

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Voluntary - Public

Date: 12/21/2010

GAIN Report Number: CH10604

China - Peoples Republic of

Post: Guangzhou

Southern China Organic Food Market

Report Categories:

Market Development Reports

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Report Highlights:

General Information:

Southern China Organic Food Market

Summary

The market for organic products is experiencing rapid development in South China. The number of supermarkets carrying organic products and the shelf space devoted to them is expanding. Organic specialty stores are also opening one after another with products ranging from vegetables, beans, rice, meats, and beverages to personal care items. A distinctive feature of the organic product market is that a high percentage of the shoppers are neither expats nor high income white-collar workers, but rather average Chinese wage earners. The health conscious culture of South China in combination with repeated food safety scandals has prompted more consumers to seek out organic options. Although organic products are relatively expensive, imported organic foods and products are now quite visible in South China markets.

Overview

People in South China are known for being health conscious and using natural remedies for a wide range of ailments. Cantonese are especially famous for their traditional recipes for seasonal soups that supplement the needs of the human body. For example, winter melon soup is for heat dissipation; pig's heart is to help the human heart; and chicken paws help build endurance for walking. South China's proximity to Hong Kong and Macau also means that the region has had a relatively long history of immigration and exposure to western trends and ideas. Thus organic foods have an already large consumer base in South China. Cities such as Xiamen, Fuzhou, Changsha, Sanya, Shenzhen, Zhuhai and Guangzhou are well stocked with organic produce and organic health care items.

Organic vegetables made their debut in Guangzhou supermarkets in 2003; however, they were removed shortly after because of high prices. Seven years later, although prices remain high (sometimes staggeringly high), the products have won more fans. The past four years have seen significant advances in the organic sector in Southern China. In particular, organic vegetables are gaining ground. Although many consumers have complained about high prices, due to high levels of chemical residues on conventional produce, organic foods are seeing increasing market shares. The trend of replacing conventional foods with organic foods has now been adopted by many average wage earning families.

In the past two years, nearly all of the mid- to high-end supermarkets have begun stocking organic products even though the average prices of organic products are three to ten times higher than conventional ones. Frequent buyers believe organic choices are healthier and more nutritious. Unlike organic shoppers in Beijing or Shanghai, many organic consumers in South China are not high income, but have a strong sense of health. One consumer said he was in the food industry and had heard too many "inside stories" regarding food processing; he therefore chose to eat less meat and increase consumption of organic vegetables just to be safe. Another scenario is when parents just want their children to eat organic. Many parents believe their children should not consume too much synthetic chemicals or fertilizers during the important period of physical development. Such parents may cook separate organic dishes just for their children. A survey conducted by the South China Agriculture University revealed that 70 percent of Guangzhou residents would be willing to pay double for a safer choice of vegetables.

In Guangzhou there are around 60 kinds of organic vegetables with prices ranging between US\$1.50 to US\$3.70 per pound – about four to ten times more than conventional vegetable prices. Although the official population of Guangzhou is about 10 million, right now only about one out of 500 hundred people consumes

organic vegetables, said Ou Jintai, President of Dongsheng Organic Farm. The room for organic food consumption remains big in South China.

In addition to organic produce, organic pork and organic personal care products are also entering the market through specialty organic stores. Pure organic food restaurants have not yet found their place in South China, although many high end food caterers are using organic ingredients in signature dishes.

Distribution Channels

For organic fresh produce, mainstream supermarkets are the main distribution channels. However, prices at these supermarkets are three to ten times higher than conventional vegetables, and some consumers are suspicious about the authenticity of supermarket organic products. Hence market demands have been directly tapped by organic suppliers through internet ordering, phone ordering, or farmer direct stores. For example, organic Choy Sum, a green leaf vegetable in Guangdong, is sold at US\$2.70 at mainstream supermarkets. However, at farmers' stores it is supplied to consumers at US\$0.88 to US\$1.00 per pound. A report by the Nanfang Metropolis newspaper stated that organic farms normally sell their vegetables for between US\$0.44 to US\$0.74 per pound; however, after entering the supermarkets the retail prices are marked up to US\$1.30 to US\$1.80 per pound.

Both consumers and the organic growers want to take advantage of these price gaps. However, this more direct market approach is still in its initial stages: nearly all organic specialty stores and web stores state they are not making a profit and expect to continue losing money for the next three to five years. Nevertheless, these organic store owners say they have full confidence in the organic industry and believe they will see a significant return on their initial investments.

Organic Stores and Farms

In South China, there are many organic outlets and farms competing with mainstream supermarkets. They either establish their own distribution channels or supply to major retail stores such as Wal-Mart, Sam's Club, Jusco, Carrefour, Tesco, Vanguard, Park'nshop and Trust-Mart. To further expand sales, they also set up online shops for internet-savvy customers to shop 24 hours a day. Due to the expanding organic market, these organic product providers are moving towards setting up their own retail outlets or increasing shelf space in supermarkets. The following are some of the major players in the organic sector:

Dongsheng Organic Farm

<http://www.dsatk.com/>

Ke Yu Organic Agriculture Technology Company

<http://www.keyuorg.com/>

Shenzhen Ruililai Company

<http://www.ruililai.com/index.php>

Greendotdot

<http://www.greendotdot.com/>