

Advisory Council on Food and Environmental Hygiene

Report on Consultancy Study on Organic Food

INTRODUCTION

This paper reports the findings of the Consultancy Study on Organic Food (the Study).

BACKGROUND

2. In view of the growing consumption of organic food in Hong Kong and to facilitate the further development of the organic food sector, the Food and Health Bureau (FHB) commissioned in March 2011 the Study 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 about organic food. More specifically, the objectives of the Study are to:

- (a) gauge the level of understanding about organic food on the part of the trade and the public;
- (b) analyse the key issues of concern to the public associated with the emerging trend of increasing consumption of organic food in Hong Kong;
- (c) examine the global organic food landscape and regulatory regimes;
- (d) assess whether Hong Kong should regulate the production and sale of organic food; and
- (e) recommend options to enhance consumer education and information on organic food.

3. The Consultant conducted desktop research on the profile of the organic food sector in Hong Kong and the regulatory regime in a number of

selected jurisdictions. Telephone surveys and face-to-face interviews were conducted to gauge consumers' level of perception and their purchasing habits on organic food, as well as interviews with key stakeholders in the organic food sector to better understand the current market situation and the key issues of concern pertaining to the further development of the sector. Based on the findings, the Consultant has identified a list of issues requiring attention and suggested a range of possible policy options, on the basis of which the Consultant has made recommendations for the way forward.

4. There is no universal definition of organic food. The term basically refers to food produced under organic farming principles and methods. An overview of the global organic food landscape and some pertinent issues for Hong Kong could be found in the paper submitted to this Council for its meeting on 21 December 2011 (**Annex**: ACFEH Paper 9/2011).

FINDINGS OF THE STUDY

(A) Profile of the Organic Food Sector

5. In Hong Kong, over 90% of the foodstuffs consumed are imported. In 2010, the total import of foodstuffs amounted to \$124 billion. Discounting the \$34 billion worth of foodstuffs re-exported subsequently, the amount of foodstuffs retained for local consumption amounted to some \$90 billion. In respect of local food production, the combined output of Hong Kong's agriculture and fisheries industries in 2010 was worth \$3 billion, or about 3% of the value of imported foodstuffs retained for local consumption that year.

6. The organic food sector constitutes only a small part of the overall food market. According to a report by the market research firm Organic Monitor released in 2011, it was estimated that the organic food and drink market in Hong Kong was valued at about \$450 million, which was roughly equivalent to less than 2% of food sales at local supermarkets or less than 1% of local households' expenditure on food. The Consultant also noted that the volume of organic food sold in restaurants in Hong Kong was minimal.

7. Fresh vegetables are the most significant locally produced organic food product, while there is also some organic production of fresh fruits and live fish. As at October 2012, there were 452 farms in Hong Kong that declare themselves as operating according to organic principles

(about one quarter of all farms in Hong Kong). These included traditional family-operated farms, enterprise-operated farms, educational hobby farms and self-claimed organic farms. Among these farms, 203 had joined the Organic Farming Support Service (OFSS)¹ provided by the Agriculture, Fisheries and Conservation Department (AFCD). As at October 2012, these 203 organic farms registered under OFSS occupied a total land area of 80 ha, which is equivalent to 20% of the actively farmed agricultural land in Hong Kong. On average, these farms produce about five tonnes of organic vegetables each day, which is about 10% of the total supply of locally produced fresh vegetables or 0.2% of the total fresh vegetables supply in Hong Kong.

8. In sum, the Consultant has observed that the local organic food sector is a niche market with minimal share in the food supply chain when compared to other locally produced or even imported food products.

(B) Findings of the Consumer Research

9. In order to gauge the preferences and patterns of consumption relating to organic food and drink by the consumers, the Consultant conducted a telephone survey and face-to-face interviews between April and May 2011. For the telephone survey, a total of 2 018 Hong Kong residents were successfully contacted and 1 013 individuals aged between 18 and 64 responded to the survey questions, representing a response rate of 50%. The survey questions were designed to gauge the level of understanding and perception of organic food by the respondents, their expenditure on and frequency of organic food purchases, their reasons for buying or not buying organic food etc. Apart from the telephone survey, a separate face-to-face survey was conducted and a total of 321 Hong Kong residents aged between 18 and 64 participated. Among the 321 interviewees, 160 were classified as frequent organic food consumers, 91 infrequent consumers and 70 non-consumers, who were selected by quota sampling to achieve a sample of 50% frequent consumers and 50% infrequent consumers or non-consumers.

10. The key findings of the telephone survey and face-to-face interviews on the consumers are summarised below –

- (a) An overwhelming majority (98%) of respondents had heard of the term “organic food”.

¹ In December 2000, AFCD launched an Organic Farming Conversion Scheme (later renamed as the OFSS) to assist conventional farmers to switch to organic farming by providing them with technical support.

