



UNIVERSITY OF HELSINKI
Faculty of Agriculture and Forestry

Problem solving project in the organic food production chain

Andrea Navarro

Anna Väitalo

Yang Xiaochang

Wang Yucong

WHAT ARE THE RELEVANT CONSIDERATIONS FOR A FINNISH PERSON TO EXPORT ORGANIC BERRY PRODUCTS TO CUSTOMERS IN CHINA?

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ABSTRACT

Our group chose exporting to China for the project subject as it is a current topic. We were focusing in berry products as we were interested in their health properties and abundance in Finland. We found out that it is quite difficult for a Finnish SME to export to China and decided to gather some of problems and possible resolutions. We interviewed Finnish companies and two organizations and used Finnish, English and Chinese sources.

STAKEHOLDER

Pirjo Siiskonen, Luomuinstituutti

METHODS

Contacting companies via email/phone (Anna)

BACKGROUND

LEGISLATION

EU LEGISLATION

Organic farming can be defined as the production of food that respects the natural life cycles. Human impact on the environment is minimized and production occurs as naturally as possible. Organic farming is part of an extensive supply chain and it includes the areas of food processing, distribution and retailing. Every link in this extensive supply chain focuses in delivering benefits to the consumer. The most valuable aspects of organic production are consumer confidence, environmental protection, food quality and animal welfare.

Some of the principles that need to be followed according to EU legislation are:

1. Rotation of crops in a way that resources are used efficiently
2. Chemical pesticides, synthetic fertilisers, antibiotics and other substances are by all means restricted.
3. Genetically modified organisms (GMO) are banned.
4. On-site resources are used an efficient manner, examples of on-site resources are manure for fertiliser or feed produced on the farm.
5. Disease-resistant plant and animal species adapted to the local environment are used.

The European Union has developed a set of strict rules on organic production, processing, distribution, labelling and controls.

In order to assure consumers that the product they are buying and consuming is organic, a certification provided by the European Union is required. Organic farms, processors and traders must comply with

EU requirements if they are to make use of the EU organic logo. Products that do not comply with the standards and rules of EU regulation may not be referred as organic and do not have the EU logo or national equivalent. EU regulation manages every aspect of the organic chain. Every link in this chain is strictly controlled and checked. Farmers, processors, traders, importers/exporters are reviewed at least once a year on the basis of risk assessment. Organic labels must include the list of ingredients, nutritional value figures, name of the producer, processor or distributor who last handled the item and the name or code number of the national certification authority.

THE CHINESE LEGISLATION

According to the General Administration of Quality Supervision , Inspection and Quarantine of the People's Republic of China (AQSIQ) "organic product certification management approach" ,Certification and Accreditation Administration of the People's Republic of China(CNCA) "Organic Product Certification Implementation Rules" and other laws and regulations and GB / T19630 "national standards for organic products", companies want their products sold as organic products, it must be certified organic. Engaged in organic product certification organization must be approved by the China National Certification and Accreditation Administration Commission (CNCA). CNCA is published the approved certification organizations on the website. Only with CNCA approved and published by the certification organization is a legal institution may engage in certification activities.

Relevant laws and regulations

- a) Product Quality Law of the People's Republic of China
- b) Law of the people's republic of china on import and export com-modify inspection.
- c) Regulations of the People's Republic of China on Certification and Accreditation
- d) Measures for the Administration of Organic Product Certification
- e) GB/T19630-2011

