

CHINA UPDATES

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Expo West and Engredea will be here before we know it. I for one am very excited to see old friends and meet new ones. It's a wonderful chance to see all the new products and services from time tested brands as well as from new companies craving out niches utilizing cutting edge technology and/or pure passion for what they are doing. I always leave Expo recharged and excited about the industry, its direction and future.

The association will give a presentation on China's developing dietary supplement market covering sales, regulatory and potential. The date and time have yet to be determined. However, I'll be sure to send out word as soon as I have it. I'll be joined by a representative from the U.S. Department of Commerce to discuss programs the US government offers for those interested in exporting. Be sure to visit the Global Resource Center on the 2nd floor room 204C for more information on going global with your products. *(Source: Jeff Crowther USCHPA)*

China Updates is a service provided by U.S.-China Health Products Association. The Newsletters are issued approximately three times a month. China Updates provides news on regulatory environment, new legislation, association activities and any information related to China's natural health products industry.



SFDA Releases Consumer Alert for Health Food during Spring Festival

The Spring Festival in China is the most important festival for China, which ushers in the New Lunar Year. This year is the year of the Snake. During the Festival, a common gift consumers buy for both family and friends are health products. In order to protect consumers, the State Food and Drug Administration has released the following alerts for consumers to follow when choosing health products:



- I. Look for the blue health food logo, seen as the right
- II. Read the instruction of the products clearly
- III. Choose the trusted sales channels to buy health products
- IV. Always keep in mind that health products do not replace drugs.

If consumers find suspicious or illegal products, they should report this to the local food and drug administrative department. (Source: SFDA)

Consumer Credit Card Spending Up

Chinese consumers using bankcards spent their money more confidently in January than a month earlier, according to the Bankcard Consumer Confidence Index (BCCI) released on Friday.

The BCCI, compiled by the Xinhua News Agency and China UnionPay, a national bank card association, rose 0.42 points to 87.10 in January from December.

A higher reading in the index signals improvement in residents' confidence to consume. On a year-on-year basis, the index was up 0.32 points, according to the BCCI report.

Consumers are more willing to spend before the Spring Festival, which will fall on February 10 this year, the BCCI report said. (Source: Xinhua News)

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Food Waste in China



A campaign against food waste is sweeping across China, with government officials and netizens in full swing to fight extravagance in the world's second-largest economy, which still has 128 million people living under the poverty line.

The movement echoes Chinese leader Xi Jinping's call for frugal lifestyles, urging the fine Chinese tradition of "being diligent and thrifty."

In an age of excessive consumption and deficit spending, China's frugality campaign is also setting an example for the world.

A campaign launched more recently by the Food and Agriculture Organization (FAO) and the United Nations Environment Programme (UNEP) coincided with China's efforts, taking the lifestyle issue to the center stage.

Called the "Think, Eat, Save and Reduce your footprint," the initiative appeals to consumers and retailers to embrace innovative measures that could dramatically reduce food waste at all levels.

According to data released by the FAO, about one third of all food produced globally and worth \$1 trillion is lost or wasted in the production and consumption systems.

Jose Graziano da Silva, director-general of the FAO, said the 300 million tonnes of food squandered each year in the industrialized world would be sufficient to feed an estimated 870 million people hungry in the world.



Figures show that there are more than one billion people living without enough food, 10 million of which die from hunger each year.

"In a world of seven billion people, set to grow to nine billion by 2050, wasting food makes no sense, economically, environmentally and ethically," said Achim Steiner, UN under-secretary-general and UNEP executive director.

Ma Xiaohu, deputy chief of the Academy of Macro-economic Research with the National Development and Reform Commission, said as the world's largest developing country, China's food saving feeds into global frugality.

Research by China Agricultural University in 2008 put China's annual food waste at 50 million tonnes, one-tenth of the country's total grain output.

UNEP spokesman Nick Nuttal also said China's contribution is critical to help the world cut down on food waste or loss.