- (b) On the level of understanding of what the term “organic food” refers to, most respondents would associate the term with “non-use of pesticides”, “non-use of chemical fertilizers”, “non-use of chemical additives/preservatives” and “use of natural and organic inputs for planting or breeding”. A smaller proportion of respondents associated the term with “[food] produced using environmentally sound methods”, “ingredients [that] do not contain genetically-modified organism” or “[food] not processed using irradiation”.
- (c) It was observed that non-consumers had a similar degree of understanding of the term “organic food” as frequent and infrequent consumers.
- (d) Most respondents perceived organic food as safer, of higher nutritional value, better quality, a premium or luxury product, and with greater health benefits. This positive perception of organic food was shared by non-consumers, though to a lesser extent.
- (e) Slightly more than half of the respondents were motivated to buy organic food by its perceived health benefits. Curiosity and concern on food safety were among other major factors.
- (f) Among the organic food consumers surveyed by telephone, only one-fifth were regular consumers who purchase organic food at least once a week, with another one-fifth at least twice a month. The remaining ones purchased organic food infrequently (less than twice a month) or had not purchased any organic food in the three months preceding the survey.
- (g) Nearly 70% of the respondents cited supermarkets as the main location where they purchase organic food because of convenience, variety of products available, and consumer confidence in the quality of their commodities. Some would purchase at specialist stores given better quality assurance and some went to wet markets for convenience.
- (h) Over 80% of the respondents who have bought organic food indicated no strong preference on the country of origin of the organic food product. About 30% of the frequent consumers indicated preference for locally produced organic food.

- (i) Most respondents estimated the cost of organic food to be about 50% higher than its conventional counterparts. Price was quoted by most non-consumers as the main factor why they do not buy organic food.
- (j) Other factors that might discourage consumers from buying organic food included doubts in the authenticity of food products claimed to be organic, confusion in the organic food labels and lack of choices.
- (k) Most respondents had confidence that organic food sold in specialist store, supermarket, food section in a department store and farms were genuinely organic. They had less confidence in wet market or on-line purchases.

11. By analysing the demographic data of the respondents, the Consultant noted that a typical organic food consumer in Hong Kong would most likely be a female aged between 35 and 54, working in a professional or semi-professional sector, with at least senior secondary education and a household income of \$20,000 or above. The survey results also suggest that the proportion of Hong Kong people willing to try organic products had been on the rise in recent years.

(C) Views of Key Stakeholders

12. Views on Hong Kong's organic food market were collected from key stakeholders, including relevant Government bureaus and departments, public bodies, certification agencies as well as industry representatives (both producers and traders). Their views on the current market situation and key issues of concern in the further development of the organic food sector are summarised below –

- (a) The organic food market in Hong Kong is a small sector and a niche market. The past decade saw a noticeable growth in the organic sector and the potential for further expansion is good. But it would remain relatively small in scale when compared to the conventional food sector in terms of product variety and supply, as well as contribution to sales and growth.
- (b) Local production of organic food mainly consists of leafy vegetables. However, because of its unstable supply and the limited variety available, locally produced organic products tended to be more costly. They are sold mainly at farmer

markets, farm festivals, online trading platforms and directly from the farms.

- (c) Supermarkets and specialist stores are the main outlets of organic food, mostly processed food imported from other markets. They seldom carry local fresh produce due to unstable supply and higher costs.
- (d) According to two major local supermarket chains, organic food products accounted for less than 1% of the total food products available at their retail outlets. Another major local supermarket chain indicated that organic products constituted about 5-10% of its stock.
- (e) Demand in organic food is growing in the region and competition for quality organic food products may further limit the supply of organic food in Hong Kong.
- (f) The problem of fraudulent and counterfeit organic food might exist. However, the interviewees were of the view that very few retailers had knowingly infringed the law (referring to the offence on false description of products sold pursuant to the Trade Description Ordinance).
- (g) Some considered regulatory actions undesirable because of concerns about prospective compliance cost and difficulties in conforming to a single set of regulations. Some doubt the need for regulation given the small size of the market. Finding a common definition of “organic food” and drawing up a set of common standard on organic practice would be a challenge.
- (h) Some cautioned that regulation of the organic food sector might have negative impacts on both traders and consumers, e.g. products might have to be removed from the market if they do not comply with the Hong Kong requirements and retailers might be less willing to introduce new products, hence further restraining the product choice to consumers. The increased compliance cost might be shifted to consumers, driving up the price of organic food products further.
- (i) Enhanced consumer education to improve consumers’ knowledge in organic food would be a useful alternative to regulation.

