

## **Country report: Organic food and farming in China**

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Chinese farming is likely to remain different from Europe's. Driven by globalization, however, a worldwide trend of harmonization of agricultural market and production systems also affects China. This global trend includes growth of certified organic agriculture.

### **Organic production developments**

From the first organic tea certified in 1990, organic farming in China has grown rapidly in terms of farm numbers, arable land and export value. Precise national level aggregated data are hard to establish, but the certified organic area in 2005 can be estimated to approximately 4.4 million hectares. Of this area 2.1 million hectares are certified for wild collection (honey, berries etc.), and the remaining 2.3 million hectares are agricultural land. Out of the 2.3 million hectares 610'000 hectares are under conversion and 998'000 hectares are used for crop production<sup>7</sup>. In terms of certified land, the 4.4 million represents an increase of almost 0.5 million hectares compared to year 2004<sup>8</sup>. The number of enterprises involved in primary production and processing is approximately 1'600, but the number of individual households growing organic is significant higher although the amount is unknown.

Organic products are sold either domestically or for export. Primary export markets are North America, Europe and Japan. The total value of Chinese organic export in 2004 was estimated to be 350 million US-Dollars (COFCC, 2006). It has not been possible to obtain the total value of domestic sales, but two certification bodies covering 33 percent of the certified area, and 37 percent of the organic export reported a domestic sale of 478 million US-Dollars (or 3.7 billion China Yuan Renminbi CYN). However, most of the organic products sold domestically are reportedly sold without an organic premium, so the primary driver of Chinese organic food and farming is still trade and export.

Out of China's 31 provinces, China's organic production in terms of money value and certified land is concentrated in eleven provinces. They are the five northeastern provinces of Inner Mongolia, Heilongjiang, Jilin, Liaoning and Hebei, and the six eastern and southern provinces of Jiangxi, Fujian, Jiangsu, Hubei, Shandong and Yunnan.

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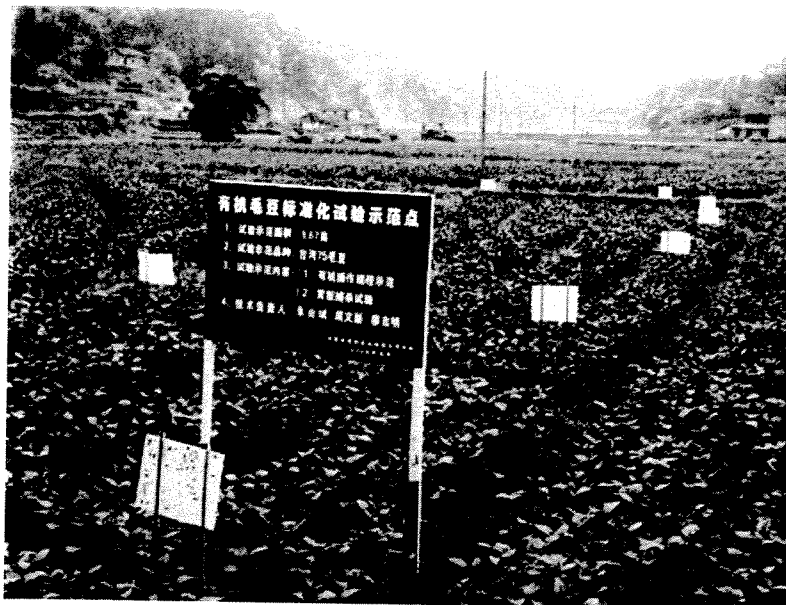
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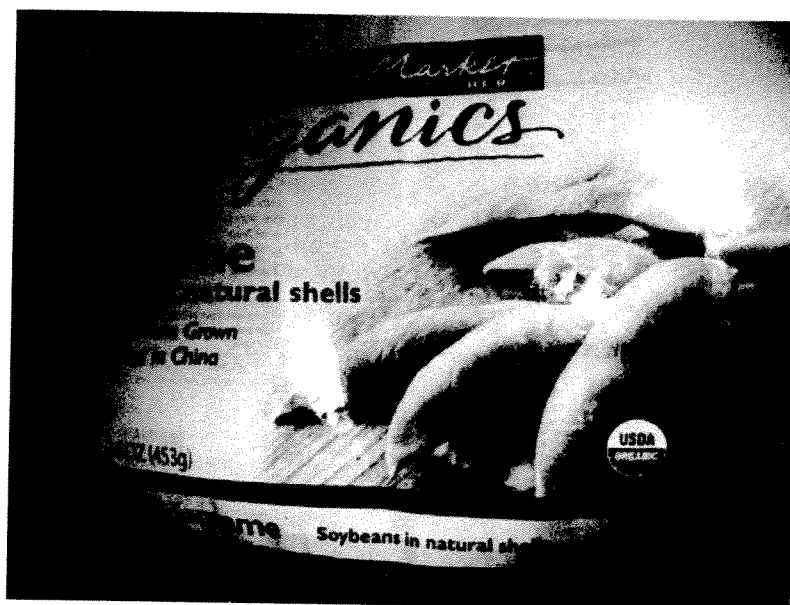
7 The cropped area is about one fifth of the total certified area, according to the Organic Food Development Center of China OFDC and the Committee for National Certification and Accreditation CNCA.

