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US-China HPA Gains Two New Members

Last week the US-China Health Products Association had the pleasure of welcoming two new board members to the association. FoodState and Reckitt Benckiser.

FoodState was established in 1973 and has its headquarters in Derry New Hampshire, USA. They produce MegaFood and Innate Response Formulas, which are both made using FoodState's proprietary gentle, low-temperature food drying technology that delivers the nutritional attributes of the fresh fruits and vegetables they source.

Reckitt Benckiser was formally established in 1999 via merger of Reckitt & Coleman and Benckiser; however its roots go back to 1823 (Benckiser) and 1840 (Rickett). RB as it is now known is headquartered in Slough Berkshire, UK. In 2012 RB purchased Schiff Nutrition. *(Source: USCHPA)*

China's Cabinet Appoints, Removes Officials

The State Council, China's cabinet, on Tuesday announced a number of appointments and removals of government officials.

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.

Li Zhao was appointed vice minister in charge of the State Ethnic Affairs Commission.

Gong Puguang was appointed vice minister of civil affairs, while Dai Junliang was removed from the post.

Wang Ning was appointed deputy head of the Ministry of Housing and Urban-Rural Development, while Guo Yunchong was removed from the post.

Yu Kangzhen was named vice minister of the agriculture. Gao Hongbin no longer holds the position.

Zhang Zhiyong becomes deputy director of the State Administration of Taxation, with Wang Li having been removed from the post.

Chen Gang and Wu Qinghai were appointed deputy directors of the General Administration of Quality Supervision, Inspection and Quarantine; Yang Gang, Pu Changcheng and Liu Pingjun were removed from such posts.

Wu Zhen was appointed deputy director of the State Food and Drug Administration.

Hu Keming was appointed deputy director of the Legislative Affairs Office of the State Council; An Jian no longer holds the post.

The State Council appointed Zhang Jiang and Li Peilin as vice presidents of the Chinese Academy of Social Sciences, removing Li Shenming, Gao Quanli and Wu Yin from the positions.

Tian Shihong was appointed the new head of the Standardization Administration, replacing Chen Gang.

Lin Jianhua was removed from his post as president of Chongqing University and named president of Zhejiang University.

Wang Cheng was named president of Lanzhou University, replacing Zhou Xuhong. Zhou was appointed president of Chongqing University.

The State Council also removed Ding Xuedong from his post as the State Council deputy secretary-general and Zheng Xiaosong from the position of assistant minister of finance. *(Source: Xinhua News)*

Complaints Spike Over Subpar Infant Formula Imports

Consumers' low confidence in domestic baby formula has led to a surge in complaints against imported baby formulas as some businesses turn to inferior foreign brands, experts said.

Nearly two-thirds of the complaints that the China Consumers' Association received about baby formula in the first half of the year were about foreign brands.



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Having low confidence in domestic baby formula brands, Chinese consumers have turned to imported formula but are finding a growing number of problems with those products, too. Meng Zhongde / for China Daily

The association received 744 complaints about infant formula in the last six months, double the number in the same period last year.

The association declined China Daily's request on Sunday to say which brands got the most complaints.

Nearly 90 percent of the complaints were over quality issues, such as finding foreign objects — including worms and iron wire — in the cans.

Some infants suffered adverse effects such as diarrhea and allergic reactions, and some products were found being sold after their expiration dates. "Some so-called foreign brands are not really

worthy of the name. They're high in price but inferior in quality," said Qiu Baochang, head of the legal team of the China Consumers' Association.

Xile Lier, the Suzhou partner of the Swiss baby formula manufacturer Hero Group, was accused of deliberately mislabeling milk powder in March.

The company changed the expiration dates and relabeled formula for older babies as the pricier ones for younger babies. The infant formula is sold on the Chinese mainland under the label "Hero Nutrdefense".

"Customers turned to foreign brands, especially when it came to baby formula, after 2008 (when the melamine-contaminated baby formula scandal occurred)," said Wang Dingmian, chairman of the Guangzhou Dairy Association. "Some Chinese people have sniffed out a business opportunity."

Industry experts said that one reason for the rise in complaints against imported brands is that some Chinese businesspeople have been taking advantage of consumers' blind trust in such brands.

Heitiki, a milk powder brand which its distributor in Shenzhen claims is "a top brand" in New Zealand, was discovered in 2011 to be registered by Chinese businesspeople and unknown to New Zealanders.

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Products manufactured and imported from overseas but targeted solely at China have taken root in recent years, Wang said.

Dairy companies should be cautious about quality issues to prevent a crisis in brand trust, said Lin Jun, director of a dairy company that registers and imports milk products from New Zealand but sells solely in China.

"In addition to self-inspections and tests conducted by Sutton Group, which would weed out any batch that fails to meet standards, New Zealand authorities test to see whether the baby formulas meet the national standards there, which allows the products to be shipped overseas," Lin added.

