The Current Situation of China's Organic Agriculture and Organic Companies

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Henan Province

Henan University
Finland
- 338,000 km²
- 5.5 million

Henan Province
- 167,000 km²
- 100 million people

In 2011, 81.92 km² for agriculture, and the productions of crops are about 60 million tons.
Henan University

- Over 100 years old
- 33 departments and 24 institutes
- 50 thousands bachelor students
- 10 thousands of master & PhD students
Organic Foods

- What is organic foods?

Organic foods are eco, non-polluted and natural foods which meet the standards of producing and farming. Organic foods are produced without pesticides, fertilizers, irradiation, additives, and chemicals. However, in China, there used to be at least 31 kinds of labels.
# The Differences

<table>
<thead>
<tr>
<th></th>
<th>Pesticides</th>
<th>Fertilizer</th>
<th>Growth Hormones</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organic Food</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Green Food</td>
<td>Limited</td>
<td>Limited</td>
<td>Limited</td>
</tr>
<tr>
<td>Harmless agricultural Food</td>
<td>Limited</td>
<td>Limited</td>
<td>No limited</td>
</tr>
<tr>
<td>Normal Food</td>
<td>No limited</td>
<td>No limited</td>
<td>No limited</td>
</tr>
</tbody>
</table>
## Differences

<table>
<thead>
<tr>
<th></th>
<th>Chemicals</th>
<th>Environment</th>
<th>Certificate Authority</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Organic Foods</strong></td>
<td>No use</td>
<td>Need to be organic, have least 3 years conversion time</td>
<td>General Administration of Quality supervision</td>
</tr>
<tr>
<td></td>
<td>No use</td>
<td>Environment need to be met NY/T391-2000</td>
<td>China Green Food Development Center, Ministry of Agriculture of PRC</td>
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Organic Regulations & Standards

State Council: Regulation of Certification and Accreditation in China

AQSIO: Regulatory Measures on Organic Product Certification Management

CNCA
- Rules certifying operation
- Certificate format
- National organic label
- CB’s logo

ISO 65 + IFOAM Criteria

CNAS- CC23: 2006
Accreditation Criteria for Organic certification CBs

GB/T19630-2005: National Organic Standards

National Standards
- Production
- Processing
- Labeling & sailing
- QMS
How to tell the authenticity of organic food?

www.food.cnca.cn
Current Situations
The Current Situation

- Until 2013, there are 9,900 certifications had been awarded, and 6,000 organic companies were registered. There were 3.6 million hectare lands were recognized as organic farm, increasing from 2.1 million hectare in 2006. 2.5 million hectare were in the conversion stage.

- 10 billion RMB (143 million US dollars) domestic sales, and 464 million US dollars for export sale
Yields and Sales of Organic Agricultural Products


- Animal Husbandry: 3.51 million of quantity, 90.36 thousand hectares herding area, production of 21 thousand of tons, 210 million RMB domestic sale, and 19.7 million dollars foreign sales.
In 2010, the yields of different categories

- **Industrial products**: 1,608.6 (48%)
- **Foreigner Products**: 363.2 (11%)
- **Wild Picking**: 201.2 (6%)
- **Animal Husbandry**: 75.6 (2%)
- **Planting**: 958.3 (29%)
- **Fishing**: 130.4 (4%)

Units: Thousands of tons
In planting, organic foods are mainly crops, vegetables, fruits and nuts.

For the processed products, organic food are mainly material, drink, and crops.
Price of Organic Foods

The prices of organic foods are usually 3 times of normal foods.
# The Prices of Organic Foods

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<th>Green Foods</th>
<th>Organic Foods</th>
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<tr>
<td>Carrot</td>
<td>¥ 1.8/kg</td>
<td>¥ 6.0 for a box (containing 2)</td>
<td>¥ 25.0 for a box (containing 3)</td>
</tr>
<tr>
<td>Aubergine</td>
<td>¥ 5.0/kg</td>
<td>¥ 7.0 for 1</td>
<td>¥ 25.0 for 1</td>
</tr>
<tr>
<td>Rice</td>
<td>¥ 2-3/kg</td>
<td>¥ 8-16/kg</td>
<td>¥ 16-40/kg</td>
</tr>
</tbody>
</table>
Reasons for Price

- There are usually at least 3 years conversion time for the fields and long processes for the application;

- Most farms are small family run operations that are not highly profit-driven and seldom receive government subsidies or support for research;

- Organic food takes longer to grow than inorganic as chemical growth hormones and fertilizers can speed up the growth rate of inorganic crops;
Organic Produce is usually picked when it is ripe unlike inorganic food, which allows for transportation time and is picked unripe and before it is fully developed;

The majority of organic distribution is done on a small scale so the transportation cost are often higher, pushing consumer prices up;

Organic certification bodies charge their members for annual inspection and use of their certification labels, once again driving prices higher;
The Salary of Chinese People

- Then, the average month salary:
  Beijing: ¥ 9,200, Shanghai: ¥ 8,900, and Zhengzhou: ¥ 5,000

- In Zhengzhou, the rent of a single room is about ¥ 1,500. If you have a family and the house loan is about 2,000 - 2,500 RMB. If you have a kid going to the kindergarten, it costs ¥ 1,500/month.