(D) Market Issues Identified and Reference to Experience of Other Jurisdictions

13. Based on the above findings from the consumer research and consultation with stakeholders, the Consultant has identified five market issues pertaining to the organic food sector in Hong Kong and has drawn reference to the experience of selected jurisdictions in addressing these market issues. The jurisdictions studied include Australia, the European Union, the Mainland of China, Singapore and the United States. The observations of the Consultant are summarised in the ensuing paragraphs.

Ambiguity of the term “organic” undermines consumer confidence

14. The results of the consumer surveys suggest that there is a general lack of confidence in the authenticity of food products claimed to be organic, which might have discouraged consumers from purchasing organic food products. As noted in paragraph 4 above, there is no universal definition of organic food. The term basically refers to food produced under organic farming principles and methods. In Hong Kong, there are currently 452 farms in Hong Kong that declare themselves as operating according to organic principles. Among these farms, 103 farms are certified by the Hong Kong Organic Resource Centre (HKORC) as meeting a set of organic production and processing certification standards. Another nine farms are certified by the Hong Kong Organic Certification Centre (HKOCC)². Products from these farms may carry labels issued by the certification bodies to certify that they are organic products.

15. In the selected jurisdictions studied, the definition of organic food and farming refers to a standard which sets out the rules and procedures for ensuring the consistency and reliability in organic products. Only the food product properly produced in such manner can be branded as “organic”. In jurisdictions where multiple standards are available, such as Australia, they tend to adhere to one single set of minimum standards and are moving towards this direction by referencing to a set of “minimum requirements” to define the term “organic”.

Lack of basic knowledge among consumers regarding organic certification and labelling

² HKORC and HKOCC are independent certification bodies. HKORC is accredited to the International Federation of Organic Agriculture Movements (IFOAM), which is a non-governmental organisation leading organic movements worldwide.

16. The Consultant has observed that greater consumer knowledge of organic food is correlated to their increased consumption. As revealed from the surveys, many consumers have perceived organic food as safer and of higher nutritional value, despite the fact that evidence on the relative nutritional value and safety of organic food vis-à-vis conventional food has been inconclusive. Indeed, most governments regulate food safety and nutrition issues separately from any organic food policy, and for the purpose of handling food safety and nutrition-relating matter, organic food and conventional food are treated equally. It would be important to enhance consumer knowledge and understanding of what organic food and farming are and how to interpret the organic labels issued by various certification bodies.

17. In this regard, it is observed that in the selected jurisdictions studied, the industry and government join efforts in providing non-technical information to consumers about organic farming and food to enhance public knowledge of organic food, including the relevant certification standards and labelling. In these jurisdictions, the industry usually takes the lead in the campaigns for consumer education and promotion of organic products. In some jurisdictions, such as the European Union, organic food and farming is part of the food and health curriculum.

Multiplicity of labels may contribute to consumer confusion

18. Hong Kong imports over 90% of its foodstuffs from other places. Organic products produced locally or imported from other places may carry labels issued by different certification bodies. The existence of multiple labels on different organic products might cause confusion to consumers and undermine their confidence in organic products. Most respondents in the face-to-face survey recognised the labels issued by HKORC and the local organic vegetable labels issued by the Vegetable Marketing Organisation (VMO). However, the level of recognition of other labels issued by foreign certification bodies was low.

19. The Consultant noted that single labelling would be conducive to building consumer confidence and better recognition of organic products. In some of the jurisdictions studied, the adoption of a single and standardised labelling system is being implemented or gradually developed. However, the degree of stringency in adopting a single and standardised labelling system in the jurisdictions studied varies. For example, in Australia, organic food for domestic consumption is certified to different standards when compared to organic food for export.

Risk of food fraud, especially in wet markets

20. The problem of fraud and mis-labelling occur when an organic operator (e.g. producer, handler, retailer or other actors involved in the supply chain) identifies a product as organic while it contains non-organic ingredients or where the organic production standards are not adhered to in the production process. This could be intentional, which is a fraud, or accidental due to the mishandling in the production process or in the supply chain. It is difficult if not impossible for the consumers or even the traders to verify the authenticity of the organic products visually or by other means of examination. Certification, monitoring and enforcement systems are the primary mechanism adopted to guard against such mal-practices in all of the jurisdictions studied. However, the Consultant also observes that the risk of such problems is difficult to eliminate completely.

Gap between belief and evidence on comparative safety and nutritional value – potential for false claims

21. The Consultant has noted that development of the organic market in many countries has been grounded primarily in environmental sustainability but often spurred by concerns with health and food safety. Food scares in some countries have led to increased consumer interest in organic food, as consumers generally perceive organic food as more nutritious and safer despite the lack of clear evidence substantiating such correlation. Consumer belief that organic food is of higher nutritional value and safer than conventional food is a key drive in the organic food market. Findings from the consumer surveys in the Study also saw such tendency.

