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China Updates is a service provided by U.S.-China Health Products Association. 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.

TSI Group Continues to Strengthen its Global Position

U.S. – China HPA board member TSI Group, has finalized the purchase of Yessamin Health Company, Ltd., a Norwegian invested contract manufacturing facility in Nantong, Jiangsu Province, China. This strategic acquisition has significantly elevated manufacturing and supply chain strengths and capabilities for the TSI Group according to Larry Kolb, TSI Group managing director of the innovation products division in Missoula, MT.

Yessamin was operating as a contract manufacturer producing and packaging tablets, hard two-piece gelatin, vegetarian capsules and softgels for dietary supplements, including technical support within QA/QC and production planning, primarily serving the Scandinavian countries of Norway, Sweden and Denmark, as well as China. With Yessamin facilities being BRC, NSF and GMP certified, TSI Group saw this acquisition as an excellent way to expand its capabilities in China.

Coupled with five existing manufacturing facilities and Q/C infrastructure platform in China, TSI now has added Yessamin as the newest finished dose manufacturer under their umbrella to expand its capabilities in manufacturing and supply chain management.

“We have invested heavily in the development of innovative products and established strategic collaborations that will develop market changing products for our global customers,” said Kolb. “We strategically positioned ourselves to serve customers looking for a reliable Asian manufacturing partner to produce products that support brands entering the emerging Chinese market.”

Kolb adds that the future of dietary supplement manufacturing in China is very bright. “The country as a whole is already the largest supplier of the raw materials in the supplement industry and the quality standard of Chinese manufacturers has improved significantly in recent years,” Kolb said.

TSI Group is a Hong Kong registered global researcher, developer and manufacturer of ingredients and finished products and has continued to evolve over the past decade to excel in superior manufacturing processes and assurances to become one of the leading developers and producers of nutraceutical products sold in over 30 countries. In addition to its China and U.S. base, TSI Group also maintains offices in Australia and Japan.

For more information contact TSI Group at **406.549.9123** or Larry Kolb via email at **LKolb@TSInc.com**. (Source: TSI Group)

Amway Invests Big in China

Amway (China) announced it is investing 600 million RMB (\$94.5 million) to build its largest overseas production base in the Economic and Technology Development District in Luogang, Guangzhou. As part of the overall expansion, Amway will also build a botanical research center in Wuxi, Jiangsu Province. Luogang plant will produce the company’s Nutrilite brand of dietary supplements. The facility will be 78,000 square meters and is scheduled for completion in 2016. (Source: China Daily)



China Allows Ginseng to be Sold as Food

China’s Ministry of Health (MOH) has allowed cultivated ginseng to be used in food products across the nation, a move seen as a good opportunity for the development of the country’s ginseng industry. In 2002, MOH created a list outlining three categories of herbs those that could be used as food, as health food and only as medicine. Before this announcement, ginseng was only permitted to be used in the registered health products and medicine categories.

During the International Conference on Ginseng held this week in Changchun, Jilin Province, ginseng expert Professor Zhang Lianxue said, “Many ginseng growers are expected to benefit from the new policy, which will help China’s ginseng industry to increase its international competitiveness”.

Dubbed the “king of herbs”, ginseng is considered to be nutritious and to have great medical value in Traditional Chinese Medicine (TCM). It has been used as a tonic in TCM for over 3,000 years.

Ginseng is grown in other East Asia countries as well as in the U.S. and Canada known as American ginseng, but the world’s largest production site is located on Changbai Mountain in Jilin Province, which accounts for 85 percent of China’s total production and 70 percent of the world’s output. (Source: Xinhua News and USCHPA)

Confidence in the Market

China's dietary supplement industry has been expanding at an estimated 20 percent per year with no signs of slowing down. It is currently valued at \$15.9 billion, which is the official figure from China's Health Care Association. However, the industry lacks transparency and is riddled with both gray and black market activities that make obtaining an accurate figure difficult. The association and others estimate that the real figure is certainly higher than this because the official number only takes into account products that are registered as health products with China's State Food and Drug Administration (SFDA) and have approved claims. The figure does not reflect products that are legally imported as food or those that are sold illegally on a variety of popular websites.

Currently, there are many products in the market, which are approved as and sold as food without claims. So the figure must certainly be higher. CNutrInfo Ltd, a consulting company in Guangzhou, put the market at \$44.4 billion, which would crown China the largest market for dietary supplements outperforming the U.S. by over \$14 billion. The association feels this assessment is a bit too ambitious and guestimates the real number is some where around \$20 billion. Again, because there is so much gray market activity going on, it is impossible to say with any certainty what the true figure is.

Fifteen, twenty, forty billion are just numbers thrown around by industry professionals doing the best they can to put a number on the market. Although knowing the number can help gauge growth year on year etc., it certainly isn't the only barometer to use to judge how successful the industry is or will be. We can simply look at the amount of global investment and growing interest. The two stories above about TSI Group and Amway's investments are just two of many stories we can use.

In addition to these investments, COFCO a large Chinese state owned enterprise has invested over \$500 million to build a state of the art nutrition research facility to explore ways in which to nutritionally enhance foods with dietary ingredients.

Holland and Barrett (NBTY) opened its first health food store in Shanghai this year with hopes of opening another 16 by year-end.

World Health Store (WHS) a health food store carrying a complete line of dietary supplements, sports nutrition, aromatherapy, packaged organics etc. has two stores in Beijing and two in Shanghai. WHS is the pioneer of the traditional "western" health food store concept in China and as such has gained the attention of many investment firms looking to capitalize on China's growing health food industry.

Both NBTY and GNC have been in the market for at least the past six years or so. They both continue to invest and prosper. NBTY recently reported to China Daily that they have introduced over 200 products to the China market including their flagship brand Nature's Bounty and their top selling sports nutrition brand Met-Rx. NBTY's China office reported their 2011 sales hit over \$79 million.

New Hope Natural Media has invested in helping Chinese suppliers understand U.S. import and industry regulations with its market quick start programs held in cities across China. They also published the Engredea Monograph China paper, which helps global companies make sense of China's complicated dietary supplement industry.

And lastly, the interest has been growing so rapidly over the last decade this is why U.S.-China HPA exists in order to be a trusted partner, voice and watchdog for those companies eager to enter the market.

Although the industry is growing and has huge potential, there are a number of issues that need to be addressed before China's dietary supplement and overall natural health product market can be declared a true winner. Meaning transparent regulations everyone can follow.

First off the regulations are in dire need of an overhaul. I won't go into all the details here. If you want to learn more about the regs, please visit the association's site and review the "Message from the Executive Director document located at the bottom of the association's homepage.

Second is consumer education. Because the earliest dietary supplements to enter the market were from pharmaceutical companies, were sold in pharmacies and registered as OTC, most view them as being similar to drugs and have the ability to treat or cure disease. Furthermore, the current regulatory system continues to treat them in this way.

The association is working on both of these issues and asks that all companies involved or wanting to be involved in China, please consider supporting our efforts by becoming a member. The association is a non-profit association and operates completely off membership dues.

In order for the above issues to be addressed and develop in a positive direction, all involved should work together through the association as the focal point. Consist messages need to be sent to officials and educational programs need funding to make them a reality. So join now and become part of the solution. Contact us at info@uschinahpa.org (Source: USCHPA).

If you have China related news that you would like to share with the association for publication in its newsletter please contact us at:

news@uschinahpa.org

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