<sup>8</sup> Editors' note: According to the global organic survey carried out by FiBL in 2006 3.9 million hectares including wild collection were certified in China (Willer/Yussefi, 2006)



Picture: Soybeans with insect trap tests. The fields are located in the 100 percent organic villages in JiaoHu town in Wanzai County. Here the development of organic agriculture started with ginger in the late 1990s. Now the organic production includes a large number of different organic cash crops.

Picture: Niels Halberg, University of Aarhus, Denmark



Picture: Frozen soybeans in pods for export.

Picture: Niels Halberg, University of Aarhus, Denmark



**Picture: Strawberries are being transplanted in a traditional rice fields. A local company purchases these at high prices and freeze dries them for breakfast products for the US market.**

Picture: Niels Halberg, University of Aarhus, Denmark

As shown in the table, 'Chinese provinces concentrated with certified organic production' the organic production in the Northeast is dominated by beans, cereals and oilseeds. In the East and southern provinces organic production is dominated by various teas, a few fruits for juice and increasingly other crops such as rice, ginger, soybeans and vegetables. Bamboo shoots, herbs and other so-called non-timber forest products are collected from non-cultivated areas.

**Table 11: Chinese provinces concentrated with certified organic production, major produce, arable land and value (US-Dollar) derived from domestic as well as export sales (2005)**

	Province	Major crop produced	Certified organic area (1'000 hectares)	Domestic sales (Million US-Dollars)	Export sales (Million US-Dollars)
North East	Inner Mongolia	Sunflower seeds Buckwheat Flax Various beans	404	23,5	2
	Heilongjiang	Soybean Wheat Maize Pumpkin seeds Various beans Rice	126	12,9	3

	Jilin	Soybean Sunflower Melon Pumpkin seeds Beans Peanut	404	29.9	4
	Liaoning	Maize Soybean Peanut Wheat Flax seed Beans	68	66.5	39
	Hebei	Various beans Soybean Clover seed Millet	1	9.7	21
East/ Southern	Jiangsu	Tea Rice Vegetables	9	62.6	19
	Jiangxi	Green tea Oil tea seed Rice Strawberry Bamboo shoot	57	27.7	5.3
	Fujian	Ginger Oolong Green tea Mushroom	9	5.5	9.5
	Yunnan	Tea	394	12.5	3.6
	Shandong	Vegetables Fruits Rice	7.4	48	21.6
Provinces in table	11		1'481	298.8	128
Total China	31		4'400		350
Percent of total China			33		37

Source: The data from the 11 provinces is based on information from the China Organic Food Certification Centre COFCC and ECOCERT, covering 33 percent of all certified area in China and 37 percent of the total organic export value. Thus, there will be some bias in terms of the organic area in each province as well as its economic value.

