



Organic Agriculture in China(2020)



China Beijing Organic and
Beyond Corporation (OABC)

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China Beijing Organic and Beyond Corporation (OABC)

Overview of China's organic industry in 2018

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Category	Index	The year of 2018
---	China organic product authentication certificate	19365 pieces
---	Production enterprises in China	12226 enterprises
---	Production enterprises in China have obtained certificates	18955 pieces
Area	Organic plant production area	4.11 million hectares
	Wild collection production area	975,000 hectares
Yield	Total organic crop yield (including wild collection)	13.356 million tons
	Wild harvest yield	370,000 tons
	Organic sheep	3.21 million sheep
	Organic cattle	880,000 cattle
	Organic pig	240,000 pigs
	Total output of livestock, poultry and animal products	5.182 million tons
	Organic milk	2.5714 million tons
	Total production of organic aquatic products (aquatic plants)	559,500 tons
	Organic aquatic products aquatic plant products	387,700 tons
	Total production of organic processed products	4.8442 million tons
Organic processed products - grain milling yield	1.5056 million tons	
Sign	Record number of organic signs	1.91 billion
	Record number of organic labels of sterilized milk	1.139 billion
Production value	Total output value of organic products	24.32 billion dollars
	The output value of organic processing products	15.9 billion dollars
Sales	Organic sales	9.21 billion dollars
	Organic processing products sales	8.7 billion dollars
Overseas certification of Chinese standards	Number of overseas certification countries	41 countries
	Number of overseas organic certification enterprises	206 enterprises
	Number of overseas organic certification certificates	410 pieces
Certification status of overseas organic standards in China	Total area of overseas certification of Chinese organic products	119,000 hectares
	Total production of overseas certification of Chinese organic products	6.551 million tons
	Sugar plant yield	3.805 million tons
	Total area of organic crops certified in China in accordance with overseas organic standards	1.3551 million hectares
	Total production of organic crops certified in China in accordance with overseas organic standards	5.7379 million tons
Export situation	Total export trade of organic products	894 million dollars
	Total trade volume of organic products exported	705,100 tons

Foreword

The certification of organic products in China was developed in the 1990s and has a history of 30 years. It has been nearly 15 years since the Chinese government released the organic product standards in 2005 and established the corresponding organic certification system. China's organic industry has experienced a development process from scratch, from disorder to regulation. So far, China has become the world's third largest producer of organic agriculture and the fourth largest consumer of organic food. Because the language is different, it is difficult for English-speaking countries to obtain the certification of organic products in China, as well as the production and sales status. In the past six years, the Certification and Accreditation Administration of the People's Republic of China (CNCA) has released "the Certification of Organic Products in China and the Development of the Organic Industry". OABC also does simultaneous translation, but its distribution and reach are limited.

In order to let Chinese organic practitioners know about the world of organic agriculture and its development trend, OABC has translated "The World of Organic Agriculture: Statistics and Emerging Trends" for 8 consecutive years. At the same time, the organic agriculture technology center of OABC also organized and compiled "Organic Agriculture in China" on the basis of "Organic Product Certification and Organic Industry Development in China". The main purpose of this article is to let the practitioners of organic agriculture in the world have a comprehensive understanding of the development of the organic industry in China, organic standards, certification system, regulatory system, production and certification basic situation. The article also cited a consumer survey of organic products by Beijing Continental Hengtong Certification Co., Ltd (CHTC) commissioned by the CNCA. The last part of the paper also analyzes the contribution of organic agriculture to China, current difficulties, future

development opportunities and preliminary forecasts based on our working experience.

At the beginning of writing, we consulted Chen Encheng, director of CNCA, and got affirmation and support. He encouraged us to keep going and break the language barrier of organic farming in China and around the world. Qiao Yuhui, associate professor of China Agricultural University, You Anjun, director of China Quality Certification Center (CQC), Zhang Jibing, director of Organic Food Development and Certification Center of China (OFDC), Xia Zhaogang, deputy director of China Organic Food Certification Center (COFCC), Geng Yunxia, general manager of Beijing Ecocert Certification Center Co., Ltd (ECOCERT), QuLi, deputy general manager of Beijing Continental Hengtong Certification Co., Ltd (CHTC), Lu Zhenhui, deputy general manager of WIT Assessment, etc. Thanks for all the valuable advice they have given since the completion of this article.

We hope that this brochure can be released during the Nuremberg exhibition in Germany, so that more international counterparts can know the development situation and trends of organic agriculture in China, and in particular, we hope to promote the mutual recognition of international and Chinese organic standards in the future. We hope readers can understand the omissions and deficiencies caused by the initial compilation. If you want to know more about organic agriculture in China, please feel free to contact us.

Organic Agricultural Technology Centre of OABC (OATC)

Jan. 22nd, 2020

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1. The History and Features of Chinese Agriculture

China is one of the world's agricultural origins. During the thousands of development, Chinese people had created many world-leading inventions for the agriculture practice, but it has also experienced a long time of stagnation. In 1909, F. H. King, the director of the U.S. Department of the Interior Bureau of Land Management, traveled to China via Japan. He wrote the book *Farmers of Forty Centuries* in 1911, after investigated the China's agricultural experience which endured for thousands of years. He wrote in it: "Under the long-term human resource pressure, these farmers of the world's oldest nation gradually adopted practical experience and formed its farming system. This farming system, undergoing 4000 years of evolution, still produce enough food to feed such a large population. We want to know how they did it." Dr. King came to China to learn those traditional farming techniques which are rare after 100 years later. Nowadays, traditional farming has been replaced by chemical fertilizers and pesticides, which is also a challenge for the sustainable development of Chinese agriculture.

Because its large population, China basically feeds 20% of the world population with merely 7% of arable land of the planet, and the amount of various land resources per capita is significantly lower than the world average. At present, 560 million Chinese people live in rural areas, accounting for 40% of the total population. The 560 million farmers own 1.86 billion mu arable land with an average of 3.3 mu per capita, so most agriculture products are produced by these farmers. These products have no brand and its price is also relatively low. Although these products are intensive farming, because of its small scale and low level of mechanization, it has lower production efficiency and higher cost

compared with developed countries. Now, more and more agricultural enterprises start lease land, hire farmers, use modern agricultural technology and management methods to improve product quality and develop their own brand. However, due to the changes in production organization and higher cost, the price of these products is also much higher compared with single farmer. Due to the lack of basic agricultural brands, older consumers in China find it difficult to accept that branded agricultural products are more expensive than non-branded one. But China is undergoing consumer transformation, more and more young people choose branded, higher-priced and better-quality agricultural products.

2. The Development History of Organic Certification in China

Chinese organic product certification started in the 1990s. In 1990, Peihou Tea Plantation and Lin'an Tea Factory in Lin'an County, Zhejiang Province obtained the organic certificate from SKAL, Netherlands. This is the first organic certification inspection in mainland China.

In 1994, the Organic Food Development and Certification Center of China (OFDC) established in Nanjing, it was the earliest organic certification agency established in China. The former National Environmental Protection Agency led the establishment of Chinese organic product certification system.

In 1995, China Green Food Development Center started the research and certification of AA-grade green food.

The certification standards and management of AA-grade green food and organic food are relatively close, so the research and certification to AA-grade green food laid a foundation for the establishment and development of China's organic agricultural production bases.

The Development History of Organic Certification in China

Since implement of “Regulations of the People's Republic of China on Certification and Accreditation” in 2002, the certification of organic product was conducted by Certification and Accreditation Administration of the People's Republic of China (CNCA). In 2003, CNCA organized relevant departments to formulate national standards for organic products and draft the management measures for organic product certification. In 2004 and 2005, regulations and standards such as "Administrative Measures on Organic Product Certification", "Organic Products" and "Implementation Rules for Organic Product Certification" were formulated and issued. A unified and internationally recognized organic product certification and accreditation system was established in China. From 2011 to 2014, CNCA revised the standards, methods and rules, and established a unified organic product certification catalog. In 2019, the CNCA revised these standards and rules again.

3. Organic Standards and Regulations in China

3.1 Competent Authority

The State Administration of Market Regulation (SAMR) / Certification and Accreditation Administration of the People's Republic of China (CNCA) is a ministerial administrative agency directly administered by the State Council. It is also the competent authority for unified management, supervision, and coordination of national certification and accreditation work. SAMR/ CNCA is in charge of formulating certification systems such as organic standards and

related laws and regulations, as well as approving and managing of certification bodies.

3.2 Certification Standards and Systems

The “Organic Product” (GB / T19630) standard was promulgated on April 1, 2005. China's organic standards made several references to the standards of the United Nations Codex Alimentarius, IFOAM, OCIA, European Union, Germany, Sweden, the United Kingdom, the United States, Japan, Australia, New Zealand, etc. It also combined with Chinese agricultural production traditions and related standards for food industry. The "Regulations on Organic Product Certification Management", "Rules for Implementing Organic Products Certification" and other supporting regulations has also promulgated. After several revisions, the latest revised standards and implementation rules were issued in 2019.

In 2005, CNCA submitted requirement to the European Union for recognizing China's organic product certification system and including China in the "EU Third-country-list on Organic Products Imports". After several rounds of feedback on technical evaluation, and many times of communication with the European Union, the technical comparison was almost completed. In June 2012, the European Commission and CNCA reached an consensus on mutual recognition of organic products and signed the “China-EU Memorandum of Co-operation on Mutual Recognition of Organic Product Certification”. Based on this agreement, China and the EU will evaluate their respective legislation, standards and control measures for organic products, and promote the establishment of mutual recognition and cooperation agreements on organic product trade. Specific goals including: promoting mutual understanding,

mutual trust, and bilateral cooperation in organic agriculture field; mutual recognizing laws and regulations in the field of organic products, and promising mutual benefit; conducting technical discussions on steps to be taken to achieve the mutual recognition in the organic field; establishing regular contacts and exchanges on legislation, technical standards and procedures in the field of organic agriculture. However, this project is stalled at present.

According to China's organic certification system, if any company cheats in production, it is not allowed to conduct organic certification for another 5 years. Based on the risk assessment, an organic certification catalog was established. Some high-risk products such as honey are excluded in the catalog and cannot apply for organic certification. After the production technology gradually matured, the organic wolfberry certification pilot began in 2016. In 2019, wolfberry was officially listed in the certified products catalog. For the vegetable production, the certification and inspection are needed for every seasons, the main purpose is to reduce the certification risk of organic vegetables.

In terms of certification, organic product certification body has the main responsibility for the certification results and joint responsibility for product quality; and all the staffs evolved in the certification process are included in the responsibility-ascertained system; the credit archives for certification body and staff in the field of organic product certification was established, the credit punishment mechanism such as withdrawal from market permanently and limited-access market permanently was improved to increase the cost of cheating.

3.3 Organic Certification Body

The certification body needs to conduct organic product certification activities under the approval of the CNCA. Until December 31, 2019, the number of organic product certification bodies approved by the CNCA had reached 85. There are 15 international certification bodies that conduct certification business based on overseas organic product standards in China, 2 of which established certification bodies in China with the approval of the CNCA. The other 13 carry out business with domestic certification agencies in the form of subcontracting.

3.4 Organic Signs and Anti-counterfeiting and Tracing Systems

China set up a national organic certification mark, as shown in figure 3-1. The mark can only be used after the product has been converted and passed the organic certification.



