

CHINA UPDATES

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Health Food Expects to be Managed by Filing System

The Standing Committee of National People's Congress reviewed the updated version of China's food safety law. The draft gathered public opinion before being reviewed. The draft talks about the filing system of health food for the first time.

The sixty-sixth item of the updated draft of the food safety law asks the health food using new ingredient and health food being imported for the first time to register in the State Council's food and drug monitoring department. The detailed catalogue of health food that can be filed to the state regulator will be adjusted and released. Other health food can file to local regulators.

If this draft is passed, it will allow more health food to be registered from applying for approval to just filing. The health food experts with CFDA still debate on whether filing or approval will benefit the industry more. In the future, it will be more likely to have filing and approval to co-exist in the health food regulating system.

Industry people said that the decentralization of filing management will help alleviate burden from the companies, and accelerate the health food industry development. (Source: Guangzhou Daily)

CFDA Comments on Deer-Raising for Health Product

To better solve the problems existing in the deer-related health food, based on the protection law of wild animals, the National Forestry Bureau and the former Health Ministry organized talks with related departments and experts, and to



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release regulations on the health food ingredient as follows:

Consistent with other regulations on wild animal protection by national regulators, FDA allows raising deer as ingredient for health food, including raising deer for its antler and bones. Processing of deer antler should be based on the sixty-four item of Health Food Registration Guidelines. (Source: CFDA)

Beijing FDA: Owner of Restaurant Brand Takes Responsibility for its Franchise

Beijing food regulator said that if any franchise is found afoul with food safety problem, the owner of the restaurant brand should take responsibility for it and will be banned from doing any restaurant operation business in the following two years.

Beijing so far has over 63,000 restaurants serving about 50 million people every week. The franchise restaurants account for about one third of the total number.

Zhang Fengping, deputy chief of Beijing FDA, said that some franchise restaurants lack for proper management and are always found to have illegal addictive in the food they serve.

The new guideline asked the owner of the restaurant brand to manage the central kitchen and delivery center systematically, covering operations of staffing, raw material procurement and processing.

The regulator will ask to talk with related companies to set up credit management system, especially those whose track record is not satisfactory. (Source: Beijing News)

Soda Water Industry Opened in Beijing

The natural soda water industry seminar was held in the International Exhibition Center in Beijing recently, co-held by China Food Industry(Group) Co. Ltd, government of Qiqiha'er and National Drinking Water Quality Monitoring Center.

Local leader of Qiqiha'er government addressed in

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the seminar, introducing some local counties of Qiqiha'er, including Keshan, Kedong and Baiqiu, as quality sources of national soda. The China Food Industry(Group) Co. Ltd also signed a strategic cooperation deal with government of Qiqiha'er in efforts to co-develop the natural soda industry and protect green food.

Qiqiha'er is the only city in China that possesses soda water resources. In 2013, the city has earned 1.1 billion yuan by processing 168,500 tons of soda water. (Source: Heilongjiang Daily)

Official System to Spot Additive to be Rolled Out

The National Health and Family Planning Commission is to roll out a new system for the public to search for food additives.

Consumers are said to be able to find out whether the food they buy contain any food addictive and whether the volume of addictive it contains is safe.

According to Wang Zhutian, researcher with the National Food Safety Risk Assessment Center, the current food safety standard contains a big chunk of rules concerning additive, including the GB2760 Food Additive Applying Standard, which covers more than 2000 indicators.

Recent years see an increasing number of cases

involving illegal additive in food or overuse of additive in China.

Mr. Wang said that once the user types in the name of a certain additive, the system will tell how much the standard volume is that allowed to be contained in the food. (Source: CFDA)

Beijing Hopes to Replicate Chinese Moms' Breast Milk

The Beijing government has begun a project to develop baby formula that will closely resemble Chinese women's breast milk.

Zhang Xiaohua, an official with the Beijing Science and Technology Commission, confirmed on Monday that the project has started. It has a budget of more than 10 million yuan (\$1.6 million), according to the budget plan released by the commission.

The project will study the ingredients and active constituents of the breast milk of Chinese mothers and set up a breast milk database for developing the formula.

But "the nutrition in baby formula can never reach the level of breast milk", said Chen Lijun, deputy general manager of Beijing Sanyuan Foods Co, which is working on the project with other research institutes.

