



# CHINA UPDATES

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## **USCHPA Visits Israel**



*(From L to R: Anat Ziv - Israel Embassy China, Jeff Crowther - USCHPA, Caroline Naze - Export Institute)*

The association was invited by the Israel Export & International Cooperation Institute in conjunction with the Economic and Commercial section of the Israel Embassy in Beijing to visit Israel and give a day long presentation to a group of natural health product companies looking to expand their global foot print into the China market.

The presentation was attended by 35 people representing 20 different companies from both the finished product and nutritional ingredient sectors.



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Association Executive Director Jeff Crowther had this to say, “I was very impressed with the level of commitment and assistance the Israel government is offering these companies. Both the Export Institute and the Israel Embassy in Beijing worked hand in hand to create this one-day event to bring the latest information from China directly to those small and medium sized companies that need a better understanding of the current and ongoing situations in China’s developing natural health product industry.”

Following the one-day seminar, Crowther met one on one with companies to discuss their individual products and China endeavors. Here is a list of some of the innovative companies that attended the event in alphabetical order:

Alga Technologies, Ambrosia Supherb, Amorphical, Anlit (Maabarot), Ben Shimon Florils, BioHarvest, Carmit Candy, Desert Labs, Easyline, Enzymotec, Greenlite, Herbamed, IBR LTD, Israfoods, LycoRed, Mycolivia Medicinal Mushrooms, Qualitas Health, Se-Cure Pharmaceuticals, Seakura (Source: USCHPA)

### **Jilin FDA Set up Accountability System of Health Product Companies**

The local regulator of Tonghua, Jilin province, held a seminar earlier last month to discuss the issues of health product quality. Regulators from Tianjin, Fujian province, Guangdong province and Shandong province joined the meeting.

The attendees also visited local companies to come up with solutions to address the quality issue of health food.

Based on the request from the national FDA authority, local food and drug regulators were asked to set up a pilot program to launch accountability system of local health product companies for a year.

So far, 210 companies have been chosen from six provinces, including Jilin province, to join the program.

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The local authority highlighted the issue of lack for professionals in the industry to improve the general situation and to build a comprehensive monitoring system in local companies to better regulate the production and sales.(Source: Chinairn)

### **Medicare Card in Wuhan Starts to Cover Health Product Purchase**

The local social welfare bureau of Wuhan released a notice recently to include more services into the medicare account of local residents, including physical test plus purchase of health product and medical equipment.

According to the new notice, the local residents who receive physical test in designated institutions will get the fees covered by using their medicare card. The residents can also purchase legal health food and home-use medical equipment in designated pharmacies and get subsidies.

The notice takes effect since December,1.(Source: Chutian Metro)

### **Tianjin and Shanghai Join Cities Changing Diabetes on World Diabetes Day**

On World Diabetes Day, the Chinese cities of Tianjin and Shanghai join the Cities Changing Diabetes initiative and the global fight against the

urban diabetes epidemic. These two major metropolitan centres are the first Chinese cities to become part of the global partnership programme, which was initiated in Mexico City in March 2014, followed by Copenhagen in Europe and Houston in the United States last week.

New numbers released today estimate 387 million people worldwide have diabetes today and more than two thirds hereof live in urban areas<sup>1</sup>. Globally, those who live in cities are two to five times more likely to have type 2 diabetes<sup>2</sup>. Cities Changing Diabetes is a first-of-its-kind collaboration to gather public and private partners to identify practical long-term solutions. The programme seeks to understand the root causes behind the rise in type 2 diabetes in cities and use that knowledge to share and recommend effective interventions.

With 96 million people with diabetes, China has one of the highest rates of diabetes in the world<sup>3</sup>. More than half of the people with diabetes live in cities, and Shanghai and Tianjin rank among the largest urban areas in China. Tianjin's population has doubled since 1995 to around 11 million people<sup>4</sup> and an estimated 9.5% now suffering from diabetes<sup>5</sup>. In Shanghai, with a population of 23.8 million people<sup>6</sup>, it is estimated that 12.6% have diabetes<sup>7</sup>.