The products also need to pass all nutrition and bacterial-residual tests to attain approval from China's Entry-Exit Inspection and Quarantine Bureau to enter the country, he said.

Because some complaints involved sales practices of brick-and-mortar and online stores, experts urged efforts be made to close legal loopholes that overseas purchasing agents take advantage of.

Cao Mingshi, deputy secretary-general of Shanghai Dairy Association, said online sales are a problem as well.

"Many people have joined overseas purchasing of infant formula in recent years to grab a share of the booming business, but most of them sell online and don't hold certificates of food circulation permits as regular food sellers do," Cao said.

More than 133,000 baby formula products labeled "purchased overseas" were found on Taobao, China's leading e-commerce platform, on Sunday.

Zhang Qing, the father of a 3-year-old girl in Shanghai, said regulation of the industry should be tightened.

"To echo Premier Li Keqiang's requirement of ensuring supervision of baby formula be as strict as it is for medicine, the country should regulate the online market of baby formula as much as it does for medicine," he said.

Drugmakers and drugstores can sell medicines online only with the approval of the China Food and Drug Administration. *(Source: China Daily)*

NZ to Publish Registered Infant Formula Products for China

New Zealand's Ministry for Primary Industries (MPI) is expected to publish this month a list of registered brand names of New Zealand infant formula products exported to China, Radio New Zealand reported Monday.

The list would be made available to consumers as well as Chinese authorities so they could check that formulas carrying New Zealand labels were valid.

MPI introduced the new infant formula brand register, which requires companies exporting to China to have the specific brand name included on the export certificate, last month.

China had asked for brand information to be added to export certificates as part of its efforts to crack down

on false labelling.

MPI said 30 exporters had registered their brands last month, and they were required to provide more detailed information by July 6, including copies of actual labels approved by Chinese regulators with translations and associated formulation information, said the report.

The main opposition Labour Party claimed Monday that the new labelling requirements would mean Chinese parents would receive more information about what they were feeding their babies than New Zealand parents.

It was time for the government to protect domestic consumers in the same way by making Country of Origin Labeling mandatory, Labour primary industries and food safety spokesperson Damien O' Connor said in a statement.

"That would provide the same level of information and protection for Kiwi parents as these latest changes will mean for Chinese ones," said O'Connor.



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New Zealand authorities are tightening regulations on infant formula exporters after concerns raised in China about the reliability of some brands and products appearing in the Chinese market, and as Chinese authorities conduct their own investigations into infant formula companies.

In June, New Zealand Food Safety Minister Nikki Kaye said she had asked the MPI to undertake an audit to identify any areas for improvement, including verification, compliance and testing regimes.

She had also ordered a check that New Zealand's Overseas Market Access Requirements were in line with changes being introduced in China's regulations for infant formula.

New Zealand's infant formula exports are estimated at about 600 million NZ dollars (474.83 million U.S. dollars) a year, with approximately 170 million NZ dollars of that going to China.

Cans of imported formula reportedly fetch up to 70 NZ dollars each in China and more than 200 brands are estimated to be produced in New Zealand, but most of them are produced at contract manufacturing plants. (*Source: Xinhua News*)

US FDA Moves Against Illegally Sold Diabetes Treatments

The US Food and Drug Administration (FDA) on Tuesday advised consumers not to use illegally sold products promising to prevent, treat, and even cure diabetes.

The agency said it's taking action to remove from the market these products, which "may contain harmful ingredients or may be otherwise unsafe, or may improperly be marketed as over-the-counter products when they should be marketed as prescription products."

The FDA said it recently issued letters to 15 companies, including one from China, warning them the sale of their illegally marketed diabetes products violates the US law.

Many of the illegal products, sold online and in retail stores, include claims such as "prevents and treats diabetes," and "can replace medicine in the treatment of diabetes," the FDA said.

Some of the products targeted are marketed as "natural" treatments for diabetes, but contain undeclared active pharmaceutical ingredients in unknown quantities that could cause harm or complicate medical conditions, it said.

For example, one Chinese product called Jiang Tang Yi Huo Su Jiao Nang, which the FDA said translates as anti-diabetic pancreatic capsule, was promoted and sold as a diabetes treatment. It, however, contains three active pharmaceutical ingredients, including one that was removed from the US market because of the risk of serious side effects, the agency said.

Other products included dietary supplements, ayurvedics, or medicine of the healing arts that originated in India, over-the-counter drugs, and prescription drugs sold online without a prescription.

The FDA said it has not received any reports of injury or illness associated with the illegally sold products but is taking action as a precautionary measure.

