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Analysis of the Organic Food Market in China After the Covid-19 Pandemic Opportunities and Threats for Italian Companies

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前言

在过去十年中，新的食品安全事件与对环境保护的担忧都不断增加，使全球消费者越来越关注食品的质量、安全和环保型。

2019年底，这一趋势尤其受到新冠病毒的推动。该病毒开始在中国扩撒，然后迅速成为一种全球性流行病，影响到整个世界经济和人口。

各国政府的长期封锁迫使人们停止日常生活，限制了人们的旅行、工作、购买食品和其他必需品的自由。在这种情况下，人们的生活和消费方式都发生了彻底的变化。由于一些研究表明，野生动物可能是新冠病毒的来源之一，而人们食用此类食品可能会扩大疫情的扩撒，消费者进一步失去了对食品行业的信任。

因此，他们对食物的来源、处理和加工的方式以及食物的营养价值都越来越感兴趣，导致选择更健康的食物的趋势不断增加， 因为不良饮食习惯会增加新冠病毒感染的风险。

因此，所有这些现象——食品安全问题、环境问题、新冠肺炎突发公共卫生事件—— 都塑造了人们的生活方式和态度，改变了他们的价值观和优先事项，最终导致人们对有机食品的意识显著提高。这是因为有机食品通常被认为具有相对较高的营养价值，而且它们更环保，因为它们是以更自然的方式生产的，不涉及有害的农药或化学物质。

所以，在人口可支配收入水平提高的推动下，有机食品已经从一个小众市场演变为一种全球趋势。现在该产品的消费已经达到了空前的水平，使有机食品成为世界上最大、增长最快的可持续产品类别。

虽然有机食品过去在富裕国家和发达国家的消费者中更受欢迎，但是目前在中国等发展中国家也发生了重大变化，显示出持续稳定的增长。

20世纪90年代以来，中国有机产业逐步发展起来。最初，它被称为“中国生态农业”(CEA)。那时候，中国有机行业的发展主要是由不断增长的全球出口机会推动的，尤其是对欧盟和美国的出口机会。这导致了中国有机认证机构的激增，以及该行业在国内的扩张。

十年内，有机认证认可国家法规出台，并在2005年中华人民共和国国家质量监督检验检疫总局、中国国家标准化管理委员会颁布了《中华人民共和国国家标准：有机产品(GB/T19630)》。该标准分为四部分， 包括生产、加工、标识与销售、

管理系统。新版为2019年。中国标准的特殊性在于两个条件：第一，企业必须对整个供应链进行有机认证，第二，所有产品都必须有一个认证标签，也就是防伪标签，上面有关于产品可追溯性的信息。

尽管有机食品产业目前在中国仍处于起步阶段，但由于社会经济的快速发展以及农业食品生产的现代化和工业化，对有机食品的需求在过去几年里有了明显的增长。随着居民可支配收入的增加、人们对有机食品的好处的意识不断增强，以及食品安全和环保的问题的凸显，越来越多的中国消费者选择购买有机食品。随后，与世界其他地区一样，大流行加速了这一趋势。因此，过去几年，中国有机食品的生产与需求都迅速增长了，使中国成为世界第四大有机食品市场， 其增长速度在亚洲国家中是最快的。

中国消费者中最受欢迎的有机产品类别是有机婴儿食品。这是因为最近发生的许多食品安全事件， 例如2008年三聚氰胺奶粉事件，导致越来越多的中国父母更加关注婴儿的营养。因此，第二大最受欢迎的有机产品类别是乳制品，包括婴儿奶粉。

关于中国的有机食品消费者，根据意大利对外贸易委员会(ICE)发布的最新数据， 典型的中国有机消费者具有以下特征：女性、年龄在26至40岁的千禧一代、受过高等教育、与子女生活在中国大城市地区、收入较高，这使她有强烈的购买有机产品的倾向，并且她从网上渠道购买大部分的有机产品。

促使中国消费者购买有机产品的原因主要有两种类别：一种是自身利益动机，主要包括健康与安全方面的原因，另一种是利他动机，主要包括环境保护和动物福利方面的原因。 所有这些原因都可以促使中国人购买有机食品供个人消费或作为礼物。 然而，这些动机也受到消费者的态度、社会规范和人口特征的影响。根据国际贸易中心 (International Trade Center, ITC)的数据，这些因素将中国有机食品消费者分为八类消费者， 即白领家庭、有小孩的家庭、有健康问题的家庭、海归（海外归国者）、台湾和香港的商业人员、政府官员、年轻消费者以及酒店、餐馆和偶然消费者。

尽管有机食品产业在中国发展迅速，但有几个因素阻碍该行业的发展。这些因素导致有机食品在中国的市场份额和人均消费量相对较低。其中之一就是消费者的可支付性。事实上，由于有机食品的价格特别高，目前最大的有机食品的市场主要分布在中国最大、最富裕、生活水平较高的地区，如北京、上海与广州。

很大一部分中国消费者不购买有机产品，是因为他们对有机农业技术和有机产品的好处缺乏了解， 或者因为他们不知道或认不出来有机食品的标志，或者因为他们对整个中国有机产品行业缺乏信任。一方面，许多消费者不相信有机食品的好处，认为它们与普通产品一样，只是价格更高。 另一方面，由于中国发生了许多食品安全事件，很多消费者对认证机构与负责审计程序的检查员缺乏信任。

然而，中国有机产业的障碍不仅涉及消费者，而且也涉及农民和生产者。他们必须承担认证和审计程序的高昂费用。该程序还必须遵循长期和复杂的要求。除此之外，农民经常缺乏生产符合有机要求的有机食品的知识和先进技术。例如，有报道表示，农民在有机种植中不知不觉地使用了化学品。

由于所有的这些原因，有机食品市场在中国仍然是一个小众市场，但这个小众市场的规模和价值与法国和德国等最大的成熟市场相同。考虑到中国的规模和人口，随着该行业的进一步发展，有机产业可能具有巨大的增长潜力。

预测假设中国有机食品行业将大幅增长，2021-2016年期间的年复合增长率（CAGR）将达到7.1%。如此大的增长将由几个因素进一步加强。第一个因素是网上购物渠道的发展。因为它们比实体店更方便、产品种类也更多，所以它们现在成为购买有机食品的最常用的渠道。其次，因为年轻人更加关注环境保护和地球的未来等有关问题，有机食品在年轻一代中越来越受欢迎和重视，导致有机行业的增加。此外，由于在职母亲的增加，对婴儿食品的需求将增加，这将有助于进一步加强该行业。政府也将支持有机行业的发展。通过政府机构和认证机构，它将更加推广有机农业和其利益的认识，也就是说，它将提高生产者和消费者的有机意识。此外，作为政府五年计划的一个部分目标，政府将试图增加有机产品的消费。

在这种情况下，许多意大利有机公司将中国市场视为扩大业务的有益机会。外国公司受益于中国消费者对进口产品的普遍兴趣，这是因为在中国人中采用健康与西方生活方式的日益增长的趋势。但是，意大利企业尤其受益于意大利制造产品的在中国的声誉。中国消费者相信意大利制造的产品是高质量与食品安全的保证。事实上，由于意大利公司必须遵守更严格的欧盟有机标准，中国消费者通常更相信意大利有机产品，而不是他们国家的。由于这些原因，许多消费将购买意大利制造产品和有机意大利制造产品视为身份和社会阶层的象征。

然而，那些对中国出口的意大利公司也要面临一些困难。第一个最大的困

难有关中国有机认证程序。没有中国有机认证的有机产品不能作为有机产品在中国销售，只能作为通常产品销售。因此，意大利公司必须遵守中国标准规定，意即它们必须每年申请和更新中国有机认证，并且它们必须每年让中国认证机构的检查员来意大利进行环境与产品的检查。由于这些原因，这对意大利企业来说是一个非常严格、复杂，漫长和昂贵的程序。

无论它们采取的出口战略，即一般贸易或跨境电商（CBEC）的出口战略，意大利公司还报告了对中国出口的其他一些困难，例如高关税、严格的法规和官僚习气，以及“Italian Sounding”现象。这种意指某些声称原产于意大利的产品，其文字、图像、颜色组合或地理参考对消费者造成误导性，但不属于正宗意大利制造的生产链。

此外，意大利公司要克服的另外一个困难是文化和语言的障碍。这不仅经常阻碍了意大利公司了解并满足中国消费者的需求，进而阻碍意大利产品在中国的贸易，而且也阻碍了与中国商业伙伴的沟通。根据意大利公司的看法，拥有一个合格、可靠的中国商业伙伴是在中国取得成功的基本要素。

Introduction

During the last decade, emerging food safety incidents and environmental concerns have increased global consumers' attention to food quality, safety, and environmental friendliness (Central News Agency, 2013; Hsu and Chen, 2014; Rana and Paul, 2020; Molinillo et al., 2020; Teng and Lu, 2016;).

This trend has been additionally prompted at the end of 2019 by the COVID-19 virus, which began to spread in China, turning rapidly into a global pandemic that affected the entire world's economy and population. Societies went under prolonged lockdowns, and daily routines were forcibly halted, limiting people's freedom to travel, go to work, and buy food and other essentials. Under these circumstances, people's lifestyles and consumption patterns have completely changed.

Since some studies have pointed out that wild animals may be one of the sources of the Covid-19 virus, and people's consumption of it may have widened the spread of the pandemic, consumers further lost trust in the food industry, therefore they increasingly grew their interest in where our food comes from, how it is treated and processed, and its nutritional and functional value, with an increasing tendency to choose healthier food, because poor eating habits could increase one's vulnerability to the virus.

As a result, all these phenomena, i.e. the food safety concerns, environmental issues, and the public emergency, shaped people's attitudes towards life, changing their values and priorities, and this eventually contributed to a significant increase in people's awareness of organic food, generally considered to have a relatively higher nutritional value and being more environmentally friendly because it is produced in a more natural way that does not involve harmful pesticides or chemicals.

Consequently, favored by an increase in the population's disposable income level, organic food evolved from a niche into a global trend, and organic food consumption increased to unprecedented levels, making organic food by far the largest and most rapidly growing sustainability-differentiated product category worldwide (Lernoud et al. 2018).

Organic foods used to be in the past more popular among consumers in wealthy and developed nations, but currently, they are witnessing a major revolution in developing nations too, like China.

In China, although the organic food industry is still at its nascent stage, the demand for organic food has grown considerably over a couple of years due to the rapid socio-economic development, accompanied by modernization and industrialization of agricultural food production.

Therefore, as the disposable income increased, the awareness of the benefits of organic food grew, and safety and environmental concerns became prominent, many more Chinese consumers oriented their choice toward the consumption of organic products. A trend that, as in the rest of the world, has been accelerated by the pandemic.

Consequently, over the last few years, the production and demand for organic food products have rapidly increased in China, making the country the fourth largest organic food market in the world, and the fastest-growing organic food market in Asia.

Nevertheless, there are factors hindering such rapid development, which results in a relatively low market share and per capita consumption of organic foods. For these reasons, the organic market is still classified as a niche market in China, which however has the same size and value as the biggest mature markets. It, therefore, shows enormous growth potential.

Under these circumstances, many Italian organic companies see the Chinese market as a big opportunity to expand their business. Businesses are in fact favored by a general interest of Chinese consumers in imported products, and in particular, in the Made in Italy products, adopted by many consumers as social status and considered a guarantee of higher quality and safety.

On the other hand, Italian companies need to face a wide and culturally distant country in which the bureaucracy and stricter regulation, especially in terms of organic food, dominate the market, and cultural and linguistic barriers are always present.

PART I: Current State of Organic Agriculture and Organic Food Markets Worldwide

1.1 Chapter I: Outlook on The World Organic Production

1.1.1 Definition of Organic

The term “organic food” generally refers to all agricultural and sideline products, including food, vegetables, fruits, dairy products, livestock, and poultry products, honey, aquatic products, and seasonings, produced and processed in accordance with international organic agricultural production requirements and corresponding standards, and certified by independent organic food certification agencies (Shu & Qi, 2020).

Although these requirements and standards vary worldwide, and with them, the definition of organic, the International Federation of Organic Agriculture Movement (IFOAM), which represents the worldwide body of organic agriculture, defines organic agriculture as a system that follows four basic principles, i.e., the principle of health, principle of ecology, principles of fairness, and the principle of care, reported as follows.

- “Principle of Health: Organic agriculture should sustain and enhance the health of soil, plant, animal, human, and the planet as one and indivisible.
- Principle of Ecology: Organic agriculture should be based on living ecological systems and cycles, work with them, emulate them and help sustain them.
- Principle of Fairness: Organic agriculture should build on relationships that ensure fairness with regard to the common environment and life opportunities.
- Principle of Care: Organic agriculture should be managed in a precautionary and responsible manner to protect the health and well-being of current and future generations and the environment” (IFOAM - Organics International, 2021).

For this reason, based on these principles, we usually identify with the term “organic” a product of a farming system that avoids the use of man-made fertilizers, pesticides, growth regulators, and livestock feed additives. Irradiation and the use of genetically modified organisms (GMOs) or products produced from or by GMOs are generally prohibited (Department for Environment, Food and Rural Affairs (DEFRA), 2022).

1.1.2 General Statistics about Organic Farmlands, Producers, and the Organic Market

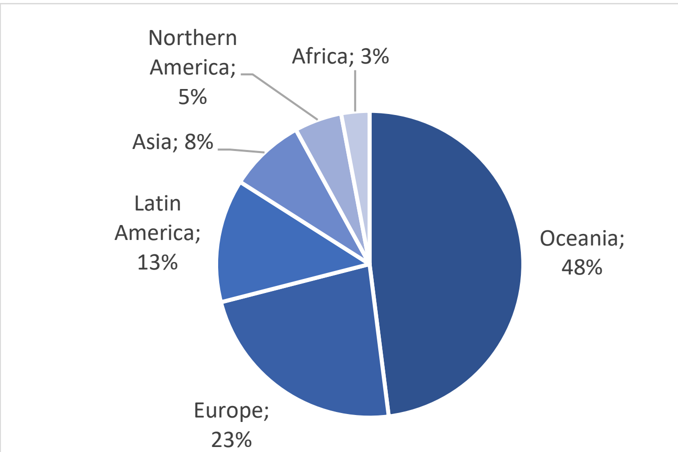
Over the past decade, the organic agricultural area, the number of producers, and the consumers' demand for organic products have all increased significantly, reaching unprecedented growth worldwide, and stimulating the further development of the organic sector globally. These findings are illustrated by the latest available data, referring to the end of 2020, on organic farming collected by the Research Institute of Organic Agriculture FiBL in collaboration with IFOAM - Organic International in the report "The World of Organic Agriculture Statistics and Emerging Trends 2022", explained below.

Organic agricultural land

In 2020, 74.9 million hectares were under organic agricultural management worldwide, representing a growth of 4.1 percent compared to 2019. The region with the most organic agricultural land is Oceania, which represents 45 percent of the total agricultural land in the world (35.9 million hectares), followed by Europe (23%, 17.1 million hectares), Latin America (13%, 9.9 million hectares), Asia (8%, 6.1 million hectares), Northern America (5%, 3.7 million hectares), and Africa (3%, 2.2 million hectares), illustrated in**Errore. L'origine riferimento non è stata trovata.Errore. L'origine riferimento non è stata trovata.** Figure 1 where can see the distribution of organic agricultural land by region.

Australia is the country with the largest area of agricultural land, followed by Argentina and Uruguay. As the future object of this study, China represents the seventh country by extension of the organic agricultural land, followed in the ninth position by Italy.

Figure 1. World: Distribution of organic agricultural land by region 2020

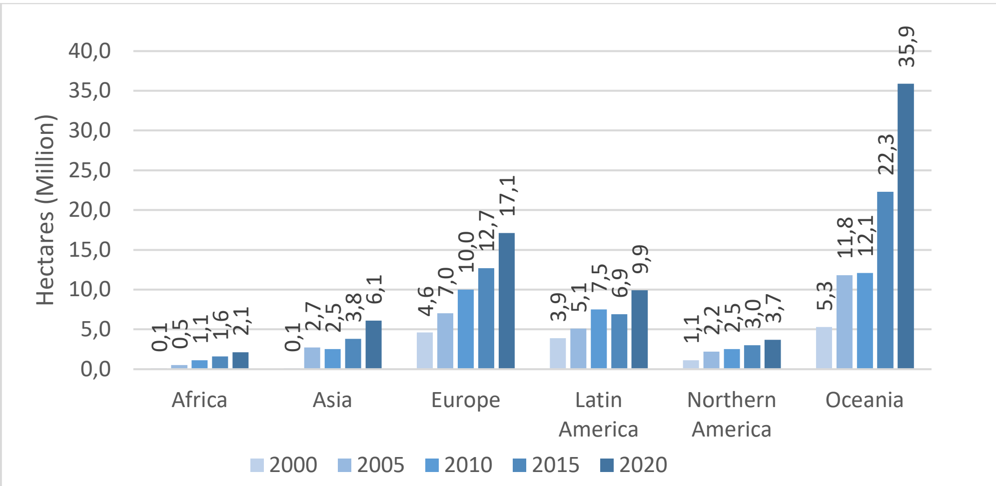


Source: FiBL survey 2022

In 2020, 1.6 percent of the world's agricultural land was organic, with which the highest organic share of the total agricultural land, by region, was in Oceania (9.7%) and Europe (3.4%). Although it represents a low percentage, the organic agricultural land has increased on all continents (Figure 2), and the highest absolute growth was shown in Latin America (+19.9%), followed by Europe (+3.7%) and Asia (+7.6%), and the highest increase happened in Argentina, followed by Uruguay and India. China has also experimented significant growth as the fifth country with the highest increase (Figure 3).

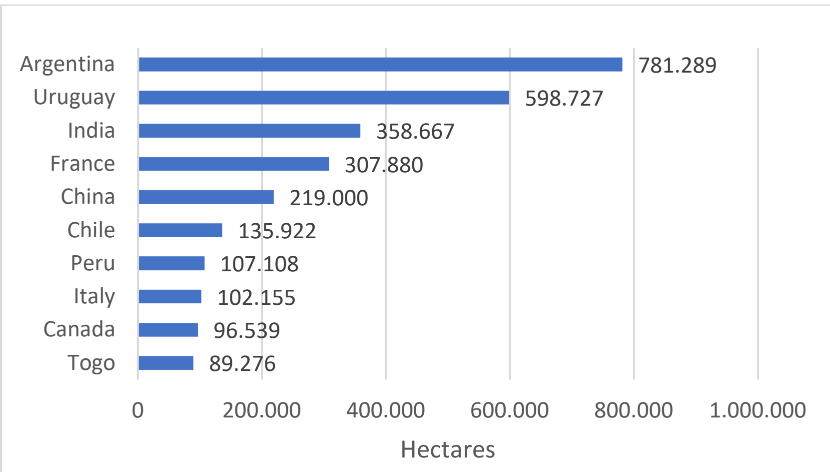
In addition to the organic land used for organic agriculture, there are additional organic areas used for other purposes and activities. The largest part of these is wild collection areas and areas for beekeeping. Further non-agricultural areas include aquaculture, forest, and grazing areas on non-agricultural land.

Figure 2. Growth of the organic agricultural land by continent from 2000 to 2020



Source: FiBL-IFOAM-SOEL surveys 2001-2022

Figure 3. The ten countries with the highest increase in organic agricultural



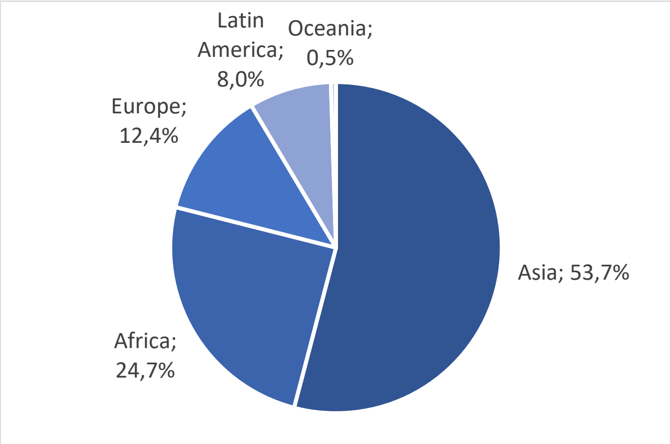
Source: FIBL survey

Producers

In 2020, there were more than 3.4 million organic producers worldwide, a number that has also seen a significant increase of almost 7.6 percent compared to the previous year.

In Asia, there is 56 percent of the world's organic producers, followed by Africa (24%), Europe (12%), and Latin America (8%) (Figure 4), accordingly the countries with the highest number of producers are India (1´599´010), Ethiopia (219'566), and Tanzania (148'607).

Figure 4. Distribution of organic producers by region 2020 on a total of 3.4 million producers



Source: FiBL survey 2022

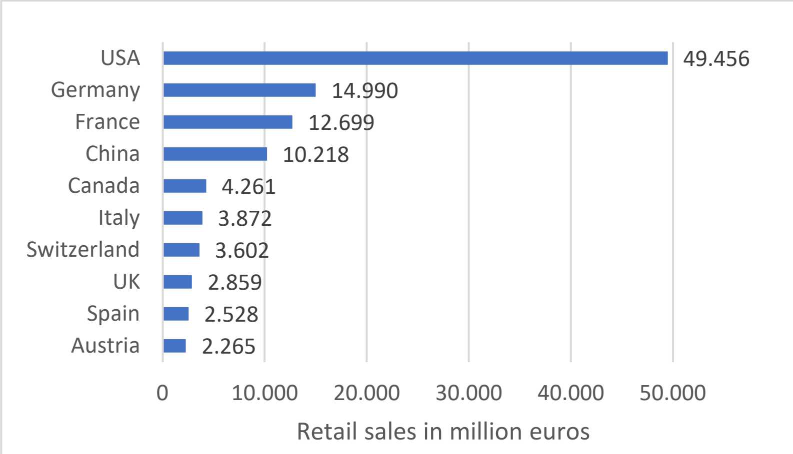
Market

The global market for organic foods and beverages was estimated at US$ 167.85 billion in the year 2020, and it is projected to reach a revised size of US$ 495.9 billion by 2027, growing at a CAGR of 14 percent over the analysis period 2020-2027 (Research and Markets, 2022). The market also reported the highest growth in terms of revenues in 2020, and market growth was noted in all countries, and it was often in the double digits.

The largest single market for organic food was the United States (49.5 billion euros, 41% of the global market), followed by the European Union (44.8 billion euros, 37%), and China (10.2 billion euros, 8.5%), while the countries with the largest market for organic food were the United States, Germany, France, and lastly China (Figure 5).

The highest per-capita consumption worldwide in 2020 was registered by Switzerland, with 418 euros, while Denmark has the highest organic markets share of the total market with 13%, followed by Austria (11.3%) and Switzerland (10.8%).

Figure 5. Global market: The countries with the largest markets for organic food



Source: FiBL-AMI survey 2022

During the past decade, the main driver of the organic food market growth worldwide has been the spreading concern among consumers about their own health. Due to the increasing number of chemical poisoning cases globally, consumers are becoming more health-conscious owing to the harmful effects caused by the presence of chemical pesticides in food products. This is causing them to shift their focus towards organic food products, considered safer, healthier, and more nutritious due to the avoidance of synthetic chemicals and GMOs, making the market for organic food grow worldwide.

Consequently, companies in the organic food market focused on the introduction of new product categories and varieties, contributing to the further development of the organic industry. These companies are in fact continuously developing new and inventive organic food products such as ready-to-eat snacks, cookies, frozen waffles, organic juices, organic tea, pulses, spices, edible flowers, medical plants, and herbs, expanding the choice for consumers, which can find their products day by day more conveniently as retailers committed to providing more natural and healthy food,

increasing the number of organic products in their supermarkets and grocery stores, owning a bigger share of shelf space with mainstream retailers and discounters.

1.2 Chapter II: The Impact of Covid-19 Pandemic and Current Global Trends

The recent exponential increase of the organic food and beverage market worldwide was particularly brought about in the last couple of years by the COVID-19 pandemic, that at the end of 2019 spread rapidly in each continent.

Many nations to lessen the impact of the outbreak on people's health and social stability, imposed tight quarantine measures and asked their inhabitants to stay at home, restricting their ability to leave their homes for work or to buy food and daily essentials. As societies went through extended lockdowns, each type of routine activity was forcibly interrupted. The intensity of the epidemic rapidly made people, companies, and institutions' attitudes toward the consumption, production, processing, and regulation of the food and beverage industry change drastically. It elevated people's concerns about their own health and wellness, and consequently about what they consume. People now tend to choose healthier foods because of their fear of the pandemic, since an unhealthy diet may lead to an increased exposure to the virus. This eventually elevated consumers' interest in organic food, due to its health, safety, and taste-oriented characteristics (Ghufran, et al., 2022).

As a result, the COVID-19 pandemic had a strong impact on the entire global organic food industry in different ways, explained as follows (Sahota, 2022).

I. The de-globalization of food supply chains

The pandemic has highlighted the vulnerability of international supply chains.

As many countries started to enforce emergency measures, the supply of raw materials was interrupted, and so the exports of agricultural products were arrested as countries entered lockdowns. Accordingly, the flow of organic products was as well adversely influenced.

Organic food companies and ingredient firms who have set up international supply chains for their raw materials were additionally affected by higher freights and transportation costs, and longer delivery times that increased the chances of the perishability of organic products, due to the lower presence of preservatives than conventionally grown foods (Kroll, 2019). Consequently, companies had to face high packaging costs, logistics, and distribution costs to increase the shelf life of their organic products, and this has limited to a certain degree the growth of the organic food market.

As a result, due to the pandemic, the world economy seems to have entered into an era of de-globalization**Errore. Il segnalibro non è definito.** (Antràs, 2020), because it has shown that the winners in the current crisis are those who have kept their supply chains close to home. Operators reliant on organic ingredients from other geographic regions have been the most negatively affected (Sahota, 2022). This situation has stimulated governments to invest in domestic production to be less dependent on third countries to import food.

II. Food security

The pandemic has re-iterated the importance of food security.

According to the United Nations Committee on World Food Security's definition, "food security exists when all people, at all times, have physical, social, and economic access to sufficient, safe, and nutritious food that meets their food preferences and dietary needs for an active and healthy life" (Food and Agriculture Organization of the United Nations (FAO), 2006).

However, as a consequence of the fragility of the international supply chains, the restriction of mobility and trade had an impact on food access increasing the risk of food shortage, exposure to food price inflation, and also on the people's income. In fact, due to the pandemic, there has been an overall decrease in the quantity and quality of food in several low- and middle-income countries (Mueller, et al., 2022).

For this reason, access to safe, sufficient, and nutritious food is likely to rise on the political agenda and organic food production, embodying all these characteristics, is likely to play an important role, considering the growing acceptance of its environmental and health benefits (Sahota, 2022).

III. Government support

National governments are investing and are expected to invest more in organic farming. On the one hand, they aspire to make their food industries more resilient, and on the other hand, they want to promote environmental policies and programs to encourage the reduction of the environmental impact, reducing chemical and hazardous pesticide usage, and improving soil fertility.

An example is the US NIFA's [1] $30 million investment to support farmers and ranchers who grow and market organic food, fiber, and other organic products as a part of the Organic Agriculture Research and Extension Initiative (OREI) and the Organic Transitions Program (ORG). These programs help fund research, education, and extension projects to improve yields, quality, and profitability for producers and processors who have adopted organic standards and to help existing and transitioning organic producers adopt organic practices and improve their market competitiveness (National Institute of Food and Agriculture (NIFA), 2021).

Another example is given by the European Commission that, under the Green Deal's Farm to Fork strategy, has set the target of at least 25% of the European Union's agricultural land under organic agriculture that must be reached by 2030 (European Commission, 2022).

These are only two of the multitude of measures and policies adopted worldwide in the organic sector to promote the adoption of organic agriculture principles and the expansion of organic markets. Each country worldwide has indeed implemented its own programs and projects to prompt and invest in the organic industry. China has also offered a wide range of incentives to encourage producers and farmers to switch to organic techniques, measures that will be discussed in more detail in the following chapters.

IV. Transparency and traceability

The Covid-19 pandemic has more than anything increased consumers' worries about food safety, which refers to the handling, preparing, and storing of food in a way to best reduce the risk of individuals becoming sick from foodborne illnesses (Australian Institute of Food Safety, 2019).

People are willing to spend more money on safe food, which is identified by consumers as traceable food with its provenance certified (Tseng, Lee, Chen, & He, 2022). For this reason, the move towards transparency and traceability in supply chains of agricultural products is expected to gain impetus. Consequently, these elements become more important and valuable when we consider organic food, as they constitute official requirements for their classification as such.

[1] **NIFA**: National Institute of Food and Agriculture of the U.S. Department of Agriculture (USDA)

However, as the supply of organic ingredients or products becomes tighter, risks of fraud and adulteration increase. Therefore, a number of traceability solutions are being used to preserve the integrity of organic products. For instance, the Blockchain technology[2] that is expected to play a significant role in increasing transparency enabling consumers to check and verify the organic products certification. Carrefour, Europe’s largest supermarket chain, is already using blockchain to provide transparency for some of its private-label organic products and a Shanghai-based start-up also developed a new mobile app named OrgHive that uses blockchain technology to verify the certification of organic foods.

V. Changing consumer behavior

The economic actor most affected by the current crisis has certainly been the final consumer. The virus caused a major shift in consumers’ attitudes and behaviors, changing their values, lifestyles, and the way they choose, shop and consume food products.

During the pandemic, we could see two major trends that have shaped consumer behaviors. People, in order to try to minimize the risk of being infected, on one hand, have eaten more healthy food in an attempt to boost their immune system, and on the other hand, they have increased their use of online shopping platforms and delivery services [..] in order to limit their shopping trips (Janssen, et al., 2021).

For what concern the first consumer trend, as the virus has begun to spread, consumers preference focused on health and wellness products as they look more closely at disease prevention and maintenance (Sahota, 2022). In order to avoid being susceptible to the virus, people are more likely to choose healthier foods because they believe that wrong eating habits may increase the chances of being infected. This has led many consumers to switch from conventional to organic food.

Consumers believe that choosing organic food is a better option for their diets, as it offers better nutritional value, and more environmentally friendly, fulfilling a social responsibility on the part of the consumer. The consumption of organic food will additionally protect them from deadly viruses that spread from raw food to human beings. As a result, during the pandemic, the sales of organic food considerably surged.

[2] Blockchain technology is a shared, immutable ledger that facilitates the process of recording transactions and tracking assets in a business network (IBM, https://www.ibm.com/topics/what-is-blockchain).

However, the virus did not only change what people consume but also where and how they consume it. The second major trend caused by the pandemic is a surge in e-commerce and home deliveries. Due to the emergency measures and restrictions, or just because of their fear of the infection, people were forced to stay at home and work remotely. Unable to leave their houses, consumers increasingly decided to order their food products through online platforms and make them delivered at home, hence including organic food products. This situation though caused a huge change in the entire retailing system, having a big impact on food companies, as illustrated in the next point.

VI. Food retailing

The epidemic's impact on the retailing systems was significantly evident, especially on retailers of essential goods such as food and groceries. Since the Covid-19 outbreak, as consumers wanted to reduce their shopping frequency in physical stores, and due to the increase of smart-working people, there has been a huge and exponential increase in consumers' usage of e-commerce platforms and home deliveries.

However, only the companies and retailers that were capable to take advantage of this situation, capable to adapt quickly to this new tendency, and that could face the challenges raised by the trend were the only ones who could survive during the pandemic. In fact, while they experimented with increased demand opportunities for serving consumers at home, they also faced several challenges, such as problems of inventories, supply chain management, delivery, and most of all keeping their facility a safe environment (Roggeveen & Sethuraman, 2020).

As a result, the pandemic showed that the clear winners of the current crisis were above all online retailers, such as Amazon or Alibaba.

Online retailers are expected to take a bigger chunk of organic food sales in the coming years and large conventional grocery chains and dedicated organic food online retailers will therefore gain market share.

In addition, the growing purchasing power of millennials and Gen Z is expected to accelerate this trend (Sahota, 2022).

1.3 Chapter III: Challenges Ahead For The Organic Industry

Driven by the pandemic, the organic industry showed unprecedented growth. Nevertheless, several challenges are emerging that organic food companies need to address if they are to be successful in the market. These challenges embrace different aspects (Sahota, 2022) related to:

I. Organic food supply

Consumer demand for organic products has escalated since the pandemic. However, although organic farmland is increasing, it is not keeping pace with the demand. In other words, the demand for organic foods is outpacing the supply.

Therefore, the challenge is for the industry to ensure organic product sales meet the needs of changing consumer behavior. If the production does not keep pace with the supply, there will be product shortages, resulting in higher prices.

There are also concerns that the situation will also lead to fraud incidents whereby, to sustain the growing demand for organic products, conventional foods will be falsely labeled as organic. This phenomenon could be additionally enhanced by the current trend of online retailing, due to the difficulty to inspect the product and its certification information online as opposed to offline shops.

II. Communicating organic

Organic food is associated with different concepts by different consumers around the world, and thus the reasons to purchase organic food products change according to the country and customers' values and beliefs.

Healthiness, wellness, avoidance of GMOs, taste, environmental protection, sustainability, and animal welfare are some of the connotations that consumers give to organic food products.

The challenge for operators is to communicate the organic message to consumers, but which message is the right one? What does organic mean to consumers in that specific market?

Operators must identify the beliefs and the motives behind the purchase of organic products of the consumers among different markets, and send the appropriate message, emphasizing organic food as healthy food among consumers whose primary reason to purchase is the absence of synthetic pesticides, fertilizers, etc., or emphasizing more the environmental or the ethical aspects referring to animal welfare, support for local producers, avoidance of GM ingredients, etc. to the consumer who values those aspects the most.

III. Plant-based food

Similar to organic food, the consumer demand for plant-based food is showing exponential growth. A plant-based diet consists of all minimally processed fruits, vegetables, whole grains, legumes, nuts and seeds, herbs, and spices and excludes all animal products, including eggs and dairy products (Ostfeld, 2017).

The rise stems from similar factors to organic food such as health concerns, and environmental and ethical reasons. As a result, there has also been a spike in plant-based product sales during the pandemic.

Since consumers buy plant-based foods for the same reasons as organic foods, the concern is that this could erode the demand for organic products, also added to the fact that the popularity of a vegan lifestyle is growing.

IV. Sustainability schemes and eco-labels

In recent years, there has been a proliferation in the number of sustainability standards and labeling schemes. Organic is just one of these myriads of schemes and it’s common to find products marketed with multiple eco-labels.

This increasing amount in turn can be very confusing for the end customer, who is not aware of the multitude of labels and their meaning.

The organic industry and products must face the challenge to remain differentiated in the sea of sustainability schemes and eco-labels, which means being easily identified and recognized by the customers.

V. Regulations and standards

The Basic Standards for Organic Production and Processing (IBS) of the International Federation of Organic Agriculture Movements (IFOAM), which as previously mentioned represents the worldwide body of organic agriculture, defines how organic products are grown, produced, processed, and handled. It provides a framework for certification bodies and standard-setting organizations worldwide to develop their own certification standards, but it cannot be used for certification on their own (Kilcher, Huber, & Schmid, 2006).

Therefore, when domestic or international commerce in organic becomes extensive enough to justify regulation for consumer and producer protection, governments are motivated to adopt national standards and become accreditors (Lohr, 1998).

That is why in some countries, such as the United States, the European Union, Canada, and Japan, organic standards are formulated and overseen by governments, and many countries have now their own comprehensive organic legislation.

According to the latest data collected by IFOAM – Organics International, in 2021 76 countries had fully implemented regulations on organic agriculture. 20 countries have organic regulations that are not fully implemented, and 13 are drafting legislation.

On the contrary, it can be uneconomic for governments to enact domestic controls if only a few crops are cultivated organically, and the volume traded is small. In these cases, private accrediting and certifying organizations have filled the gap. Farmer-based and for-profit certifying groups coexist on international, national, regional, and local levels with government standards and are subject to any prevailing regulations for marketing purposes (Lohr, 1998).

Under these circumstances, there has been an increase in the number of organic standards. Currently, there are over 80 national standards and many more private or voluntary standards for organic agriculture. New private standards continue to be launched adding to the certification complexity, and shaping, in this way the concern that producers and retailers may opt for competing sustainability standards, e.g., Rainforest Alliance, Marine Stewardship Council, etc. (Sahota, 2022).

In addition, this constant increase in standards creates a growing need for equivalence across countries. The lack of equivalence among standards hinders market access and increases substantially transaction costs (Ghufran, et al., 2022).

With the aim to harmonize certifications between countries, and so facilitate international trade, several governments have already stipulated agreements to recognize the equivalence of the certifications, or negotiations are initiated, even if some of those agreements cover only certain kinds of products.

An example of an equivalency agreement is the one stipulated between the two major trading blocs i.e., the USDA NOP Organic and EU Organic certification, named the "U.S. – European Union Organic Equivalency Arrangement".

The USDA NOP Organic is the organic certification of the United States of America, regulated by the USDA, the U.S. Department of Agriculture, which established the National Organic Program (NOP) that develops the rules and regulations for the production, handling, labeling, and enforcement of all USDA organic products (USDA Agricultural Marketing Service, s.d.).
The EU Organic is the organic certification valid in the European Union. It is regulated by the Regulation (EU) 2018/848 of the European Parliament and of the Council of May 30, 2018, since January 1st, 2022. It is the applicable legislative act, also referred to as the basic act, which establishes the regulations on organic production and labeling of organic products, repealing and replacing Council Regulation (EC) No 834/2007 of 28 June 2007 (European Commission, 2022).