Food supply has long been a thorny problem in the world's most populous country. Even now, China is still facing challenges in food supply, with national requirements that see only seven percent of the total arable land on Earth feeding 22 percent of its population.

Having just witnessed a ninth consecutive year of rising grain output, China's total grain output in 2012 reached nearly 590 million tonnes.

However, experts have warned that greater threats loom large, as China imports more and more grain from abroad due to people's improved living standards.

Han Jun, vice director of the Development Research Center of the State Council, said on Tuesday that China's self-sufficiency rate on grain has plunged below 90 percent, a warning sign that the nation may have a food security issue.

The Chinese government sets a 95-percent bottom line on its grain self-sufficiency rate, according to a white paper on China's food security.

"If good results are achieved in China's frugality campaign, the import of grain and edible oil can be saved for 100 million people each year," said Zheng Fengtian, a professor with Renmin University of China.

"It is also good news for easing the world food crisis," the academic added.



Restaurant staff encourage customers not to waste food

In response to these numbers, a Clean Plate Initiative is heating up the social networks right now, advocating zero food waste when dining out. As the movement has spread, an increasing number of netizens, including familiar faces and food businesses, have joined in. More and more people have become aware of the issue and are acting. Good news and good timing, given the Chinese Spring Festival is the biggest feast of the year. (Source: Xinhua and China Daily).

MOH Releases Standard on Food Contaminants

According to the Food Safety Law of the People's Republic of China and the National Standards of Food Safety Management Approach and reviewed by the Review Committee of National Food Safety Standards, the Ministry of Health released the National Food Safety Standard: Maximum Levels of Contaminants in Foods (GB2762-2012).

This standard specifies the maximum levels of lead, cadmium, mercury, arsenic, tin, nickel, chromium, nitrite, nitrate, Benzoapyrene, N-dimethyl sulfoxide, Nitramine, polychlorinated biphenyls (PCBs), and 3-chloro-1,2-propanediol.

Compared to the standard of GB2762-2005, the main changes of GB2762-2012 are as follows:

- Modify the name of the Standard;
- Add the definition of the edible part;
- Add the application principles;
- Cancel the maximum level provisions of selenium, aluminum, and fluorine;
- Add the maximum level provisions of tin, nickel, 3-chloro-1,2-propanediol and nitrate;
- Change the name of the maximum level indicator of N-nitrosamines to N-Nitrosodimethylamine
- Add Appendix A;
- The maximum level indicator of the rare earth shall be applied according to the original GB 2762-2005.

(Source: Ministry of Health)

TCM Global Growth

Foreign drug makers explore opportunities in traditional Chinese medicine as the remedies become popular in Western markets.

Traditional Chinese medicine, or TCM, holds a unique place in Chinese healthcare, which is widely accepted by the 1.3 billion Chinese - old and young, urban and rural. Nowadays, it's also growing in popularity in Western markets, where many want to pursue a more natural lifestyle.

International drug makers are exploring ways, including joint ventures and co-development partnerships, to combine Western approaches to drug discovery with the material repertoire of TCM.

"No matter the model, we believe this bodes well for the industry in general, as it may help accelerate TCM standardization and modernization, as well as TCM acceptance in overseas markets," said Bruce Liu, partner and co-head of the Pharma & Healthcare practice at Roland Berger Strategy Consultants.

But that expansion effort faces challenges, he added. In November, Nestle Health Science, a fully owned subsidiary of Nestle SA, and Chi-Med, the pharmaceutical and healthcare subsidiary of Hong Kong-based Hutchison Whampoa Ltd, agreed to form a 50-50 joint venture to research, develop, manufacture and market innovative nutritional and medicinal products derived from botanical plants.

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The joint venture focuses on gastrointestinal health and may in future expand into metabolic diseases and brain health, according to Nestle.

