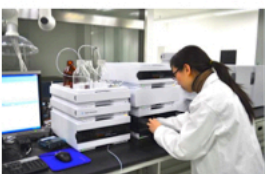


# CHINA UPDATES

Your Trusted Source for Market Intel on China's Natural Health Product Industry



ISSUE 107  
September 10, 2014

## IN THIS ISSUE

**Health Food Expo to be opened in Guangzhou**

**NPC Member Suggested Cancellation of Health Food Regulation System**

**CFDA Says No to Outsourcing TCM Extract Processing**

**Government Calls for Action over Dangerous Foods**

**Why do China's Mothers Insist on Formula?**

**Severe Drought Hits Breadbaskets**

**Red Cross Pushes Child Health Care Plan**

**Food Safety a Problem China Can — and Must — Tackle**

**Chinese pharmaceutical Tasy launches in North America**

## Health Food Expo to be opened in Guangzhou

China's biggest health food expo is to be held in Guangzhou from September 19 to 21. The expo covers 5000 brands include high-end TCM products, natural health food, nutrition supplement and beauty food.

The expo attracts brands from nine major countries including America, Australia, Peru, Japan, France and New Zealand. More than 50,000 buyers will attend the expo.

The expo will include red wine, GMO bean, milk powder and honey products which are well-embraced by the local consumers.

Many companies said they would reply on this platform to promote world-class health products to local market in China.

The expo is co-held by several industry associations including Health Food Industry Association of Guangdong Province, Health Product Industry Association of Zhejiang Province and China Industry Development Association of Organic Agriculture.(Source: Caijing.com)

## NPC Member Suggested Cancellation of Health Food Regulation System

Ren Maodong, a committee member of this year's Standing Committee of the National People's Congress, suggested in the conference on food law draft revision that health food should be included into general food regulating system.

Mr. Ren said that health food is a concept that only China has,



Are you seeking a reliable partner to help you navigate and successfully enter the China dietary supplement market?

**TSI** has the **expertise** to help.

Contact your TSI representative today to learn more.



www.tsichina.com  
www.tsiinc.com

while in the foreign countries, the concept is known as nutrition supplement, but not exactly the same. But in terms of regulation, it is not necessary to specifically regulate health food separately, nor is it necessary to set up special approval procedure for health food.

Mr. Ren listed four reasons:

First as a kind of food, it can be regulated by the food law, on the other hand, if it is in the nature of drug, it can be regulated by drug law; secondly, in the past two decade, the regulation of health food is nowhere close to mature, and the market is bothered by problems including illegal promotion and health food is mixed with drugs; thirdly, foreign countries regulate nutrition supplement as food instead of setting up separate regulation system; fourthly, if health food needs to be separated from general food in regulation, it means the regulation of health food should be stricter than that of general food, but so far it is not this case. (Source: Legal Daily)



### CFDA Says No to Outsourcing TCM Extract Processing

The state food and drug regulator released a document to ban outsourcing TCM extract.

The documents says that The TCM production companies should process the TCM extract themselves instead of outsourcing the process to other companies or agencies.

“Outsourcing is a very common practice in TCM companies,” said an industry insider.

**So little.  So much.**

Powerful Phospholipid EPA & DHA

Excellent User Experience

Smaller Dose, Easy Digestion

 **AkerBioMarine™**  
Antarctic

 **SUPERBA®** KRILL

[www.superbakrill.com](http://www.superbakrill.com)

The regulation also says that TCM extract is no longer to be regulated by approval number.

The industry insider also said that since many TCM companies have already started to invest a lot to process the TCM extract themselves, this new regulation will not lead to a big industry earthquake. (Source: Medicine Economy Daily)

### Government Calls for Action over Dangerous Foods

Food companies should start withdrawing substandard food products that present a serious threat to health as soon as they are discovered, according to a draft document released by China's top food safety watchdog on Wednesday.

Plans for recalls should be submitted to the authorities within 24 hours, said the China Food and Drug Administration.

The draft contains proposals on how food product recalls should be supervised and managed. The authority posted it on the website of the State Council's Legislative Affairs Office and invited the public to comment and make suggestions.

The draft makes clear that food producers and businesses bear the primary responsibility for ensuring food safety.

It says they should record detailed information about the entire manufacturing process and retain documents and files to ensure that recalls proceed smoothly.