Basic Requirements of Organic Certification

1. A farm applying for OFDC certification should be an agricultural production unit with clearly specified boundaries, ownership and management right. Once having passed organic certification, the farm can sell all the vegetative and animal products from its fields as organic.
2. The same berry variety or product cannot be sold as OFDC-certified if the same berry variety or product is also produced elsewhere on the farm using materials or methods that do not conform to these standards.
3. The change from conventional production to organic production calls for conversion, the sowed or harvested berry after the conversion can be sold as organic. During the conversion period, the operator should manage the farm fully in line with the requirements for organic production. After one year of conversion, the berry growing in the fields can be sold as organic-in-conversion.
4. If an organic farm has fields under possible pollution from neighboring conventional fields, buffer zones or physical barriers have to be set up in between the organic and conventional fields so as to ensure the organic fields freedom from pollution.
5. An applicant must hand in a whole set of information about land use of all the field plots of his/her farm, production methods, materials or substances used, harvest and post-harvest treatment of berry and berry yields of recent four years (including the application year) and the current production practices as well.
6. Production and management plan
7. Internal quality control

The organic producer shall keep a complete file of production management and sales records, covering sources and amounts of on-farm and off-farm inputs used or purchased, and an end-to-end process of plantation, management, harvesting, processing and selling of berry. The operator shall take appropriate actions on complaints related to the compliance with certification requirements, and keep a record of the complaints and the corrective actions taken.

8. Inappropriate technologies

In organic production system or for organic products, the deliberate use or negligent introduction of genetically modified organisms (GMOs) and products derived thereof shall be prohibited, including plants, animals, seeds, pollen, propagation materials, and farm inputs such as fertilizers, soil

amendment products, vaccines and plant protection materials. On farms with simultaneous organic and conventional production the use of genetically engineered organisms is not permitted on the conventional part. Inputs shall be traced back one step in the biological chain to the direct source organism (see definition) from which they are produced to verify that they are not derived from GMOs.

Contamination of organic products by GMOs that result from circumstances beyond the control of the operator may alter the organic status of the operation and/ or product. The use of nanomaterials is prohibited in organic production, including in packaging and product contact surfaces. No substance allowed under this standard shall be allowed in nano form.

9. Inspection

Organic-certification-oriented inspection at least once a year for each parcel of land (including wild plant gathering zones under certification) is to be conducted while berry are still growing in the field . When inspecting farms with parallel production, the inspector must conduct an extra inspection through all the process from growing, harvest, transport, storage to selling. In response to recommendations of the Certification Committee, OFDC may decide to dispatch inspectors at any time to make unannounced inspections on organic operators' production, processing or trade.

The certification agencies

To export organic food products to China, a business needs to apply for Chinese certification. As part of this process an auditor authorized by the Chinese government will audit the business' products and business. There are various organic certification agencies in China. Traditionally, the Chinese government has only recognized organic certification granted by one of its 24 local certification agencies. It does not recognize any organic certification abroad. However, two recent developments will help facilitate the certification of imported organic food products. First, in early 2014 the Chinese government handed down a decision to allow auditors abroad to be trained to the Chinese organic standard to audit organic businesses abroad for Chinese certification purposes. Second, in 2014 a trade access agreement was concluded between the National Association for Sustainable Agriculture Australia and the Beijing Wu Yue Hua Xia Management and Technique Centre. Traders can now anticipate a speedier and less costly application process to obtain Chinese organic certification.

The list of 26 certification agencies:

- 1) China Quality Certification Center(CQC
- 2) China Quality Mark Certification Group (CQM)
- 3) Shanghai Audit Center of Quality System (SAC)
- 4) Guangdong Zhongjian Certification Co., Ltd.(GZCC)
- 5) Gainshine Assessment Co., Ltd. (GAC) (Former name: Zhejiang Audit Center for Quality System)
- 6) WIT Assessment
- 7) Beijing ZAZH Certification Center
- 8) Beijing FQCC Quality Certification Co., Ltd
- 9) China Organic Food Certification Center (COFCC)
- 10) China Environmental United Certification Center Co., Ltd
- 11) Organic Tea Research and Development Center (OTRDC)
- 12) Beijing Continental Hengtong Certification Co., Ltd
- 13) Fangyuan Organic Food Certification Center
- 14) Heilongjiang Green Environment Organic Food Certification Centre
- 15) Beijing BECC Certification Co., Ltd
- 16) Liaoning Environmental Organic Food Certification center (LEOFCC)
- 17) Beijing CHC Center
- 18) Environmental Research Institution of Xinjiang Production and Construction Corps,
- 19) Certification Center of North-West University for Agriculture and Forestry Engineering
- 20) Organic Food Development Center, MEP of China
- 21) Beijing Orient Jiahe Certification Co., Ltd
- 22) ECOERT China
- 23) BCS China
- 24) JONA China
- 25) IMO China
- 26) CERES China

Logo



The difference between china and EU legislation

In fact, there is no big difference between the legislation in China and Europe.

