

USDA Foreign Agricultural Service

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Global Agricultural Information Network

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## Hong Kong

**Post:** Hong Kong

### Organic Certification Regime Unlikely in Near Future

**Report Categories:**

Agriculture in the News

Market Development Reports

Special Certification - Organic/Kosher/Halal

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**Report Highlights:**

Government officials said legislative control on organic certification is not on their top agenda. They also ruled out the possibility of giving recognition to overseas certified organic labels, given the complexities of the organic processes of individual countries and the incidental inspection required if there is ever a formal recognition system established. However, the Hong Kong government promised to launch a consultation study to look into the organic food sector and regulatory regime of some other jurisdictions in order to evaluate whether and how the production and sale of organic products should be regulated in Hong Kong and how to best enhance consumer education.

## ***Summary***

Hong Kong is the fourth largest export market for U.S. organic products, according to U.S. trade figures of selected-organic food products for the first three months in 2012. Those exports, which were mainly horticultural products, were valued at \$13 million in 2011. However, the actual value was likely to be much higher given that the statistics on organics currently do not include many processed organic food items. Hong Kong's demand for organic food is increasingly on the rise. There is no specific regulation governing organic certification. Organic and conventional food is subject to the same food regulations. The former generally sells at a premium price. Unscrupulous retailers are tempted to fraudulently claim their products as organic for bigger profits. Such malpractice has triggered calls for the government to strengthen regulation. At this stage, the Hong Kong government (HKG) has not set the regulation of organic foods on their legislative priority list. However, it will launch consultation study to evaluate whether and how the production and sale of organic products should be regulated in Hong Kong and how to best enhance consumer education.

While there is no legislative control on organic certification, the Hong Kong Organic Resource Center (HKORC) provides independent certification for organic products, which are largely locally produced vegetables. The Center has recently introduced a "Product Acceptance Service" for imported processed organic products. In essence, it is a service verifying the certification documents of organic products, which have been certified in places other than Hong Kong. As such, this Service seeks to enhance consumers' confidence in the organic claims carried by the products by having a familiar local HKORC logo on the label as well. The Center aims to provide the Service as an interim measure to foster the trade of organic products in Hong Kong and provide consumers with confidence in various organic seals when the market lacks legislative control and fraudulent organic claims exist.

## ***Background***

There is a steady growth of organic food business in Hong Kong, prompted by frequent food safety incidents and consumers' better knowledge about the merits of organic foods. Although Hong Kong does not have any publicly available sales or import statistics for organic foods, their increased popularity and acceptance are evidenced by the expanded varieties of both food and non-food items available in supermarkets in recent years. In addition, Hong Kong has seen more small retailers focusing on the sales of health/organic foods. Even in wet markets, there are certain stalls highlighting the sale of organic vegetables (though there is often no guarantee for the claim).

The increased supply of organic foods in Hong Kong speaks for the increased demand. As in

other places, the consumption of organic foods is largely supported by the perception that organic products are healthier and are likely to be hormone free, antibiotic free, pesticide free, natural, etc.

As organic products are sold at higher prices compared to conventional ones, some organic-claimed products have emerged in the market with validity to be verified, particularly for produce selling in wet markets. According to a survey conducted in 2010, only 10 percent of the surveyed retailers claiming to sell organic vegetables could provide organic certifications. However, around 72 percent of these stalls sold their vegetables at a average price of US\$3/kg whereas 94 percent of stalls selling non-organic vegetables at a price lower than US\$3/kg.

Given the premium price enjoyed by organic products, there always exists an incentive for unscrupulous retailers to make fraudulent claims of organic products particularly in wet markets. This has led to calls for more regulation on organic certification to protect consumers and safeguard a healthy development for the organic food trade.

### ***Regulation in Hong Kong***

Currently, Hong Kong does not have any regulation specifically regulating organic standard or labeling. They are subject to the same food regulation as any other conventional foods. There is no regulation that prohibits the use of any organic logos in Hong Kong. However, Hong Kong's food law has a provision for "False labeling and advertisement of food or drugs", which supposedly can protect consumers against any false labeling of organic products. In addition, the Hong Kong Customs and Excise Department has legislative backup to combat against misleading and false trade descriptions.

In view of the mounting popularity of organic foods and the urge by the green and consumer groups' for regulating organic certification, the HKG commissioned a consultation study to analyze consumption of organic foods in Hong Kong. The key findings are:

- Most consumers have heard of the term "organic food" and are able to associate it with concepts like no-use of pesticides and chemical fertilizers.
- There is a widespread belief that organic food is a premium product which is safer, more nutritious and of better quality. Perceived health benefits remain the major reason for their purchase. Many consumers also consider that organic consumption can help protect the environment and is worth the additional cost.
- Consumers purchase most organic food from supermarkets, followed by specialist stores and wet markets. They are more confident in the authenticity of organic food in supermarkets.