22. In the jurisdictions studied, governments are engaged in providing impartial and empirical information to assist consumers' purchasing choice. Generally, they do not take active measures to promote the consumption of organic products for the sake of food safety. It is however noted that some governments do promote the concept of organic food and farming for considerations including environmental sustainability and promotion of export trade. In some cases, the issues of food safety and nutrition value of organic food are addressed by the same benchmark as their conventional counterparts.

(E) Policy Options Developed by the Consultant

23. The Consultant has noted that the main policy objectives of the Government in respect of food are to ensure food safety and stable food

supply in Hong Kong. The production and sale of organic food in Hong Kong have limited relevance to these objectives given that the organic food sector is a niche market that is unlikely to gain a significant share in the food supply chain in the near future. Also, organic food together with their conventional counterparts are readily regulated under existing food safety and trade regulations and they are treated by the same standards. As such, the Consultant considers that any policy options seeking to enhance control over the organic food sector in Hong Kong should be developed from a consumer protection angle and from the perspective of ensuring fair and free trade. Based on these broad objectives, the Consultant has developed four policy options, in respect of which it has interviewed a few selected key stakeholders to gauge their views on the perceived outcomes and effects of different policy options. The policy options suggested by the Consultant and its assessment of each of the policy options are set out in the following paragraphs.

Policy option 1 – Maintaining the status quo

24. Under this option, the Government would maintain the status quo, i.e. the prevailing measures in the handling organic food (e.g. voluntary schemes of the certification bodies, and the educational and promotional efforts made by the industry) would continue and we would leave it to the market to manage and address the market issues identified above. By so doing, the market issues identified might eventually be addressed but it would however likely take a long time before any significant changes could be seen. The selected stakeholders interviewed supported the continuation of the administrative and promotional measures currently adopted by the Government and the certification schemes of independent certifications bodies. Additional efforts would be welcomed.

Policy option 2 – Awareness raising

25. The market issues might be rectified by raising consumers' awareness, including dissemination of information to organic producers, traders and consumers on websites, publications, leaflets and television, and building into the school curricula and extra-curricular activities the concepts of organic food and farming. These initiatives may be jointly taken forward by the Government and the industry or separately. It is worth noting that some stakeholders interviewed were of the view that the Government should not take a role in promoting organic food as a superior alternative to conventional food. Some remarked that the Government might not have the professional knowledge and experience in taking forward these initiatives, while additional resources might be required for the industry or

schools to take the lead.

Policy option 3 – Administrative Measures

26. The Government may consider working with the industry to accelerate change through a range of administrative measures, including further promoting organic certification schemes and streamlining the certification procedures, encouraging international accreditation of local certification bodies, developing a set of minimum standards to define “organic” and promulgating a reporting mechanism of food fraud. Regarding the above suggested measures, the Consultant noted that the organic farms had expressed a general concern about the existing administrative requirements of certification process. There were also views that Hong Kong certification labels were sometimes perceived by consumers as inferior to certification labels issued by other overseas certification bodies, despite the fact that one of the certification bodies for organic products in Hong Kong has been accredited to an international accreditation body. Retailers generally supported the development of a set of “minimum standards” for organic food to facilitate reference by the trade and their compliance. The selected stakeholders interviewed also welcomed the idea of consumers reporting general food fraud although they have cautioned whether the consumers were able to differentiate authentic organic food from the counterfeit ones. They were of the view that a more practical alternative might be for the industry to step up the policing efforts.

Policy option 4 – Legislation

27. The Government may consider proposing a new legislation with a view to imposing restriction on the sale of organic food unless the organic food comes from a producer that has been certified to a recognised organic standard. Some stakeholders were of the view that the organic food sector was still a small market and organic food should not be a priority issue for the Government. General food safety issues should be addressed first before introducing legislation specifically for the organic sector. They also expressed concern about the potential negative impacts of a legislative approach on the industry and considered it more desirable for the Government to first employ administrative measures in the short and medium term. Whether there would be a need for legislation should be reviewed in the longer term.

(F) Recommendation of the Consultant

28. In conclusion, the Consultant notes that the organic food market

is a niche market in Hong Kong and organic food products are mainly imported from other places outside Hong Kong. Local production of organic food is limited in quantity and variety. Domestic export of organic food product is minimal. These notwithstanding, the Consultant considers that government actions to strengthen the protection of the interests of consumers and legitimate producers and traders would be warranted.

29. The Consultant has evaluated the pros and cons of the four policy options suggested above, bearing in mind the market size of the organic food sector and the main policy objectives of the government for ensuring food safety and stable food supply. The Consultant considers that maintaining the status quo (policy option 1) might not be a good option as the interest of legitimate producers and traders would continue to be undermined and consumers' confidence in buying organic food would remain at a low level. There is also expectation from the public for government action in enhancing control over the organic food sector and hence maintaining the status quo might not stand up to scrutiny.