"We can only try our best to make it similar to breast milk," Chen told Beijing Youth Daily.

China's standards on the ingredients for infant formula were made according to the information of breast milk ingredients published by the World Health Organization and uses ingredients similar to those employed in developed countries.

But the formula based on these standards may not suit Chinese babies, according to an article published in November on the Beijing Natural

Science Foundation's website. Zhang Yumei, a professor at the School of Public Health of Peking University, was one of the researchers who collaborated on the report.

Han Junhua, a researcher with the China National Center for Food Safety Risk Assessment, said the project can improve the quality of the formula.

The project is also meant to "boost domestic dairy brands", the commission said.

Consumer confidence in domestic brands of infant formula was severely damaged in 2008, when Sanlu, a dairy producer that later went bankrupt, was found to have adulterated its infant formula with melamine.



"We understand consumers' concern, but the public can rest assured that the quality of domestic formula products is safe, as the government is paying great attention to it and has been taking a series of measures," said Wu Guangchi, a child nutrition researcher, who added that the basic ingredients in domestic formula are similar to that in foreign brands.

"Consumer's awareness of the quality of baby formula has increased a lot since the melamine scandal," Wu said. (Source: China Daily)



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China Chews over Food Safety Penalties

A revision to China's Food Safety Law had its first reading on Monday and pledges tough sanctions for offenders, promising the strictest food safety supervision system.

The current law has been somewhat effective in improving food safety, but the situation remains severe, said Zhang Yong, head of the food and drug administration, when briefing the lawmakers.

The existing system is not effective, penalties are comparatively light and it does not deter offenders, Zhang said.



The draft revision to the food safety law was submitted to the bi-monthly session of the Standing Committee of the National People's Congress (NPC), China's top legislature, which will run through Monday to Friday.

The bill is considered a move to realize the promise the current leadership made at the third plenary session of the 18th Communist Party of China Central Committee, which is to establish the strictest ever supervision system on food safety.

This is the first revision attempt since the law took effect in 2009.

Through the law amendment, the country expects to impose the harshest civil, administrative and criminal penalties on offenders and tightest punishment on supervisors who neglect their duties, he said.

According to the bill, consumers can demand reparation worth of three times of loss they suffer from substandard food. Current law only allows compensation of ten times of the price of food.

As substandard food can be very cheap and can cause serious health problems and great financial losses, consumers expect to get higher compensation if the revision is adopted.

Bigger fines for offenders are also on the menu. Producers can face fines of up to 30 times of the value of their products, up from ten times in the current law. If the products are worth less than 10,000 yuan (1,600 US dollars), those involved can be fined a maximum of 150,000 yuan, up from 50,000 yuan in the current law.

The bill adds provisions to punish landlords of production sites who know that illegal activities are being undertaken on their property, and suppliers who sell unlawful substances to producers, knowing that they will be added to foods. Their illegal income will be seized and they can be fined up to 200,000 yuan.

Administrative penalties, such as demotion and dismissal, will be imposed on officials who fail to respond to food safety emergencies and remove loopholes. They will also be held responsible for food safety cover-ups. Similar punishments will be dished out to officials with the food and drug regulatory agencies, health and agriculture departments.

Those caught abusing their power and neglecting their duty for personal gain will face criminal penalties.

National outcry, especially surrounding melamine in Sanlu infant formula that killed six babies in 2008, brought about the first Food Safety Law in 2009. (Source: Global Times)

Liability Insurance Proposed for Food Industries

The Food and Drug Administration will promote a food-safety liability insurance program in high-risk

industries, such as those involving dairy and meat products, to help improve supervision, an official said.

According to a draft amendment to the Food Safety Law reviewed last week by the top legislature, the country will encourage the establishment of such an insurance program and urge more food production enterprises to take part in liability insurance plans.

Xu Jinghe, director of legal affairs for the China Food and Drug Administration, said at a seminar on the new food-safety law on Wednesday that authorities will promote compulsory liability insurance among food production companies in some areas.

"Liability insurance could increase supervision from insurance companies over food companies," he said.

According to the draft amendment, a regulation on the liability insurance program will be jointly formulated by the food and drug authority and the insurance regulatory authority under the State Council.