The "U.S. – European Union Organic Equivalency Arrangement" means that, as long as the terms of the arrangement are met, organic products certified to the USDA organic or the EU organic standards may be sold, labeled, and represented as organic in both countries. As long as the operation is certified by a USDA or EU-accredited certifying agent, this arrangement eliminates the need for U.S. organic operations to have a separate certification to the EU standards and vice versa (UDSA, 2015).

For what concern the focus of our research, as we will see in the future chapters, China has its own national organic regulation and Chinese legislation does not automatically recognize the certifications of the country of origin of the product, but it is necessary to obtain an ad hoc certification. The first Chinese inter-governmental mutual recognition of organic products certification agreement was signed in 2016 with the Ministry for Primary Industries of New Zealand (MPI). With it, the two nations confirmed the equivalence of their organic products certification systems and acknowledged one another's organic certification results.
Negotiations between Chinese and EU authorities for mutual recognition are currently underway.

1.4 **Chapter IV: Organic Food Industry in Asia**

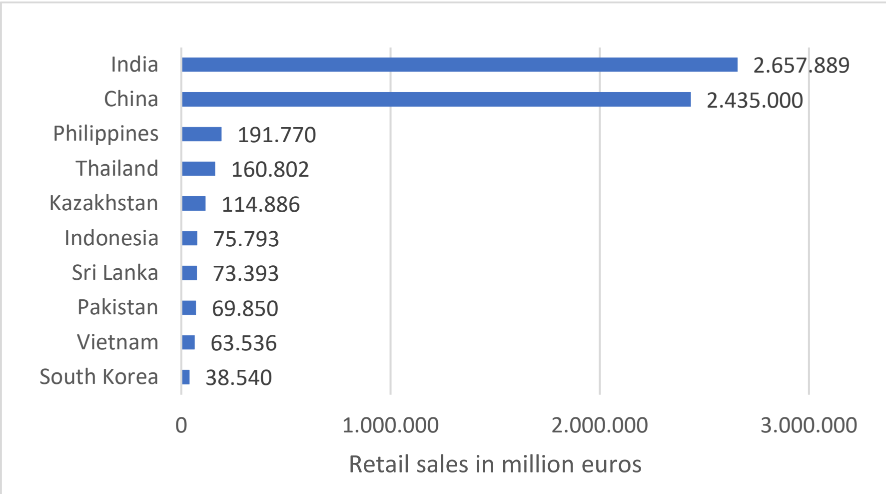
In Asia, the organic sector continued to develop rapidly; In part, due to the Covid-19 pandemic, consumer awareness of safe, local, and organic food increased, with many countries reporting increasing sales of organic products. In part, due to several governments' national policies and action plans focusing on carbon neutrality, even though most governments have failed to link organic agriculture as a pathway to achieving carbon neutrality (Hossain, Chang, & Tagupa, 2022).
The growth of the organic sector was especially evident in certain countries. First of all in China, which has increased its consumption of organic food by 85.9 percent, and was also evident in India and Bangladesh, in which the demand for organic products was particularly driven by a growing consumers' willingness to pay for nutritious and more healthy food to improve their immune system.
In Asia, several countries formulated policies and strengthened their existing laws to further the development of organic agriculture, such as Indonesia and the Philippines. At the same time, the members of ASEAN[3] agreed to harmonize their national organic standards and create the opportunity of trading organic products among the members.
Japan and South Korea both announced measures to achieve carbon neutrality in agriculture, forestry, and fisheries by 2050.

In 2020, the total area dedicated to organic agriculture in Asia was more than 6.1 million hectares, representing 0.4 percent of the total agricultural area in the region, and 8 percent of the global organic agricultural land.
Since 2001, the organic land in the region has grown almost fourteen-fold, and only in the year 2019-2020 there was an increase in the organic area of 8 percent.
India and China confirm to be the countries with the largest organic agricultural area in Asia in 2020 (respectively 2.7 million hectares and over 2.4 million hectares) (Figure 6), followed by the Philippines.
In 2020, for more than ten years, Timor-Leste had the highest proportion of organic agricultural land (8.5%), followed by Sri Lanka (2.6%) and South Korea (2.3%) (Meier, Schlatter, & Trávníček, 2022)(Figure 7).

[3] ASEAN Association of Southeast Asian Nations

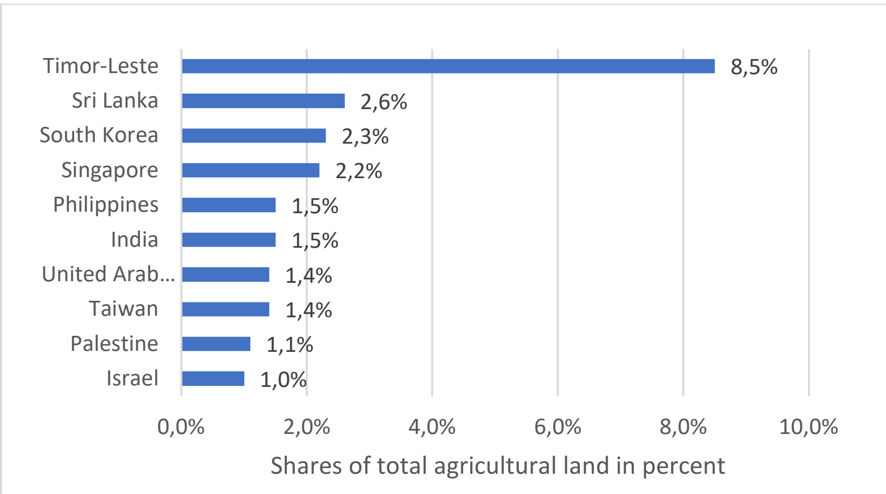
Observing these data and the two following graphs, we can draw an important conclusion. Although China has the largest organic land in Asia, only second to India, and it is the fourth in the world, it registered a very low organic share, lower than 1 percent. It means that the proportion of organic land is very small compared to the total agricultural land, as opposed to India which registers a higher organic share.

Figure 6. Asia: The ten countries with the largest organic agricultural area in 2020



Source: Source: FiBL survey 2022

Figure 7. Asia: The ten countries with the highest organic share of total agricultural land in 2020



Source: FiBL survey 2022

In Asia, organic land use is distributed in arable crops (44%), permanent crops (14%), and permanent grassland/grazing areas (0.3%).

Since 2013, the most important organic arable crop has been cereals (mainly rice, wheat, and maize), followed by oilseeds (main soybean), and textile crops.

The countries with the largest organic arable crop areas are China, which is the largest producer of cereals and oilseeds, followed by India, the largest producer of textile crops such as cotton, Thailand (mainly rice), and Kazakhstan (cereals, textile crops, fallow land, and oilseeds).
China has also the largest organic permanent crop areas, mainly tea for which China has the largest area in Asia, and temperate fruit and nuts. It is followed by the Philippines with coconuts as the main product (Meier, Schlatter, & Trávníček, 2022).

In 2020, there were nearly two million producers in Asia, most of whom were in India. Producers' size within the region can vary immensely. They are usually relatively small-scale farmers, whose influence on the market is fairly limited, as they are increasingly reliant on large retailers to reach the end-user, especially in heavily urbanized countries such as Japan, or the urban areas of China. However, many of them have integrated forwards[4] and sold directly to end consumers, strengthening their position to an extent. Nevertheless, there are also large suppliers such as Cargill (a private American corporation) or the Louis Dreyfus company (a French corporation), who possess a greater power to negotiate favorable deals with retailers (MarketLine, 2020).

The organic market is constantly growing in Asia. In 2020, over 12.5 billion euros of organic products were sold in Asia. The region's performance is heavily influenced by the Chinese market, which accounted for 66.6% of the total Asia-Pacific value in 2020 (MarketLine, 2021), and it is by far the largest market. Nevertheless, Japan has a large organic domestic market valued at 1.4 billion euros, and South Korea reported a market of nearly 391 million euros (2018).
Japan and Singapore's organic retail sales are driven largely by imports, with relatively little organic-certified farmland in the country itself. The Japanese market has become quite diverse and competitive since large manufacturers have broadened their mass-production organic offerings. Smaller players though continue to maintain an equally competitive niche of more highly-priced produce.

[4] Forward integration is a form of vertical integration in which a company moves further in the direction of controlling the distribution of its products or services. Essentially, a company undertakes forward integration by acquiring or merging with business entities that were its customers, while still maintaining control over its initial business (CFI Education Inc., 2020)

Singapore is instead notable in the Asia-pacific region for the prevalence of prepared food, which has been on the rise globally as populations become more urbanized and meal habits change in line with work-life balance. As an island city-state, Singapore is effectively 100% urbanized, making for an amplification of this trend (MarketLine, 2020). Singapore with Thailand is especially the two natural hubs of the region as they offer logistic advantages thanks to their strategic positions (Research and Markets, 2021).

In this region, the increase in the retail sales of organic products is primarily driven by an increase in consumer demand. Asian consumers are becoming more aware of organic production methods and how they differ from conventional products. Concerns about agrochemicals in food products are also generating demand for organic products, and the media are playing an important role in accelerating this trend through reports on green issues and food production methods. In addition to these drivers, must be taken into consideration other factors such as an increase in the average household annual spending on food, an increase in chronic disease, greater accessibility of these products through small to medium scale retailers, and the changing lifestyles of the consumers (Market Data Forecast, 2022)

However, in these markets, the demand is not only constituted by the private consumer but also by large private and public buyers such as schools and companies which decided to offer organic food to their students/employees due to the health benefits associated with the consumption of organic food items. The price sensitivity of such buyers is however dependent on financial circumstances. Although most buyers will expect to pay a premium price for organic food products, difficult financial conditions and the ease with which substitutes such as non-organic food items can be purchased and consumed means that in times of financial instability, price sensitivity is higher than in times when the economy and wage levels are growing at a healthy pace. However, price sensitivity is not a major issue in the Chinese organic food market due to the strong growth in the size of the Chinese middle class. Furthermore, since the Chinese organic food market accounts for almost three-quarters of the wider Asian market's value, price sensitivity is low in the wider region as well.

In this market, buyer power is not only strengthened by an increasing consumer demand but is also strengthened by negligible switching costs. Despite the fact that the primary segments of this market (fruits and vegetables, dairy, prepared foods, bread and grains, meat, fish, poultry, and beverages,) are quite diversified, there is limited product differentiation within each of the categories. This makes it easy for buyers to shop elsewhere, and several retailers operate incentive schemes for frequent shoppers in an effort to counteract this (MarketLine, 2020).

Retailers within this market range from small, specialized, local organic shops to large supermarket chains such as the FairPrice stores owned by NTUC (based in Singapore). Therefore, the importance of organic food revenue differs depending on each market player's level of specialization, with it being very low in the case of large supermarkets (e.g., Dashan group) that are extremely diversified and organic products contribute only a small percentage of overall revenues.

Urbanization is intensifying in many Asian countries such as Indonesia, India, and China in recent years, meaning that the market has a large amount of space for expansion, especially as the wage level in these countries continues to rise.

The COVID-19 pandemic, as previously mentioned, has positively affected the market in most countries. However, inspection bodies were negatively affected, having to carry out online inspections and postpone the validity of certificates under the pandemic (MarketLine, 2020).

PART II – CHINESE ORGANIC MARKET

2.1 Chapter I: Chinese Organic Food Market

2.1.1 Historical Development of the Chinese Organic Industry

Until the mid-20th century, in China, organic agriculture was prevalent, based on traditional sustainable farming practices that existed for thousands of years including crop rotation, composting, and diversified production. In some remote areas where farmers are still too poor to afford agrochemicals, it survived even to the present day.

However, during the past 60 years, most agricultural areas have undergone crucial changes.

Since the 1980s East and Southeast Asian countries started to experiment with what was known as the Green Revolution, an agricultural model characterized by mechanization, improved irrigation, the introduction of hybrid crop varieties, and an increasing input of agrochemicals. Due to the economic sanctions and restrictions placed by western countries after the political change in 1949, in China, this revolution took place considerably later than it would have otherwise.

At that time, the green revolution was principally driven by the Chinese government to increase agricultural productivity, with the main aim of ensuring national food security due to the huge increase in the population. The Chinese administration, therefore, prompted an industrial agriculture characterized by heavy reliance on synthetic chemicals to protect crops against weeds, pests, and diseases. These measures enabled the Green Revolution to spread and reach all regions of the nations, even the distant ones, which combined with improved irrigation and high-yield varieties, facilitated an increase in the productivity. However, the lack of sufficient training for farmers resulted in inadequate use of pesticides, meaning that the recommended application levels and application frequency were not always followed, nor was the pre-harvest interval strictly observed. Within a decade the environmental impact of agrochemicals was evident, with soil becoming degraded and water polluted (Bekele, Zhou, Kidane, & Haimanot, 2017). Consequently, the agrochemical residues in food products became a major concern among Chinese consumers and policymakers, especially in fresh food products.

The environmental situation was then additionally worsened by a boom in rural industries, which resulted in a sharp reduction of arable land.

As a result, Chinese agriculture was confronted with the challenges of maintaining a steady supply of food and fiber for the growing population on the one hand and striving to create a healthy natural environment on the other (Ye, Wang, & Li, 2002).

By the late 1980s, as environmental concerns began to spread, some local government bodies initiate promoting what was known as the "Chinese Ecological Agriculture" (CEA), a new integrated agricultural production system that encompasses cropping, forestry, animal husbandry, aquaculture, and processing industries, and emphasizes the coordination of relationships between agriculture and the natural environment, biodiversity, agricultural technology, economic results and ecological integrity (Jiang & Shu, 1996). Luo and Han (1990) identified three principal objectives of the Chinese Ecological Agriculture: protect and conserve natural resources and the environment as the foundation for sustainable agricultural productivity; coordinate agroecosystem relationships with the needs and characteristics of the socio-economic environment; and facilitate the recycling of agricultural resources to reduce adverse environmental impacts and to lower production costs.

This eco-farming gave rise to what was later known as organic agriculture.

During those years, some government bodies started promoting the organic industry was recognizing opportunities in the rising global demand for organic foods. This was a key factor in the growth of the organic industry during those years. One of these government bodies was the Rural Ecology Division of the Nanjing Institute of Environment Science (NIES) of the State Environment Protection Administration (SEPA), now known as the Ministry of Environmental Protection (MEP). In 1989, this organization began to promote organic farming in its state and became the first Chinese member of the International Federation of Organic Agriculture Movements (IFOAM).

As a result, in the early period, the main drivers of modern organic agriculture were portrayed by Chinese enterprises, both state-owned and private enterprises, which were contracted to produce organic products, such as Chinese tea, to be exported to foreign countries. Therefore, most of the early development of Chinese organic agriculture was driven by export opportunities both in the European Union and the United States and later in Japan (International Trade Centre (ITC), 2011).

The first certified organic product in China was tea from the Lin'an County of Zhejiang Province. It was inspected and certified by the Dutch certifier SKAL, and then exported to Europe in 1990.

During this period, additional concerns about food safety for both export and domestic markets began to spread, which led the Chinese government to introduce new food labeling schemes, primarily comprising two levels: Hazard-free food and Green food labels. These labeling schemes were first launched by local governments in the middle of the 1980s and ultimately adopted by the Ministry of Agriculture (MOA), the central agency, which continues to oversee and regulate their implementation up to now.

These two labels are unique of China, meaning that there is no equivalent in other countries; they are printed on the food package for identification and certify the land, practices, and products.

Below is provided a brief explanation of the two certifications in their current state.

Figure 8. The Hazard-Free Food Certification Log

Source: (Zhōngguó lǜsè shípǐn fāzhǎn zhōngxīn 中国绿色食品发展中心 (China Green Food Development Center), 2011)

The Hazard-free food certification is related to food safety, where the quantities of products dangerous to human health, such as heavy metals, pesticides, and fertilizers, are controlled by national laws.

It is the least stringent food safety certification and must satisfy the following requirements: "No pollution, no toxicity, safety, high-quality food, clean environment, production technology compliance, control of harmful substances content, use of non-pollution food after examination and approval" (Ni, 2016).

The certification is currently regulated by the Measures for the Administration of Hazard-Free Food Products, Agricultural Product Quality and Safety Law, and has a validity of 3 years. It is issued by the Center for Agri-Food Quality and Safety (AQSIQ) under the Ministry of Agriculture (MOA) of the People's Republic of China.

The Hazard-free food label (Figure 8) is currently the only label that is still monolingual. The Chinese character 无公害农产品 (Wú gōnghài nóngchǎnpǐn) literally means "pollution-free agricultural products", but it has been rendered in different ways in the English language with no uniform or standard translation. Among the other versions, we have "No-Pubic-Harm Food", "Safe food" and "Pollution-free food".

The Green Food certification it's a more stringent certification than the Hazard-free food one. It refers to food obtained using limited and controlled quantities of livestock and poultry feed additive, chemical pesticides, and fertilizers.

Figure 9. The Green Food Certification Logo

Source: (Zhōngguó lǜsè shípǐn fāzhǎn zhōngxīn 中国绿色食品发展中心 (China Green Food Development Center), 2020)

It is defined by Ni as an "Agricultural product grown, produced, or processed in a non-polluting environment, contents of toxic and harmful substances strictly controlled, and conform to the national safety food standards".

The label (Figure 9) exhibits a bilingual logo, i.e. in English and Chinese languages, and it is written in Chinese characters as 绿色食品 (Lǜsè shípǐn), which literally means green food. It has a validity of three years, and the firms should reapply for it before the expiration.

The certification was created with the establishment in 1992 of the China Green Food Development Centre (CGFDC). Founded by the Ministry of Agriculture (MOA) as a public certification body, the CGFDC is responsible for the development and management of green food, owns the logo, develops and maintains the standard, is responsible for certifications and coordinates inspections, monitoring, and draws income for certification fees (Paul, 2008), according to the Green Food Labelling Act regulations.

Initially, the CGFDC only focused on food safety certifications, but it later extended its scope to include organic certification. In fact, in 1993 the CGFDC became an IFOAM member.

The global export opportunities, as we mentioned earlier, drove and increased the production of organic products. Consequently, they encouraged the growth of organic certification bodies, both local and overseas branches of foreign agencies.

The first local organic certifier was the China Organic Food Development Center (OFDC), which was established in 1994 by the Nanjing Institute of Environment

Sciences, SEPA, with the aim of providing organic certification services, regulated by its own organic standard.

Concurrent with the developments at the OFDC, the following year, the CGFDC split its certification, the Green Food Certification, into two grades “A” and “AA”.

The “A” grade represented a transitional level between conventional and organic food. It allowed restricted use of chemical fertilizers and pesticides (Moruzzo, et al., 2020), and it is still more widely understood and recognized in China. Instead, the “AA” grade was mainly associated with premium products mainly designated for exports and rarely found in the local markets. The “Green Food AA Grade” products must adhere to stricter requirements than those of the international standards of organic food, for example of the Food and Agriculture Organization of the United Nations (FAO) and the World Health Organization (WHO). This enabled the “AA” standard to be relatively close to a full organic certification.

For this reason, and also due to the later intensification of the organic food certification, the China Green Food Development Center officially suspended the certification of Green Food level-AA in June 2008 (Yu, Gao, & Zeng, 2014).

However, the development of the Green Food AA standard, as well as the introduction of a system of product testing, farm inspections, certification procedures, and a network of inspectors, practically paved the way for the introduction of an organic food certification system (Sternfeld, 2009).

As a result, during the early 2000s, national regulations for organic certification and accreditation were introduced, also in response to China’s entrance into the WTO.

In 2001, the SEPA issued in 2001 the “*Organic Food Certification and Management Measures*”, and the State Council of China established the “Certification and Accreditation Administration of the People’s Republic of China (CNCA), which in 2003, received legal authorization to administer national certification and accreditation. In one year, the CNCA registered more than 20 domestic organic certifiers in China.

Two years later, in 2005, the first unified Chinese national organic standard was issued, i.e., the “National Standard of the People’s Republic of China: Organic Products” (GB/T19630-2005). Supervision systems were introduced for organic certification bodies operating in China and all organic products, including imports, which must comply with the national rules and standards.

According to the current regulations, the organic food label certifies a product that must “comply with specific principles of agricultural production, which did not use raw materials or products generated by genetic engineering, did not use chemical syntheses such as pesticides, fertilizers, growth regulators or feed additives. It also needs to follow natural rules and adopt a series of techniques to maintain sustainable agricultural production.” (Daxue Consulting, 2020). Table 1: Differences between Green Food grade A and Organic Food certificationsTable 1 presents the main differences between Green Food Grade A Certification products and Organic Food products.

Figure 10. The Organic Food Certification Logo

Source: CNCA (http://www.cnca.gov.cn/zl/spncp/202007/t20200717_60386.shtml)

The label (Figure 10) shows a bilingual logo – Chinese and English - and it is written in Chinese characters as 有机食品 (yǒujī shípǐn).

Table 1: Differences between Green Food grade A and Organic Food certifications

Green Food Grade A	**Organic Food**
Chemicals and pesticides can be used in a limited amount to improve soil quality and prevent pests.	No harmful chemicals or pesticides have been applied for at least two years for annual crops and three years for perennials
Farms and processing plants are inspected every three years in order to get their certificate extended.	Farms and processing plants are inspected annually in order to get their certificate extended.
GMOs tolerated	No GMOs

Source: (Sternfeld, 2009)

Although Chinese organic agriculture has been mostly export-oriented since the mid-2000s the Chinese organic sector began to focus on the domestic market, which reported a steady growth since then. As a matter of fact, during the past decades, the organic industry in China has experienced a rapid and exponential development incited on the one hand, by an increase in the disposable income, and on the other, it was particularly driven by the intensification of the healthy consciousness of the Chinese society as frequent food safety incidents involving tainted food products became prominent.

Indeed, food scandals in China not only have limited the development of the Chinese food industry and its image and reputation at the international level, thus affecting Chinese organic exports, but they have also undermined consumer confidence and trust in the safety of domestic supplies. This eventually caused greater attention from Chinese consumers to food safety subjects, and it led to a major shift towards organic products, fostered by the association between organic food and safety and providing broader opportunities for the organic industry.

Some of the most influential food safety incidents involved milk powder contaminated with the industrial chemical melamine in 2008 which caused the death of six babies and hundreds of thousands of hospitalizations, rice contaminated with cadmium (2008), pork meat containing the banned steroid clenbuterol (2010), cooking oil recycled from street gutters (2010), starch contamination (2013) and the GM food scandal (2014).

Previous studies have pointed out that China's food system's weaknesses are mainly related to inadequate coordination between regulation agencies, poor law enforcement, and inefficient supervision of government departments (Huang & Yang, 2017).

For these reasons, since 2015, as emphasized by the Chinese State Council, food safety has been a top priority for the Chinese government that, to enhance and ensure consumer trust in food quality and safety, revised the Food Safety Law, and adopted stricter requirements for food certifications, including the organic one. The last revision of the organic standard and organic regulations occurred in 2019.

Looking at the history that the organic sector has had in China, we can say that even if the organic industry started mainly as an export opportunity, it developed quickly mirroring the country's rapid economic growth and social development.

The increase in the population's health consciousness, consumer knowledge, disposable income, environmental concerns, and promotion campaigns, are the major factors that enable the Chinese organic industry to expand. These elements together with a growing tendency to follow western consumption models and lifestyles, increased the demand and the consumption of organic food products, allowing China to become today the fourth largest market for organic food products in the world.

2.1.2 Chinese Organic Certification Standards and Regulations

The Framework of the China Organic Certification Management System

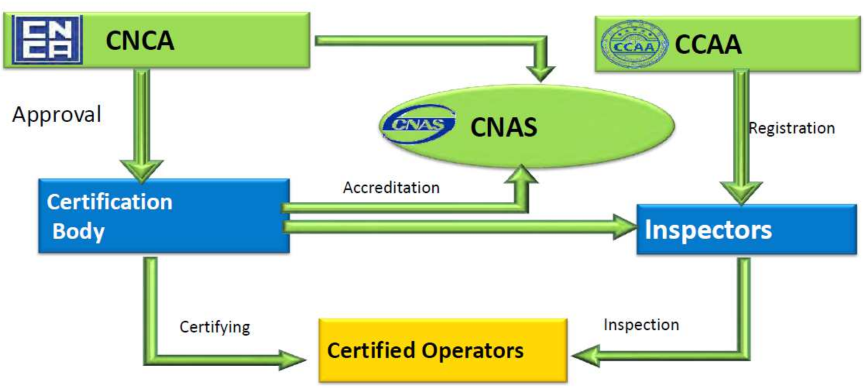
There are various agencies in the Chinese regulatory system for organic agriculture. At the forefront, there is the *Certification and Accreditation Administration of the People's Republic of China* (CNCA), a ministry agency directly established in 2001 by the State Council of the PRC. The CNCA is the national administrative body overseeing all types of certifications and accreditation in China, including the organic ones. It is in charge of formulating the certification systems, such as the organic standards, and related laws and regulations, as well as approving and managing certification bodies.

Following the approval of the CNCA, was established the *China National Accreditation Service for Conformity Assessment* (CNAS), the national accreditation body. It conducts technical conformity assessment and accreditation for inspection bodies, laboratories as well as certification bodies.

All the certification bodies and certification training bodies' inspectors, to be recognized as official ones, must be approved and registered with the *China Certification and Accreditation Association* (CCAA), established by CNCA in 2005. Once the inspectors are registered, they can conduct their assessments on behalf of the certification bodies, which are in charge of the evaluation of the operators.

The scheme (Figure 11) below summarizes the structure of the various agencies in the Chinese National Conformity System.

Figure 11. The framework of the China Organic Certification Management System



Source: China Organic Food Certification Center's presentation on ITA.BIO platform

Organic Policies, Regulations, and Standards in China

The specific regulations and standards for organic certification were introduced and took effect respectively in 2004 and 2005. The most important current enforced regulations are:

1. The *Regulation of Certification and Accreditation of the PRC*, issued by the State Council. It is the highest level of regulation for all the certification activities, thus not only for the organic sector.
2. The *Regulatory Measures on Organic Product Certification Management*, issued by the AQSIQ. It is the highest-level regulation of the organic sector. It defines organic certification and organic products, including the scope and requirements for certification bodies and inspectors. It also sets principles for organic certification, national organic labeling, import requirements, principles for international cooperation, and supervision measures.
3. The *Requirements for Products, Process, and Service Certification Bodies*, issued with the CNAD-CC02:2013. It is based on the previous regulations, and it defines all the requirements for the products, processes, and services managed by certification bodies and regulates the activity of certification of organic products in China.

The implementation of all these regulations related to organic products is overseen by the CNCA, in accordance with the "*Rules for Implementing the Certification of Organic Products*" that regulate organic certification activities of the certification body, defining organic certification objectives, the scope of application, standards, certification procedures, administration after certification, certificates, marks, and logos, as well as certification fees.

The national organic standard of the People's Republic of China is the "Organic Product Standard (GB/T19630)". The Chinese standard made several references to international norms such as the IFOAM standard, the UN Codex Alimentarius, and the standards of the European Union, the US, and New Zealand, with added emphasis though on contamination by pollutants and prohibited materials and quality management systems, especially record-keeping and traceability.

In view of a greater level of standardization of the regulatory system, together with the purpose of guaranteeing both quality and safety of products traded in China, the local authority has many times revised and updated the reference standard. The last revision dates to 2019 and came into force on 1 January 2020. The current standard is the GB/T 19630-2019, which replaced the previous version of 2011.

According to the Chinese standard, "organic products refer to products for human consumption and animal consumption whose production, processing and sales processes meet the standards. Chemically synthesized pesticides, fertilizers, growth regulators, feed additives, and genetically engineered organisms and their products shall not be used in the production of organic products" (CNCA, 2020).

More precisely, the Chinese standard applies to all agricultural raw materials and food products included in an official product list named the "*Organic Product Certification Catalogue*". Based on the risk assessment, it specifies the products that can be certified as organic. The companies of products not covered by the catalog are not permitted to apply for certification. For instance, some high-risk products such as honey are excluded from the catalog and cannot apply for the organic certification.

According to the latest revision of 2019, it currently includes 1.136 products related to 46 food categories, 11 more with respect to those reported in the previous version.

Products that received certification before the catalog release, but are no more included in this latter, are allowed to benefit from the certification until the scheduled expiry date.

The standard is divided into four parts: production, processing, labeling and marketing, and management system of organic products and certified facilities.

The third part of the standard, the labeling and marketing, stipulates a uniform national logo for "Chinese Organic Food Products" and "Organic Food Under Conversion" (Figure 12. Certification Logos of China Organic Product and China Organic Conversion ProductFigure 12), that must be printed on the package only after the product has been converted and passed the organic certification. It enables a company's organic products to be commercialized as organic in mainland China and Hong Kong and it applies to both local and imported organic products intended for sale within the Chinese territory.

Figure 12. Certification Logos of China Organic Product and China Organic Conversion Product

C:100 M:0 Y:100 K:0
C:0 M:60 Y:100 K:0

C:0 M:40 Y:100 K:40
C:0 M:60 Y:100 K:0

Source: The Standardization Administration of the People's Republic of China

According to the description provided by the CNCA, the logo is shaped like the Earth, symbolizing harmony and safety. The seed graphic represents the vigor of life when life germinates, symbolizing the whole certification process of organic products starting from seeds, and at the same time showing that organic products are just like seeds that have just sprouted and are thriving in the land of China Growth; the smooth lines around the seed figure symbolize the circular road, and combined with the seed figure form the Chinese character "中[5]", reflecting that organic products are rooted in China, and the organic road is getting wider and wider. The flat ring is a variant of the English letter "C", and the shape of the seed is also a variant of "O", which means "China Organic"; the green of the organic product certification mark represents environmental protection and health, indicating that organic products bring perfection and harmony to the human ecological environment, while the brownish-yellow color of the conversion product certification mark represents fertile land, indicating that organic products are in continuous development on the fertile soil. The orange color represents vigorous vitality and the role of organic products in sustainable development (CNCA, 2020).

For what concern processed products, similarly to the European and American standards, only the products containing more than 95% organic ingredients can be labeled organic (with the exclusion of water and salt). However, China also specifies that processed food with more than 70% but less than 95% organic ingredients can be labeled "manufactured with organic ingredients", while products containing less than 70% can only be labeled

[5] 中 (zhōng) is the Chinese translation of the word "centre" but it is also a character that composes the name of the country of China that is 中国 (zhōng guó)

as containing specific organic ingredients (Sternfeld, 2009).

Organic converted products produced within one year that obtained the organic conversion product certification for the first time can only be sold as conventional products, and the organic conversion product certification mark and related text descriptions shall not be used.

A peculiarity of the Chinese standard is that the label of the product must also include the name or the logo of the certification body, and a unique number, an independent 17-digit organic code and/or a QR code, which acts as an anti-counterfeiting tool as it is necessary to identify the name, specifications, quantity, and other information of each product when applying the label.

The certified company needs to purchase the anti-counterfeiting label from the certification body and every package of each product should use it. The certification body will upload the anti-counterfeiting code on the state's official website, the "China Food and Agricultural Product Certification Information System" of the CNCA, and will issue it to licensed enterprises. In this way, the company's organic product information will be available to the final consumer that has the possibility to check the product information and verify the organic certification specifications by entering the code number or simply scanning the QR code.

Through the implementation of this measure, the system of the CNCA can not only realize the function of anti-counterfeiting, traceability, and the output verification of the organic products, but it can also count all product information of all purchased apples, tomatoes, and milk labels in a specific year.

Here we provide an example of an anti-counterfeiting label issued by the Hangzhou Wantai Certification Co. Ltd (WIT) (Figure 13).

As we can see, moving from the top of the label, there are displayed: the logo of the organic certification and of the certification body, the address of the CNCA website where the consumer can enter the organic code searching for the product and company's information, and an immatriculation code of the certification body. At the bottom of the organic label, there is a section in which is written 刮开涂层，得有机码 (Guā kāi tú céng, dé yǒujī mǎ) meaning "scratch off to get the organic code". The consumer needs to scratch it to see the code number that allows him/her to search for the product information on the official website.

Supposing that the 17-digit code is “115 12 8044 8802 5690”, it comprises the following elements: 115 is the code of the certifying body; for domestic bodies, it is the last three digits of its certification number, while for international bodies, it’s 9 plus two Arabic numerals of its approval number. 12 is the year of issue of the certification label (2012) and 8044 8802 5690 is a random code generated by each certification agency to record the number of certificates issued by the agency.

Figure 13. China’s organic product anti-counterfeiting and tracking code label

Source: Health and Safety in Shanghai.com

Scanning for the QR code present on the label, we have obtained the following results (Figure 14), containing all the information regarding the product and the company certified.

Organic product certification mark - public inquiry platform

Product inquired: organic eggplant produced by *Shenzhen Chengwu Jinshi Agricultural Development Co., Ltd.* certified by *Hangzhou Wantai Certification Co., Ltd.*

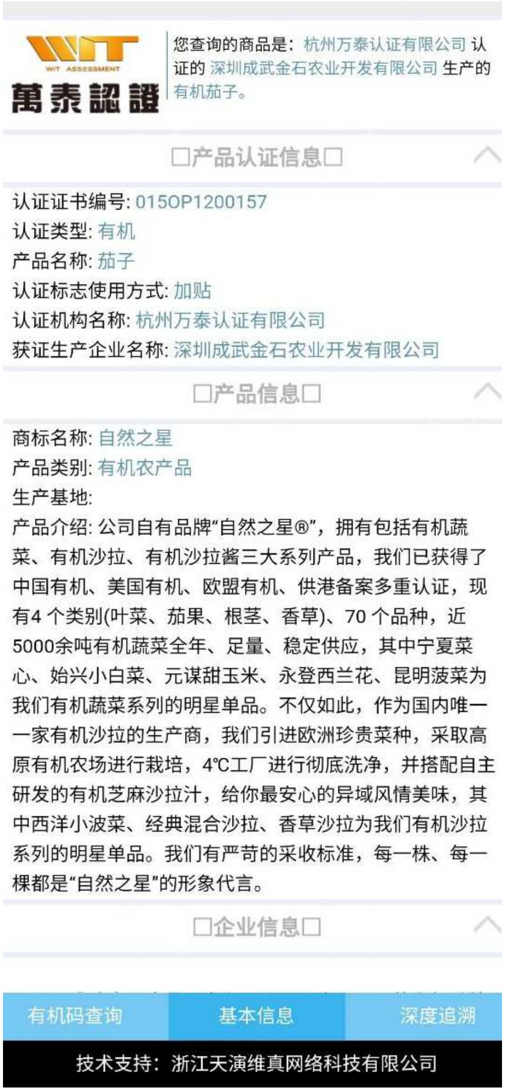
Product Certification Information

- Certificate number: 015OP1200157
- Certification Type: Organic
- Product Name: Eggplant
- How to use the certification mark: affixed
- Certification body name: Hangzhou Wantai Certification Co., Ltd.
- Name of certified production enterprise: Shenzhen Chengwu Jinshi Agricultural Development Co., Ltd.

Product Information

- Brand Name: Nature's Star
- Product Category: Organic Agricultural Products
- Production base:
- Product introduction: The company's owned brand "Natural Star®" has three series of products including organic vegetables, organic salads, and organic salad dressings. There are 4 categories (leaf vegetables, solanaceous fruits, rhizomes, herbs), 70 varieties, nearly 5,000 tons of organic vegetables throughout the year, sufficient and stable supply, including Ningxia cabbage, Shixing pakchoi, Yuanmou sweet corn, Deng broccoli, and Kunming spinach are the star items of our organic vegetable series. Not only that, but as the only organic salad manufacturer in China, we have introduced precious European vegetable species […]. We have strict harvesting standards, and each and every tree is the image endorsement of "Nature Star".

Figure 14. Results of the anti-counterfeiting and tracking label's QR code



Source: WeChat

Company information

Shenzhen Chengwu Jinshi Agricultural Development Co., Ltd. is the earliest pioneer of organic cultivation in China and the pioneer of the earliest supplier of ultra-organic vegetables. A young team joined the organic food industry in China in 2003 and persisted for 15 years, specializing in the cultivation and sales of organic vegetables, the research and development and sales of organic salad dressings, and the production and sales of organic salads. Now it covers organic cultivation, production, and processing. and sales of the whole industry chain. […]

In addition to the requirements concerning the traceability of organic products, i.e., the application for the organic code and the upload of the product information on the national website, compared to the other major international organic standards, the Chinese standard exhibits some additional requirements and much more stringent controls on the certified operators.

The standard indicates that it is the whole supply chain that must be certified against the Chinese organic standard, thus from the raw materials to the final products.

It also states that the certification label of organic products must be used within the scope and quantity as defined in the certificate, meaning that the certificate shall include the quantity of the product certified, and the client will have a sale permit in which is stated that he can only sell the number of products that are in conformity with the amount stated in the certificate. If the number of sales permits for organic products issued by the certification body is greater than the actual quantity of organic products produced or processed by the client, will be ordered a correction and be fined between RMB 10,000 and RMB 30,000.

Concerning the controls, it declares that for agricultural products the audits must be performed before and during the harvest so that the products can be seen and sampled by the auditor. Certification bodies inspect operators at least once a year, conducting both an environmental and product analysis, and further random inspections are carried out according to the risk profile. The same inspector cannot inspect the same unit/operator for more than three years in a row.

Due to the several inspections that Chinese authorities must conduct on the field, the procedure of obtaining the certification requires quite a long time. In addition, it has a validity of one year and companies must reapply for it three months before, conducting every year the same procedures.

The Chinese certification is also quite expensive. According to ICE-ITA analysis, it costs around 1500-3000 USD for small-scale productions and around 7000-8500 for large-scale ones.