However, to some extent, the legislation in Europe is more strict than that in China, take the pesticides for example, in China, more kinds of pesticides and relatively high amount are allowed to use in organic products because of the high pest pressure in China.

APPLICATION PROCESS FOR THE CHINESE ORGANIC STANDARD

1. Introduce the basic information of the company
2. Hand in application and relevant documents, choose the certification organization and make sure the certification fee
3. Sign a contract and pay 50% of the total fee
4. Make sure the sampling date and cooperate with the sampling person
5. Detect the samples

6. Make sure the spot inspection date and plan
7. Inspection the production base, processing and verify the product, packaging and quantity
8. Evaluate inspection result and give out advice on how to make improvement
9. Hand in supplementary materials (if necessary)
10. Certification approval, file pigeonhole
11. Residual payment
12. Get certificate and regulations of labelling
13. Annual inspection

(<http://www.cnca.gov.cn/cnca/spncp/zspj/>)

MARKET FOR BERRIES IN CHINA

The problem that marketing in china that we focused on the sale way and the method of the sale. In Chinese marketing, we can easy find that there are a lot of berries product, so how can make our product more attractive and have a high sales are the problem we should solve.

NUTRITION FACTS OF BERRIES

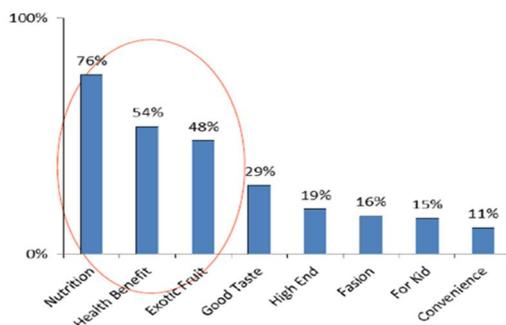
Most of the small berries long-term consumption, can improve human immunity, enhance physical fitness, bodybuilding diet, and beauty, anti-aging. For example cloudberry is a rich source of vitamin C, also contains vitamin E, higher than the content of a variety of fruits and grains. Vitamin E content cloudberry seed oil contains particularly rich. At all wild berries, cloudberrries highest fiber content. Cloudberry also contain ellagic tannin (one polyphenol compound), which is aggregated drupe common ingredients. (Table 1&2)

Nutrition Facts	
Serving Size 100 grams	
Amount Per Serving	
Calories 51	Calories from Fat 7
% Daily Value*	
Total Fat 0.8g	1%
Saturated Fat 0g	0%
Trans Fat 0g	
Cholesterol 0mg	0%
Sodium 0mg	0%
Potassium 0mg	0%
Total Carbohydrate 8.6g	3%
Dietary Fiber 0g	0%
Sugars 0g	
Protein 2.4g	5%
Vitamin A 4%	• Vitamin C 263%
Calcium 2%	• Iron 4%
Thiamin 3%	• Riboflavin 4%
Niacin 5%	• Phosphorus 4%

* Percent Daily Values are based on a 2,000 calorie diet. Your daily values may be higher or lower depending on your calorie needs.

(Table 1)

Key Drivers for Blueberry Consumption



Source: Zhiheng Marketing (March 2012)

(Table 2)

REASONS CONSUMERS ARE INTERESTED IN ORGANIC PRODUCTS

Safe: as organic food, there has less hazards and more valuable than natural berry.