Immediate recalls should be ordered when potentially harmful food products are found either through internal checks or government inspections.

Companies should halt production and inform local safety watchdogs, business partners and the public.

The draft divides recalls into urgent cases and standard cases depending on the urgency and severity of the risks.

While plans to withdraw products in the first category should be submitted to local food safety departments within 24 hours, the time limit for less urgent cases is 72 hours.

A series of food safety scandals over the past few years has caused widespread concern. The most recent case involved allegations that Shanghai Hushi Food Co supplied expired meat to fast-food chains.



Six senior executives of the company have been arrested, and Shanghai vowed it would impose a zero-tolerance policy on food safety crimes.

"Food safety is an important issue and greatly affects people's health and lives," said Gu Zhenhua, deputy director of Shanghai Food and Drug Administration. "Stricter supervision should be carried out."

Some cities are merging their various quality watchdogs to improve efficiency.

The Tianjin municipal government merged three departments - the Industrial and Commercial Administration, Quality and Technical Inspection, and Food and Drug Administration - into one organization.

The combined body, the Tianjin Market and Quality Supervision Administration, is the first provincial-level department of its kind in the country, according to Xinhua News Agency.

Lin Lijun, the head of the administration, said the creation of a unified team will optimize the supervision of food safety. (Source: China Daily)

### Why do China's Mothers Insist on Formula?

China consumed 1.745 million tons of milk powder in 2012, accounting for 28.7% of the global consumption, reports the party-run Life Times.

The exclusive breastfeeding rate for new mothers in China stood at just 27.8% in 2013, lower than the international average of 38% and India's 46%.

Using so much infant formula has triggered worries over potential risks. Does China really need to use so much?

In recent years, there has been a severe shortage of some popular brands of baby formula in the United Kingdom, Australia and Hong Kong due to the surging demand of buyers from the Chinese mainland where the quality of formula is often mistrusted, forcing supermarkets to restrict purchases.

In 2013, China's sales of formula reached 68 billion yuan (US\$11 billion), and are still growing by 8%-10% a year, according to dairy industry expert Wang Dingmian.

But experts say China so much formula is not necessary. First, China's exclusive breastfeeding rate for infants stood at just 27.8% in 2013, of which

rural areas held a rate of 30.3% and cities 15.8%. The figures lag far behind the government's goals of more than 50%, according to statistics from the National Health and Family Planning Commission (NHFPC).



Second, China's milk powder consumption has far exceeded other countries. According to the London-based market intelligence firm Euromonitor International, China's retail sales of baby consumption rose to more than US\$5 billion in 2010 from just US\$1 billion in 2002, while India, which has the world's second largest population, barely saw any growth in the same period. The agency projected that in 2015, China's retail sales of milk powder will surpass US\$12 billion, about 40 times India's US\$300 million.

Experts attributed overdependence on formula in China chiefly to a lack of awareness of the advantages of breastfeeding. According to the paper's own survey, 61.1% of women surveyed said they are worried they don't have enough breast milk for their babies, while 10.2% said formula has the same nutritional value as breast milk, according to ads.

In fact, 90% of mothers can produce sufficient milk for their babies, and breast milk is better for an infant than formula. Misleading advertising, the lack of breastfeeding rooms in hospitals — and no doubt also the taboo on breastfeeding in public — and insufficient maternity leave are also reasons why many mothers choose formula. (Source: wantimes)

## Severe Drought Hits Breadbaskets

Severe drought in China's major crop producing regions threatens to halt 11 consecutive years of annual growth in the country's harvest.

The drought has hit about four million hectares of farm land, reducing agricultural water supply in provinces including Henan, Hubei, Shandong and Liaoning.

The conditions have showed no signs of abating.

The drought coincides with one of the most critical periods of crop growing, according to agricultural experts.

Crops on more than 560,000 hectares of farmland have been reduced, according to the State Flood Control and Drought Relief Headquarters.

Irrigation costs have doubled or even tripled, prompting some farmers to refrain from planting.

Some villagers gave up because they estimated that their crops from the arid ground could never cover the costs of irrigation, said Liu Luying, Party secretary of Tielu Village in Henan.

Han Changfu, minister of agriculture, said the ministry's goal is to make sure crops decline as little as possible in severely hit regions, while ensuring they increase as much as possible in areas not affected by the drought.

