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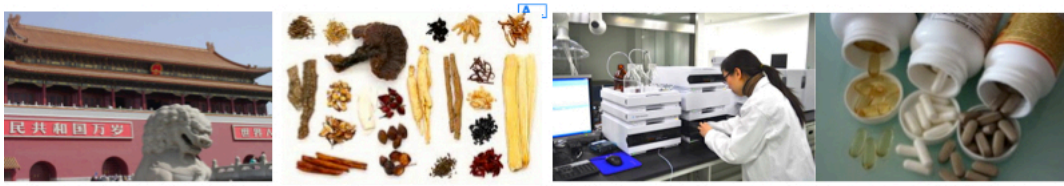

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98% of Spot-Checked Food in Changsha is Up to Standard

Local FDA of Changsha, Hunan province, spot checked 12,090 batches of local food, with a percent of pass of close to 98% last month.

The major foods that failed to pass the test are mostly vegetable product, bakery product, bean product and vegetable oil. The major reason for the failure is the volume of bacteria and dehydroacetic acid.

The test shows that many health products that claim to help supplement calcium, zinc and selenium do not contain enough volume of the related elements. Among 78 batches tested, 7 of them are not up to standard. (Source: Changsha Evening News)

Sichuan Provincial Regulators Talk with Local Health Product Companies

According to the FDA of Sichuan province, 45 local health product companies were asked to have a talk with the provincial regulator, analyzing the regulation situation of health food, and the major problems the industry face.

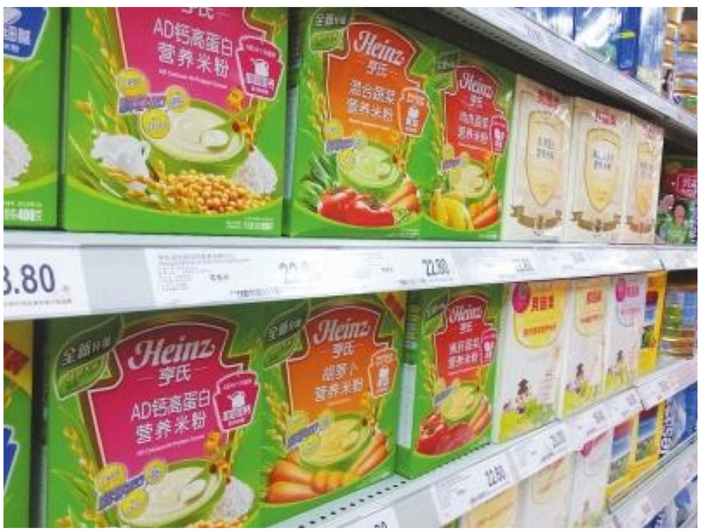
Yang Jun, director of food safety department said that the health food companies still have problems including using unsafe ingredient, illegal promotion and adding illegal additives. He said related companies should take responsibility of these issues.

Mr. Yang raised several requirements to the companies in the talk, including taking better measures to control the quality of ingredient and processing steps, and operate professionally by checking on the imported ingredient, asking for receipt and manage the account book properly.

Mr. Yang also asked the companies to promote legally and all the ads should be approved by related regulators. (Source: Sichuan News Net)

Heinz Recalls Four Batches of Infant Food in China

Ketchup maker H.J. Heinz Co has recalled some infant food in eastern China after it was found to contain lead in excess of the allowable limit, the company said on Monday.



The move by Heinz comes after food safety regulators in eastern Zhejiang province said on Friday that they had found "excessive amounts of lead" in the company's AD Calcium Hi-Protein Cereal.

Heinz said it is recalling four batches of the product as a precautionary measure after a test found it exceeded the allowable limit for lead.

"This relates to an isolated regional withdrawal in eastern China," company spokesman Michael Mullen said in e-mailed comments to Reuters. "Extensive testing confirmed that no other Heinz baby food varieties are affected."

On Sunday the Zhejiang Food and Drug Administration said the problem affected 1,472 boxes in Zhejiang and that Heinz had told the agency it would destroy the other 153 boxes that are sealed in a warehouse in the southern city of Guangzhou.

The regulator urged Heinz to compensate its customers.

