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Date: 10/18/2013

GAIN Report Number: HK1339

Hong Kong

Post: Hong Kong

Study Does Not Recommend Legislative Control on Organic Foods

Report Categories:

Agricultural Situation

Special Certification - Organic/Kosher/Halal

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Report Highlights:

A Consultancy Study commissioned by the Hong Kong government (HKG) recommended that Hong Kong should not adopt a legislative approach for the organic food sector at this moment but efforts should be strengthened to raise awareness and enhance consumer education based on the existing voluntary organic certification framework. Administrative measures are also recommended to combat the existing shortcomings prevailing in organic food sector. Upon HKG's presenting the Consultancy Study to the Legislative Council, members expressed views echoing the recommendations suggested in the Study. While the administration has not made any announced position with regard to the recommendations, there is no legislative plan for organic certification. USDA organic certified products will continue to be available in the Hong Kong market as organic.

Background

Currently, Hong Kong does not have any piece of regulation specifically regulating organic standards 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. But there are views that the lack of definition of the term "organic" in Hong Kong's food regulatory framework has made prosecution for false labeling difficult.

Hong Kong practices voluntary organic certification. There are two certification bodies, namely the Hong Kong Organic Resource Center (HKORC) and Hong Kong Organic Certification Center (HKOCC). The HKORC which was established in 2004 with government funding has about 105 certified operations as of September 2013. Most of them are growing vegetables. The membership also includes four processors and handlers and three aquatic operations. Some of the certified operations are still in the conversion stage. The HKORC is accredited to the International Federation of Organic Agriculture Movements (IFOAM).

The Hong Kong Organic Resource Center has certified nine farms.

In addition to the 100 plus organic farms certified by either the HKORC or HKOCC, there are about 345 farms that claim themselves operating according to organic principles.

The Consultancy Study

Back in 2012, the HKG indicated that legislative control on organic products was not on the priority list but promised the public a Consultancy Study. The result was released in 2013 with recommendations echoing government's earlier view that legislative control is not the best policy option at this stage. Such an approach not only may adversely affect the growth of the industry but also is considered as inappropriate in view of the small size of the existing industry. Instead the government should enhance public awareness and education. Strengthened efforts to protect the interests of consumers and legitimate producers and traders are warranted. Administrative measures are also recommended to combat the existing shortcomings prevailing in organic food sector.

Study's Findings

1) The market is small. The Study pointed out that the market is too small despite significant growth in recent years. Legislative control will serve to hinder this growth instead.

The Study quoted the report of market research firm Organic Monitor that the organic food and drink market in Hong Kong was valued at about \$58 million (HK\$450 million), which was roughly equivalent to less than 2 percent of food sales at local supermarkets or less than 1 percent of local households' expenditure on food.

There are about 203 farms that have joined the government's Organic Farming Support Service (a program assisting conventional farmers to switch to organic farming by offering technical support) occupying a total land area of 80 ha, which is equivalent to 20 percent of the actively farmed agricultural land in Hong Kong. However, these farms only produce about 5 MT of produce daily, which is about 10 percent of total supply of locally produced fresh vegetables and just 0.2 percent of the total supply of fresh vegetables.

2) The Consultancy Study included a consumer survey. The result indicated that better education on organic is warranted for the public. There exists the lack of basic knowledge among consumers regarding organic certification and labeling.

98 percent of respondents had heard of the term organic food and most associated it with non-use of pesticides, chemical fertilizers, and chemical additives. They generally perceived organic food as safer, of higher nutritional value and better quality. The Study pointed out that such perceptions were not supported by conclusive scientific evidence.

3) Ambiguity of the term "organic" and false claims risks undermine consumer confidence.

The survey showed that key factor discouraging consumers' purchase of organic food include doubts in the authenticity of organic claims and confusion of organic labels.

The Study mentioned that 400 farms in Hong Kong claim to be operating according to organic standard but only 100 plus are certified by either HKORC or HKOCC. Consumers generally lack confidence in obtaining "organic" products in wet markets.

4) Some stakeholders cautioned that regulatory actions will result in high compliance costs eventually driving out many products and reducing product choices for consumers.

Recommendations

The Consultancy Study concluded that any enhanced control of organic food in Hong Kong should be considered from the perspective of consumer protection and of ensuring free trade. The Study listed out four possible options, that is, 1) Maintaining the status quo; 2) Raising awareness; 3) Launching administrative measures; 4) Introducing legislation.

Based on the findings, the Consultancy Study took a balanced approach recommending the need to raise public awareness and introduce the correct perception of organic products. Furthermore, administrative measures are warranted to combat the situation identified by the Study. Suggested measures include promoting organic certification programs, developing a set of minimum standards to define "organic" and promulgating a reporting mechanism of food fraud.

The Study is of the view that the option of maintaining the status quo is too passive and time consuming for the organic food sector to self-correct the existing shortcomings. It fails to fulfill the public expectation for increased government regulation. On the other hand, legislative control might be too extreme for Hong Kong's current situation and size of the organic market. The compliance cost will be prohibitive for traders to introduce new organic products. The cost will eventually be transferred to

consumers. Product choices will be reduced. The negative impact on traders and consumers would hinder the healthy development of the organic sector. The Consultancy Study did not see any pressing need for legislative control.

In view of the recommendations offered by the Consultancy Study and the response of the Legislative Councilors, the Hong Kong government will not introduce legislative control on organic food sectors in the near future. In other words, USDA certified organic products can continue to sell in the Hong Kong market as organic. Any administrative programs, if any, might take the form suggested by the Study.