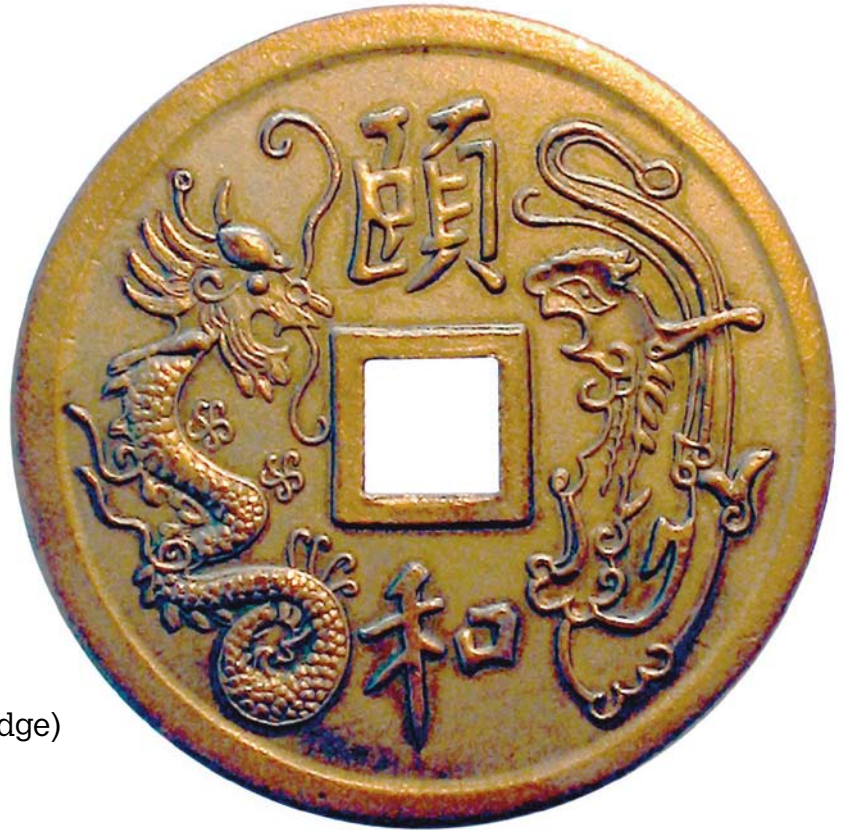


Chinese Year of Organic

» By Alasdair Smithson. (Organic Knowledge)



China is the world's largest and most populous country with just over 1.3 billion people, the world's population is approximately 6.7 billion, making one in every five people on the planet a resident of China.

China's total retail fresh fruit and vegetables market grew by 144.9% between 2002 and 2008 to reach a total value of US\$34.68bn. This compares with a total population growth of 6.36% over the same period, meaning that per capita spending on fruits and vegetables had increased by 116.45% or US\$20.9 by 2008.

With the exception of perhaps the past 9 months China's strong economic growth and a subsequent climb in consumer incomes have created greater demand for better-quality and 'greener' food products. The continent of Asia as a whole reported a large increase in organic food production in 2007. Its 2.9 million ha of organic land represent 9% of the global total. The leading Asian country in terms of organic land area is China (1.6 million ha), followed by India (1 million ha), with China now become an internationally valuable source of organic ingredients such as soya beans, seeds, grains, tea, vegetables and fruit.

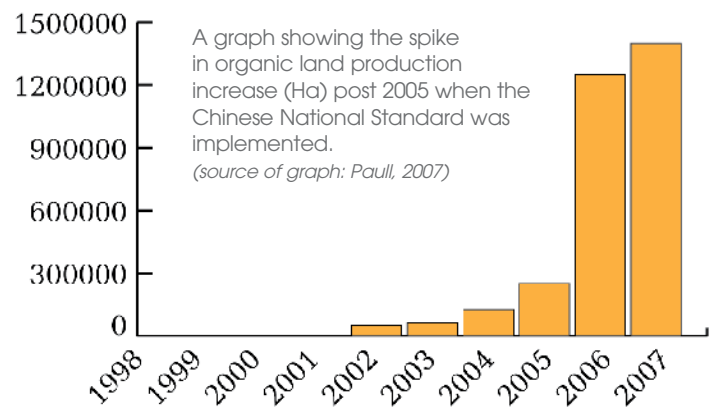
The first organic export from China was in 1990. The Chinese national organic standard and national organic logo were established in 2005. 27 registered and 22 accredited certifiers now operate in China servicing the domestic market and 6 foreign certifiers are registered in China catering for export markets.

Leading supermarket chains in China are now becoming directly involved in the selling of fresh produce, including fruits and vegetables. The leading grocery chains had been directly sourcing their local fresh produce for a long time. But, supply

problems, quality problems, the use of pesticides, traces of heavy metals etc. have continued to make sourcing local fruit and vegetables difficult.

