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China Names Foreign Brands On Blacklist of Substandard Imports

China's quarantine authority has listed a number of foreign brands on a blacklist of substandard imported food and cosmetic products rejected in the first quarter of 2014.

In a press briefing March 7, China's General Administration of Quality Supervision, Inspection and Quarantine (AQSIQ) said it rejected "substandard" batches of Revlon lipstick, Maybelline nail polish, Elizabeth Arden skin gel, Johnson & Johnson baby shampoo and Kao shampoo, according to reports of the briefing by state-run news agency Xinhua. AQSIQ said the items failed inspection because of microbial contamination, discrepancies in the cargo certificate or because the product had exceeded its shelf life.

Quarantine officials also rejected milk and dairy products from Singapore, Germany, Austria, Australia and Poland because the protein content did not reach the national standard, the bacteria was too high, the labels on the product failed or the product had gone beyond its shelf life, according to Xinhua. Other products that made the list: extra virgin olive oil from Italy, whey concentrate from the U.S., honey from New Zealand, oat meal from Britain, tea from India and candy bars from South Korea.

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.

Quarterly Blacklist

The news follows statements from the AQSIQ a week earlier that it would start releasing a quarterly blacklist of inferior products as a way to improve quality and strengthen supervision, according to a transcript of the briefing on the AQSIQ's website.

In January 2014, quarantine officials seized 474 batches of substandard food and cosmetics imports, including 36 batches of cosmetics, the AQSIQ said in a briefing on Feb. 28. The cosmetics came from 13 countries. The food products fell into 20 categories from 47 countries

or regions, and included mostly dairy products, beverages, and packaged crackers or cookies.

All items were destroyed and did not reach stores, the AQSIQ said.

In 2013, quarantine officials seized and destroyed a total of 2,164 shipments of substandard food and cosmetics weighing a total of 7,800 tons and valued at US\$240 million, the AQSIQ said. *(Source: Bloomberg)*

Fonterra Accepts 4 Charges Lodged by China

New Zealand dairy giant Fonterra said it accepted all four charges by the Ministry for Primary Industries over the contamination scare of whey protein concentrate last year.

The government Thursday filed charges against the company for processing dairy products not in accordance with risk control standards, exporting dairy products that failed to meet relevant animal product standards, and failing to timely inform the government of risk and quality concerns.

"We have accepted all four charges, which are consistent with the findings of our operational review, and the independent board inquiry," Fonterra Managing Director Maury Leyland said in a statement. *(Source: Shanghai Daily)*

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Alibaba Ramping Up Efforts to Sell U.S. Brands in China

Chinese e-commerce giant Alibaba Group is ramping up efforts to bring U.S. brands to consumers in its home country.

Alibaba, which is widely expected to file to go public this year, says it will offer U.S. companies several ways to get their merchandise to China, including through its Alipay payments subsidiary and sophisticated shipping methods. It is also getting closer to launching a new U.S. online marketplace called 11Main.com for small- and medium-sized brands and manufacturers.

ChannelAdvisor, which advises companies with their e-commerce strategies, on Tuesday plans announce that it has partnered with Alibaba to help U.S. companies sell into mainland China using its software. Its clients will be able to more easily list, sell and deliver items on Alibaba's Tmall.com site.

U.S. e-commerce companies have struggled to gain a foothold in China, in part because of Alibaba's headstart with Tmall and its eBay-like site Taobao.

"The Chinese people are craving international offerings," said John Spelich, Alibaba vice president of international e-commerce business. "There are a lot of people in China who just want to buy from overseas, they have a perception that imported goods are better."

Spelich said Alibaba is meeting with U.S. brands to get them to accept Alipay, a PayPal-like service which processed about \$150 billion in mobile transactions last year. The company would offer a checkout on a U.S. retailer's site so that Chinese consumers could buy, say, a plaid J. Crew shirt that is otherwise unavailable in China.

To that end, Alibaba will soon introduce shipping centers in the U.S. to handle proper packaging, levies and other import fees for U.S. retailers hoping to deliver to China, said Spelich. Because of China's particular policies it can be difficult to deliver some merchandise there, he said.

As well, Alibaba is recruiting smaller brands to its 11Main.com site which will launch later this year, Spelich said. The site will be targeted to U.S. consumers featuring an array of products, in competition with eBay in particular.



ChannelAdvisor, for its part, will help retailers process orders from Chinese consumers on Tmall.com, which has more than 70,000 global brands like Nike and, more recently, Apple.

"We're connecting retailers directly to demand in China, that can help them sell there very quickly," said ChannelAdvisor CEO Scot Wingo.

Alibaba's IPO could value the company at more than \$100 billion, according to analysts. *(Source: Wall Street Journal)*

Body Shop Under Scrutiny

The Body Shop's long-standing commitment to cruelty-free products is under question after an investigation by consumer group Choice found the beauty brand's products are being sold in mainland China where animal testing routinely occurs.

The consumer advocacy group said there was a "definite risk" that the products - on sale at Beijing and Shanghai international airports with labeling in Mandarin - had been tested on animals by Chinese authorities.