Certification Bodies

The certification body needs to conduct organic product certification activities under the approval of the CNCA. Until December 31, 2019, the number of organic product certification bodies approved by the CNCA had reached the number of 85 (China Beijing Organic and Beyond Corporation (OABC), 2020).

Products sold in domestic supermarkets are mainly certified by local certifiers. The two largest and earliest organic certification companies are the *Nanjing Guohuan - Organic Food Development and Certification Center of China* (OFDC), and the *China Organic Food Certification Center* also named *China Green Huaxia* (COFCC) (Figure 15).

The former evolved out of the Rural Ecological Division of the Nanjing Institute of Environmental Science (NIES), State Environmental Protection Administration (SEPA), while the latter is subordinated to the Ministry of Agriculture and Rural Affairs of the People's Republic of China.

Both the agencies oversee the organic product certification and management and are in charge of the promotion of the development of organic agriculture in China and of the training of organic product registration inspectors. They provide information on the marketing platform for all the organic operators, conduct international cooperation and communication activities in the organic sector and act as a consulting agency for the government to formulate policies and standards in this industry.

Other Chinese well-known agencies include the *Beijing Wuyue Huaxia Management Technology Center* (CHC), the *China Quality Certification Centre* (CQC), The *Beijing Wuzhou Hengtong Certification Co., Ltd* (CHTC), and the *Hangzhou Wantai Certification Co., Ltd* (WIT)(Figure 15).

Figure 15. Chinese Organic Certification Bodies.

Source: Personal elaboration from the official websites of OFDC (www.ofdc.org.cn), COFCC (www.ofcc.org.cn), CHC (www.bjchc.org/en/), CQC (www.cqc.com.cn), CHTC (www.bjchtc.com), WIT (www.yinahzmj.com);

In addition to internal agencies, there are 15 international certification bodies that conduct certification business based on overseas organic product standards in China, two of which established certification bodies in China with the approval of the CNCA. The other thirteen carry out business with domestic certification agencies in the form of sub-contracting (China Beijing Organic and Beyond Corporation (OABC), 2020).

Some of them are ECOCERT (ECOCERT SA, France), which established the “Beijing Ecocert Certification Center Co. Ltd.”, OCIA (the International Federation of Organic Crop Improvement Association, based in the United States), IMO (The Institute for Market Ecology, Switzerland), JONA (Japan Organic and Natural Food Association), BCS (BCS Őko-Garantie GmbH, Germany), and the Soil Association, based in the UK.

However, the Chinese regulations have set strict rules for international organic certification bodies active in China. It requires them to be legally independent entities with a certain amount of registered capital in China. This implies that international certifiers only registered abroad are operating illegally in China, and that imported organic food or food certified by an international certifier needs to be certified by a domestic certifier in order to get placed on the shelves of Chinese supermarkets.

For instance, the EU organic mark issued by the Member States cannot be employed in substitution of the Chinese organic mark, but eventually as a complement to increase product visibility among consumers.

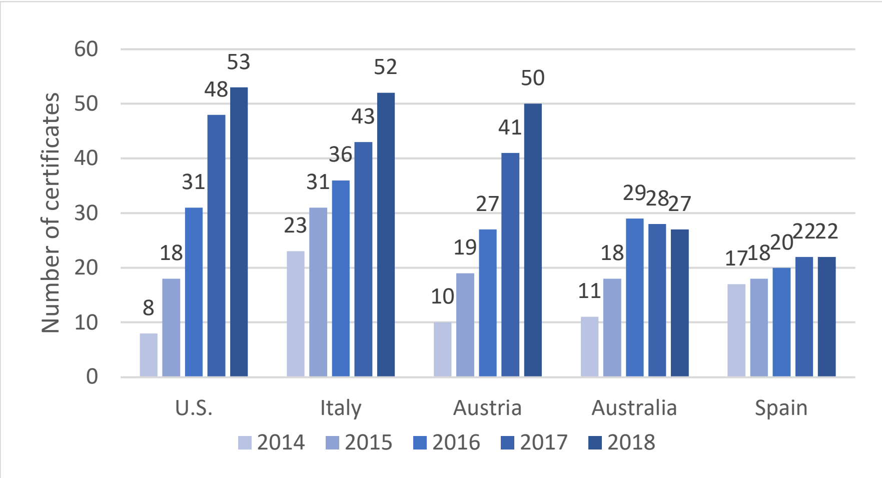
The only country that has an equivalency agreement with China is New Zealand. The two countries signed in November 2016 the “Mutual Recognition Arrangement for Certified Organic Products between CNCA and New Zealand Ministry of Primary Industry”. Under this agreement, China and New Zealand reached a consensus on organic product standards, certification requirements, mutual recognition scopes, and follow-up supervision, and also confirmed the equivalence of the organic products certification systems of the two countries and acknowledged the organic certification results of each other. Therefore, organic products including food exported from New Zealand into China, in compliance with the regulation, is exempt from applying for the Chinese Organic Certificate.

Certification by Chinese standards Outside China

Since 2013, more and more countries and regions outside China have applied for the Chinese Organic Certification. As a matter of fact, from 2013 to 2018, the number of countries that implemented China's organic standard certification abroad has grown from 12 to 41. Consequently, the number of companies that have obtained the certification has increased approximately four-fold, growing from 51 to 206.

The country with the highest number of certificates in 2018 was the United States (53), followed by Italy (52) and Austria (50), and then Australia, Spain, Denmark, South Korea, New Zealand, Germany, and France (Figure 16).

Figure 16. Top 5 countries ranked by the number of certificates issued overseas, 2014-2018



Source: China Beijing Organic and Beyond Corporation (OABC), 2020

In 2018, China's total overseas certified area of organic products, slightly decreased compared to 2017, reaching 757.000 hectares. The largest certified area was Australia, followed by Austria, Germany, Denmark, and Brazil.

In terms of agricultural products, the certified area of cereals and sugar crops steadily increased year by year, while in terms of certified output, the sugar crops, processed liquid milk, and cream remained in the top three for the past three years.

2.1.3 Organic Food Production Models

In China, unlike other developing countries with free-market systems, organic production is mostly based on organized systems rather than farming by individuals. Individual organic farmers in China are indeed a few.

There are various modes of engaging in organic agricultural production, commonly the most adopted models include the three following types.

The first mode is known as "*Firm Leasehold Management*" or "*Agribusiness*". It occurs when an organic processor or trader, the "agribusiness", leases land from farmers and employs them to work on the company's leased land and pay them a rent. The company then manages the farm production and sells the organic products under its own brand, which is considered by some studies less efficient and more costly (China Beijing Organic and Beyond Corporation (OABC), 2020).

The second mode of production, known as "*Company Plus Base Plus Farmers*" or "*Enterprise plus Peasant Household*" occurs when the processor or trader sets up an organic production project in cooperation with a local agent or government in a village or township. They are usually big companies that under the permission of the local government, sign a long-term contract with farmers for organic production and purchase. Farmers, in the designated project areas, are asked to convert to organic production in line with the firm's demand and are expected to produce the goods following the requirements of the contract. The contracting company, meanwhile, usually provides technical and managerial assistance. It is responsible for demonstration and technical guidance, providing specific functional advice and financial support for the comparatively expensive certification, organizing peasant households to use their own land for organic production, and helping with the marketing of the produce. The company is also responsible for packaging, storing, shipping, and selling under the brand of the enterprise, which is of high efficiency and has strong marketing ability.

The third type of production model is the "*Organic Producer Association*", also known as "*Farmers' Professional Cooperatives*", under which the village administration or the farmers themselves set up an association to conduct large-scale organic food production. The association manages producer members, offers them technical support, and purchases back their produce, which it then sells to processors or traders. This form of organization has higher production efficiency but weaker marketing ability.

In addition to those forms of production, there is another type that often does not require organic certification: the Community Supported Agriculture (CSA) model, in which farmers produce organic products spontaneously and sell them directly to familiar customers. Since 2008 hundreds of thousands of producers and consumer families have participated in CSA (China Beijing Organic and Beyond Corporation (OABC), 2020) showing a rapid development trend.

2.1.4 Market Size

Emerging food safety incidents and environmental concerns have in the last decades increased global consumers' attention to food quality, food safety, and environmental friendliness, and China was not an exception.

Following the rapid development of the country's economy and the continuous improvement of disposable income, private consumption has risen. Markets are being shaped by a more conscious consumer who pays more attention to the quality of products he chooses for himself and his family, especially in terms of food.

The higher environmental consciousness of the Chinese consumer caused by an increased pollution and degradation of the country, the growing concerns raised by the multitude of food scandals, and lastly the Covid-19 pandemic, have thus led to a rapid expansion and development of the organic industry in China.

Consequently, the Chinese market for organic products has seen interesting dynamics. According to Nomisma data, the Chinese organic market in only ten years (2018/2010) registered a growth of +923%, and today has become the fourth largest market in the world for the consumption of organic food, with a value of 10.2 billion euros, and a market share of 8% in 2020. According to the FiBL data, China places itself behind the United States, Germany, and France.

However, despite this huge rapid growth, organic food still accounts for a relatively small share of the country's massive food market. The total sales of organic food (including beverages) accounted for 0.8% in 2018 and increased to 1.5% in 2020 of the total food consumption expenditure (China National Commercial Information Center, 2019; FiBL and IFOAM, 2020). Therefore, the market size of organic food in China is still very small, which is far from meeting the needs of domestic and foreign consumers.

The per capita consumption is still very limited too. Although it has also shown impressive growth in the period 2018-2010 of about +855%, Chinese consumers' average expenditure on organic food was about 7 euros per person in 2020, against the highest per capita consumption of about 418 euros registered in Switzerland.

All these data eventually indicate that the organic food industry in China, although recorded a significant sales value, it is still at its nascent stage and organic food products are a niche category, hence the Chinese organic market is considered a niche market with a relatively small size. This implies two important aspects: on the one hand, it has shown that there are fewer consumer groups for organic food, and the purchasing power of organic food is low; but on the other hand, that organic food has low competitiveness, and it has a huge potential market, which requires to be developed (Shu & Qi, 2020), and that can be exploited especially in the next few years, thanks to the expansive dynamics expected in the consumer sector which will be ascribed as an imperative of the next five-year plan which will dictate the indicators of China's strategic growth for next five years 2021-2025.

Up to now, the biggest markets for organic food have mainly been located in China's booming regions such as Beijing, Shanghai, and Guangzhou, where living standards are higher than elsewhere in China. However, with the continuous improvements of them, with an increasing emphasis on the importance of organic products among the younger generation, and with a rise in demand for organic baby food by a growing number of working mothers, China is rapidly evolving into the fastest growing organic food market in the world.

The market growth mirrors the Chinese organic agricultural production. Due to its utter size, China was the seventh country with the largest area of organic agricultural land in 2020. However, although it has registered a high increase in recent years, the organic share of the total agricultural land is also very small, only 0.5%.

From a geographical point of view, from the start, most organic agriculture has been located in the eastern and northeastern parts of China. It is mainly concentrated in the four northeastern provinces of Inner Mongolia, Heilongjiang, Jilin, and Liaoning, where the natural conditions facilitate the largest area under organic management, as well as in the six southern and eastern provinces of Jiangxi, Fujian, Jiangsu, Hubei, Shandong, and Yunnan (Sternfeld, 2009). In 2004 and 2005, the western region of China saw a tremendous increase in new organic projects, particularly organic animal husbandry, reflecting the government initiative known as the Grand Campaign of Developing the West. But due to a lack of market information and platforms, organic animal husbandry declined in the following years, and there was a dramatic drop in the acreage of certified organic land in this region (International Trade Centre (ITC), 2011).

There have been no accurate statistics on the number of organic producers in China, and some people simply equate the number of certified enterprises with the number of producers. According to the latest data of FiBL and IFOAM, in 2020 there were 13.318

producers and 4.669 processors in China.

A large part of them is currently concentrated on the domestic market primarily for two reasons, which are the thinning of export channels following the food safety scandals in China, and the economic crisis in the main importing countries, i.e. the United States and the European Union. The rest is then committed to export (ICE - Italian Trade Agency, 2020).

Due to the vast cultivation areas and the wide range of agroclimatic conditions, in China can be grown diverse organic food products. Table 2 illustrates some of the categories of the organic food products listed in the certification catalog which comprises a broad diversification of products.

Table 2. Categories of Chinese Organic Products

	Category	**Product Type**
1. Production	Cereals	Wheat, Corn, Rice, quinoa, and other grains
	Vegetables	All kinds of leafy vegetables, tuberous root and plant vegetables, legumes and beans, fruit vegetables, onion, and garlic vegetables, perennials (bamboo shoots), aquatic and mushrooms (both from cultivation and wild harvest), etc.
	Flowers	Chrysanthemum, hibiscus, orchid, magnolia, etc.
	Fruits	Pome fruits, grapes, citrus, tropical fruits, nuts, oleaginous fruits, etc.
	Spice crops	Pepper, cumin, cardamom, rosemary, etc.
	Textiles	Cotton, silk, flax, etc.
	Medicinal herbs	Ginseng, various Chinese medicinal herbs (both from cultivation and wild harvest), etc.
	Livestock and Poultry	Beef and dairy cattle, sheep, goat, etc., and milk Chicken, duck, quail, etc., and eggs
	Aquatic products	Fish, shrimp, crab, etc.
2. Processing	Processed food products	Flour, Fresh/Frozen/cooked meat
	Vegetable oil	Soybean, canola, flax, sunflower, pumpkin seeds, etc.
	Dairy Products	Liquid milk, pasteurized milk, milk powder, etc.
	Drinks	Tea, Juices, protein drinks, coffee, etc.
	Alcohol	Liquor, wine, beer, rice wine, etc.
	Other processed food products	Sugar, Cocoa, Coffee, Confectionary products, Biscuits, Pastry, Instant food, Canned food, Frozen food, Dried food, Infant formula, and baby food

Source. 有机产品认证目录（2019 年 11 月 6 日市场监管总局修订公布）
Organic Product Certification Catalogue (Revised and announced by the State Administration for Market Regulation on November 6, 2019)

According to the latest available data of FiBL, China is the largest producer of organic cereals, oilseeds, and tea. It has the third-largest area for organic vegetables, and it is the largest producer of organic temperate fruits. In addition, in terms of aquaculture production, China registered the largest production volume in the world in 2020.

For what concerns organic processed products, the Chinese market had a value of around 4.000 million dollars in 2020 that, according to the latest statistics, which is equal to 8.2% of the worldwide sales (45.7 billion dollars). Nevertheless, it presents a relatively small penetration rate compared to the western countries; the Chinese total amount of sales of organic processed products in 2019 accounted for only 1.2 percent, compared to the 8.9% of the US. However, although the penetration rate is low, in the period 2014-2019 it grew by 70% in value over the five years, and in 2021 organic packaged food saw a 13 percent growth in retail current value.

In terms of product diversification, one of the primary categories gaining importance among organic processed products is organic baby food. In fact, according to the Euromonitor data, 54 percent of the organic processed products market is represented by organic products for infants, due to the high level of attention that Chinese parents pay to the nutrition and the ingredients of their children especially caused by the recent huge food scandal related to the milk powder. Chinese parents are happy to spend more if necessary. However, it is not inevitably the organic nature of these products which attracts parents. Organic baby food has an advantage mainly due to its premium positioning: parents believe that if they pay a higher price, they will get a better quality (Organic Trade Association, 2021). This belief could be associated also with the other organic food categories, with Chinese consumers increasingly selecting organic products as these carry higher prices.

Another 44 percent, according to the Euromonitor data, is represented by organic dairy products. Growth rates are particularly driven by organic milk powder (organic formula milk), which has shown an annual average growth rate of 38.8% in the last five years. The rise in working mothers and the increasing health consciousness of Chinese consumers are expected to lead to an increase in the demand for organic baby formula as more mothers look for healthy options to provide for their children. Another critical factor of this growth is the increased investment into the promotion of the benefits of dairy consumption by the Chinese government, especially among children.

The remaining major organic product categories include oil, rice, pasta, and noodles.

For what concern the organic beverage market, sales are marginal. It remains by far the smallest category within health and wellness beverages in China. Only 2000 tons have been sold in 2020 with a value of 57.9 million dollars, even if in 2021 it registered an 11% growth in retail current value, reaching 68.4 million dollars.

Sales of organic soft drinks are not notable in China, with organic hot drinks remaining dominant, and within this, sales are exclusive of organic tea, mainly organic green tea.

This sector is mainly hindered by a low level of consumer awareness about organic beverages, limited distribution, and high production costs. All these factors have inhibited the value and the volume growth of organic fruit/vegetable juices in China with the majority of local manufacturers still not keen on organic farming, resulting in a limited variety of offerings. International players' low involvement in the category has also contributed to its negligible size in China. This sector though presents the potential for development, as a more educated, health-conscious consumer base would be ideal for demanding organic variants of juice and fruit vegetables (Organic Trade Association, 2021).

As a consequence, in the competitive landscape, we can see that the larger market shares of organic products are dominated by dairy companies. The largest shares all belong to Chinese companies, respectively the Inner Mongolia Yili Industrial Group Co. Ltd, which leads the organic segment in China with a value share of 27.9% in 2021, followed by China Mengniu Dairy Co Ltd with a value share of 12.9%. The third place saw a noticeable change between 2020 and 2021: it was at first occupied by Abbott Laboratories Inc. (China) and is now replaced by Nestle SA with a current value share of 9.5%. Other companies are also leading the market such as Health and Happiness (H&H) International Holdings Ltd, formerly Biostime International Holdings Ltd, Shanghai Wyeth Nutritional Co. Ltd, Heilongjiang Feihe Dairy Co. Ltd, Ausnutria Dairy Co Ltd, and Inner Mongolia Shengmu Organic Milk Co Ltd.

As we can see all the companies mentioned, that currently own a 10 percent or higher market share, are all baby food or dairy products companies.

Consequently, the rising demand for organic formula milk has indeed encouraged manufacturers to prioritize the category's offering. As shown by the Chinese dairy giant Inner Mongolia's acquisition. In 2019 it acquired the Australian infant nutrition firm Bellamy's organic, an organic formula milk company with an existing market in China.

Otherwise, as is shown by the decision taken by several companies to launch organic milk formula lines like Junlebao Dairy group or to launch premium organic baby formula with specific nutritional characteristics both done by Danone and Heilongjiang Feihe Dairy (Organic Trade Association, 2021).

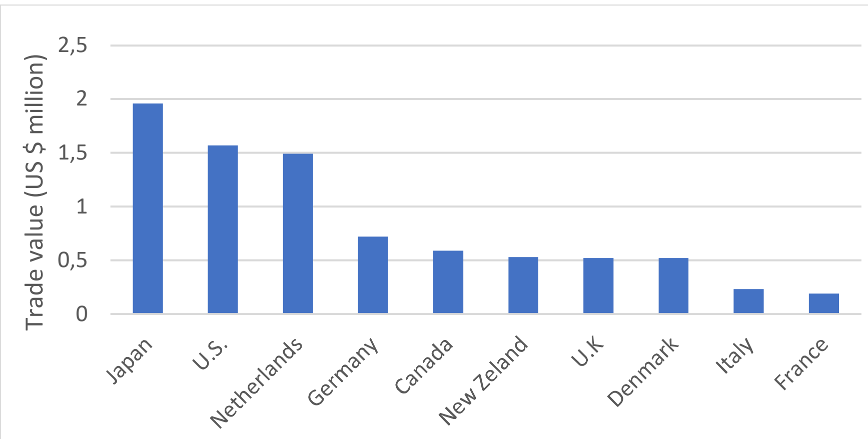
In addition, with organic tea increasing in popularity in China, there are increasing efforts from existing and new players to develop sales, leading to an increasing level of competition within the category. Although the top player in tea remains Huangshan Guangming Tea Industrial Co Ltd, with a value share of 17.0% in 2019 owing to its strong offerings under the Qianqiuquan brand, not only traditional tea manufacturers are entering the market, but also international tea ones like Unilever China that attempted to introduce its Pukka brand of organic tea into the Chinese market in October 2020, featuring products for acne treatment, soothing nerves, and detoxification.

Export Trade

China's organic industry, being at first an export-oriented industry, accounted in 2020 more than two thousand exporters, compared to the 1198 exporters registered in 2016 by the FiBL survey.

According to the OABC's overview on Organic Agriculture in China, in 2018, China's total export trade of organic products amounted to $894 million, with a total volume of 705,100 tons. Organic food is mainly exported respectively to Japan, representing 22% of China's total export volume of organic products, and the US (18%), followed by several EU countries such as The Netherlands, Germany, and a smaller amount to Italy and France, illustrated in Figure 17.

Figure 17. Top 10 countries ranked by the export value of organic products, 2018



Source: Organic Agriculture in China (China Beijing Organic and Beyond Corporation (OABC), 2020)

China’s first exported organic food was tea, and year by year its export value has been increasing, with an annual export growth rate of more than 50%. Currently, the main organic products exported are processed vegetables, soybeans, green tea, herbal medicines, grains, and beans, which are mostly raw and semi-processed.

However, at present, China’s organic food exports only occupy a very small share of the international market, accounting for less than 1% of the global market share (Daxue Consulting, 2020).

As a matter of fact, the Chinese export of organic food has been hindered by several factors. The first aspect that hinders Chinese export are the stricter environmental standards formulated by China’s major export trading partners, such as the US, Germany, South Korea, and so on, that, owned to their membership in the World Trade Organization and their economic and technological advantages, drew stricter standards to protect their resources and environment.

Secondly, the governance mechanism of Chinese organic trade export enterprises is not standardized. Many companies are small in scale, low in the organization, and weak in the concept and ability of organic brand management. They lack the support of technical forces, and most of them adopt the low-cost strategy of "winning by volume" and "mainly relying on export volume expansion". Moreover, most also lack in-depth research and an overall grasp of the international green food market, compete with each other blindly, suppress prices on their own, and objectively have dumping tendencies, which have adversely affected China's organic food exports (Shu & Qi, 2020).

The Chinese organic food export is also hampered by a product structure that is considered unreasonable, meaning that lacks diversification. Food manufacturing enterprises have weak R&D and lack technological innovation to develop new varieties. The majority of companies export indeed traditional products, which cannot meet the needs of international markets for a more diversified consumption.

The last obstacle to the export of Chinese organic products is related to the certification standards. The certification system is often labeled as a complex process, with underdeveloped technology, and poor supervision and credibility of certification. Therefore, many countries, such as Europe and the United States, still do not recognize the Chinese standard, and it is difficult to integrate it with international standards, making organic food export channels poor. At the same time, China's opening-up policy makes the export system still unable to meet the requirements of an open market economy, resulting in the separation of production and trade, which also makes it difficult to export green food (Guo & Zheng, 2011).

2.1.5 Analysis of the Distribution Channels

The structure of the Chinese organic distribution channels consists of producers, including processors and packers, importers, distributors, retailers, and the food service.

Importers and distributors

In just four years the Chinese market has seen an impressive growth in the number of importers of organic products, they increased from 66 to 265 in 2020, according to the FiBL and IFOAM data. By 2018, food imports in China exceeded 424 billion RMB (US$ 60 billion), and it is expected to be the top importer of foreign food in the next years (Daxue Consulting, 2020). The main imports come from Australia, especially dairy and meat products, and from the United States, the European Union, and Japan with a diversified range of products.

While in the early stages, the majority of imported goods were finished products that could not be produced within the country, now are also imported raw materials and semi-processed products as ingredients for processed goods, most of which are then exported. Among the main imported ingredients, there are organic sugar, dried fruits, nuts, honey, spices, and coffee. Nevertheless, the imports of Chinese consumer products mirror the market demand and are dominated by dairy products and processed foods such as baby foods. Among the processed products are also significant the imports of edible vegetable oils and cereals.

Many importers organize the product distribution on the domestic market by themselves, selling to several retailers, and a minority handles imports for their own retail sales.

Distributors are classified as city, provincial, or regionwide distributors, who, despite that, must collaborate with ones in other areas because the country is too large for distributors to have their own nationwide distribution network.

There are very few importers and distributors who only deal with organic products, the majority of them manage both organic and conventional products. In addition, to avoid the bureaucratic lengthiness related to the application and the acquisition of the organic certification mark, several companies often place imported organic goods on the market as conventional ones, which means selling them without the Chinese organic certification. Those entrepreneurs rely on the capability of consumers to recognize the foreign organic label on these products, such as the EU or the USDA logos, and purchase them being aware of their organic status, without labeling them as “Chinese” organic goods.

Retailers

In recent years, retailers in China have assumed greater importance in the organic industry, being the most influential channel that brings organic products to the final consumer, eventually increasing their awareness.

In China, the retail sale of organic products occurs through four different channels: specialty shops, supermarkets, direct sales, and food services.

When organic products began to spread in the domestic market, they were mainly sold in specialty shops. Consumers could find two types of specialty stores: managed by professional retailers or owned and managed by producers, including processors. The former could offer a wide range of products from different producers, while the latter could offer only the producer's own products. At the beginning of 2006, when they were first established, some of these stores rapidly closed. At that time, Chinese consumers did not have the habit of consuming organic products yet, due to a lower awareness of organic food, prices that were too high, and people's trust issues caused by food scandals were not fully resolved (China Beijing Organic and Beyond Corporation (OABC), 2020). Therefore, the cost of opening physical stores to sell organic food was too high, and it did not represent a profitable channel at that moment. Currently, organic specialty shops could be identified as large grocery supermarkets such as the *Beijing Lohao City Organic Shop* (乐活城有机健康生活馆, Lè huó chéng yǒujī jiànkāng shēnghuó guǎn), *Beijing Diandian Green Organic Food Shop* (北京店电路专卖店, Běijīng diàn diànlù zhuānmài diàn), *Shanghai Haikele Organic Food Chain Shops* (海客乐有机食品连锁专卖店, Hǎikèlè yǒujī shípǐn liánsuǒ zhuānmài diàn), *Nanjing Planck Organic Food Shops* (南京普朗克有机食品专卖店, Nánjīng pǔ lǎng kè yǒujī shípǐn zhuānmài diàn), or as smaller supermarkets that mainly target Expat communities such as *April Gourmet*, *Jenny Lou's* and *Jenny Wang's* which usually have a smaller selection of organic food products. All these specialty stores are located in the major cities of the country, where consumers' incomes and standards of living are higher and there is a bigger concentration of foreigners and Expats.

As organic food became more popular, supermarkets and supermarket chains started to introduce organic products on their shelves to meet the growing demand coming from Chinese consumers. Conventional supermarkets are currently the major channel for selling to end consumers. According to the Euromonitor data of 2019, modern and traditional grocery retailers, supermarkets, and hypermarkets represent almost 90 percent of the sales at the end-consumer.

More precisely, organic products are primarily sold in high-end supermarkets, such as HK Citysuper, Cityshop, Japan Global Plaza, Parksons, and Nextage Department Store, which operates only in some large cities, and in hypermarkets such as Vanguard, RT-Mart, Carrefour, Walmart, Metro, Jusco, Tesco, Lotus, and Tops which have stores in many cities across the entire country.

According to the Global Organic Trade Guide data, the leading organic food retailer by sales in 2021 was China Resource Enterprise Ltd, a subsidiary of China Resource Holdings which owns the China Resource Vanguard supermarkets. The group operates close to 5,000 stores under a dozen brands, in over 100 major cities and 29 provinces.

It is followed by Sun Art Retail Group ltd that operates through hypermarket chains. In 2011 it merged with the French supermarket brand Auchan and later re-launched a new food retail company that operates under the “RT-Mart” and “Auchan” brands across 461 outlets in 226 cities in 29 provinces (MarketLine, 2020).

At the third and fourth place, there are respectively the Yonghui Superstores Group, a China-based company principally engaged in the operation of regular chain supermarkets, and Walmart, the American multinational retail corporation that operates through a chain of hypermarkets and department stores.

In the bigger municipalities of China, organic products can also be sold through the direct sale channel. In other words, consumers purchase organic products directly from farms or organic marketplaces or through home deliveries. This allows local organic practitioners to sell their organic products directly to the consumer through "producer stores" opened by the farm.

The most known organic farmer marketplace is in Beijing, and it is known as the “ CSA Beijing Farmer’s Market".

Organic food can also reach the final consumer through the food service industry, i.e., through restaurants, cafes, companies, or schools’ canteens, which decide to use organic ingredients for their meals with the main aim to provide its customers, employees, or students a higher-quality and healthier food choice. They can purchase organic products, both as a raw material or a final product, directly from producers or through retailers, it is therefore considered a B2B channel.

Online Channels

More and more people nowadays choose to purchase goods through e-commerce platforms, online retailers, and O2O platforms (online to offline), which caused a huge change in the Chinese consumers' shopping environment, and the gradual evolution from traditional offline stores to virtual platforms intermediated by the Internet (Zhang and Demirkan, 2021), leading China to be the largest e-retail market in the world.

Following the popularity of online shopping, people increasingly decide to purchase also daily food and necessities through e-commerce platforms, being more convenient. As a result, online retailers rapidly boosted the sales of China's agricultural products, influencing the sales of organic products as well. In a few years, online retailing has become the most efficient sales channel for organic food in China.

Consequently, many organic product suppliers established their own online sale system, a large number of Taobao organic food stores were born and several more organic online stores have emerged on other large platforms, such as JingDong, Tmall, Alibaba, and on the instant messaging platform i.e., WeChat.

A simple research of the terms "organic food" on the e-commerce platform JingDong (jd.com) produced more than three hundred thousand results, displaying a large variety of organic products, a number that has tripled in less than ten years. A similar outcome could be seen in all the other Chinese e-commerce platforms, demonstrating the growing interest of Chinese consumers in the organic sector and its products.

With the influence of the mobile internet, there are also many apps dedicated to the sale of organic food such as the app Pinduoduo which, according to several studies, is the biggest online platform for agricultural products.

E-commerce has thus broadened consumers' purchasing channels and has reduced the number of intermediate links in the circulation of food, resulting in online sales that have a lower cost and relatively low threshold. This business model focusing on e-commerce and internet retailing provides consumers easy access to buy organic fresh foods and packaged organic foods anytime and anywhere and to choose from a wider selection of products. Furthermore, it promotes the sales and the circulation of organic food by providing on online platforms with additional information on what is organic food, the product's ingredients, and production processes, elevating this way consumers' knowledge, and providing information that gives the customer the possibility to compare vendors' features, certifications, quality, and promotional offers and discounts. E-commerce also enables to promote cross-border platforms, a crucial driver for consumers purchasing imported organic products. In fact, due to the development of information technology and transportation improvements, the sales and circulation of fresh foods are no longer limited to the local area in which they were grown, and the scope has spread to national and global levels (Van der Vorst et al., 2002). This development of the fresh food e-commerce markets has mainly been driven by internet giants, such as Alibaba, Tencent, and JD, which also improved the fresh food supply chain and cold chain logistics.

Those e-commerce platforms are not only used though by private citizens but are also used in the B2B sector, the food service industry. As we mentioned before, many restaurants and hotels, to provide a healthier, yet sometimes exclusive experience offer organic ingredients or finished organic products on their menus. However, many Chinese entrepreneurs decide to purchase them online, due to the convenience and the advantages that the online platform could give.

Taking into account the rapid growth of online retail sales in China, this channel could become vital in the distribution of organic products, favoring its growth, especially among younger generations.

However, fresh food e-commerce as well as organic e-commerce, although both have a strong growth trend and a broad space for development, are often characterized by fierce competition. Smaller enterprises have either gone out of business or were acquired due to a lack of competitive advantage, while the Chinese internet giants continue to invest and create new innovative models. Some examples are the platforms Pinduoduo and Meituan, which have developed a new retail model of regional, niche, local, and networked fresh food circulation called community group buying.

The Community Group Buying (CGB) model, also known as group buying or collective buying model, is another form of e-commerce that represents a very popular trend in China. It offers products and services at significantly reduced prices on the condition that a minimum number of buyers would purchase the goods or services sold. The concept of group buying involves a large number of people buying from a merchant, working like cooperatives. These two large e-commerce platforms are competing with each other in this market, offering a wide variety of products, including organic products.

This form also became recently prominent due to the outbreak of the Covid-19 pandemic, when people, locked in their houses and unable to shop nor work in grocery stores, placed orders for the entire building, or compound they were living in, directly to the producer. From the company perspective, group buying allows to have a large demand for products and low operating costs, but since most of the organic produce is fresh, it may face the problem of not being able to keep it for a long time.

Further difficulties faced in the organic online market could be linked to the consumers' lack of trust in the platform or in the organic company's information reported on it. Due to several reported cases of fake producers' information and fake organic certification labels placed on the online platform, some consumers are concerned about the truthfulness of what is reported. Currently, there is no actual control or validation by some platforms of the information provided by the producers, and this may represent a significant deterrent that could hinder the purchase of organic products. This problem will be discussed more deeply as an obstacle hindering the development of the organic industry in China in the next chapters.

2.1.6 Promotion of the Organic Industry

There are few studies concerning organic promotions in China. According to the International trade center, a large part of the promotion activity is carried on by the private sector, while a minority could be ascribed to both the government and sadly to the media reports about food scandals and GMO foods.

This latter, the media reports, is not considered an actual promotional tool, but they act as one, encouraging the population to pay more attention to what they eat and eventually increasing consumers' awareness of organic food products and consequently their purchase intentions. Those reports have also been used as a promotional message by several Chinese organic traders to advertise national organic products against imported ones. An example was the news that spread some years ago warning Chinese consumers about GMO soybeans imported from the United States and Argentina.

Private Sector Promotion

For what concern the private sector, the promotion activities oriented to the final consumer are mainly carried out by the retailers, while organic producers primarily take care of the promotion directed to retail outlets.

The bigger retailer corporations, with a stable financial position and a higher amount of resources, may invest in promotion activities such as mass media advertising on television and printed media. Television advertisements may last for one to three months, or even a year, while printed media are only regional and are much shorter, lasting up to a few days (International Trade Centre (ITC), 2011).

Smaller traders and producers, that have fewer financial resources to sustain such huge and costly promotional campaigns, engage in market promotions using low-cost yet more efficient methods in China such as the membership system and the Internet.

Through the membership model, period organic food deliveries are provided to the interested consumers, enabling them to enjoy a variety of privileges and services, including sales promotions. For instance, members could get discount coupons or could be invited to farm visits or other special activities and events. Some traders may work with large existing consumer groups rather than creating their own groups, and one of the largest in Shanghai has more than 50.000 organic consumer members. Some consumers group are mainly composed of families, and such a model is specifically named the “family membership model”. It is a common marketing tool for organic food companies because, with it, it’s easy to build trust with the customers, and the fixed consumption and quota of members are relatively high, thus allowing the creation of stable cooperative relations.

The internet is however the most used tool to promote the Chinese organic markets, indistinctly used by every company regardless of its size and financial standing, to reach the growing online community especially characterized by middle- or high-income consumers and a younger Chinese who is an intensive internet user.

The promotion activity through the internet involves different marketing tools which mostly include: the company website, online shopping platforms, and social media channels. As a consequence of the rapid and intense development of the mobile internet in China, social media channels constitute one of the most effective tools to promote organic products. They comprise the following marketing tools.

- Instant messenger: it is a closed-loop, social messaging platform, such as WeChat and QQ. Users can post photos with written content or share articles from WeChat Official Accounts (OA), using a function named Moments, while brands, through their own WeChat OA or KOL’s account can introduce new products, publish articles and oversee marketing initiatives.
- Microblog: has an open environment where posts are visible to all users, and they can direct visitors to the online shopping platform. the most popular is Weibo, where companies may share information and interact with their followers
- Social entertainment channels: Kuaishou and Douyin (its international version is known as TikTok) are the most popular short video platforms in China. Businesses can open an official account and post short videos, helping them create brand awareness.
- Xiaohongshu, also known as RED (Little Red Book) is another type of social media platform. it is considered a particular type of social media, which combines the interaction among users and a mobile store. It will be further illustrated in detail later on.

Nowadays almost all organic producers, processors, and traders use these marketing tools and channels to promote their products and sales channels. They specifically provide consumers with pictures and information on the types of organic products they offer and their relative prices, but also information about the organic products’ characteristics and their production process to increase the awareness of consumers on these particular product categories.

However, as a result of the popularization of the internet and smartphones in China, the usage of online channels has risen rapidly among Chinese consumers, and could become difficult for enterprises to stand out in the crowd of products and brands, especially when we talk about organic foods, a product category still relatively unknown in China.

Furthermore, when we talk about online stores, unlike most western consumers who primarily enter an online shopping platform with a specific purchase intention in their minds, Chinese consumers often enter online stores and platforms just to spend their time, sometimes without even a specific need to be satisfied or a product to be purchased.

For these reasons, companies need to put an effort to attract the attention of the consumers, whose shopping decisions will be then stimulated by external factors that all pertain to the internet, that influence them and induce them to purchase their products.

In other words, these external characteristics help the company to differentiate itself from the competitors, and, referring to the organic market, those features could help the company to communicate the organic quality of their products, which are different from the conventional ones, and different from other companies.

These stimuli, in particular, talking about food products, are diverse from those perceived in a physical store, where the products can be seen and touched. Therefore, in an organic store of an online shopping platform or company website become relevant two types of characteristics which are the characteristics of the platform and those of the product (Lin, Li, & Guo, 2021).