Figure 3-1 China's organic product certification mark

At present, the CNCA formulated an organic product anti-counterfeiting code system, as shown in Figure 3-2. This code has a retroactive function. Only organic certified products can use this code. The label includes China's organic product certification mark, the name of certification body, and each label has an independent 17-digit organic code. This label has anti-counterfeiting functions. The certified company needs to purchase the anti-counterfeiting label from the certification body. Every package for each product should use

this label. It is necessary to identify the name, specifications, quantity and other information of each product when applying the label. The certification body will upload the anti-counterfeiting code which issued to licensed enterprises, corresponding product name, specifications, quantity, and certificates to the "China Food and Agricultural Product Certification Information System" of the CNCA. Through the implementation of the management measures, in addition to realizing the functions of anti-counterfeiting and traceability of organic products, and output verification, the system of the CNCA can also count all product information of all purchase labels in a certain period, such as all the information about the purchase of cucumber, apple, and milk labels in 2018. If these purchased labels are considered as sold products, you can count the sales of all products in 2018.



Figure 3-2 China's organic product anti-counterfeiting and tracing code

3.5 Supervision and Management

According to the "Regulations of the People's Republic of China on Certification and Accreditation", the CNCA is responsible for the unified management, comprehensive coordination and supervision of organic product certification activities. Market supervision departments at all levels supervise and inspect the certification activities of organic products in their jurisdictions.

The main ways to carry out supervision and inspection including: supervision

Organic Standards and Regulations in China

and inspection of certification bodies, on-site inspection of certified enterprises, supervision and random testing of certified products, and inspection of the use of product marks.

4. Overview of the Development of Organic Products in China

In September 2006, the China Food and Agricultural Products Certification Information System developed by the Certification and Accreditation Administration of the People's Republic of China (CNCA) was put into operation and used as a platform for the collection and release of food and agricultural products certification information. The information system has been widely concerned since its operation and has been used as the main source of information by relevant law enforcement departments, domestic and overseas purchasers of food and agricultural products, and certified enterprises. China manages and supervises the organic production enterprises mainly through the organic certification system. Then, the certification body approved by CNCA shall certify the organic products of the enterprise, and report the information of the certified organic products to the China Food and Agricultural Products Certification Information System. The data in this chapter are from "China Organic Product Certification and organic industry development 2019".

4.1 Organic Product Certification

As of December 31, 2018, a total of 12,226 production enterprises in China had obtained 18,955 China Standard certificates for organic products certification, mainly for primary products, followed by processing products, and less for livestock, poultry and aquatic products. (figure 4-1).

Overview of the Development of Organic Products in China



Figure 4-1. Development trend of organic certificates in China, 2004-2018

4.2 Organic Producers

There have been no accurate statistics on the number of organic producers in China, so some people simply equate the number of certified enterprises with the number of producers, less than 20,000. In fact, in terms of crop production alone, an approximate 1.96 million producers can be estimated from the organic acreage of silage, grains, legumes and oilseeds, fruits and nuts, vegetables, and the corresponding number of workers, adding the number of people involved in farming and processing, the number of organic producers in China is expected to be around 2 million, accounting for only 0.14 percent of the country's population.

4.3 Organic Planting

The area under organic planting in China increased from 464,000 hectares in 2005 to 3.135 million hectares in 2018 (excluding wild harvesting, accounting for only 0.85 percent of agricultural land). China's organic production area declined in 2015, and the planting area of organic crops has increased dramatically since 2015, increasing by 4 percent in 2018 compared with 2017.

Overview of the Development of Organic Products in China

With the increase of planting area, the organic yield is increasing, reaching 12.986 million tons in 2018 (figure 4-2).



Figure 4-2. Changes in acreage and yield of organic crops in China, 2005-2018

4.4 Organic Animal Husbandry

Sheep, cattle and pigs are the main livestock, according to 2018 livestock, poultry and animal production, with nearly 3.21 million organic sheep, nearly 880,000 organic cattle, nearly 240,000 organic pigs (only 0.035 percent of the total number of live pigs sold in China in the same period) , and nearly 1.51 million organic chickens in poultry.

The total output of organic livestock was 348,100 tons, that of organic cattle was 238,800 tons, that of organic sheep was 68,900 tons, that of organic pigs was 22,300 tons, and that of organic chickens was 11,500 tons (figure 4-3) .

Overview of the Development of Organic Products in China

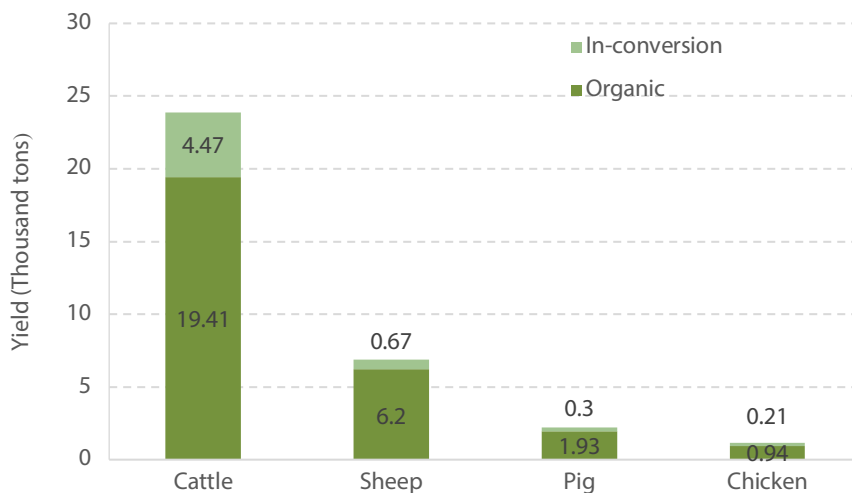


Figure 4-3 Organic livestock and poultry production in China, 2018

4.5 Organic Processed Products

The total output of organic processed products was 4.8442 million tons in 2018. Among the total processed products, the output of grain milling was the highest at 1.5056 million tons, accounting for 31.08 percent of the total organic processed output, followed by beverage production at 665,100 tons, accounting for 13.73 percent of the total output, followed by processed liquid milk and cream, the output was 578.900 tons, accounting for 11.95% of the total organic processing output. The output of the first three categories accounted for 56.76% of the organic products (figure 4-4).

Overview of the Development of Organic Products in China

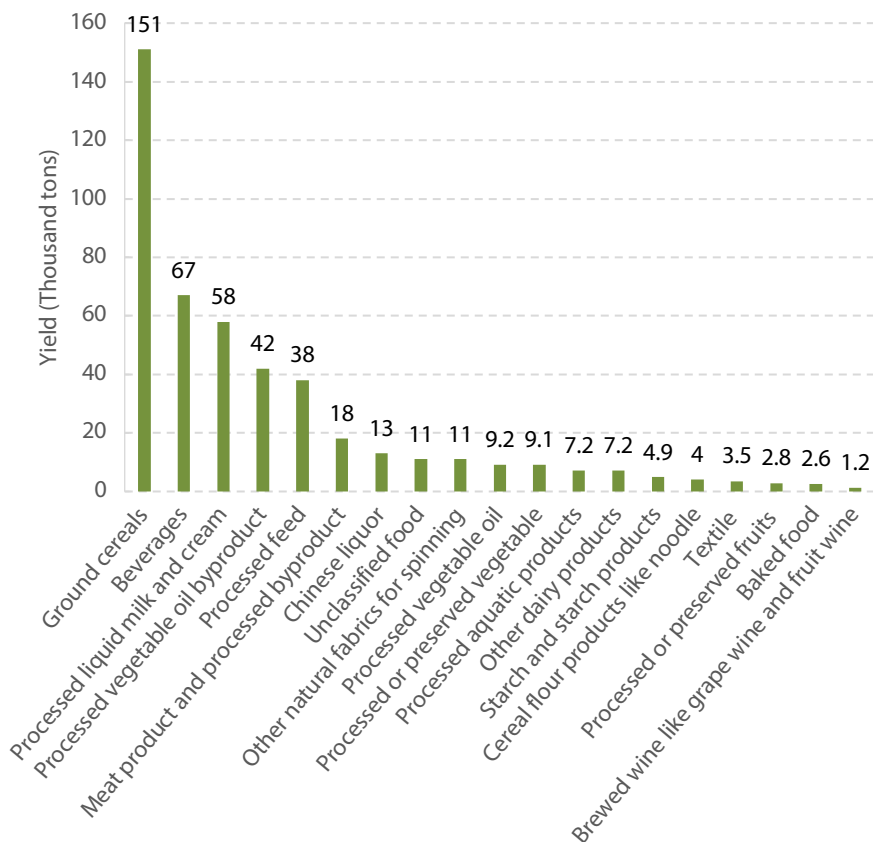


Figure 4-4 Yield of organic processed products in 2018

4.6 Certification by Chinese Standards Outside China

From 2013 to 2018, the number of countries and regions involved in implementing China's organic standard certification abroad has grown from 12 to 41, the number of enterprises that have obtained certification has grown from 51 to 206, and the number of certificates has grown from 101 to 410, the number of certified enterprises and certificates has increased approximately fourfold (figure 4-5).

Overview of the Development of Organic Products in China

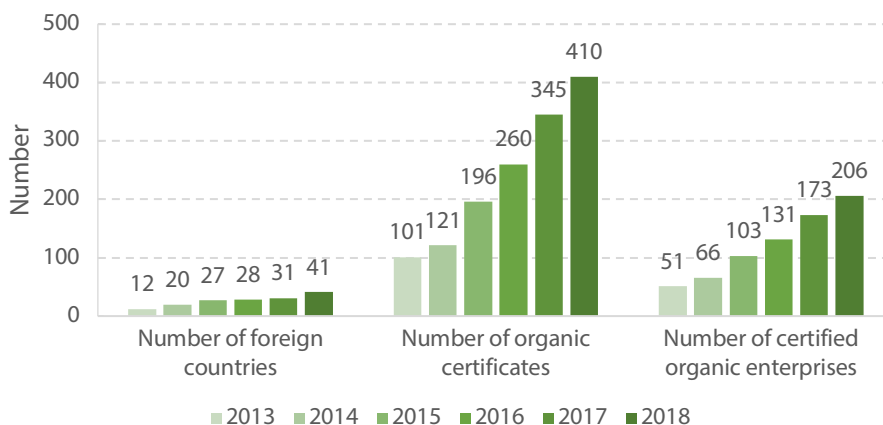


Figure 4-5. Number of foreign countries, organic certificates and enterprises certified overseas under Chinese standards, 2013-2018

The country with the highest number of certificates in 2018 was the United States (53), then Italy (51), Austria (50), Australia (27), Spain (22), Denmark (21), South Korea (20), New Zealand (19), Germany (18) and France (16) (figure 4-6).

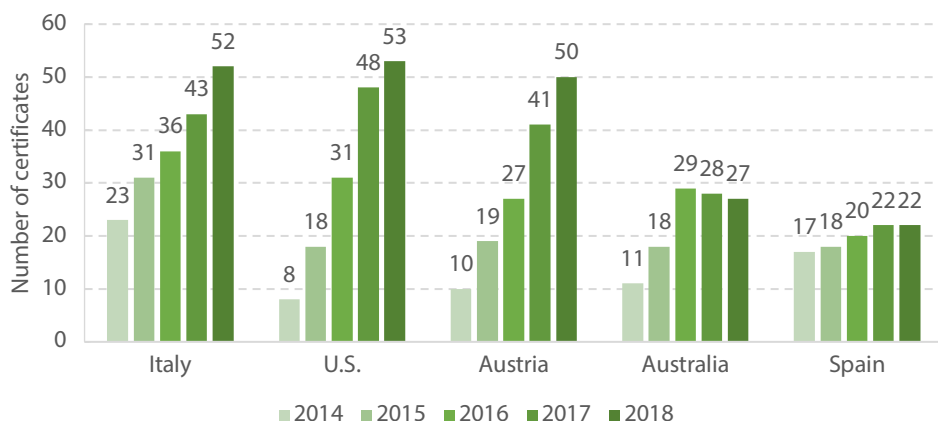


Figure 4-6 Top 5 countries ranked by the number of certificates issued overseas, 2014-2018

In 2018, China's total overseas certified area of organic products reached 757,000 hectares (including pasture area), 25.6 percent less than in 2017, of which 269,000 hectares (35.5 percent) were certified in Australia, and this was followed by Austria with 236,000 hectares (31.2 percent), Germany with 59,000

Overview of the Development of Organic Products in China

hectares (7.8 percent) , Denmark with 56,000 hectares (7.4 percent) and Brazil with 45,000 hectares (5.9 percent) (figure 4-7) .