The People's Municipal Government of Shanghai and the Shanghai Municipal Commission of Health and Family Planning are committed to tackle the growing urban diabetes challenge. As a consequence, the city is taking active measures to increase the focus on prevention and treatment of type 2 diabetes and other chronic diseases. Shanghai therefore welcomes relevant input based on academic research and innovative partnerships.

In Tianjin, the government is very committed to promoting a healthy lifestyle and a balanced diet, which are key factors in tackling type 2 diabetes. The Cities Changing Diabetes initiative fits well into the National Health and Planning Commission's agenda and will support other initiatives to halt the

progress of type 2 diabetes.

The Tianjin Medical Association and the Shanghai Diabetes Institute will lead the initial research for Cities Changing Diabetes in collaboration with the global academic institution, University College London (UCL) from the UK.

“The Cities Changing Diabetes partnership will provide a solid foundation for identifying future initiatives of high impact to tackle urban diabetes in Shanghai” said Professor Jia Weiping of the Shanghai Diabetes institute.

“I am confident the city of Tianjin will benefit significantly in the fight against type 2 diabetes by participating in Cities Changing Diabetes” said Mr. Xiong Zhi, Secretary General of the Tianjin Medical Association.

Lars Rebien, chief executive officer of Novo Nordisk welcomed the global leadership the two significant cities are showing in the fight against urban diabetes: “It is my hope that by working in partnership through Cities Changing Diabetes, we can complement and support the cities' objective to reduce the growing type 2 diabetes burden and tackle this urgent problem”.(Source: city changing diabetes)

## **US Scholars to China: Raise Retirement Age, Birth Rate**

China should raise its retirement age and birth rate to maintain its economic-growth momentum, said US economics and demography scholars at a seminar in Beijing.

The scholars made the recommendation at the National Symposium on Demographic Change and Policy Response, held from November 13–14, 2014.

Based on his studies, Andrew Mason — an economics professor at University of Hawaii — has found that, unlike their peers in other countries, Chinese senior citizens find it difficult to continue saving money to support their children.

The retirement age is too young, Mason said, given that they are still able to contribute to society for several more years.

Mason said that US senior citizens are able to decide how long they wish to remain at work. If they decide to delay retirement, they can be eligible for an increase in pension, up to about 8 percent more per year.

Currently, the retirement age is 60 for Chinese male workers and 55 for female workers, as per the retirement practices outlined in the Labor Insurance Regulations of the People's Republic of China, issued by the government in the early 1950s.

As of late 2013, China's population above 60 years old had eclipsed 200 million — nearly 15 percent of the country's total population.

Ronald Lee, demography and economics professor of the University of California, Berkeley, holds similar opinions to Mason: Lee believes that Chinese senior citizens are generally healthy and have access to sufficient nutrition, which is enough to help them work until 65 or even 70.

They should have the right to decide how long they want to work for, Lee said.

Studies have shown that, on average, a Chinese woman will have 1.5 to 1.6 children in her life, but Lee believe that it would be better for China to raise the rate to around 1.65.

Even with China's recently adopting its limited "two-child" policy — allowing couples to have a second child if either parent is a single child — Mason has been advocating an even-more-loosened family policy to help increase the number of newborns. China's "one-child" policy, restricting urban couples to only one child as its name suggests, has been in force for over 30 years.

Cai Fang, demographer and vice president of the Chinese Academy of Social Sciences, agrees with Mason and Lee. In the long run, Cai said, it is the right thing to do to raise retirement age and birth rate; however, it is still difficult to change current policies.

According to Cai, many who are about to retire are not well educated, given that China's university entrance exam was suspended in 1966 during the Cultural Revolution and was restored only as of 1977.

"Compared to the younger generations, they have no advantage; so they want to retire as soon as possible," said Cai.

In spite of the now-more-relaxed "one-child" policy, many still choose to have one child, said Cai.

According to the National Health and Family Planning Commission, only 700,000 married couples have applied to have a second child since China "eased" the family policy last November. The number is far lower than what the government had anticipated.

