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ISSUE 78  
February 26, 2014

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### **China's API Export Grows**

The export of China's active pharmaceutical ingredient (API) is still growing. Official statistics show that the export already reached \$23.6 billion, accounting 46.27% of the total export of China's drug and health products.

The data also showed that the export of API reached \$22.7 billion in 2012, a year-on-year increase of 3.2%.

The recent years saw the R&D on innovation of drugs to be increasingly popular in China, which made API business a smash hit in the industry. Industry people said that the net profit of API can be as high as 50%.

Ingredient used in drugs on cardiovascular illness is the most exported among all the API exported from China, according to official data.

Though the API export is in a good shape, Chinese companies who want to stand out from the crowd in the API market need to strengthen R&D efforts and meet the international standard.

According to Chamber of Commerce for Import & Export of Medicines and Health Product, many Chinese drug companies are now exploring ways to tap into international market by competing

China Updates is a service provided by U.S.-China Health Products Association. The Newsletters are issued approximately three times a month. China Updates provides news on regulatory environment, new legislation, association activities and any information related to China's natural health products industry.

for western accreditation and cooperation with multinational companies.

Zhejiang Hisun Pharmaceutical Co., a leading Chinese drug company, is one of the companies that are trying to upgrade the development by cooperating with national research institution and multinational company to co-develop technology and set up joint venture. (Source: China Economy Net)

### Heilongjiang to Promote Green Food

Officials of China's northern Heilongjiang province

recently announced that the province will promote its green food in key cities including Shanghai, Beijing and Hong Kong this year.

The announcement said the provincial government would invest 200 million yuan to promote its green food by activities including holding eight to ten green food expos per year nationwide.

The government will also support local companies to promote and explore sales channel by having online store and franchise stores.

The support system will be institutionalized and the government will help the local companies to sell their products in major supermarkets nationwide. (Source: Northeast Net)

### Shanxi to Update Health Food Regulation

China's Shanxi province is to specify regulation on health food by a recent draft.

The new draft specifies on the management on production and sales of health food, which ranges from the application procedure, accreditation management to inspection.

The draft requires local food and drug regulators to strengthen inspection to sales and production of local health food companies. To those whose production is not up to the standard, the regulators need to order immediate revision from the company.

The draft also coordinates the regulations on food production accreditation and food selling accreditation, both of which can be valid for three years. (Source: Shanxi Daily)

### China Feeds Rush for Australian Olive Oil

Wealthy Chinese consumers are switching to olive oil for cooking, spurring companies to snap up Australian olive groves to secure supplies.

A search for prestigious and healthy products untainted by domestic food-safety scares has fueled a surge in consumer spending on imported bottles of olive oil. Advertising campaigns showcasing the benefits of the oil, which isn't used in traditional Chinese cuisine, is boosting demand for it.



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China spent \$184 million on imported olive oil last year, up 9.3% from 2012 and from just \$1 million a decade earlier.

As a result of several deals recently, Chinese and Asian investors now own nearly 10% of Australian olive-oil output, says Tim Smith, sales and marketing director at Boundary Bend Ltd., Australia's largest producer of extra-virgin oil.

Investing in overseas farms and food processors is nothing new for Chinese companies. In fact, the olive-oil deals have been tiny compared with the multibillion-dollar acquisitions in the energy and commodity sectors. Most of the activity has focused on buying bulk oil supplies from big European producers, with Chinese investors just edging into Australia's relatively small-scale olive production.

Late last month, Chinese-owned Australian Organic



Olive Oil Co. started to package oil from 3,700 acres of olive groves it bought 15 months ago when Western Australia's Kailis Organic Olive Groves Ltd. entered receivership.

Most deals by Chinese buyers in Australia have been small and aimed at bringing the oil home, says Lisa Rowntree, chief executive of the Australian Olive Association growers group. "There are a lot of wealthy Chinese willing to pay for high-quality olive oil to ensure they have the 'real thing,'" she says.

But Australia is a minnow compared with Mediterranean producers. Spain makes 45% to 50% of the world's output and has 60% of the Chinese market, trailed by Italy, Greece and North Africa. Most Spanish olive oil comes from the southern province of Andalusia.

"There is enormous potential for continuous growth in Chinese olive-oil use over the next two decades, although perhaps not at the explosive rate of 30% or 40% annual growth seen in the past five years," says Manuel Leon, the Shanghai representative of Extenda, Andalusia's export promotion agency. "Each month, Extenda has several queries from Chinese companies wanting to buy oil or do licensing agreements."

He says he expects Chinese companies will be more likely to invest in distribution, bottling and storage than in olive farms.

Chinese state-owned food company Cofco Corp. and the smaller Kingoliva are among companies



that have been buying the right to use Spanish brand names for bottling bulk imports. Both declined to comment.

China imports around 99% of the olive oil it uses, as there are few areas outside Gansu, Yunnan and Sichuan provinces with the right conditions to grow olives—hot, dry summers and mild, wet winters. It also takes five years before young trees bear fruit, says Extenda's Beatriz Feichtenberger.

China's attempts at commercial olive cultivation began in the 1960s when 1,500 saplings from Albania were delivered to Yunnan. But by 2011, the country had only 82,000 acres of olive trees, compared with Spain's 5.9 million acres.

Extensive television advertising by Chinese importers and trade-promotion bodies on using olive oil—extra-virgin for drizzling or low-temperature cooking, regular olive oil for frying at high temperatures—has helped drive sales. So, too, has the opening of hypermarkets in China stocking overseas foods. For now, though, the volume of olive-oil imports is less than 1% of palm oil's.