Xu said the move is in line with international trends on food regulation, adding that authorities are also considering suggestions from some legislators on enacting the insurance plan based on different food industry categories.

However, Xu said there are rifts between the authorities and insurance companies on which categories the insurance should cover first.

"We believe that the insurance should first cover high-risk food categories, while the insurance companies believe we should start with low-risk ones," he said.

Chen Xu, deputy director of legal affairs for the CFDA, said the draft amendment to the food safety law did not make the food safety liability insurance

program compulsory because legislators took costs into consideration.

"A compulsory program would increase the cost to food companies, and ultimately the cost would be transferred to consumers," he said.

Gao Qinwei, a law professor at Central University of Finance and Economics in Beijing, also said he believed that widespread promotion of liability insurance among food enterprises is not realistic.

"Food enterprises differ drastically in their production volumes and finance capacities. Making the insurance compulsory would greatly increase the costs for small companies," he said.

Gao said the food and drug authority should take the food category and the scale of food enterprises into consideration in the legislation.

The draft amendment, which passed its first reading at a bimonthly session of the National People's Congress Standing Committee last week, was first introduced in June 2009.

It called for tougher regulations for baby formula producers and required online trading platforms to register information about food sellers, including their names and addresses. (Source: China Daily)

A Bite of China: Food Sells Out on the Internet

The second season of the TV documentary series "A bite of China" is back with a bigger audience. Figures show that some 2 million people used smart phones to trawl the web for food searches at the time when the first episode was aired. More than 3,000 strips of Sichuan bacon and Beijing roast duck were sold at online market Tianmao.com.

According to the site, 3,400 bottles of honey produced in Linzhi county in Tibet were sold in



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seven days since the first episode was aired. A thousand bags of Leishan fish sauce were also sold out in half a day. After the second episode aired on Friday night, Huizhou stinky tofu sales increased exponentially.

Another big seller is Shannxi hand-made noodle, some 1,100 deals were made in two days. "A bite of China" is a documentary which details the history and stories behind various kinds of food across China.

The first season aired on May 2012 on China Central Television and quickly gained high rating and widespread popularity. (Source: CCTV)

Chinese Turns to US for Milk Products

Dairy consumption in the US has over the last decade has slowed, but demand from Asia — led by China — has been helping offset some of the US' milk woes.

US dairy consumption has been growing at an average of about half a percent a year for the last 10 years, but milk production has been increasing at about 1.5 percent. And the 1 percent difference between the two is going overseas, according to Jay Waldvogel, senior vice-president of strategy and global development of Dairy Farmers of America.

"The big change from the US perspective is that their (China's) appetite has gotten to a size where it's a matter of making certain they have certain access to enough products, or being certain they have access to a diversity of supply bases. Their attention has moved much more aggressively, proactively to supply in the last few years," Waldvogel told China Daily.

New Zealand is the world's largest milk exporter and supplies China with whole milk powder, the dairy product that makes up the majority of China's imports. But it suffered a drought last year, pushing milk prices to record highs and made China realize it couldn't depend on one source, Alan Levitt, spokesman for the US Dairy Export Council, said.



The US exported more than \$700 million worth of dairy products last year to China, up from the \$116 million in 2006, Levitt said. Exports dropped off during the financial crisis in 2009, but picked up the year after and have taken off ever since, he said.

A number of factors are driving China's growing consumption of milk and other dairy products: China now has a middle class that can afford more dairy products, and more attention is being paid to the health benefits of milk. In tandem, the Chinese government has slowly introduced dairy into school meals, and as the country becomes more urbanized, families are feeding their kids more with milk.

Meanwhile, China's 2008 milk scandal — when infant formula sold by Chinese companies were found tainted with melamine — hurt consumers' confidence in domestic food safety, driving customers to buy infant formula from overseas sources and giving a leg up to foreign importers.

In addition, China's own dairy output — about one-third of the US output — is more like an informal sector and provides milk for perishable foods like yogurt, Levitt said.

"It was small, individual families with their few cows and taking it to some collection center. They weren't set up to do big large-scale farming that would be required now. So the demand sort of outstripped what they structurally were set up to do," he said.