30. The other end of the range of policy options is legislative approach (policy option 4). Whilst pursuing a legislative approach might arguably be effective in offering the highest level of protection to consumers, the Consultant notes that such an approach might not be proportional to the size of the local organic food sector and the scale of the market issues that Hong Kong is facing. The industry considered the legislative option to be too cumbersome and believed that the additional restrictions might bring about negative impacts to both producers and traders. These adverse impacts might also be transferred to consumers, hindering the development of the organic food sector. Compared to other jurisdictions studied, there is no pressing need in Hong Kong for regulating domestic export of organic food given the small amount of local production that is basically consumed locally. There does not appear to be any pressing concern on imported organic food given that they are largely sold in reputable supermarkets or specialist stores where there are minimal false organic claims.

31. On balance, the Consultant recommends the Government to consider stepping up efforts in raising awareness (policy option 2) and administrative measures (policy option 3). Through such measures, the Government may enrich consumers' knowledge of organic food and encourage the industry to produce, source and trade authentic organic products, so as to facilitate consumers in making informed purchasing decisions and avoid the proliferation of non-authentic organic products. The lead time and administrative costs incurred would be comparatively lower. Furthermore, these two options may cast positive impact on the

demand for and supply of organic food, thus encouraging sustainable development of the organic sector in Hong Kong.

32. We reported the above findings and the recommendation of the Consultant to the Legislative Council Panel on Food Safety and Environmental Hygiene on 5 February 2013. Panel Members generally agreed with the approach suggested by the Consultant in dealing with the issues in the organic food sector from a consumer protection perspective.

ADVICE SOUGHT

33. Members are invited to note the content of this paper and offer views on the strategies that the Administration may adopt in governing the production and sale of organic food in Hong Kong, including enhancing consumer education and information about organic food.

Food and Health Bureau
February 2013

For Discussion

ACFEH Paper 9/2011

On 21 December 2011

Advisory Council on Food and Environmental Hygiene

Organic Food

Purpose

This paper provides an overview of the global organic food landscape and sets out some pertinent issues for Hong Kong. It serves as a prologue to future discussions on the development of the local organic food sector.

Background

2. Consumer demand for organic food is on the rise across the world due to greater awareness of environmental protection and human health. In Hong Kong, there are no official statistics on organic food consumption. However, it is understood from traders that there has been a steady growth in demand although organic food is unlikely to gain a significant share in overall food consumption, mainly due to the smaller supply and higher price. Today, a wide range of organic food products ranging from fresh produce, meat, poultry, fish, eggs, milk, juice, tea to canned food and baby food are available in the market. Most are imported and sold at a premium as compared to conventional food. They are also often associated with positive attributes such as being healthy, safe, environmental friendly, and of good quality.

Definition of “Organic”

3. There is no universal definition of organic food. The term basically refers to food produced under organic farming principles and methods. There are various definitions and explanations for organic farming or organic agriculture. Generally speaking, organic agriculture is a holistic production system that relies on site-specific ecosystem management (e.g. crop rotation, inter-cropping, good animal husbandry, use of green manures, etc.) rather than synthetic inputs (e.g. synthetic fertilisers and pesticides, veterinary drugs, genetically modified organisms, preservatives, additives and irradiation) for maintaining long-term soil fertility and prevention of pest and diseases. The International Federation of Organic Agriculture Movements (IFOAM), a non-governmental organisation leading organic movements worldwide, defines organic agriculture as follows –

“Organic agriculture is a production system that sustains the health of soils, ecosystems and people. It relies on ecological processes, biodiversity and cycles adapted to local conditions, rather than the use of inputs with adverse effects. Organic agriculture combines tradition, innovation and science to benefit the shared environment and promote fair relationships and a good quality of life for all involved.”

4. In places with government standards and regulations on organic food or organic agriculture, organic food usually refers to products certified by authorities or certifying bodies according to the relevant organic standards. The certified products may then be labelled and marketed as organic. It should however be noted that the definitions of “organic”, “organic production” and terms alike, as well as the coverage

of organic regulations, vary from country to country.

Organic Standards and Certification

5. Organic products often appear identical in look to their conventional counterparts. Some countries with a developed agriculture sector have developed organic labels to certify those products which have been produced according to specific organic standards. An organic label usually indicates the name of the certification body and the standards with which it complies. Certification bodies adopt different organic standards in evaluating the production of organic food¹, and they themselves can be formally recognised by more than one authoritative body. The label of a given certification body, therefore, informs the consumer of the type of standards complied with during production and processing as well as on the type of recognition granted to the certification body. At present, there is not any official multilateral organic standard. None of the existing international or national organic standards is universally recognised by all governments or international inter-governmental organisations. In other words, an “organic” product in one country may not be certified as such in another place.

