

# CHINA UPDATES

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## **CFDA to Crack Down on Health Food Products**

The top food watchdog has launched a five-month crackdown on health food products to better secure public health and regulate the rising industry.

The campaign by the China Food and Drug Administration will run from this month until the end of September and mainly target the illegal production, sales and advertising of health food products.

The use of illegal additives and components in health foods is at the top of the agenda, Yan Jiangying, a spokeswoman for the administration, said at a news conference on Thursday.

"Problems in the health food market remain an issue in the country, and the campaign aims to restore order to the industry through exposing and punishing illegal activities related to health food products," she said.

The campaign reportedly will be the first since the ministry-level administration was formed in March. By integrating the management and supervision functions of several government organs, including the former Ministry of Health, the administration is mainly responsible for food and drug safety on the mainland.

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.

Unlike previous efforts, this campaign involves lots of raids and public exposure, Yan said.

"Those caught with illegal activities in the industry will be severely punished," she said.

By the end of last year, 2,006 health food producers operated on the Chinese mainland, with a total output worth more than 280 billion yuan (\$45.5 billion), the administration said.

"The health food industry is growing fast, but some practitioners are pursuing financial interests at all costs, ignoring laws and regulations," she said. Some advertise and

label food as health food just to earn more money, she said.

In a case cracked by the administration and public security authorities, a fake health food product with a wholesale price of 53.5 yuan was sold mainly to elderly people for nearly 1,500 yuan.

The effects of some products were exaggerated, misleading customers, said Yu Kang, deputy director of the nutrition department under Peking Union Medical College Hospital.

Such products mainly target chronic conditions like diabetes and hypertension, he said.

Some companies illegally added drug components or other banned additives to health food products to boost their efficacy, Yan added.

This often happens to products related to diabetes, weight reduction and male impotence, she said.

To consolidate future achievements of the campaign, "the administration will conduct research aiming to set up the institutions and mechanism to better supervise and regulate the health food industry," she said.

"Legislation will also be considered to regulate the industry." (Source: China Daily)

## Increasing Demand for New Zealand Antler Velvet

New Zealand exports about \$30 million worth of velvet a year and nearly all of it goes to South Korea, where it's used mainly in traditional oriental medicine.

About 65% is consumed in South Korea, either exported there directly or after being processed in China, which has become the biggest market for velvet.

Deer Industry New Zealand says about 20% is now used as an ingredient in health food products, both in South Korea and China.

Velvet marketing services manager Rhys Griffiths said it's important to the industry because it brings the New Zealand producers that much closer to consumers in Korea and China.

"They can now access velvet through products such as drinks or capsules and take those as supplements."

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Mr Griffiths said health food products are underpinning the greater stability in velvet prices seen in the past few years.

## Nestle Sponsors Nutrition Conference

The Chinese Nutrition Society is organizing the 11th National Nutrition Conference & International DRIs (Dietary Reference Intakes) Seminar in Hangzhou City, Zhejiang Province during May 15-17, 2013.

As a Council Member of the Chinese Nutrition Society (CNS), Nestlé China fully supports the conference, and works hand-in-hand with CNS and nutrition experts to promote good nutrition and a healthy lifestyle. Mr. Chen Yiyong, the president of CNS and Prof. Gu Jingfan as well as a number of nutrition experts worldwide, will deliver academic reports on food & nutrition and DRIs researches.

The 11th CNS National Nutrition Conference & International DRIs Seminar is a grand nutrition and science event held every four years in China. It is an important platform for academic discussion, experience exchange and information sharing among nutrition and science professionals.



The event will promote mutual discussion and sharing of the most recent DRIs research progress and findings among nutrition experts from domestic and abroad. With a focus on DRIs, the conference facilitates information exchange on the absorption, metabolism, function, evaluation, requirement and safety of nutrients.

At this year's event, the recommended intake of phytochemicals will be a key topic, indicating the impact of non-essential nutrients' food ingredients on health is re-recognized and positioned. The conference has 18 seminar topics covering a wide range of areas. Apart from nutrients-related topics, the recent findings of the nutritional status of Chinese urban residents' analysis reports, nutrition and chronic diseases and successful aging of the elderlies will be discussed.