The platform characteristics affect the consumer experience during the shopping process. Through its design, it must be perceived as user-friendly, meaning easy to navigate, must communicate the accuracy, completeness, and consistency of information, and at the same time, it should not ignore the aesthetics, that are the graphics, color, text, audio, and video that form the consumers' perceptions and intentions to buy. Colors and graphical elements are necessarily and significantly used in the organic industry, such as the colors green or brown or pictures and videos that depict plants or cultivated fields to recall the nature and natural status of organic products. These concepts are employed in the online product presentation to illustrate that organic food's features and production processes as they could ultimately enhance consumers' beliefs and develop their interest in such food. Pictures and videos that can vividly present products' look and quality and their production process, can reduce the risk perceived in buying such products and can enhance the trust in the information reported.

However, when it comes to organic products, it is precisely the information reported that represents the most significant aspect for a Chinese consumer, hence a relevant part of the communication strategy of a Chinese organic company. For this reason, the online platform should be, more than everything, informative, containing all the details related to the characteristics of the product in addition to the information related to the certification. These, according to many studies, are the driving forces in Chinese consumers' decisions to purchase. Consumers rely on such information, particularly because organic food production is a process-related attribute pertaining to credence attributes (Grunert, Bech-Larsen, & Bredahl, 2000). It means that consumers have no actual means of verifying the production method of food, nor can they search for or experience the benefits (Loebnitz & Aschemann-Witzel, 2016). Therefore, they assess a product based on what they already know and the information provided by the company. Companies must therefore specifically communicate three important organic product characteristics that are: the product's nutrition content, natural content, and ecological welfare.

The product nutrition content is often the first concern among Chinese consumers when choosing organic food. Compared to conventional foods, organic foods are naturally grown, so they are considered by consumers to be more nutritious and healthier than traditional ones. Consequently, platforms and labels emphasizing nutritional information reinforce this belief and strongly influence the attitudes and purchase intentions of a consumer who has become more aware of the need for a healthier lifestyle.

The natural content refers to the perceived safety of the organic production process. Organic food production is believed to be more natural and safer because it uses natural growth methods to obtain the products, without the use of pesticides, hormones, and antibiotics in the production process. The company, to enhance consumers' trust, must provide information about the naturalness and safety of their production process, in relation to the avoidance of synthetic chemicals and other non-natural substances. This product characteristic is especially consolidated by the presence on the online store of the organic certification logo. The authentication and validation of quality and safety, guaranteed through institutional and/or government certification, is vital to gain consumer trust and thus raise sales. Sometimes for Chinese consumers, the presence of other countries' certification marks, such as the EU of the USDA logos additionally increases their trust in the selling company, hence on the platform on which he/she is shopping.

The last product characteristic is the ecological welfare which refers to consumers' concerns for environmental protection and animal rights. Organic food production is believed to be more environmentally friendly because it does not use synthetic chemicals and that it gives more consideration to the feelings of animals, respects the rights of animals themselves, creates a better growing environment for them, and lets them suffer as little pain as possible (Akaichi et al., 2019). Companies should promote their products also showing their commitment to preserving the environment and ensuring safe conditions for animals.

However, when we talk about organic food products, purchase behaviors are related to the personality of individuals, therefore on what they value the most thinking about organic. Entrepreneurs should understand consumers' perceived needs, values, and benefits linked to the specific organic product category they sell, hence their consumption motives, to develop effective marketing communication strategies, emphasizing the most significant aspect instead of another one, using for example authoritative scientific evidence on one hand or information on the company's environmental commitment in the production and packaging of products on the other. Although China is a wide and differentiated country, previous studies have shown that generally, the nutritional and natural content of organic foods are the essential driving forces in consumers' decisions to purchase them (Padel and Foster, 2005; Khan and Mohsin, 2017). They make Chinese consumers feel safe and secure when eating them, alleviating their concerns about food safety and gaining novel experience in appearance, taste, and other aspects, which produces enjoyment and pleasure brought by organic foods.
Given these circumstances, we can say that richer descriptions can, on one hand, reduce the perceived risk associated with organic buying, and on the other, they can increase consumers' awareness about organic food among those consumers who barely know or are completely unaware of the specificity of organic products. This could eventually lead to an increase in sales of organic food products.

Another significant tool used by Chinese companies to increase consumers' awareness and organic products' popularity is what is known as social commerce, commonly used in China, as well as in the organic food industry. Also called "social shopping", social commerce encompass platforms that combine e-commerce business with social media, as a vehicle to promote and sell products and services. The most popular one is Little Red Book, RED (also known in Chinese as Xiaohongshu).

Consumers join this kind of social communities to satisfy their specific needs by observing others' knowledge and experiences. In RED case, in the form of lifestyle posts, product reviews, and travel blogs via short videos and photos. Such interactions allow online consumers to discover products and to make more informed and accurate buying decisions, and they ultimately affect their attitudes towards a specific product and website. As a result, this kind of social platform is particularly used to discover food, because, when it comes to food products, Chinese consumers are skeptical as they distrust food producers; they, therefore, search for more information to appraise alternatives, the information they can easily access and read online through social recommendations, online ratings, reviews, referrals, and shopping experiences of previous buyers present in social networks forums and online communities. Therefore these instruments could help consumers develop a positive attitude towards organic consumption by offering views on product and vendor quality. Hence, they could play a significant role in the sales of organic food reducing customers' indecisiveness during the buying decision, becoming one of the most important criteria when consumers make decisions about the quality of organic food. As a result, the number of product reviews can significantly affect the buying decisions of new consumers, as it can boost their confidence in making a decision (Lee and Yun, 2015).

This social function of the platform not only enables consumers to obtain more product information through social interaction but also helps them to establish and maintain relationships with the seller and the other consumers, improving their buying experience and elevating the emotional value, creating an environment in which the consumers feel supported and helped through the personal service and recommendation provided by the platform, increasing its consumption and loyalty.

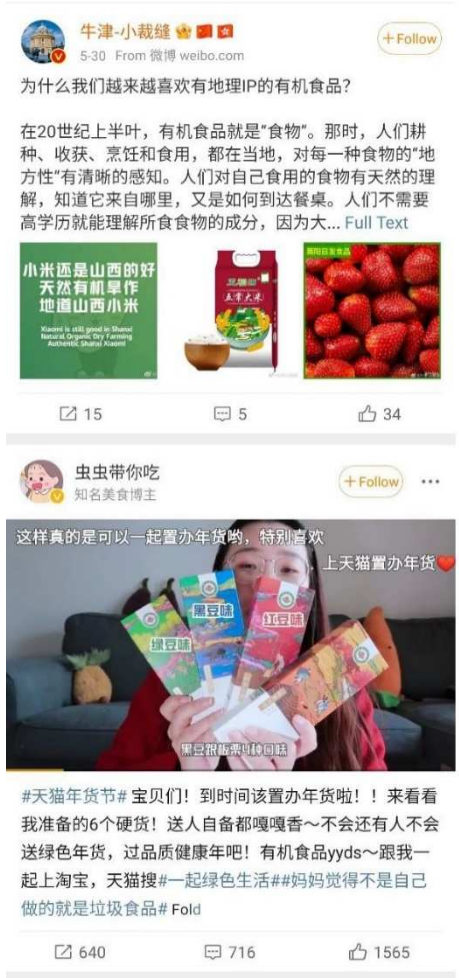
Based on what has just been said, which represents the essence of social commerce, to influence consumers' choices, companies usually launch strategies that use persuasive content provided by "important others", whose opinions may trigger consumption choices (Tariq, Wang, Tanveer, Akram, & Akram, 2018). Those "others" in the organic food context could be health communities, whose notions can generate a better understanding of organic agriculture and organic food production processes that could eventually generate more confidence in purchasing organic foods. Otherwise, as it happens in RED, big companies hire KOLs and web celebrities to promote and show their products, whereas small companies hire Key Opinion Consumers (KOC) to write products review. These two ways are mainly used in the organic industry to influence the millennials, who are accounted to be the primary consumer of organic products because of their rising awareness of how consumption affects the environment. Since they are known to spend much time on social media platforms and to be more stimulated by social shopping, companies to target them engage with KOLs or KOCs to promote, through video, streaming, or posts on their social media accounts, organic products and their benefits, describing their taste or ingredients or showing recipes using them as ingredients. If consumers believe that those people important to them consider organic foods to be good or bad, they will have higher or lower intentions to purchase organic foods accordingly. These intentions are in turn associated with their good or bad perceptions of the importance of organic foods (Tariq, Wang, Tanveer, Akram, & Akram, 2018). This marketing tactic of electronic word-of-mouth allows the company to elevate consumer recognition and the common acceptance of organic food, which could result in increasing organic food buying intentions.

The pictures below show some of the results searching for the term 有机食品 (Yǒujī shípǐn), the Chinese translation for "organic food", obtained on two Chinese social networks, i.e., Xiaohongshu (Little Red Book) (Figure 18) and Weibo (Figure 19). As we can see, moving from the top of the xiaohongshu results page, we have a user recommendation post, a sponsored post promoting organic baby formula, a user's recipe using a black organic mushroom, and a post from a certification body explaining organic products. While on Weibo, we could find a KOL's post on organic food, identified by the orange icon, and a video of a user sponsoring several brands, displaying and tasting their products, and offering special discounts for her followers.

Figure 18. Search results for "organic food" on Xiaohongshu platform

Source: Xiaohongshu

Figure 19. Search results for "organic food" on Weibo platform



Source: Weibo https://video.weibo.com/show?fid=1034:4727681233911851

Trade Fairs

Trade fairs are common in China both for conventional and organic products. There are several organic and natural products trade fairs every year, mostly in the major cities of China such as Beijing, Shanghai, and Guangzhou. These fairs usually have business days when only business buyers are allowed and public days when the fair is open to all consumers, while some of them are exclusively dedicated to enterprises.

The biggest B2B trade fair for organic products is the "BioFach China" (亚洲国际有机产品博览会, Yàzhōu guójì yǒujī chǎnpǐn bólǎnhuì) in Shanghai. Founded in 2007, it is the daughter show of BioFach in Germany, which is the world's largest organic trade fair hosted by the NürnbergMesse GmbH, one of the top 15 exhibition companies in the world. Over the past 14 years, BioFach China has provided a platform and business opportunities for about thousands of organic enterprises to establish their brand image, release new products and develop new channels through a strict exhibition standard of environmental protection and high quality (NürnbergMesse China Co., Ltd., 2022). It attracts every year more than 300 exhibitors and 11.000 visitors. It shows a wide range of organic product categories such as fresh and frozen food, grocery products, snacks and sweets, drinks, and also non-food products such as cosmetics, textiles, pet food, and cleaning materials.

After being postponed in 2020 due to the Covid-19 outbreak, it was physically held in 2021 with a 45 percent increase of exhibitors compared to the previous years. The next edition will be held in November (2022.11.17-19) at the Nanjing International Expo Center.

Other relevant trade fairs in China are

- the *China (Beijing) International Organic and Green Food Expo*, abbreviated as CIOE (北京- 国际有机食品和绿色食品博览会, Běijīng- guójì yǒujī shípǐn hé lǜsè shípǐn bólǎnhuì) is a professional trade event with considerable influence, specialization, internationalization and branding in the organic green food industry in China and even in Asia. In October 2021 was held the 22nd edition, which reported a total of more than 500 exhibitors from 16 countries and regions, including 60 overseas exhibitors. On November 25-27, 2022, will be held the 23rd edition that will include the following product categories: organic and green food, organic and green drinks, organic and green condiments, health and organic products related service industry such as skincare products, supplements, traditional medicine, pet products and so on, and will include also technology and equipment of food and beverage production (http://en.organicexpo.cn/).
- the *China International Organic Food Exhibition*, abbreviated as CIOFE (中国国际有机食品博览会, Zhōngguó guójì yǒujī shípǐn bólǎnhuì), is an exclusively B2B organic-food trade show, organized by the Beijing China Organic Food Certification Center Co., Ltd. It is considered by many people the most professional, largest, and most authoritative organic food trade event in the domestic organic food industry. In November 2020 it was held in person in Xiamen, Fujian, with a total of 393 companies. This year it will be postponed to the second half of 2022. (http://www.ciof-expo.com/)

- The *China (Guangzhou) International Nutrition Healthy Food and Organic Products Exhibition*, CINHOE (广州国际营养品•健康食品和有机产品展览会, Guǎngzhōu guójì yíngyǎng pǐn•jiànkāng shípǐn hé yǒujī chǎnpǐn zhǎnlǎn huì). The 22nd edition will be hosted at the China Import and Export Fair Complex in Guangzhou from September 16 to 18, 2022. The exhibit categories include nutrition and health food, organic food and supplies, high-end imported food and beverages, and probiotics and enzymes (http://www.cinhoe.com/en/).

Government and Certification Bodies' Promotion

Since the 18th National Congress of the Communist Party of China, held in 2012, the Chinese government introduced several policies to accelerate the construction of ecological civilization [6] and the enhancement of rural revitalization, implementing sustainable development through the promotion of agricultural modernization that respect and protect the ecological environment of the natural sources.

These policies are highly consistent with the basic principles and ideas of organic agriculture. As a result, local governments at all levels have formulated development plans for local organic agriculture and have introduced incentives to promote and encourage producers to switch to ecological or organic agriculture. All these measures contributed to the further development of the organic industry and continue to be strengthened by the Chinese government nowadays. This commitment was also particularly underlined by General Secretary Xi Jinping's words "clear waters and green mountains are as valuable as mountains of gold and silver" (绿山青水是金山银山, Lǜ shān qīngshuǐ shì jīnshān yín shān), by which he pointed out that the green development is an inevitable requirement for building a high-quality modern economic system and a fundamental solution to the problem of pollution.

By the end of 2015, the central government had invested about CNY 4.8 billion (USD 763.85 million) by providing materials and funds to support and encourage farmers to return crop residues to the fields, to better utilize green manure and organic fertilizer, and to improve soil and increase soil fertility (OECD, 2018).

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[6] Ecological civilization is the final goal of social and environmental reform within a given society. Although the term was first coined in the 1980s, it did not see widespread use until 2007, when "ecological civilization" became an explicit goal of the Communist Party of China (CPC) (FIBL&IFOAM).

In 2020, nearly 100 various local policies were formulated to prompt and support the development of the organic industry at all levels (Hossain, Chang, & Tagupa, 2022).

The promotion by the central authorities is mainly conducted by its state-related institutions and the organic certification bodies through a variety of agreements and projects. The agencies that oversee the organic product certification are indeed in charge of the promotion of the development of organic agriculture in China, providing information on the marketing platform for all the organic operators. They also conduct international cooperation and communication activities in the organic sector and act as a consulting agency for the government to formulate policies and standards in this industry.

Another important instrument used to encourage local governments with good environmental conditions to actively develop organic agriculture is what is known as the *Organic Product Certification Demonstration Zone*. The vice-minister of science and technology Xu Nanping at a press conference hosted by the State Council Information Office stated that “These demonstration zones are tasked with promoting innovation-driven development in agriculture in China, and leading agricultural supply-side reform" (Chinadaily.com.net, 2019). The CNCA has carried out them since 2011 to create jobs, encourage and guide the district organization of local government-related departments for organic production and regulation to establish linkage mechanisms to carry out the supervision responsibility and promote the healthy development of the organic industry effectively. By the end of 2018, 27 counties, regions, and cities across the country had been awarded the title of "National Organic Product Certification Demonstration Zone", thanks to the active promotion of market supervision departments of provinces, municipalities directly under the central government and autonomous regions (China Beijing Organic and Beyond Corporation (OABC), 2020).

In February 2022, Shanglin County, under the administration of the prefecture-level city of Nanning, the capital of the Guangxi region, won the title of "National Organic Product Certification Demonstration Zone". The county through its strategy of "strengthening incentives and supervision, expanding channels, and taking the lead", achieved good results, and up to now, it has a total of 33 organic product certificates, an organic certification area of 11,750.9 mu, and an annual organic products output value of 180 million yuan (Nanning News Network, 2022).

Furthermore, every year in September, the CNCA holds an organic publicity week across the country, producing some organic publicity materials, animations, etc. to promote the context of organic agriculture and organic food.

The CNCA has also published a white paper on “organic product certification and organic industry development in China” for six consecutive years, which describes in detail the basic situation of organic development in China, all of which have greatly enhanced the influence and credibility of organic products (China Beijing Organic and Beyond Corporation (OABC), 2020).

2.1.7 The Impact of Covid-19 on the Chinese Organic Food Market

At the end of 2019, the Covid-19 virus started to spread in the territory of China and rapidly became a global pandemic. Every country in the world experienced prolonged lockdowns, adopted strict quarantine measures, requiring their citizens to stay at home, and interrupting forcibly every routine daily activity.

China was the first country to experience the outbreak of the disease, and the first to impose public health measures in response to it. Based on the policy of the "zero-covid", the Chinese government aimed to get the area where the infection was detected back to zero and resume normal economic and social activities by adopting particularly strict provisions that involved contact tracing, mass testing, border quarantine, lockdowns, and mitigation software. As a result, during this period, the country was isolated, affected by frequent, often localized lockdowns, where people could not leave their houses, neither to work nor to buy necessities and food products, constantly in fear of being infected and concerned about their own and their family members' health and safety. Moreover, since some studies have pointed out that wild animals may be one of the sources of the Covid-19 virus, and people's consumption of it may have widened the spread of the pandemic, physical health has become the core of Chinese consumers' priorities. The pandemic has therefore raised consumer awareness of the relationship between nutrition and health and has exacerbated people's concerns about their daily diet and made them pay more attention to the healthiness and safety of the food they are buying.

These concerns caused by the virus, in addition to underlying worries originating from frequent food scandals that occurred in the past, have encouraged Chinese consumers and many more Expats to purchase organic food, considered safer, healthier, and more nutritious, that respects high-quality standards against conventional food alternatives. Consequently, the demand for organic products registered a growing increase, with many organic food categories such as fruit, vegetables, and milk products seeing their demand exploding, resulting in a steady increase in the overall sales of organic products.

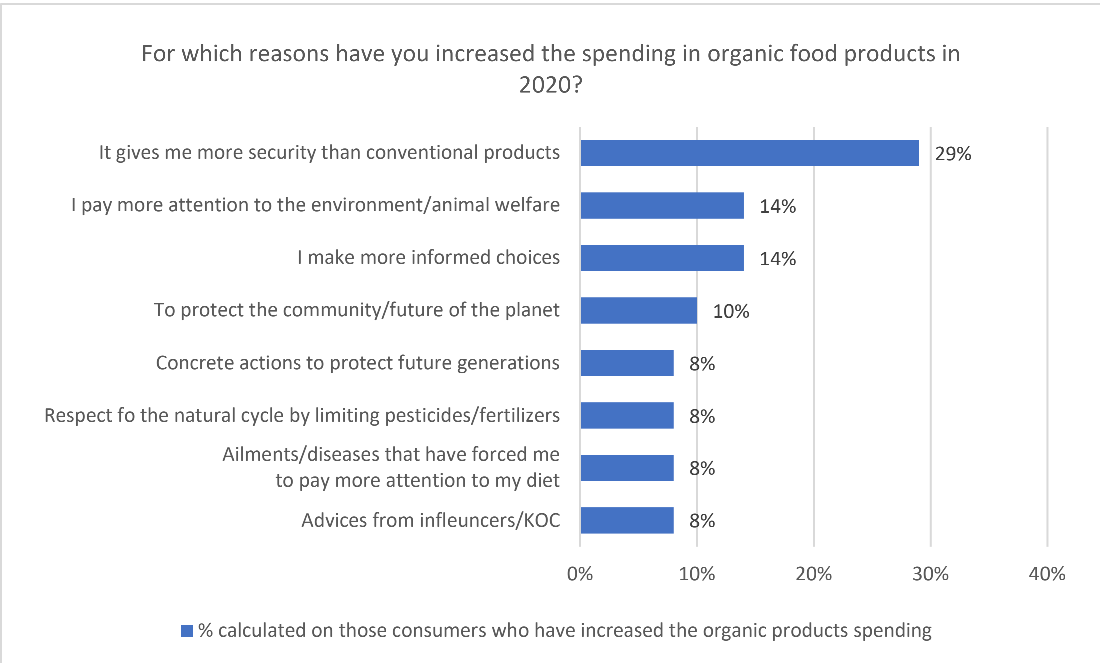
According to a survey supported by CNCA carried out in 2020, of the 623 survey consumers, 85.9 percent increased the consumption ratio of organic products.

Some organic operators commented that the sales of organic products increased by 30 to 50 percent during the government restrictions, mainly though due to online buying (Hossain, Chang, & Tagupa, 2022).

The stronger performance was registered with organic packaged food (Organic Trade Association, 2021). In fact, as a consequence of the many limitations implemented by the government, people had to stay at home and cook by themselves, making frozen and convenient food the first choice for many Chinese consumers. Health products such as vitamins, health teas, and probiotics also became popular.

This increase due to the Covid-19 pandemic has also been questioned by Nomisma, through a survey of 1.000 consumers, with an income higher than 6.000 RMB living in the major cities of China (Nomisma, 2021). According to the results (Figure 20), among those consumers who usually purchase organic products, almost half of them (47%) have increased their spending on organic products after the epidemic by about 5 %. A 40% instead stated that the spending on organic products has remained stable and 11% that it has decreased. However, another interesting data that emerged from Nomisma's survey is that 3% of the surveyed consumers bought organic products for the first time after the Covid-19 pandemic, showing the growing interest in the industry as a consequence of the outbreak. The first reason behind the increase identified by the consumers is in fact the higher feeling of safety that the organic product gives. Many people also claim to be more informed and to choose their food products with more awareness. A consciousness that has been also increased on the environmental aspect. Consumers motivate their increased expenditure on organic products with greater interest and concern for the environment and the future of the planet and future generations.

Figure 20. Reasons for increased spending on organic food in post covid



Source: Progetto ITA.BIO Nomisma per ICE-Agenzia – CINA Consumer survey

According to research released by Nelson about how Asian consumers will eat in the post-Covid-19, 86 percent of Mainlanders said they would eat at home more often than before the outbreak, and 89 percent claimed that they prefer to buy fresh food online now (Daxue Consulting, 2020).

Looking at this data, we can notice the impact of the Covid-19 outbreak on the buying behaviors of most people, during and after the pandemic. As we mentioned before, with the advent of the restrictions, people concerned about their health, increasingly relied on online shopping to purchase both organic packaged food, more convenient to cook, and fresh food, like vegetables and fruit, to avoid spending time in crowded places because of the fear of being infected by the virus. However, used to this way of living, even if the pandemic was over, many consumers still prefer to eat at home, continuing to order their products online and consume them there.

In fact, according to FIBL data, there was no noticeable increase in sales when the physical stores started to reopen, meaning that consumers continued to purchase online.

An example that testifies this massive growth in online sales is the city of Shanghai, that in February 2020 when the epidemic was severe, registered an increase in the number of active uses of major fresh food e-commerce platforms which has more than doubled, in the average daily order number that has reached 500,000, and in the unit price per order that has increased from the original 40 yuan (6.21$) to more than 100 yuan (15.52$) (SMCC, 2020). According to statistics from the Shanghai Municipal Commission of Commerce (MCC), Shanghai's total fresh food e-commerce platform transactions in the first quarter of 2020 reached 1.366 billion dollars, a year-on-year increase of 167%, with an increase in the order volume of 80% (SMCC, 2020) (Lin, Li, & Guo, 2021).

Based on what has been just mentioned, we can conclude that the outbreak has had a positive impact on the organic industry, which has generally been reflected in an increased demand for organic products, mainly coming from private consumers.

However, the Covid-19 pandemic has also produced several negative effects and placed limitations on the development of both the Chinese organic food market and all organic companies, whether Chinese or foreign, impacting the whole supply chain and the production, transportation, and sales of organic products.

Due to the strict emergency measures imposed by the Chinese government, the import of organic ingredients and products into China became much more complex rather than in previous years, with a consequent haltering of the food processing. 56.6 percent of the

122 consumers surveyed by the CNCA stated that the import of organic products was negatively affected by the pandemic, damaging most of all the numerous small enterprises. The complexities were particularly brought about by the regulations and the bureaucracy implemented after the Covid-19 outbreak, and the relative costs associated with the import procedure, both in terms of money and time.

Chinese officials, mostly in the early period of the epidemic, claimed to find covid on imported goods and required the enterprises to verify the safety of their products. The testing and quarantining of imports required much time delay and added costs for businesses. Moreover, when a good would test positive, trade may be halted.

In addition, due to the frequently localized lockdown, Chinese people were unable to work, interrupting in this way the flow of goods, haltering not only the import of the products but also the distribution and transportation of both Chinese and imported products, being unable to reach the retailer and the consumer, having a huge impact on organic products with a reduced shelf life.

Between 2020 and 2021, the sales of organic products were additionally affected, both within and beyond Chinese borders, by the shutdown of the food service industry which caused a massive decrease in the demand for organic food and ingredients used in the catering industry. Moreover, due to the pandemic, organic trade exhibitions were also postponed or held online, impacting the national and international trade of organic products. Some of them were held in person in 2021, but primarily for residents due to the restrictions imposed by the Chinese government on the entry into the State.

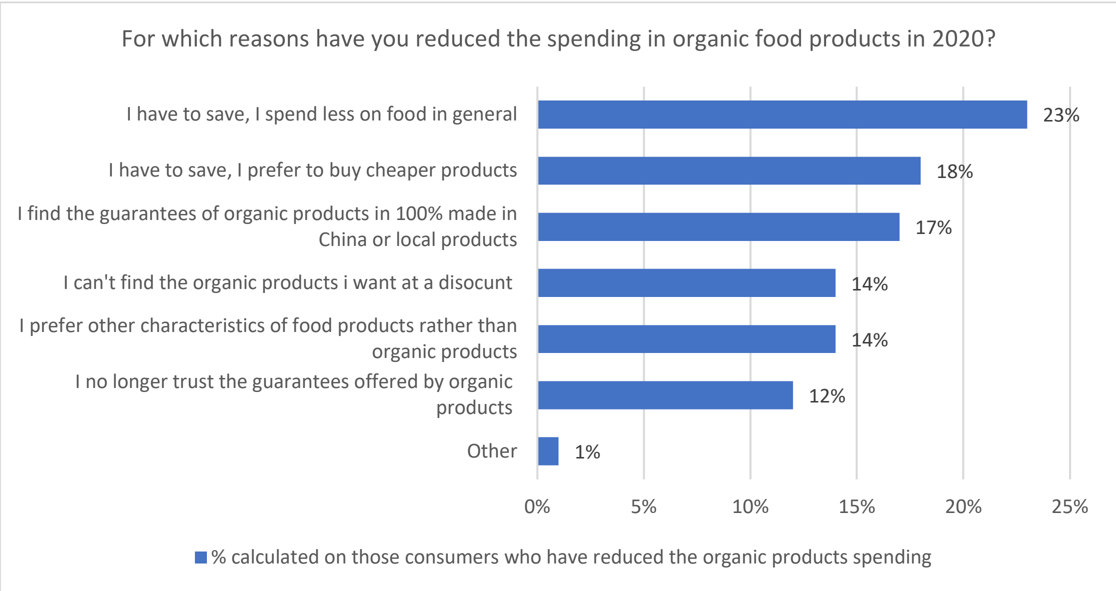
The export of organic products, as the imports, became more complex than in previous years primarily because overseas containers were hard to book, and their prices rose sharply. Of the surveyed operators by the CNCA, 64.2 percent mentioned that they tried hard to maintain the current status of their organic undertakings instead of seeking expansion. Moreover, many Chinese food trading firms have seen international orders fall by 75% because of foreign trade barriers. For instance, the biggest Chinese dairy company the Yili Industrial Group Co. Ltd. in 2020 encountered a 10.7% contraction in its 1st quarter's turnover compared with 2019.

Another aspect that hindered the production of organic products is related to the certification procedure. If a product, whether Chinese or imported, has not been officially labeled as "organic", including the annual renewal of the certification, it cannot be traded as such. However, inspection bodies were negatively affected by the Covid-19 pandemic being unable to carry out in-person inspections. For this reason, the SAMR (State

Administration for Market Regulation) later issued related notices to guide organic certification bodies to carry out online inspections and postpone the validity of certificates during the pandemic. Consequently, organic certifiers also tried to organize online and offline training based on the latest version of the organic rules.

The impact of covid has not only affected companies but has also negatively affected a consistent share of consumers. Due to the frequent lockdowns, the country's economy suffered a slowdown and in many cases, employment and private consumption were affected. For these reasons, many consumers decided to spend less on food, and consequently, due to the higher cost of organic products, they oriented their choices towards cheaper products or purchased organic only if there was a discount or special promotion on them. These are the results that emerged from the Nomisma survey (Figure 21), which puts in the first place the economic reasons and the intention to save money as the primary reasons behind the reduction in the expenditure on organic products in the years following the pandemic. However, these are not the only reasons why many Chinese consumers have reduced their spending on organic food products, in fact, some of them have shown a preference for local products or other food characteristics rather being organic while a part of them reduced their organic expenditure due to a lack of trust in it.

Figure 21. Reasons for reducing the expense of organic food products in the post-covid



Source: Progetto ITA.BIO Nomisma per ICE-Agenzia – CINA Consumer survey

2.1.8 Previsions of The Chinese Organic Food Market

Chinese organic food market has developed rapidly in the last decade, and according to experts' forecasts, it is expected to register a stable expansion in the next future.
Although the Covid-19 outbreak has weakened certain areas of China's organic industry, the growing adoption of the health and wellness trends and the consequent increase in the demand for organic food will lead to a rapid recovery of the sector.
As underlined by the words of the Chinese business magnate Jack Ma: "the next richest person in China will be in the health industry" (Daxue Consulting, 2020).
Indeed, according to the World Organic Trade Guide report, organic products are expected to record strong growth in China, registering a value CAGR of 7.1% for the forecast period 2021-2026, reaching a total of US$ 6.4 billion by 2025.
As we mentioned in previous chapters, China is considered a niche market due to its low per capita consumption equal in 2021 to 3.4 dollars. However, according to the Euromonitor forecasting data, it should increase in the following years reaching a per capita consumption of around 6.00 dollars by 2024. It is still considered very low compared to the average one registered in western countries, but this also means that there could be a huge growth potential to take advantage of in the next years, also taking into consideration the expected increase in the private consumption sector, which has become an imperative in the government next five-year plan that will dictate the indications for strategic growth in China for the next five years 2021-2015.
As for the choice of organic food, organic baby food is set to see the strongest growth, extending its lead in the category (Organic Trade Association, 2021), due to the growing concerns among Chinese parents about the quality of the food they give to their children and due to the growing number of mothers in the workforce.
The organic dairy sector was forecasted to see a retail volume decline in 2021, offsetting the growth seen in 2020, but the category is currently expected to return to strong growth over the following years.
Despite that, all the organic packaged food categories and beverage segments are expected to see both retail volume ad current value growth in the forecast period (Organic Trade Association, 2021). Among them, edible oil and organic rice, pasta, and noodles recorded the highest forecasted growth, while imported organic food has a quality advantage, even if they are subjected to the macroeconomic situation.

The prospective growth of the organic industry is linked to several factors. One major factor could be identified as the government’s support of the organic industry due to its ecological, social, and economic benefits. By adopting organic agriculture, the government not only will enhance the protection of the environment through the avoidance of pesticides and the pollution reduction of soils and water, but it will also try to implement a “healthy China” food safety strategy so that the people can have confidence in what they eat. The development of organic agriculture could also help reduce the poverty in rural areas of China. The majority of China's organic farming bases are located in rural, environmentally sound regions with poor farmer earnings and a high percentage of people living in poverty. The transfer of land will provide local communities with some revenue while enabling the development of contemporary organic farms. In addition, the farm will employ these farmers to cultivate crops and earn some money once more. Often, farmers earn more income from labor than they earn from farming.

If the government continues to support the organic industry through measures like covering the cost of organic certification, finding land, funding on-farm infrastructure, and organic fertilizers, and providing training and marketing assistance, the organic industry will continue to expand.

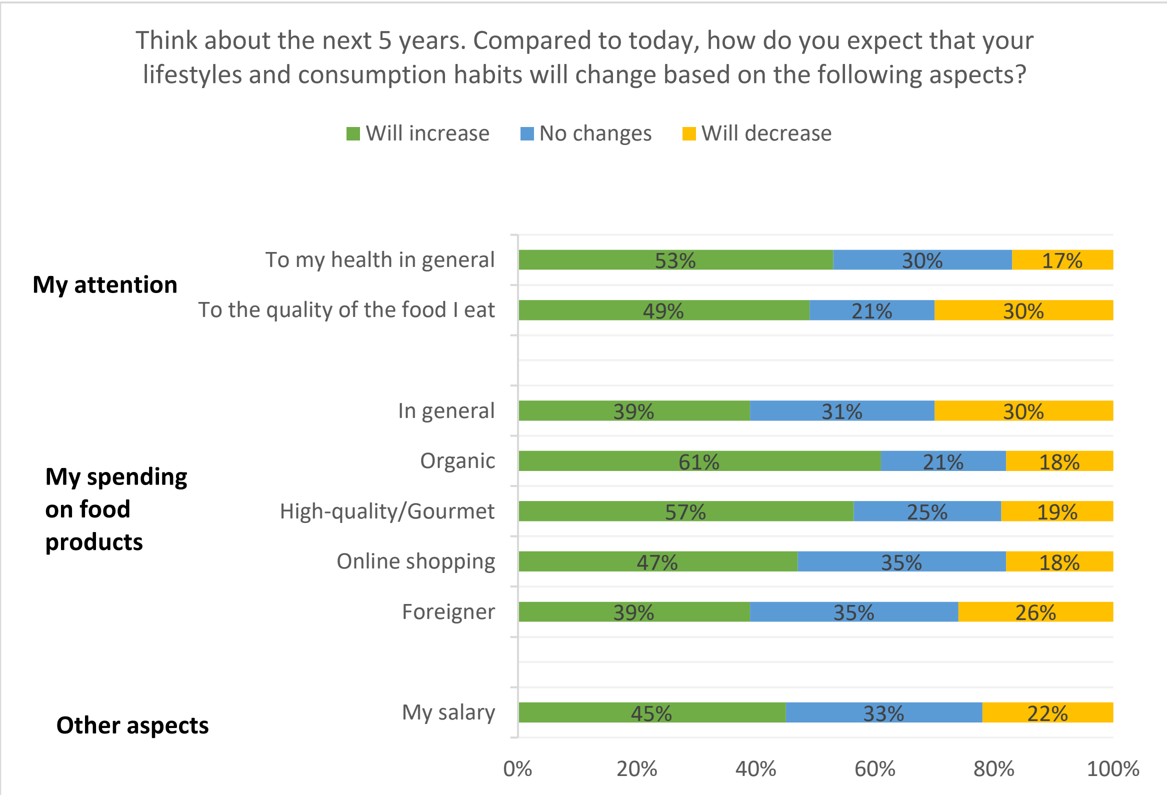
The growth of this sector will also be enhanced by the increasing importance of organic products in the consumption of the younger generations, which pays higher attention to sustainability and environmental protection, and by a higher-income consumer that is increasingly looking for better quality in the products purchased. This is a result of a society now in a phase of consumption upgrading that is shifting from a stage of rapid growth to a stage of high-quality development, made up of consumers who are willing to pay more for higher-quality food. Indeed, Chinese consumers tend to believe that higher prices indicate higher quality, and therefore they are increasingly selecting organic products, as these carry higher prices. However, they could be choosing them due to the belief that they are of higher quality, not necessarily because they are organic.

Furthermore, the development of the organic industry will be amplified both by the urbanization process, which could make the price of conventional agricultural products rise, narrowing the gap with the price of organic products and by the rise of organic restaurants and urban tourism agriculture. While in the past, organic food was mainly consumed at home, now the number of restaurants that use organic ingredients is increasing. This, on the one hand, will educate the consumers, and on the other, will increase the distribution channels for organic food products. Consequently, as organic farming techniques improve and the distribution channels increase, more and more people will choose organic food, and the first generation of children who grew up on organic food, when raising their own children, are more likely to choose organic food.

At the same time, many organic farms have been born around the city, attracting urban residents to relax and field prick, getting a closer understanding of the planting process of organic agriculture and a deeper understanding of organic agricultural production, which can also improve consumers' awareness and promote the development of organic agriculture.

This growing awareness is also reflected in the Nomisma survey results (Figure 22). When consumers were asked how their lifestyles and consumption habits may change in the next five years, the majority of the respondents confirmed that they will pay higher attention to their health, and 61% said that they might increase their spending on organic food products, purchasing them mainly online. A great part of consumers will also increase their purchases of high-quality and gourmet food products and foreign goods, although these all depend on the level of their salary, that according to them will also increase.

Figure 22. New trends 2025



Source: Progetto ITA.BIO Nomisma per ICE-Agenzia

Looking at all these elements, we can say that the Chinese organic market and the Chinese demand for organic products both exhibit huge growth potential and space to further develop. However, when we try to forecast the evolution of the organic industry in China, we also must take into consideration the macroeconomic events happening in this moment of our history.

First of all, the Covid-19 pandemic constantly threats the Chinese economy with continuous stop-start restrictions that could block entire cities or regions due to the zero-covid policy adopted by the Chinese government. The last lockdown lasted for two months in April 2022, closing the entire municipality of Shanghai, and with it its harbor and all the international trade linked to it.

A further obstacle could be represented by the ongoing conflict between the People's Republic of China and the United States of America, mainly manifested through the imposition of duties.

And lastly, the ongoing war between Russia and Ukraine, which started on February 24, 2022, has enormously affected the world’s organic industry. Ukraine is among the world’s top agricultural producers and exporters of both conventional and organic food products. Its exports to China mainly include organic cereals, legumes, and oilseeds, while Ukraine imports large quantities of organic chemicals and other products.

