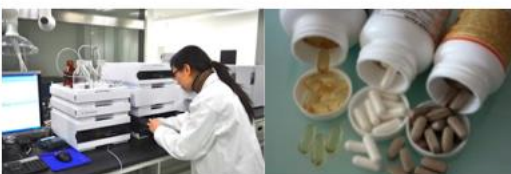


CHINA UPDATES

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



ISSUE 113
October 23, 2014

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Expert Gathering to Revise the National Cosmetics Regulation

The CFDA recently enlisted a number of experts to discuss how to be innovative in regulating the country's cosmetics.

In the seminar, experts from China Health Monitoring Association, AmCham China, Nankai University, China Academy of Medical Science, and European Union Chamber of Commerce in China, are engaged in the discussion of the definition of cosmetics, the management of new ingredient of cosmetics, the evaluation system of cosmetic safety, the management of cosmetic promotion, and the regulation of cosmetics for special use and those for non-special use.

The experts reached the agreement that cosmetics is a fashion product with relatively low safety risk, so companies in the market should play a key role in regulating the industry, and government should strengthen the regulation besides the companies.

Regarding managing method, the experts suggest that the regulation system should be more innovative, and the products' safety risk should be classified when managing, which can contribute to a more efficient system.(Source: CFDA)

CFDA: China Has Not Approved Any Product that Claim to Boost Sex Capability

China's top drug and health product regulator said in its official website recently that all the health products in the



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local market that claim to be able to boost sex capability of the user are counterfeits.

CFDA said that media report that the number of cases involve substandard, sometimes poisonous, health products that claim to improve sex capability is on the rise since 2013. The illegal producers are selling these products in small rented houses or adult product stores, which have not gained official approval for their operation.

The notice said that consumers who bought these products usually feel embarrassed to go to hospital to seek for professional advice, or report the case to the police when they found the product is substandard. The illegal vendors usually take advantage of the consumers' mentality to gain profits.

The regulator also warns the consumers not to buy those health products which claim to boost sex performance of the buyers, as the central government has not approval a single health product in this kind.

The national food safety law has made it clear that all the health food should not claim to be able to cure a disease in its instruction book. (Source: People's Daily)

Report: Those Under 35-year-Old in China Are Most Likely to Be Drug-Abusive

A recent annual report on the country's drug abuse issue last year, released by CFDA and China's National Anti-Drug Campaign, says that 50.7% of those who are drug-abusive are young people who are under 35 years old in China, and 70.1% of synthetic drug users are under 35 years old.

Drug abuse is one of the major health issues in the world, which threatens the country's social stability and economy development. The report is based on the monitor institutions on drug abuse in 31 provinces nationwide. It includes 203,000 questionnaires, and the main interviewees are those who are detained in anti-drug institutions and drug institutions in the

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local community.

The report shows that an increasing number of people are falling into the drug-abuse group. Crystal meth becomes the most-used drug among the fallen young people.

CFDA said it is cooperating with the police department and the health regulator to better launch the anti-drug campaign to curb the spread of drug-abuse issue. (Source: China Economy Net)

China to Overtake US as Largest Dairy Market by 2017: Euromonitor

Driven by the country's growing appetite for milk, cheese, and yogurt, the Chinese dairy market will double in size to US\$70bn (€55m) by 2019, fresh Euromonitor data suggests.

At this rate, Euromonitor expects China to leapfrog the US by 2017.

"Rising average annual incomes, greater availability of supermarkets, and increasing ownership of refrigerators in rural as well as urban areas have all had a positive effect on the development of dairy sales," said Lianne van den Bos, food analyst, Euromonitor.

In the meantime, Euromonitor expects Russia and Brazil to take fourth and fifth place in the global

dairy rankings in 2014 - overtaking France and Germany, which it forecasts will fall to fifth and sixth respectively.

The global dairy sector experienced "another year of strong growth" in 2014, up 7% on 2013, it said.

"To a great extent, top line value growth is still being generated by emerging markets, underpinned by China and Brazil, whilst developed markets are struggling against maturity," said van den Bos.

Brazil, van den Bos said, has added US\$13bn to global dairy sales in the last five years - more than France, Germany and Japan.

"To put that figure in perspective, this is double the additional sales of the whole Western European region combined, a region which has the second highest per capita spending on dairy globally, just behind Australasia," she said.

"Driving this growth," said van den Bos, "is the somewhat recent affordability of dairy products."

The growth of Brazil's social class C, made up of manual and clerical workers and small business owners, has also contributed.

"The rapid growth of this class is creating a number of opportunities for brands, as various food items such as cheese and yogurt, once considered expensive or extravagant, are now within reach of formerly poor consumers," said van den Bos.

Commenting on the rankings negative "shake up in Western Europe" van den Bos said: "Maturity of the dairy category is a problem in these markets, where deeper penetration is not very likely."

"Instead, product innovation, the use of provenance and introducing new consumption patterns in dairy products is helping to drive forward value growth whilst per capita consumption in most mature markets, including France and Germany, is in decline."