Mr. Roland Decorvet, Chairman & CEO, Nestlé GCR said: "Nestlé has been driven by science and technology. Research and development has enabled Nestlé to become the world's leading Nutrition, Health and Wellness company. We have the largest R&D network of any food company in the world. Nestlé has a unique capability to deliver leadership in Nutrition, Health and Wellness through an unmatched innovation capability, a global R&D network of 34 R&D centers, and large investment in R&D".

Nestlé has two state-of-the-art R&D centers in Shanghai and Beijing to develop innovative food and beverage products which address Chinese consumers' future specific nutrition needs. The results of Nestlé's efforts will enable increasing numbers of consumers in China to gain access to safe, high-quality and locally adapted nutrition food and beverage products. This year, two R&D facilities will be built in Xiamen and Dongguan, supporting Nestlé and its two joint ventures Yinlu and Hsu Fu Chi. Meanwhile, Nestlé cooperates with R&D centers in other countries on joint projects.

Roland Decorvet also said: "Our science-based nutritional expertise allows us to leverage our innovation across all our products and all of our brands. We ensure that our product launches are nutritionally superior to those of our competitors and that they taste better. We call this 60/40+.

More consumers want not just good taste, but good nutrition too. Nestlé's commitment to healthy nutrition is at the center of all we do. 'GOOD FOOD, GOOD LIFE' captures the very essence of Nestlé and the promise we commit ourselves to everyday, everywhere. At Nestlé, we put the consumers at the heart of everything we do, in order to continue to earn the consumer trust every day".

Nestlé also actively participates in educational activities with the Ministry of Health, All-China Women's Federation and the Chinese Nutrition Society as well as with other government agencies engaged in nutrition education. Additionally, Nestlé continues to share knowledge on nutrition and science and dietary guidance with numerous organizations in China. (Source: China Daily)

### **Aker is Recognized for 'Most Effective Marketing Campaign' & 'Environmental Excellence'**

Nutraceutical Business & Technology (NBT) magazine has selected Aker BioMarine, an integrated biotechnology company dedicated to the sustainable harvest of krill and development of krill-derived biotech products, as a finalist in the "Most Effective Marketing Campaign" and "Environmental Excellence" categories for its 2013 NBT Awards, which will be presented in association with the Vitafoods show later this month in Geneva, Switzerland.

#### **Most Effective Marketing Campaign:**

Building on its success in the US and Australia, Aker's goal was to launch krill oil as an entirely new category and the next generation of omega-3s in the UK marketplace. Prior to launch, research had showed that almost 40% of consumers were unhappy with current omega-3 offerings. At the same time, retailers were looking for new products to reinvigorate growth in a relatively stagnant omega-3 category. Aker saw this as an opportunity to penetrate the market and educate consumers and retailers alike on the benefits of Superba(TM) Krill, including its small dose, easy digestion and better bio-efficiency. Since the launch in July 2012, these efforts have produced four new products, new marketing partners, interviews featuring recruited experts and millions of media impressions.

#### **Environmental Excellence:**

Sustainability has been at the core of Aker BioMarine's business since its inception. Aker BioMarine Antarctic is the only krill-harvesting company certified by the Marine Stewardship Council (MSC), an international nonprofit organization with an independent certifying body and a public assessment process. As a result of MSC certification, Aker's products can carry the MSC eco-label, providing consumers with a guarantee of sustainability, effective fisheries management, and full traceability from sea to shelf. In order to maintain MSC Certification, Aker undergoes annual auditing during which it must maintain certain benchmarks and conditions. Aker BioMarine also actively supports and collaborates with Commission for the Conservation of Antarctic Marine Living Resource (CCAMLR) and World Wildlife Fund for Nature (WWF-Norway).

With regard to its ecological footprint, Aker understands the wider impact of krill harvesting, which is why it invented Eco-Harvesting(TM). This proprietary technology is designed to eliminate by-catch of non-target species, prevent krill decomposition and degradation, save energy by eliminating transportation of



unprocessed frozen krill, and ensure effective resource use.

"We are excited to be nominated for two separate and unique categories by NBT," said Matts Johansen, Chief Operating Officer, Aker BioMarine Antarctic. "Our ongoing mission is to educate consumers about the many health benefits of Superba(TM) krill and continue to meet the highest standards in the sustainable management of krill resources to ensure that we maintain the health of our ecosystem and krill populations."