According to the Ukrainian Ministry of Agrarian Policy and Food, 30 percent of certified organic land in Ukraine is currently either occupied or mined. Although they are being able to manage their production levels, the logistics remains a major challenge, being unable to transport the goods due to the lack of transportation means, high transportation costs, longer delivery times, and the consequent increase in the amount of organic products in stocks with a reduction of their shelf life (Hiester, 2022).

All these factors have influenced the international supply chains of organic products, and it is still unknown how and when the war will end and the possible consequence of an extended war on the organic industry and the economy of the two countries.

2.2 Chapter II: Chinese Organic Food Consumer

In this chapter, we provide a basic theoretical definition of what are the motivations and the factors influencing the Chinese organic purchase behavior and a consequent definition and classification of the characteristics that identify the consumer of organic products in China.

Subsequently, to analyze and confirm these assumptions, we provide for both subchapters the results of the market research carried on in 2021 by the Italian-based independent consulting company Nomisma in the presentation "Dimensions and Positioning of Italian Organic Products on International Markets Focus China – Consumer Survey".

The company has conducted a survey among 1.000 organic consumers living in Beijing, Shanghai, and Guangzhou, selecting those belonging to the middle-upper class with a disposable income higher than 6,000 RMB, with an age between 18 to 55 years old, responsible for grocery shopping.

The survey, which results take into account the elements of transformation brought by the Covid-19 pandemic, aimed to examine the role of organic products in consumers' choice during grocery shopping, and their habits of consumption of organic food products.

2.2.1 Motives and Factors Affecting the Selections of Organic Products

Before analyzing in deeper detail the motivations that stimulate the purchases of organic products, it is necessary to make a forefront distinction between two types of consumption very common in China, even in the organic products industry.

They include personal consumption, the consumption intended to satisfy the needs of the individual who has purchased the products and/or of his family members, and the consumption originating from gifts and benefits, which is when the purchase of such products is intended for the consumption of other people.

Gifting organic products is widely used in China, not only among private individuals, which may include workers, family members, or government officials but it is also widely used by companies or government offices that may gift organic products to other enterprises or corporate figures as an annual bonus or benefit to their company or public employees, with the general aim to express healthy wishes to the recipients of gifts.

As a matter of fact, according to Du Xiangge, the chairman of the Chinese Federation of Organic Agriculture Movements and professor at the Chinese Agricultural University, a great part of the organic food bought on the mainland ends up being given as gifts. Since organic food could cost up to 15 times more than the non-organic equivalent, organic labeling had become a symbol of luxury, adding to its cachet as a gift.

Consequently, organic food packages such as vegetables, fruits, and staple foods have become very popular, prestigious, and fashionable gifts.

This practice of gifting organic food products is particularly employed among public officials. As chairman Du stated, "unlike alcohol and cigarettes, which are losing popularity, organic food delights everyone in a family". Moreover, this trend is acquiring popularity also given the nature of organic food. In China giving luxury gifts to officials is prohibited as it is considered corruption according to the Chinese bribery laws. Therefore, while giving watches and jewelry may raise suspicion among control bodies, gifts such as healthy food or books are rarely considered bribes but only gifts made in consideration of the other.

But what are the motivations for the purchase of organic food products, whether they are intended for personal consumption or to be given as gifts?

According to Rana and Paul (2017), organic consumption is primarily affected by two types of factors, which determine the motives and intentions towards the purchase of organic food, i.e., egoistic factors and altruistic factors (Liu, Zheng, & Cao, 2021).
In China, the egoistic factors embrace two main motivations that trigger the purchase of organic products which are the quality of the food and the purchase of organic products as a fashion trend.
According to the International Trade Center, Chinese consumers are very concerned about food quality, which they define more in terms of nutritional properties and safety rather than in terms of appearance or provenience.

Information about the nutritional value of organic products plays a significant role for those consumers whose primary motivation in buying organic stems from health concerns. As many studies posited, the perceived healthiness of organic products is one of the primary motivations for the organic food purchase behaviors. Organic food, compared to conventional food, is generally considered to have a relatively higher nutritional value because is produced in a more natural way that avoids the use of pesticides and additives as well as genetically modified ingredients, in opposition to conventionally grown food. Several people also believe that they are richer in nutrients and micronutrients, even if such a claim is controversial.
Based on several studies, food safety has also been identified as an important motivator in increasing the consumption of organic food, acting as an enforcement of quality. It refers to consumers' concern about pesticide residues, chemical fertilizers, artificial additives, preservatives in food, and the agrobiotechnology used in agricultural production practices which may be harmful to the human body. A number of food safety incidents that happened in China, including the "Bird Flu," the "Mad Cow" disease, and the melamine milk scandal, additionally increased consumer concern about food safety and drove people to seek out safer food to avoid ingesting harmful substances. According to research conducted in 2016 by McKinsey and Company in fact, over 70% of Chinese consumers would be concerned about what they eat mainly for food safety reasons. The element which mostly reduces the perceived food safety risk is the certification. The compliance with rules and standards imposed by the organic certification, and the authentication and validation of the traceability of such products through government bodies reduce the perceived risk during the buying process, increasing consumers' trust and the feeling of eating safely. Chinese consumers feel encouraged by the certification

and rely on and trust it more than advertising and promotion. The reduction of the food safety risk perceived in organic products makes Chinese buyers more willing to pay a premium price, having with it an assurance of the quality of the food they are purchasing. Another product attribute that contributes to increasing the quality of the food, according to Chinese consumers, is the taste. Several people believe that organic food products have a better taste than conventionally grown food, which becomes a reason to purchase them. The quality of food is not the only egoistic factor that influences the purchase of organic products by Chinese consumers. Several consumers in China buy organic products as a fashion trend, adopting an organic diet as a part of an exclusive and luxurious lifestyle primarily due to its higher price, or as a consequence of the growing tendency to follow western consumption models and lifestyles. This latter is mainly adopted by people who have lived abroad and learned about the western diet and products, but this tendency is constantly growing also among Chinese-based consumers.

The altruistic motives which guide the purchase of organic products are essentially related to people's adoption of what is called an "ethical and sustainable consumption", which is defined as the purchase of products with low social and environmental costs. Chinese people have gradually become more environmentally conscious consumers, increasingly worried about the degradation of the natural environment, and about the urgent need for the protection of water supplies, wildlife, and the overall balance of nature. For these reasons, many individuals decided to shift to an organic diet due to its lower impact on the environment and the higher attention to environmental preservation and animal welfare.

These factors are defined as altruistic because individuals are aware of the consequences of environmental problems and are willing to make efforts to protect the environment with little benefit for themselves (Dunlap and Jones, 2002; Thøgersen, 2011; Wang et al., 2020).

It is necessary though to precise that whether organic agriculture is beneficial or detrimental to the environment is still a controversial topic in the scientific community. Uncertain consumers usually tend to follow the mainstream belief that since organic agriculture does not use chemically synthetic pesticides and fertilizers it is good for the ecological environment However, organic agriculture yet presents some disadvantages as the need for more arable land due to low yield, which also means the reduction of the forest area.

Altruistic motives do not only concern the environment in the strict sense of the term, but also concern the environment as a whole social and economic system. A great part of consumers decides to purchase organic products also because it helps to support and strengthen the sustainable local economic development and the development of the community, in particular supporting small-holder farmers.

All these motivations mentioned that may trigger the organic purchase behavior, whether egoistic or altruistic, mainly depend on the attitudes and personal and subjective norms of the consumer and are certainly influenced by its demographic profile. Consumer demographic variables such as age, gender, education level, and income significantly influence the consumption behavior and the preferences and motives of the consumer of organic products as it will be explained in the next chapter.

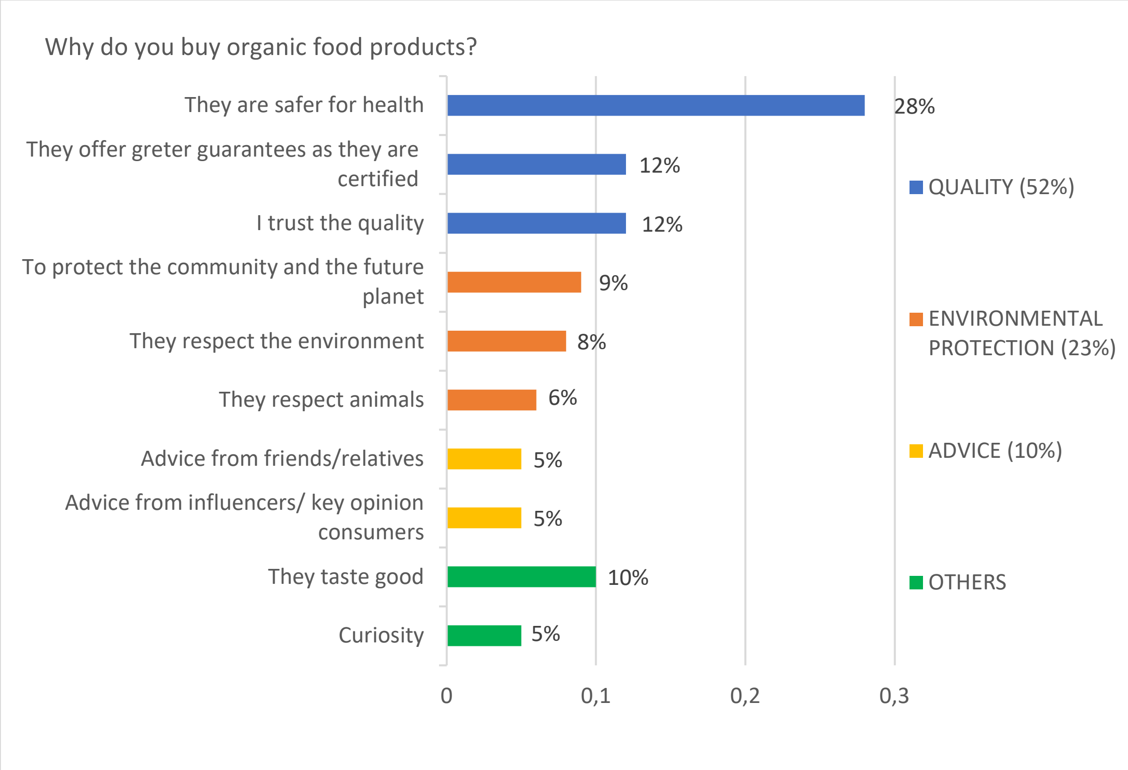
The motivations just mentioned are reflected in the survey conducted by Nomisma on 1.000 middle-upper class consumers responsible for grocery shopping, with an age between 18 and 55 years old, living in Beijing, Shanghai, and Guangzhou (Nomisma, 2021).

According to the reported results (Figure 23), the macro group of quality is the primary motivation of Chinese consumers to purchase organic food products, representing over 50 percent of the surveyed consumer, followed by environmental protection intentions (23%).

After those reasons, the results show another motive behind the purchase of organic products that has not emerged from the previous analysis, that is the advice. 10 percent of customers buy organic food products after receiving advice on such products from close people such as friends or relatives, or influencers and key opinion leaders.

Another 10 percent buy organic products for their good taste, while 5 percent purchase such products for curiosity.

Figure 23. Reasons for purchasing organic food products



Source: Progetto ITA.BIO Nomisma per ICE Agenzia - Cina Consumer Survey

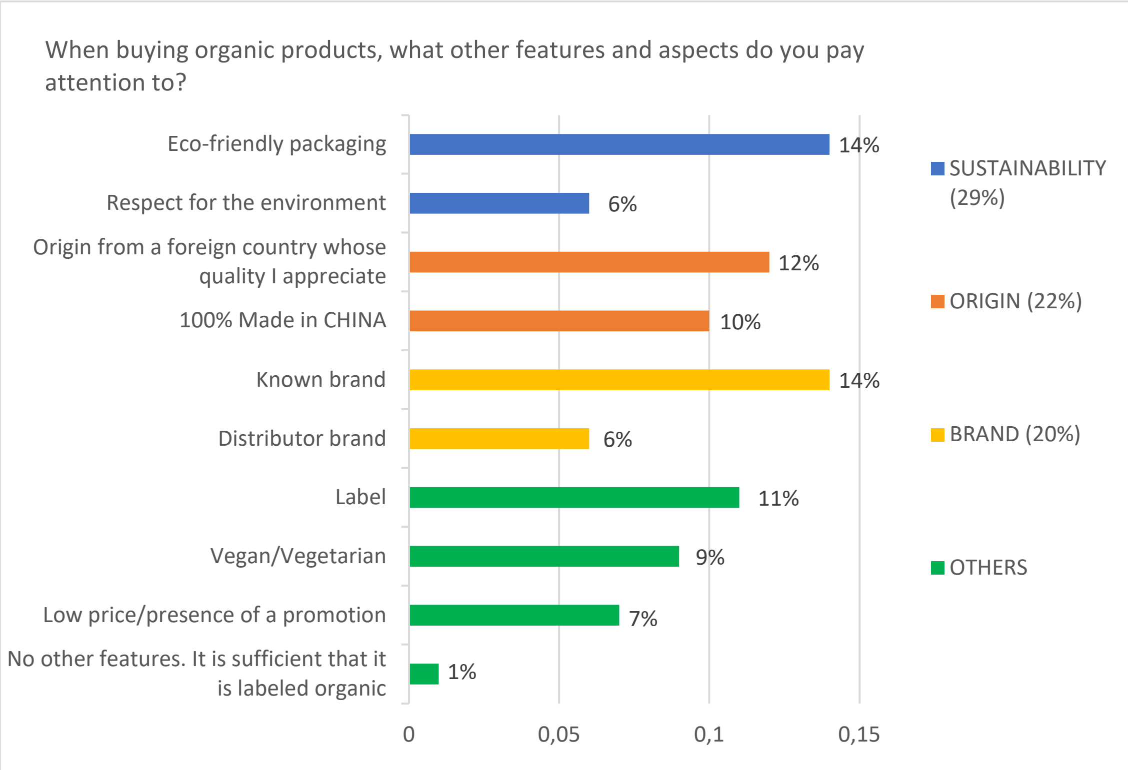
Nomisma has further researched what are the characteristics that entice the consumer to buy organic products, and what aspects the customer pays attention to when buying and consuming organic food products. According to the results (Figure 24), sustainability and environmental concerns play again an important role (29%) and guarantees of sustainability must be found in the product. For example, eco-friendly packaging is a product consistency that not only embraces the product characteristics but also extends to its packaging.

The origin also assumes great importance in triggering the organic purchase behavior. Certainly, the Chinese origin is one element that the Chinese consumer looks at (10%) however, it is not the most relevant one. In fact, when we mention the origin, the Chinese consumer is more interested in the origin of those products manufactured in other foreign countries for which he/she appreciates the quality (12%).

Furthermore, when buying organic products the Chinese consumer also pays attention to other elements that are respectively the brand, the label, if it’s vegan or vegetarian and the promotions valid on it.

Lastly, according to the results of the survey, only 1 percent of the survey consumers answered that the organic mark is the only thing they pay attention to it. In other terms, although Chinese consumers purchase organic products for a specific reason, the majority of them also pay attention to other characteristics that may or may not be related to the main reason that drives the organic purchase behavior. An example that we can draw from the survey results is the one of a consumer who purchases organic for environmental reasons who perhaps will also be influenced by other characteristics related to sustainability that accompany the products, such as the eco-friendly packaging.

Figure 24. Additional attributes of the product in relation to the organic nature



Source: Progetto ITA.BIO Nomisma per ICE Agenzia - Cina Consumer Survey

2.2.2 Consumers Segmentation

In general, the consumption of organic products is associated with the disposable income of a country. In China, the average income is not high, around $6,500 a year, but there is a wide inequality in the distribution of it, resulting in cohorts of consumers of medium-high level that represent the target of those companies that offer products with a high added value, such as the organic food products.

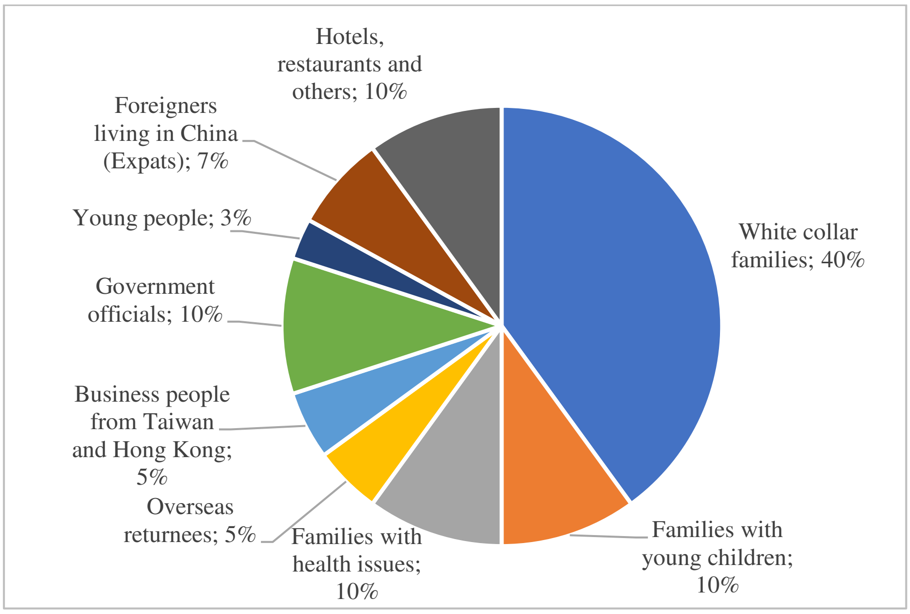
Indeed in China consumers of organic products typically belong to the middle-upper class, identified as millennials with a high level of education and with a relatively high disposable income, around $32,000 a year, which allows them to afford to pay the premium price of organic food products that, as it is known, can cost more than conventional products; a price that in China could range from 50 to 350 percent higher than those of normal products (ICE-ITA Ufficio di Pechino, 2021).

Geographically, the medium-upper class is mainly concentrated within the high-tier cities, hence the major cities of the mainland such as Beijing, Shanghai, and Guangzhou, where it is registered the highest consumption.

While in terms of gender, the majority of studies show that women have more positive attitudes toward organic food than men. Moreover, women eat fruits and vegetables more frequently than men, and they are also more willing to follow recommendations given by health experts than men do (Bekele, Zhou, Kidane, & Haimanot, 2017).

More specifically, according to the market research conducted by the International Trade Center, organic consumers in China can be divided into eight main groups, each of them with a different consumption behavior and preferences, illustrated as follows (Figure 25).

Figure 25. The profile of different organic food consumers in China and their proportion of consuming



Source: International Trade Center

1. **White collar families**

   They represent the biggest group of consumers of organic products in China, accounting for about 40 percent. Identified with high education levels and high disposable incomes, they search for high-quality products due to the growing concern about their own and their family members' health, while a minor part is also interested in environmental protection and conservation.

   White-collar workers purchase organic products mostly through online platforms. They have typically limited free time, hence for them buying organic foods online is more about completing shopping tasks safely, quickly, and efficiently rather than indulging themselves in shopping relaxation and entertainment (Lin, Li, & Guo, 2021).

2. **Families with young children**

   This group accounts for about 10 percent of China's organic consumers.

   With the proliferation of food safety incidents involving tainted food products, Chinese parents' concerns about their children's safety and health grew exponentially, in particular after the food scandal occurred in 2008 on baby milk powder contaminated with the industrial chemical melamine, which caused the death of six babies and many more ill infants.

   Furthermore, still influenced by the aftermath of the one-child policy that ended in 2016, and by a series of other factors such as the lack of affordable childcare, the rising living costs, and the grueling work hours (Mullen, 2021), a large part of Chinese people decide to not have children or at most one. This continued to create single-child families, surrounded by adults that look after only one child, providing him/her with the best and high-quality products, including food. In many such families, parents are young and highly educated, with both husband and wife working with middle or high income. They are knowledgeable about the health benefits of organic foods and are willing to pay for healthy and safe food, choosing them not only for their children but maybe also for themselves.

These families mainly buy from specialty shops and supermarkets and have access to a whole range of organic products, such as organic baby foods, organic skin care products for children, organic dairy products, organic fruits and vegetables, and other functional foods.

The peculiarity that identifies this group is that contrary to the white-collar workers who may buy organic products indefinitely, families with young children could instead be only temporary organic consumers who stop buying organic products as their children grow up.

3. **Families with health issues**

This consumer group includes families with members, often the elderly, who have health problems, such as high levels of blood pressure, cholesterol or blood sugar, or heart disease. These people need to have healthy meals, often being under medical treatment or in recovery. Therefore such families purchase organic foods for those who are in poor health conditions as well as other family members. They account for about 10% of the total organic consumers. This group is generally middle- or high-income. They are regular buyers that usually purchase from specialty shops various kinds of organic foods. The main purchases include natural foods with little processing and functional foods as supplements.

4. **Overseas returnees**

Also known in Chinese as *haigui* “sea turtle” because it sounds the same as “returned from overseas”, this group primarily includes those young people who studied or worked abroad that, once returned to China, have adopted the same western lifestyles and consumption model they were exposed to during their stay, including what regards food and knowledge about organic food. These returnees now play an important role in Chinese national economic and technical development as most of them are in managerial or high-level positions in public and private organizations spread out among the country's major urban centers. They account for about 5% of the organic consumers, but China's overseas returnee population is expected to grow. According to the Ministry of Education's 2020 data, 703,500 Chinese nationals were studying overseas in 2019, with 580,300 of them returning home, up 11.73 percent year on year (Cao, 2022).

5. **Business people from Taiwan and Hong Kong**

According to statistics, in 2017, about 530,000 Hongkongers were working in Mainland China, and in 2018 were recorder about 404,000 Taiwanese employees came from Taiwan, mostly working for private companies (Chih-Jou & Zheng, 2021). This group purchases organic products mainly due to food safety concerns caused by several food scandals that occurred in China. They are willing to pay more to guarantee food safety and their own health, also given their generally high salaries. They account for about 5% of the organic consumers in China.

6. **Government officials**

According to the International Trade Center, there are about 10.5 million government officials at the various levels of administrative and party offices. However, this number could exceed 40 million, if we consider all the employees that are paid by the public budget, hence including teachers, professors, and those in government-supported research institutes. As we mentioned before, these officials, in addition to their basic salaries, often receive different bonuses or benefits. Although is not very popular yet, in some provinces of China, every year some government offices give organic food as a welfare bonus for their public servants and all employees, making them the 10% of the organic consumers in China due to their large numbers. Discovering organic products' characteristics as a bonus, they may continue to purchase organic products for their own consumption to adopt a higher quality and healthy way of living. Furthermore, they usually employ this product category also as a gift due to their connotations of prestigious and luxury products.

7. **Young people**

With the rapid expansion of the country's economy and growing globalization, the younger Chinese population has been exposed to new western ideas, concepts, and more healthy and environmentally friendly lifestyles.

Environmental reasons became a primary concern among the younger generations, characterized by a stronger environmental consciousness and a better understanding of sustainability because of the widespread use of social media, which significantly influences their buying behaviors (Persaud et al., 2017) resulting in consumption habits associated with the sustainable living.

Although the young people in this group usually do not quite have high incomes, their willingness to pay for organic food is very strong. First, the youth have a longer life expectancy than the elder and may therefore have more benefits from a healthy and safer diet. Secondly, the younger consumers can easily accept new things and can adapt quickly to new lifestyles, while elders are not willing to change their eating habits easily and neither to pay a premium price for new attributes such as organic. This group is likely to buy from the direct sale, especially from producers, and its organic market share is estimated as big as about 3%.

8. **Foreigners living in China**

According to the seventh national census in May 2021, 845.697 foreigners are living in Mainland China in 2020, a notable rise of about 250.000 compared to a decade ago (GWBMA, 2021). Also called Expats, they mainly come from the Republic of Korea, North America, Japan, and the EU countries. They come to China for business and employment reasons, but also with the purpose of settlement or study, and are concentrated in the biggest provinces of China, which are in order in terms of population size, Guangdong, Yunnan, Shanghai, Fujian, and Beijing.

They already know about the properties of organic food before coming to China and purchasing them as a part of healthy lifestyles or because they are concerned about the pesticide residues in foods and the frequent occurrence of food incidents in the country. Most of the foreign working people have relatively high incomes and are able to afford the price of organic food, choosing a wide range of organic products, especially those imported from their countries. Comprising around 7% of the market, they usually shop from specialty shops, supermarkets, or through direct sales.

9. **Hotels, restaurants, and other people**

   This group of consumers accounts for about 10% of the total organic consumers in China, and it comprises high-level hotels and restaurants, plus the consumers who buy organic products irregularly or occasionally.

   For what concerns the food service industry, the number of hotels and restaurants that use organic ingredients is increasing in the country, while there is a relatively low number of them that exclusively use organic products as their overall offering.

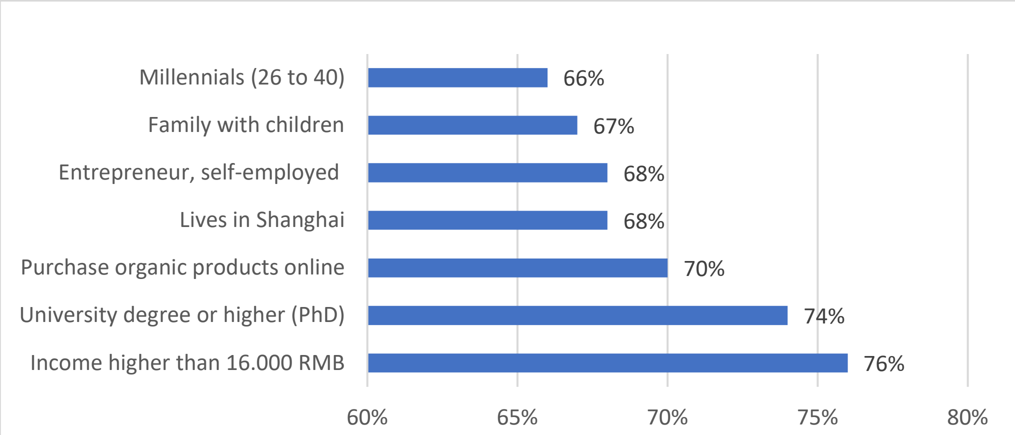
   They are mainly upscale hotels and restaurants oriented to middle- and high-income consumers, both Chinese and foreigner, who primarily wants to offer a high-quality, exclusive, and luxury experience, sometimes surrounded by international feelings brought by the international products. They are concentrated in the biggest cities of the country like Shanghai and Beijing, mainly offering organic vegetables sourced directly from nearby farms, and other organic food products from China and overseas are generally purchased through online platforms.

   In addition to those upscale facilities, there is also an increasing number of vegan and vegetarian restaurants that use organic produce in their cooking, with the main aim to provide a healthier choice to their customers.

The previously mentioned categories showed the main groups of consumers of organic food in China. Now we analyze more deeply who is the Chinese consumer of organic products reporting the data from the survey conducted by Nomisma on 1.000 middle-upper class consumers responsible for grocery shopping.

The consumption base identified by the survey (Figure 26) found that 76% have an income higher than 16.000 RMB, 74% have a university degree or higher (Ph.D.), 70% purchase organic products online, 68% live in Shanghai, 68% is an entrepreneur, self-employed or a freelance, 67% is part of a family with children, and 66% is a Millennial, meaning with an age between 26 and 40 years old.

Figure 26. Identikit Chinese consumer of organic food products

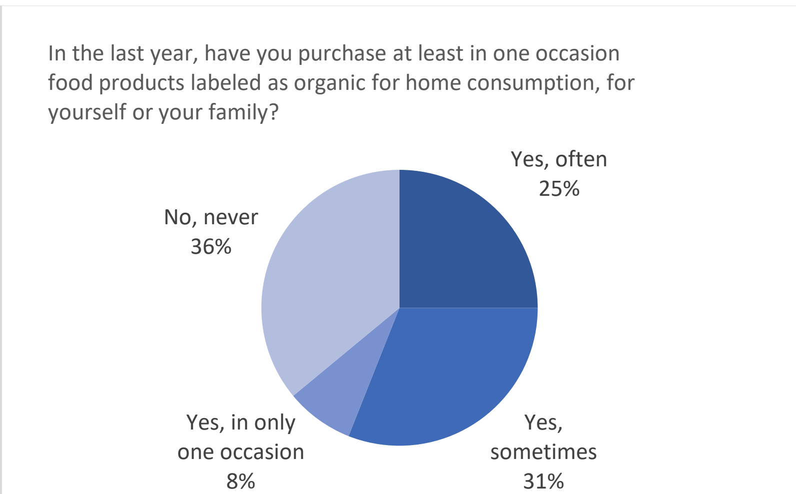


Source: Progetto ITA.BIO Nomisma per ICE Agenzia - Cina Consumer Survey

Summarizing all these characteristics and according to the analysis conducted by the Italian Trade Agency, we can say that the archetype of the consumer of organic food products in China is a woman, a highly educated millennial who lives in the urban areas of China with her children, who has a high-income that allows her to have a strong propensity to buy organic products, which are mostly online (ICE-ITA Ufficio di Pechino, 2021).

In terms of frequency of shopping, in the last twelve months (2020), 64% of the surveyed consumers have had at least one occasion to buy organic food products for domestic consumption, and 56% have also consumed organic food outside their houses. As shown by the graph, 25% is a regular buyer of organic food, 31% purchase it occasionally, 8% has bought it once, while 36% has never purchased organic food (Figure 27).

Figure 27. Frequency of Shopping of organic food products

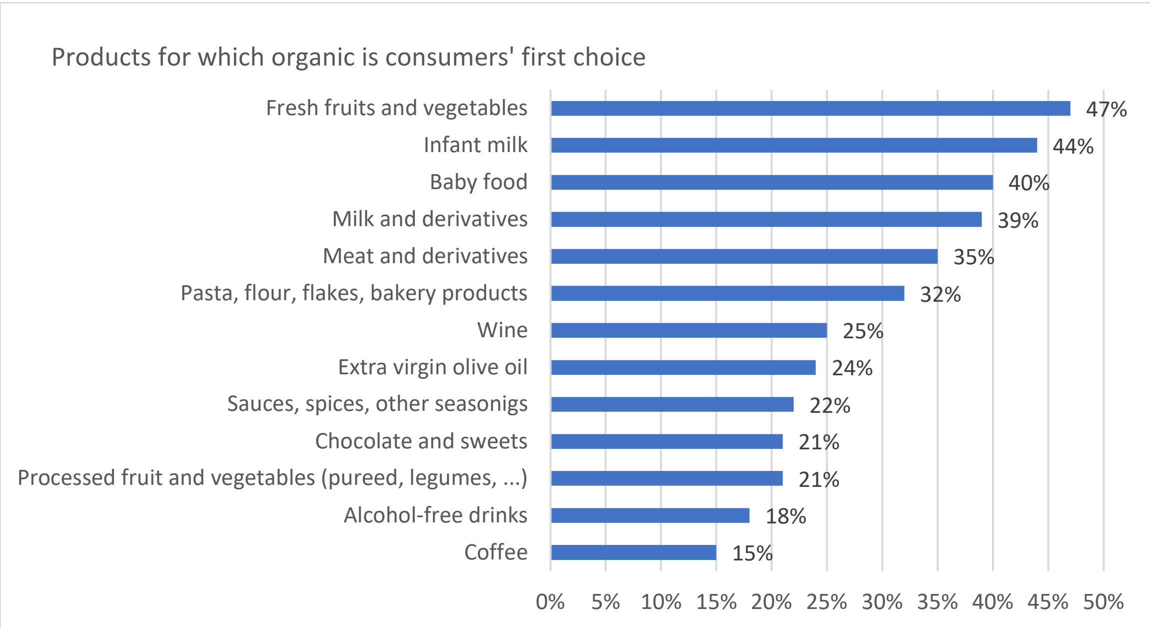


Source: Progetto ITA.BIO Nomisma per ICE Agenzia - Cina Consumer Survey

In line with the analysis made in previous chapters, the majority of the surveyed organic consumers usually shop for organic products through large-scale distribution channels, hence supermarket and hypermarket chains (41%), while a minor part also shops in specialty stores (25%) or directly from the producer through farmer markets (17%). All these channels could provide the products to the customers both through their physical and their online stores. In fact, 36% of the surveyed consumers have at least on one occasion purchased organic products online, aimed to be delivered at home (47%), to lockers (15%), or with the click and collect[7] model (38%). In addition to the channels mentioned, online purchases also include the online marketplace (Tencent, Tmall, JD, and so on) and online websites for food delivery.

Given the survey results (Figure 28), we could also identify which are the main food product categories purchased by Chinese consumers. The surveyed consumers chose the organic labels primarily for fresh fruits and vegetables (47%). Then, we find the two biggest product categories that attract the majority of the Chinese consumers that are the organic baby products, which include infant milk (44%) and baby food (40%), and organic dairy products (39%). Following those categories, we can find meat, grain products, wine, oil, spices, and chocolate.

Figure 28. Organic food products categories



Source: Progetto ITA.BIO Nomisma per ICE Agenzia - Cina Consumer Survey

[7] Click&collect is a way of buying something in which you order and pay for it on the internet, then collect it yourself from a shop (Cambridge Dictionary, https://dictionary.cambridge.org/it/dizionario/inglese/click-and-collect)

2.3 Chapter III: Key Factors Hindering the Development of China's Organic Food Market

Although China is currently the fourth largest market for organic products in the world, the market share of organic foods and consumer expenditure is still relatively low.

In 2018, the total sales of organic food (including beverages) in China were 63.5 billion yuan, accounting for 0.8% of the total food consumption expenditure of 7.86 trillion yuan (China National Commercial Information Center, 2019; FiBL and IFOAM, 2020*),* and it still accounts for a relatively small share of the country's massive food market, less than 1% in 2020 (Liu, Zheng, & Cao, 2021).

According to several studies, despite the rapid growth that occurred in recent years, the organic sector in China is hindered by a number of factors and challenges that are related to the Chinese consumer population and t current state of the organic industry in China. These factors are the followings:

Consumers' information asymmetry

Chinese consumers are highly aware of safe food but lack sufficient knowledge to identify it and its relevant labels (Xie, Wang, Yang, Wang, & Zhang, 2015). Accordingly, a large part of consumers lacks the ability to identify and recognize organic food. In a recent survey conducted on 2.006 individuals by the Social Survey Center of China Youth Daily in 2018, 50.5% of the respondents did not know how to distinguish the foods which were organic (Wei, Liu, She, & Wu, 2022). Similarly, it was found that consumers' knowledge of organic food is rather limited in China compared to developed countries (Bekele, Zhou, Kidane, & Haimanot, 2017) and it is confined to only certain cities or regions of the country or certain product categories.

The information asymmetry phenomenon not only encompasses consumers lacking the understanding of the organic food production process, but also the organic food certification standards, organic food brands, and the knowledge in identifying organic food marks among a multitude of food labels, resulting in consumers lacking a full understanding of organic food who is unlikely to purchase them.

For this reason, information asymmetry is considered to be a key factor that hinders consumers from buying organic food (Liu, Zheng, & Cao, 2021).

Some studies believed that the more organic information consumers get from media, the more they tend to buy organic food, which can improve the information asymmetry in the organic market (De-Magistris and Gracia, 2016; Liu et al., 2021). However, due to the great differences in the information about organic food obtained by consumers from different information sources, the increase in information sources may hinder consumers' organic purchases (Wei, Liu, She, & Wu, 2022).

Consumers lack trust in organic food and organic certification bodies

In recent years, many socially irresponsible incidents of both organic food manufacturers and e-commerce retailers have occurred from time to time.

Some manufacturers cheated government subsidies by imitating and counterfeiting organic food certification marks, producing organic products not in compliance with the certification standards, hence not obtaining the certification. There have been cases of unofficial (illegal) organic labels on chicken, lamb, fish, and beef (Bekele, Zhou, Kidane, & Haimanot, 2017).

On the other side, some e-commerce retailers avoided fulfilling their social responsibilities and lacked effective inspections of the organic food they sell, which provided manufacturers with the opportunity to seek profits by counterfeiting. According to the data of the China Organic Food Development Center, in 2018, a total of 32 products in China had their labels canceled due to unqualified inspection. In the same year, 124 non-standard products and 13 fake products were also processed, accounting for 8.01% and 0.85% respectively (Ma, et al., 2021).

This uncontrolled situation may lead other manufacturers in the industry to do the same, which will have an impact on those companies that produce and sell official organic products, causing the "bad money driving out good money" phenomena (Ma, et al., 2021). Consequently, due to media exposure, these organic label frauds have had a huge impact on consumers' trust in organic food.

Chinese consumers not only don't trust the nature of organic products and their production process being in compliance with the certification standards, but they also lack trust in the institutions certifying and controlling organic products. Nearly one in two Chinese consumers have little or no confidence in the food certification system, being skeptical especially of the certification guaranteeing food safety attributes in animal-based products (Moruzzo, et al., 2020). The perception of the institutions certifying assumes great importance during the evaluation of the organic product.

Based on this assumption, according to many past studies, Chinese consumers trust more the organic certifications and standards of developed countries rather than their own, having higher standards for organic production and stricter quality inspection systems that are considered more trustworthy (Pedersen, Zhang, Zhou, Aschemann-Witzel, & Thøgersen, 2022). The preference for such imported goods, and the relative trust in the government's supervision of food safety and food labels, are influenced by the image of the country of origin, also named the country-of-origin effect (COO).

This is evidenced in Chinese consumers' preferences and higher willingness to pay for EU organic labeled products rather than those labeled with the Chinese mark, especially for meat and aquaculture products.