Lee believes China should consider ways to reduce the cost of raising children, especially when it comes to the money families are spending on their children's education. (Source: Xinhua)

## **Wal-Mart to Focus on Food Safety in China**

Wal-Mart Stores Inc is focusing on food safety as the world's largest retailer aims to boost profitability of its more than 400 stores in China, Wal-Mart Asia Chief Executive Scott Price said.

Food safety is a highly emotive issue in China where there have been numerous scandals from photos of food oil being scooped from drains to tales of phoney eggs and melamine-tainted milk powder. "We play an important role in China delivering food safety and quality products to our customers," Price said on the sidelines of the Asia Pacific Economic Cooperation (APEC) CEO Summit. "It's a differentiator."

Wal-Mart came under fire in Chinese media earlier in the year after a supplier's donkey meat product was found to contain fox meat. In 2011 Chinese authorities accused Wal-Mart of selling expired duck meat, and it was forced to shut down stores in Chongqing after they were accused of labelling non-organic pork as organic and selling it at a higher



price.

Price was named on Tuesday the head of the retailer's Asia Pacific business, in a move aimed at reviving Wal-Mart's slowing growth amid stiff competition in the region. In Japan, the company said in October it would close 30 underperforming stores to scale back. In India, Wal-Mart last year ended a six-year partnership with Bharti Enterprises Pvt and started to run wholesale stores instead of its common retail ones.

In China, Price said Wal-Mart has experienced "a few bumps along the road". China was the only market of Wal-Mart's five largest ones that saw falling same-store sales in the second quarter, down 1.6 percent from the year-earlier period.

In Wal-Mart's global markets, Wal-Mart reported for the six months ended July 31, pre-tax income outside the US down 3 percent to \$11.83bn from a year-earlier, according to the company's filings.

In October, Wal-Mart lowered its earnings forecast for this fiscal year, blaming a tough economy for the company's low-income customers. The retailer said to expect annual sales to grow in the range of two to three percent, two percentage points down from its earlier guidance.(Source: Reuters)



## China's Infants in Gina Rinehart's Sights in

## Baby Formula Push

Gina Rinehart, the Australian billionaire who built her fortune on iron ore, is planning a \$500 million investment to supply infant formula to a Chinese market forecast to almost double over three years.

Hope Dairies, controlled by Rinehart's closely held Hancock Prospecting Ltd., is seeking to acquire about 5000 hectares of farmland in Queensland state and is targeting first production in the second half of 2016, according to co-investor and director Dave Garcia.

The move comes as Australian miners including Fortescue Metals Group's founder expand into food production to tap rising demand from Asia's middle classes. It positions Rinehart, the richest woman in Asia, to compete in an infant formula market in China forecast to swell after the world's most populous nation loosened its one-child policy last year.

"There's another 50 million mouths probably coming online," Garcia said. "There's room for everyone in this right now."

Hope Dairies, named after Rinehart's mother, is seeking pasture in Queensland's South Burnett region and a processing facility in Mary Valley. The dairy farm, which is planned to be among Australia's biggest, may produce as much as 30,000 tonnes of formula a year, Garcia said by phone from Hong Kong. The facility will also supply UHT (ultra-high temperature processing) milk.

All the output is intended to be exported to China and the company may seek investment from a state-owned entity tasked with completing dairy deals, he said.

A free-trade deal with China, seen boosting dairy exports, may be signed next week, Australia's Prime



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Minister Tony Abbott said in an interview on Monday.

"There is an enormous opportunity for the processors here," Michael Harvey, a Melbourne-based analyst at Rabobank International said by phone. "Offshore markets for infant formula are growing rapidly and China is the standout given the size of the population and the birthrate they have."

The market in China for infant formula may grow to \$NZ33 billion by 2017 from about \$NZ18 billion now, according to Fonterra Co-operative Group Ltd., the world's biggest dairy exporter.

Rinehart's planned operation would employ about 400 people, adhere to stringent biosecurity standards and produce about 70 to 75 per cent of its own milk from a herd of about 16,000 Holstein cattle, including 10,500 milkers, according to Garcia. The Van Diemen's Land Co. has Australia's biggest dairy operation, milking about 19,000 cows on holdings in Tasmania, according to its website.