Chemical residues: Under the concept of organic production, all production and processing processes are only allowed in limited circumstances the application of chemical substances.

Healthy: Soil organic foods are generally grown through a special maintenance and repair, using organic farming methods (such as round planting, organic fertilizer) cultivation of vegetables and fruits, than conventionally grown plants twice as many vitamins, minerals and other nutrients. Therefore, organic foods contain high levels of resistance to disease, antioxidants and human vitamins

needed. Used in traditional agriculture industry insecticides, pesticides harmful to human health, and in the process there will be food cooking residues, many of these ingredients are allergy culprit, but also with many types of cancer , Alzheimer's disease have a close relationship. U.S. Environmental Protection Agency (EPA) currently used pesticides were studied, 60% showed potentially dangerous herbicides 90% and 30% of insecticides fungicides have cause cancer. Organic agriculture to these pesticides and chemicals out of our food.

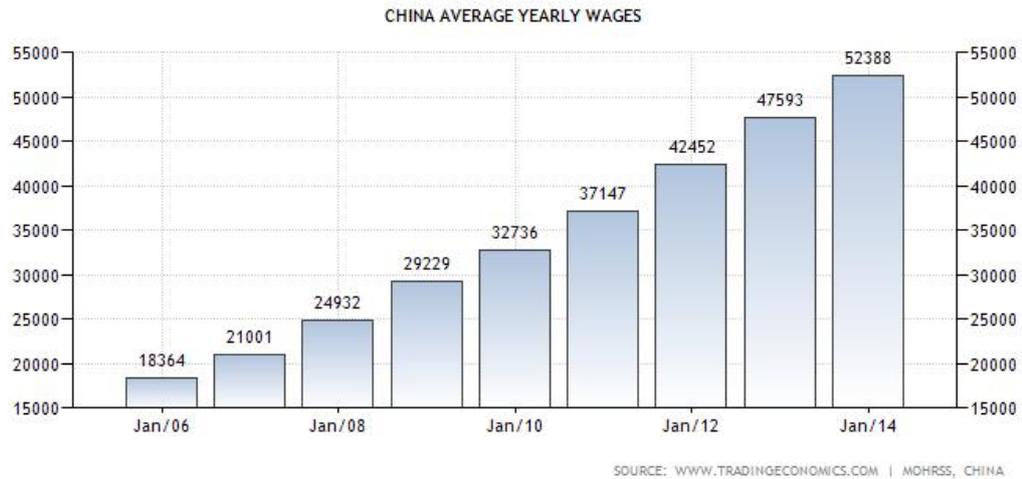
Quality guarantees: each organic food must process the organic organizations so that the quality guarantee can be promised.

Environment protection: Organic farming methods to protect the structure and organic composition of the soil, so that the value of the soil will not be lost over time; organic farming requires less water, saving a lot of water, and because organic farming refused to use pesticides to avoid chemicals pollution of water resources.

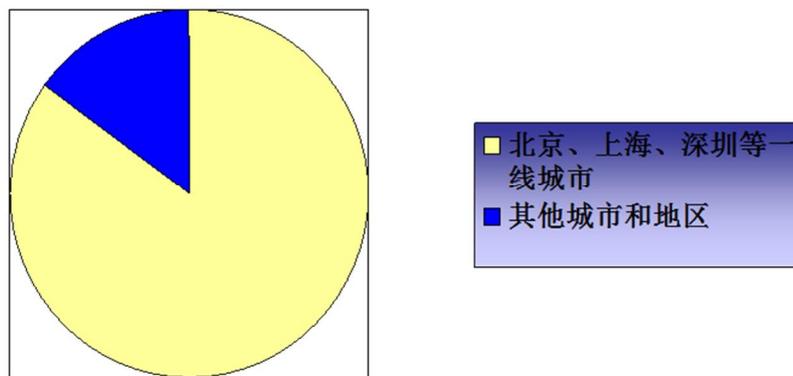
Tasty good: It is generally felt that the growth in the organic soil food taste better, more organic oranges and tomatoes sweet, tender and juicy. Washington State University has done a study on organic apples, the researchers analyzed the firmness of apples at harvest and after just a solid degree six months after storage, experiments show that six months after the organic apple firmness than other non-organic apples high. On sugar, organic apple sweetness is the highest, these results through consumer taste tests.