Being the credibility of organic food and organic certification low, consumers start to feel uncertain about the purchase of organic products, which will eventually reduce the consumers' purchase intentions. Higher will be the uncertainty perceived, the more difficult is to judge whether the organic food consumption decision is correct (Yiridoe et al., 2005). Moreover, even though consumers have strong motivations to buy organic foods, a higher level of perceived uncertainty may reduce the willingness to buy organic foods. Conversely, if the information about organic foods is credible, sufficient, and easy to find and obtain, the level of uncertainty may be reduced and a higher motivation will further strengthen consumers' organic consumption behavior (Wei, Liu, She, & Wu, 2022).

Consumer affordability and the perception of value for money

As previously mentioned, organic food in China is five to ten times more expensive than conventional food, especially when we talk about imported organic food. Most Chinese consider therefore it a luxury that only a few can afford. As a matter of fact, organic consumption is concentrated in the biggest and richest cities of the Mainland, where there is a high concentration of consumers with a high income.

Most Chinese are price sensitive and look for value when buying organic food, but for a large part of them organic food's high prices do not match its nutritional value and it's just a marketing term (Daxue Consulting, 2020), or it appears as an expensive concept or fashion introduced from foreign countries. These consumers hence perceive organic products as not necessary.

In addition, many Chinese consumers believe that people's life expectancy has been greatly improved under the condition of food and clothing and better medical treatment, hence it's not urgent to eat organic food (China Beijing Organic and Beyond Corporation (OABC), 2020), affecting in this way the development of organic products.

Inconvenience of purchase

A previous study on sustainable consumption showed that 30% of consumers cannot translate their green food consumption intention into real acquisition due to purchase inconvenience. For this reason, food producers need to seek more convenient channels for consumers to buy green food (Bekele, Zhou, Kidane, & Haimanot, 2017).

China's organic food distribution channels mainly rely on traditional offline channels, which have many problems such as excessive circulation nodes, low degree of information, and an imperfect quality tracing system (Ma, et al., 2021). Only in recent years, the organic industry has begun to expand to online channels and improve the overall distribution systems.

Furthermore, the consumer groups of organic products in China are mainly concentrated in the largest cities of the country, primarily due to the higher income level that allows them to afford its price. Accordingly, products are more concentrated in those areas, with a limited availability in others.

Insufficient marketing

Chinese consumers are less informed about "naturalness" and have a suspicious attitude toward organic food certification because of the low amount of organic food advertisements through traditional channels (Xie, Wang, Yang, Wang, & Zhang, 2015).

A good marketing strategy could change consumers' perceptions and behaviors toward organic food products. Therefore retail managers in the food industry and food companies should plan and execute marketing strategies to communicate and persuade consumers to purchase more organic food, linking organic food with environmental issues, emphasizing the difference between organic and conventional products and positioning and then communicating them as high-value and high-quality products.

High production, certification, and auditing costs

Generally speaking, producing certified organic products is more expensive than conventional counterparts for a number of reasons, as illustrated by the Food and Agriculture Organization (FAO):

- There is a limited supply of organic food compared to demand;
- Production costs for organic foods are often higher due to greater labor inputs per unit of output and the inability to attain economies of scale due to the greater diversity of enterprises.
- Post-harvest handling of relatively small quantities of organic foods results in higher costs because of the mandatory separation of organic and conventional produce, especially for processing and transportation;
- Marketing and the distribution chains for organic products are relatively inefficient and costs are higher due to relatively small volumes (Food and Agriculture Organization of the United Nations (FAO), 2022)

In addition to this, in China, a large part of producers additionally complain about the difficulties to shoulder the high certification and auditing costs. According to the USDA, it normally costs about $3,200 to certify a product, but for multiple products, the cost is determined by the actual process of inspection. For example, the more lab tests are needed, the higher the cost will be, and certifiers must inspect not only each crop of each variety but also each farm, in the case of a cooperative group. For instance, a Chinese certifier recently completed the certification of some milk products from Germany. It costs about $9,500 for 6 products, and in addition to this cost, the company needs to fly in Chinese inspectors and cover their travel and lodging expenses.

The certification hence constitutes a big obstacle for many enterprises not only because of its high costs but also for the lengthiness and the bureaucracy of the procedure.

A company may wait more than a year before obtaining the complete certification, and each year it must be renewed with a fee generally reduced by about one-third (USDA Foreign Agricultural Service, 2012). Such costs are even higher for a company aiming at the intentional market, which consequently needs to sustain the costs of multiple certifications for the different countries (Bekele, Zhou, Kidane, & Haimanot, 2017).

These obstacles discourage a great number of producers, marginalizing the small ones against those large producers and subsidiaries of multinationals operating in developing countries, which are better equipped to adapt to more stringent certification requirements

(Zhao, Gerasimova, Peng, & Sheng, 2019). This has caused several smallholder farmers to produce safe food for self-use but also, to improve crop yields, applied higher levels of pesticides producing unsafe food for the market, impacting the food safety of the country, the consumers' trust, and eventually the development of the organic industry in China.

Even though the country wants to incentive Chinese producers to switch from intensive (chemical input) agriculture to organic agriculture farming systems, there are no or only limited governmental subsidies (Bekele, Zhou, Kidane, & Haimanot, 2017) to cover such high costs and only a few local governments have formulated development plans and introduced incentive policies to promote organic agriculture.

The educated level of organic agriculture practitioners is low, and the organic technology is weak

Chinese agricultural producers, including contracted farmers and hired farm workers, are generally poorly educated. Most organic farmers simply do not use chemical pesticides and fertilizers or only target pests and diseases, according to organic standards, without a deep understanding of what organic farming is. Some of them do not believe in its value and cases in which contracted farmers were caught applying agrochemicals have been reported. For this reason, contractors are required to constantly train and monitor their contracted farms (Sternfeld, 2009).

Another factor is that technologies for organic farming and production have not yet advanced to a great extent. As a result, most organic producers lack these alternative technologies and assert that they occasionally lose up to 50% of their yield to technical difficulties. This also includes storage and transportation means, which represent two other challenges that the Chinese organic industry needs to overcome.

The development of organic food production and consumption is unbalanced

China's vast territory, due to elements such as natural geography and climate, east and west development is not balanced, which causes the phenomenon of separation of production and consumption of organic products.

In terms of organic acreage in 2018, Xinjiang, Heilongjiang, Inner Mongolia, Liaoning, and Guizhou were the top five provinces, accounting for 74% of China's organic land. All of these regions are located in remote areas of China, that are considered well-suitable for organic agriculture, since they are sparsely populated, less industrially contaminated, and with a healthy ecological environment.

On the contrary, the consumption of organic food is mainly concentrated in first-tier cities, such as Beijing, Shanghai, Shenzhen, Guangzhou, Chengdu, Hangzhou, Chongqing, and others. In 2018, there were 11 first-tier cities, accounting for 13.8 percent of China's total population. There is no data on organic consumption in individual cities, but it can be predicted that these first-tier cities are the main drivers of organic food consumption (China Beijing Organic and Beyond Corporation (OABC), 2020).

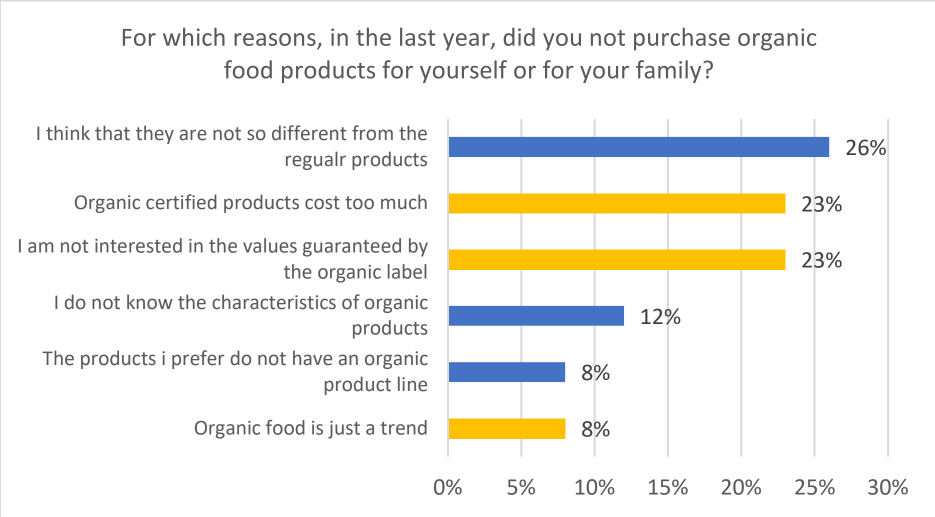
The supply of organic products outpaces the demand in China

As a consequence of what was previously mentioned, i.e. the unbalance between the production and consumption areas, in China, there is a phenomenon of oversupply. According to the data, China produced organic goods worth 24.32 billion dollars in 2018 while selling 9.21 billion dollars worth of them. Only 37.9% of organic products were sold, indicating an oversupply situation. Sales of organic products in China increased at a compound annual growth rate of roughly 20.2% over the previous five years, according to data from CNCA's food and agricultural system. This could be a result of overly optimistic producer predictions for the organic market, a lack of consumer confidence in organic food, or the impact of high pricing on consumer purchasing decisions.

As a result, the vast majority of organic food practitioners have not reached the stage of demand (China Beijing Organic and Beyond Corporation (OABC), 2020) showing a further unbalance between the output value and the actual consumption levels.

Some of these obstacles are also illustrated in the answers of the Chinese population (Figure 29). When asked in the Nomisma survey about the reasons why they do not purchase any organic products, the majority of the respondents believed that organic products are not so different from the regular ones (26%), to which they direct their preference, also considering the higher price of organic products, a reason explained by 23% of the consumers. While another 23% declared instead that he is not interested in the attributes guaranteed by organic products. A lower percentage of consumers do not purchase organic products because do not know their characteristics (12%), because there is not an organic line of the products the consumer prefers (8%), or because of the belief that organic is only a fashion trend (8%).

Figure 29. Levers to be activated: The key points to increase the consumer base



Source: Progetto ITA.BIO Nomisma per ICE-Agenzia – CINA Consumer survey:

Looking at the data, the conclusion we could draw is that there is 46% of the non-users that could be potential consumers of organic if they knew more about them or if they could have the products they like (blue line). Therefore, considering all these factors, we notice the growth potential that the organic industry could have in China.

However, to reach such a stage, the organic food industry and public policymakers should formulate strategies to promote consumers' understanding of organic information, strengthening knowledge dissemination and popularization of the organic food's characteristics via a variety of media and social platforms.

Companies should emphasize the link between organic food and healthy, quality, and environmental protection concepts, and make the consumers know about organic products through online promotion and discounts, which could encourage consumers to avoid the price barrier and eventually purchase the products, or through free tasting communicating the product information and enabling the consumer to taste the products.

The government could help promote the development of the organic industry, on one hand, encouraging manufacturers to strengthen the research and development of organic food and the application of organic technology by means of subsidies, and on the other hand, strengthening the supervision of producers, increasing in this way consumers' trust. However, the supervision and regulations should not be too high as they could affect the enthusiasm of organic manufacturers.

PART III – ITALIAN EXPORT: ORGANIC MADE IN ITALY IN CHINA

3.1 Chapter I: Italian Food and Beverage Trade Interchange with China

The Italian Food and Beverage industry is confirmed to be in 2020 the second largest manufacturing sector, registering a total consumption of 225 billion euros and an export value of 36,5 billion euros. Despite the closures and restriction measures imposed with the advent of the Covid-19 pandemic which caused several F&B operators to face huge losses with the closure of the food service industry and the collapse of tourism, this sector has shown great resilience both inside and across the national boundaries.

Indeed, exports are confirmed as the most relevant area of growth and development for the Italian F&B industry. According to the data of the first semester of 2021, the export of Made in Italy products reached a record value of 24.81 billion euros, with an increase of 12% compared to the previous year, in contrast with the -13% registered by the total exports that saw dramatic reduction due to the outbreak.

An important opportunity for economic growth and a strategic trade partner for Italian companies operating in the agri-food sector is certainly represented by China. Since 2011, China has established itself as the largest importer of Food & Beverages in the world. The negative effects of the pandemic did not affect Chinese import volumes, which continued to rise. In 2020, in fact, 114 billion Food & Beverage products were imported into China, recording a growth of 19% compared to the previous year. The variety of products imported is very vast, and the most popular are snacks of various types and chocolate, followed by dairy products, wine, and organic products.

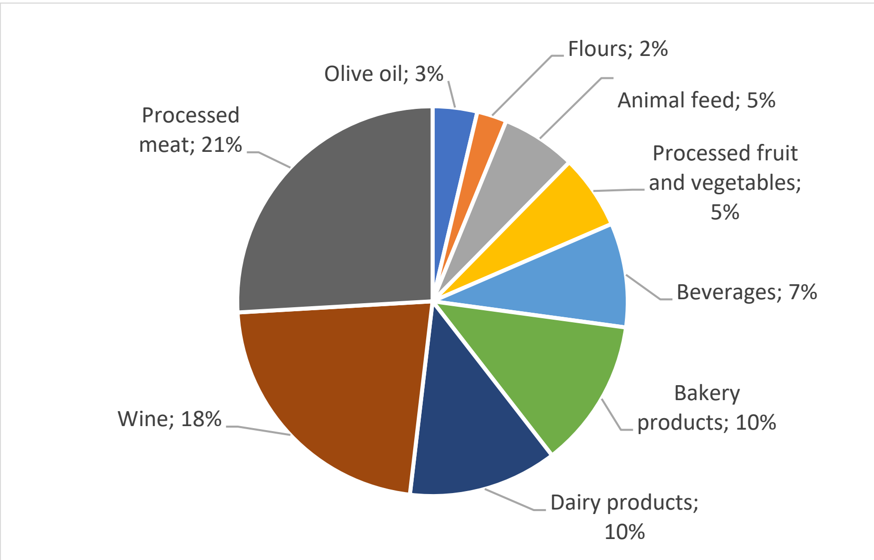
Favored by the country's rapid economic growth, which has led to higher income and the consolidation of the Chinese middle class, consuming imported Food & Beverage products in China has become a status symbol.

A symbol that increases its value if those goods are imported from Europe. There is a general consideration of Chinese consumers that European products are considered to be particularly of higher quality and healthier. Among them, Italian products occupy a special place in the mind of Chinese consumers. According to a consumer survey conducted by Nomisma in fact, Italy is the country with the highest quality products. This has allowed the Italian food and beverage exports to China to grow.

China's imports from Italy recorded strong growth in the January-April 2021 period, recording a + 50.2%. Imports of fresh produce are increasing rapidly, and the fruit and vegetable trade between Italy and China grew by 1.2%, reaching approximately 1.3 billion dollars.

There are five main product categories that Italy exports to China (Figure 30), namely meat products (21%), wine (18%), products from the dairy industries (10%), baked and starchy products (10%), and beverages (7%). However, compared to the previous year, the categories that have shown the greatest increase in 2020, were the processed meat and the animal feed whose numbers have triplicated (Nomisma, 2021).

Figure 30. Export Food&Beverage Italy to China (share by value product, Jan-Oct 2020)



Source: Istat

However, Italy is not only one of the top exporters of regular food products, but it is also the second largest exporter of organic products in the world, after the US, followed by Spain and China.

Italy is considered a European leader in terms of number of organic farmers (over 68,000) and processing companies (over 10,000). Organic products in Italy registered a market value of US$ 1,938.9 Mn, representing about 3.2% of global demand, with a per capita expenditure of US$ 32.72 in 2021, and it is forecast to record a CAGR of 5.1% in the period 2021-26. Sales in large-scale distribution increased by 19.6% in March 2021, with peaks in discount stores (+ 23.7%) and in small neighborhood supermarkets (+ 26.2%).

In the Italian market, more than 30% of organic food products are sold to overseas markets while meeting domestic consumer demand. The total export value of Italian organic agricultural products was valued at more than 2.6 billion euros, an increase of 11% year-on-year, accounting for 6% of the total agricultural exports.

The product types, mainly processed fruit and vegetables, olive oil, wine, dairy products, condiments, pasta products, frozen food, dried fruits, and grains, are mostly exported to European countries, such as Germany, France, Britain, Denmark, and the Netherlands, and a comparatively small amount is also exported to foreign countries such as the United States, Japan, and China.

Italy occupies a relevant position among the main sourcing countries of organic products traded within the Chinese market. According to the Chinese perceptions, Italy is not only considered a producer of excellences of regular products but also of organic food products. The product categories exported reflect those of the general food products seen before but will be additionally listed in more detail in the next chapter.

Italy does not only export organic products to China but also imports from the country. Although 2020 saw a sharp reduction of imports from the Asian country, of about -36,6% compared to the previous year, China is the third larger importer of organic products of the EU countries. A large part of these imports are made of organic oilseeds, organic oilcake, and organic vegetable oils, with the largest category being oilcake, mainly soybean meals, which are an important feed component for EU livestock production, particularly for organic pig and poultry production (Research Institute of Organic Agriculture FiBL; IFOAM – Organics International, 2022).

3.2 Chapter II: Exporting Strategies for Organic Products in Mainland China

The initial step for an organization that wants to export food products to China is deciding which channel is the most appropriate one, based on the company size, products, sales channels, rules and regulations, and its budget.

The two most common channels usually adopted by foreign exporters include the General trade export or the Cross Border E-commerce (CBEC) export model.

General trade exports

The general trade exporting strategy is the traditional way to export goods to China. It refers to the import or export of goods by enterprises in China with import-export rights.

If a foreign company wants to import its goods in China and doesn't have a business license, they need to incorporate an intermediary, such as a Chinese importer, distributor, trade agent, or subsidiary, that on its behalf will import the goods from abroad. This legal entity in China clears customs and applies for a quarantine license, if required according to the food product category, it legally imports goods into the Chinese market and pays duties and taxes on CIF price (cost, insurance, freight) before the product has been actually sold. After the customers have been cleared, in the majority of cases, the products are then sold in brick-and-mortar stores.

For what concerns organic products, the procedure is similar to exporting regular food products to China, but there are a few additional requirements, especially concerning some product categories such as dairy products, meat products, aquatic products, plant-based products, and Chinese herbal medicine which require that: authorities will conduct the entry verification of imported organic products; the company must submit the overall documentation related to organic certification, i.e. copies of a Chinese organic certificate, a transaction certificate of organic product, certification logo, and product label. In addition, when necessary, a sampling inspection will be conducted. After that, it is required the registration by the GAC of the overseas manufacturer, a measure applicable from Jan 1, 2022, to all food categories (ICE-ITA Ufficio di Pechino, 2021).

This channel allows for large-scale, shipment of food products to China, which can lower shipping and clearance costs by applying the economics of scale and expand business in future servicing B2B clients within China.

However, it also encompasses some disadvantages. The foreign company needs to find a trustful legal entity that will be in charge of the products since it will have little to no control over the marketing communication and sales on the B2C side once the goods have crossed the border.

Besides, Chinese legal companies are hesitant to pay for imported goods in advance and store them in a warehouse because the risk would fall entirely on them. Due to this, they frequently impose high commission costs on imported items.

The other drawbacks are related to the additional time and resources required to enter the market as well as the additional paperwork and regulations to complete.

Cross Border E-commerce (CBEC)

CBEC is defined as the direct import of goods from outside China through special channels known as cross-border e-commerce platforms and the preferential policies of special economic zones or warehouses (free trade zones).

In this case, an overseas legal entity exports the products directly to China to a bonded warehouse (B2B2C) or via direct mail (B2C) model.

Through the bonded warehouse channel, goods are shipped in bulk to China before being ordered or sold online and temporarily stored in an approved warehouse within a designated zone specifically established for CBEC trade in China. The bulk goods are then broken down individually or selectively picked and packed for each online sale or order that comes in, and delivered directly to consumers from the bonded warehouse.

While, through direct mail, goods are purchased online and sent directly to individual consumers via post, express freight, or courier. Under this model, goods are often stored in the country of production or overseas warehouses and delivered by international post, express freight, or courier services to customers directly after they make their order online (Ministry for Primary Industries of the New Zealand Government, 2022).

The overseas legal entity can either be a subsidiary, partner, or own manufacturer. It clears customs only after an actual order has been placed online by an end customer. The e-consumer, when the product is sold, pays then duties and taxes depending on the product category on the retail price.

However, not all the product categories can be imported. China has developed a CBEC retail import goods list, also known as the “positive list”, which sets out the types of goods that are allowed to be imported via CBEC and the channel that can be used to import certain products to China. For what concern organic food product, the 2019 positive list include: dairy products, baby milk, dried and preserved fruit, olive oil, and wine (ICE-ITA Ufficio di Pechino, 2021).

In addition, China maintains also a “negative list” of plant and animal products that are prohibited from being carried in person or mailed into the country. The list includes animal and plant products known to have quarantine risks such as live animals; non-shelf stable products including fresh meat, dairy, seafood, and eggs; fresh fruit and vegetables, and other primary products that may require sanitary and phytosanitary checks at the border (Ministry for Primary Industries of the New Zealand Government, 2022).

This model is hence exclusively established for foreign entities that sell directly to Chinese consumers. In other words, with cross-border e-commerce the supply is driven by actual sales, is the consumer that takes the lead, allowing foreign retailers and suppliers outside China to sell via the internet directly to Chinese consumers with minimal regulatory interference.

Products that enter China under cross-border e-commerce can only be sold on e-commerce platforms, currently under five main models: shop fronts on online marketplaces (B2C) such as Tmall Global, JD Worldwide, Netease Kaola, self-operated hypermarkets (B2B2C) such as Jumei, vertical specialty marketplaces such as Yiguo, flash sales sites such as VIP International and social commerce channels such as WeChat stores.

As a result, the value chain is shorter, and customs clearance processes are easier. The combination of these factors makes the risk for the foreign company smaller.

Therefore, selling via CBEC is often used as an entry-level strategy in order to acquire market share, brand equity, and a relevant consumer base in China, being a way to gauge the interest in your products before committing to applications that require time and resources. As volumes of products sold increase, it could become more advantageous for businesses to engage in traditional trade methods for tax and registration purposes, and ultimately, implement an omnichannel sales strategy in which they sell their products via traditional channels both offline and online.

Although CBEC is a comparatively low-cost entry mode, due to the minimum trial-and-error costs and the shorter value chains, selling though it still requires high investments that include not only the cost of being present on big platforms, estimated ranging from a minimum of 1 million RMB per year (± 130.000 euro), but also the expenses linked to the branding, logistic, packaging and so on. Moreover, deriving from experts' experience, continuous human and capital investments, as well as sustained efforts and commitment on operational and management levels, are required to succeed.

Another challenge that international companies that do business in or with China need to face in relation to CBEC is the risk of Intellectual Property Rights (IPR) violations comprising the creation of counterfeit products by copycats or the register of the brand under others' names.

CBEC channels have become a very popular way among Chinese shoppers to buy products from overseas because they often feel that products purchased via cross-border e-commerce platforms guarantee a higher level of quality and offer protection against counterfeit goods. Food has become the most popular CBEC category, followed by cosmetics, shoes, bags, and fashion products. Among the other reasons, Chinese consumers purchase via CBEC also because it's cheaper, because the product is not available locally, or because he/she is curious to try new channels.

They rarely purchase overseas products via stand-alone websites or third-party platforms outside of China due to a number of factors, including the high shipping costs, slow delivery, issues with different payment methods, slow or difficult internet access because of the 'Great Firewall', risks of being blocked by customs, and the lack of customer services (e.g. return policy), not to mention the language barriers (Consulate-general of the Kingdom of the Netherlands in Shanghai, 2019).

3.3 Chapter III: Organic Made in Italy in China

3.3.1 Strengths, Weakness, Opportunities, and Threats of Italian Organic Companies Exporting to China

A study conducted by ICE Agency Observatory on the Chinese Market in collaboration with Nomisma analyzed the state of the organic industry in China and the strategies adopted by Italian companies that export their products to the market.

More specifically, ICE also investigated the prospects of Italian food products in China, employing the SWOT analysis to evaluate the strengths, weaknesses, opportunities, and threats of the organic Made in Italy products sold in China and the advantages or obstacles that Italian companies may face exporting toward the Chinese market, reported as follows.

For what concerns the internal factors, the sale of Italian products in China could be enhanced by several factors. First, a general growth of food imports from Italy occurring in recent years. Although the difficulties caused by the Covid-19 outbreak, the Italian agrifood industry was the only sector that registered a growth during the pandemic. According to the Istat data, the Italian agri-food exports in 2021 reached record levels exceeding 50 billion euros, equal to a growth in value of 15% compared to 2019 and 11% over 2020.

Many more Italian companies are interested in exporting to China. Being the world's largest online marketplace, with a growing purchasing power and a tendency to adopt western lifestyles, China could represent a great opportunity for many Italian companies. The agri-food sector together with manufacturing, which have historically been essential components of the Italian economy, may be among the first to establish operations and expand their business in China, aiming at a significant increase in exports through strategic investments.

The third strength relates to the good penetration rate of Italian products in some segments, for example, extra virgin olive oil or pasta, which have become very popular product categories in China.

Fourth is the excellent perception of Italian food products, which is primarily related to their better quality and taste. According to the Nomisma survey conducted on 1000 Chinese consumers, Italy is considered the foreign country with the highest quality of food products. This quality however is not only given by the Italian status and reputation of the products, but it is also enhanced according to the respondents by the presence of a PDO/PGI mark (24%), the presence of the organic logo (22%), the ingredients being 100% Italian (19%), a production process mainly carried out in Italy (19%), or if it follows a traditional Italian recipe (16%). Based on these data, we can notice how much Chinese consumers value the Italian origin of the products combined with the presence of the organic label.

This quality is particularly appreciated by the growing medium-upper class. There is indeed a higher intention to buy Italian food among these consumers and also a higher interest in trying new Italian products.

On the contrary, Italian companies exporting to China have certain weaknesses that could hinder the sale of Italian products.

The first weakness is the Italian SMEs' lack of business contacts, for example with importers and buyers, and the specific management skills required to operate in the Chinese market. Importers play a fundamental role in entering this market, therefore it is important to promote the exchange and establishment of business contacts with Italian companies, especially SMEs. In addition, exporting to China may be a complicated undertaking that requires the enterprises to have specific skills and knowledge such as market information regarding regulation, structure, dynamics, and consumer preferences, in addition to the knowledge of the Chinese language that will certainly smoother the process and favor the trade exchange.

Italian food products are scarcely present on the Chinese market, which results in limited availability for the Chinese consumer. Additionally, the limited selection and low varieties of food that could be found in both online and offline stores constitute another significant disadvantage. Moreover, the development of Italian food products companies is also hindered by the absence of Italian chain stores and hotels.

The last weakness is the lack of awareness and knowledge of Italian products and geographical areas among Chinese traders and consumers. It becomes necessary in China to encourage training activities such as seminars or masterclasses both for Chinese traders, i.e. importers and buyers, and for Chinese consumers to help spread the knowledge of Italy, its culture, its food, and wine heritage, moreover since many Italian food items are not part of the traditional Chinese diet.

For what concern the external factors, China offers a wide range of opportunities for Italian companies. Its economic development has promoted the improvement of the per capita income which caused an expansion of the level of consumption, especially for high-end products such as organic food products, eventually making China an important export destination market.

Based on these reasons, the first opportunity identified is a growth in the number of middle-upper class consumers, composed both of wealthy families and young consumers who both live in the urban areas of China, characterized by a higher propensity to spend.

Consequently, due to the increment in disposable income, there is an increased consumption of high-end, high-quality, and imported food products mainly in the first- and second-tier cities. Among these upmarket products, Chinese consumers have shown a growing interest in organic, sustainable, and environmentally friendly products, which constitute a significant opportunity for Italian companies.

This interest is at the same time enhanced by the Chinese government, which has formulated policies to encourage consumption and environmental protection, through its economic development plan i.e., the Chinese 14th Five-Year Plan (2021-2025) whose pillars are the Dual Circulation[8], New Urbanization, Green Development, and Scientific and Technological Independence.

The last two opportunities are identified with two growing tendencies occurring inside the territory of China. The first relates to the use, by Chinese consumers, of western food and beverage products as gifts, such as olive oil, wine, and high-quality chocolates. This tendency is also a result of the massive Chinese tourism in Italy, by which they visit the country and get to know and taste the products, and ultimately purchase them as a gift for their relatives and friends. This could also lead to the re-purchase inside the Chinese boundaries since the consumer has come to know the products and their characteristics and decide to buy again that product to consume at home.

The second tendency regards China's direction toward a digital society with e-commerce and social media playing a significant role. It could represent a huge opportunity for Italian companies to easily reach Chinese consumers and enter the market through online channels.

[8] Dual circulation involves expanding domestic demand, focusing on the domestic market (internal circulation), improving the country's capacity for innovation, reducing dependence on foreign markets, and at the same time remaining open to the outside world (external circulation).

The threats that many Italian companies must face operating in China primarily regard the high cultural differences and the complexity of the bureaucracy and regulatory systems.

Another great obstacle to exporting companies is the high import duties on Italian products. Although they have significantly decreased over the past years, especially following China's entry into the WTO, customs duties combined with VAT continue to significantly affect the final price of Italian products.

Furthermore, Italian companies have also been influenced by an increased national competition across China. They are not only competing on the price level, which is usually lower than imported products, but also on the actual products. There is a wide diffusion indeed of fake products and fake markets across China and in particular of the phenomenon of the "Italian Sounding". The Italian sounding is a marketing phenomenon consisting of words and images, color combinations (e.g., the Italian tricolor), and geographical references for brands that are evocative of Italy to promote and market agri-food products that are not actually "Made in Italy" products. Consumers unconsciously buy these products believing they are Italian but to the detriment of real made-in-Italy products.

Another factor that hinders the sales of Italian products regards the high investments and skills required for the development of web advertising, online sales, and digital marketing. These could be extremely high, especially for Italian SMEs, which constitute the majority of the Italian agri-food industry. However, these digital tools are deemed necessary to get closer to the Chinese market and understand the Chinese consumer and ultimately increase the sale of the company's products.

These advantages and obstacles identified in the analysis conducted by ICE-ITA are a reflection of what Italian companies think and perceive China.

Nomisma surveyed 500 Italian companies with the aim to identify, among those who currently export organic products to China, which are the factors that determine the success of the sales of Italian organic food products, and which are the main obstacles that could hinder it.

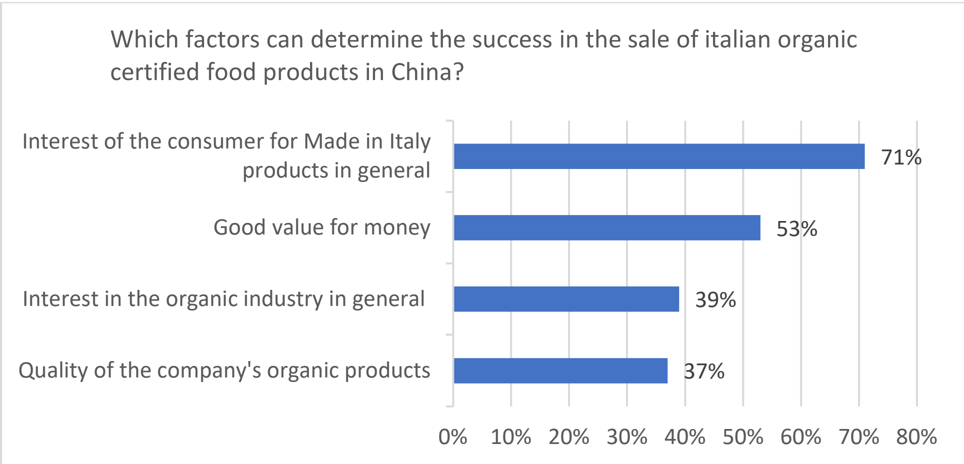
Based on the survey results (Figure 31), as we mentioned earlier, Italian companies think as well that the element that most determines the success of Italian organic food in China is the growing interest of Chinese consumers in the overall "Made in Italy" (71%).

This interest is then followed by the positive perception that Chinese consumers have of Italian products regarding the price. They are willing to purchase organic Italian products because for them they have a good value for money, which certainly represents a winning element in this market (53%).

Furthermore, companies have noticed that regardless of the product's origin, Chinese consumers have shown a growing general interest in the organic industry in China (39%), which could consequently increase the sales of Italian organic products too.

The last factor identified by Italian companies is the quality of the organic products offered (37%).

Figure 31. Levers to the export of Italian organic products to China



Source: Progetto ITA.BIO Nomisma per ICE-Agenzia – Survey Imprese

However, there are undoubtedly elements of complexity in the market that Italian companies have detected (Figure 32). First of all, customs, tariffs, and logistic constraints are the elements that for most companies represent a huge challenge and a difficulty to overcome (58%). As far as we can notice in the data, logistics represent a big obstacle for many Italian companies also for its cost, expressed by 31% of companies.

Another impediment identified by Italian companies involves the local regulations and the bureaucracy that equate each sector of this country and the disputes that may rise with the counterpart (46%), which could be expensive both in terms of cost and time.

As we mentioned in the previous analysis the Italian-sounding phenomenon constitutes an actual challenge that many companies (41%) need to face, resulting in an increased competition for the Italian businesses. According to Nomisma, in fact, 64% of Chinese consumers risk buying products that are erroneously referred to as made in Italy because only 36% of them actually check what is written on the label, i.e., the reference to the "made in". The other consumers just assume it is an Italian product by looking at the pictures on the products, searching for the Italian flag on the label, looking at the brand if it sounds Italian, or simply do not verify anything even if they are interested in the Italian origin.

For several Italian businesses operating in China (29%) is instead the costs of promotion that assume great importance in the management of the company and may eventually become an obstacle to its performance. This is especially critical for Italian SMEs that may not have sufficient resources and abilities to compete in such a huge and innovative market as China.

Italian companies find further difficulties in the requirement imposed by Chinese authorities of the additional organic certification, which represents for a large part of businesses a long, difficult and costly process.

Furthermore, being Italian products imported, they usually cost more. This cost is even higher when we trade organic products. Therefore some Italian companies feel pressured and threatened by the competition placed by local companies who offer their products at a lower price (17%).

Figure 32. Obstacles to the export of Italian organic products to China

Source: Progetto ITA.BIO Nomisma per ICE-Agenzia – Survey Imprese

3.3.2 The Chinese Buyer of Organic Made in Italy

As a result of the rapid economic development of China and the consequent increase in the disposable income, a great part of Chinese consumers when purchasing organic products, has a preference for imported ones, mainly due to quality and safety reasons.

This choice is particularly influenced by the image of the country of origin, with the Chinese consumer having a preference for the country which have some sort of quality advantage and for which the consumer has a relative higher trust in its government's supervision of food safety and food labels.

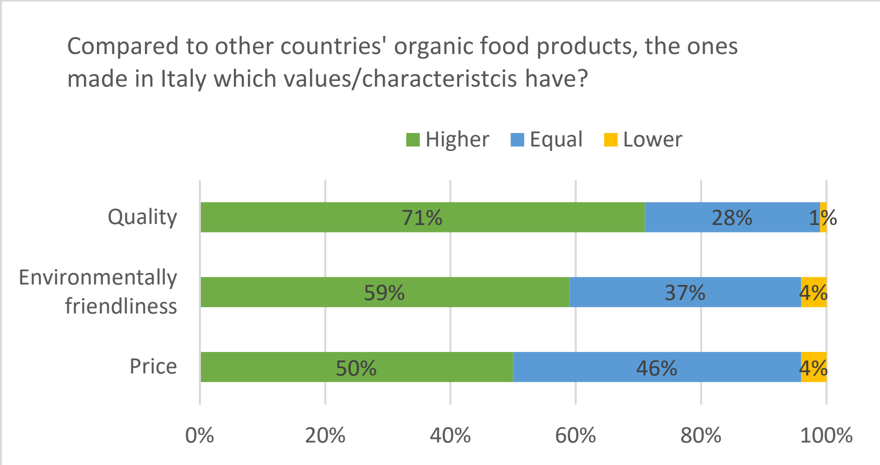
According to the survey conducted by Nomisma among 1000 Chinese consumers, aged between 18 and 55, Italy, together with Japan, represents the foreign country whose organic products are of the highest-quality (18%), followed by Australia (16%), Germany (11%) and France (9%).

More specifically, when asked about the additional attributes that distinguish Italian organic food products compared to those from other countries, 71% of the Chinese consumers think about the higher quality, while 59% on the fact that they are produced and processed in an eco-friendlier way, with less waste and fewer emissions.

At the same time, concerned about the price, half of the consumers think that the price of Italian organic food products is higher than that of other countries, while almost the other half think it is the same as the price of other countries' imported products (Figure 33).

However, the price doesn't seem to be an obstacle for a large part of Chinese consumers that are willing to pay even a higher price for the quality of Italian food products. In fact, 91% of the surveyed consumers are willing to spend more to purchase an organic product that is from Italy. The price increase that the consumers are willing to pay ranges from up to 5% more (31%), from 5% to 10% more (52%), and more than a 10% increase (8%). Although the consumers surveyed all belong to the middle-upper class, this data shows the potential the Italian organic sector could have in the next years.

