authorities of other countries or regions wishing to export their organic products to China.
2. The rules and procedures for individual applications from importers, producers, processors, or their agents for organic products from other countries.
3. Requirements for the certification bodies already accredited by CNAS wishing to certify organic products outside of China.
4. Requirements of organic products imported to China (may also include requirements on labels, transaction certificates, and certificates as well as the using of China national organic logos).
5. Exemptions for some organic products brought into China by special group of people or for special purposes.
6. Requirements for organic certification bodies who issue organic certificates to organic products produced outside of Mainland of China.
7. Penalties.

Appendix IV Organic food research and consulting organizations in China

Organization	Director	Tel./Fax	Web/E-mail	Address
Nanjing Global Organic Food Research and Consulting Center	Xi Yunguan	+86-25-85287027/85287082(F)	www.ofrcc.com ofrcc@ofrcc.com	8 Jiangwangmiao Street, Nanjing 210042, China
College of Agronomy and Biotechnology of China Agricultural University	Du Xiangge	+86-10-62733113	duxge@cau.edu.cn	2 Yuanmingyuan West Road, Beijing, China
Organic Agriculture and Organic Food Research Institute of Nanjing Agricultural University	He Wenlong	+86-25-84395544/84396644(F)	hewl@njau.edu.cn	1 Weigang, Nanjing, China
Dalian Swift Information Consulting Service Ltd.	Wang Difei	+86-411-84753059/84753159(F)	www.swift.net.cn cio@swift.net.cn	A-402, 1 Huoju Road, high-tech District, Dalian, China
Beijing Sinofuda High-tech Development Ltd.	Liao Muheng	+86-81623658/62192591(F)	www.sinofuda.com.cn sinofuda@vip.sina.com	4th Floor of old cadre relaxation station of Department of Agriculture, 12 South Street, Zhongguancun, Haidian District, Beijing
Xinjiang Jiu'an Organic Food Consulting Center	Shi Yongnian	+86-991-4597611/2928017(F)		A-11, 14th Floor of tianlong Building, 103 Youhao south Road, Urumqi, China
Xinjiang Gongxiang Certification Consulting Center	Liu Wei	+86-991-886302	www.yjsp.cn lwln135@sina.com	1602 Chenbao Building, 5 Xinmin Road, Urumqi, China
Beijing Eastern Initiative Standard Consulting Center	Zhu Liben	+86-10-58700666/58700688(F)	www.k-beist.com beistc@yahoo.cn	23th floor of Shangdu international center, 8 dongdaqiao Road, Chaoyang District, Beijing, China
Beijing IEMD Certification and Consulting Center	Guo Yuanlin	+85-10-63392326/63391975	www.iemd.cn iemd@iemd.net	B-105 Jingyuan Building, Peng runyuan, 88 Caihuying East Street, Beijing, China
Beijing High-tech Shengde Certification and Consulting Center	Cao Xiaobin	+86-10-64422141/64429798(F)	www.gk9000.com.cn hsca@publica.bj.cninfo.net	908 of 2# building, 20 anding Road, Dongcheng District, Beijing, China
Beijing Certification Consultation Network	Ren Yulan	+86-10-65513011/64823183(F)	www.plzhy.com bjplx@sohu.com	B3-9 floor of ziguang development building, 11 huixin west street, Chaoyang District, Beijing, China