The lack of arable land proportional to the size of the country puts China at a disadvantage, making dairy production at home more expensive.

"You can look at it this way: just like you could grow oranges in Wisconsin, it isn't practical to do so. It makes more sense to grow oranges in Florida and ship them up to Wisconsin. It's just the way free markets work; it's cheaper to do that," Levitt said. "In China, because of constraints with having the feed necessary, and the lack of arable land relative to population and environmental issues, it's very expensive to produce milk in China. It's cheaper for them to import milk powder and turn it into the products that they need, rather than produce all the milk that they need themselves."

Whatever opportunity US dairy farmers might have had when bad weather hit other parts of the globe, they're trying to stay competitive. The US has historically been absent from the whole-milk powder market, which farmers have been trying to fix in the last few years. The Dairy Farmers of America opened a new whole-milk powder-making plant in Nevada, which will ultimately produce products to a variety of customers, but the impetus behind the creation of the plant was to serve the Chinese, Waldvogel said.

"What you see now and what has emerged over the last number of years is the US making investments to produce what the market — and in this case, the Chinese market — wants," he said. "And second, we're building the right customer relationships. You're not in China simply trying to say, 'Here's a bag of milk powder', but rather that you have a real relationship with customers." (Source: China Daily)

General Mills opens new innovation center in China



General Mills today inaugurated the company's first innovation, technology and quality center in China, signaling a commitment to drive greater innovation and investment in one of the company's largest growth markets.

The \$15 million facility, spanning 75,000 square feet, is the first major technical center outside of the General Mills worldwide headquarters in Minneapolis. The state-of-the-art complex will focus on developing high-quality products for Chinese consumers including snacks, convenient meals, yogurt and super-premium ice cream. Inside it will house centers for product research and development, food safety, food nutrition research, and food sensory evaluation.

"Our new technical center in Shanghai provides General Mills a tremendous opportunity to accelerate innovation in the Greater China region and better support this rapidly expanding business," said Ken Powell, Chairman and CEO. "By bringing our world-class capabilities to the region, we will increase our agility to act on emerging consumer trends, enable bigger and better innovation pipelines, and establish a food safety center of excellence for our business."

General Mills also operates technical centers in Minneapolis, France, India and Brazil. In addition, the company's Cereal Partners Worldwide joint venture with Nestle has a research center in Switzerland.

Powell was joined today by executive vice president and president of Innovation, Technology and Quality Peter Erickson, senior vice president and president of General Mills China Gary Chu, vice president of Supply Chain and Innovation, Technology and Quality for General Mills China Edward Lee, and local government officials at the grand opening event.

"Our continued success in China will require consistently meeting the needs and demands of our consumers," said Gary Chu, senior vice president and president of General Mills China. "Over the last two decades, we have built a growing portfolio of 7

brands and products that Chinese consumers have come to love and trust. With the tremendous economic growth in China, establishing greater technical capabilities in this market is critical for our continued success."

Today, China is one of the company's largest growth markets with brands such as Wanchai Ferry dim sum, Haagen-Dazs ice cream and Bugles and Trix snacks. Constant-current net sales for China have grown at a 15 percent compound rate over the past four years, reaching over \$700 million in 2014. General Mills expects double-digit net sales growth from Greater China this fiscal year. Last week, the company announced that it will expand its geographic presence for Haagen-Dazs, adding 80 new shops and entering 16 new cities in China. The company also is preparing to enter the \$8 billion yogurt category and has begun construction on a new manufacturing facility in the region.

Fully one-third of General Mills sales are now outside the U.S. As a result of recent acquisitions, including Yoplait and Yoki, more than \$6 billion including the company's proportionate share of joint ventures are now outside the U.S. in fast-growing, attractive categories: ready-to-eat cereal, yogurt, snacks, convenience meals, and super-premium ice cream.

Outside of the U.S., General Mills is focused on the middle class consumer in emerging markets to drive faster topline growth. The emerging global middle class is expected to reach 50 percent of the world's population by 2030. Across China, Indonesia, India and Brazil, the sheer number of new middle class households is projected to grow by almost 200 million people between 2010 and 2020.