"The FDA has requested a written response from these companies within 15 business days stating how the companies will correct the violations," the agency said in a statement. "Failure to promptly correct the violations may result in legal action, including product seizure, injunction, and/or criminal prosecution." (Source: GlobalTimes.com)

Consumer Optimism in China Hits a High

Income growth and willingness to spend more are main driving forces

Consumer confidence in China has topped that in other major economies to equal a record high, and economists are saying this signals that consumption will support the world's second-largest economy, where growth is slowing.

A survey by global information company Nielsen shows China's consumer confidence index, based on its market research, rose to 110 in the second quarter from 108 in the first, indicating increased willingness to spend on consumer goods and services.

It also reached 110 in the second quarter of last year.

Zhang Monan, an economist at the State Information Center under the National Development and Reform Commission, said domestic demand, especially consumption, will become crucial to supporting economic growth in the second half of the year.

Tao Libao, vice-president of media research at Nielsen Greater China, said, "With the industrial transformation, consumption will become the growth engine."

The central government has pledged to promote structural reforms, shifting from investment-driven to consumption-oriented development, while ensuring stable economic growth and secure employment.

The Nielsen Global Consumer Confidence Index, released on Tuesday, rose to 94 in the second quarter, compared with 93 in the first.

A reading below 100 means that consumers are pessimistic about the outlook, while a reading above 100 signals optimistic expectations.

Nielsen said consumer confidence declined in 14 of 29 European countries as government budget cuts, tax rises and high unemployment continued.

Consumer confidence improved in the United States, along with increasing employment opportunities, higher home prices and a rising stock market, the company said.

In the second quarter, China had the fifth-highest reading of indices among 58 countries based on surveys covering more than 29,000 global respondents.

Fast growth of disposable income and people's willingness to spend more on improving quality of life, especially in large cities, was the main driving force behind this, the company said.

The average disposable income of urban Chinese residents was 13,649 yuan (\$2,201) in the first half of the year, up 9.1 percent from a year earlier, while the disposable income of rural residents rose to 4,171 yuan, up 13 percent year-on-year, according to the National Bureau of Statistics.

Retail sales of consumer goods rose by 12.7 percent in the first six months to 11.08 trillion yuan, compared with a 12.4 percent growth rate in the first quarter, the bureau said.

Beijing, Shanghai and Guangzhou, with 7 percent of China's population, contributed about 25 percent of the country's spending on consumer products and services, Nielsen said.

As urbanization speeds up and consumers pursue a better quality of life, they will have a deeper understanding of consumption, said Yan Xuan, president of Nielsen Greater China.

There will be plenty of room to upgrade consumer products and "big-ticket" consumption goods such as cars will have more potential to develop, Yan said.

Nielsen's research shows that income and health remain the top concerns for Chinese consumers along with children's education, social welfare and environmental protection.

However, the slowdown in demand for labor in the manufacturing sector has dented consumers' perception about job prospects, Yan added.

China's economic growth slowed to 7.5 percent in the second quarter, the lowest since the third quarter last year and down from 7.7 percent in the first three months of the year.

Consumption contributed 3.4 percentage points to a 7.6 percent growth rate in the first six months, exports added 0.1 percentage point, and investment contributed 4.1 percentage points, remaining the biggest growth driver.

Stephen King, group chief economist with HSBC Holdings, said he is glad to see that China is undertaking structural reforms, which will benefit the country in the long term.

But the benefits will take some time to show, he said.

HSBC maintained its growth forecast at 7.4 percent this year. "If the rate is lower than 7 percent, we expect the government to take measures to stimulate growth. But that is highly unlikely," King said. (Source: China Daily)

Cherries to China

Chinese consumers can pre-order U.S. cherries on Tmall.com, one of Alibaba's two big online marketplaces. Producers pick the cherries and pack them with ice, and they arrive two days later at the Chinese shopper's home. Nearly 500,000 pounds of cherries from five Northwestern states will ship in July.

Through the magic of e-commerce, consumers in such big Chinese cities as Beijing, Shanghai and Guangzhou are receiving cherries just two days after they are picked by producers in the U.S. states of Washington, Oregon, Idaho, Montana and Utah.

The Chinese shoppers place orders on a special section of Tmall.com, along with Taobao.com, one of the two big online marketplaces operated by Alibaba Group, China's dominant e-commerce company and No. 1 in the Internet Retailer Asia 500. That area of the site, Yushou.Tmall.com, is set aside for consumers to place deposits on items for later delivery.



A consumer pays a deposit of 10 yuan (\$1.60) to reserve a box of cherries. Once the cherries are picked, they are placed in 2-kilogram (4.4-pound) boxes along with four bags of ice to keep them cool, and shipped by air to China. The price of a 2-kilogram box is 179 yuan (\$29.21), or \$6.64 per pound, 22% less than the \$8.50 per pound price of comparable cherries in Wal-Mart Stores Inc.'s bricks-and-mortar stores in China, according to China media reports. Wal-Mart is No. 4 in the Internet Retailer Top 500, which ranks North America's leading online retailers, and No. 244 in the Asia 500.