ORGANIC FOOD PRODUCTS IN CHINA: MARKET OVERVIEW

Organization	Director	Tel./Fax	Web/E-mail	Address
Beijing Bridge Science and Technology Service Center	Xu Siqiao	+86-10-64915295/58648668(F)	www.bst.org.cn biruisi_9001@163.com	241 Huixinli, Chaoyang District, Beijing, China
Beijing Zhongnong Ivfa Agro-tech Ltd.	Ren Kailin	+86-10-65031866/65031757	chinaorganic@yahoo.com.cn	100 mail box, 20 maizidian street, Chaoyang District, Beijing,China
Hangzhou Environmental Protection Technology Consulting Ltd.	Dai Zulin	+86-571-88354434/88354426(F)	www.sunny.net.cn/ sunny-2001@163.com	6th floor of environmental protection synthesis building, 218 Desheng road, Hangzhou, China
Guangzhou Yujie Management Consulting Ltd.	Shi Yanan	+86-20-38913060/38913063(F)	www.yuj.org.cn	3801-3806 of tianhe building, 133 tiyu west road, Guangzhou
Shaanxi Haohan Management Technology Consultation Co.,Ltd	Cao Jun	+86-29-88225459/88272652(F)	www.hhvcc.cn haohan@hhvcc.cn	B-2803, 5 building of zhongtian international flat, 269 taibai south road, Xi'an
Shan'xi Era Jingwei Certification Consulting Ltd.	Zhang Yonghua	+86-29-88130768/88130768(F)		In the Jiaotong university, 28 Xianning West Road, Xi'an, China
Shenyang Youhexin Certification Consulting Ltd.	Xu Guifang	+86-24-24138118/24138118(F)	www.yhxrzx.com yhxrz@126.com	709 of Jiahe Business Building, 68 Pangjiang Street, Dadong District, Shenyang, China
Dalian Zhongbao Business Consulting Center	Zhao Shuhua	+86-411-87656556/87656559(F)		908 development building, 9 Office Zone, Economy Develop Area, Dalian, China
Jilin Province ZhiXie Consulting Center of Quality Management System	Li Zhenkai	+86-431-5316534/5382727(F)		7370 weixing road, Changchun, China

Appendix V Organic certification bodies in China registered with CNCA

(as of March 2010, Issued by CNCA in June, 2010)

Certifier	Address	Tel./Fax	Web/E-mail	Director
China Quality Certification Center(CQC)	Section 9, 188 Nansihuan West Road, Beijing 100070,China	+86-10-83886666/83886282	www.cqc.com.cn cqcsc@cqc.com.cn	Ms. Wang Kejiao
China Quality Mark Certification Group (CQM)	33 Zengguang Road, Haidian District, Beijing 100037, China	+86-10-88411888/68415033	www.cqm.com.cn cqm@cqm.com.cn	Mr. Liu Huaihao
Shanghai Audit Center of Quality System (SAC)	258 Wuyi Road Shanghai 200050, China	+86-21-52387700/52388978	www.sac.org.cn service@sac.org.cn	Mr. Sun Chunyi
Guangdong Zhongjian Certification Co., Ltd.(GZCC)	4F, Huajiang Building, 227 Guangzhou Dadaozhong, Guangzhou 510600, China	+86-20-87369002/87369098	www.gzcc.org.cn food@hjes.org.cn	Mr. Hu Sushan
Gainshine Assessment Co., Ltd. (GAC) (Former name: Zhejiang Audit Center for Quality System)	25F, New Century Mansion, 15 Miduqiao Road, Hangzhou 310005, China	+86-571-85067941/85067842	www.gac.org.cn gac@gac.org.cn	Mr. Deng Dongwang
WIT Assessment	1 Hangda Road, West Lake District, Hangzhou 310007, China	+86-571-87901598/87901360	www.wit-int.com contact@wit-int.com	Mr. Tang Kaishan
Beijing ZAZH Certification Center	22F, 1 Building, 58 Dongsanhuan South Road, Chaoyang District, Beijing 100022, China	+86-10-58673399/58673519	www.zazh.com zazhrzb@yahoo.com.cn	Mr. Ren Qingcai
Beijing FQCC Quality Certification Co., Ltd	Building 7, 7 Section, 188 Nansihuan West Road, Fengtai District, Beijing 100062, China	+86-10-52227546/67129473	nqmp@163.com	Mr. Wang Guiji
China Organic Food Certification Center (COFCC)	59 Xueyuan South Road,Haidian District, Beijing 100081, China	+86-10-62122266/62131330	www.ofcc.org.cn ofcc@ofcc.org.cn	Mr. Li Xianjun
China Environmental United Certification Center Co., Ltd	1 Yuhuanlu, Chaoyang District, Beijing 100029, China	+86-10-58205886/59205888	www.sepacec.com sepacec@sepacec.com	Mr. Chen Yanping
Organic Tea Research and Development Center (OTRDC)	1 Yunqi Road, Hangzhou 310008, China	+86-571-86650449/86653151	OTRDC@mail.tricaas.com	Mr. Yang Yajun