Heinz said it "apologises for any inconvenience caused and would like to assure consumers that Heinz is 100 percent committed to food quality and safety".

Chinese consumers are highly sensitive to safety concerns relating to infant products after a 2008 scandal involving melamine-contaminated baby milk powder. At least six babies died and thousands more fell ill.

Last year Fonterra said it found a potentially fatal bacteria in one of its products, triggering recalls of infant milk formula and sports drinks in nine countries including China.

Experts say exposure to lead is particularly dangerous for children, inhibiting intellectual and physical development. It can cause poor concentration, disruptive behavior and even death when subjected to high levels.(Source: Reuters)

Taobao Pledges to Fight the Illegal Health Product

Taobao.com, the online shopping site of China's e-commerce giant Alibaba, said in its verified Weibo account last week that it has launched a special campaign to better regulate weight-control health products.

Taobao has so far taken away four illegal brands in this kind from its site, after these products were reported to be problematic by consumers. Taobao said in a statement that it is "investigating related sellers, and Taobao will treat related sellers with the most severe punishment, once it is confirmed that these products contain illegal elements and use official accreditation without getting approval".

Taobao also said it would cooperate with related regulators to investigate into these cases.

To better regulate weight-control products, Taobao said in the statement that it would soon launch a special campaign to take all the illegal products off from the shelf. It would check on the accreditation number of each weight-control products by typing the numbers into the national database, and find out those which illegally use the number or provide fake information before blocking these products from its site.

Taobao is also setting up a "green channel" for consumers to report on illegal health products that they buy from its site.

"We have taken all the weigh-control products that contain sibutramine, an illegal elements, from our site in 2010," said Taobao in the statement. "We will try to provide a safe shopping environment online for our customers."(Source: Weibo)

China Levies Record Antitrust Fines on Foreign Firms

In its latest effort to wield its power against foreign companies, China has levied more than $200 million in fines against a dozen Japanese auto parts makers for price-fixing.

German and American automakers are also being investigated. They were the largest fines placed on foreign companies in China since the government rolled out new anti-trust laws six years ago, and they're making a big impact on the world's largest auto market.

The investigation is the latest to target foreign companies within a select group of industries from pharmaceuticals to PR firms. CLSA analyst Scott Laprise says the investigation into price fixing among foreign companies in China's auto market is reasonable from a consumer perspective.

"If we look at it from a U.S.-style consumer protectionist view: What would you think if you found out your car was being sold two, three, four [or] in the case of some cars five times more expensive in another country?" Laprise asks. "Aren't you taking advantage of that country?"

While some analysts may see this as the latest example of China's government unfairly targeting foreign firms, others point out that Chinese consumers are the fastest rising consumer group in the world, and this investigation is an effort on the part of China's government to protect them from unfair business practices.

There are several concerns arising from China's antitrust activism. The first and most obvious one is that foreign firms look as if they are being singled out. The picture may be somewhat more complex, though. The annual statistics disclosed by the antitrust agencies since 2008 (when China's anti-monopoly law came into force) are opaque and incomplete. But they show that the Chinese regulators have also targeted domestic firms, ranging from drinks manufacturers and gold retailers to salt producers.

How much weight to put on this is unclear. In contrast to the vociferous bashing of foreigners, it appears that many local cases have been settled quietly and with no disclosure of wrongdoing. On the other hand, regulators have been extremely reluctant to take on the biggest state-owned enterprises. There was a surprising exception: the NDRC's case against China Telecom and China Unicom for stitching up the broadband market, which officials often point to as an example of their even-handedness. Alas, whispers one lawyer, the case has stalled as the agency "misjudged its strength and was forced to back down by higher-ups."

Another serious concern is that China is undermining its monopoly laws, which experts say are good on paper, by enforcing them in increasingly thuggish ways. Last year, some three dozen lawyers for big foreign firms were gathered in a room by an NDRC official and warned not to challenge its inquiries or risk facing extreme penalties. The American government took up this matter directly with Chinese counterparts during its last high-level "strategic dialogue", and won a public promise that the targeted firms would have an "effective opportunity" to present evidence in their defence. Alas, as the complaint by the EU makes clear, the reality is that multinationals are still facing "administrative intimidation tactics" such as the browbeating of firms not to seek outside legal advice or to challenge investigations in court.