- Consumers are often unsure how much to trust organic food claims, uncertain about the food's origin and confused by the multiple organic food labels in the market.
- Most consumers agree that promotion by local authorities of well-established organic certifications and labels of different origins would help them identify organic food. They are also in support of enhancing oversight of the organic food market.
- Industry stakeholders generally do not prefer regulations imposing a local certification scheme and the creation of new local standards. Some suggest that Hong Kong could consider accepting a basket of internationally recognized certification bodies and their certifications if regulation of the market is necessary.
- Educating the public on organic labels is seen by the trade as a more fundamental way to enhance consumer awareness of the authenticity of organic food.
- Consumers generally have good knowledge of organic claims.
- There are potential risks of fraudulent selling of conventional products as organic food, particularly in wet markets.

Based on the findings of the study, the Hong Kong government concluded that at this current stage it is more practicable to enhance public education and information about the concepts of organic production and labeling. Presently, the HKG ruled out the possibility of developing an official recognition system for overseas certified organic labels on the grounds that certification standards could be very complex and vary among different individual standards and that official audit inspections might be required. A government official further pointed out that given the availability of many organic products in Hong Kong which have been certified by some authoritative overseas certifiers, consumers could enjoy a wide and extensive range of organic food choices. If Hong Kong chooses to recognize some organic standards but not others, consumer choices could be limited. In considering whether to have organic food handled by legislative control, the official stressed that they would compare its emergency need with other food safety related issues such as heavy metals, pesticides and veterinary drug residues in food.

However, the HKG agreed to conduct another study in 2012, taking into account local circumstances, to assess whether and how the production and sale of organic food in Hong Kong should be regulated, if at all, as well as how to enhance consumer education and information on organic foods.

### ***Organic Certification in Hong Kong***

Although Hong Kong does not have a specific piece of legislation for organic certification, there exists an independent organic certification body operated by the Hong Kong Organic Resource Center (HKORC) which was established in 2004 with government funding. As of May 2012, the Center has approximately 103 certified members. Most of them are growing vegetables. The membership also includes five processors and handlers and two aquatic operations. Some of the certified operations are still in the conversion stage.

In the 1990s, organic farming began to develop in Hong Kong. The Hong Kong government saw that organic farming could be a viable option for local farmers to survive in the face of strong competition of imported vegetables from China. (Hong Kong has limited farming and food production with 95 percent of food supplies being imported. For example, vegetables from China account for over 90 percent of total consumption whereas local production for approximately 2.5 percent.) The HKG then started to provide technical support to assist the local farming industry, if interested, to convert to organic farming by launching an Organic Farming Support Service. There are about 182 farms which have joined this Support Service and they are producing a total of 4.5 tons of organic vegetables per day, equivalent to about 10% of the supply of locally produced fresh vegetables or 0.2% of the total supply of fresh vegetables in Hong Kong. Although organic farming is growing, the output is insignificant.

Presently, there are about 400 organic farms with a total acreage of 110 hectares, not necessarily being certified by the HKORC. These included family-operated farms, enterprise-operated farms, educational hobby farms and self-claimed organic farms.

To respond to the trade's request for organic certification, the Hong Kong Organic Resource Center was then established with government support to provide independent organic certification to local farming.

The HKORC has set up a certification standard which was developed from the International Federation of Organic Agriculture Movement (IFOAM) with modifications suiting the local situation. An American consultant was engaged in the setting of the organic standard and operation manual.

HKORC adopts a production process rather than end-product approach. If it has certified a farm as 'organic', all products from the organic production area of the farm are certified organic and are eligible to carry a HKORC sticker. They have two types of organic logos: one for products carrying not less than 95 percent of organic ingredients and another for not less than 70 percent but not more than 95 percent of organic ingredients. A third type of logo is for products coming from fields which are in the process of converting to organic farming.

Organic Logos issued by the Hong Kong Organic Resource Center



Organic Produce or Products with not less than 95% of organic ingredients



Products produced from farmland that applied for conversion



Products with not less than 70% but not more than 95% of organic ingredients

Given that Hong Kong's development of organic certification has been in response to the certification need given to organic products grown locally, HKORC's logos are predominantly limited to produce.