In France, for example, manufacturer's efforts to

commercialize cheese with European Union (EU) geographical indication (GI) status has "proved to be successful in boosting sales and establishing brand presence," said van den Bos.

Likewise in Scandinavia, where traditional dairy products such as Icelandic skyr and quark "is driving double-digit growth for the whole category." (Source:dairyreporter.com)

'Future of Healthcare' Outlined at Conference

Both foreign and domestic companies are eyeing the huge smart healthcare market in China as the nation speeds up its development of innovative healthcare services for its citizens.

Ian Hau, founder of the Smart Healthy City Alliance, told the China Sourcing Summit 2014 on Thursday that at the core of a smart healthy city is providing public access to quality and affordable health services.

"To put it in simple terms, the future of healthcare in China is digital, mobile and personal healthcare plans," Hau said.

But he said that building such a sustainable business model is a challenge and that combining Chinese and Western approaches will be a must.

"We have successful models in Western countries as they have taken it one step further than China has, and by borrowing some ideas from them, the development can be faster," he said.

The alliance is promoting the "smart healthy city" concept in China in cooperation with several healthcare companies from the United States.

For instance, Genesis Rehab Services, based in Philadelphia, opened its China operations center in May in Guangzhou, Guangdong province.

Dean Feick, vice-president of international operations, said Genesis will open its first long-term care rehabilitation clinic in Guangzhou in

November.

The clinic's focus is on helping people deal with chronic diseases, including diabetes and obesity, as well as providing physical therapy, occupational therapy, speech therapy, respiratory therapy and wellness services for senior citizens.



Feick said the company's ambition is to open more clinics in China than it has in the US.

Last year, the company opened an average of 400 clinics in the US per month. The ratio of its clinics in the US is 8,000 people per clinic.

"We are pretty confident in the Chinese market because the population is large and the demand is tremendous. Our service is proven in the US, and I believe we can be well-accepted by the Chinese," Feick said.

He added that he is looking forward to sharing business opportunities with Chinese companies.

Hong Gang, CEO of Sino SmartHealth Management, said that the future market of smart healthcare cities is tremendous.

"Diabetes, high blood pressure and obesity are health problems that Chinese people are suffering from. Along with rehabilitation demands, there are many perspectives to focus on in this industry," he said.

Hong's company introduces advanced technologies and the management of smart healthcare services

and applies them to Chinese communities.

"As a Chinese company, we know the demand of the market well," he said.

On Aug 27, eight ministries and commissions, including the National Development and Reform Commission, the Industry and Information Technology Ministry, and the Science and Technology Ministry jointly urged the development of smart healthcare cities nationwide.

The document said that the development of pilot smart healthcare cities should be finished by 2020.

Zhou Ming, executive vice-president of the China Council for International Investment Promotion, predicted that the smart healthcare service industry will eventually surpass even that of e-commerce.

"The smart healthy city will relieve pressure on hospitals and healthcare companies. Nowadays, healthcare equals hospitals in Chinese people's minds. In the future, hospitals might account for only 20 percent of every people's healthcare plans," she told the China Sourcing Summit.

Lin Lin, secretary general of the China Health Education Center said: "Chinese citizens still lack the sense of what smart healthcare is. Most of them still believe in government-run hospitals when they encounter health problems. (Source: China Daily)

China's Growing Food Problem and Opportunity

Feeding China's population of 1.3 billion people is a difficult task, even under the best of circumstances. Securing enough food for its people, however, will be even more difficult for China in the years ahead due to a number of factors, including increased competition from a growing global population, the reduction of the country's agricultural work force as millions of Chinese farmers flock to the cities, and the changing diets of its population as Chinese become more affluent.

To make matters worse, food quantity is not China's only problem — food quality has also become a big

issue. Over the last five years, Chinese consumers have had to contend with everything from tainted milk to expired meat, raising serious questions about whether food in China is safe for consumption.

While the quantity and quality of China's food supply is one of the country's most pressing problems, it also presents one of the biggest profit-making opportunities for companies and investors alike. China's increasing demand for food is not only creating real opportunities in China, but it is also putting a floor under the global prices of all agricultural products, benefiting everyone from farmers in the US Midwest to poultry producers in Thailand, whether or not they ever sell their products to China.

Today's global population of 7.0 billion people is growing at just over one percent per annum and is projected to reach 9.0 billion by 2042. In addition to getting larger, the world's population is growing wealthier, as underdeveloped countries move into the economic mainstream. Global Gross Domestic Product (GDP) Per Capita will increase by 50 percent, from approximately \$10,000 today to about \$15,000 in 2030, but GDP Per Capita will grow fastest in the emerging economies of the world, where they will more than double over this period. This is significant because rising incomes are accompanied by changing diets — and rising meat consumption.

In China, for example, the shift from a rice diet to a meat diet has already happened. As a result, China's output of meat has more than tripled since 1986, enabling the country to produce all of the meat that it needs today. With more increases in per capita income on the way, however, demand will outstrip China's ability to produce and the country is expected to become a major meat importer. By 2050, China will import \$150 billion annually of

chicken, pork, and beef, as meat consumption surges on the back of the rising affluence of its growing middle class.

