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CFDA Gathers Opinion on Registration Process of Health Food

The state food and drug regulator is now open for opinion from the public on its updated regulation on health food registration process.

The new regulation asks the registration applicants to prepare related documents and official certificates before submit the application. Key elements in the product are asked to be highlighted in the application statement.

The applicants should also provide the entire package sample for testing. The logo and statement on the package should be the same with real product in the assembly line.

The local regulator are asked to spot check the applications, especially towards those products which failed the on-spot check. Regulators need to designate the testing institutions.

The stat-level administrative department needs to designate testing institution in time after it receives the applications from imported health product companies which apply for a registration testing.

Any change made to the name of the product and company should be explained by the company in the application statement before submitting the application.

The public can contact CFDA if they have any suggestion on this draft before Dec, 31. (Source: CFDA)



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Harbin to Ensure the Health Product Companies To Meet Requirement

To ensure the production and sales standard of health food and cosmetics to be essentially implemented, the local FDA inspectors have launched a special campaign to spot check related companies and institutionalize the regular check.

Harbin, the northern city in China, has quite a number of health food companies scattered in different parts of the city. Issues including producing low-quality or illegal products still bother the development of local health food industry.

The regulators have built a well-established registration and filing system for health food companies, covering an increasing number of companies that are operating based on law.

So far the regulators have launched a series of campaigns in the past few months to address this issue, including the ones that target at pharmacies and rural food market. 1,883 companies were inspected by the regulator, and 826 boxes of illegal health food were confiscated that worth over 38,000 yuan. (Source: China Quality News)

Shanxi Province: Medicare Card To Cover Health Product Purchase



Xi'an social welfare bureau said recently that in order to better meet local consumers' demand for health products, the city is to cover health product

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purchases for the local medicare card holders.

It is estimated that over 15,000 kinds of health products can be covered by the medicare card since next month. It can also cover a number of traditional Chinese medicines that are listed in the official brochure.

The family members of card holder can also enjoy the benefit.

The local bureau recently designated 24 medical institutions for workers and 26 medical institutions for local residents where the card holders can receive medical treatment and get their expenses reimbursed. (Source: Sanjin Metro Daily)

Best Buy to Exit China

Best Buy Co. is selling its China division to a Chinese real estate group, exiting a country where the American electronics retailer has struggled for years as it streamlines its global business to focus on its core U.S. operations.

Best Buy is selling Jiangsu Five Star Appliance Co. to Chinese real estate company Zhejiang Jiayuan Real Estate Group Co. for an undisclosed amount, a spokeswoman for Best Buy said Thursday. She said that Best Buy is exiting the China market except for its sourcing operations, and that the sourcing of its private-label products—everything from tablets

and cords to televisions—is projected to grow.

The Wall Street Journal reported in June that Best Buy was considering a sale of its China business and that a sale could fetch around \$300 million.



Zhejiang Jiayuan—which operates in 20 cities across China and whose main business focuses on developing housing estates, commercial complexes and hotels—wasn't immediately available for comment.

The move comes as Richfield, Minn.-based Best Buy carries out a turnaround plan that Chief Executive Hubert Joly launched after taking the helm two years ago when online rivals were ravaging Best Buy's sales.

As part of the turnaround efforts, Best Buy has invested heavily in its website and has leaned on suppliers to help finance improvements to its more than 1,400 U.S. stores. It also exited Europe last year, selling its 50% interest in Carphone Warehouse Group PLC's European business back to Carphone in a mostly cash deal valued at about \$775 million.

In China, a slowing economy is presenting challenges for many multinational companies in what has been a key growth market. Rivalry with local Chinese companies is also intensifying online and off, further sparking many to rethink their strategies.

The sale of the China business will enable the

company to focus more on the U.S., which generates the bulk of the company's revenue, the Best Buy spokeswoman said.

Best Buy had big aspirations for its business in China in 2006, when it bought a majority stake in Five Star, a Chinese electronics chain that got its start selling air conditioners, and announced the first Best Buy store openings. But after rolling out nine namesake stores, where it sold the espresso machines and home-entertainment systems that it sold to U.S. shoppers, executives said they learned that Chinese consumers were poorer and more interested in washing machines than surround-sound.

It closed its nine namesake stores in the country in 2011 and focused its operations on Five Star. Best Buy hoped Five Star, a more familiar Chinese brand, could build sales of washing machines and cellphones.

But a slumping Chinese real estate sector took a toll on operations, as consumers pulled back on purchases of washing machines, air conditioners and other home appliances.

Tough online competition has also been a key factor in declining sales outside the U.S., company executives have said. Revenue from its international division dropped 8.4% to \$1.39 billion in the third quarter, which ended November 1, from the same period a year earlier. Sales at international stores that have been open for a year dropped 3% in the quarter, driven by declines in China, the company said.

