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China Updates is a service provided by U.S.-China Health Products Association and its partner Herbridge Media. The Newsletters will be issued as relevant material becomes available. China Updates will provide news on regulatory environment, new legislation, association activities and any information related to the natural health products industry in China.

Price of TCM Raw Materials May Stop Increase This Year

According to statistics from China TCM Association, compared with the same period last year, this January TCM price signaled a downturn. Fifty-eight percent of the TCM raw materials reviewed, dropped in price while thirty-four percent enjoyed price increases. "Now we have 183 kinds of TCM herbs with increased prices, which was influenced strongly by the January Spring Festival in China." Overall, we'll see the TCM price will slightly drop this year," Long Xingchao, Director of TCM Information Center of China TCM Association said to China Securities, a local newspaper.

The price of TCM had increased since the later half of 2009. As a result, many planting bases had extended their planting area for TCM plants. When harvest time arrives, we will surely see a reduction in TCM herbal prices.

However, the price of TCM which has special function in supporting the heart and head blood vessel will continue to increase. Dangshen, for example, which is famous for its function of extending blood vessel and lowering blood pressure, had increased to over 70 RMB/kilo this January, Fifteen percent increase compared with the third quarter of 2011.

According to data from Ministry of Health, there are over 44.7 million people and 11.46 million people separately are suffering high blood pressure and diabetes. The increase of chronic disease gives more room for TCM treatment and its price too. (Source: China TCM Association)

Spring Festival brought market chance to health products

This year's Spring Festival saw consumers out in numbers spending.

According to data from the Ministry of Commerce, the sales value of major retail companies increased 12.7 percent year on year this January. Health products were one of the popular consumer products during the holiday.

"Our ginseng pilose anltter products are very popular these days, as many costumers wanted to buy them as a New Year gift to their parents, friends, and bosses. Other products like American ginseng and aweto are also popular." introduced a sales manager of a supermarket in Guangdong. "We've gained 30 percent growth of health products sales during the Spring Festival," he added.

A recent survey showed that when buying gifts for seniors men preferred to give cash in the red envelop, but woman were more likely to buy health products. A survey conducted by Thindo, a domestic marketing consulting company, found that during the spring holiday this year, 93.5 percent of female respondents expressed their willingness to send gifts to the seniors in the family, and 65.4 percent of them were willing to buy health products. The marketing focus of health products would see a shift from the senior to the female. *(Source: USCHPA)*

Red Bull Investigation: No Quality Problem

February 15, SFDA released its investigation result on Red Bull drink in China, showing that no quality or safety problem in the functional drink. The two questioned materials the drink used, sodium benzoate and caffeine, are in accordance with China's regulations.

Recently, many doubts accumulated from consumers on if illegal ingredients were being added to Red Bull drinks. SFDA in Beijing, Shandong, Hubei, and Harbin tested 11 batches of Red Bull drinks separately and found no quality or safety issues. The dose of sodium benzoate and caffeine used in the drinks is within national regulation, and won't harm people if the product is taken as directed on the package. Only some label statements were in need of adjustment.

Red Bull soft drink is a kind of vitamin beverage claiming to have an antifatigue function. In 1997, it was registered as a health product in China. In 2010, it was the second largest seller in China's health products market, following Amway. *(Source: SFDA)*

SFDA: The Entrance of Health Product Will Be More Difficult

At the National Health product and cosmetics supervision working meeting on February 21, Tong Min, Director of Health Product and Cosmetics Department of SFDA said, "SFDA will make a higher requirement to the entrance of health product to ensure the quality and safety of the products," reported by Xinhua.

According to Director Tong, SFDA is revising the registration and administration regulation, adjusting the function range, testing method, and function access. Also SFDA is pushing to launch the "Health Products Supervision and Management Regulations" soon.

On the issue, Dong Jinshi, Secretary-General of International Food-packaging Association, also an expert in food safety, received an interview from China Radio Net saying, "It is a huge system to supervise the products quality. To raise the entrance is a necessary method, but more importantly, it is the regular supervision that matters."

"The regulation should make in very detail, how to deal with the products already existed, products in the future, new products, what to do if one clause is disobeyed. Without detail, companies will still find a lot of blind regulation zones to sneak in. Meanwhile update the regulation from time to time during the implementation."

Why the health products market is in such a mess for over a decade in China? Dong explained three reasons. "First, the drive of company's profit leads the companies to make fake advertisement, even fake products. Second, the regulation lags behind. In the past, the health products were administrated by the Ministry of Health, now it is under the administration of SFDA. Also the standards for the industry are missing or out of date. Third, the customers lack proper education to tell the quality of the health products. They can only rely on the advertisement but no real result." said Dong. *(Source: USCHPA)*

Quantum Hi-Tech Plan to Expand in Health Product Field

Quantum Hi-tech, a pharmaceutical company headquartered in Hong Kong with a research center in Beijing, and manufacturing bases in Jiangmen and Guangdong, plans to expand its business into health products. It is now talking with Zhejiang Qianjin Pharmaceutical to buy Qianjin's stock share.

Qianjin Pharmaceutical was founded in 2000, mainly operating manufacturing, pre-package and wholesale of health products. In 2011, the company gained sales revenue of over 52 million RMB with a net profit of over 7 million RMB. It is a company, which passed GMP certification early on and holds over 60 categories of health products with IPR.