The new partnership gives Nestle access to the Chinese side's TCM library of more than 50,000 extracts from 1,200-plus herbal plants. Moreover, the Chinese side can offer TCM expertise and a botanical-based research and development platform, including discovery research, non-clinical and pharmaceutical science functions, and an understanding of the botanical guidelines and regulations for the joint venture.

"This joint venture provides us with an opportunity to develop and commercialize truly innovative and scientifically validated botanical-based nutrition," said Luis Cantarell, president and CEO of Nestle Health Science.

Other western giants have also sought out TCM opportunities. In 2009, Switzerland-based Novartis AG announced TCM-related R&D in China and plans to spend 500 million yuan (\$80 million) to merge and acquire Chinese TCM enterprises in the coming years.

UK-based pharmaceutical company GlaxoSmithKline PLC has also established a new research unit in China to carry out a molecular study in TCM.

GSK said innovative TCM is an important part of the company's R&D in China, with a strategy of integrating the existing TCM knowledge of diseases with modern drug discovery technology and clinical trial methodology.

At the end of 2011, Hutchison MediPharma Ltd- a subsidiary of Chi-Med - reached an agreement with international drugmaker AstraZeneca PLC for global licensing, co-development and commercialization of Volitinib, a TCM extract that halts the progress of breast and lung cancer. Under the terms of the agreement, development costs for Volitinib in China will be shared between the two sides, with Hutchison MediPharma continuing to lead the development in China. AstraZeneca will lead and pay for the development for the rest of the world.

In addition to creating partnerships, many international pharmaceutical companies have chosen to cooperate with Chinese academic research institutes, given the local partners' rich resources of talent, basic research and academic expertise.

France's largest drug maker, Sanofi-Aventis SA, has worked with the Hong Kong University of Science and Technology to develop modern versions of traditional Chinese medicines to treat chronic diseases such as diabetes and cancer.

GSK has also established partnerships with academic bodies and TCM experts in China. "We are developing novel therapeutic TCM mixtures as prescription medicines through innovative extraction methods and combinations, and we use clinical data/evidence to differentiate from existing TCM products on the market," said Zang Jingwu, senior vice-president and head of GSK R&D China.

Novartis set up a six-year research partnership with the Shanghai Institute of Materia Medica in 2009 to identify and test the pharmacological properties of some traditional medicines.

The Shanghai institute is a unit under the Chinese Academy of Sciences and currently the largest natural-herb research base in the nation. A series of multinationals, including Johnson & Johnson Pharmaceuticals and MSD - known as Merck & Co in the United States and Canada - have established R&D cooperation agreement with the institute. (*Source: China Daily*)

Singapore TCM Company's Journey to the West

Eu Yan Sang International Ltd., the largest seller of traditional Chinese medicine in Asia outside of China, plans to add its signature herbs to Western health supplements such as vitamins to broaden its customer base.

The century-old Singapore-based company, which bought the assets of Australia's Healthzone Ltd. a year ago, will produce the supplements under that unit's brands and infuse them with Chinese herbs used to fight colds and fevers, Chief Executive Officer Richard Eu said. The products will be introduced in the next two months and sold with herbs and other Chinese health products such as bird's nest, he said.

"We want to take an inclusive approach and see what works in each market," Eu said in an interview in Singapore on Feb. 8. "Australia is in a way an experiment to see how we can expand to a more Western kind of environment. We'll see what products we can put in through the network to add value."

The company is among an increasing number of businesses in Asia that are taking local products to Western markets. Trung Nguyen Group Corp., Vietnam's biggest coffee retailer, wants to open shops in Seattle, New York and Boston this year. Singapore's Osim International Ltd., Asia's biggest maker of massage chairs, sells its products through its Brookstone stores in the U.S.

Eu Yan Sang opened its first shop in Malaysia in 1879 and has expanded to 300 retail outlets in markets including Hong Kong, China, Macau and Australia selling products such as Lingzhi capsules to combat cancer and boost longevity. It also has 28 clinics or medical halls offering treatments for fertility, stroke, arthritis and other ailments, its website says.