Retailers, such as Carrefour and Wal-Mart, have been investing substantial amounts of time in working with farmer-suppliers to overcome these problems – to improve production methods, rid the production cycle of contaminants, support viable cooperatives that can manage land, grow crops more sustainably and supply quality produce more efficiently.

While the term 'organic' is still poorly understood in the Chinese domestic market, 'Green Food' is well known and readily available. Green Food is a Chinese innovation and dates from 1990. The China Green Food Development Centre was founded in 1992 to oversee



Organic agricultural land and producers by continent, 2007 (including in-conversion area)

Geographical Region	Organically managed agricultural land area (ha)	Share of total agricultural land	Producers
Africa	870,329	0.1%	529,986
Asia	2,881,745	0.2%	234,147
Europe	7,758,526	1.9%	213,297
Latin America	6,402,875	1%	222,599
North America	2,197,077	0.6%	12,275
Oceania	12,110,758	2.6%	7,222
Total	32,221,311	0.8%	1,219,526

Source: FiBI & IFOAM

the implementation of this food production program.

Certification for Green Food production involves the regulation of inputs, with the objective of reduced use of pesticides, the oversight of production, and the residue testing of the produce. This Green Food strategy has been used as a 'half-way house' between chemical food and organic food production. The Green Food standards really formed the baseline for the transition from Green Food certification to Organic certification, and thus enabled the reported dramatic ten-fold increase in organic hectares in China in 2006 (see graph on previous page).

In 2005 the first Chinese national organic standard was issued by the State Certification and Accreditation Administration (CNCA) and two new National organic logos (organic and in-conversion) were released, which has led to the rapid adoption of organic certification by farmers and processors.

With organic food products now readily available in big city supermarkets and with the increase in retail outlets dedicated to organic food only, there is an increasing awareness and demand by Chinese consumers for organic food. However, organic is still a relatively new concept and is not well understood by many Chinese consumers. Hopefully the use of a National logo will reduce the confusion that surrounds organic food and be a good tool for building consumer awareness.

The following facts and figures are from personal correspondence with Zhang Aiguo of the Organic Food Development Center.

Q: What is the estimated retail value of the Chinese organic market?

A: Export market in 2008: 500 million USD (estimated). Domestic market in 2008: 600 million USD (estimated)

Q: What is the estimated farm gate value of the organic market in China?

A: 2.6 billion USD (estimated). The gap between this figure and the retail value figure in the previous question means a large proportion of certified organic products have been sold as conventional ones owing to the lack of a marketing platform.

Q: What is the estimated % of organic food sales?

A: 0.02% (estimated in 2006)

Q: What is the estimated % of organic land compared to total agricultural land area?

A: 0.75% (estimated)

Q: What are the main imported organic products?

A: Dairy products, oat products, wine, etc. The Chinese regulation asks that imported organic products must be certified to the

by a sizeable population of Australian ex-pats, and our lines are now well-established in the prestigious Harvey Nichols department store."

Seeking entry into the potentially lucrative but still immature Chinese market, Stephen sponsored a group of MBA students from the Melbourne Business School to research the viability of a Chinese market entry in 2009/ 2010.

"Our true potential target market is a very small fraction of the total market for men's personal care," Stephen says. "Registration is our biggest barrier to entry costing tens of thousands in fees for the whole range, so just getting onto the shelves - with no guarantee of sales - requires a sizeable investment."

Instead, Stephen has decided to soft launch

into the Chinese market via the internet to minimise entry costs. He says once the market potential has been tested via this virtual channel, a more sizable investment can be justified.

"Obvious consumption is a strong driver in the community, which will make it harder to sell a non-obvious status line like skin care," he says. "Paying extra dollars for a niche brand is still a foreign concept in China so this will require a new marketing approach."

Stephen says that the size of the product will need to be changed to suit local needs and that the slightly oilier texture of Asian skin must be catered for by re-formulating some lines and promoting existing astringent products. The company will develop an Australian-based website in Chinese.

Finding the key to new organic markets in China

Stephen Damiani's *Eyre BioBotanics* is an Australian range of natural and certified organic skin care products formulated specifically for men.

Named after the Eyre Peninsula artesian spring water used in its formulation, the range is enhanced with plant extracts that are certified organic, biodynamic or wild-harvested. *Eyre BioBotanics*, the world's first certified organic skin care brand exclusively for men, has won a place in domestic and international markets.

"We have been exporting to the UK since 2006 and to the USA since 2009," Stephen says. "In 2007 we started exporting to Hong Kong and our launch coincided with the Cosmoprof Expo gaining significant media coverage. There has been a really positive uptake, perhaps helped



Organic Tahini

(Sesame Paste)



- ✓ Sesame Lignan
-Sesame's special antioxidant
- ✓ Vitamins
- ✓ Minerals
- ✓ Omega 6 Fatty Acids



For recipes, please visit

www.carwari.com



Black Sesame Mousse

Carwari International Pty Ltd
Phone: 02 9516 5152 • Fax 02 9516 5012

National Chinese organic standard.