THE TARGET GROUP FOR ORGANIC PRODUCTS

Due to the organic food is higher than natural berry so that we focused on people have high income. Also, the nutrition value is higher so those people have health concern is our target. Except these, the pregnant woman and infant who need more nutrition. In china, family usually buy higher value nutrition to pregnant woman and infant that make them more health and increase resistance. The young people who like to attend a fashion current. Nowadays in china organic food is a new fashion things that people would like to try them. Also some websites, magazines and newspaper always report the organic food so that the organic berry increased sales in Chinese marketing.



(Table 3)



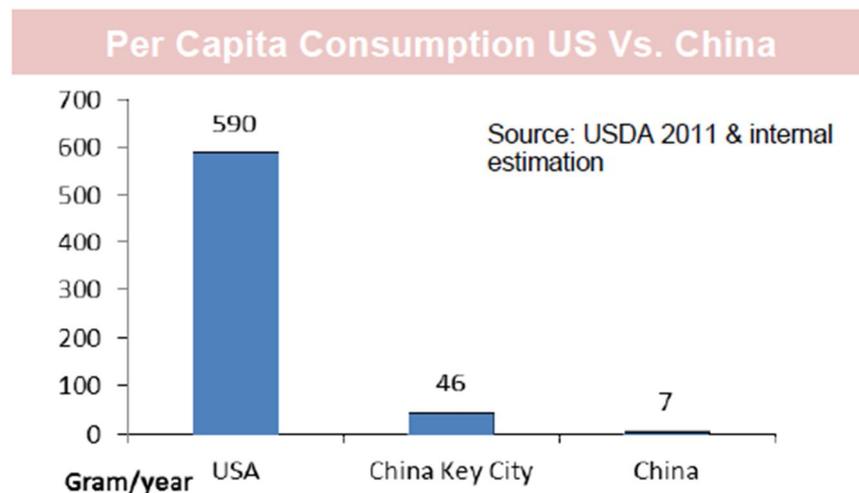
(Table 4)

From the data in table 3, we can easily see that the average salary is increasing in China. From this, the consumer can accept the high price of organic food. In China, it costs a lot of money to see a doctor, so many people are willing to eat organic foods to prevent disease. Especially the elderly, after the children have their own work, no longer need their help, they are willing to spend more money to improve their immunity through eating organic food. It is reported that a cancer patient who ate organic food for a long time, the tumor became smaller than before. Therefore, organic food is more popular in China.

As the data in table 4, we can see that the key cities (such as Beijing, Shanghai) have a stronger purchasing power than the second-tier cities, so in the sales process, focus on first-tier cities for propaganda and sales locations.

China has become one of the world largest consumers and possibly net importers of berries. Currently, demand is highest in the large coastal megacities though interest is quickly spreading to major urban centers throughout the country. From the table 5 we can see that the consumption, china is less than USA about 12 times. So that Berry industry in China, demand is increasing, but still at early stage. With the economy developing, the Chinese organic berry market can expand lager and lager.

For example in blue berry, there are 59 new products with blueberry concept were launched last year, including yogurt, biscuits and snacks. And in Finland we also have raspberry, lingonberry and so on. The marketing for the organic berries is huge and the Chinese would like eat health biscuits and some others.