"I used to use peanut oil; now I only use olive oil and sunflower-seed oil, which I think are more healthy," says Ms. Su, a 51-year-old Beijing native who declined to give her first name.

Importers reject arguments that regular olive oil isn't suitable for the very-high-temperature wok cooking favored in China. Top-quality extra-virgin oil, which contains a high concentrations of organic particulates, smokes at above 375 degrees Fahrenheit, however. (Source: WSJ)



## Chinese Consume Too Much Food from Animals

Chinese people appear to be eating more food from animals than they actually need, and this "compensatory consumption of food" may not change until the 2020s.

Wang Dongyang, deputy director of the Institute of Food and Nutrition Development under the Ministry of Agriculture, made the remarks at a media workshop on Wednesday. The workshop examined the new government guideline to develop China's food supply and nutrition.

The guideline was jointly issued on Monday by several government departments, including the Ministry of Agriculture and the National Health and Family Planning Commission.

"The guideline aims to help guarantee the supply of quality food and improve people's nutrition," Wang said.

The guideline sets goals for the food industry and nutritional health. By 2020, China's annual grain output will be 550 million metric tons or above, and the food industry's annual growth rate will stay at 10 percent or above, the guideline says.

The annual consumption per capita of meat by 2020 will be 29 kg, while eggs will be 16 kg and dairy products will be 36 kg, it said.

"Various factors, including foreign experiences, food consumption habits, public health, food supply capacity, and the trend of industrialization and urbanization, were considered while setting those figures," he said.

Wang conceded that it's possible the numbers will be higher.

China couldn't ensure an abundant supply of food until the late 1990s, and after that, people tended to experience a period of "compensatory consumption", which might last more than 20 years, Wang said.

In 2010, nearly 28 percent of Chinese ate more than 100 grams of meat daily, a survey of the Chinese Center for Disease Control and Prevention showed.



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For health reasons, men should limit daily consumption of meat under 75 grams and women under 50 grams, according to a food consumption guideline from the CDC.

Ma Guansheng, deputy director of the National Institute for Nutrition and Food Safety, said that the consumption of animal food in China might keep increasing for a while.

Yang Yuexin, a veteran researcher of the institute, agreed. "That has been in line with the country's economic growth," she said.

Usually, with economic development, animal food consumption tends to increase, she added.

For instance, while US residents consume more than 100 kg of meat per capita a year, meat consumption there has been on the decline for years.

"We Chinese should try avoiding that kind of overconsumption, which poses public health challenges as well," she said. (Source: China Daily)

### **Internet Helps Chinese Pick Cherries in the U.S.**

As China's fast-growing economy continues to increase demand for US products, collaboration between Tmall.com and US Department of Agriculture (USDA) has created new opportunities for US exporters to break into the gigantic market across the Pacific.

According to Alibaba, Tmall.com's e-commerce parent company, 168 tons of Northwest cherries sold in less than two weeks, and 50 tons of Alaska seafood sold in a limited-time deal through a pre-sale channel on Tmall.com

"Tmall has opened up a whole new avenue for sales," Gary Clubb, senior business development manager at Tmall.com, told China Daily after participating the USDA 2014 Agricultural Outlook Forum in Washington DC on Thursday.

Clubb said since the pre-sale channel allows customers to place advance orders so that US-based producers can accurately calculate consumer demand and ship only products that are ordered, the cost efficiency is passed on to not only the supplier, but also the consumer.

"It is a win-win situation on both sides," he added.

Since the US food promotion launched on Tmall.com last January, various products from the US have been

promoted through its pre-sale channel. Potential US-products being discussed for the program include pork, seafood, fresh fruit and snack foods, Alibaba said.

"We look mainly at the demand we have seen on our platform," said Clubb. "As the largest ecommerce platform in China, we have a lot of information and data on consumer demand. We can use our own data and see which food products best fit the market."

He noted that a new virtual USA Food Pavilion inside Tmall.com will be available to Chinese consumers this year. Through it, the USDA will work with US producers to create a year-round schedule of market promotions featuring various seasonal and holiday products and themes.

"This has been created as a fixed market resource," he said. "As opposed to a pre-sale, which is a limited time promotion, we will have a place offering a constant supply of US brands and products to our consumers."

China has risen to become the world's largest e-commerce market, and US companies are paying more attention to Tmall.com because of its large, accessible platform.

Keith Schneller, director of the USDA trade office in Shanghai, said he has been receiving more and more inquiries from US companies after the promotions, which provide a platform for US companies to sell directly to Chinese consumers.

"I believe China is leap frogging ahead of most countries in the world when it comes to on-line sales of food and beverages, and Tmall's pre-sale platform is creating many opportunities for US products," Schneller said.

Andy Tsay, chair of operations management and information systems at the Leavey School of Business at Santa Clara University, said there are several distinctive aspects of Tmall.com's pre-sale model.

"Online sales is especially sensible for products for which the inventory is at high risk, and this is true for perishable items like food, which is one reason why the TMall/USDA strategy is attractive," Tsay said. "Chinese consumers are especially nervous about food quality these days, and TMall and the USDA are highly trustworthy brands."

Because the pre-sale channel allows users pay a small deposit on a selected item for later delivery and prices that consumers ultimately pay for many items decline as the number of customers rises, Tsay said. (Source: China Daily).

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