



Issue 19

August 6, 2012

SPECIAL ISSUE

China's Organic Industry



China Updates is a service provided by U.S.-China Health Products Association. The Newsletters will be issued as relevant material becomes available. China Updates will provide news on regulatory environment, new legislation, association activities and any information related to the natural health products industry in China.

Organic Food in China, Not So Organized

By Alice Yang

Organic and natural food industries are growing across the world. Most consumers are interested in the potential benefits of foods and products produced in this way. From a consumer's point of view, an organic lifestyle represents a healthier and more sustainable way of living. However, in China the pursuit of safe food is first on everyone's mind. Healthy and sustainable come in a distant second and third.

Case in point, recently there has been many articles written in China and the foreign press placing McDonalds of all place as a "healthy" place to eat in China. This is odd because the rest of the globe views the restaurant as a junk food paradise and is often lumped in with other restaurants and products that are to blame for obesity, diabetes, cardiovascular disease etc. So how is that McDonalds is placed on the pedestal of greatness in China? Well it isn't that the products are seen as "healthy" in the sense of nutritious, it is considered to be a "healthy" place to eat in terms of food safety. McDonalds isn't alone here. We should probably also make room on that pedestal for KFC, Pizza Hut and other foreign chains. Although these establishments are considered unhealthy by most, the one thing they do take serious and exceed at when compared to many of their Chinese competitors, is safe food handling and consistency in preparation.

This situation has caused the association to take a closer look at the current situation of food safety in this case focusing in on the current organics industry.

Expensive Organic Food

"I never buy organic vegetables at the supermarket," said a housewife in Beijing, "It is too expensive." Yes, the first impression of the organic food to average Chinese is very expensive. For example, the non-organic carrot costs about 5 Yuan per kilo in Beijing; however, if it has an organic certification, it will cost 30 Yuan per kilo. Generally, the retail price for buying organic is between 2 to 10 times more expensive than non-organic. Why so expensive?

First, to plant organic costs a lot in itself. Cultivation should be done in the absence of chemical fertilizers and pesticides, it should also not be genetically modified and the soil needs to be clear of pollutants. Even the job of weeding needs human labor, which is more labor intensive than using chemicals.

Second, to have an official organic certificate costs a lot of money. A senior manager from a company that has obtained organic certifications said it costs them about 50,000-60,000 Yuan for each product they want registered. "For example, there are over 20 kinds of vegetable growing on our farm, such as cabbage, tomato, cucumber, pepper, etc. If we want to have all the products certified, it will cost us at least 1 million Yuan for just one-year validity. The process is too complicated, and the fee charges too high." he said. Adding that the high overhead in regulatory fees has to be passed on to the consumer. It cannot be absorbed as a cost of doing business.

Third, the cost of getting on the shelf has to be added into the price as well. The logistics systems and sales channels available to organic products are of higher standards and thus require more investment in rent, shelving fees etc.

Although organics were introduced to China over 20 years ago, it has been slow to develop. Looking at the costs involved in becoming certified, it is no wonder the consumer base for organics is growing at a snail's pace. Reports say that the organic food industry only accounts for less than 0.1 percent of the food market. There are plenty of reports touting China's Organic boom, but growth from nothing to something always looks great on paper. It isn't just the cost that drives consumers away from those high priced carrots; it is also a lack trust.

Difficult to Trust

"I've read so much news about how unsafe our food is," said a young lady shopping for vegetables at the organic area of a Beijing supermarket. "Even though organic vegetables are more expensive, I feel the chances the quality is better than the non-organic is a safe bet. Anyway, the more expensive, the better quality, as the Chinese saying goes." she said.

However, is it true "Higher price equals better quality"?



At the end of 2011, Focus Report, a famous program on China Central Television (CCTV), reported that the market was full of fake organic vegetables. Vegetables labeled organic that were sold in well-known supermarkets were actually not organic. Pesticides and chemical fertilizers were used at the so-called “organic” farms that cultivated the fraudulent produce. The vegetables in question were tested and shown to have higher chemical levels than the non-organic versions sold for a fraction of the price. So in this case, consumers were paying top dollar (Yuan) for poison produce.

Focus Report also stated that fake organic labels only cost 0.03 Yuan (\$0.005) or less if buying in bulk from taobao’s website, which is China’s largest online shopping destination. Also, some companies were reported to just buy an official organic certificate from an official organization, instead of going through the “hassle” of getting their growing base and supply chain audited. So in this current environment, how can consumers trust organics in China?

In the U.S. and other western countries if a product is marked organic consumers will trust that it is and pay the extra money. Expanding the organic market in China is difficult because it lacks consumer confidence. However, many organic products being sold in the U.S. are actually imported from China. Although this is not a new trend, it is news to most consumers. With food safety issues coming out of China on what seems a daily basis, it will be interesting to see how U.S. consumers react. Because some well respected natural and organic retailers chose to save a few bucks by sourcing from China, it might cost them a bundle in the end.