"Over the last two years we have worked to improve our business in China and are proud of the progress we have made there," Mr. Joly, Best Buy's chief executive, said in a statement.

Best Buy's overall revenue in its fiscal third quarter increased 0.6% to \$9.38 billion.

Other retailers are also finding China tough going. Europe's Metro AG announced last year that it

would pull out of the Chinese consumer-electronics business.

Home Depot Inc. closed its stores in 2012, saying that its do-it-yourself store didn't work in a "do-it-for-me culture."

Rather than pulling out of China, U.K. supermarket chain Tesco PLC completed a joint venture with Hong Kong-listed China Resources Enterprise in May, enabling the Chinese retailer to combine its supermarkets across China and Hong Kong with Tesco's.

Still others are feeling the effects of the slowing Chinese economy. Unilever PLC, SABMiller PLC, Nestlé SA and Wal-Mart Stores Inc. have cited ebbing consumer demand as reasons for slowing sales in the country.

China's retail sales grew 12% in the first 10 months of the year, down from 13% for the same period last year, according to China's National Bureau of Statistics.(Source: WSJ)

China Approves Imports of GMO Syngenta Corn, Pioneer Soy

China has officially approved imports of a type of genetically modified corn at the centre of a string of lawsuits over U.S. grain shipments, seed maker Syngenta AG said on Monday, ending uncertainty after a five-year review.

China, the world's largest soybean importer and fastest-growing corn market, also cleared imports of a DuPont Pioneer soybean variety, confirming the last of three expected approvals of GMO crops from different seed companies.

Beijing has been taking longer than in the past to approve new biotech crops amidst growing consumer sentiment against GMO food in China and concerns amongst some government officials about excessive dependence on U.S. food supplies. The delay upset global corn trading in the past year and cast doubt over the future of seed companies'

heavy investments in research of GMO seeds, which can take up to 10 years and \$150 million to develop.

"It's positive we're seeing movement" in China's regulatory system, Pioneer spokeswoman Jane Slusark said.

Syngenta's Viptera corn has been under scrutiny since late last year, when China began rejecting U.S. corn shipments after detecting traces of the unapproved strain, known as MIR 162. The strain has been approved for planting in the United States since 2010 but lacked Chinese import approval.

The rejections, which later extended to distillers' dried grains, a by-product of corn, roiled global prices and led farmers and traders Cargill Inc and Archer Daniels Midland Co to sue Syngenta for hundreds of millions of dollars in damages.



China's approval of MIR 162 corn, engineered to fight pests, covers grain and distillers' dried grains for food and animal feed use, according to Syngenta.

Several large importers in China said they were unhappy over what they saw as a lack of transparency in Beijing's handling of the approval, which likely gave state-owned buyer COFCO an unfair trading advantage. The government's decision also reignited debates on the safety of GMO food on China's lively micro-blogging sphere.

The Pioneer product China approved combines a

trait, known as Plenish, designed to produce healthier oil with a trait designed to control weeds. Beijing had previously approved the Plenish trait and did not officially require approval for the combined, or stacked, product, according to the company.

Pioneer sought approval as "a proactive measure in case China changed its regulatory rules," said Slusark, the company spokeswoman. (Source: Reuters)

People's Daily: Government should Better Regulate the Health Product Industry



It is quite common now to find more and more celebrities endorsing health products which are made of TCM, and the widespread reporting of media on the effect of these products. An increasing number of TV shows are promoting these products in the name of health strengthening. Many of these celebrities even did not try the products at all.

The latest regulation on health food is the one that was released in 1996. Most of the items in the regulation are not feasible. There are few regulations targeting the source and production procedure of health products. The lack of specific regulation provides loopholes for the illegal vendors.

Why is it so hard to draft new regulations on health food? The root is that at the beginning of market development, there weren't enough legal preparation for the market. While the genres of health products get complicated, the difficulty of regulation increases as well. As some health products already have fostered a cohort of consumption group, to change the consumption habit of this group of people is not easy.

But it is increasingly necessary for the government to put a heavy hand on the health product market, to address issues including the irregular celebrity endorsement and overpricing of the products. We are looking forward to a comprehensive regulation system as soon as possible. (Source: People's Daily)

Who Needs Amazon or Wal-Mart? China Cuts Out the Middleman

Wal-Mart and Amazon have become America's main conduits for cheap, mass-produced goods from China's factory floors. But who needs them anymore?

I am holding in my hands a men's down jacket with fur trim, sent four days ago direct from a warehouse 67 miles west of Shanghai.

The \$52.19 jacket won't be confused for Prada. The fur appears to be "fur." It came out of the box smelling like plastic and solvent.