"These consumers are increasingly pressed for time," said Chris O'Leary, executive vice president and chief operating officer, International. "As a result, this emerging middle class is looking for convenient food solutions, with strong health credentials and great taste. All of which points to a huge growth opportunity for our business going forward."

About General Mills General Mills is one of the world's leading food companies, operating in more than 100 countries around the world. Its brands include Cheerios, Fiber One, Haagen-Dazs, Nature Valley, Yoplait, Betty Crocker, Pillsbury, Green Giant, Old El Paso, Wanchai Ferry, Yoki and more. Headquartered in Minneapolis, Minn., USA, General Mills had fiscal 2014 worldwide sales of US \$17.9 billion. (Source: WSJ Market Watch)

Abbott and Fonterra to Form Strategic Alliance for Dairy Farming in China

Abbott and Fonterra Co-operative Group Ltd today announced the signing of an agreement to develop a proposed dairy farm hub in China. The strategic alliance, which is subject to Chinese regulatory approval, will leverage Fonterra's expertise in dairy nutrition and farming in China and Abbott's continued commitment to business development in China.

Dairy consumption in China has been rising steadily over the past 10 years. The continued development of safe, high-quality milk sources is essential to meeting this growing demand from Chinese consumers. Abbott and Fonterra are pleased to be able to work together and, through this alliance, make a positive contribution to the growth and development of China's dairy industry.

"This would be Fonterra's third farm hub in China and will complement our existing farming operations in Shanxi and Hebei Provinces that have been very successful," said Theo Spierings, chief executive, Fonterra. "Farming hubs are a key part of our strategy to be a more integrated dairy business in Greater China, contribute to the growth and development of the local Chinese dairy industry, and help meet local consumers' needs for safe, nutritious dairy products."

"We're pleased to partner with Fonterra, a global leader in dairy science, on this alliance to build dairy capacity in China," said Miles D. White, chairman and chief executive officer, Abbott. "This is a very important step in our growing commitment to

Chinese consumers."

Both companies will work with Chinese regulators to obtain necessary approvals through the course of the project's development.

If approved, Abbott and Fonterra will form a joint venture to invest a combined US\$300 million (NZ\$342 million or 1.8 billion RMB) into the farm hub, which will contain up to five dairy farms and more than 16,000 dairy milking cattle in production, producing up to 160 million liters of milk annually. The herd for this hub will comprise animals either imported, or sourced from Fonterra's existing farm hubs. All dairy cattle will have genetics traceable to New Zealand, Australia, the United States and Europe.

As the world's largest global milk processor and dairy exporter, Fonterra brings industry-leading dairy standards and practices to farm operations. The Fonterra-Abbott joint venture will operate the farm hub in China to these same standards to produce high-quality dairy.

Pending regulatory approval, the first farm is expected to be completed and producing milk in the first half of 2017 and the remaining farms will commence production in 2018.

Abbott and Fonterra have a long history in China and have made substantial commercial and social investments in the country.

About Fonterra

Fonterra is a global leader in dairy nutrition - the preferred supplier of dairy ingredients to many of the world's leading food companies. Fonterra is also a market leader with our own consumer dairy brands in Australia/New Zealand, Asia/Africa, Middle East and Latin America.

The farmer-owned New Zealand co-operative is the largest processor of milk in the world, producing more than two million tonnes of dairy ingredients, value added dairy ingredients, specialty ingredients and consumer products every year. Drawing on

generations of dairy expertise, Fonterra is one of the largest investors in dairy based research and innovation in the world. Our more than 16,000 staff work across the dairy spectrum from advising farmers on sustainable farming and milk production, to ensuring we live up to exacting quality standards and delivering every day on our customer promise in more than 100 markets around the world.

About Abbott

Abbott is a global healthcare company devoted to improving life through the development of products and technologies that span the breadth of healthcare. With a portfolio of leading, science-based offerings in diagnostics, medical devices, nutritionals and branded generic pharmaceuticals, Abbott serves people in more than 150 countries and employs approximately 69,000 people.

In China, Abbott has more than 4,000 employees working in manufacturing, research and development, logistics, sales and marketing. Primary locations in China are in Shanghai, Beijing and Jiaxing. (Source: WSJ Market Watch)



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If you want to learn more about the association and how it can help your business, contact us at: **info@uschinahpa.org**

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