The impact of the switch to meat has a significant impact on agricultural output and the demand for grain. Because 3 kilograms of feed are needed to produce each kilogram of meat, feeding a large and growing population of animals will be a big challenge as China and the rest of the world gear up to produce more corn and soy beans for animal food. According to a report by the US Department of Agriculture's Economic Research Service, China is expected to account for 40 percent of the rise in the global corn trade over the coming decade, and will become the world's leading importer of corn by 2023.

In the face of rapidly increasing demand, China's agricultural workforce is shrinking significantly. In 2013, China unveiled its long-awaited plan to move more people into the cities in a bid to boost economic growth, resulting in the migration of about 100 million people to the cities during the balance of this decade. The plan has been approved by China's State Council and calls for China to have about 60 percent of its population living in urban areas by 2020, up from 52.6 percent at the end of 2012. Over the longer term, China's goal is to have at least 70 percent of its population, or 900 million people, living in the cities. This will involve a movement of 240 million farmers into urban environments from now until 2025, further straining China's agricultural production capability. Doing so will make it easier to provide basic social services, the government believes.

Food quality is nearly as big an issue as food quantity in China. In 2008, over 300,000 infants became ill, and six died, from consuming tainted milk powder, impacting nearly all of China's dairy producers. In 2013, China took the unusual action of



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banning all imports of milk powder from New Zealand after Fonterra found a bacterial strain in some of its products that can cause botulism. And most recently, the China operations of OSI Group, an American company, is under investigation for knowingly selling expired or mislabeled meat products to McDonald's, KFC, and Pizza Hut locations in China, which led to McDonald's reporting its lowest sales in a decade for the month of August.

While China's food problems are a headache for the government, they have been a boon to Chinese and overseas companies and investors. A few examples:

Shuanghui International: In 2013, Shuanghui International, China's largest meat processor, bought American Smithfield Foods for \$4.7 billion in cash, one of the largest Chinese takeovers of a US company. Subsequently, Shuanghui (now known as WH Group, Ltd.) raised \$2.1 billion from Hong Kong stock investors in one of the largest share offerings in Asia Pacific this year.

KKR: In June, 2014, a private equity consortium led by KKR agreed to pay \$270 million for up to 70 percent of China's COFCO Meat, which targets consumers willing to pay a higher price for high-quality, safe pork products. With backing from its new investors, COFCO Meat plans to increase production by five to six times in the next five to seven years, focusing on China's eastern seaboard and northern regions, which are close to dense urban areas where consumers are willing to pay a premium for quality meat.

Tyson Foods Inc.: Tyson is expanding rapidly in China. The company is building its own chicken farms in China to address the world's largest chicken market's growing food safety concerns. The company will spend hundreds of millions of dollars to build large, supersanitary chicken farms in China. CLSA Americas LLC predicts that Tyson's China revenue will increase from about \$715 million today to \$1.1 billion by 2015.

China's Dairy Industry: Despite the recent milk

scare, China's dairy industry, a \$47 billion industry (approximately one-half of the US), is growing at over 10 percent per annum and is expected to double by 2017. As a result, Chinese dairy companies are attracting investment from investors as diverse as Jack Ma of Alibaba fame, Danone and Arla, two of Europe's largest dairy companies, and FOSUN, one of China's largest private companies. COFCO, China's largest food company with \$25 billion in sales, has purchased significant ownership positions in three Chinese dairy companies recently: Mengniu, Huishan Dairy and Shengmu, which is planned to open in late November.



The ministers of commerce and health decided in late August to give green light to running wholly foreign-owned hospitals in seven cities. Hong said he believed the move will advance the "smart healthy city" project run by his company.

"In China, health services are mainly clustered in hospitals. They are running short of staff and attention to prevention and rehabilitation, which put mounting pressure on already tense doctor-patient relations," he said.

"You can find few specialized services for prevention and rehabilitation nationwide," he added.

The "smart healthy city" project focuses on the two long-ignored areas and brings in overseas expertise in technology and management, backed

by the Smart Healthy City Alliance, a group of noted medical and health service institutions.

"We have world top partners in the industry," he said. (Source: China Daily)



The poster features a dark blue header with the event title in white. Below the header, a collage of four hexagonal images shows laboratory equipment, a speaker at a podium, a scientist in a lab coat, and a wooden barrel with pills. The background is a faded image of the Great Wall of China. Text on the right provides organizer details, dates, location, and venue in both English and Chinese. At the bottom, logos for U.S.-China HPA, CCPIT CHEM, Enzymotec, TSI, NSF, and LALLEMAND are displayed.

China International Nutrition and Health Summit 2014 2014中国国际营养与健康产业峰会

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U.S.- China Health
Products Association
美中健康产品协会

CCPIT CHEM
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化工行业分会

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Location: Beijing, China
Venue: Renaissance Beijing Capital Hotel

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