That is a pity, for one bright spot is the progress being made by China's courts in their handling of such matters. Though still too rare, private antitrust cases are handled by the same well-trained cadre of judges that deals with intellectual-property rights. A regional court handling the challenge of Tencent, a Chinese internet giant, by Qihoo, a local rival, issued a thoughtful and transparent ruling that could have come from a Western court. In fact, says David Evans, an economist at the University of Chicago, he has seen judges in Europe with a weaker grasp of how markets work than those he deals with in Chinese cases.

A final cause for concern is that the antitrust campaign confuses and conflates differing, and possibly conflicting, policy goals. One troubling example is the Chinese proclivity for "indigenous innovation". It is a strategy by which organs of the state have tried coercing leading foreign firms, by various means, to part with world-class technologies so that local firms can copy, adopt or steal them. The crackdown on technology firms appears driven in part by this sort of techno-nationalism, a trend that has unfortunately been fuelled by the local backlash to revelations of American spying made by Edward Snowden, a contractor at the country's National Security Agency who leaked thousands of secret documents.(Source: marketplace.org/the Economist)

Xi'an Steps Up Efforts in Monitoring Health Product Companies

To better regulate the production of health product and its circulation, provincial regulator of Shanxi province drafted a "daily monitor management of health companies" and soon to set up system to materialize it.

The draft specifies on how the provincial regulators should monitor the production and operation of health product companies.

The authority should conduct spot check every year towards production companies, covering no less than 30% of the total number.

Each year, the city-level regulators should check on production and wholesales companies twice and spot check other companies covering no less than 20% of the total.

The county-level regulator should check on circulation companies for no less than twice per year, with more than two inspectors each time.

The draft illustrates 26 key inspection areas, and designates a number of new companies, and companies that found to play foul in the past inspections to be key monitoring companies.

The draft is to take effect from this Monday to August 24, 2019.(Source: Xi’an Evening Daily)

Amazon.com Coming to Shanghai's Free-Trade Zone

Amazon.com Inc. said it plans to set up operations in Shanghai's new free-trade zone, a move that will allow it to sell more merchandise from abroad in China and help boost competition against rivals like Alibaba Group Holding Ltd.

The Seattle-based Web retailer said Wednesday it signed a deal with authorities in the free-trade zone to open the company's global platforms to Chinese consumers, enabling them to import bags and books normally available for delivery only in other countries.

Amazon also will open a logistics warehouse to expand exports of goods from Chinese companies, Shanghai Municipal authorities said in a separate statement. The move will give Amazon a greater ability to make cross-border payments and enable the company to use the trade zone to experiment with financial innovation, according to the statement.

Amazon hopes the move will help it sharpen its competitive edge against rivals like Alibaba, a dominant e-commerce player in China that operates two big marketplaces, accounting for 80% of China's estimated $300 billion in online shopping last year. Alibaba is among a number of sites in China that help connect online shoppers with buying agents who can help them purchase products that otherwise can't be delivered.

An Alibaba spokeswoman declined to comment. The company, which plans to list on the New York Stock Exchange as early as next month, in 2008 launched its Tmall marketplace that lets companies sell global offerings directly to Chinese consumers. U.K. luxury giant Burberry PLC and Apple Inc. are among the companies that sell on the site. It also operates Taobao, its biggest consumer marketplace and where many of its millions of independent merchants help Chinese consumers order products from overseas.

Online retailers have been battling to come up with new ways to attract more of China's 300 million online shoppers, and China's government has pitched its newly launched free-trade zone in Shanghai as a laboratory where they can do it. Officials opened the zone in September as a center for remaking the country's financial sector, as well as opening up shipping, commerce and specialized services. It was pitched as a way to open unfettered trade access to China, but officials have placed a number of restrictions on the zone, dampening the hopes for it.

It is unclear how the free-trade zone will affect Amazon's payment system or the company's China sales. An Amazon spokeswoman in China declined to comment. The company didn't outline details in its statement and doesn't disclose its revenue in the country.