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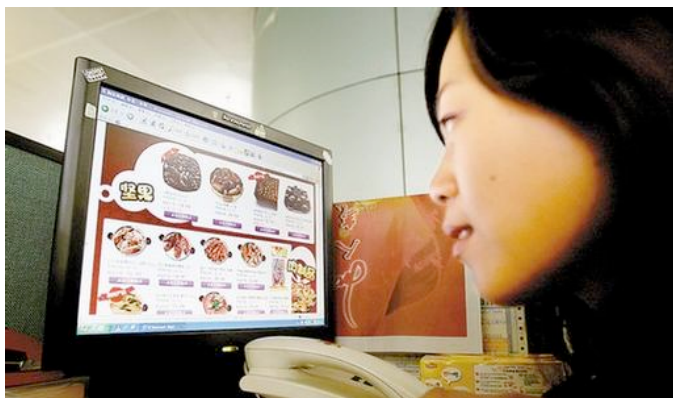
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What the jacket represents is far more interesting: It's the final and direct link between China's manufacturers and the global consumer. In the same way Chinese companies took over the production of goods, they are now increasingly capable of merchandizing those goods, using the Web and modern freight transport. Bentonville, you are being outsourced to China, too.

This is in part why China's Alibaba has a \$268 billion market capitalization. And it's why United Parcel Service Inc. recently bought a company called i-parcel, to help U.S. suppliers penetrate the thickets of customs, fraud and language that still exist.

Today UPS estimates that e-commerce is an \$850 billion global business, with cross-border representing about \$70 billion of that. It expects the segment to grow at seven times the rate of global GDP. "What you see is the tip of the iceberg," said Steve Brill, UPS's vice president for business-to-consumer strategy. Smartphones and rising incomes mean "people have visibility of products from around the world."



"More retailers will have to recognize that if they stay only within their country boundaries, other merchants will compete from outside their country boundaries," Mr. Brill said.

The jacket came via LightInTheBox, a Beijing company listed on the New York Stock Exchange. Run by Chinese with deep experience in America, the site can shapeshift into 27 different languages, from Arabic to Bahasa to Swedish, and ship goods

piecemeal all over the world. For the 12 months ending in September, LightInTheBox sold \$349 million of merchandise, a 25% increase from the year earlier. It is still far from profitable, posting significant operating and net losses. Its stock has fallen 23% this year.

LightInTheBox got its start selling wedding dresses, and it's now selling about 800 different designs for under \$200. It sells 400,000 a year. For wedding dresses, "the manufacture price in China is less than \$100, but the store price in the U.S. or Europe was thousands of dollars," company co-founder and CEO Quji "Alan" Guo said in an interview. "That was a category where there should have been better availability, but it was not there."

The 1,800-person company has since moved from dresses to other categories, ones in which it can sell what Mr. Guo described as differentiated goods. Think Target, he said, more than Wal-Mart. That means things like my jacket, sold under the bizarre brand name Hanbeidi. It means faucets with LED lights, as well as makeup brushes, wigs, iPhone chargers and crocheted table linens. In essence, it's the full run of China's factory floor, some 700,000 separate items in all.

Much of this stuff is available from dozens of sites around the Web. What makes this significant is that the Chinese are selling it directly to consumers now—no Western middleman required.

Today about 60% of LightInTheBox revenue comes from Europe, much of it from countries in bad economic straits. An additional 20% comes from North America. The market with the highest conversion rate? Greenland.

"I don't need to know anything about the market, but I can serve that market and consumers because we are using a lot of data. We are trying to use data to predict product trends and channel it back to the supply chain," Mr. Guo said.

For instance, its closeness to suppliers enables it to keep inventory relatively low, taking only the most popular products onto its books. It can get many of its less-popular products from suppliers within 48 hours.

The real change in world markets is how technology is connecting China directly to consumers. The company employs customer representatives in each of the 27 languages. There aren't a lot of Danish speakers in China, of course. So instead it employs part-time workers from all over the world, training them over the Web, and then getting them to use the Web to make calls and do email.

So it was after 9 p.m. when I got a call from a Chinese LightInTheBox sales rep named Sasha direct to my cellphone from a California area code. She wanted to know if I was satisfied with my order. It

was the kind of thing J. Crew would never do, and it felt creepy, and perhaps a breach of U.S. do-not-call laws. Mr. Guo said later that he would study the appropriateness of the calls.

Still, there was something out-of-body about the whole thing—dealing directly with a company in China, so long just an anonymous supplier. “I would guess 10 years from now, buying from anywhere in the world will be a very natural thing. There will be a generation of consumers that won't feel the boundaries of shopping at all,” Mr. Guo said.

Who knows whether LightInTheBox will be a lasting competitor. It doesn't matter. Looking at my coat, bedecked in Chinese labels, we do know the future of retail: It will be a global war of all against all. (Source: WSJ)

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.

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