Aker BioMarine/Superba(TM) krill deserves the "Environmental Excellence" award because it remains committed to a sustainable krill harvest, now and well into the future. Its ongoing dialog with numerous environmental organizations, experts and researchers speaks to the company's ability to collaborate for the good of the entire krill fishery, not just its own organization.

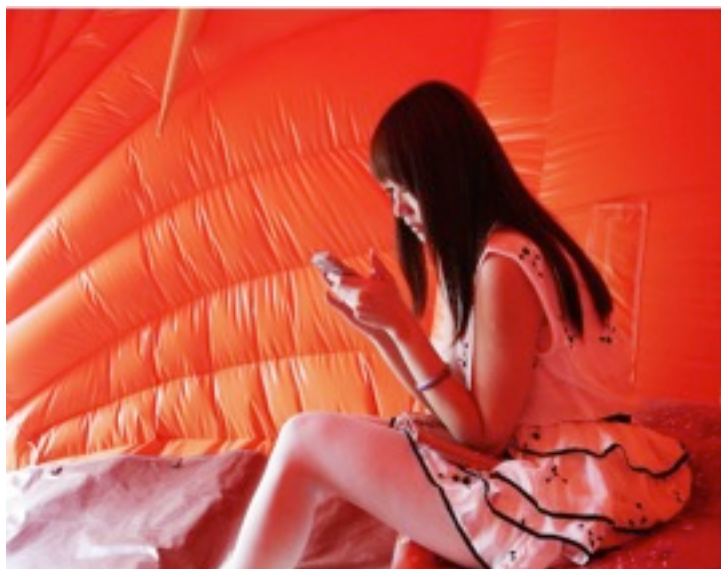
Aker BioMarine deserves to win NBT's "Most Effective Marketing Campaign" award because as a vertically integrated company, it takes full responsibility of its supply chain from sea to shelf and remains willing to make the necessary investments to support growth in key markets. (Source: Aker BioMarine)



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## China's Internet Shoppers

The slowdown of China's economic growth didn't diminish Chinese consumers' increasing confidence—especially their enthusiasm to shop online.

As ecommerce grows in importance in China, not only do Chinese brands hurry to move online, many Western companies, such as fashion apparel brands Zara and Gap, also view ecommerce as a strategic channel to reach Chinese consumers.

However, starting an ecommerce business isn't as easy as simply translating the online business model that works well in your home country into Chinese. What do Chinese want to get from online shopping? How do they view products, make decisions and fulfill payment? Chinese consumers experience online shopping differently from Westerners at least in these three aspects.

First of all, Western consumers shop online mostly for convenience while their counterparts in China purchase online primarily to find good value, and secondly for access to more choices. According to a study from the Multimedia Research Group, 60% of Chinese online consumers list "better price" as the number one reason to make purchases online. This is not news that Chinese consumers generally price sensitive; however, "good price" is not the only dominate motivation.

Accessibility to more products is also a major factor for Chinese consumers to shop online. One interesting fact, which can serve as an example here, is that most people believe coastal regions buy the most bikinis in China. Surprisingly, retail data from Taobao reveals that consumers from China's driest province Xinjiang, a province that is mostly desert, bought the most of bikinis online last year. This is exactly because of the limited choices of bikinis in local brick-and-mortar stores. Consumers in Xinjiang, China found the internet to be a perfect channel to access more bikinis. Similarly, consumers in China's lower-tier regions often find popular international brands do not have retail outlets in department stores in their cities. Online shopping thus becomes the best way for them to access their desired products.

The preferred way of presenting products online in China also varies from in the US and Europe. Chinese consumers prefer a much more comprehensive, even overwhelming, online presentation style while in Western countries it is better to keep the website clean and simple. To be specific, a multi-angle display and informative description of products is extremely important for Chinese online shoppers. Detailed photos and descriptions can effectively mitigate their concern about product quality, and thus make the store trustworthy.

Take GAP's online store for example the same pants displayed only in front and back viewed on the brand's American version sites was displayed on their Chinese sites with 10 more pictures including all angles and details such as the picture of the inside label! Furthermore, for the homepage of an online store, Westerners use it more like a brand building or storytelling space by displaying large banners or few featured products.