(Table 5)

DISTRIBUTIONAL CHANNELS

The organic product is sold in the supermarket. Supermarkets have a fixed traffic, coupled with some market for organic products has a special position, this will attract more attention of consumers. In some high-level supermarket, the organic berries are easier to acceptable. The reason is that people visiting senior supermarket usually have the ability to buy organic berries. Advanced supermarkets, the situation of organic food is placed relative to the general look that more attractive

and increase the desire to buy. There are a number of purchasing guides that can guide consumers to buy organic berries in the advanced supermarkets, thereby greatly enhancing the sales. In China there are some independent shops specializing in selling organic food. In these stores you can find a wide variety of organic foods, specifically for those who buy organic food more often.

In China, online purchasing has become mainstream, consumers can stay at home you can buy your favorite products, so the Internet to open a shop of organic berries is essential. In our interview process, the Chinese company will basically have at least one online store, so they can sell both to promote their products through the network.

The organic berries packaged in the form of gift boxes, in an important holiday time as a gift for friends and family, so healthy and affordable. In gift we can contain a wide variety of products, so play the role of propaganda.

Organic berry beverage can sales in restaurants, especially some upscale restaurants. After selling and advantage of organic food clerk, sales will increase.

CHALLENGES BERRY COMPANIES EXPERIENCE AND PROPOSITIONS FOR SOLVING THEM

Problems that arose in the interviews:

- Differentiation of the names 'blueberry' and 'bilberry'
- audition cost and process
- Marketing expenses
- finding business partners

One of the fundamental issues that rose was the marketability of Finnish berries as they don't have largely known brand and thus are not known well by consumers nor the industry. Chinese consumers are interested in the healthiness of the berries and also in non-polluted products.

Emphasizing these factors in marketing of Finnish berries and the uniqueness of the origin of the berries, Finnish forests, are possible key elements in creating a well-functioning image to Chinese

consumers. One of the agents that promote the usage of Finnish wild foods is Arktiset aromit (Arctic Flavors). It is an association for Non-Wood-Forest Products. Arctic Flavors researches the nutritional quality of berries and works on the marketability of the berries (eg. try to inform about the difference between bilberry and blueberry). Finpro improves the brand and visibility of Finnish products in China and collaborates with Finnish and Chinese companies.

Using existing brands such as the organic certificate could be the first step. Organic berry products have an advantage over non-organic berry products, as Chinese consumers widely recognize the organic label. In one case a producer who was interviewed for this project had a trade cancelled as the Chinese buyer would have solely wanted organic berries. From other sources I kept hearing how highly Chinese buyers value organic berries. However the Chinese consumer who would want a product with some qualities necessary to organic food label most likely is not aware that Finnish organic and non-organic berries can be of the same quality. Selling organic products is a big investment for a SME as the Chinese officials do not recognize the EU organic foods certification. An auditioning process is required and it is very costly and also includes annual payments per product.

Another issue in marketing is the competition against cheaper farmed berries. From Finnish wild berries, bilberry has to compete also with blueberry as Chinese consumers (neither manufacturers) cannot tell the two apart. Bilberry is more expensive to gather than blueberry is to produce. Also, the nutritional value of bilberry is higher than of blueberry with its four times greater anthocyanin concentration. Hence these products are not equal nor comparable and consumers should be provided with the information on bilberries' preferable qualities. The origin of bilberries, the forest, could provide a strong and recognizable image for them. Finnish forests are clean, have midnight sun and are arctic thus exotic for Chinese living in big cities. This is something companies wishing to sell their berry products in China should take in consideration. Even if the company couldn't stretch its budget for advertising, this could be brought up on their website (or the Chinese web shop page), the label and information booklets.

In EU, the weakness in marketing is a systemic problem as governments don't support it, in contrast to many other competing exporting countries. Also the restriction of health claims puts EU products in weaker position in selling berry products with high health benefits. If more funds were invested in making Finnish nature a known brand, SME's producing Finnish products could use this visibility in selling their products.