Q: What are the main exported organic products?

A: Soybean, vegetables, fruits, tea, bamboo shoots, mung bean, kidney bean, pumpkin seed, sunflower seed, pine nut kernel, honey, flax seed, etc.

Q: What is the number of organic processors in China?

A: 800 (estimated)

Story continued over page...



Q: What is the number of organic farms in China?

A: 3000 (estimated)

Q: What is the organic consumer demographic e.g. Average age?

A: No exact information is available but consumers are mainly: golden age, mothers with young babies, white collar, foreign

“The leading Asian country in terms of organic land area is China (1.6 million ha), ... an internationally valuable source of organic ingredients such as soya beans, seeds, grains, tea, vegetables & fruit.”

people working in China, high star hotel and restaurant dwellers.

Q: How many organic certification bodies are there in China?

A: 22 accredited (27 registered)

Q: Is there a Government Organic Standard?

A: Yes, GB/T19630-2005 (Organic Product)

Q: Is there a National logo or lots of different ones?

A: There is a National logo, but certifiers can also use their own logo on products.

References

- Fresh Fruit & Vegetables in China 2009: A Market Analysis <http://geography.about.com/od/populationgeography/a/chinapopulation.htm>
- The Greening of China's Food - Green Food, Organic Food, and Eco-labelling
- The Australian National University (John Paull, 2008)
- Organic Monitor
- UK Soil Association, Organic Market Report 2008



Organic market hot as a wok in China

Restaurant and hotel market an entrée into Chinese organic trade

An initiative linking five cities in Victoria to “friendship cities” in China’s Yunnan province has provided an entrée into a potentially lucrative market for a national network of organic farmers.

Two annual trade shows in Kunming (“the Eternal Spring City”) enabled pastoralist Craig Sobey to make contacts with leading government and industry representatives with a view to establishing imports of organic produce, including “meat, wine and anything else we can source!”

Currently Australian organic product is being sold to high class hotels and restaurants with a view to expand this into retail shops in future.

Craig’s centre of operations is in Kunming, a city with a proximate regional population of 2.6 billion people. Austrade has a large office in Kunming, which is expanding into a major trading hub under the impetus of a government stimulus package directed at Yunnan province.

“Their economic progress is moving at speeds we can’t comprehend,” Craig says. “Kunming is at the hub of major air, rail, river and road transport systems. Major infrastructure that would take us five years takes them one year; their technology seems light years ahead.”

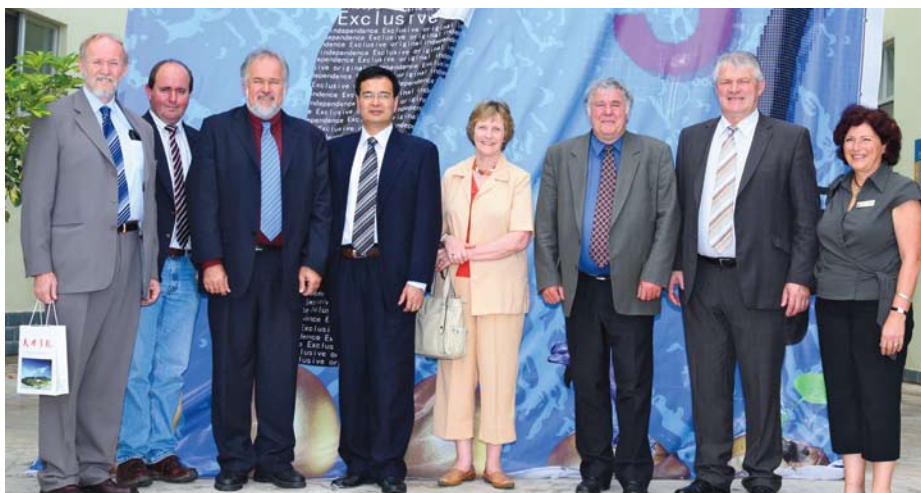
Craig says that the rapidly expanding Chinese domestic market is avid for “clean, green food.”

“The demand for organics is going through the roof in China,” he says. “China is an affluent society; there are many well-educated, widely-travelled, one-child middle-class families who are really concerned about safe food. China has a ‘Greenfood’ standard but it is mainly focused on sustainability. There are moves to establish some level of equivalency between our organic standards and theirs.”

Craig says that the Chinese government is keen to have farmers convert to organic food production, not only for the domestic market

but to facilitate entry into markets such as Japan, which are currently difficult to access for Chinese foodstuffs because of problems with pesticide residues. In the meantime, the opportunities for organic importers are plentiful, though they require patience.

“The Chinese government is eager to seek out new trade opportunities. They’re very welcoming, proactive and responsive,” Craig says. “For us, it’s a matter of developing relationships of trust, being patient and focusing on the long-term market.”



Friendship Cities’ initiative delegation, Dali, Yunnan province, China.