ORGANIC FOOD PRODUCTS IN CHINA: MARKET OVERVIEW

Certifier	Address	Tel./Fax	Web/E-mail	Director
Beijing Continental Hengtong Certification Co., Ltd	4 Guangyi Street, Xuanwu District, Beijing 100053, China	+86-10-63180681/63180691	www.bjchtc.com liguoq@163.com	Mr. Li Guoqiu
Fangyuan Organic Food Certification Center	Flat A, 11, F Liyang Commercial Building, 106 Huanghe South StreetHuanggu District, Shenyang 110031, China	+86-24-86806565/86808585	www.fofcc.org.cn fofcc@163.com	Mr. Yuan Zhuren
Heilongjiang Green Environment Organic Food Certification Centre	98 Jiaohua Street, Nangang District, Harbin 150006, China	+86-451-86484811/86484817	cnhljofcc@126.com	Mr. Tang Zhenru
Beijing BECC Certification Co., Ltd	Room 2405, 61 Building, Xili, Balizhuang, Chaoyang District, Beijing, China	+86-10-85867578/85860431	www.becc.net.cn	Mr. Yang Jingli
Liaoning Environmental Organic Food Certification center (LEOFCC)	No.90,Taishan Road, Huanggu District, Shenyang 110031, China	+86-24-86132383/86132383	www.leofcc.cn LEOFCC@163.com	Mr. Wang Zuojia
Beijing CHC Center	Room 502, 1 Building, 23 Binghe Road, Xuanwu District, Beijing 100081, China	+86-10-63310560/63310560-613	www.bjchc.com.cn admin@bjchc.com.cn	Mr. Fang Chenggang
Environmental Research Institution of Xinjiang Production and Construction Corps,	16 Jianshe West Road, Urumqi 830009, China	+86-991-2819402/2328412	www.qsfruit.com xhyirz@163.com	Mr. Wan Qin
Certification Center of North-West University for Agriculture and Forestry Engineering	28 Xinong Lu, Yangling District, Shanxi 712200, China	+86-29-87091496/87091495	ylofcc.nwsuaf.edu.cn ylofcc@yahoo.com.cn	Mr. Sun Wuxue
Organic Food Development Center, MEP of China	8 Jiangwangmiao Street, Nanjing 210042, China	+86-25-85287118 /85420606	www.ofdc.org.cn info@ofdc.org.cn	Mr. Xiao Xingji
Beijing Orient Jiahe Certification Co., Ltd	10 Tianxiu Road,Haidian District, Beijing 101200, China	+86-10-86638862/62828872	www.jiahe.org.cn bjdfjh@126.com	Mr. Wang Xiangyi
ECOERT China	Room 4015, Administrative Building, 10 Tianxiu Road, Haidian District, Beijing 100091, China	+86-10-62827070/62827958	www.ecocert.cn info@ecocert.cn	Mr.Meng Fanqiao

Certifier	Address	Tel./Fax	Web/E-mail	Director
BCS China	College of Hunan Biomechanical Engineering, Donghu District, Changsha 410127, China	+86-731-4637041/4636932	www.ceres-osc.com fangbeishu@vip.sina.com	Mr. Fang Beishu
JONA China	8 Jiangwangmiao Street, Nanjing 210042, China	+86-25-85287118/85420606	www.ofdc.ord.cn info@ofdc.org.cn	Mr. Xiao Xingji
IMO China	P.O. Box 103, Gulou Post Office Nanjing 210008, China	+86-25-84757450/83201536	www.imochina.cn imochina@hotmail.com	Mr. Ding Wei
CERES China	Room 402, 147 Shuangyang North Road, Yangpu District, Shanghai 200093, China	+86-21-55060001/55061651	www.ceres-osc.com info@ceres-ocs.com	Mr. Yuan Caiyong

References

CESDRRC (2007), Organic Food Directory for China 2008, CEEC, Beijing.

Chen, Jue; Antonio Lobo and Bruno Mascitelli (2010), "Buyer behaviour of organic food in China: Consumers have their say", Global Business and Technology Association, paper presented at Twelfth Annual International Conference, July 5-9, 2010, South Africa.