Where is the Supervision?

Why are there so many illegal or fake organic products in the market? Where are the government agencies and inspectors that should be conducting surveillance?

In 2005, China established the standard of China’s organic products with detailed regulations being released by the Certification and Accreditation Administration of China (CNCA), which is the government department in charge of the organic industry. These rules composed the standards for the certification agencies to follow. Any organic certificate should be issued by a certification agency authorized by CNCA, as an independent third party.

According to CNCA, there are 23 organizations having the authority to award organic certificates. As China’s organic system is divided into a variety of segments such as plant, meat, marine product, and processed products. Seventeen of these organizations have the authority to award organic meat certificates, fifteen of these can also award organic marine certificates and all of them can award organic plant and processed products certificates.

The 23 authorized certification agencies are as follows.

1. China Quality Certification Center
2. China Quality Mark Certification Group
3. Guangdong Zhongjian Certification Co., Ltd

4. Gainshine Assessment
5. WIT Assessment
6. ZhongAn Authentication Center
7. Zhongshihengxin Food Quality Certification Center
8. Heilongjiang Quality Certificate Center of Agricultural Products
9. China Organic Food Certification Center
10. China Environmental Certification Center
11. Zhong An Zhi Huan Certification Center
12. Beijing Continental Hengtong Certification Co., Ltd
13. Fangyuan Organic Food Certification Center
14. Liaoning Environmental Organic Food Certification Center
15. Beijing WuYue HuaXia Management & Technique Center
16. Xinjiang Science and Research Institute of Environmental Protection
17. Certification Center of Northwest A&F University
18. Organic Food Development Center of the Ministry of Environmental Protection
19. China Cooperative Quality Certification Center
20. Beijing Orient Jiahe Certification Co., Ltd.
21. Beijing ECOCERT Certification Center Co., Ltd.
22. IMO Control CN Co., Ltd
23. CERES (Shanghai) Certification Co., Ltd.

However, it was reported by Southern Weekend newspaper that over the last two years 200 organic products certificated by an authorized center were found not to meet the government standards. Another troubling point is that certificates expire after one year and the amount of re-registering companies seems to be lacking, which means there are a lot of products floating around using expired certificates.

The contradiction between market demands and the small-scale supply of legal products has produced an opportunity for those individuals that operate in the gray areas of business. It's surprising to hear companies are using fake, infringing or expired organic certifications. Since the above-mentioned agencies play the role of both 3rd party certifier and supervisor, it's a stretch to call them true 3rd party agencies.

Organic regulations clearly state that during the certification application process, the applying farm needs 1 to 3 years for soil turnover, but it was reported that some certification agencies released the organic certificate 2 months after the payment was received. Also follow up and supervision of these newly certified farms is lacking. There must be auditing done to ensure no pesticides or chemical fertilizers are being used and in many cases supervision hasn't taken place, which is against the National Organic Product Certification Management Method. Take the money and run as they say.



New Rules to Follow

In wake of this lax and faulty system, China launched new Organic Products Certification Rules on March 1, 2012. One stipulation in the new regulations is that all companies, which previously received an organic certificate, should be re-evaluated to confirm compliance. If they pass, the company will receive the new certificate with a new code replacing the old one.

The transition period will last until July 1, 2012. By then, the Certification and Accreditation Administration will issue a catalogue collecting all the organic certificates, which will be uploaded to the Chinese food-product certification system website food.cnca.cn, which is open to the public for review.

If customers find fake organic products, there are three official ways to complain. #1. Complain to the certificate center; #2. Call 12365, and complain to local quality supervision bureau; #3. Call 010-82262671 to complain to Certification and Accreditation Administration of China.

Also, the government will establish an information tracing system for organic products. Will it be a brighter future for organic food industry? Still needs time to tell.

China's Food Safety System

China's Ministry of Agriculture set up general standards and rules in 2003 for three levels of certificates for safe agriculture products, namely Non-polluted products, Green food products, and Organic products. Of which, the organic certificate is the most difficult to receive.



Organic and Conversion
to Organic (brown)



C:0 M:0 Y:100 K:0
C:0 M:60 Y:100 K:0



Green Food Class AA



Green Food Class A



Unpolluted Food

The most apparent difference between Organic food, Non-polluted food and Green food is that organic products cannot have any man-made synthesized substances, such as pesticides, fertilizers, synthetic pigments, or hormones etc. For the Non-polluted and Green Foods certifications, those substances can be present. However, they must be controlled below certain levels.

According to Chinese food-product certification system, there are 10,615 Organic Product certificates, 16,744 Green Food certificates and 71,671 Non-polluted Products certificate in use as of March 1, 2012. Most of the Green Food certifications were issued by China Green Food Development Center, the official organization to conduct Green Food products assessment.

(Source: USCHPA)

If you have China related news that you would like to share with the association for publication in its newsletter please contact us at:

news@uschinahpa.org

Copyright © 2012 U.S.-China Health Products Association. All rights reserved.