¹ According to IFOAM’s brochure “The IFOAM Organic Guarantee System – Guaranteeing Organic” published in 2011, close to 500 public and private certification bodies now operate on the global organic marketplace. There are more than 100 different standards used to certify organic products across the world.

International voluntary guidelines

6. The Codex Alimentarius Commission² published in 1999 the *Guidelines for the Production, Processing, Labelling and Marketing of Organically Produced Foods* to guide producers, protect consumers against misleading claims and facilitate trade. The guidelines are also intended to facilitate the harmonisation of requirements for organic products at the international level and provide assistance to governments wishing to establish national regulations in this area. The guidelines include general sections describing the organic production concept and the scope of the text; description and definitions; labelling and claims (including products in transition/conversion); rules of production and preparation, including criteria for the substances allowed in organic production; inspection and certification systems; and import control.

7. The private sector's equivalent to the Codex guidelines is the *IFOAM Basic Standards for Organic Production and Processing*, which set out general principles, recommendations and standards for the production, processing, packaging and labelling of plants, livestock, bees, aquaculture and other organic products. Like the Codex guidelines, the IFOAM standards are regularly reviewed.

National standards

8. The Codex and IFOAM guidelines have been international reference or minimum organic standards to guide governments and

² The Codex Alimentarius Commission is an intergovernmental body with over 180 members, within the framework of the Joint Food Standards Programme established by the Food and Agriculture Organization of the United Nations (FAO) and the World Health Organization, with the purpose of protecting the health of consumers and ensuring fair practices in the food trade. The Commission also promotes coordination of all food standards work undertaken by international governmental and non governmental organizations.

private certification bodies in standards setting. They can be considered as standards for standards. Governments can use these texts to develop national organic standards and regulations, which are often more detailed and specific to local needs. Most national standards (e.g. those of European Union countries, Japan and the United States) are specified in regulations which are legally binding. In some countries, certification bodies may adopt standards which are more stringent than the basic, mandatory requirements. In places without organic regulations, where government guidelines may or may not exist, certification bodies may establish their own standards with reference to the international guidelines.

Accreditation of certification bodies

9. Accreditation is a procedure by which an authority evaluates and gives formal recognition that a certification programme is in accordance with the standards of the authority. Certification bodies for organic products can be accredited by the relevant authorities if they conform to applicable international standards and/or national standards. At the international level, IFOAM administers an accreditation programme. IFOAM accreditation is awarded to certification bodies which use certification standards that meet the IFOAM Basic Standards and comply with the IFOAM Accreditation Criteria³. IFOAM accreditation is carried out by the International Organic Accreditation Service Inc., a daughter company of IFOAM. An “IFOAM Accredited” logo can be used on product labelling and related promotional material by operators of IFOAM accredited certification bodies.

³ The IFOAM Accreditation Criteria establish requirements for conduct of organic certification by certification bodies. The criteria are based on International Organization for Standardization (ISO) standards for the operation of certifying bodies and they are additionally developed to reflect the particular circumstances of certifying organic production and processing.

10. At national levels, governments or national accreditation bodies accredit certification bodies operating in their countries according to their organic agriculture legislation.

Recent developments

11. Organic standards as well as certification and accreditation requirements are evolving. Some changes have been necessitated by developments in the global environment such as the proliferation of organic regulations, labelling initiatives, and the rapid growth of all organic sectors including the number of certification bodies. Many advocates of organic agriculture believe that the multiple organic standards and technical regulations have hindered further development of organic agriculture and created obstacles to trade. Accordingly, the international organisations have embarked on initiatives aimed at harmonising organic standards and facilitating trade. An example is the Global Organic Market Access project, jointly overseen by FAO, IFOAM and the United Nations Conference on Trade and Development, which seeks to simplify the process for trade flow of organic products among various regulatory and private organic guarantee systems. It focuses on harmonisation and equivalence of organic standards and certification performance requirements as mechanisms for clearing trade pathways.

12. In 2010, IFOAM launched its new Organic Guarantee System with major changes to requirements for certification bodies seeking accreditation. For instance, the current IFOAM Basic Standards are being transformed into a new IFOAM Standard, an off-the-shelf certification standard instead of a standard for standards. This has the

possibility of reducing costs for accreditation as certification bodies will no longer need to develop and maintain their own standards. The new IFOAM Standard is being crafted with equivalence to major regulations in mind, and is therefore expected to simplify equivalence assessments, ease import authorisations, and help reduce the current large number of organic standards in use around the world. It is IFOAM's objective to create a framework under the Organic Guarantee System for mutual recognition and harmonisation of standards and verification systems.