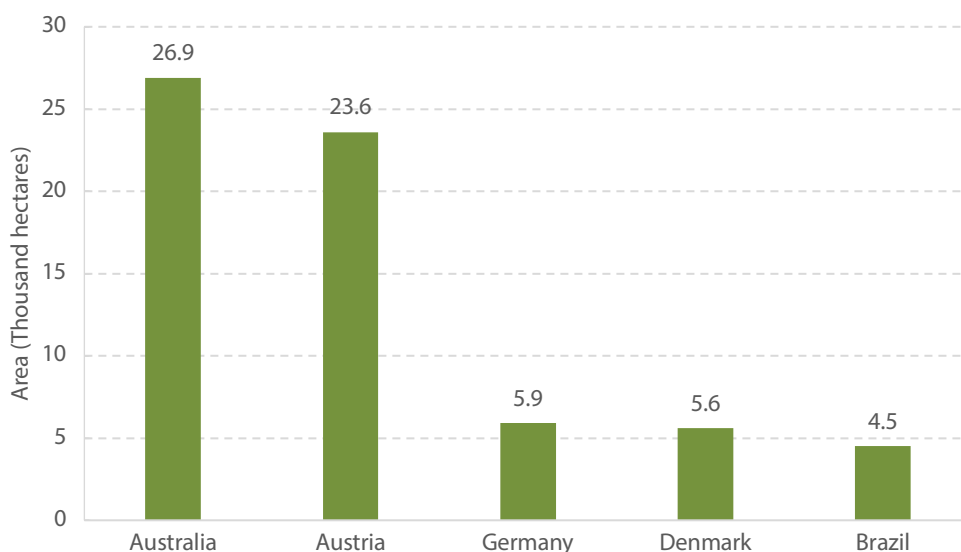


Figure 4-7. Top 5 countries ranked by the organic area certified overseas, 2018

In 2014-18, the certified area of fruits, legumes and other oil crops declined sharply, and the certified area of cereals and sugar crops increased year by year. The yield of grain, vegetable, sugar crop and so on present the increase tendency. The certified output of sugar crops and processed liquid milk or cream remained in the top three in the past three years, with the certified output of sugar crops increasing continuously to 3.805 million tons in 2018 (table 4-1) .

Overview of the Development of Organic Products in China

Table 4-1. Certified area and yield of organic products certified overseas under Chinese standards, 2014-2018

Product	Area (thousand hectares)					Yield (thousand tons)				
	2014	2015	2016	2017	2018	2014	2015	2016	2017	2018
Grains	1	4	4	6	25	3	11	11	27	120
Vegetables	0	0	3	4	4	4	11	13	10	60
Fruits	185	188	5	151	11	129	165	56	97	97
Beans and oil crops	0	0	6	82	18	0	1	31	22	72
Sugar crops	2	40	42	43	46	1,536	3,080	3,190	3,586	3,805
Tea	0	0	0	0	0	3	0	3	3	3
Other plants	0	1	18	12	18	0	13	157	160	189
Beef cattle	-	-	-	-	252	0	0	0	3	3
Dairy cattle	-	-	-	-	-	3	1	0	1	8
Processed liquid milk and cream	-	-	-	-	-	93	82	105	231	253
Other dairy products	-	-	293*	-	385*	592	629	725	27	1,917
Processed and preserved fruit and nuts	-	-	-	-	-	7	11	5	5	9
Processed vegetable oil	-	-	-	-	-	7	7	17	17	41
Ground grain	-	-	-	-	-	4	9	15	14	20
Alcoholic beverage	-	-	-	-	-	24	32	1,477	1,724	1466
Other processed products	-	-	-	-	-	92	213	259	151	282
In total	207	233	372	298	757	2,498	4,265	6,064	6,078	8,346

Note: * pasture area

Overview of the Development of Organic Products in China

4.7 Mainland China Certification by Overseas Organic Standards

From 2014 to 2018, the certified area of organic products produced in accordance with foreign organic standards basically ranged from 700,000 hectares to 1.3 million hectares, of which 1.315 million hectares were certified in 2018, with a total certified production of 5.738 million tons, output was 34% lower than the previous year (figure 4-8) .

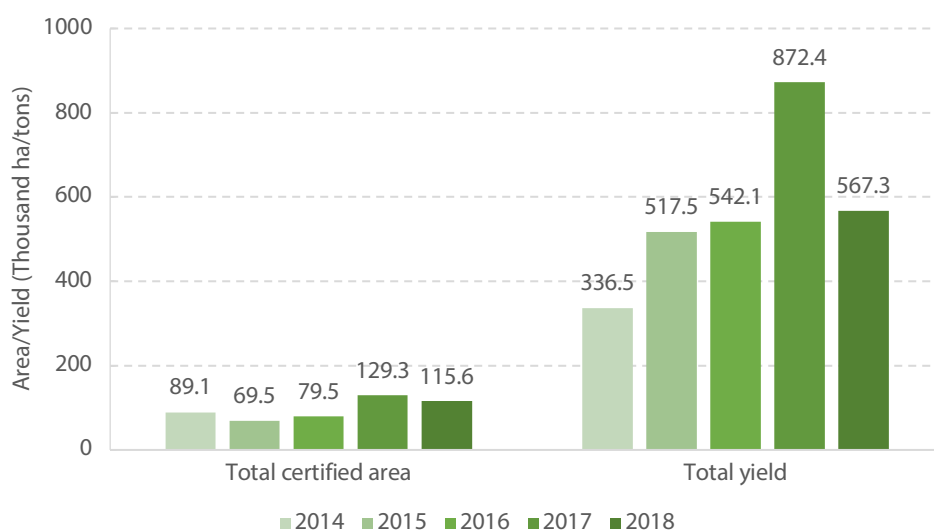


Figure 4-8. Area and yield of organic products certified under foreign standards, 2014-2018

4.8 Output and Market

In addition to the decrease in the output value of organic products in 2012, the output value of organic products in China showed an increased trend on the whole year after year, mainly due to the revision of the organic standards and certification rules in 2012, which were more restrict. The output value of organic products in China increased by \$4.8 billion in 2018, up 25 percent year-on-year to \$24.32 billion. (figure 4-9).

Overview of the Development of Organic Products in China

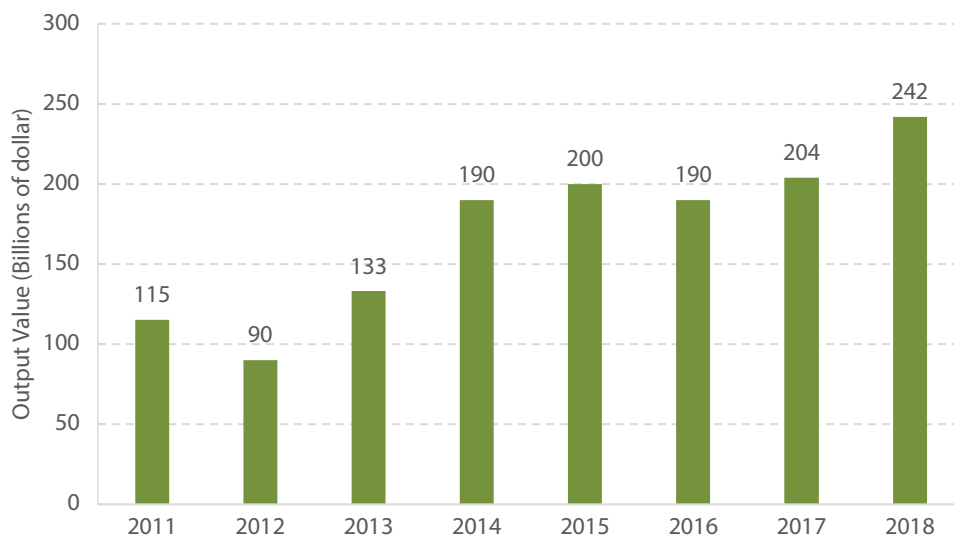


Figure 4-9. Changes in output value of organic products in China, 2011-2018

It is worth noting that China recorded 1.91 billion organic product labels in 2018, a decrease of 0.7 billion compared with 2017, which may be related to the overall economic pattern and international trade background (figure 4-10).

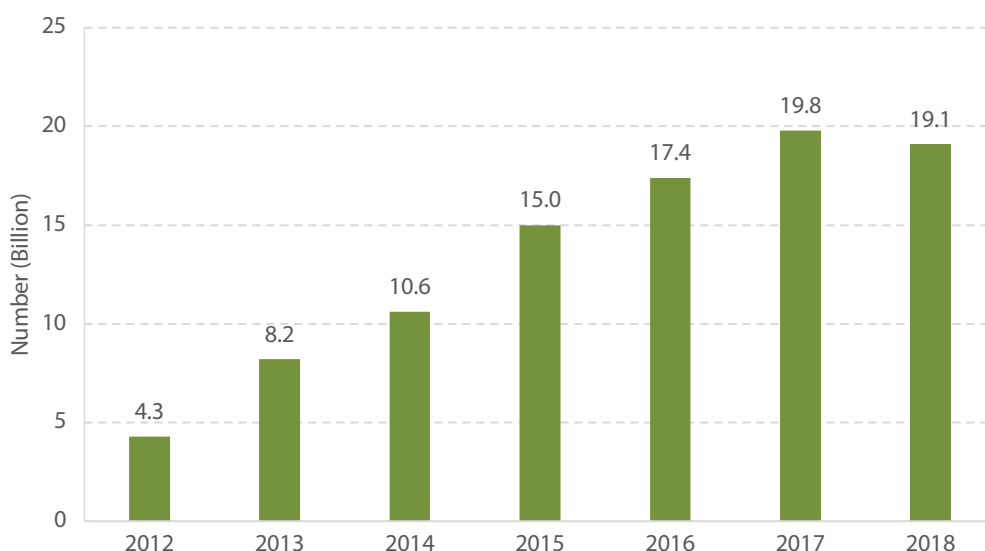


Figure 4-10. Record of organic label in China, 2012-2018

The largest number of labels for sterilized milk was issued, reaching 1.139

Overview of the Development of Organic Products in China

billion, and the number of organic labels for fermented milk was recorded at 98 million, about 20 million fewer than in 2017. The number of organic labels on record for liquor was 82 million, an increase of 6 million from 2016. (figure 4-11).