Web shops are popular among Chinese consumers. Also there are some tax cuts for products sold on web shops which makes it more compelling. Internet is also a possibility for nearly free methods of marketing. Using social media for marketing is effective when done properly. However the companies should take in consideration that most social media channels are blocked in mainland China due to the policy of Internet censorship. Two common social media networks used for promoting companies are Facebook and Instagram which both are currently blocked in mainland China under the policy of Internet censorship. If the company has resources to do so, they would benefit from using the Chinese equivalents as well. Instead of Instagram Chinese use Weibo and a similar app to Facebook is Wechat (links below). Promoting products can be done the same way with these apps than it is done with Facebook and Instagram. In addition to having an own username and trying to gain followers, they can pay famous Weibo users to make a post with some product.

Finding a reliable business partner from China is crucial as only a company with importing license can import to China. The Chinese partner is needed to do the marketing, distribution and retail even if a foreign owned company was founded. Also the legislation and Chinese import restrictions are very complicated. One way of finding a Chinese partner is going to exhibitions in China. Exhibitions are also a good method for marketing.

In making a contract with a Chinese buyer, the company should pay attention to the exclusivity of the contract. If the buyer wants an exclusive contract, it is a risk for the Finnish company as good background information on the buyers are rarely available and if the buyer for example keeps the prices too high and for that reason they don't sell well. In this matter the Finnish producer should also look into the legality of an exclusive contract before signing the contract. One important part of the contract is making sure that the any liability of the product stays with the distributor/importer. Also the company should decide whether they want to take part in the marketing or leave it solely for the buyers' responsibility.

Transportation of berry products to China has its disadvantages. The container must either be cooled, which is costly, or the product must be excellently packed and survive high temperatures and humidity. Blueberry juice is a product which can survive in these conditions if well packed. Also products with a high sugar content, such as syrups and jams are products with lower risks of getting spoiled. Powders and dried berries can survive if the container is perfectly air tight and the

product has no contact with the humid air. There is a trilateral treaty between China, Taiwan and Korea for powdered berries, so they are possibly out of question. However the treaty does not mean that China implies it to its legislation. If a berry producer is wishing to export berry powders they should contact a Chinese lawyer.

Resolutions for the common issues:

- providing information leaflets on the difference between blueberry and bilberry for retail
- hiring a lawyer before signing a contract
- using social media for marketing
- going to exhibitions to look for business partners and for marketing the products

Sources:

phone interviews with berry companies

Evira website

Finpron maaraportti Kiinasta

(<http://www.finpro.fi/documents/10304/15931/Chinacountryreport0920194.pdf>)

CONCLUSIONS

As a result from the high cost and difficulty of shipment conditions of fresh berries, companies have opted to export berry juices, concentrates and syrups to supply the demand of organic berry products in China. However, berry products such as berry seeds and powders are not exported to China due to the trading agreement that China has with other countries. To export juices and concentrates provides a solution to acquire the nutritional benefits that berries provide. As a consequence more products are becoming available to the exportation market and opens more field for exportation.

Lawyers and some intermediary agent can be hired by these companies, which can help them to handle legal questions and make the complicated certificate processing easier and efficient. What's more, the positive negotiation and co-operation between Finland and China on marketing will also result in some positive policies and changes of legislation, which may finally promote the selling of organic products in China.

Finnish companies considering the Chinese market benefit from finding a business partner. For marketing companies should create a story around their product and provide their Chinese partner some high quality picture (and video) material. Also, use the internet media that propaganda their product and also in some market, they should have some activities that let customers taste their product for free. Nowadays, net shop is really popular so that the finish companies can use the internet to sell their products.

Marketing of bilberries would be easier if work for separating the words 'bilberry' and 'blueberry' will be done.

Bilberry juice is tolerant to high temperatures and survives the long shipping well, it is a lower risk export product. A lot of attention should be paid to packaging properties.

A Chinese business partner is necessary as the customs and legislation for imports are complicated. Also marketing in China differs from marketing in Finland. In finding the partner the berry companies can use exhibitions.

Reference:

Evira

Finnpro China Country Report

Interviews

Zhizheng Marketing