Situation in Hong Kong

Organic farming

13. The development of organic farming in Hong Kong has only a brief history. It began in 1988 when an environmental education group Produce Green (now known as Produce Green Foundation) started an educational farm using environmentally friendly cultivation practices to raise crops and promote green living. Around the same time, another organisation, Hong Kong Organic Agriculture & Ecological Research Association, did a lot of work in promotion of organic farming. More people showed interest in organic farming in the 1990's. By 1999, a group of avid farmers started the *Hong Kong Organic Farming Association*, presently known as the Sustainable Ecological Ethical Development Foundation. Back then, there were only about ten local organic farms with small acreage, the organic crops output was negligible.

14. As at November 2011, there were 405 organic farms with a total acreage of 110 hectares in Hong Kong. These included the traditional

family-operated farms, enterprise-operated farms, educational hobby farms and self-claimed organic farms.

15. In December 2000, the Agriculture, Fisheries and Conservation Department (AFCD) launched an Organic Farming Conversion Scheme (later renamed as the Organic Farming Support Service (OFSS)) to assist conventional farmers to switch to organic farming. A protocol for organic crop production was also compiled to provide a technical guide for farmers who wished to enter conversion. Working closely with AFCD, the Vegetable Marketing Organisation (VMO) and the Federation of Vegetable Marketing Co-operative Societies Ltd. (FVMCS)⁴ provide technical and marketing support to organic farmers. The number of farms which had joined OFSS was 182 as at November 2011. These farms concentrated in two vegetable growing zones in the New Territories, namely Ng Ka Tsuen and Tai Kong Po, but had also expanded to other zones including Ping Che, Fanling, Pat Heung, Sheung Shui and Tai Po. Their produce is distributed through supermarkets, health food stores, wet markets and farmers' markets. On average, the OFSS farms produce a total of 4.5 tonnes 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. This shows that despite the growth in the number of organic farms in Hong Kong, our local organic output still constitutes an insignificant share of the fresh vegetables consumption market.

16. AFCD and VMO work closely in the marketing and promotion

⁴ FVMCS is a local farmers' organisation which keenly supports the development of organic farming. To better serve their members, of whom many are organic farmers, FVMCS set up the Community Growers Group Office in November 2004 aimed at assisting farmers in organic certification application, providing farmers with quality organic seedlings and promoting local organic produce through agri-tourism and direct sales.

of organic vegetables. VMO collects the vegetables produced by organic farmers for distribution via the wholesale market in Cheung Sha Wan. Kadoorie Farm & Botanic Garden and FVMCS also regularly operate farmers' markets at the Kadoorie Farm, Central, the site of Tai Po Vegetable Marketing Co-operative Society Ltd. or Tuen Mun. Interested organic farmers may bring in their produce to sell at the farmers' markets.

17. Apart from fresh vegetables and fruits, organic food produced in Hong Kong is limited to organic fish. Organic fish was introduced to the Hong Kong market very recently and the supply was insignificant.

18. Given the very small local agricultural sector, practically almost all organic food available in Hong Kong is imported from overseas and the Mainland. Many of these products are sold at supermarket chains and specialty stores, often as high-end products fetching much higher prices than conventional food. The Administration does not possess information on the exact amount of organic food imports as they do not require separate import declaration by category. There is also no published statistics on the ratio between conventional and organic food products sold at retail outlets.

Standards and certification

19. As far as food safety is concerned, our policy has always been that, irrespective of whether a product is organic or not, it has to meet all safety and labelling requirements under Hong Kong legislation on food.

20. With the gradual development of organic farms in Hong Kong, AFCD has been assisting local organic farmers to further develop the

industry as a means to move up the value ladder. In response to the trade's request for providing independent organic certification service, Hong Kong Organic Resource Centre (HKORC) was co-founded by Hong Kong Organic Farming Association, Produce Green and Hong Kong Baptist University in 2002, with AFCD's assistance. Having considered prevailing international (IFOAM) organic standards and adaptations required for domestic circumstances, HKORC completed a set of organic production and processing certification standards for Hong Kong in 2004, and launched its independent organic certification service for organic farmers and organic food processors in December of the same year.

21. Like other organic certification bodies, HKORC certifies the organic production process of a farm rather than the products of the farm. The farmland and the farming practices, materials used, management and the organic integrity of products are subjects that should comply with the organic standards. Once HKORC certifies a farm as "organic", all products from the organic production area of the farm are certified organic. The farm may claim those produce as "certified organic". It may use HKORC's certification seal as stickers on product packages, and the certificate issued by HKORC as evidence of certification. As at mid-December 2011, HKORC has certified 89 local crops production farms, three processing and handling operations and two aquaculture operations.

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

Taiwan.