Chinese, on the other hand, tend to make the most use of the page to deliver information including promotions, inventory of all different sections or categories, as much as possible. Instead of feeling overwhelmed, Chinese consumers like to have a quick overview of overall collections and access to different categories quickly.

Payment methods are another area where Chinese online shoppers and Westerners have different habits as well. In China, third-party payment and cash-on-delivery is commonly adopted while Westerners use credit cards all of the time. Third-party payment services such as Alipay provide a perfect solution for online shopper safety given that poor quality and fraud is the major concern for Chinese consumers who shop online.

In addition, compared to online banking systems and tools in China, third-party payment is also easier to use. Users only need one verified account, transactions are instant and mostly without transaction fees. The recently extremely popular "fast pay" (快捷支付) function of third party payment even allows users to fulfill payment by simply having a cellphone and a card number. Cash-on-delivery is also a favorable payment method among Chinese consumers. It is another effective solution which lets online consumers feel more secure and comfortable and thus make their purchase decision easier and faster. In particular for those consumers who just begin to learn about shopping online or for those who are not experts in using computers.

There are other ways that Chinese online consumers differ from their counterparts in the US and Europe. Western firms should take the time to identify a trusted partner who understands the intricacies of the Chinese ecommerce landscape. However, these three aspects can provide basic guidance for shaping an excellent customer experience online in China. Identifying and understanding them can be the first step to successfully doing e-commerce in China the "Chinese way". (Source: Business Insider.com)



## Food Safety Becomes Consumer Priority

Food safety has become a top concern for consumers when they buy food or dine in restaurants, according to a survey released on May 16.

"Quality, price and brand are no longer primary concerns for Chinese consumers, following a number of food scandals in recent years," said Wang Tie, senior vice-president of Ecolab Inc, a US-based producer of disinfectant and food safety services.

According to the survey, conducted jointly by Ecolab and the Shanghai-based China Business News Group, almost 99 percent of participants would change their decisions on purchases because of food safety incidences.

The survey covered hundreds of food manufacturing, catering and retail chains in seven cities, through website research and face-to-face communication with the public.

Citing the survey, Wang said consumers' concern for food safety resulted from a lack of transparency in the food processing chain, especially in original material purchasing, production and quality inspection.





"A rising number of food scandals has greatly damaged consumers' confidence and changed their purchasing habits," Wang said.

For example, a milk scandal in 2008 prompted Chinese parents to lose faith in local formula brands and hoard foreign ones, Wang said.

Sanlu Group, a manufacturer based in Shijiazhuang of Hebei province, was found to have sold milk powder

contaminated with melamine, an industrial compound used to create plastic that makes the milk appear protein-rich.

On Wednesday, Chinese Premier Li Keqiang urged strict market supervision and harsh penalties to ensure food safety following recent scandals involving adulterated mutton.

"A healthy development of the food industry needs positive collaboration from the enterprises, government, industrial associations, media and consumers," Wang said.

In cooperation with other professional health institutes, Ecolab also launched an award focusing on food manufacturing, catering and food retail industries on May 16 in Guangzhou, the capital of Guangdong province.

The award has introduced principles of high sensitivity toward public health, well-organized internal management mechanisms, good and reliable raw material supplies, strict production supervision, staff self-discipline, control on upstream and downstream companies, as well as corporate credibility and responsibility.

Luo Yunbo, a professor at the College of Food Science and Nutritional Engineering under China Agricultural University, said consumers' concern about food safety was a result of information asymmetry between food manufacturers and the public.

"China's food industry has improved a lot in the past several decades. We need to build a trust system in food between consumers and manufactures," Luo said.

Luo also said consumers should obtain well-rounded information from authoritative channels, rather than simply be informed by media reports.

"Also, manufacturers should take an active approach to inform the public of how their foods are produced. Retailers should also tell consumers how they purchase the products," Luo said.

Citing some scandals reported last year, Luo said media reports related to food safety issues should be based in experts' views and other authentic and reliable resources.