Difei, Wang (2010), private communication, General Manager of Organic Food Delivering Net, Dalian SWIFT Information Consulting Service Co., Ltd., Dalian.

Han, Wenyan (2010), private communication, Tea Research Institute, Chinese Academy of Agricultural Sciences, Hangzhou City.

King, F.H. (1911), *Farmers of Forty Centuries: Organic Farming in China, Korea, and Japan*.

Liu, Pascal (2007), A Practical Manual for Producers and Exporters from Asia: Regulations, Standards and Certification for Agricultural Exports, FAO, Rome.

Liu, Xiande (2010), Organic Regulation and management system of China, power point presentation at the Global Organic Market Access (GOMA) Workshop, 4-5 February 2010, Bangkok.

Paull, John (2007), "China's organic food showcased ", Acres Australia, 2007, Vol 15, Number 2, pp 31 – 32.

Qiao, Yuhui; Setboonsarng, S.; and Halsberg, N. (2009), "PRC Country Study on Organic Agriculture and the Millennium Development Goals" Forthcoming ADBI Working Paper 2009.

Sheng, Jiping (2009), Market trends and accreditation systems for organic food in China (et al.), Trends in Food Science and Technology.

Tsao, Jane (2010), private communication, owner of BIOFarm (Shanghai) Co., Ltd, Shanghai.

Wang, Apple (2010), private communication, manager of O'store International Trading (Shanghai) Co., Ltd, Shanghai.

Willer, H., and M. Yussefi (2004), The World of Organic Agriculture Statistics and Emerging Trends 2004, International Federation of Organic Agriculture Movements – IFOAM, Bonn.

Willer, H., and M. Yussefi (2005), The World of Organic Agriculture Statistics and Emerging Trends 2007, IFOAM, Bonn and FiBL, Frick.

Willer, H., and M. Yussefi (2007), The World of Organic Agriculture Statistics and Emerging Trends 2007, IFOAM, Bonn and FiBL, Frick.

Willer, H. and L. Kilcher (2009), The World of Organic Agriculture Statistics and Emerging Trends 2009 (eds.), FiBL-IFOAM Report, IFOAM, Bonn; FiBL, Frick; ITC, Geneva.

Willer, H. and L. Kilcher (2010), The World of Organic Agriculture. Statistics and Emerging Trends 2010 (eds.), IFOAM, Bonn and FiBL, Frick.

Willer, H.; M. Yussefi and N. Sorensen (2008), The World of Organic Agriculture. Statistics and Emerging Trends 2008 (eds.), IFOAM, Bonn, and FiBL, Frick.

Xie, Biao, Li Tingyou, Zhao Keqiang and Xi Yunguan (2005), "Impact of EU organic- certification regulation on organic exports from China", Outlook on AGRICULTURE Vol 34, No 3, 2005, pp 141–147.

Xie, Weihua and Xiao Xingji (2007), Country Report on Organic Agriculture in China, International Trade Centre's Regional Conference on Organic Agriculture in Asia, December 12 – 15, 2007, Bangkok, Thailand.

Xu, Freddie (2008), China, Peoples Republic of: Organic Products: Shanghai Organic Retail Market Profile 2008, GAIN Report Number: CH8821, USDA Foreign Agricultural Service.

Yu, Kaijin (2010), Organic Control System in China, power point presentation, Sri Lanka national organic seminar organized by SriCert, 8 January 2010, Columbo.

Yussefi, M., and H. Willer, eds (2003), The World of Organic Agriculture – Statistics and Future Prospects – 2003, International Federation of Organic Agriculture Movements, Tholey-Theley.

Yuan, Mika (2010), private communication, owner and general manager of Nanjing Maoshengyuan Tech Trading Co., Ltd, Nanjing.

Zhou, Zejiang (2010), private communication, IFOAM Representative to China and Senior Advisor to OFDC, Nanjing.



Street address
International Trade Centre
54-56 Rue de Montbrillant
1202 Geneva, Switzerland

P: +41 22 730 0111
F: +41 22 733 4439
E: itcreg@intracen.org
www.intracen.org

Postal address
International Trade Centre
Palais des Nations
1211 Geneva 10, Switzerland

The International Trade Centre (ITC) is the joint agency of the World Trade Organization and the United Nations.