Figure 33. Attributes of Italian organic products



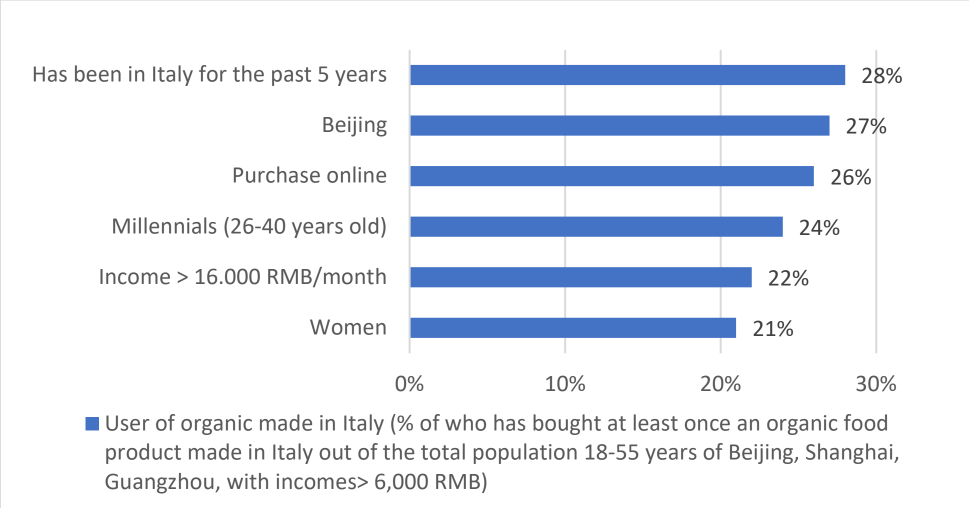
Source: Progetto ITA.BIO Nomisma per ICE-Agenzia – Cina Consumer survey

Due to the still scarce presence of Italian products on the Chinese market, hence also of organic Italian products, only 19% of Chinese consumers have purchased an Italian organic product at least once a year, and the majority (65%) have purchased it on a completely occasional basis, with less than 10 purchases in the last year.

According to Nomisma's results (Figure 34), the Chinese consumer of "Made in Italy" organic products is a consumer that is close to Italy. For instance, among those who have been in Italy in the last five years, the percentage of users goes from 19% to 28%. This consumer is also even more digital compared to the Chinese average user. Therefore, in this target i.e., those who often purchase online, there is a higher propensity to purchase Italian products.

From the socio-demographic perspective, mirroring the average organic consumer's characteristics, the organic made in Italy consumer is a millennial, aged between 26 and 40, that in China represents a very large part, almost more than half of the total population, has a high income, and for the most part, is a woman.

Figure 34. Identikit of the Chinese consumer of organic made-in-Italy products



Source: Progetto ITA.BIO Nomisma per ICE-Agenzia – Cina Consumer survey

These data reported here represent the characteristics of the Chinese consumer who purchase Italian organic products, among a population of citizens living in Beijing, Shanghai, and Guangzhou.

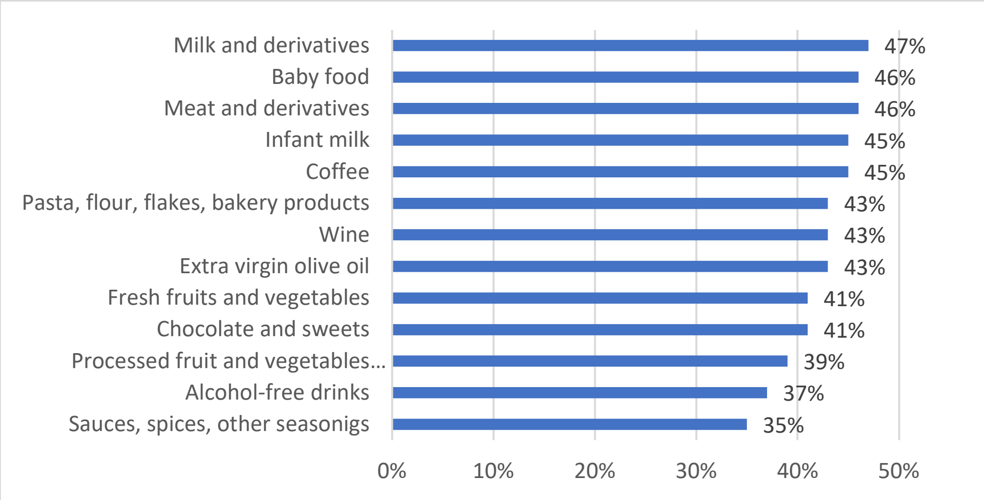
However, we should not forget that an important consumer of organic products is also the foreign citizen living in China. Expats usually prefer to buy imported products because they do not trust the safety and quality of the Chinese products, in the past due to the occurrence of food scandals, and now additionally due to the Covid-19 pandemic. Consequently, many foreigners, in particular Italian and European expats that are maybe more familiar with the products and brands, purchase organic products that are "Made in Italy" for their better quality and safety assurances.

The "made in Italy" organic product categories chosen by the Chinese consumer (Figure 35) basically reflect those analyzed for the organic products in general, positioning in order respectively the milk and derivatives (47%), baby food (46%), meat and derivatives (46%), and infant milk (45%).

These results demonstrate once again that these are the categories that Chinese consumers purchase the most being the major object of their concerns, primarily regarding the safety of the food they eat due to food incidents, but also health and environmental concerns.

After these categories, we can identify the ambassadors' products of the "Made in Italy" in China, respectively coffee (45%), pasta (43%), wine (43%), and extra virgin olive oil (43%). They are followed by fresh and processed fruit and vegetable, chocolates, drinks, and seasonings.

Figure 35. Organic product categories for which the Italian origin is very important



Source: Progetto ITA.BIO Nomisma per ICE-Agenzia – Cina Consumer survey

Combining the data of the organic product categories that represent the first choice for Chinese consumers, and those for which the Italian origin is considered a really important characteristic, we obtain the following graph (Figure 36) and with it the value of the different attributes according to the product category.

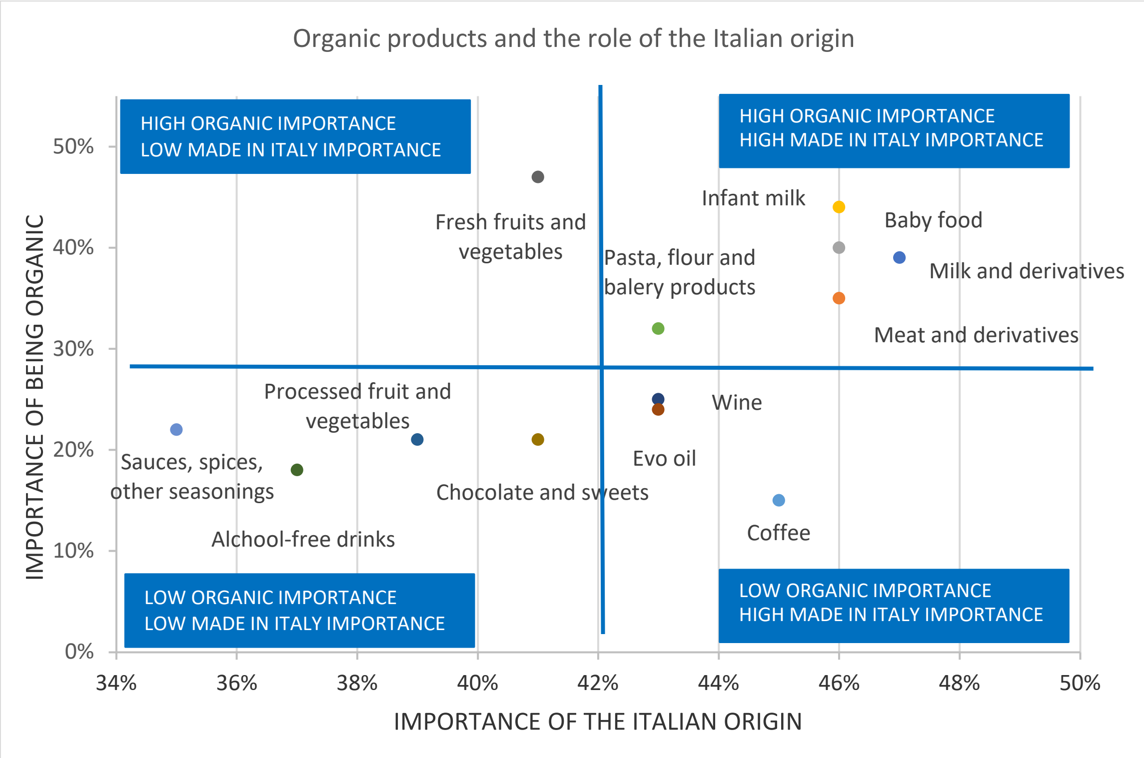
As we mentioned before, for the most stable and bigger product categories i.e. milk, baby food, and meat, the Chinese consumer believes that the organic label and the Italian origin are equally important, both acting as evidence of quality and safety. This group also includes bakery products and pasta.

The Italian origin plays instead a stronger role than the organic label in products like wine, olive oil, and coffee. For these products Chinese consumers have a greater interest in the "Made in Italy" status than in such products being organic, maybe because they have experienced it in Italy or because they have used or received them as a gift, hence they purchase them just because they are Italian but are not interested whether they are organic or not. In these categories, therefore, the organic nature of the products still needs to be additionally promoted, because it struggles to emerge. They could also be affected by the price that is a little higher than the average ones.

Lastly, a peculiarity displayed in the graph is the fresh fruit and vegetable category. On the opposite to the previous one, Chinese consumers purchase them only because they are organic, no matter whether the origin is Italian or not, displaying the importance the certification assumes in this category and the concerns regarding the healthiness and safety the consumers perceived with these products by the label.

For the other product categories i.e., sauces and spices, alcohol-free drinks, processed fruit and vegetables, and chocolate and sweets, the organic nature and the Italian origin both seem to not play a significant role in the Chinese shopping decisions.

Figure 36. Organic products and the role of the Italian origin



Source: Progetto ITA.BIO Nomisma per ICE-Agenzia – Cina Consumer survey

3.3.3 Distribution and Promotion of the Organic Made In Italy in China

Almost every Italian company, to enter the Chinese market and place its products, whatever the exporting strategy is, relies on an intermediary that is often based in China who is more knowledgeable and responsive to the changes that may occur in the country.

Those companies who chose the general trade model often rely on importers and distributors, that will then handle the products to the retailers or the food service industry. The retailers are primarily national and international supermarket chains and hypermarkets located in the first- and second-tier cities, such as Citysuper, Walmart, Metro, Tesco, Hema, and many others. They do not only target the middle-upper class of the Chinese population but as already mentioned also the large number of Expats living in China who already know and recognize the Italian origin of the product or the brand and trust more the imported food products than the Chinese ones.

For what concern the food service industry, there is still a relatively low number of restaurants and hotels that purchase and offer Italian products. They are usually Italian cuisine restaurants, managed by Italians or with staff who have studied or traveled to Italy that already know Italian ingredients. They are mainly located in the first-tier cities and are directed to a high-end consumer, who wants to feel the exclusivity and authenticity of the experience, of the country and its products.

However, as we saw in the consumption base of the organic “made in Italy”, the majority of the consumers purchase Italian organic products on the internet. According to Chinese citizens, in fact, online channels in addition to the ease of purchase, also guarantee a higher level of quality and protection against counterfeit products, and they usually offer a wider assortment of products that cannot be found in physical stores.

For these reasons, many Italian companies decide to enter and operate in the country only through the Cross Border E-commerce model or to sell the goods online as a support to the sale in physical stores. On both the occasions, Italian companies usually rely on a Chinese-based agency or expert to create and manage the online channels, being able to understand better the Chinese consumers, that is in charge of the promotion and the online sales, that then report back to the Italian company the feedback.

The majority of the companies have their own online store on the biggest e-commerce platforms, specifically in those channels dedicated to the products from abroad, such as Tmall Global and JD worldwide, but there are also other platforms like Pinduoduo and

Kaola. Moreover, they usually have their own stores on social networks such as WeChat or Little Red Book.

To encourage the Italian companies' entry into the e-commerce platforms, the Italian Trade Agency ITA-ICE, the government agency who is responsible for the promotion of foreign trade and Italy's exports, has stipulated several agreements with the main e-commerce and O2O platforms to create special spaces dedicated to the authentic made in Italy products, including organic products, and also with the main GDO channels.

Among the projects created with B2C platforms we have: "*HelloITA*", a virtual showcase on Alibaba's Tmall Global, the "*Italian National Pavilion*" (意大利国家馆, Yìdàlì guójiā guǎn) on JingDong platform (JD.com), a pavilion in which Italian companies can set up their own virtual store to sell their goods both in cross-border mode and in general trade mode, and the "*Pavilion Italia*" on WeChat, thanks to an agreement with the company Tencent. Furthermore, there is a series of agreements with the main Chinese distribution channels. In particular with the Suning group, which acquired the Carrefour chain in China a few years ago, for the promotion of typical and genuine products of the Italian excellence, and with Alibaba to support Italian organic products and agri-food products within Alibaba's Hema (盒马, Hé mǎ) network of stores spread throughout the country.

Promotion is a very important undertaking for Italian companies. Being the organic Italian products still scarcely known across China, the promotion could enhance the diffusion of the knowledge about Italy among many consumers and about its high-quality foods.

The promotion of Italian products mainly revolves around two channels: the digital promotion and the promotion through organic trade fairs, even if the use of the latter is decreasing for a great number of companies primarily because it is considered a significant investment with a long-term profit.

The digital promotion, as well as for other organic companies, includes marketing tools such as the company website, stores on the online shopping platform, but most of all social media such as WeChat, QQ, Weibo, and Little red book. All these channels not only must convey the relevant information about the organic nature of the products, about their nutritional and functional value but should also portray the clean and natural environment of the country of origin. Companies must emphasize the Italian origin of their products, the Italian excellence that is different from any other country, the ingredients being 100% Italian, and the production process being carried out inside the country because these are the motivations that trigger the purchase during the shopping decision process. In addition, this information should also be conveyed through the packaging of the products.

Numerous companies, through the use of the products sold, employ these channels to spread the Italian cuisine culture. They post on social media recipes or videos explaining how Italian traditional dishes are done, showing the consumer the easiness of using such products and encouraging them to purchase. Moreover, to involve as many Chinese consumers as possible many enterprises, often with the help of professionals or influencers, KOLs, and KOCs, try to combine the two cultures and create recipes that embrace the two cuisines, creating dishes with Italian products but suited to the Chinese population tastes and habits, making the consumer no longer feel that it is an international product.

The process of internationalization of Italian companies in the organic sector has been supported by important trade fairs that enabled enterprises to enter the Chinese market, and then consolidate their position once obtained the certification for this market.

This process has been facilitated thanks to the agreements signed in 2020 between FederBio Servizi and the China Organic Food Certification Centre (COFCC) – the main official organization for the control and certification of organic products in China – which aimed to open up the Chinese market to Italian companies interested in expanding their business in the country (BolognaFiere S.p.A., 2020).

The most important trade fairs for Italian companies resulted from several agreements and collaborations particularly signed by BolognaFiere with other institutions.

The BolognaFiere Group is one of the main players in the exhibition sector, with more than 100 exhibitions in Italy and around the world. With an important presence in East Asia, BolognaFiere was the first trade fair player to open its own office in China, where it operates through the Company BolognaFiere China, to organize world-class events in Hong Kong and Shanghai.

One of its strategic agreements was signed in 2020 with Federbio to boost the organic sector, aiming to develop a platform for the promotion and internationalization of Italian organic products, a platform that benefited from the direct involvement of ICE-ITA, the Italian Trade Agency, in promoting the internationalization of Italian producers of organic products.

Consequent to these agreements, numerous BolognaFiere events have been organized in collaboration with both ICE-ITA and Chinese buyers to enable Italian companies to exhibit their products, and then enter China with them certified for this market. Among the major ones, there are SANA, *The International Exhibition and Conference for Natural And Organic Products,* held in Italy, and the recently launched project *Marca China - International Private Label Fair* held for the first time in Shenzhen in 2021. The event presented to Chinese operators the vast range of Italian organic products to propose their use for private labels in China's burgeoning Grocery Retail sector. The Chinese businesses that would have expressed interest in the Italian offer were invited to learn more in Bologna, where each year the specialist event *Marca by BolognaFiere* is held. The next edition will be held on June 6^{th} - 8^{th}, 2023.

The success of well-known large-scale supermarkets using private labels, such as Yonghui Superstore, Freshippo, and J.ZAO, provides a point of reference for assessing new business opportunities in China related to private labels, reflecting the potential for foreign companies to produce organic goods that are more easily marketed in China and to widen their offer at lower prices.

Another relevant partnership was formed in 2020 between BolognaFiere and Phenix Exhibitions. The fruit of this collaboration is one of China's leading events for the organic food sector, the "China International Organic Food Expo (CIOFE) held each year in the city of Xiamen and has now become a consolidated appointment for the sector of organic food in general and that enjoys particular substantial participation from businesses specialized in organic fruit and vegetables.

Lastly, the collaboration that was signed in October 2020 and then expanded in July 2021 between BolognaFiere and Alibaba.com. It has created a synergy between the BolognaFiere trade fair platform, and the world's leading platform for online B2B trade, Alibaba.com, which sees more than 26 million active buyers each day and is present in 190 countries around the globe. The collaboration aiming to support the B2B e-commerce in the organic and natural Food&Beverage and Beauty&Care sectors has led to a creation of a special pavilion on Alibaba.com which reproduces in virtual mode the physical exhibition experience of "Sana Restart" and "Marca by BolognaFiere", through an online space where the sellers of the BolognaFiere network can exhibit their products by extending their visibility to the online world (BolognaFiere S.p.A., 2021).

3.3.4 Impact of Covid-19 and Previsions

The Covid-19 outbreak highlighted the strict relation between human health and the health of the environment, making consumers more sensitive and cautious about their own physical well-being, and the quality and safety of the products they purchase.

Consequently, the trend has gradually oriented towards organic products, because they are grown in respect of the fertility of the soil and are considered healthier and safer due to the avoidance of synthetic chemicals, pesticides, and GMOs, and the stricter controls due to the certification.

These concerns have increased the sales of Italian organic products both nationally and internationally with an increase in the organic food products exports.

According to Assobio, the sales of organic products in Italy registered in 2020 an increase of 19.6% in the large-scale distribution, while in 2021 the total sales of organic products increased by 5% compared to the previous year. The exports of organic made in Italy products increased by 11% in the same period (Facchini, 2021).

This growth of the exports includes those directed to China, where the consumption of organic Italian products has also grown as a consequence of the pandemic due to their higher qualitative status perceived by the Chinese consumers, and the perceived higher safety of the European organic certification. According to Federbio data, the current share of Italian organic products exports to China is 13% of the total Italian exports (Federbio, 2022).

However, although the consumers' demand has made the organic products retail trade grow steadily the pandemic had a huge impact on Italian companies and the trade between Italy and China, raising several challenges.

In Italy, the outbreak affected most of all the small and medium farms and enterprises that process and trade organic products. Due to the emergency measures and frequent lockdowns, farmers' markets were closed and the food service industry as well. Farmers were unable to sell their products either to markets or through their agritourism or restaurants, canteens, and schools. Consequently, the entire organic industry was halted.

In particular, many Italian companies have also reported serious difficulties in trading with China due to logistic constraints and the additional bureaucracy imposed. Businesses were unable to transport their goods to China, due to the lack of containers and the resulting higher costs. In the event that the goods were able to arrive in Chinese ports, due to the frequent lockdowns the employees were unable to work, causing the goods to be stopped in the warehouses waiting to be cleared the customs or to be delivered to the retailers.

The pandemic has also highlighted the essential need and importance of the online channels, both in Italy and in China. In 2021, in Italy, the online shopping grew by about 79% compared to the previous year. However, the Italian online market is not as advanced as the Chinese one, and many companies were unprepared to deal with the Chinese e-commerce platforms, lacking the financial resources, skills, and competencies to keep up with such a highly developed online market. For this reason, many Italian companies are now focusing on strengthening their presence on social networks and other online platforms, or it is one of the primary objectives for the near future.

Italian companies often used to present their products through trade fairs and exhibitions to establish business contacts. However, due to the restrictions imposed, trade fairs were unable to be held, and even when the exhibition industry was able to reopen, they could not count on the massive presence of foreign exhibitors and buyers, both in China and at home.

As for the forecasts about the organic market in Italy, it is forecast to record a CAGR of 5.1% in the period 2021-26 as the health and wellness trend in Italy becomes increasingly entrenched in consumer lifestyles (Organic Trade Association, 2021). Companies also foresee an increase in the sales of organic products, especially in international markets (Nomisma, 2021).

Therefore, although China is still configurable as a niche market for the consumption of organic products, in which Italian products result in an even smaller niche, the positive trend that occurred over the recent years will certainly have a beneficial impact.

However, in-depth knowledge of the Chinese market and a long-term vision, these two elements are both urgently needed on the part of Italian exporting companies.

Despite this favorable trend, the Chinese and Italian organic industries will be inevitably subjected to the macro-economic environment. As we previously mentioned, events such as the tensions between China and America, which resulted in higher duties, and the ongoing war in Ukraine, one of the major producers of organic food products, have affected and still negatively influence the organic industries of both countries, which makes hard to effectively make predictions of the future of the organic sector.

3.4 Chapter IV: Italian Organic Companies Experiences: Successful Business Models and Difficulties of the Chinese Market

In this chapter, we present five Italian companies that export both regular and organic products to China. All the data and information were achieved through an interview with three of them (i.e., Costa d'Oro, Girolomoni, Casa Radicci), and through a presentation on the platform ITA.BIO promoted by ICE, FederBio, and Nomisma, for the other two of them (i.e., Alce Nero and Rigoni di Asiago).

The five businesses entered the market through different exporting strategies, but all of them relied on intermediaries based in China when they first approached the country.

Selling different types of products, they have had different experiences, but at the same time, they were all united by a "Made in Italy" sales drive and hindered by cultural and bureaucratic barriers.

The obstacle which most prevented many companies to operate in China is the additional organic certification required on the Mainland and the relative high costs. This factor emerged with many Italian companies, such as *Mukki - Centrale del Latte Della Toscana S.p.A.*, *Dalla Costa Alimentare S.r.l.*, and *Orogel Società Cooperativa Agricola*, which instead are present in the Chinese market only with regular products.

Due to the complex requirements that the Chinese regulations impose, some companies, decide instead to focus only on the market of Hong Kong. An example is *Almaverde Bio Italia S.r.l. Consortile* who associates eight Italian agri-food companies i.e., Almaverde Bio, Canova, Circeo Pesca, Fruttagel, NaturaNuova, Besana, Eurovo, and Molino Spadoni. Indeed, the country allows the use of foreign organic logos and allows companies to commercialize organic products as such both for instance with the European or USDA organic mark, without any additional certifications.

Among the other difficulties analyzed by Orogel, emerged the political situation, caused by the tensions on imports and protectionist measures, the logistic constraints, a strong cultural barrier given the millenary and well-rooted food history of China, and lastly the way the country managed the Covid-19 pandemic, with its zero-covid policy which caused frequent and prolonged lockdowns.

3.4.1 Costa d'Oro S.p.A.

"Land, people, and passion", this the payoff and values of the Italian company Costa d'Oro S.p.A, a brand name born out of the land on which it was founded "the green heart of Italy", the Italian region of Umbria. "Costa" means "hill" in the local dialect and "Oro" stands for "gold" from the "green gold", the way olive oil was once referred to.

It was founded as a family company in 1968, creating a high-quality Extra Virgin Olive Oil (EEVO), and has gradually evolved into one of the most international and important players in the worldwide olive oil market, under the ownership from 2018 of the third largest oil group in the world, Avril.

It based its headquarters in Spoleto, with commercial offices in USA and Brazil, and operates now in more than 100 countries around the world promoting authenticity, high quality, and innovation of the Italian olive oil.

In Italy, they offer a wide variety of products lines, namely "I Classici" (the classics), "*Selezione*" (selection), which include among the others the organic olive oil, " *Gli Extra Vergini Non Filtr*ati" (unfiltered extra virgin olive oil), which also include an organic olive oil named "*Il Grezzo*", "*Gli Speciali*" (the specials), and "*Gli Ancillari*" (the ancillaries). However, all these product lines and the products included could vary according to the region where the company operates.

Costa d'Oro has been present on the Chinese market for over 20 years. Following the general trade exporting strategy, in the beginning, the company relied on an importer-distributor based in Hong Kong, considered the largest logistic hub and passageway to the mainland, which took care of the distribution and sale of the products on the Chinese market. Then they started to operate directly in China, with distributors of various kinds and direct retailers such as international chains like Metro. The business gradually expanded building collaboration with different strategic partners, offering at the beginning a limited range of products, which have been amplified in recent years through online channels.

The reliance on the importer and the consequent development of the business has led the company to operate on the market with two Chinese names: one that was registered by the importer 20 years ago i.e., 金歌斯达 (jīn gēsīdá), which represents the union of the Chinese word for "gold" and the phonetic translation of "costa", and the one that the company personally registered i.e., 寇多乐 (Kòu duō lè) which recall the phonetics of the Italian brand, communicating at the same time through the characters the meaning of "much joy". However, the former is slowly disappearing, also due to the commitment of the business to be known among the Chinese with the new brand name they developed.

The company is present on the Chinese market with different olive oils, but as for the organic category, it offers only the Organic Extra Virgin Olive oil from the Italian "selection" line. According to the company, it represents an important flagship product for the Chinese market, a primary product that will also become the focus of the business's strategy for years to come, considering the recent growth of this sector in the Asian country.

They entered the market with this product only after obtaining the Chinese organic certification and have been organically certified for three years now. The process itself did not meet any particular difficulties due to the support of a Chinese certification body that helped the company through the entire process. Instead, the major obstacles found by the company were in Italy. The hardest part, in fact, was searching for already certified oil suppliers or having Italian oil suppliers certified specifically for the Chinese certification. The number of Italian olive oil companies certified according to Chinese organic regulations was extremely low, if not limited to one or two companies, which then, given the difficulty they found in the first years and the high costs sustained, they decided to give up the certification by not re-applying before the expiration. Consequently, the company worked on finding suppliers that were interested in certifying their production and then working with them in a very close partnership to manage the stock of certified organic oil in China. The audit of the lands and production sites was conducted always online due to the Covid-19 pandemic.

Costa d'Oro initially maintained the aesthetics and labels of the products the same as the Italian ones to convey to Chinese consumers the Italian origin of the products, changing the description according to the requirements established by Chinese law. However, it has recently developed a more adapted version in English, adding to the front label of the bottle more information that is retained of more importance by Chinese consumers, such as the acidity of the oil. In the past few years, the thought that a lower acidity of the oil represents a better quality of it has spread rapidly among Chinese citizens. Therefore, even if there is no strict direct relation between acidity and quality, many companies started to add this information on the label to adjust to the consumer that uses it as a parameter of quality.

According to the information gathered by the company, the consumers of the organic Costa' d'Oro olive oil are young, primarily belonging to the medium-upper class. They may purchase the product because are interested in adopting a more Western lifestyle, or for health reasons. In this latter, are mainly configurated mothers who purchase these products because are healthier for their children.

Most of the time, the consumer is a person who already knows the product, the Italian olive oil, even if it is often marginalized by the Spanish ones. Italian olive oil producers must face intense competition from Spanish products, which account for over 95% of the products available to Chinese consumers. Therefore Italian ones must communicate clearly and effectively the origin to distinguish themselves from the competitors.

The company is much more oriented toward the retail sector, hence primarily big national supermarket chains distributed across the country, such as Vanguard, RTMart, Metro, Walmart, and Lianhua. There is also a food service channel, even if the sales are very limited compared to the retail because of the fierce competition.

The online presence of the company, which includes both online shopping platforms and social networks, is very recent and has taken place with the launch of an ad-hoc project in May 2021. According to the business, the delay was caused by the concern regarding the potential price issues that could have risen between the online and the offline. The offline channel, for the company, has always been a profitable business in terms of volumes and earnings, and the company didn't want to cannibalize such high profits because of the potential losses caused by the online. However, taking into consideration the relevance that such channels have in the Chinese market, and also consequently to the outbreak that occurred, the company decided to approach the online channels with a different business model. They do not rely on a distributor but have a service partner based in China who helps them in the management of both the stock and the platforms. Through this project, the company stated that is learning and understanding better the Chinese consumers, and at the same time is adapting to a more advanced online country, in terms of easiness of purchase, availability and variety of products, and shipping.

It is the service partner that also carried out the promotional activity that is concentrated exclusively on the online platforms, while trade fairs were only employed in the past due to the high investments required.

The promotion has been focusing on KOLs and KOCs, primarily on the platform Xiaohongshu and WeChat through basic content, primarily of brand building to promote brand awareness, which is still relatively low among the consumers, and information about the products and the company. The main contents include posts about the nutritional and functional characteristics of the product, the history of the company, and the region of Umbria promoting its natural landscape and resources. There are also many step-by-step recipes guided by both amatorial and professional chefs on how to cook both Italian and Chinese dishes with olive oils.

Figure 37. Costa d'Oro advertising

Source: Xiaohongshu

Another way employed by the service company is the use of the product as a cosmetic. The company's olive oil is promoted as a moisturizing and long-lasting lip balm, advised for adults but especially for babies who have some dead skin on their lips, which is characterized by a fresh natural fruit aroma, rich in unmatured fatty acids and natural vitamin E.

In addition, the company is the official partner of the Italian national football team, which reinforces and expands the knowledge of the product and the Italian origin, being a sport that is gaining relevance also in China.

However, the company has also faced some obstacles during its entrance into China, considered a huge and complex market.

The business identified as the biggest obstacle the communication. It reported that the different language and cultural references often did not allow the company to communicate the information clearly and correctly to the Chinese counterpart. And the same happened in the opposite direction.

According to them, another obstacle that perhaps all companies have in common, especially the Italian ones, is the presumption that they must impose their way of thinking and mode of consumption, imposing their products, packaging, and assortment on the Chinese consumers, even if those characteristics do not meet their needs and demands. This often results in sales volumes that could be very low compared to the potential demand and gives more relevance to the Chinese competitors, who understand and know better how to attract the Chinese consumer. In the olive oil sector, a big part of the competitors is composed of Chinese companies who import olive oil from Europe and then bottled it in China. A Chinese giant in this sector is the Chinese company Oli voilà, the largest company on the market. This advantage is precisely the ability to respond better to the customers and be more agile in a market that is constantly evolving. While Italian companies fall behind because perhaps, in the three months that the Italian product takes to arrive in China, the market has changed.

However, being on the market for several years now has allowed the company to be reliable among the consumers and the B2B service. The food scandals and food frauds that happened in China have risen consumers' and other players' doubts and mistrust about the quality of the food. However, the long-lasting presence in the Chinese market of the company has made it possible that Chinese consumers and the B2B channels to have trust in the quality of their products, being authentic and genuine, and in the company, being able to respect all the requirements imposed by the Chinese authorities, acting in this way as a guarantee of transparency and quality. These are according to the company, the advantages that make it possible to be profitable on the market.

Based on what has been said about the relationship between the advent of the pandemic and the increase in the consumption of organic products, the company did not report any increase in the sales of its organic products, nor for the overall imported products, but on the contrary, with the advent of the pandemic, it had to face serious difficulties and saw a drastic reduction of the sales for several reasons.

As for what was reported by the enterprise, although the pandemic started in China, it rapidly spread across the globe, and Italy was one of the first countries to be severely affected. As a result, the Chinese consumer was very wary and reluctant about the imported products, due to the fear that the virus could be transmitted through products and their packaging and that they could bring back the virus once it was defeated in China. For these reasons, the sales of products saw a drastic decrease. Another reason was also the closure of the food service industry, which collapsed in China as in many other countries.

At the same time, the company faced a decrease in the sales of products, basically because this product is not an essential element of the Chinese population's diet, as it is for the Italian one. During the frequent cases of lockdowns, the Chinese consumer only bought the basic necessities, everything that represented the basis of their daily diet, and olive oil was certainly not an essential ingredient for them. Furthermore, due to the pandemic, the consumers who wanted to stock big quantities of products, chose rise, vegetable, or sunflower oil, but all in large size and low in price, and did not choose a high monetary value product with limited use for them as the extra virgin or organic olive oil. Now, consumption has returned to the past levels and there is no longer a rush for basic necessities, therefore consumers are buying all kinds of goods.

Another obstacle caused by the outbreak was related to the increased complexity in the management of deliveries and stock of goods. During the lockdowns, the goods were halted in the warehouses and cannot be delivered or cleared through customs if they were coming from Italy, because the warehouses, customs officers, or transporters were in lockdown. Consequently, the retailers have no products to sell, causing sales to decrease.

The company sees growth prospects in this market and at the moment its interest is primarily focused on the acquisition of information and experiences from Chinese online channels, and the consequent strengthening of them, given their essential nature in this market.

3.4.2 Gino Girolomoni Agricultural Cooperative

The story of the Girolomoni farming cooperative begins in 1971, with Gino Girolomoni, a young mayor of Isola del Piano (Urbino), poet, and above all a farmer. He was one of the pioneers of the organic farming in Italy, founding in 1977 in the Marche region, the Alce Nero Cooperative, with the main aim to restore "Dignity to the land" and to those who protect it, the farmers.

In 2004, the brand "Alce Nero" was sold to CONAPI, the Italian National Beekeeper Consortium, and Coop Fond. Girolomoni left the company, and in 2005 founded the Montebello brand which, after Girolomoni died in 2012, was changed after the founder, naming both the cooperative and the brand in "Gino Girolomoni".

Currently, the farming cooperative owns the entire organic pasta supply chain, from wheat to mill, to the pasta making, where production is 100% organic. They grow wheat in about 400 farms, 76% of the Marche region, grind it in their mill, and once it has become semolina, it is mixed with the water of the surrounding hills in the adjacent pasta factory, and it is transformed into pasta.

They also grow other grains, as well as legumes, rice, tomato sauce, EVO oil, and couscous under the Girolomoni brand.

The company primarily sells its product abroad, in fact, it develops about 85% of its turnover abroad and around 25% in Italy, depending on the year. They export to more than 30 countries, mainly divided among Europe (53%), North America (16%), Asia (4%), and Oceania (2%).

China still represents a small market compared to the others, both in terms of dimensions and sales volumes, resulting in a relatively low turnover for the company.

According to the company, the organic industry in China is still a niche market where dairy products account for almost 90% of the sales. Being the Chinese market very different from the Italian one, in terms of consumers' perceptions and in terms of products, organic pasta is still a relatively known product category.

Therefore the company decided to enter the market through the Cross-border e-commerce exporting strategy (CBEC), hence the direct sale of the products to the final consumer through online distribution. The cooperative only takes care of the export of the products to Hong Kong, and it has no registered office or direct presence in China. There is only an importer who collects the products from the company and takes care of the imports, clearance of the customs and the relative documentation, and then delivers the products directly to the consumers wherever he is. It's, therefore, the importer who is in charge of fixing the sales price, and of the management of the distribution and promotion of the products, which is exclusively online. Indeed, the company is not present in physical retailers' shops, but only on the Chinese marketplace, hence online shopping platforms such as Tmall, Kaola, and JD.com.

Figure 38. Girolomoni advertising

Source: JD.com

The company entered this market around five years ago after obtaining the Chinese organic certification. However, the cooperative had to apply for a double organic certification. One regards the raw material, the wheat they grow, and one regards the processing of the raw material and the production of the final product which is the pasta. The company did not meet any particular difficulties, since they were already certified with the highest level of the European and Japanese organic certifications.

The consumer of the Girolomoni pasta products is a highly evolved consumer, both in terms of disposable income and in terms of education and knowledge, which enable him/her to know about the products and their higher status and purchase it online.

The double step that the product makes from Italy to China and then to the customer, in addition to the shipping costs and the online availability, all increase substantially the cost of the products. Therefore the consumer is usually identified with a high income and high willingness to pay for a superior quality product.

The company offers in the Chinese market various types of pasta, even if the best seller among the different formats is "spaghetti". It may be the most known format, not only because of its fame across the globe but also given the similarity and familiarity with the Chinese cuisine's dish (miàn tiao).

The business maintains the label the same as the Italian one for three basic reasons. First, the sales volumes do not allow them to develop a dedicated label and a dedicated packaging directed to the Chinese consumer. Second, for this type of consumer, pasta is a status, and the Italian packaging attracts the consumer and makes it pleasing to the foreign customer just because of its Italian characteristics. Therefore having a Chinese label would paradoxically lessen the value of the product and would not be considered an advantage. Third, the product can only be found in online stores, it is not present on the physical shelf of a supermarket, hence the product information on the physical product is not read by the consumer but is read directly on the online platform where the products are known as 吉罗鲁魔尼 (Jí luō lǔ mó ní), the phonetic translation of the name, and where all the description of the products and its nutritional and functional value information are provided in the Chinese language.

According to Girolomoni, one of the biggest obstacles for the company regarding operating in China is its scarce knowledge of the Chinese consumer. Through the CBEC model, the business knows nothing about the consumers, what may interest or attract them, or if the company should adapt the products in terms of taste, the format of the pasta, or other features.

The second challenge reported concerns the choice of the importer or, more in general, of the commercial partners. The reliability of the interlocutor in China could determine the performance of a business and it could be discriminating. It is very easy to find unreliable interlocutors. As for the company's relation with its partner, the business on the one hand finds the importer's sales volume lower than what they expect that could be, but on the other hand, they are satisfied with him being efficient, managing everything on his own and paying invoices regularly, which constitute a big advantage for a business.

According to them, by employing this only importer, China represents only a minor tactic for the company, since it is not yet an advanced market in terms of organic trade and consequently its commitment is low. Instead, it's very high in the more advanced markets such as Europe and North America, which are able to recognize the higher value of the organic pasta e sustain a higher cost of the product.