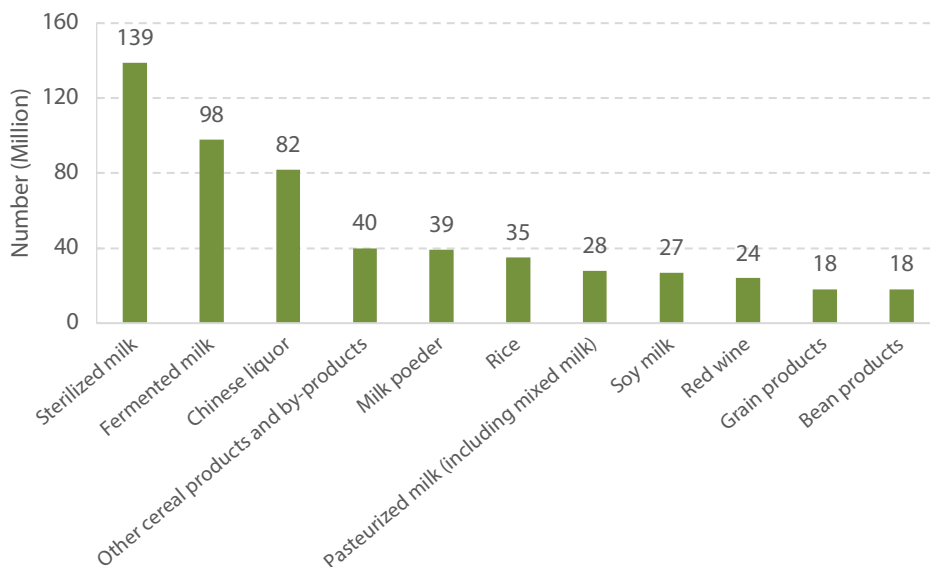


Figure 4-11. Top 10 products ranked by the number of filed organic labels in 2018 (except sterilized milk)

In 2018, China's sales of organic processed products totaled \$8.71 billion. The highest sales volume of organic liquor was \$2.21 billion (Moutai accounted for the majority) , which accounted for 25% of total sales of organic products, followed by other dairy products, which accounted for \$2.1 billion or 24% ; In third place was processed liquid milk or cream, with sales of \$1.31 billion or 15% (figures 4-12) .

Overview of the Development of Organic Products in China

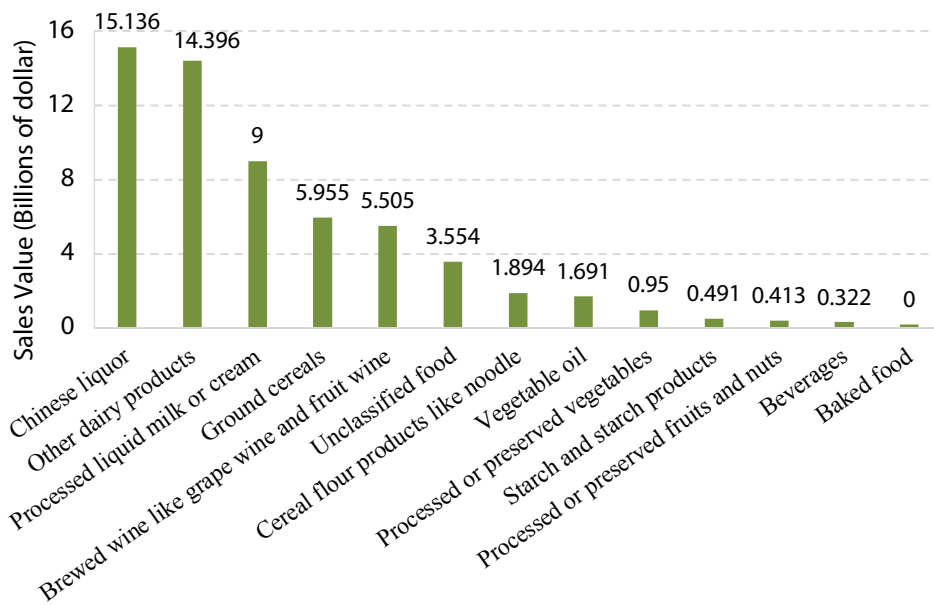


Figure 4-12. Sales value of organic processed products in China, 2018

China's estimated sales of organic products in 2018 were 9.21 billion yuan, accounting for 0.8 percent of China's food and beverage market share in 2018, up only 4 percent from 2017, and the annual per capita consumption was only \$6.6, about half of the world's average per capita consumption. (figure 4-13)

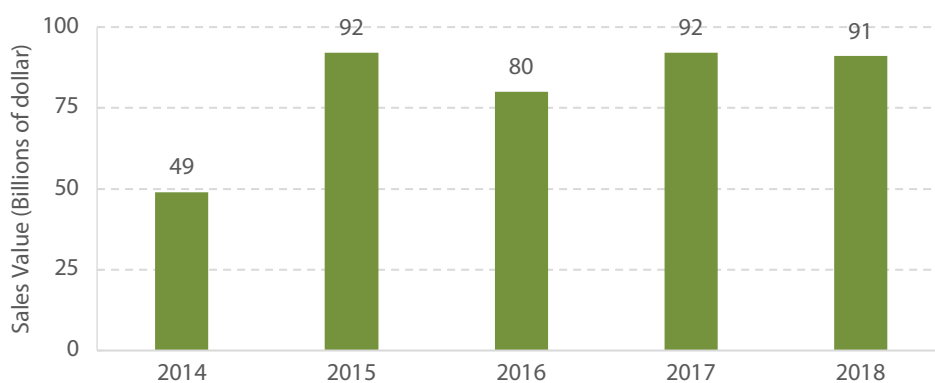


Figure 4-13. Sales value of organic products in China, 2014-2018

Overview of the Development of Organic Products in China

4.9 Export Trade

In 2018, China's total export trade of organic products amounted to \$894 million, with a total volume of 705,100 tons.

Japan is the country with the largest export volume of China, with a trade volume of \$196 million, accounting for 22% of China's total export volume of organic products; China's trade volume in organic products with the United States was second, at \$157 million, or 18 percent. In third place was the Netherlands, with 17 percent of \$149 million in trade (figure 4-14).

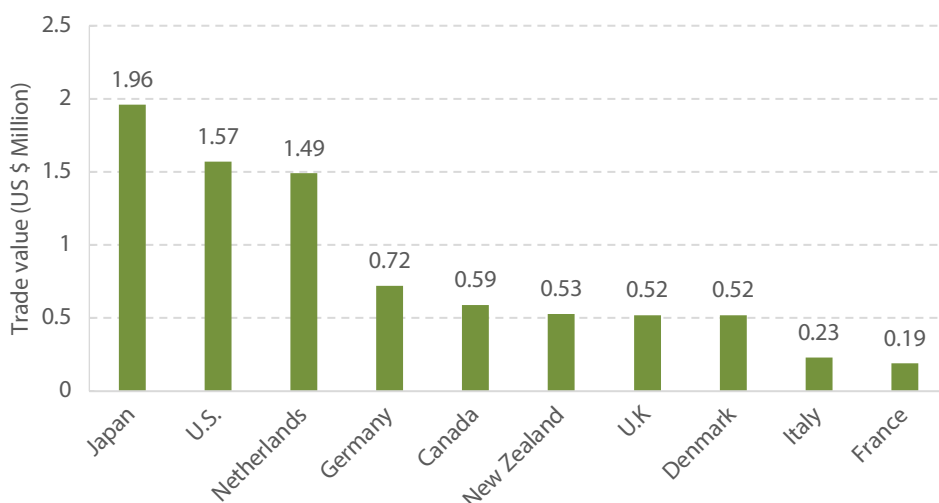


Figure 4-14 Top 10 countries ranked by the export value of organic products, 2018

4.10 Supervision and Inspection of Organic Products

In 2018, the CNCA established a special program for spot checks to monitor and check the compliance of organic products in the field of circulation. The total sampling quantity was 400 batches, and 7 batches of organic products' certification marks found out the existence of question, so the qualified rate was 98.25%. The examination of organic product was 400 batches, examining unqualified organic product 4 batches, so the qualified rate was 99.0%. The

Overview of the Development of Organic Products in China

qualified rate of organic vegetable was 99.45%, that of organic fruit was 100% , that of organic tea was 94.29%. 253 batches of certified organic products were traced and it was found that 38 batches of certified organic products selected in 2018 could not be traced due to the absence of key information such as production records, the percentage of untraceable products was 15.02%.

5. Organic Production Model and Sales Channels

5.1 Production Pattern

In China, there are various modes of engaging in organic agricultural production, mainly including the following types:

Agribusiness: agribusiness leases land and employs farmers to produce organically and sell under their own brand, which is less efficient and more costly.

Farmers' professional cooperatives: farmers with land are organized together to establish their own cooperatives to jointly produce and sell organic products. This form of organization has higher production efficiency but weaker marketing ability.

Enterprise + peasant household: the enterprise is responsible for demonstration and technical guidance, organizing peasant households to use their own land for organic production, and selling under the brand of the enterprise, which is of high efficiency and strong marketing ability.

Community supported agriculture (CSA) : this form of production often does not require organic certification. Farmers produce organic products spontaneously and sell them directly to familiar customers. Since 2008, China's ecological agriculture has shown a rapid development trend. From the initial 100 farmers to the current 1000 CSA projects, about hundreds of thousands of producer and consumer families have participated in CSA.

5.2 Distribution Channels

In China, the sales of organic products are mainly divided into two categories, one is personal consumption by families, and the other is enterprise consumption of gifts and benefits. Personal consumption is mainly through the

specialty stores, or directly in the farm to spend long-term membership. This needs to be built on the basis of sufficient trust to form a fixed consumption, and this is mainly for the health of family members. While enterprises purchase organic products as gifts, mainly because they express healthy wishes to the recipients of gifts. Organic food conforms to healthy attributes, but also has scarce gift attributes. Buyers are more likely to establish a trusting relationship than family individuals. In China, the channels of organic food mainly include the following types:

Organic stores: established in 2006, Lohas and Hiquality rented stores and opened supermarkets selling organic food in big cities such as Beijing and Shanghai, but soon closed. In the early days, consumers' awareness of organic food was not high enough, prices were high, and trust issues were not fully resolved. Therefore, the cost of opening physical stores to sell organic food was too high. What's more, it is difficult for consumers to form the habit of consuming organic products, and the management pressure is also very great. Therefore, it is not a good channel in China at present.

Supermarkets: organic food used to be sold in supermarkets, such as organic vegetables. Now more and more kinds of organic products are sold in big supermarkets. Large supermarkets are an important sales channel for organic food, and there are a lot of people here. Because the popularity and credibility of organic food is low, many people want to be able to see things before deciding whether to buy them.

Family membership: through membership model, provide some families with periodic organic food delivery. This is a common marketing model for organic food. This is a better way to build trust. The fixed consumption and quota of members are relatively high, and the cooperative relationship is stable, which

can generally meet the needs of a family in food, such as vegetables, fruits, meat, rice, eggs, milk and other primary agricultural products for daily consumption.

Online platform: Internet has a good development in China. At present, large online platforms such as Jingdong and Tmall have sales of organic food. With the rise of the mobile Internet, there are many online platforms dedicated to selling organic food. It is much harder to sell organic food online than in offline stores because of the lack of trust mechanisms. With the online platform, consumers may not be able to come. And the online platform also needs to let consumers know that the online platform itself also needs to do promotion.

Social media: many businesses use hot social media to sell organic products, such as WeChat, Weibo, Douyin, etc., especially some web celebrity (Internet celebrity). Their single tweet can sell tens of thousands to millions of dollars overnight.

Case introduction: OABC is a leading organic agricultural benchmarking enterprise in China, focusing on the whole industrial chain of organic product production and sales. The company carries out business in 6 cities including Beijing, Shanghai, Shenzhen, Guangzhou, Hangzhou and Tianjin in the form of B2B.

In the geographically advantageous producing areas around the world, OABC has established standard cooperative farms to provide technical support for organic agriculture and supervise and manage the production process, which improves the efficiency of organic production. Currently, OABC's product categories mainly include organic vegetables, organic fruits, organic raw rice, organic grains, organic eggs and other primary organic agricultural products produced by domestic organic cooperative farms. Organic beef from Australia,

organic red wine from France, organic rice from Japan, organic olive oil from Greece, Swiss chocolate, organic milk from Denmark, honey from New Zealand are also included in. In addition, there are continuous development of cheese, dry white, ham and other world's most distinctive organic products.