Issues with Organic Food Consumption

Price

23. According to FAO, certified organic products are generally more expensive than their conventional counterparts for a number of reasons –

- (a) organic food supply is limited as compared to demand;
- (b) production costs for organic foods are typically higher because of greater labour inputs per unit of output and because greater diversity of enterprises means economies of scale cannot be achieved;
- (c) post-harvest handling of relatively small quantities of organic foods results in higher costs because of the mandatory segregation of organic and conventional produce, especially for processing and transportation; and
- (d) marketing and the distribution chain for organic products is relatively inefficient and costs are higher because of relatively small volumes.

Prices of organic foods include not only the production cost but also a range of other factors that are not captured in the price of conventional food, such as environmental enhancement and protection, higher standards for animal welfare, avoidance of health risks to farmers, additional farm employment and assurance of a fair and sufficient income

to producers.

24. As it is generally not possible for consumers to distinguish organic and non-organic food and it can also be difficult to prove the organic origin of food sold at the retail level, some retailers are tempted to falsely claim conventional food items as organic and sell at higher prices.

Health benefits

25. Consumers may choose to buy organic food for many different reasons, one being the belief that it is safer and more nutritious. While advocates strongly put forward the case for organic food⁵, there is no clear consensus on the superiority of organic food in terms of safety and nutrition content. It should also be emphasised that “organic” is a production process claim rather than a product quality or food safety claim.

26. From the food safety angle, there should be no difference between organic food and conventionally produced food, as all foods must meet the same quality and safety standards. Some research has found that organic food contains less residue of pesticides, antibiotics and hormones, but the data do not suggest any significant difference with regard to food safety. On the other hand, some organic production practices and restrictions may imply potential health hazards including bacterial and fungal contamination, although current research has not

⁵ See, for instance, IFOAM’s arguments for organic agriculture from environmental protection, food quality, food security, climate change and social justice perspectives; and responses to skepticism against the benefits of organic agriculture.

http://www.ifoam.org/growing_organic/1_arguments_for_oa/arguments_main_page.html

substantiated increased risks associated with organic foods.⁶ A belief in the greater safety of organic food may result in certain health risks if it means that consumers pay less attention to basic food hygiene.

27. Similarly contested is the notion that organic food is more nutritious. According to the Alternative Farming Systems Center of the United States Department of Agriculture, “valid scientific research comparing organic and conventional foods is scant and what has been done focuses on very specific foods and conditions”. Some general trends identified from studies have shown slightly higher levels of trace minerals, vitamin C and antioxidant phytonutrients than in conventionally grown crops, but the evidence is mixed and often specific to one crop or product. The results of a systematic review commissioned by the Food Standards Agency of the United Kingdom, published in July 2009, shows that there are no important differences in the nutrition content, or any additional health benefits, of organic food when compared with conventionally produced food. Also, as the Agency points out, nutrient levels in food vary depending on many different factors including freshness, storage conditions, crop variety, soil conditions, weather conditions and how animals are fed. All crops and animals vary in nutrient level to some extent, and the available evidence shows that the nutrient levels and the degree of variation are similar in food produced by both organic and conventional agriculture.

The local context

⁶ Information is sourced from the websites of (i) the Alternative Farming Systems Center of the National Agricultural Library, United States Department of Agriculture; and (ii) the Food Standards Agency of the United Kingdom.

http://afsic.nal.usda.gov/nal_display/index.php?tax_level=1&info_center=2&tax_subject=296

<http://www.food.gov.uk/foodindustry/farmingfood/organicfood/>

28. In March 2011, the Food and Health Bureau commissioned a consultancy study to analyse issues pertinent to the trend of increasing consumption of organic food in Hong Kong. A part of the study is to gauge the level of understanding of organic food by the public and the trade through consumer and industry stakeholder surveys. Research so far has shown that –

- (a) most consumers have heard of the term “organic food” and are able to associate it with concepts like no-use of pesticides and chemical fertilisers;
- (b) there is a widespread belief that organic food is a premium product which is safer, more nutritious and of better quality. Many consumers also consider that organic consumption can help protect the environment and is worth the additional cost. That said, the perceived health benefits remains the major reason for their purchase;
- (c) 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;
- (d) 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;
- (e) 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;

- (f) 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 recognised certification bodies and their certifications if regulation of the market is necessary; and
- (g) 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.

29. The preliminary findings above suggest that potential problems of organic food consumption in the local context mainly revolve around a lack of common understanding of organic food claims, uncertainty in making informed choices by consumers, and the risk of fraudulent selling of conventional products as organic food which might be more of an issue with wet markets.

30. In the next stage of the consultancy, we will look into the organic food sector and regulatory regime of some other jurisdictions. The study will then assess, taking into account local circumstances, 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 with regard to organic food. The study is expected to conclude by the first quarter of 2012. We will brief the Council when the final results and recommendations are available.

Advice Sought

31. Members are invited to note and comment on the content of this paper.

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