Working exclusively through the online channel, the company during the pandemic has shown significant growth. Due to the frequent lockdowns, many consumers wanted to stock products, and pasta was in line with these necessities: it is a product that has a long shelf-life, and it can be stored easily and without any refrigerator. These factors have eventually increased also the sales of organic pasta, among those consumers who prioritize this category. However, the business refrains from stating that the pandemic has increased sensitivity toward organic, also taking into consideration that an increase in the cost of the pasta would otherwise discourage many consumers to purchase it. The pasta is a simple and poor product, but its cost during the pandemic has increased dramatically due to the higher costs of transportation, containers, and the overall logistics and distribution, becoming thus discriminating. This is eventually reflected in the price of the product, which was then affordable only for a number of high-income consumers.

3.4.3 Alce Nero S.p.A.

The story of the company begins in the 70s with the meeting between CONAPI (The National Bee Keepers' Association, founded in 1984 by the former Cooperativa Apistica Valle dell'Idice) in the Emilia Romagna region and the Alce Nero Cooperative, established by Gino Girolomoni in the Marche region.

Alce Nero was one of the first cooperatives that processed the idea of organic as an agronomic and environmental practice for obtaining good food and nourishment for people. This is expressed by the logo, a black elk, a shaman, and Native American leader of the Oglala Sioux tribe, riding "against the tide", spreading his message of freedom and love for the land.

Alce Nero, which has a unique business model, is a joint stock company, whose shareholders are composed of farming entrepreneurs, private agro-industrial professionals, and cooperatives, i.e. La Cesenate Conserve Alimentari S.p.A., which took over in 2019 the shares sold by Conapi, Brio S.p.A., Pastificio Felicetti S.p.A, Cooperativas Sin Fronteras lnternational, Consorzio Libera Terra Mediterraneo, Chocolat Stella, Pompadour, Molino De Vita S.r.l, Apo Conerpo Soc. Coop, and Mediterre.Bio S.r.l..

It carries out the production, processing, and marketing of organic food products, also belonging to the fair-trade circuit, bringing together more than 1,000 organic farmers and processors in Italy and over 10,000 small family-run farms in Central and South America, being in control of the 100% organic supply chain.

Today the brand encompasses about 400 products, primarily belonging to the Mediterranean diet such as pasta, rice, tomato purée and pulp, vegetables, legumes and puréed soups, biscuits and fruit juices, preserves and honey, plant-based beverages, and a range of baby foods for infants. Additionally, there is a range of fresh produce, including, fruit, vegetables, yogurts with "Hay milk STG" and soups, along with the frozen range, ice creams, and organic Fairtrade produce sourced from Latin America i.e., coffee, chocolate, cocoa, brown sugar, basmati rice, and tea.

The company, with the purpose of distributing its products in the Far East market, launched in 2006 a new project, the establishment of a joint venture "Alce Nero Asia ltd." with the local importer, the Denis Group. The joint venture was born out of the willingness of both businesses to develop the brand and make it grow bigger, with the main goal to offer food products that would be safer, healthier, and environmentally friendlier.

The Denis Group was founded in 1862. It is a group of companies still controlled by the heirs of the French founder, Etienne Denis. The business activities of the Denis family have always been focused on Southeast Asia and today the group pursues its main activities, mainly in the Food industry, in the Far East.

The joint venture, which has its headquarters in Singapore, coordinates development strategies of the Alce Nero brand throughout the Far East (including China and Japan). The partnership is based on equal contributions (50:50), meaning that both the partners own the control of the JV, and are equally responsible and committed to the success of the business. Alce Nero Spa produces in Italy, and Alce Nero Asia Ltd imports, promotes, and sells them on-site, through the operative and commercial companies of Denis Group.

The company is certified organic by all the organic certification bodies of each country if there is no equivalence with the European regulations, such as the Chinese and Japanese organic certifications. Moreover, they have additional certifications such as the Halal certification, which is required in certain Asian markets.

Alce Nero entered the Chinese market in 2009, only after a long three-year process to obtain the Chinese organic certification, operating under the Chinese name 有机尼奥 (Yǒujī ní ào). The brand presents itself to the Asian markets as a 100% Italian organic brand, typically selling products of the Mediterranean diet.

Figure 39. Alce Nero's logo

Source: Web seminar ITA.BIO

The company market Chinese-ready products, with bilingual labels (English and Chinese), which on the one hand offers less flexibility than taking readily available Italian stock, but on the other allows them to target the mass market in China, rather than the limited imported food segment.

Logistics, distribution, and promotion are handled by the local partner. Denis and Denis China have offices in Shanghai, Beijing, and Shenzhen, and directly manage all the activities through a team dedicated to Alce Nero.

The company is present in a very widespread way both online through online platforms, such as WeChat, Tmall, and JD.com, and offline through traditional channels such as international retailers and high-end local retailers in provincial capital cities, such as Citysuper, Ole' Supermarkets, Carrefour, and many others.

In China, distribution remains a challenge, because it is difficult to guarantee a uniform and nationwide presence, but the boom of online retailers allows the products to be available anywhere within a reasonable timeline. For this reason, the company would like to extend its online presence, in particular through Cross-Border E-Commerce.

The company is also very active in the promotion of the brand because for them it is important to make their products known and to make the Italian product understood. After all, as the company emphasized, cultural barriers exist, and a company needs to be aware of that.

The promotion is also conducted on both the offline and online channels. They participated in trade fairs, both in the B2B sector and in fairs intended as local festivals. An example is the Slow Food Market in Shanghai. A lot of tasting-in-source are placed inside the supermarkets, with Chinese employees cooking and explaining the products, with the exact aim to make the product understood and known to the final consumer. The company also tries to collaborate with cooking schools, as a way to promote the quality of their products among a receptive audience.

Figure 40. Alce Nero promotional initiatives

Source: Web seminar ITA.BIO

For what concern the online channels, the company has a flagship store on Tmall, entirely dedicated to Alce Nero, designed with graphics that follow and reflect the Chinese tastes and advertising techniques which are completely different from the Italian ones. On this online store, the company does a lot of live streaming and live commerce because this is a very popular method in China. They also hired local KOLs and local bloggers who explain and promote the product, because from the statistics they found out that word of mouth or the advice from an influential person strongly pushes the consumer to buy. The company reported also many scams or influencers who fake the number of followers, so having someone on the spot, who understands well how it works and if it is a scam, is important.

It’s precisely the collaboration with the importer that the company reported as its biggest advantage. The concept of organic is still a relatively new one in China, therefore the company put the emphasis on the fact that they are Italian first and organic later. However, Alce Nero is a complicated name, which does not recall the country of Italy or Italian symbols, so it’s thanks to the commercial partner and its commitment that the Italian origin is communicated and the product commercialized. Furthermore, with this type of intermediation, the linguistic and cultural barriers, even if they are present, are reduced because the affiliates know well the market, its difficulties, the trends, and understand the consumers’ habits and customs.

The process of commercializing organic products in China is however not easy, there are in fact several factors that the company identified as difficult challenges to overcome. In particular, the business reported two main obstacles, both related to the certification process.

Alce Nero has been certified China Organic since 2009, but "the certification process was long, expensive and complex". This was because, according to Chinese regulations, a company must certify the entire supply chain, from the raw materials to the production site. Consequently, this process was not an issue for simple products, such as olive oil or tomato pulp, but became extremely problematic for more complex products such as biscuits, which contain more sub-ingredients, because each of the ingredients must be organically certified by Chinese authorities.

Furthermore, the parameters are often different from the European legislation and sometimes they are even more restrictive. For instance, the limits of chemical contaminants are different between the EU and China, and the active principles are not allowed in the Chinese certification.

As a consequence, while Alce Nero sells hundreds of products in Italy, varying from pesto, cereals, or fruit spreads, in China, they decided to focus on simpler products, namely pasta, olive oil, and tomato products. They however market a limited range of products that are not Chinese organic-certified, but they must do so after removing any organic mentions from the labels.

To obtain, or renew the certification, a team of Chinese certifiers is sent to Italy to audit the farms and producers. According to the company, the audit not only constituted a long and detailed process, in which the farmer must show them the fields, the production process, and let them do chemical analyses such as of the ground and the water, but it also implies addressing to a Chinese-speaking auditor. The language and cultural barriers become then stronger between the farmer and the Chinese auditor. The farmer who has cultivated his land in a certain way for years, often also through inherited techniques, tries to make the auditor understand why it is done in a certain way, which however could possibly end in disagreements.

Another significant barrier reported is the requirement imposed by the Chinese authorities to declare the exact amount of product that the company wants to certify. It means that every year, the business must communicate exactly how many tons of wheat they want to certify which is equivalent to a certain number of kilograms of pasta. Consequently, it means that if a year the company registers a good performance and it might be useful to have more raw materials to produce the product, there are no certified ones. Similarly, if the raw material is too much, it is in excess, this certified raw material cannot be used in the following year, meaning therefore that it remains unsold, which represents a significant cost for the company.

3.4.4 Rigoni di Asiago s.r.l.

The story of Rigoni di Asiago was born with Elisa Antoni, who, to face the financial difficulties caused by the war, founded in 1923 the family company Rigoni Beekeeping s.n.c. in the heart of the Asiago plateau, in the province of Vicenza (Veneto region).

The company first specialized in the processing and sale of organic certified honey, and later diversified its production, becoming Rigoni di Asiago S.r.l. in 1997. In addition to the honey, present on the market with the brand Mielbio, Rigoni di Asiago has successfully placed on the market the production of Fiordifrutta, which deals with organic fruit preparation, Nocciolata, organic spreadable cream with cocoa and hazelnuts, Dolcedì, a natural sweetener, Tantifrutti, fruit nectars, and DolceHerbe, which include food supplement based on honey and echinacea.

The Rigoni Group is now controlled by Giochele S.r.l., the holding company of the Rigoni family (57.3%), while the remainder is held by the Swiss private equity fund Kharis Capital (42.7%), a leading financial operator focused on investments in the long term in consumer markets, with a consolidated experience in the organic food markets and a large international network in the world of food and beverage and large-scale distribution.

Currently, Rigoni di Asiago has its own supply chain and, thanks to the consolidated collaboration with a network of organic beekeepers and farmers, controls every stage of the manufacturing process, from the cultivation of the raw material to the packaging of the finished product and its distribution, guaranteeing a 100% organic production.

The company is present with two production plants in Italy and one own farm in Bulgaria and has three branches abroad: the United States, France, and the Benelux. The products are mostly sold in Europe and the united states, but they are also exported to Brazil, Turkey, Japan, Korea, China, Canada, Australia, and India.

Rigoni di Asiago exports to China since 2015, relying on a Chinese importer and distributor based in Shanghai, the Shanghai Roria Trading Co., Ltd. who trades the products under the name "Rigoni瑞歌有机果酱" (Rigoni ruì gē yǒujī guǒjiàng), composed by a phonetic translation of the name Rigoni e the Chinese translation of the word "jam".

The company obtained the Chinese organic certification in 2018, and although the certification process was for them a long procedure and presented several difficulties, it was facilitated thanks to the support of the Chinese importer and the Chinese and Italian certification bodies, respectively OFDC and Bioagricert.

The company decided to focus on the sale of the Fiordifutta jams, offering a wide range of flavors.

Following the advice of the Chinese importer, the business kept the front label as the Italian one, to enhance the Italian origin of the product and make the consumer understand and rapidly realize it is part of the Made in Italy production. While on the back side, it adapted the label according to Chinese regulations, with the translated product information and the anti-fake seal.

The consumers of Rigoni di Asiago primarily belong to the medium-upper class. They may include a wide range of people: families with a high income living in the biggest cities of China such as Beijing and Shanghai, who wants to purchase healthier food choices, especially for their children, Expats that constitute a large number on the mainland, and all those Chinese consumers who, for various reasons such as study or work, have gone abroad and, once returned to China, have decided to continue adopting a western lifestyle by buying western food products.

The distribution and promotion of the products are in charge of the importer-distributor.

The company is currently working both in the large-scale retail trade and the online channels, which has become a necessary requirement also due to the Covid-19 pandemic. They are present on supermarket chains such as City Super and Carrefour, and online platforms such as Tmall, JD.com, and Pinduoduo.

Although China is an interesting and big opportunity for many companies, it was especially difficult for this business to penetrate.

The first challenge that the company needed to face is linked in fact to the nature of its products, the spreadable creams, and the different cultures existing between the two countries. In the Chinese culture, bread does not exist as it is thought in Italy, and neither does the use of jams and spreadable creams.

The company had to overcome the huge obstacle of the actual mode of use of the product for a different culture. They have to explain and describe the product, teach Chinese consumers how to use it, or create ways to use the product that could be close to the Chinese culture. Some examples are the use of jam during breakfast, inside yogurt, using it through recipes teaching how to make desserts, or a peculiar way found on social networks is the use of jam with sparkling water.

Figure 41. Rigoni di Asiago advertising

Source: Xiaohongshu

However, the enterprise has noticed two advantages in the Chinese market. The first is the importance that the Made in Italy has assumed among Chinese consumers, and the other is the size of the market.

Due to the several food scandals that occurred in China, consumers tend to trust more imported products, and the Italian origin acts as an assurance of quality. A quality that is enhanced as well by the organic certification that acts as a guarantee of safety.

Moreover in the last few years, the company observed a growing interest of the Chinese middle-upper class in healthier products and most of all in the transparency of the information reported on the label, related to the origin of the raw materials, production processes, and the nutritional value. These are the aspect that Chinese consumers are more and more paying attention to because he/she wants to purchase higher-quality products for their own and their family’s consumption. The growing success of the Italian organic products, or more, in general, the European ones, is precisely linked to the higher reliability of the information reported, the higher food safety, healthiness, and better taste that such products have.

For the future, the company is currently discussing with its importer-distributor about strengthening and supporting the presence of their products at the level of marketing and communication of the products, aiming to increase brand awareness among consumers by targeting them and communicating on digital platforms, and which above all Chinese millennials make great use.

3.4.5 Caseificio Pugliese F.lli Radicci S.p.A.

Casa Radicci began its history in the late 1950s when the Radicci family, originally from Gioia del Colle (Bari) moved from Apulia Region to Piedmont Region, where later was establish the artisanal laboratory in Feletto Canavese (Turin), that combined together the ancient dairy tradition and art of Apulia with the best farms and quality raw material, the Piedmontese milk.

Casa Radicci offers a comprehensive range of fresh and frozen cheese produced using 100% Italian milk of cow and goat, under three brands: *Caseificio Pugliese*, founded by the company and specialized in the production of fresh stretched cheeses, the Piedmontese *Conrado*, which is specialized in the production of soft cheeses, and the Venetian *Spega*, whose offer includes a wide range of fresh soft cheeses.

The company has also two special lines: a lactose-free line and an organic line. The latter includes three main products: the organic fiordilatte mozzarella, the organic ricotta, and the organic stracchino, made in Italy with Piedmontese organic milk from selected organic farms, probiotics, rennet, and salt, four totally natural ingredients fundamental to ensure that the product is a good and high-quality product.

As for the frozen production, which is mainly destined for overseas markets, the company produces, packs, and freezes the cheese in their factory without outsourcing.

The company currently exports its products all over the world, starting from the main European Countries to the U.S.A., Japan, Singapore, Hong Kong, and China.

The company is present in China through an importer-distributor. The products, from both the regular and the organic line, are exported frozen, transported by sea with special containers, and when arrive in the port of Shanghai, are taken in charge by the importer who carries out the clearance of customs and the relative documentation, the distribution and the commercialization of the products whether they are in physical stores, food service or online. It could happen that a part of those goods is stored and then distributed from time to time.

According to the company, sales volumes are not very large, because Italian cheeses are considered a niche market in China. Consequently, organic Italian cheese is even a smaller chunk of the market, although is a segment that is also showing a significant growth.

The products are sold frozen to the food service industry and, for a selection of products, with a new line named "Triple F, Fresh from Frozen" to the retailers or the consumers.

The company in China is oriented both to the B2B sector, the food service industry, selling its product primarily through online channels and platforms such as Alibaba, but it also sells to the final consumers both through international supermarket chains or niche retailers in the biggest cities of the mainland, such as shanghai and through online channels, reaching all those consumers and families who go grocery shopping online.

Figure 42. Casa Radicci e-commerce

Source: Alibaba.com

The B2B buyers mainly include those niche high-end Italian cuisine restaurants, pizza restaurants, or high-end organic restaurants that want to offer Italian high-quality organic cheese on their menus.

The B2C channels on these kinds of products are a bit more sought after, meaning that there are more opportunities for development and growth due to the presence of many consumers who already adopted an organic diet, which could already be composed of a variety of other imported products such olive oil, pasta, or meat.

The company consumers primarily include those Chinese citizens and expatriates, both Italian and foreigners, who belong to the middle-upper class characterized by high expertise and high willingness to spend a premium for a made in Italy imported product, a niche product. The consumer, in particular, is a person who has the knowledge or heritage of the Italian cheese products, or a Chinese or foreign consumer who has traveled to Italy, for pleasure or work, and had seen, experienced, and tasted the product in Italian restaurants or hotels, and now wants to live again that experience in China, maybe buying the products to make a dessert at home or tasting it in a pizza or Caprese in an Italian cuisine restaurant based in China. Therefore, we are talking about a consumer who has strong product knowledge, is conscious and erudite, with a high propensity to spend.

It is very unlikely that Italian cheese, and most of all organic Italian cheese, is bought by inexperienced consumers or is bought by mistake, it is most of the time an experienced consumer who searches specifically for that product.

All these feelings and experiences are then conveyed in the promotional activity, mainly online, which is the responsibility of the importer. The aim is to recreate those Italian environments, tastes, and the experience that the tourist has lived in Italy through blogs, images, and videos, communicating at the same time the healthiness, authenticity, good taste, and the Italian origin of the product, maybe supporting it with other Italian famous dishes or a glass of wine. The promotion of the product also includes online videos or pictures explaining how to use the product, with recipes and advice from other people, and an offline part, establishing physical pop-ups inside stores and supermarkets to allow the consumer to taste the product, or through offers and discounts.

The packaging of the products remains the same as the Italian one, with the description of the products in Italian and English, in addition to the required translations imposed by the Chinese law, such as the name of the product, description, ingredients list, nutritional value, conservation modes, and date of production and expiration.

The best seller of the organic line is usually the organic Fiordilatte Mozzarella.

A peculiarity of this company is that the importer sells organic products on the Chinese market only with the European organic mark. This happens with many companies who decide that the European mark is sufficient to be recognized as organic by Chinese consumers. However, according to the Chinese regulation that product could not be considered organic because the company did not apply for the Chinese organic certification, and therefore is considered as a regular one. The company has anyway decided to apply for the Chinese organic certification, but the procedure was later suspended due to the pandemic.

According to the company, there are several challenges that it had to face operating in China. The first one relates to the bureaucracy, to the procedures that the company needs to follow and respect to operate there. For instance, to export and sell products in China, a business must be registered in certain lists, have the credentials, and be accredited in a certain way. These procedures take time, a time that could range from six months to one year.

Another challenge relates to the difficulty that Italian companies find in identifying and trusting a Chinese partner, importer, and/or distributors, and exchanging and communicating with them effectively. For the company to find a suitable partner with which establish a continued and profitable relationship to sustain the business project is in fact the most difficult obstacle to overcome.

Furthermore, although China represents a huge and wide market, the annual consumption of cheese is very small. In the last few years, the consumption of cheese products has increased but it is still a niche one, representing a further challenge for the company, which indeed reported low sales volumes, also in the organic sector, compared to the huge potential it could have. This potential is also enhanced by a greater sensibility and attention to more healthy and safer products that have begun to spread among Chinese consumers even before the pandemic, making organic a growing category, and this has made it possible also for the company to register an increase in the sales of about 5%. However, with the advent of the Covid-19 outbreak, trade with China was completely halted, affecting consequently the performance of the company.

The company stated that being part of what is defined as Made in Italy is a great advantage for the company because it represents an asset that may drive the sale, and a point of reference to which the medium-upper class Chinese consumer tends to. The challenge, however, is raised when the Chinese consumer does not find himself in and recognize the quality, taste, characteristics, and value for money of the product, in that case, the made in Italy status will be useless. Therefore it’s important for a company to make the product known, and to build trust among the consumers, but it is a process that requires a long time and much effort.

The goal for the next few years is to broaden a little the target, reaching a younger Chinese or expat consumer who is interested in the Italian cuisine and products and also reaching the baby segment.

3.4.6 Comparative Analysis of the Italian Exporting Companies

Although all five companies produce and export different product categories, they present some similarities in the way they deal with and relate to the Chinese market. For this reason, we present now a comparative analysis of the five companies, summarized in Table 3 looking at the different areas of management and company characteristics, trying to identify the best possible solution.

Table 3. Italian exporting companies' comparison

	Costa d'Oro	Gino Girolomoni	Alce Nero	Rigoni di Asiago	Casa Radicci
Entry Mode	Over 20 years General Trade Importer in HK, now direct presence, collaborations in China	5 years CBEC Importer in HK	13 years General Trade Joint venture with Denis Group "Alce Nero Asia"	7 years General Trade Importer in Shanghai	Over 7 years General Trade Importer in Shanghai
Certification	Before entering the market. No difficulties, support of certification bodies	Before entering the market (double certification). No difficulties	Before entering the market. Difficult and long process	After entering the market (3 years). Difficulties, but had the support of certification bodies	No certification.
Label	Adapted - More information about the acidity	No adaptation - Promote Italian aesthetic, origin - Low sales - Online sale	Adapted - Languages: English and Chinese	No adaptation - Promote Italian aesthetic, origin	No adaptation - Promote Italian aesthetic, origin
Consumer	Middle-upper class Young, Families Product knowledge Motives: Western lifestyles, health reasons	Middle-upper cl High educational Online consumer	Middle-upper class	Middle-upper cl Chinese, expats or families Product knowledge Motives: Western lifestyles, health reasons	Middle-upper cl Chinese, expats High education Product knowledge Motives: Western lifestyles, Italian trip feeling)
Distribution	• National supermarket chains • Foodservice channel (limited) • Online platforms – Service Partner	• Online platforms	• International supermarket chains, high-end retailers in capital cities • Online platforms	• International supermarket chains, high-end retailers in capital cities • Online platforms	• International supermarket chains, high-end retailers in capital cities • Foodservice channel (upscale) • Online platforms

Promotion	• Online platforms (social media and KOLs, KOCs)	Importer's task	• Trade fairs and local festivals • Tasting-in-source • Cooking school • Online platforms (Flagship store, live commerce, live streaming, KOLs, KOCs)	Importer's task	Importer's task • Tasting-in-source • Promotional discounts • Online platforms
Difficulties	• **Certification:** few Italian certified suppliers • **Consumer:** distance, scarce knowledge of consumers • **Partner:** communication	• **Consumer:** scarce knowledge of consumers • **Consumer:** affordability • **Partner:** choose a reliable one	• **Certification:** long and complex bureaucratic process • **Certification:** early statement of the certified quantity • **Cultural barriers:** difficult audit procedure	• **Certification:** long and difficult process • **Consumer:** mode of use of the product	• **Bureaucracy:** long and complex export procedure • **Consumer:** low consumption of cheese • **Partner:** reliability and communication
Advantages	• Long-lasting presence on the market enabled consumers' and partners' trust	• Made in Italy • Low commitment due to the CBEC strategy	• Made in Italy • Collaboration with a local partner	• Made in Italy • Higher reliability of imported products information • Market size • Health trend	• Made in Italy • Market size • Health trend
Covid	Decrease in the sales • Uncertainty to buy imported food • Olive oil is not part of the Chinese diet • Stock of cheaper goods • Logistic issues	Increase in the sales • Stock of durable products No noticeable increase in the overall organic purchases	No data	No data	Decrease in the sales Trade was completely halted

Source: Personal elaboration

Almost all the companies have entered the market through a general trade exporting strategy, which allows the businesses to have an omnichannel presence, hence providing products both on the offline and online channels.

According to them, the best solution to penetrate such a huge and complex market is to rely on a Chinese importer, based in Hong Kong or Shanghai, in correspondence with the biggest harbors of the country. This is because they better know the market and its consumers, they know how to overcome the cultural and linguistic barriers, and rapidly react to the continuously changing demand and consumption trends. Only after a long-lasting presence, two companies, namely Alce Nero and Costa d'Oro, increased their commitment to the Chinese market by establishing a joint venture and partnerships with

Chinese retailers and distributors.

The Chinese organic certification was primarily obtained before entering the market, otherwise, the products could not have been marketed as organic under Chinese regulations. The process was especially difficult for some companies, often conditioned by the type of product to be certified, for instance for multi-ingredients products, but the support of an organic certification body has emerged to be a vital factor to the success of the procedure, and an essential element to facilitate and smoothen the process.

The acceptance of their products has clearly been determined by the attribute of the Made in Italy, generally considered by the Chinese consumers of higher quality and safety. The majority of the companies, to enhance such association and communicate the Italian origin of the products, keep the Italian label and its aesthetics as the original ones, also to promote the product as a status symbol. As reported by several companies, this quality has often been experienced directly in Italy, where Chinese consumers have traveled for pleasure, work, or study, and in which they have come to know the products, their taste, and their quality reputation. The consumer is in fact always a highly educated individual of the middle-upper class, with a high-income level that allows him/her to afford the general higher price of organic products. They usually purchase such products, because they want to live again that experience or, more generally, adopt western lifestyles through the food. The purchase of some products is also driven by healthy motives, primarily by Chinese parents who want to provide healthier options for their children. For example, olive oil and jam.

Such imported products are mainly sold in international supermarket chains and high-end retailers, primarily located in the biggest cities of the country, such as respectively Carrefour and Citysuper. A great part of the sales is also constituted by the online platforms, by which Tmall is the first choice, followed by JD, and WeChat stores, while the food service industry only constitutes a very small part for some of them. However, all the companies reported the intention to expand and improve their online sales channels, being the most popular and used channel in China.

The promotion has been almost exclusively conducted online, through online shopping platforms, social media, and the use of KOLs and KOCs, to increase brand awareness. A successful content used by all these companies has been the use of the product to recreate guided Italian recipes, to enhance the knowledge of the product and the Made in Italy. A few of them also employed pop-ups in supermarkets, to allow the consumer to taste the food products.

For what concerns the obstacles found by the companies, they could be classified into four main categories, the obstacles related to the certification process, the consumers, and the commercial partner, and they are all influenced by a major one that is the cultural and linguistic barrier that may raise among all the players involved.

The certification, as we stated previously, represented a significant obstacle for many companies, both producers and processors. First, the bureaucracy of its process, being long, complex, and costly, but also due to the cultural and linguistic barriers that may exist between companies and auditors and certification bodies.

Many businesses also complained that due to the distance, both geographical, cultural and linguistic, they have scarce knowledge of the consumers, favoring in this way the Chinese competitors who better understand and react quickly to the market. This distance is also reported to be a significant difficulty concerning the choice of the commercial partner, and the trust and communication with it.

As we mentioned before, all the companies reported the “Made in Italy” as their biggest sales drive and advantage in the Chinese market, identified as an assurance of quality and safety. They have also been enhanced by the recent health trend, by which many more Chinese consumers pay attention to the healthiness and traceability of what they eat.

The Covid-19 has had a peculiar impact on the companies mentioned, causing a decrease in the sales for those companies who primarily work with a general trade exporting strategy, mainly due to logistics issues caused by the frequent lockdowns in China, and an increase in the sales of the company who exclusively works with the online channels. The sales during the pandemic have also been influenced by the duration of the food products and the cost of it. Consumers who wanted to store goods due to the lockdowns purchased products with a longer shelf-life, easy to store and keep at home, but for the most part of Chinese consumers, also with a lower price. Therefore, organic products have been negatively affected due to the higher price they have in China.

In conclusion, according to the data provided, we can say that a successful business model is that of a company that enters the market through an importer, and gradually increases its commitment to the market to be closer and know better its consumers. It relies on Chinese certification bodies to obtain, before entering the market, the organic certification, a process, however, by which companies must be sufficiently prepared and must be thought and arranged much time before, due to the lengthiness and complexities, and the high resources needed. However, prior to being organic, these products are Italian. For this reason, the company must, first of all, promote the product's origin and quality, through the unchanged label and social media, and then their organic nature. They are sold on international chains and high-end retailers in the biggest cities of China, and on online channels, mainly Tmall or WeChat.

Conclusion

The study explored the state of the organic industry after the Covid-19 pandemic, analyzing its impact on the organic sector at a global level and then focusing on the Chinese market and its consumers' behavior. It lastly discussed the role of Italian organic companies and the Italian origin in the consumption of organic products in China.

From the research has emerged that during the last decade, an increasing number of chemical poisoning cases worldwide has made consumers pay more attention to the quality and safety of the food they purchase, concerned about the harmful effects caused by the presence of chemical pesticides in their food, hence elevating their health-consciousness. These pesticides were not only dangerous for the human body but also for the planet, consequently enhancing their environmental consciousness too, which led them to adopt a more sustainable consumption behavior. These factors have caused consumers across the entire globe to shift their focus toward organic food products, considered safer, healthier, and more environmentally friendly due to the more natural production process which avoids synthetic chemicals and pesticides, making the market for organic food grow worldwide.

At the end of 2019, the advent of the Covid-19 outbreak additionally emphasized the relationship between food and human health and accelerated this existing health trend, due to the fear that wrong eating habits could increase the exposure to the virus, leading many consumers to change their consumption habits, increasingly oriented toward the adoption of the organic diet. The pandemic has therefore changed consumers' shopping behaviors globally. On the one hand, consumers required more information on the safety and healthiness of their food, how it is grown and processed, which they could find through the organic certification, and on the other, they wanted to reduce the risk of being infected, highlighting the need for efficient online sales channels, which however found some companies unprepared. The outbreak has hence emphasized the need for transparency and traceability which have become the primary objectives of the food industries worldwide and has also elevated government awareness of environmental protection, which resulted in increased policies and programs to incentive the organic industry. Nevertheless, the organic industry must face some challenges, such as a demand that is outpacing the supply, the burgeoning competition from plant-based food, and the growing need to remain undifferentiated among the numerous sustainability schemes and eco-labels. In addition, governments must increase equivalency agreements among countries with different organic regulations, to improve and facilitate trade among them.

The concerns and needs for increased food safety and environmental protection were particularly evident in China at the end of the 80s, when the consequences of a wrong and heavy reliance on synthetic pesticides to increase agricultural production began to affect the country's natural resources, with soil becoming degraded and water polluted.

Known at the beginning as the "Chinese Ecological Agriculture" (CEA), the organic industry developed gradually, particularly prompted by the growing global export opportunities, mainly in the EU and the USA, which then led to the proliferation of organic certification bodies both local and overseas offices of foreign agencies.

After less than ten years, national regulations for organic certification and accreditation were introduced, and in 2005 the "National Standard of the People's Republic of China: Organic Products" (GB/T19630) was issued. The particularity of the Chinese standard is the requirements of the certification of the entire supply chain and the provision of the anti-counterfeiting label on organic products.

The organic industry grew exponentially in China, also driven by domestic demand, reflecting the country's economic, technological and social development. The increase in disposable income, the advancement in the e-commerce sector, the growing environmental concerns, and the higher health consciousness due to the intensification of food safety incidents, have all enabled the organic industry in China to expand rapidly, making the country the fastest-growing organic food market in the world, registering in only ten years, a growth of about +923% (2018/2010).

Although its market share and capital expenditure are still low compared to other countries, hence categorizing the organic market as at its nascent stage, in 2020 China became the fourth largest organic market in the world, with a value higher than 10.2 billion euros. In other words, a niche market that is almost as big as mature markets as France and Germany, respectively the second and the third largest market in the world, where the per capita consumptions are two of the highest globally. This shows us the potential that this industry could have considering the size of the country and its large population, as the industry will further develop. Currently, due to the higher price of organic products, the biggest markets for organic food have indeed mainly been located in China's biggest and wealthiest regions, where living standards are higher, such as

Beijing, Shanghai, and Guangzhou.

China is the largest producer of organic cereals, oilseeds, and tea, which are mainly destined for exports, and it has the largest organic aquaculture production in the world. Nevertheless, the primary category most sought out by Chinese consumers is organic baby food, due to the higher attention to children's nutrition caused by the food scandals, followed by organic dairy products, including infant milk. Consequently, the competitive landscape is shaped accordingly, where the largest market shares of organic products are dominated by baby food and dairy companies such as Inner Mongolia Yili Industrial Group Co. Ltd and China Mengniu Dairy Co Ltd.

The organic sector in China is forecasted to record strong growth registering a value CAGR of 7.1% for the period 2021-2026, due to several factors. First of all, the online shopping channels improvements, which are now the most used channel to purchase organic food products due to its greater convenience of shopping and the many more product varieties available. The other factors include its increasing importance among the younger generation, the rise in the demand for organic baby food due to an increase of working mothers, an increased promotion by government bodies, and as a consequence of the aimed increase of the private consumption of the government's five-year plan.

In the last two years, the organic industry in China, as in the rest of the world, has been particularly enhanced by Covid-19 that has placed further emphasis on the need for safe and healthy food. These are precisely two of the main reasons that drive the Chinese organic purchase behaviors, which can be grouped under the umbrella term of quality, and that, with the consumption of organic products as a fashion trend, are classified as egoistic motivations. The purchase of organic food products can also be driven by altruistic motivations that are triggered by environmental and animal welfare concerns. Guided by these motives, consumers purchase organic food products not only for themselves, i.e. personal consumption, but also as a gift or benefits, primarily used as a wish for health among employees and government officials. However, these factors are in turn influenced by the attitude, social norms, and demographic characteristics of the consumers, which distinguish eight main organic consumer groups i.e., white collars families, families with young children, families with health issues, overseas returnees, business people from Taiwan and Hong Kong, government officials, young consumers, expats, and hotels, restaurants and occasional consumers. Nevertheless, according to the data provided by ICE-ITA, the archetype of the Chinese consumer of organic products is a woman, a highly educated millennial who lives in the urban areas of China with her children, who has a high income that allows her to have a strong propensity to buy organic products, which mostly occur on online channels.

Despite its rapid growth, the development of the organic industry in China is hindered by a large part of consumers who refrain from purchasing organic products mainly due to a lack of knowledge of the overall organic techniques and benefits, a lack of trust in the certification and audit, or due to the higher price of such products. However, obstacles are also present on the producers' side, who must sustain a long and costly certification and audit procedure, and often lack the knowledge and advanced technologies to produce organic food products in compliance with the regulations. For these reasons, enterprises and policymakers should therefore reduce the perceived uncertainty and enhance confidence in the health and environmental benefits of organic products by proving reliable information through media and social platforms. For example, enterprises can increase consumers' trust and awareness by actively displaying the ecology of their own organic farms, revealing how organic food is supervised and inspected for quality, and guaranteeing dependable cold chain and traceability systems. While the government should support and encourage producers to shift to organic production by reevaluating its policies regarding organic food, making them more flexible so that local and international stakeholders can invest in this expanding industry.

The strictness and complexity of the certification process are one of the biggest obstacles also for many foreign exporting companies since the Chinese market does not allow organic products to be commercialized as such without the Chinese organic certification issued by Chinese certification bodies. Italian companies are not an exception.

Whatever the adopted exporting strategy is, i.e. general trade or CBEC, Italian companies also reported several difficulties exporting to China, such as the high duties, the strict regulations and bureaucracy, the Italian-sounding phenomenon, but also intense cultural and language barriers, that often hinder the knowledge of the Chinese consumer and consequently the trade of organic products, and the communication with the Chinese commercial partner, which is, however, an essential element to relate with China. Nevertheless, Italian organic companies have also been favored by the reputation of the made in Italy products, believed by Chinese consumers as of the highest quality and safety, and more environmentally friendly due to stricter compliance with the EU organic standards, often trusted more than the Chinese ones, and a growing tendency to adopt healthier and western lifestyles. However, the research showed that, especially for some product categories, the importance of the organic status often takes a back seat compared to made in Italy, being the latter considered a most important attribute, in particular for products such as coffee, olive oil, and wine, to the detriment of the organic label.

Despite the Covid-19 pandemic has increased the consumer demand for organic products, particularly for imported products since are considered safer, the zero-covid policy implemented by the Chinese authorities has negatively affected the trade between Italy and China, causing frequently localized lockdowns and consequent logistic and transportation constraints, which completely halted the exchange of goods. Once the pandemic was over, trade between the two countries resumed and it is forecasted to grow.

The research offers valuable insights into the Chinese and Italian organic food industries. However, it has certainly several limitations that may be the object of further investigations. First, the consumers survey data were collected from organic consumers in China's first-tier cities, i.e. Beijing, Shanghai, and Guangzhou, which may restrict how far the study's findings can be applied in other situations. Therefore, future research may include more Chinese cities, which could broaden our understanding of organic consumer behavior and enhance the generalizability of the study's conclusions.

Second, the study only considered a limited number of Italian exporting companies, most of which are considered medium-sized enterprises. Hence, future investigations may comprise a larger sample of companies, and of bigger dimensions, to obtain a wider range of information and wider comprehension of the analyzed situation.

Lastly, the research did not take into account the recent political and economic event happening in this precise moment of our history, the Ukraine-Russia war, which is having a huge impact on the organic industry, being Ukraine of the biggest producer and exporter of organic food products both toward China and Italy.

In conclusion, referring to the words of the Chinese business magnate Jack Ma: "the next richest person in China will be in the health industry", I personally believe that the Chinese organic industry will be one of the industries that will grow the most in the coming years due to the belief of being more natural, as long-term diseases become more widespread, and the environmental protection an issue day by day closer to our daily life. It will be an industry on which many Chinese companies will focus, and on which many Italian companies will be able to exploit their competitive advantage, transforming it from a large niche, as it is now, into a huge and mature market.

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