In the sales process, based on the market influence of OABC brand, we provide enterprise customers with organic food gift solutions to meet their differentiated value needs. Since its establishment in 2007, OABC has accumulated more than 20,000 corporate customers, providing food distribution services to 1.1 million households to promote the development of the organic industry through consumption.

Value management is the main reason why OABC has made some achievements in the field of organic agriculture. First, according to the market opportunities in China and the problems faced by the development of organic agriculture in China, OABC chose the business model suitable for this stage of development -- selling organic food as gifts. Second, according to the needs of target customers, OABC has carried out product development and design, improved the attributes of gifts, and increased the added value of products. Thirdly, OABC carries out point-to-point marketing activities, which directly affects the purchasing decision-makers and improves the marketing efficiency. Fourth, OABC's efforts in promoting the development of the organic industry in China have enhanced its influence in the global organic agriculture sector, indirectly consolidating and strengthening the trust and goodwill of target customers. Fifth, in terms of the mode of product production organization and supply, OABC has found out the cooperation mode suitable for Chinese production base and overseas production base, expanded the product category and guaranteed the product quality. Sixth, based on the operation of

global value chain, OABC has enhanced its understanding of the development of organic agriculture in different countries and strengthened its confidence in the development of organic agriculture.

6. Market Research

From October to December 2018, Beijing Continental Hengtong Certification Co., Ltd. was entrusted by CNCA to conduct market research on the organic industry. The research team collected 3,077 valid questionnaires nationwide. This chapter selects part of the research report.

6.1 Producer Survey

6.1.1 Producer Motive

The main reasons for attracting organic producers to engage in the organic industry are to protect the ecological environment and to value the prospects of the organic industry, which were selected by 295 and 271 people respectively. One hundred and fifty-two respondents chose to work in the organic industry out of a preference for organic businesses, while another one hundred and eighteen wanted to change their consumption status. The attraction of the policy also influenced the respondents' choice of working in the organic industry (45 times).

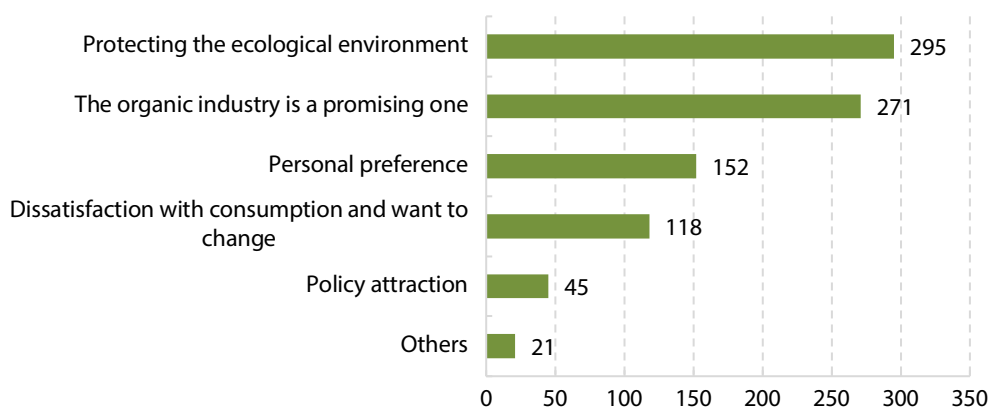


Figure 6-1 incentive situation of organic producers engaged in organic industry

6.1.2 Sales Scope

The organic producers surveyed mainly sell their products domestically. Products go abroad. Only 28 people sell their products abroad. Most choose the nearest city or county or province for product sales. Product market sales area in the city and county several surrounding areas have 154 people, in the province and surrounding areas have 162 people. This is related to the fact that more producers are engaged in planting and breeding for fresh products, while fewer are engaged in processing. A total of 201 people sell their organic products across the country.

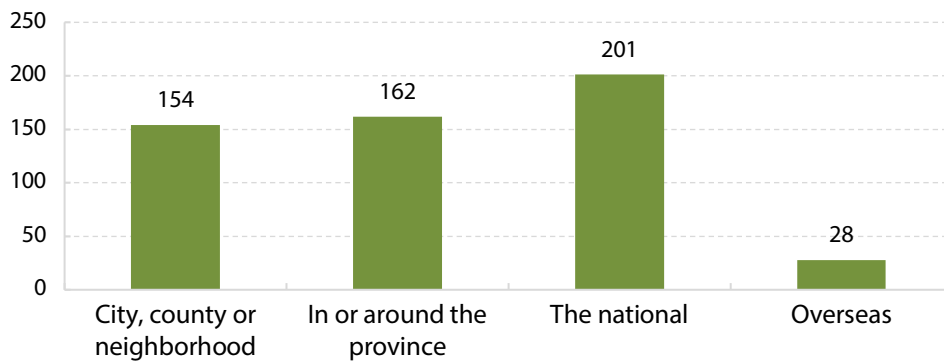


Figure 6-2 distribution of organic products market by organic producers

6.1.3 Distribution Channel

The three sales channels of organic products for organic producers are e-commerce, distribution and picking, while the three sales channels for organic managers are e-commerce, distribution and specialty stores. It can be seen that organic producers have site advantages, which are conducive to the development of consumer experiential consumption.

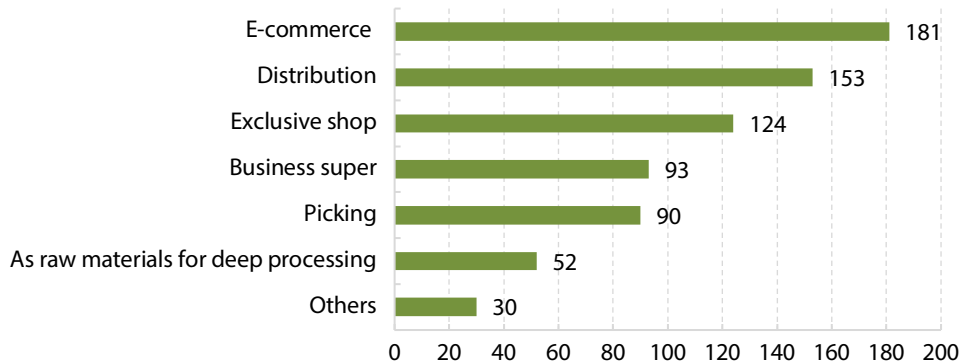


Figure 6-3 distribution of organic product sales mode of organic operators

6.1.4 Sale Price

In terms of price, more than half of the respondents found that organic products were selling for less than twice as much as conventional products. In 22.5% of respondents, the selling price of organic products was 2-5 times higher than that of conventional products. Organic products, which were five times more expensive than conventional products, accounted for 5.62% of the respondents. 13.9 percent of organic producers charge the same price for organic products as for conventional ones.

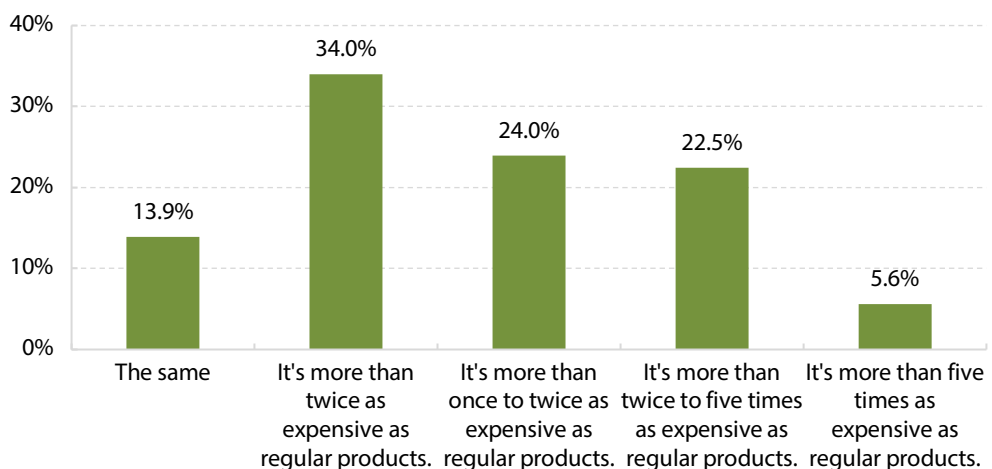


Figure 6-4 comparison of the selling price of organic products by organic producers with that of conventional products

6.1.5 Difficulties and Causes

In the process of the development of the organic industry, the surveyed organic producers believe that the three major factors restricting the development of the industry are the difficulty in product sales (282 person-times), the high labor cost (263 person-times) and the insufficient government support policies (256 person-times). In addition, 114 people and 94 people respectively believed that lack of technology and transportation difficulties were also factors restricting the development of the industry, while a small number believed that strict regulation also affected the development of the industry.

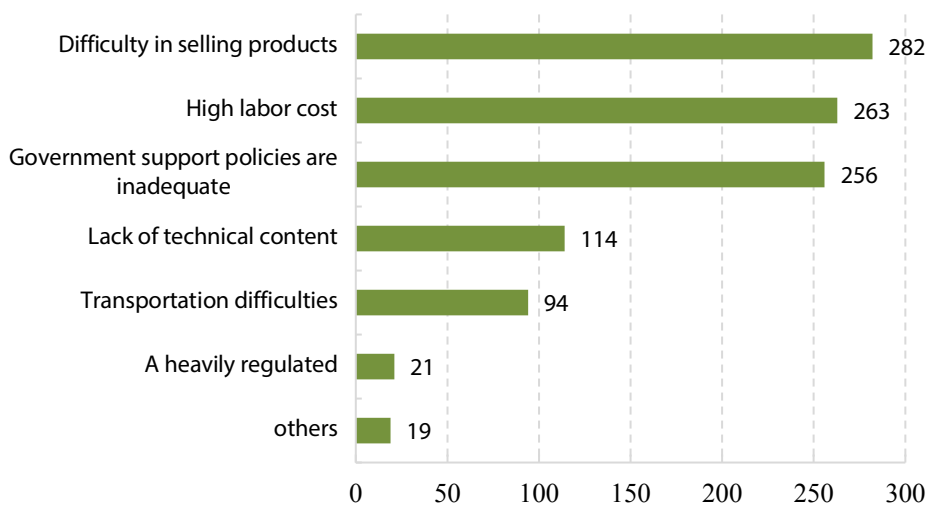


Figure 6-5 main factors restricting the development of organic industry among organic producers

Combined with the development stage of the organic industry of the surveyed enterprises, it can be found that the three factors mentioned above, such as difficult sales of the products, high labor cost and insufficient government support policies, are the main constraints in the four stages of the organic industry development of the surveyed enterprises. The problems of high labor

cost, lack of technology and strict regulation are more common in the period when the respondents plan to enter the organic industry. As the development process progresses, these problems decrease in the respondents when they reach the boom period. In addition, with the development of the organic industry of the respondents, the problems of product sales difficulties, insufficient government support and transportation difficulties decreased in the boom period, but they generally tended to be common among the respondents.

A survey, the objects are organic producers who think selling organic products are difficult, the survey found, most of them (194) said the cause of product sales difficulties is the high cost of expensive, there are 188 people think are the causes of product sales difficulties consumer trust crisis, the third-ranked product sales difficulties are consumer group, the market is not mature (172). In addition, 136 people believed that the lack of sales channels also affected product sales. Another 95 organic producers believe that to improve the sales of organic products, we need to enhance product characteristics and enhance product awareness. Product quality problems were also selected by 29 people as one of the reasons for affecting the sales of organic products.