China in May tightened standards on imported formula following concerns over contamination. Fonterra had exports of two products suspended for 15 months from August 2013 after a botulism scare that was later proved to have been a false alarm. In 2008, locally-made milk powder contaminated with the chemical melamine killed at least six infants in China.

Rinehart's dairy will seek to use labeling that would allow customers to check the specific animals that produced milk used to create each package of powder, Garcia said.

Demand in China may rise further as the birthrate increases by 2 million a year due to the easing of the one-child policy, according to the National Health and Family Planning Commission. Urbanisation may also bolster demand for formula, with mothers in towns and cities less likely to breastfeed than women in rural areas, according to the World Health Organization.

Australia's food and agriculture sectors must seize on a chance to feed Asia's expanding middle class,

Trade Minister Andrew Robb said September 15 at a Melbourne dairy conference. "The opportunities are immense and they are once in a lifetime, almost once in a millennium what we're seeing going on around us," Robb said. "We have to position ourselves."

Rinehart, Hancock Prospecting's chairman, has long ties to agriculture and spent part of her childhood growing up on the Mulga Downs station in Western Australia. Her father Lang Hancock's discoveries of iron ore in the state from the 1950s spurred the nation to become the world's biggest exporter of the steelmaking ingredient and helped make his daughter the country's richest person.

Hancock in July purchased a 50 per cent share in two cattle stations in Western Australia's West Kimberley, while Andrew Forrest, the billionaire founder of iron ore producer Fortescue Metals in May acquired Harvey Beef, Western Australia's only licensed beef exporter to China.

Rio Tinto Group, Rinehart's partner in the Hope Downs iron ore mine, is one of Australia's biggest cattle ranchers, with chief executive officer Sam Walsh identifying agriculture as an opportunity in July.

Milk producers are also expanding exports, with Norco Co-operative agreeing to more than double fresh milk sales into China and Bega Cheese striking a distribution deal to supply UHT milk to the nation.

Expansions by domestic infant formula producers in China risk moving the market into oversupply, UBS analysts led by Christine Peng wrote in a June 7 note. Total consumption in China may peak in 2018, according to Macquarie Group.

Still, exports of whole milk powder, which includes infant formula, from Australia to China almost tripled to 17,592 tonnes in the 12 months through July 2013 compared to the previous year, according to data from Dairy Australia, an industry researcher. Australia is the third largest whole

in a ritual of recent origin and immense popularity: bargain shopping on Singles Day in China. Wu bought Levi's jeans, Nike sneakers, and an espresso machine; his girlfriend picked out skin cream. "We're celebrating Singles Day as a couple," he jokes.

It's fair to assume that many of the millions of Chinese who purchased \$9.3 billion worth of discounted mobile phones, refrigerators, down jackets, hoodies, mixed nuts, Wagyu beef, stewpots, diapers, laundry detergent, and even silkworms in only 24 hours aren't single either. "The day doesn't have anything to do with singles anymore," says Bai Tiantin, who's in her 20s (and single). "It's just a shopping holiday."

That's an understatement. It's the biggest online shopping holiday in the world, more than four times larger than America's Cyber Monday. Merchants had to offer at least a 50 percent discount to participate. Some 278 million Singles Day orders were placed this year, 43 percent via mobile devices. Alibaba says about 260 million packages will be delivered in the five days afterward.

"When you hear the biggest online shopping day in the world is Singles Day, you think, 'That must be coming to the U.S., then,'" says David Rogers, a branding expert who teaches digital marketing strategy at Columbia Business School. "Certainly you couldn't have the biggest thing out there without the U.S. involved, but that's actually already the case."

Alibaba Group, China's biggest e-commerce company, is to thank for that. And although there are 360 million online shoppers in China—more than the entire U.S. population—Alibaba would very much like to have America and lots of other countries involved in Singles Day, too. "We try to create a real global consumer day," Daniel Zhang, Alibaba's chief operating officer, said at a news conference as the countdown began at the company's headquarters in Hangzhou. (Source: Businessweek)

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 nutritional ingredients. The association's major focus is the continued development of China's overall natural health product industry as well as offer business services to its global members.