Apart from the HKORC, the Hong Kong Organic Certification Centre (HKOCC) is another private agency that provides organic certification service in Hong Kong. Apart from certification services, it also provides chargeable consultation services. According to the website of HKOCC, it has certified a few local farms and a number of farms on the Mainland and in Taiwan.

Hong Kong consumers' demand for organic products is not limited to produce but to many other food products. Given that over 95 percent of Hong Kong food supplies come from imports, a variety of organic food products have emerged in Hong Kong carrying organic logos issued from various overseas authorities. Some products self-claim being organic while some label as carrying organic ingredients.

### **Survey by HKORC**

In March 2012, the HKORC announced the result of a Hong Kong Consumer Survey on Organic Food. The survey concluded that the market is experiencing a steady growth and that there is a need for enhanced regulation of organic certification.

Among the 616 people surveyed, 60 percent had purchased organic products. Of all the respondents who had purchased organic products, 30 percent bought organic food at least once a week and 3 percent on a daily basis, which was higher than the 1% recorded in the survey 2008. The number of consumers who spent over HK\$500 or US\$64 on organic food monthly accounted for 16.2 percent, which is much higher than the 9 percent in a similar survey conducted in 2008. More encouraging is that 20.8 percent of consumers of organic products indicated they will spend such an amount next year.

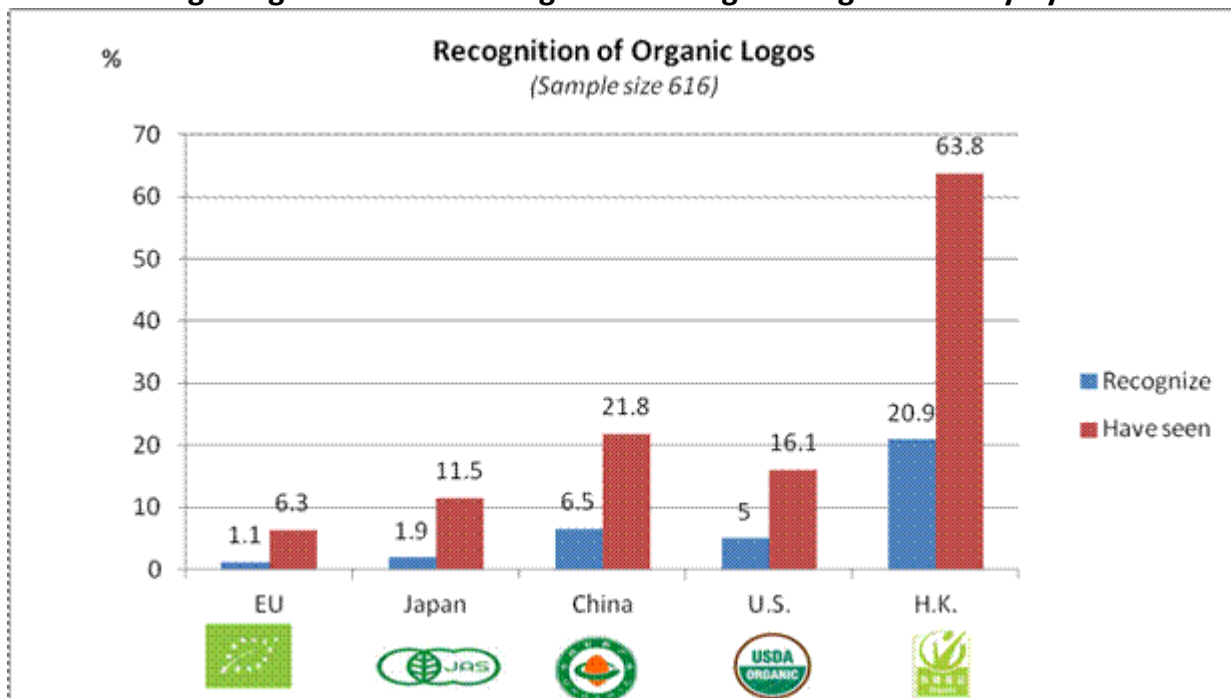
The survey result showed that 40 percent of consumers have never purchased organic food. Of these consumers who have never bought organic products, 90 percent indicated that high price was the reason discouraging them to shop organic products while 60 percent explained that the lack of certification label on organic claimed products did not provide them with

confidence to do the purchase.

Based on the survey results, the HKORC concluded that there is an urgent need in enhancing consumer education and introducing control measures on organic food in order to protect consumers' rights amid the growing market.