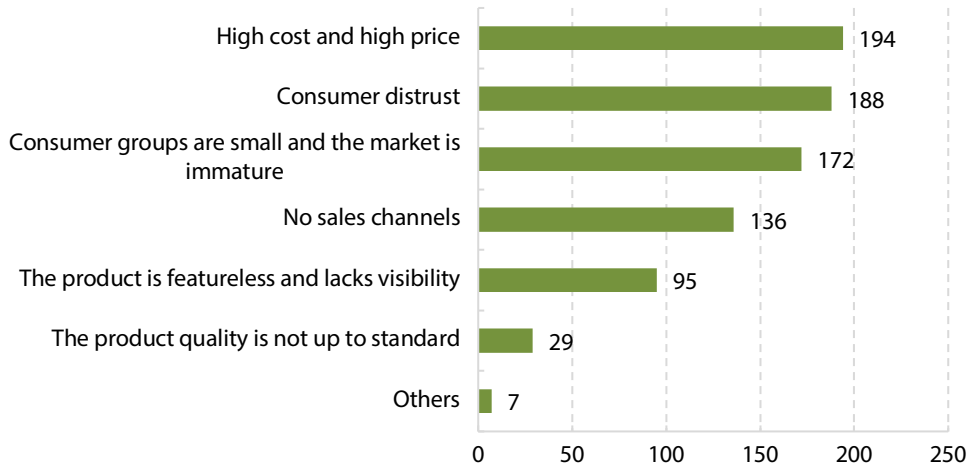


Figure 6-6 reasons for the difficulty in selling organic products among organic producers

6.2 Consumption and Survey

6.2.1 The Benefits of Organic Farming

90.61% of respondents believe that developing the organic industry can ensure food safety, while 89.83% believe that developing the organic industry can protect the ecological environment. By contrast, the effects of the organic industry on animal welfare and poverty alleviation were not widely recognized, with only 33.28% and 26.84% of respondents choosing this option.

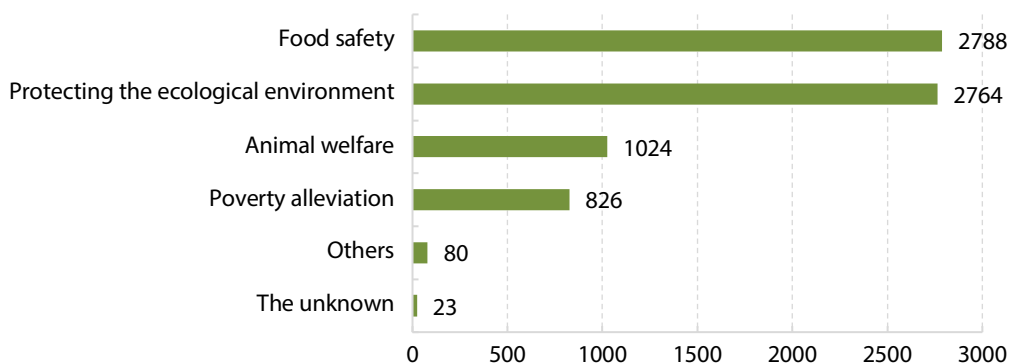
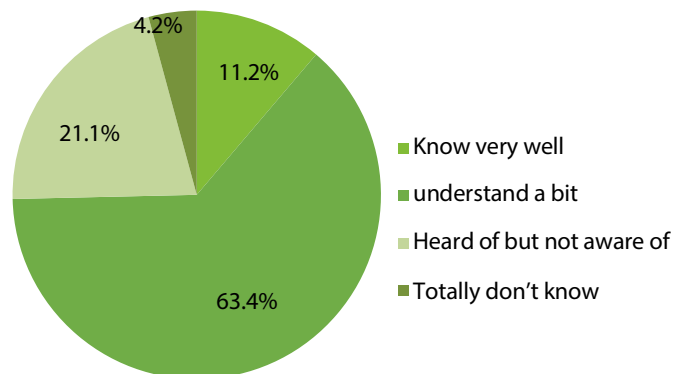


Figure 6-7 the benefits of organic farming are generally accepted

6.2.2 Awareness of Organic Labeling

For ordinary consumers, 63.42% have a slight understanding of the organic logo, while only 11.22% have a very good understanding. It can be seen that the awareness of organic logo in China is not high enough.

Figure 6-8 consumers' understanding of signs



6.2.3 Age and Frequency of Consumption

People aged 26 to 35 are the main force in the consumption of organic products, accounting for 18.97% of the consumption frequency of more than once a week and 21.78% of the consumption frequency of more than once a month. Secondly, the frequency of organic consumption among consumers over 55 years old accounts for 17.82% of the total. This age group has a greater demand for quality of life and food health. Except for other age groups under the age of 18, the proportion of those who have never consumed organic products is far lower than that of other consumption frequency, indicating that the consumption of organic products has a certain extent of universality.

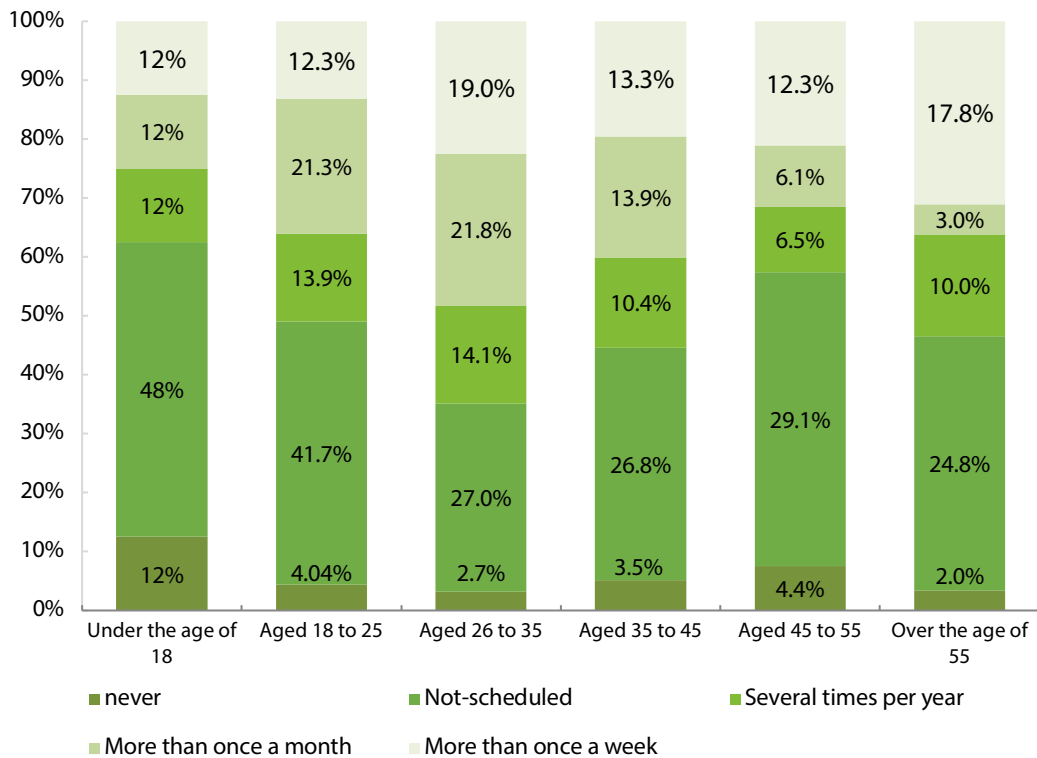


Figure 6-9 relationship between age and consumption frequency

6.2.4 Household Income and Consumption Frequency

From the perspective of household income and consumption frequency, households with an annual income of 500,000 to 1 million yuan have the strongest consumption power of organic products, with the frequency of purchasing once a week reaching 39.58%. Among the families with an annual household income of 300,000 to 500,000 yuan, the consumption of organic products at least once a month accounts for the largest proportion, up to 28.28%. They have strong consumption capacity of organic products and are potential customers of organic products.

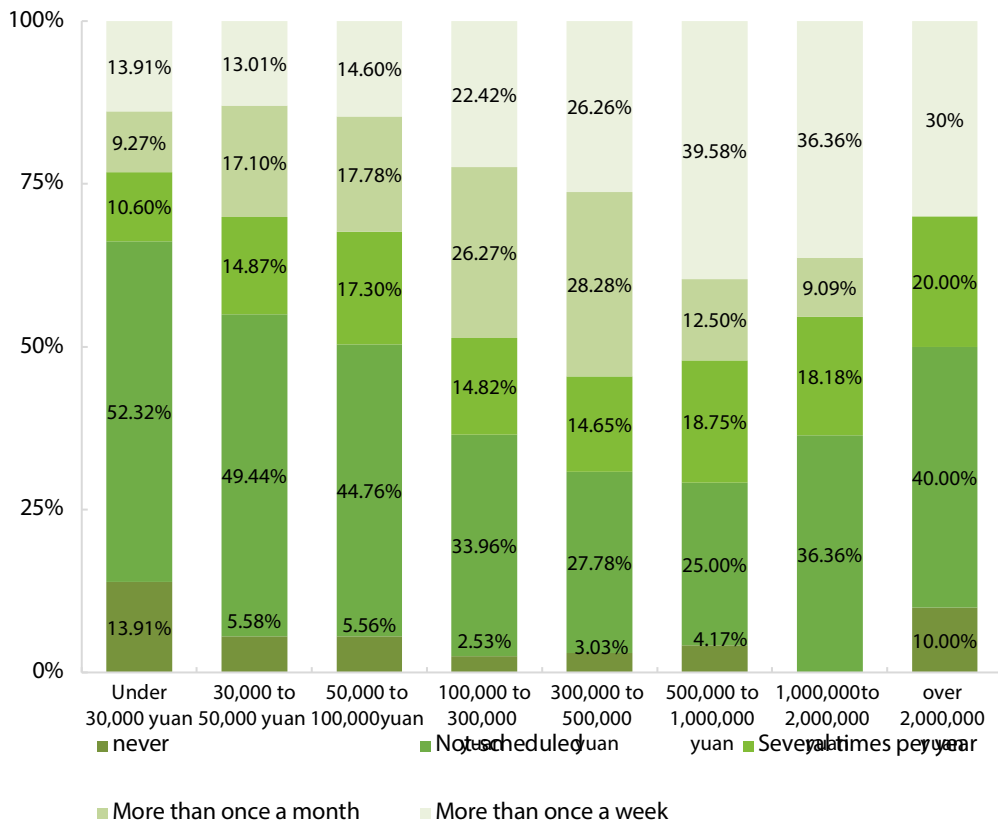


Figure 7-10 relationship between household income and consumption frequency

6.2.5 Purchasing Channel

With the growth of age, the proportion of choosing specialty stores gradually declines; With the growth of consumers over the age of 18, the proportion of consumers who choose e-commerce as their consumption mode is gradually decreasing. The proportion of consumers aged 45 to 55 choosing e-commerce as their consumption mode has dropped by 18.56% compared with those aged 35 to 45, possibly due to the obstacles of e-commerce as a new generation of consumption channel for consumers aged 45 and above. Supermarket is undoubtedly the main consumption place for organic product consumers. No matter what age group of consumers, the proportion of organic products purchased by supermarket is the largest. As a new form of experiencing

agriculture, picking is favored by young people. Consumers under the age of 35 are relatively more likely than other age groups to consume organic products by picking them, possibly because they have young children who take them to the farm to pick them themselves. Among the organic consumers aged between 26 and 35, business super is the main purchasing channel, followed by e-commerce and then specialty stores.