The major drivers behind the organic production are international and local trading companies working directly with farmers and/or with village cooperatives or public staff in a commune. Private and public companies provide inputs, technical advice as well as marketing channels, which is especially important for the involvement of traditional farmers with only small plots, less than 0.5 hectares per household, especially in southern China.

## **Certification and regulation**

Governmental institutions have been generally supportive towards organic agriculture and private companies. China has shifted the administration of organic inspection and certification from the Environmental Protection Administration (SEPA) in 2004 to the China National Certification and Accreditation (CNCA). By 2005, CNCA developed the first Chinese National Standards for Organic Products, and a national seal has been introduced for all organic foods sold domestically. Parallel to the rapid growth in organic production and export, there has been a dramatic increase in the number of organic certification bodies in China. In 2004, six organizations offered certification services, and the year after this number had increased to 26 (USDA, 2006). By the end of 2006, 30 certification organizations were registered (OFDC & CNCA 2006).



**Picture: The Chinese Organic Seal: The owner of the Wuyuan Xitou Organic Tea Co. Ltd., Mr. Yu, proudly presents a the seal**

Picture: Niels Halberg, University of Aarhus, Denmark

Certification of organic export is done by internationally accredited companies like OCIA (based in the United States), ECOCERT (French origin), BCS (based in Germany), IMO (based in Switzerland), Soil Association (base in the UK) and JONA (based in Japan) and by the local certifiers Organic Farming Development Centre OFDC and OTRDC.

The China organic Food Certification Centre (COFCC) under the China National Green Food Development Centre (CNGFDC, under the Ministry of Agriculture MOA) now certifies one third of the products for the domestic market (IFAD, 2005). Products sold to a growing number of domestic supermarkets are mainly certified by local certifiers.

The overall national policy promoting trade, upgrading rural policies to improve incomes for farmers and to curb rural migration could increase the importance of organic farming integrated as a national farm policy, focusing on property rights, taxation and credit options.

## **Development and market challenges**

China has a history of Chinese Ecological Agriculture and Chinese Green Food, which may converge into an institutional foundation for strengthening its certified organic agriculture (Egelyng, Yu Hui and Li 2006). China has economic, institutional and scientific capacity allowing the country to become a significant player on the world market for organic foods. Yet, some short to medium term challenges remain.

Like most family farms in China, organic farmers depend on small-scale economies, with limited output and experiencing need for support networks to make logistics more efficient (Sanders, 2006). With small operations often too small to be cost effective, small farmers may not invest significantly in further development on the supply side, unless new farm policies are directed towards these issues. Indeed, ongoing reforms are already targeting reduction of agricultural taxes, for instance. On the local level, there are now examples of counties formulating strategies for the increase of organic farming and attracting new companies establishing processing facilities for export oriented organic products.

On the consumer side, strengthening integrity vis-à-vis the export markets is one challenge to remain important, particularly if recent global events such as the Cornucopia Institute - a US organic consumer group questioning credibility of US supermarket chain Wal-Mart labels - should prove to have any foundation. While the volume of highly educated and affluent Chinese consumers is increasing with growing urbanization and rising disposable incomes, it remains a challenge for the organic industry to increase the share of domestic consumers appreciating the differences between 'green food' and certified organic food, in order for organic sales in major cities to really increase.

The governmental focus on trade and export and the move towards centralizing the accreditation system could be regarded as a public policy step towards further improvements on regulation of organic standards. Public steps to elevate data reliability would also strengthen market transparency and lower market costs for the growing private sector trading organic. However, it is still not clear what the government plans to invest in promoting better logistics, increase profitability at the farm level and support organic at a local and regional level within an integrated farm policy.

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