Amazon, which has been operating in China for a decade, has been quietly building its presence here. The retailer has 15 warehouses in the country, according to MWPVL, a logistics and shipping consultancy.

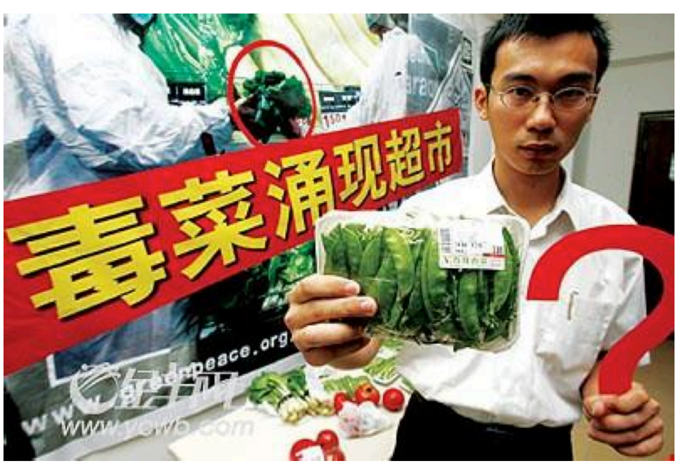
In July, Amazon tapped Doug Gurr, a former Amazon global vice president in the U.K., as the new president for its China division. In May, it invested $20 million in Chinese online grocer Yummy77, buying an undisclosed minority stake in the Shanghai-based company to expand its reach beyond durable goods and offer Chinese shoppers everything from fresh fruit to seafood, as well as packaged foods.

Amazon delivers to around 3,000 cities and counties across China and has tried to lure more Chinese readers with its Kindle e-reader devices, and it began testing out its cloud-computing services in China late last year.

"We seek to be the most customer-obsessed online shopping platform with vast selections, competitive price and most convenience in China," Mr. Gurr said in the statement Wednesday.

Amazon executives have said that investments in China and India contributed to a net loss of $126 million in its second fiscal quarter ending June 30. (Source: WSJ)

China Online Food Retailing Booms After Safety Scares



Mainland consumers are responding to a powerful new marketing tactic that plays to a widespread fear of food contamination - the promise of safe groceries sold online.

Pledging produce direct from the farm, vendors have found food is becoming one of the fastest-growing segments of internet retailing as they cash in on scares from cadmium-tainted rice to recycled cooking oil.

The trend is adding momentum to an online retail boom driven by a rapidly expanding middle class, with companies such as Cofco and Shunfeng Express betting that a decent slice of a 1.3 billion population will pay for the peace of mind they say their services offer.

"People are willing to pay a higher premium than in the West. In other markets, like the UK, food e-commerce is about convenience. Here, there's going to be a higher quality and safety premium," said Chen Yougang, a partner at consultancy McKinsey.

But convincing some skeptical consumers about food quality will remain a battle. Shanghai-based Zhang Lei expressed doubt on the credentials of some products being touted as organic.

"Everyone knows in China organic is not the real thing," said Zhang, a mother of one.

Nonetheless, total online sales of fresh produce on the mainland could rocket to 40 billion yuan (HK$50.7 billion) in five years from about 11.5 billion yuan this year, said Zhou Wenquan, a senior analyst at Beijing Orient Agribusiness Consulting.

Research firm Euromonitor predicts growth will comfortably beat that in major overseas markets. It expects the mainland market to grow by about 8 per cent by 2017 from 664 million tonnes this year, compared with growth in the United States of about 5 per cent from 77 million tonnes.

So far, most food sold on the mainland's largest online shopping sites - such as Yihaodian, majority owned by Walmart, and Jingdong Mall - has been packaged items or fruit with a relatively long shelf-life.