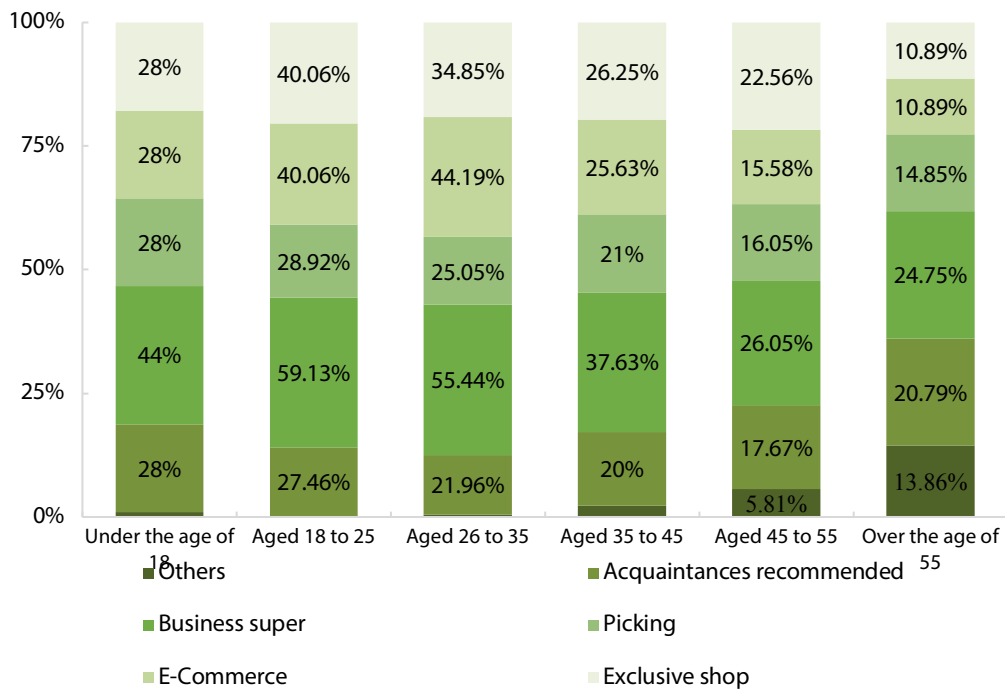


Figure 7-11 relationship between consumer age and consumption channel

6.2.6 Reasons for Purchase

The reasons consumers choose organic products vary by age group. Among them, health is the main reason for choosing organic products at all ages. As we get older, the proportion of "healthy" decreases. Only 40.59% of consumers

over the age of 55 choose to be healthy, possibly because older consumers have more diversified and balanced reasons for choosing organic products than just health. In addition, "nutrition" is also an option for consumers over the age of 18 whose share is declining as they get older. Among the majority of organic consumers aged 26 to 35, "health" was the top reason, followed by "safety" and then "nutrition". It is worth noting that the "gift" item accounts for a relatively small proportion in each age group, which is worthy of developing organic product giftware in the future.

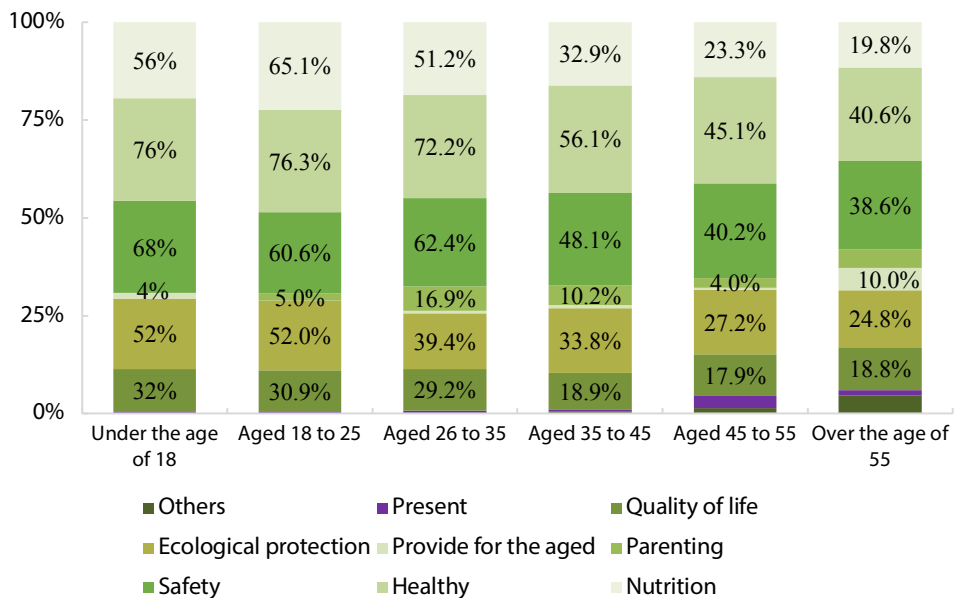


Figure 7-12 reasons for buying organic products at different age groups

6.2.7 Category Purchased

According to the statistics of the survey, no matter what age group of consumers, the proportion of choosing vegetables is the highest, followed by fruit. In addition, there was no significant difference in the proportion of consumers aged between 18 and 45 choosing meat, with the highest

proportion among consumers aged between 26 and 35, accounting for 26.04%. In addition, in the consumption of dairy products of all ages, consumers aged 18 to 25 and consumers aged 35 to 45 account for the majority, accounting for 32.15% and 30.49% respectively. However, the lowest percentage of consumers over the age of 55 chose organic dairy products, at 13.86 percent. But organic tea was the most popular among older consumers, with 24.75% of those over 55 choosing it.

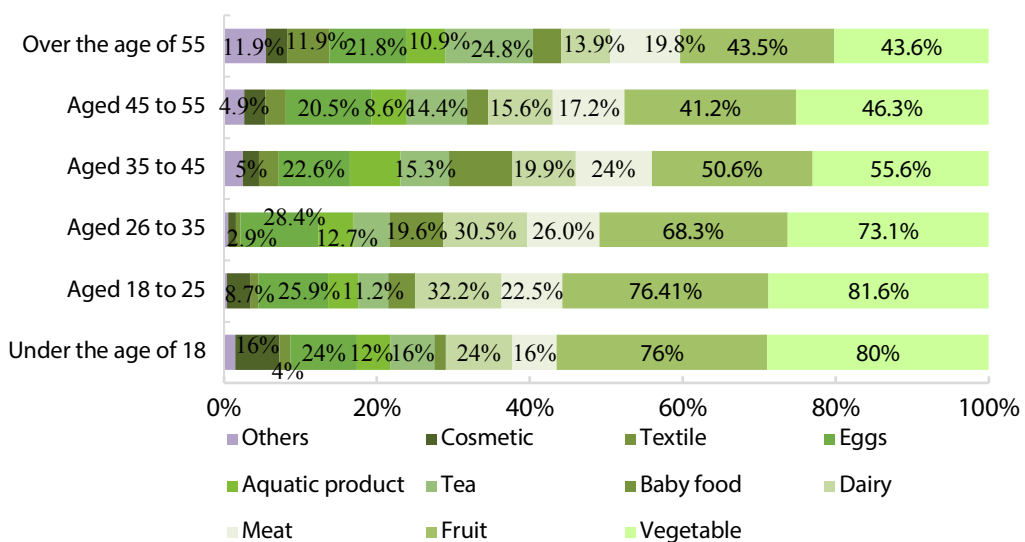


Figure 7-13 differences in the types of organic products purchased by different age groups

6.2.8 Domestic and Importing

One study analyzed the effect of household income on the preference for organic produce. The study found that the proportion of consumers choosing domestic organic products decreased first and then increased as the range of household income increased. Among them, 66.23% and 66.17% of consumers whose annual household income is less than 30,000 yuan and whose annual

household income is between 30,000 yuan and 50,000 yuan respectively choose domestic products. Half of consumers with an annual household income of more than 2 million yuan choose domestic organic products. Consumers with annual household incomes ranging from 500,000 to 1 million chose to import organic products, accounting for 33.33% of the total. Next came consumers with household incomes of 1 million to 2 million, accounting for 27.27 percent.

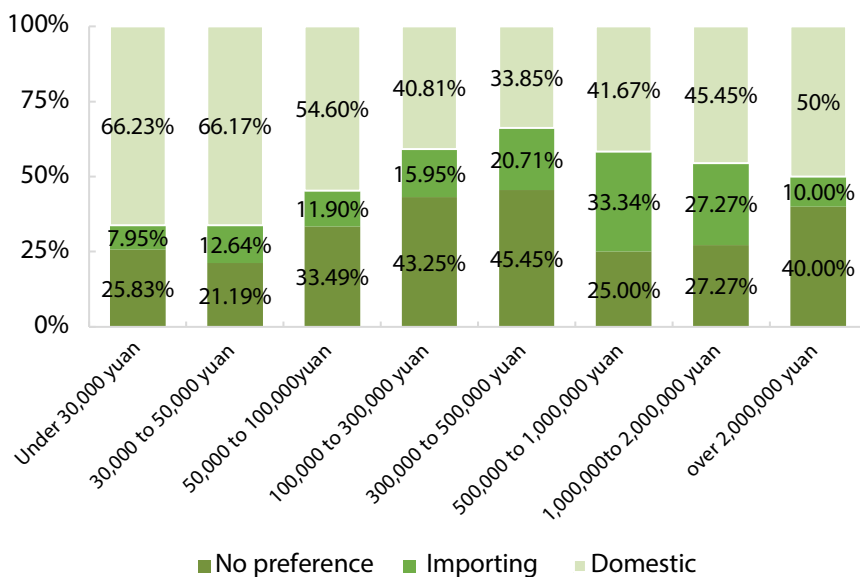


Figure 7-14 relationship between household income and choice of organic origin

7. The Contribution of Organic Agriculture to China

7.1 To some extent, it has protected China's ecological environment

There is a general consensus in China that developing organic agriculture has good ecological benefits. China's organic agriculture production base is mainly located in good ecological areas and around large cities. The development of organic agriculture, the protection of the rural environment is obvious. No pesticides, no chemical fertilizers, only organic fertilizers, not only will not cause agricultural non-point source pollution, but also can gradually restore the soil, conducive to the protection of the rural environment. This largely protects the ecological environment of these organic bases and enables sustainable development. Organic farming practices have improved biodiversity. According to the survey, the species and number of natural enemies of organic vegetable farms in Beijing have greatly increased.

7.2 Organic farming is conducive to implementing the healthy China strategy

The development of organic agriculture has good social benefits. The report to the 19th national congress of the communist party of China (CPC) put forward the strategy of "implementing a healthy China": people's health is an important symbol of a prosperous nation and a strong and prosperous country. We will implement a food safety strategy so that the people can eat with confidence. In China, everyone is concerned about food safety. Food is the top priority for the people. Eating well and eating healthily has become the pursuit of more and more people. Organic farming produces products that are free from pesticides and fertilizers, so organic farming can produce more healthy food.

7.3 Organic farming can help win the fight against poverty

The development of organic agriculture has good economic benefits. The goal of the Chinese government is to lift the rural poor out of poverty by 2020 by China's current standards, remove all poor counties from the poverty line, and address overall poverty in the region, so as to eliminate poverty. Most of China's organic farming bases are in remote, ecologically sound areas, where farmers' incomes are low and many are below the poverty line. In order to develop modern organic farms, the transfer of land will bring some income to local villagers. In addition, the farm will hire these farmers to produce and get some income again. Often, farmers earn more income from labor than they earn from farming.