- All the spending in hospital needs to be paid by ourselves, and the jacket is department store is cost least ¥ 1,000.

Therefore, the organic foods are not for everyone, it is more like luxury thing to purchase in China.
According to Yin et al. (Journal Science of Food Agriculture, 2010) researches,

Reasons why customers buy organic foods

![Diagram showing reasons for buying organic foods]
Reasons why customers not buy organic foods
- Engel's coefficient = food expenditure / total expenditure
- Dramatic increase in the population of wealthy class who consider fewer with price
Target People

- High-income population and health-pursued crowds. According to the research, the most of customers earn the salary over 3,000 RMB/month;
- High education population, especially graduated from college;
- Special consuming groups: pregnant, infant parents, and elderly people.
Typical Organic Consumers

- Six out of ten people would choose organic food if it was easily available and cost no more than conventional food.

- Reasons for buying organic food
  - 46% say health is the main reason
  - 40% say it taste better

- Reasons for not buying organic food
  - 42% say the costs are too high
  - 15% say they are not seen in shops
  - 10% say there is not enough variety
  - 4% say they don’t buy because it does not taste better

- Age 25-34, and shopping mostly at specialty stores
Sale

- Pregnant women, parents of infants, high-income and high-education populations concern the safety;
- Most communications are from TV, advertisements, and websites

- Convenience for consulting;
- Easy to pay;
- Quick delivery;
- Group order and discount for large orders;
- VIP term: put 1,000 RMB in VIP card will award 200RMB on the cards.

Communication

Convenience

Cost

Consumer

Biological

Safety

Social

Respects

Self

61.9%  28.6%  46.1%
Government Support
BIOFACH China 2015 Conference on International Organic Food market and Development

- Ministry of Agriculture
- International Foundation for Organic Agriculture Movements (IFOAM),
- China Green Food Development Center,
- China Organic Food Certification Center
Cai Lan Zi (Shopping Baskets Program)

- This program was brought up by Ministry of Agriculture since 1988 in order to ease the contradiction on food supply and ensure that residents have fresh vegetables all the year round.
- 1994, the large farming markets and the production base were established. 1995, all the information was ready online. Until 1997, there were 4,000 large farming markets.
- 2001, harmless agricultural foods was introduced and 2002, “Triple Green Program” (Green Food, Green Market, and Geen Transport) was brought up.
- After 10 years, the aim of government was to improve the quality of foods.
Since online shopping was more and more popular, this program starts running online.

- www.sdclz.com --- Beijing
- www.myclz.com --- Shanghai
- www.lygclz.com --- Lianyungang
- www.maicaiw.com --- Chengdu
- www.cailanwang.com --- Zhengzhou

They are for each city and local vegetables, fruit, rices, meat and fishes.
Companies
Duncan Farming

- A small business
- Pick-up activities
- Delivery by order
- Home-made organic food Restaurant
- Wooden Cottage for rent
- Playing areas for kids
This company was founded by three young men in Henan Province, and the most interesting thing is they actually put CCTV besides each field and record it.
Wanda Organic Foods Companies

- The founder of Wanda Organic Companies was Jianlin WANG, a multi-billionaire, who is the chairman of Wanda Group, a large real estate developer.
- Although this organic foods project they just started 3 years, the company has been already in the shape.
Problems of Organic Foods
Current Problems

- **Air**
  Pollution are quite serious in China. For example, the air pollution in Beijing, the average PM 2.5 of 2013 is 89.5 μg/m³, and there are 189 days over the limit (PM 2.5 > 35 μg/m³).

- **Soil**
  April, 2014, about 19.4% agricultural fields are polluted in China. Therefore, the 3 years for conversion time are not enough.

- **Water**
  The running water will be polluted from underground water. About 30 - 40% organic foods containing pesticides due to the water.
Conclusion

- Organic Labels
- Current Situations
- Price of Organic Foods
- The Target Groups & Consumers
- Government
- Companies
- Problems
Developmental Prospect

In 10 Years:

- Production of China's organic food grows by 30% -- 50%;
- 1 - 3% increases on the production area;
- Exported proportion of agricultural production area will increase;
- Share on the international organic food market will meet or exceed 5%;

- China, as the fourth-largest organic food consumed country, the organic foods in China I believe have a bright future.
Thank you so much!
Any questions?