The Ministry of Agriculture has sent 11 teams of officials and experts to drought-hit places to encourage best practice in disaster relief.

Rainfall in north and central China has dropped by 35 percent and 21 percent respectively from the previous year, according to the National Meteorological Center.

Henan, which produces one tenth of China's crops, has received only one third of the rainfall it had got by this point last year.

While intensive irrigation has eased the drought in some areas, about 35 percent of Henan's small

reservoirs have dried up, and half of its small and medium rivers have been cut off. The groundwater level in some mountainous regions has declined by 15 meters on average.

Meanwhile, recent extreme high temperature in north China has worsened the situation, according to agricultural and meteorological authorities.

Local authorities in Xinjiang said one of the region's major crop producing areas has been suffering its most severe drought since 1991.

The drought has hit more than 80,000 hectares of farmland in the Ili valley, Xinjiang's major grain producing area. Wheat, corn and oilseed rape crops are estimated to be reduced by more than 40 percent.

"We have to give up on the crops. The more we invest, the more we could lose," said Kurbanjan, a farmer in Qong Bura Town, Qapqal Xibe Autonomous County.

The drought has also disrupted water supply to 45 villages, while about four million heads of livestock are unable to find enough grass to feed on, the local government said.

It has earmarked 10 million yuan in financing for drought-relief efforts, including clearing trenches and building dams.

The allocation of water resources is now focused on high-yield farmland, cash crops and stock farming.(Source: Shanghai Daily)

### Red Cross Pushes Child Health Care Plan

AS the Red Cross Society of China celebrates its 110th anniversary, officials from the charity's Shanghai branch yesterday issued a reminder to foreign parents living in the city of its children's health insurance program.

Established in 1996, the scheme is the country's only mutual fund dedicated to children's health care. This year it will provide medical cover for more than 2.1 million youngsters in Shanghai, a third of them migrant Chinese and more than 10,000 the offspring of overseas parents.

Ma Qiang, deputy director of Shanghai Red Cross, said that although the scheme has been around for 18 years, many expats are still unaware of it.

For 80 yuan (US\$13) a year, children aged from 1 month to 18 years can get up to 300,000 yuan worth of cover, Ma said.

The scheme — which runs from September 1 to August 31 each year — is open to all children, who can enrol on an individual basis or through their schools, he said.

“ This year we're encouraging lots more international schools to take part in the scheme so we can benefit even more expat children,” Ma said.

Since inception, the fund has paid out more than 1.4 billion yuan to sick children across Shanghai, the charity said.(Source: Shanghai Daily )

### Food Safety a Problem China Can — and Must — Tackle



To learn more about NSF cGMP Services, [click here](#)  
Experts in auditing, consulting, training and testing

欲了解更多服务信息请点击  
审核、咨询、培训和测试专家团队

The recent food safety scandal in Shanghai illustrates a problem that is staggering in its scope. How to police something as enormous, complex and diverse as China's domestic food industry? It consists of an estimated 450,000 production and processing operations, with 77 percent of them (or 350,000) having 10 employees or less, according to British medical journal *The Lancet*.

Smaller companies might not always have the manpower or budgets to carry out all safety tests required by regulators, so enforcing compliance across the board in any sector of the industry becomes an onerous task. The regulations themselves are riddled with loopholes, which, when available, given human nature, tend to be used.

In the three years leading up to the most recent scandal involving Shanghai Husi Food, a Chinese unit of US food supplier OSI Group, the company had been inspected by the food and drug safety administration seven times, the *Lancet* reports, "but nothing abnormal was detected or reported".

Those inspections — occurring at the rate of roughly one every five months — apparently did not deter someone in only one of many hubs along the supply chain from deciding to forge production dates on beef, mix it in with fresh meat and distribute them all together.

Five people were detained for the alleged scheme and Shanghai's top official, Han Zheng, Secretary of the Communist Party of China Shanghai Municipal Committee, vowed "severe punishment" for all involved.

A local television station broke the story and Han also praised the work of the reporters and whistleblowers who brought the forgeries to light and said that they should be protected from any reprisals, which has kind of an ominous ring on its own.

"Media's watchdog role in this case should be viewed as a positive energy," Han said.