7.4 The Development of Organic Agriculture is Conducive to China's Ecological Progress

Most organic agriculture takes the form of the production organization of an agricultural enterprise. This is different from the past way of joint production contract. These agricultural enterprises use modern agricultural production technology and organic philosophy, and use modern management mode to develop organic agriculture in rural areas. The management of these agricultural enterprises is more standardized. What's more, they affect the employed local farmers to some extent and help them raise awareness of environmental protection and work safety. This is conducive to the ecological civilization in rural areas and the construction of a beautiful China.

8. Difficulties in the Development of Organic Agriculture in China

Organic agriculture in China has a development history of nearly 30 years. More than 10 years ago, most consumers could not distinguish the difference between organic

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food and green food and other standards. Now, most consumers know what organic food is, but there are still many problems and challenges.

8.1 The Supply of Organic Products Exceeds the Demand in China

According to the data, in 2018, the output value of organic products in China was 243.2 billion us dollars, and the sales volume was 92.1 billion us dollars. The sales proportion of organic products was only 37.9%, showing a phenomenon of oversupply. According to the data of CNCA's food and agriculture system in the past five years, the compound growth rate of organic product sales in China was about 20.2% (figure 9-1). This may be because producers' forecasts of the organic market are too optimistic, consumers do not trust organic food sufficiently, and high prices affect their buying behavior. As a result, the vast majority of organic food practitioners do not have to fake, and have not reached the stage of demand, and the CNCA's supervision and inspection showed that the organic food has been more than 90 percent of the pass rate.

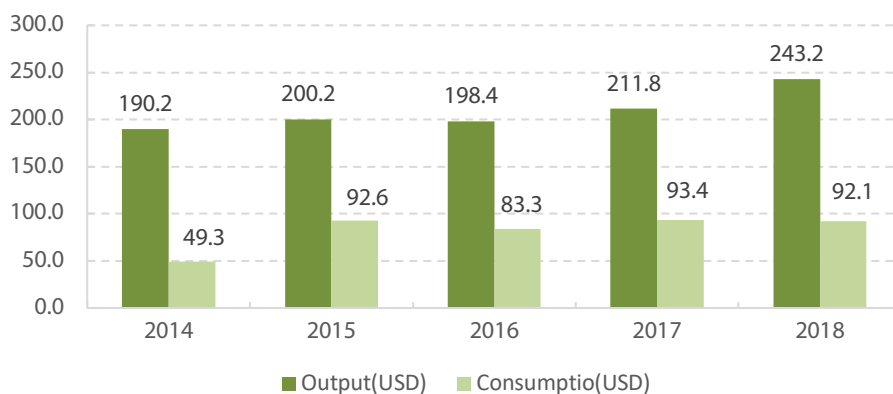


Figure 9-1 output value, sales volume and sales ratio of organic products in 2014-2017

8.2 The development of organic food production and consumption is unbalanced

China's vast territory, due to factors such as natural geography and climate,

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east and west development is not balanced. From the perspective of production and consumption, the phenomenon of separation of production and consumption is presented. Xinjiang, Heilongjiang, Inner Mongolia, Liaoning and Guizhou were the top five provinces in terms of organic acreage in 2018. These five provinces and regions account for 74% of China's organic acreage. All of these areas are located in remote areas of China, which are sparsely populated, less polluted by industry and have a good ecological environment, making them suitable for organic production.

While the consumption of organic food is mainly concentrated in Beijing, Shanghai, Shenzhen, Guangzhou, Chengdu, Hangzhou, Chongqing, Wuhan, Xi'an, Suzhou, Tianjin, Nanjing, Ningbo and other first-tier cities. In 2018, there were 11 first-tier cities with a population of more than 10 million, with a total population of about 193 million, accounting for 13.8 percent of China's total population. The GDP of these 11 cities totaled \$3.26 trillion in 2018, accounting for 24.8 percent of the total GDP of that year. There is no data on organic consumption in individual cities, but it can be predicted that these first-tier cities are the main drivers of organic food consumption.

8.3 Consumers don't trust organic food enough

Because of the media hype and the social integrity system, it's hard for consumers to trust organic food. In the 30 years since China's reform and opening up, the urbanization rate in China has increased from 26.2 percent in 1989 to 59.5 percent. Many of today's city dwellers have moved to the city over the past 30 years. As the urban generation, they all have experience of rural life and generally believe that agricultural production without chemical pesticides simply cannot control pests. The

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inherent thoughts limit their perception of organic food. In addition, the occurrence of a few dishonest businesses or producers, also affected the consumer trust in organic food. Therefore, on the issue of trust, producers need the right publicity and consumers need the right understanding, which will take a long time.

8.4 The education level of organic agriculture practitioners is low and the organic technology is weak

Because agricultural producers are generally poorly educated, most organic farmers simply do not use chemical pesticides and fertilizers or only target pests and diseases (according to organic standards) without a deep understanding of what organic farming is all about -- starting with soil improvement, growing healthy plants, and lacking alternative technologies. In this respect, we need to learn from the thoughts of traditional Chinese medicine. We need to treat soil, crops, animals and even insects as a whole system and start from the most fundamental point of view.

8.5 Prices for organic products are too high compared with conventional produce, which discourages consumer choice

In China, people over the age of 40 tend to be thrifty. They are used to produce without brands and at low prices. However, organic food is five to ten times more expensive than ordinary food, which is hard for these older consumers to accept. After all, organic food is only food. Most people still believe that although it is healthier and more nutritious to eat organic food, people's life expectancy has been greatly improved under the condition of food and clothing and better medical treatment. Therefore, it is not so urgent to eat

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organic food. So organic food is not a rigid demand. This has greatly affected the development of organic products.

9. Opportunities and forecasts for organic agriculture in China

9.1 The certification system is basically perfect and continuously optimized

After 15 years of development, China's organic certification system has been basically improved. After the CNCA was merged into the general administration of market supervision, they discussed the restructuring of the organic product certification system. The restructuring is currently being optimized. The perfect certification system makes the certification process and supervision have rules to follow, which guarantees the authenticity of China's organic product chain and lays the fundamental foundation for the trust of consumers.

9.2 The government supports and encourages the development of organic agriculture

Since the 18th National Congress of the Communist Party of China, China's government introduced a number of policies and regulations documents to accelerate the construction of ecological civilization, to supply side structural reform, rural revitalization strategy, etc.. These policies are highly consistent with the basic principles and ideas of organic agriculture. Local governments at all levels have also formulated development plans for local organic agriculture. They have also introduced incentives to encourage producers to switch to organic farming. All these have promoted the further development of the organic industry.

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The report of the 19th CPC national congress pointed out that socialism with Chinese characteristics has entered a new era. China's economy has shifted from a stage of rapid growth to a stage of high-quality development, and is in a crucial stage of transforming its development model, optimizing its economic structure and transforming its growth drivers. Building a modernized economic system is an urgent need to cross the critical juncture and a strategic goal of China's development. General secretary Xi Jinping has pointed out that green development is an inevitable requirement for building a high-quality modern economic system and a fundamental solution to the problem of pollution. China must insist that "clear waters and green mountains mean mountains of gold and silver". To implement the concept of innovative, coordinated, green, open and shared development, China will accelerate the formation of a spatial pattern, industrial structure, mode of production and way of life that conserve resources and protect the environment, leaving time and space for the natural ecology to recuperate. Every year, the first document of the Chinese government encourages the development of ecological and organic agriculture and advocates sustainable development.

9.3 Organic product certification demonstration area and organic publicity week expand the influence of organic concept

In order to encourage local governments (with good environmental conditions) actively developing organic agriculture, strengthen the organic agricultural production regulation, since 2011, CNCA has carried out the "organic product certification demonstration zone" to create jobs, to encourage and guide the district organization of local government related department for organic production regulation establish linkage mechanism, to carry out the

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supervision responsibility and to promote the healthy development of the organic industry effectively. By the end of 2018, 27 cities, counties and regions had won the title of "national certification demonstration zone for organic products", thanks to the active promotion of market supervision departments of provinces, municipalities directly under the central government and autonomous regions.

In addition, every year in September, the CNCA will hold an organic publicity week across the country, producing some organic publicity materials, animations, etc. to promote the context of organic agriculture and organic food. The CNCA has also published a white paper on "organic product certification and organic industry development in China" for six consecutive years, which describes in detail the basic situation of organic development in China, all of which have greatly enhanced the influence and credibility of organic products.

9.4 Urbanization is driving up the price of conventional agricultural products

With the continuous improvement of urbanization, more and more people leave the land and go to cities, which leads to less and less rural labor force. What's more, those left to farm in the countryside are people over the age of 50. Young people from the countryside work in the cities and earn much more than they do in agriculture. Therefore, the pattern of agriculture and countryside in China has changed a lot. In the future, China's agriculture will be dominated by the scattered production of individual farmers, and gradually move towards the organizational transition of relatively concentrated land

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such as agricultural enterprises, cooperatives, family farms or large producers. These larger producers raise prices by improving quality. Prices of conventional agricultural products will rise. The gap between prices and organic products will narrow. This trend will encourage more people to go organic.

9.5 Consumption is escalating and more and more people are choosing high-quality food

China is now in a phase of consumption upgrading, which has shifted from a subsistence to a well-fed economy. More and more consumers are opting for higher-quality produce, especially young urbanites who are willing to pay more for higher-quality food. At present, the main group that chooses organic food is mothers. They choose organic food for their children's growth. At present, the main purchasing force of organic food includes people who have labels with overseas study or living experience, high income, advanced education. As organic farming techniques improve and purchasing channels improve, more and more people will choose organic food. And the first generation of children who grew up on organic food, when raising their own children, are more likely to choose organic food.

9.6 The rise of organic restaurants and urban tourism agriculture will promote the development of organic agriculture

There are already certification bodies in China that set standards for organic food and promote the certification of organic restaurants. Consumers can also further improve their awareness of organic food through experience. In the

past, the main consumption scenario for organic food was in the home, and more and more restaurants are also adopting organic ingredients. This will not only educate more consumers, but also expand the distribution channels for organic products. On the other hand, more and more organic farms have sprung up around the city, attracting urban residents to pick and relax on the farms. Through field picking, we can get a close understanding of the planting process of organic agriculture and a deeper understanding of organic agricultural production, which can also improve consumers' cognition level and promote the development of organic agriculture.

9.7 Opportunities to import organic food

On November 14, 2016, CNCA and the ministry of primary industries of New Zealand signed the arrangement on “mutual recognition of organic product certification between the CNCA and the ministry of primary industries of New Zealand”. This is the first inter-governmental mutual recognition agreement on organic product certification signed by China. According to the agreement, China and New Zealand confirm the equivalence of their organic product certification systems and recognize each other's organic certification results. This mutual recognition agreement will effectively promote the export of Chinese organic products and help them expand the international mainstream market. At the same time, it can effectively regulate the certification behavior and label use of imported organic products, expand the import of high-quality organic products from Singapore, and meet the growing demand of the domestic market for organic consumption.

On May 3, 2017, during Danish prime minister Lars Lkke Rasmussen's visit to

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China, the CNCA and the Ministry of environment and food of the kingdom of Denmark renewed the MOU (memorandum of understanding) on organic product cooperation and agreed on the action plan for organic product cooperation (2017-2019). This marks that China-Denmark cooperation in the field of organic products has moved from general technical exchanges to the stage of discussion on mutual recognition of organic products certification, pushing the cooperation in the field of organic products deeper.

9.8 Forecasting the development trend of organic agriculture in China

Based on CNCA data for the food and agriculture system over the past five years, organic sales in China have grown at a compound rate of about 20.2 percent. Due to the difference in statistical methods, according to the statistics of Nielsen, the annual growth rate of organic products in China is 13.7%. The former is based on the purchase of organic anti-counterfeit label, the latter is based on the market research. Combining the two, we estimate that the growth rate of the organic market in China is around 15%.

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