"Through our investigations, we have found that some reports are false. Such reports have tarnished the reputation of a company, and most importantly, damaged consumers' confidence of food safety, which will be harmful for China's food industry," Luo said. (Source: China Daily)



## Singapore MOH Signs Agreement with China's TCM Administration

Dr Amy Khor, Minister of State, Ministry of Health (MOH) and Ministry of Manpower (MOM) signed the 5th Plan of Cooperation (POC) in the area of Traditional Chinese Medicine (TCM) with People's Republic of China (PRC)'s State Administration of TCM (SATCM) in Beijing today. Prof Wang Guoqiang, PRC's vice minister of the National Health and Family Planning Commission and Commissioner of SATCM, signed the POC on behalf of PRC.

This is part of the Memorandum of Understanding (MOU) signed between MOH and SATCM in 1999, which provides for the POC once every three years, and an annual meeting of the Sino-Singapore Committee on TCM Cooperation (SSCTCMC) held alternately between Singapore and PRC.

The MOU aims to formulate cooperation plans and facilitate the mutual exchange of information and expertise on the teaching, practice and regulation of TCM between both countries. For the 5th POC, the scope of collaboration has been widened to include cooperation between the two countries in TCM research, an area of relevance for Singapore following MOH's research grant set up this year for research collaborations between western scientific researchers and TCM institutions for better patient outcomes.

Under the MOU and POC, PRC experts have been invited to Singapore to assist MOH and the TCM Practitioners Board in the examination of TCM practitioners as part of the registration of TCM practitioners since 1999, and in the training of Chinese medicine materials dispensers. In return, eight health management training programs have been conducted since 2001 for PRC officials to learn about hospital management, medical care and finance policies in Singapore.

Dr Khor led a six-member delegation, comprising officers from MOH and the Health Sciences Authority for the signing of the 5th POC and to attend the 9th SSCTCMC meeting in Beijing. (Source: Singapore MOH)



### Overview of China Functional Oligosaccharides market

Oligosaccharide category is a rising star in food sweetener products family due to its health functions. As novel sweeteners, oligosaccharides are used in a variety of enduse products as food, drink, dietary supplement, pharmaceutical and animal feeds. Particularly in foods, it's can be added as alternative sweetener of sugar.

The oligosaccharide (OS) category includes isomalto-OS, Fructo-OS, Xylo-OS, Galacto-OS, lupeose, raffinose, soy OS, isomalt, chitosan, trehalose and malto-OS, etc. OS is polymers of mono-saccharides' polymerization via glucosidic bond. The DPs (degree of polymerization) of oligosaccharides are usually 2-10.

China has grown into a significant OS manufacturer and supplier with a high speed over the past 2 decades since it started to do research and development of OS in mid 1990s. Our research data shows that there are more than 70 OS producers currently in China and that the total production quantity was approx. 120,000 metric tons while the total Chinese production capacity of all OS facilities was 300,000 metric tons in 2010. The annual sales revenue of OS increased to \$350 million. After US, Europe and Japan, China is playing a major role in OS supply chain by taking 30% of global supply size.

Most Chinese OS producers use enzymatic method to do production. Extracting method is outdated and abandoned. Most producers can only produce 1-2 OS products because of the difference between the raw materials of various OS products. Most of the Chinese OS facilities are located near to the raw material (corn, seaweed, sugarcane and other agri products) regions such as Shandong, Shanxi, Jiangsu, Zhejiang and Guangdong provinces. Leading producers are Baolingbao, Longlive, Quantum, etc. It seems to be the future trends that leading producers are expanding the capacities and taking more market shares. Compared with the foreign competitors, Chinese manufacturers own the advantages as enormous raw material supply (non genetic modified corn), lower labor cost, and government support on industrial and tax policies. The local government of Lvcehng County of Shandong province, where Baolingbao, Longlive and other OS producers are situated, is planning to set OS manufacturing industry as the top priority of its economic development.

Meanwhile China is also releasing its potential of OS application market. As excellent dietary fibers or prebiotics, the demands on OS from infant formula, functional beverage, yoghurt, slimming products are increasing incredibly in China. Our research data shows that the annual growth rate is usually 30%~50% or even higher. For more information on China oligosaccharides market or other high intensity sweeteners market please contact the China-based market research firm CNutrInfo Ltd via the website below: [www.cnutrinfo.com](http://www.cnutrinfo.com) (Source: CNutrinfo)

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

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