The incident tainted the image of some of the

biggest global names in fast food chains, who had done business with Shanghai Husi — including McDonald's, Papa John's, Domino's Pizza, Subway, Burger King, KFC-parent Yum Brands and Starbucks.

Yum Brands ordered its KFC and Pizza Hut outlets in China to stop using Shanghai Husi products and announced: "We have launched an investigation into the supplier and have a zero-tolerance policy for any supplier's violations of laws and regulations."

For its part, McDonald's issued a statement saying they had "stopped using all food material provided by the company and some of our restaurants nationwide may halt serving some products".

McDonald's China, however, said that it would buy meat from a different subsidiary of Shanghai Husi's parent OSI Group.

Food scandals are nothing new in China, and "to be fair," the *Lancet* editors write, "China does not lack the strong political will and commitment needed to tackle food safety problems."

Last March, Chinese Premier Li Keqiang speaking at the National People's Congress called for ensuring food safety through the strictest surveillance and most severe punishment. A draft of revisions to the Food Safety Law with tougher measures has also been released by the legislature.

Still the persistent problem is enforcement. Like China's myriad of foods and cuisines, the food-safety regulatory mechanism is just as byzantine, with multiple governmental agencies and bodies with overlapping duties and authority at the national, provincial and municipal levels, providing plenty of opportunities for safety to fall between the cracks and the wrong parties to take the blame.

The *Lancet* rightly points out that "prevention of food problems is a shared responsibility of all

producers, regulators, and consumers" and recommends more training and transparency in reports to increase public awareness and involvement.

"With China's increasing engagement in global agricultural markets, food safety is no longer just a domestic issue — it is now a global one," the editors say. "Such a shift requires China to catch up urgently with international safety standards." (Source: China Daily)

## Chinese pharmaceutical Tasly launches in North America



Tasly chairman Xijun Yan speaks at the opening ceremony, Sept. 4. (Photo/Xinhua)

Tasly Holding Group, a leading pharmaceutical company in China, officially launched its North American operations in the state of Maryland on Wednesday as part of its "go-out" efforts to further expand its business of traditional Chinese medicine overseas.

The company, which celebrated its 20th anniversary in May, held a ribbon-cutting ceremony at its office in Rockville, Maryland, to mark the official launch of Tasly Pharmaceuticals as its North American headquarters, with about 150 guests from the Maryland state government and biotechnology and pharmaceutical companies in attendance.

"Tasly has comprehensively implemented the strategy of internationalization," Xijun Yan, chairman of Tasly, said at the ceremony. "The establishment of Tasly Pharmaceuticals is one of the

most important strategies that we take. We have positioned Tasly Pharmaceuticals as our overseas headquarters, with the full support provided by Tasly Group."

He said Tasly's products and services cover biopharmaceutical drugs, healthcare products, medical rehabilitation and health management, with a total revenue of US\$4 billion in 2013. "I strongly believe that our natural products will contribute to reducing the Medicare cost and effectively resolving certain issues of the US healthcare system," Yan said.

"China has been the leader in healing for thousands of years" and Tasly's traditional Chinese medicine "is opening up a whole new chapter of Maryland's life sciences community," said Dominick Murray, Maryland's Business and Economic Development Secretary, adding that they are "excited" to have the new Chinese investment in the state, which is home to more than 500 bioscience companies.

Tasly's products have been approved by national health regulatory authorities in at least 34 countries.

Its Fufang Danshen dripping pill, a multi-herb-based treatment for stable angina pectoris, the medical term for chest pain or discomfort, is now in a phase three clinical trial in the US and several other countries.

The company said it expected the pill to be the first ever multi-herb-based and chemical-free pharmaceutical product approved by the US Food and Drug Administration.

Tasly also plans to launch Deepure, a line of nutraceuticals that are gluten-free and made without preservatives, artificial colors, flavors, sweeteners or gelatin, in the US this fall. (Source: WantChinaTimes.com)

China Updates is published weekly by the U.S. – China Health Products Association, a non-profit organization dedicated to the promotion of dietary supplements and the nutritional / functional ingredients. The association's major focus is the continued development of China's dietary supplement and nutritional ingredient industry as well as offering business services to global companies wishing to enter the China Market

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

If have China related news that you would like to share with the association for publication contact us at: [news@uschinahpa.org](mailto:news@uschinahpa.org)

Copyright © 2014 U.S.-China Health Products Association. All rights reserved.