The survey also gauged consumers' recognition of various organic logos. According to the survey, 16 percent of the respondents recalled to have seen while 5 percent were able to recognize the USDA organic logo. The HKORC organic seal is the most recognizable with more than 60 percent of the respondents have seen the logo.

**Chart 1: Hong Kong Consumers' Recognition of Organic Logos – Survey by HKORC**



Hong Kong Consumer Survey on Organic Food 2012 by Hong Kong Organic Resource Center

### ***Product Acceptance Service***

The HKORC successfully became accredited by IFOAM in 2012. This accredited status allows HKORC launch a Product Acceptance Service for imported processed organic products, which are certified by IFORM accredited certifiers. Importers of IFORM accredited products can apply for the Product Acceptance Service. Under this program, the HKORC will check all certification documents but will not involve any product testing. If certification documents are found valid, the products can bear the HKORC seal.

For organic products which are not certified by IFOAM accredited certifiers, the HKORC will also accept applications for the Service and it will allow the use of its logos provided that the

standard of the certifier is equivalent to that of the HKORC.

Under the current lack of certification regulation, the Service is intended to provide confidence to consumers by having a familiar Hong Kong organic logo on imported organic food products.

### ***U.S. Export of Organic Products to Hong Kong***

Hong Kong consumers generally have good confidence not only in quality and safety of U.S. products but also in their product claims. Although consumers might not be fully aware of the requirements of the U.S. National Organic Program, they at large trust the organic claims of U.S. products.

While Hong Kong does not have any solid figures of the organic trade, the U.S. has export figures of selected organic products starting 2011. The available U.S. figures indicated that Hong Kong has become the fourth largest market for U.S. organic products for the first three months of 2012, jumping from sixth place in 2011 when those products had an export value of US\$13 million. It is believed that the total value of U.S. organic food exports to Hong Kong is much higher than US\$13 million because the U.S. has the export value of only a selected variety of organic food products available, mostly horticultural products. The export value of many processed organic food items which are already on the shelves of the many high-end supermarkets and specialty shops in Hong Kong have not yet been recorded in the U.S. organic food export figures.

In 2011, U.S. exports of selected organic products to Hong Kong were valued at US\$13 million, led by cherries, oranges, coffee and apples. A breakdown is provided in the table below.

**Table 1: United States. Export Value of Organic-Selected Products to Hong Kong, in US\$ thousand**

Product	2011	Jan - Mar 2011	Jan - Mar 2012	
	Value	Value	Value	Period/Period % Change (Value)
Organic Cherries Fresh	7,470	0	0	
Organic Oranges Fr/Dr	1,703	473	102	-78
Organic Coffee Roast Not Decaf	1,447	12	687	5,750
Organic Apples Fresh	1,040	186	314	69
Organic Celery Fr/Ch	360	0	0	
Organic Lemons Fr/Dr	196	0	151	
Organic Broccoli Fr/Ch	188	0	0	
Organic Grapes Fresh	121	0	0	
Organic Potatoes Fr/Ch Xsd Oth	20	20	0	
Organic Tomato Sauce Ex Ketchp	17	11	6	-40
Organic Cult Blueberries Fresh	11	0	25	



Organic Lettuce Not Head Fr/Ch	4	0	0	
<b>Total</b>	<b>12,579</b>	<b>701</b>	<b>1,284</b>	<b>83</b>

1. Data Source: Department of Commerce, U.S. Census Bureau, Foreign Trade Statistics
2. Organics-Selected: The organic product group only includes selected codes.
3. Organics-Selected: Beginning on January 1,2011, selected U.S. import and export organic trade codes have been established. Data for previous years is not available.
4. Product Group : Organics-Selected

**Table 2: United States. Export Value of Organic-Selected Products by Markets, in US\$ thousand**

	2011	Jan - Mar 2011	Jan - Mar 2012	
Partner	Value	Value	Value	Period/Period %
				Change (Value)
Canada	230,399	60,019	52,363	-13
Mexico	49,374	5,099	23,264	356
Japan	29,575	3,223	6,510	102
Australia(*)	20,003	88	52	-40
Taiwan	18,968	134	727	444
<b>Hong Kong</b>	<b>12,579</b>	<b>701</b>	<b>1,284</b>	<b>83</b>
China	5,518	927	339	-63
Grand Total	412,070	74,297	90,829	22

1. Data Source: Department of Commerce, U.S. Census Bureau, Foreign Trade Statistics
2. Organics-Selected: The organic product group only includes selected codes.
3. Organics-Selected: Beginning on January 1,2011, selected U.S. import and export organic trade codes have been established. Data for previous years is not available.
4. Product Group : Organics-Selected