"We hope to enter the nutrition and health products field quickly by merging with Qianjin. We plan to promote our probiotics products, such as fructo-oligosaccharide and galactooligosaccharide through this merger" said an official from Quantum Hi-tech. *(Source: China Securities)*

By-Health performed well in 2011

"In 2011, By-Health beat many of its competitors, thanks to its promotion in hundreds of its chain store and chain pharmacies and its accumulated brand effect," said Liang Yunchao, CEO of By-Health company at its annual general meeting of shareholders on February 22.

In 2011, By-Health did hand in a nice performance sheet: annual revenue 658 million RMB, 90.12 percent growth year on year; net profit 186 million RMB, 102.41 percent increase year on year. The annual revenue from dietary supplement accounted for 649 million RMB. It is reported that in the indirect sales field, By-Health takes up 32.5 percent of the market share.

Up to December 31, 2011, the company owns over 330 dealer companies national wide, and 21 thousand counters, 8 thousand more than that in 2010. Among them, over 5900 special counters have support from nutrition consultants.

In 2010, Liang declared that By-Health would invest in chain nutrition center even at the risk of losing money. However, when the product market is in a mess, the one who can offer better service stands out. And that's why By-health won success merely one year later. "80 percent of our chain stores are gaining profit now," said Liang.

By-Health learned the successful experience and operation model from the industrial giants, NBTY and GNC since 2009, to verify its sales modes and extended its nutrition center to offer more value-added service while consuming the products, according to Securities Times report. By the end of 2011, the company has 438 chain nutrition center. "In 2012, we plan to increase this figure to 788 and by 2013, 1163," said Liang.

A new manufacturing facility will be up and running by this April to meet the growing demand.

By-Health is a famous brand in retail market of dietary supplement. In December 2010, the company was successfully listed on the GEM of Shenzhen Stock Exchange, the first listed company in China in the dietary supplement industry. The company claimed they purchase the raw material of the products internationally, and 73.35 percent of the raw materials were bought from foreign countries.

However, the company is facing regulation trouble too. Customers found some of its imported products, which claim to have health function, have no "blue hat" logo, the legal registration in China as health products; rather they were imported as food, reported by Yangcheng Evening News. The By-Health explains that many of their products are in the process of applying the blue hat, however it takes too long time that the products have to be sold as general food at present time.

"The safety requirement on health products is stricter than general food, so that the testing time takes much longer. As a result, it takes long time to apply a health product certification and costs lots. It is learned that 300 thousand RMB will have to be paid for the merely lab testing fee for one product," Dong Jinshi, Secretary-General of International Food-packaging Association, also an expert in food safety, said to Stock Star, a local newspaper. "All the health products should have the approval certification, including the imported ones." (Source: USCHPA)

Resveratrol Market May Fluctuate for Huzhang Shortage

Huzhang faces serious short supply in early 2012, which irritates the stagnant resveratrol market. "The herbal Huzhang already saw supply shortage and experienced price increase before last Spring Festival," said Mr. Yang, a marketing manager from Chengdu. "The raw material Huzhang stocked by most manufacturers in Chengdu will run out after one month production. Moreover, there is no abundant resveratrol in stock in China." he added, "Manufacturers received more foreign orders in Q2 than that in Q1 2011." The shortage of raw materials will result in price increase, which will affect finished products' prices. The price of resveratrol has stayed stable so far, but most manufacturers speculated that resveratrol will see higher prices in the near future. (Source: Herbridge.com)

Artichoke and Tribulus Extracts Remain Stable Supply

Artichoke extracts are extensively used in the west, not only for herbal medicines but also for natural cosmetics. Artichoke saw a higher price in China, but the extracts' prices were unchanged through 2011. 2.5% and 5% artichoke extracts are commonly found in the market. The 5% version is offered around 130RMB/kg by most suppliers.

Tribulus terrestris extract is mostly for foreign market, primarily used in male enhancement products and sport drinks. The extract's manufacturers are mainly located in Shaanxi province China. In 2011, the extract market was stable without significant price change among manufacturers. The extract is listed as the top ten herbal extracts in terms of export volume in China, said Mr. Tong, marketing manager of Shaan'xi Longfu Biochemical Co., Ltd.

These two products are predicted to have bright future and will keep stable in the coming months. (Source: Herbridge.com)

Zeaxanthin Sees Slightly Higher Prices

There are no more than five manufacturers of zeaxanthin in China. For example, Yixin Pharm, which exports zeaxanthin lines by itself; JF-NATURAL, which primarily offer zeaxanthin powder and microcapsules; Baoji City Runyu Bio-technology Co., Ltd.

"Due to increased cost of raw materials, zeaxanthin saw a higher price in 2011. But the price increase is mild compared to lutein, which is attributed to low demand and available stock" says Mr Wang, Marketing Manager of Baoji City Runyu Bio-technology Co., Ltd. "As more and more consumers recognize its health benefits, zeaxanthin is facing growing demand." According to herbridge.com, 5% zeaxanthin is primarily for tablets and capsules; 10% and 20% zeaxanthin are used in lecithin soft capsules alongside with lutein. (Source: Herbridge.com)

China Curcumin Market Runs Stable

Curcumin remains high prices in China in early 2012. "The total sales for curcumin in 2011 increased by 200 percent against 2010," said Mr Zhang, Sales Manager of Hebei Food Additive Co., Ltd. "The high prices will continue in the foreseeable future. The company announced the opening of a new factory costing 1.08 billion RMB. The new factory is expected to be operational this month and will reach production capacity of 300 tons. Currently, curcumin is in stable supply in China. (Source: Herbridge.com)