Tmall first offered the option to pre-order U.S. cherries from June 27 to July 8. That led to over 50,000 orders, says Keith Hu, overseas marketing director for the Northwest Cherries Association, which promotes sales of cherries from Washington, Oregon, Idaho, Montana and Utah. There were two other cherry promotions on Tmall this month, and Hu says total shipments this month will be over 200,000 kilograms, or roughly 450,000 pounds.

The U.S. Department of Agriculture's office in Shanghai collaborated with the Northwest Cherries

Association in working with Tmall on the cherries promotion.

“The power and potential of e-commerce in China is unparalleled compared to any other country or region around the world; it has already become a new way of life in China, especially for younger consumers,” says U.S. ambassador to China Gary Locke, who attended several events promoting U.S. cherries. “E-commerce is bringing about new opportunities for U.S. and facilitating enhanced U.S.-China trade, and we are proud to be serving as a bridge for our businesses into the burgeoning Chinese consumer market.”

Tmall has offered the cherries only to consumers in 35 of China’s biggest cities because China has limited facilities for preserving products at low temperatures as they move through the supply chain from producer to consumer. “After China builds more sophisticated cold-chain networks, we hope Chinese customers will consume more U.S foods in the future,” Locke says.

In fact, Chinese consumers have been demanding more imported food—and looking for it online—recently as a result of widespread warnings about the safety of certain Chinese food products. Sales of imported food on Tmall have increased 500% in the first half of 2013 over the prior year, says Daniel Zhang, president of Tmall.com.

U.S. agricultural exports to China totaled \$546 billion in 2012, up 34% from 2011, according to the U.S. Department of Agriculture. The Northwest cherry started selling heavily to Japan and Taiwan several years ago, Hu says, but in recent years the biggest growth has been in sales to China. He says producers in the five northwestern states he represents sold 2 million 9-kilogram boxes of cherries in 2012, up from 200,000 boxes in 2005.

Tmall touts the pre-order model as ideal for agricultural products, because it allows the producer to ship exactly what customers have ordered. The Alibaba unit says pre-ordered products typically reach Chinese consumers within two to three days of their being shipped directly to the end customer, versus seven days if they are shipped to a warehouse and then sold through a store.

China Air Pollution Triple WHO Recommended Levels in First Half

Air pollution in China’s largest cities, as measured by the concentration of fine particulates that pose the greatest health risk, was three-times worse in the first half of the year than levels advised by the World Health Organization.

The average concentration of PM2.5 particulates in 74 cities monitored by China’s Ministry of Environmental Protection was 76 micrograms per cubic meter in the first six months, the agency said in a statement today. That compares with the WHO’s recommendation of no higher than 25 for day-long exposure.

Seven of the 10 cities with the worst air pollution were in the northern province of Hebei, the ministry said. Hebei is China’s biggest steel producing region. Air quality in the provincial capital of Shijiazhuang failed to meet government standards on 90 percent of days in the first half, it said. The PM2.5 standard for cities is 35 micrograms, the report said.

China has sought to reduce pollution by curbing the burning of coal, limiting vehicle traffic and closing some

factories as part of efforts to ease public anger about dirty air and water. Pollution is the top reason for social unrest in China, Chen Jiping, a former leading member of the Communist Party's Committee of Political and Legislative Affairs, said in March.

Air quality in Beijing, which is surrounded by Hebei, was worse than government standards on more than 60 percent of days in the first half, according to the ministry. Beijing was not among the 10 most polluted cities, which included Xi'an, Jinan, Zhengzhou, Tangshan and Shijiazhuang.

In Guangdong province's Pearl River Delta, which is neighbors Hong Kong, air quality met standards on almost 80 percent of days in the first half, according to the ministry. Shanghai met standards on 65.2 percent of days and had no days rated as "heavily polluted," it said. *(Source: Businessweek.com)*

China to Regulate TCM Market

The China Food and Drug Administration (CFDA) on Tuesday called on medical ingredient markets nationwide to curb the manufacture and sale of counterfeit traditional Chinese medicine (TCM).

Officials in charge of TCM trade centers in 17 cities were summoned to a CFDA meeting on regulating the market.

During CFDA's recent inspections of the TCM market, it found that the production and sale of counterfeit medicine, as well as illegal processing and business operations, are occurring in the medical ingredient market, according to a statement from the administration.

"Firm determination should be used to rectify the market," said CFDA deputy director Wu Zhen.

The move is part of a national campaign starting from July 17 to crack down on counterfeit medicine.

Problematic medical ingredient centers should be closed, criminals should be seriously punished and relevant officials should be held accountable, said Wu. *(Source: Xinhua News)*

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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