It decided to branch out into Western products because of its expansion into the traditional clinics, where Eu said his medicine practitioners are able to add value to the products it sells with their knowledge and expertise. “In the Western markets, health supplements are increasingly becoming commoditized,” Eu said, pointing to the rising sale of vitamins and other supplements in supermarkets. “If we can do what we did with our medical halls here, and do it to a health food store in a Western environment, I think we actually can have a global business.”

The company acquired the Australian assets that included 100 Healthy Life stores after that company fell into receivership, Eu said. The business now accounts for about 10 percent of its sales, he said, which also reflects the proportion of its Western products now, a segment that’s set to grow.

“Progress appears to have been made in Australia,” said Melissa Yeap, a Singapore-based analyst at DMG & Partners Securities Pte. The “main factor in their favor includes their extensive retail experience.” Yeap also said that health-supplements retailer GNC Holdings Inc. has also added Chinese herbs to its nutritional offerings and “sales seem to be brisk.”

Eu Yan Sang’s biggest challenge isn’t competition, Eu said. It’s the rising costs of shop leases in markets such as Hong Kong, where it had to relocate its best-selling store in the Causeway Bay shopping district after its landlord raised rents to a level that exceeded its sales. It now operates in the periphery and sells its products via retailers.

Eu Yan Sang earlier this month reported a fiscal second-quarter net income of 4.7 million Singapore dollars, rebounding from a S\$2.7 million loss after a write-down for its Australian acquisition. Gross operating margin was little changed at 52 percent as a 12 percent climb in sales was offset by “rising rental pressures,” it said. The company also plans to expand its reach among non-Chinese speakers in the region, and will open its first store in Vietnam this year, a market Eu said is similar to China because of the local familiarity with traditional medicine. It’s also looking at Indonesia and Thailand, he said.

Eu Yan Sang’s flagship products include the bottle bird’s nests made from the salivary secretion of swiftlets consumed to enhance youthfulness, and the Bak Foong pill made of ginseng, deer’s antler and herbs to ease menstrual cramps, he says. *(Source: Bloomberg)*

21 CFR 111 Dietary Supplement GMP Overview

About this Course

This course provides attendees the tools necessary to successfully manage an inspection by the FDA. The FDA is actively auditing dietary all sizes of companies involved in the manufacturing, packaging, labeling, holding and distributing of dietary supplements.

Who Should Attend

This course is a must for employees at all levels involved with any activities associated with manufacturing, packaging, labeling or holding dietary supplements; as well as employees involved with the activities of quality control, quality assurance, packaging, labeling, and distributing dietary supplements in the U.S.

What You Will Learn

- The FDA inspection process in the context of producing and selling dietary supplements (or other FDA-regulated products)
- Critical factors to consider and steps to accomplish well before any inspection ever takes place
- How to effectively managing the process and issues that arise during the inspection to optimize the outcome
- Essential elements of follow-up activities after an inspection to ensure a positive ending to this inspection and position your company for the next one

Location: Salt Lake City, Utah

Date: March 26-27, 2013

FDA Inspection Readiness Training

About this Course

This course provides attendees the tools necessary to successfully manage an inspection by the FDA. The implementation deadlines for 21 CFR 111 have passed, and the FDA is actively auditing dietary all sizes of companies involved in the manufacturing, packaging, labeling, holding and distributing of dietary supplements.

Who Should Attend

This course is a must for employees at all levels involved with any activities associated with manufacturing, packaging, labeling or holding dietary supplements; as well as employees involved with the activities of quality control, quality assurance, packaging, labeling, and distributing dietary supplements in the U.S.

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- Essential elements of follow-up activities after an inspection to ensure a positive ending to this inspection and position your company for the next one

Location: Salt Lake City, Utah

Date: March 28, 2013

For more information about training courses, contact David Trosin at dtrosin@nsf.org or [CLICK HERE](#).

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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