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Organic Certification Issues Update from East China

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Report Highlights:

Recently China has been increasing its enforcement of regulations that require imported organic products to be certified to Chinese organic standards. The Chinese Organic Standards law states that food products cannot be called organic in any language on the package unless they are certified to Chinese organic standards. In the past, this statement was not enforced as long as the back label printed in Chinese language did not mention that the product is organic. If Chinese authorities start to routinely enforce this law, US organic producers will be required to obtain Chinese certification or remove/cover any reference to "organic" from their products. Several American companies have already started to pursue Chinese organic certification, but this is a very expensive endeavor.

General Information:

Introduction

Recently, some officials in China have started to increase enforcement of regulations that require imported organic products to be certified to Chinese organic standards. The current law is that food products cannot be called organic in any language on the package unless they are certified to Chinese organic standards. This rule has been in place since 2005 and has been enforced on the back, stick-on Chinese labels, but has not been generally enforced on English labels. This situation is changing. Some Chinese officials in East China are now requiring not only that the word organic cannot appear on the Chinese language label, but that all other mention of the word organic must be marked out. Unless the current rules are modified or China recognizes US organic standards, US organic producers will be required to obtain Chinese certification, remove/cover the word organic from their products, or limit sales into the China market. It normally cost about \$3,200 plus airfare and lodging for a product to be certified to Chinese standards and products must be recertified every year.

Background

In 2005, the Chinese Government implemented its own organic standards. The regulation is divided into four parts (production, processing, labeling and marketing, and management systems) and became effective on April 1, 2005. The National Standards for Organic Products GB/T19630-2005 were jointly issued by the Standardization Administration of China (SAC) and the General Administration on Quality Supervision, Inspection and Quarantine (AQSIQ).

Below are some key points related to labeling of imported organic products:

- A. The term "organic" and the mark of China Organic Product Certification can only be used for labeling of organic products produced and processed according to national organic standards, unless the meaning of "organic" is completely unrelated to organic production process and practices.
- B. Products without organic product certification cannot use the label of organic product certification.
- C. The labeling and organic product certification labels of imported organic products shall also conform to these rules.

U.S. and China do not have equivalency or mutual recognition agreements related to organic standards.

Cost of Organic Certification

Normally it costs about \$3,200 to certify a product. For multiple products, the cost is determined by the actual process of inspection, according to a Chinese certifier. For example, the more lab tests are needed, the higher the cost will be. As a reference, one Chinese certifier just finished the certification of some milk products from Germany. It cost about \$9,500 for 6 products. In addition to this cost, the company will need to fly in Chinese inspectors and pay for the airfare and lodging.

Each year Chinese organic certification needs to be renewed. Trade contacts informed us that since the procedure of re-certification is almost the same as the first year, the fee will generally be reduced by about one

third.

New implementation rules of Chinese Organic Standards-2011

In 2011, the National Standards for Organic Products were modified. The new standard GB/T19630-2011 and its implementation rules became effective on March 1, 2012.

In 2011 food safety was a key topic in China. Local media exposed several negative news stories about organic food, revealing that some non-organically grown products also received the Chinese organic certification. This scandal attracted both government and consumers' attention.

Due to the new rules, domestic organic growers feel it is now much more difficult to produce organic products in China. They feel that they are facing more stringent requirements and the cost to get the certificate will be higher. Some industry insiders indicate the government would like to better regulate the organic industry by implementing more stringent rules.

Major changes in the new implementation rules of Chinese Organic Standards include:

1. The standards require zero-tolerance of residues.
2. The standards do not allow parallel planting in one-year crop, such as rice.
3. Certifiers need to inspect each crop of each variety.
4. If products come from a cooperative group, that is to say, from different farms, each farm needs to be inspected.
5. Once a product receives the organic certification, it will be assigned an authentication code. Each SKU will have a code. Consumers can use this code to check whether the product is truly certified organic.

Implications

According to the Chinese organic regulations, imported US organic products, even though they are USDA certified, will not be allowed to use "organic" terms on package labels unless they receive Chinese certification. This part of the law was already in place, but randomly enforced. Hence, there was already a risk that imports of US organic product would be rejected or that CIQ would require that the English labels and USDA organic logo be covered or marked off.

There have been indications of stricter implementation of the regulation since November 2011. Some importers said that they were told by China's Inspection and Quarantine (CIQ) to mark off the English word "organic" in some cases. One high end supermarket chain has just stopped importing USDA organic products due to these requirements. However, consumers can easily find imported organic products without the Chinese organic labels in retail stores.

The enforcement of the regulations is very complicated and involves several government agencies. At the port it is CIQ's responsibility to stop products that do not have a Chinese organic certification. In this case, the importer will be required to mark off the USDA organic seal and any other "organic" words/references. After importation, even if the products are on the store shelf, the local Business Bureau can remove products that do not meet standards and rules.

One U.S. organic exporter commented: “ Without NOP recognition in China, not only we are not able to use “Organic” in Chinese to market these products to Chinese consumers; more importantly, we are running the risk in facing problems with USDA organic references on products currently marketed in China. This is of great concern to ourselves, the USA manufacturers we represent, and the importers-distributors we work with who are promoting US organic products in China fearing that at any time regulations may force removal of products from the retail shelf or blocking of shipments at the port of entry.”

There are a number of Chinese certifying agents that have experience traveling to the United States and other countries to conduct certification activities. If any U.S. producer would like to obtain Chinese organic certification, FAS China can provide further contact information.

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