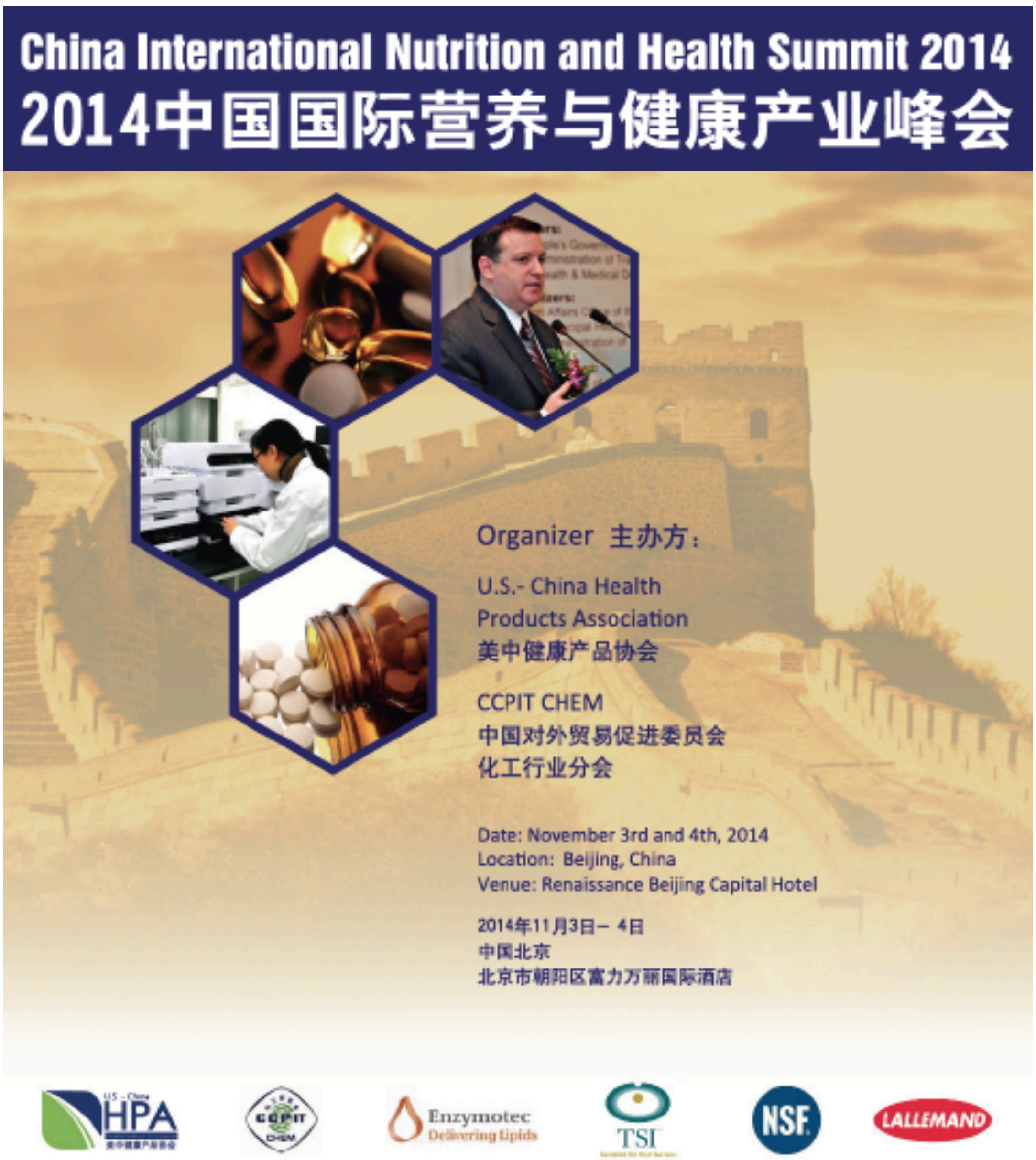
But a wave of new businesses is focusing on fresh and premium produce.

"The vegetables are really fresh," said Beijing resident Lei Na, who shops on websites such as Womai.com owned by Cofco, the country's top food processor and trader.

"Supermarket food doesn't look that fresh, especially if you only get there in the evening."

Shunfeng Express, the mainland's largest delivery company, launched Shunfeng First Choice last year, offering a range of food to about 500,000 consumers.

"We go directly to the farms to pick the produce, and then using our own logistics, deliver straight to the consumer. So from the tree to the consumer's dining table, we'll remove all the sectors in between," said Yang Jun, director of sales and marketing. (Source: scmp)



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