Cosmetics sold in the mainland market undergo compulsory animal testing, while goods sold in duty-free zones are tested only randomly.



Even so, there is a "definite risk" of Body Shop products being tested on animals in the post-market stage, says Choice, as opposed to the product formulation stage.

Customers worldwide are therefore being misled into thinking the products are cruelty-free, it says.

"China's stance on post-market testing has not changed. The Chinese government can carry out post-market animal testing, randomly and without warning pulling products from shop shelves to assess conformity with approved formulations," Choice boss Alan Kirkland said.

Chinese regulators also confirmed that it is

"inconceivable" any foreign cosmetics companies could bypass animal-testing procedures, even if they sell only at airports.

But executive chairman of The Body Shop Australia, Graeme Wise, has rejected the allegations previously, insisting the company never has and never will test on animals.

"Until such time when the local situation permits otherwise, The Body Shop will not enter the Chinese market," he said.

"Duty Free is not designated as in-country because products are not required to be tested on animals."

Chief executive Mark Kindness assured customers last year that it operated independently of its parent company, cosmetic giant L'Oreal, and had not changed its stance on animal testing when similar allegations were raised.

"Until China changes its stance on animal testing, we are prepared to not enter that market ... while it's tempting in terms of the size," he said at the time.

A Body Shop spokeswoman said on Tuesday the company sold products in duty free zones in China with the understanding they're "never" tested on animals.

"If there are any instances of post market animal testing on our products by the Chinese government, it is absolutely being done without our consent or our endorsement and violates our strict code of ethics," she said.

The Body Shop has built its international brand on a social justice ethos, participating in fair trade programs and championing human rights.

The company was bought in 2006 by L'Oreal, which commands an 11 per cent share of the burgeoning Chinese cosmetic market, worth \$26 billion.

Choice says some "travel exclusive" products found on the shelves of duty-free shops at the airports were being marketed to mainland Chinese customers.

"The labels are different to ones being sold in Hong Kong [which uses Cantonese Chinese] where they've had a presence for years," said Choice's Zoya Sheftalovich.

"We had a translator confirm the products I bought had distinctive Mandarin Chinese writing. There are subtle differences [between the two when it comes to the written form]."

The brand prides itself on its history, which began in 1976 with the founder Anita Roddick selling hand-mixed products with natural ingredients from her small London shop.



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She became famous for running human rights, animal welfare and environmental campaigns through her business, while simultaneously pursuing the aim of boosting self-esteem of her customers.

The brand has been showered with awards from groups such as People for the Ethical Treatment of Animals and the RSPCA, and is a signatory of the UK's Humane Cosmetics Standard.

"It's simply not possible to be marketing yourself as cruelty free and selling your products in that market," said PETA Australia's Claire Fryer. "If a company on that list is marketing their products in China and as such is testing those products or ingredients on animals, then [PETA USA] would remove that company from [its Beauty Without Bunnies list]."

The allegation comes just a few months after Cruelty Free International partnered with The Body Shop to campaign for a global ban on animal testing in 65 countries.

Dr Nick Palmer, director of policy at Cruelty-Free International, said the animal welfare group had no reason to think Body Shop products were being tested in China.

"If an organization would like to send us evidence to the contrary, we'll certainly look at it, but we really don't think it's happening," he said.

The brand's Hong Kong website states: "[We] do not currently operate in Mainland China. We have no stores or online shopping presence."

But L'Oreal marketing director Charles Rouillet said The Body Shop was "looking forward to exploiting many new opportunities in 2013", including Shanghai.

Choice is urging customers who feel duped to return products and demand a refund.

As a result of this article and other media bringing the situation to the attention of Body Shop, it was reported on (www.abc.net.au) that the company has chosen to remove itself from mainland China.

China's Food and Drug Administration are currently reviewing alternatives to animal testing, which is a step in the right direction. However, there is no certainty when this review will turn into action. (Source: Sydney Morning Herald / USCHPA)

China's Consumer Rights Day Exposes Illegal Cod Liver Oil

With the exposure of illegal production of children's cod liver oil on March 15, 2014, Consumer Rights Day, local FDA are required to take immediate action to do investigation on cod liver oil manufacturers, including manufacturers' production qualification, license of product range, and whether their products meet national food safety standard. Manufacturers without production license or Blue hat registration will be closed or production will be suspended. Also, illegal on the shelf products will be confiscated and named on the agency's blacklist. *(Source: China FDA)*

Herbalife Says Chinese Business Model Based On Ethical Practices

Herbalife Ltd. (HLF) said Tuesday it remains confident in its business in China and that it will continue to invest in this key market and collaborate with the Chinese government to deliver its nutrition supplements through lawful direct selling practices.

The statement was in response to a presentation by hedge fund manager Bill Ackman's Pershing Square, which said Herbalife is operating in violation of Chinese law. Ackman has been a critic of Herbalife and has all along said that the company's practices are that of a pyramid scheme.

But Herbalife shot back, saying that the presentation reflects Ackman's continued failure to fundamentally understand Herbalife's business model.

Herbalife said it has implemented a business model unique to China that is in compliance with Chinese direct-selling and anti-pyramid regulations, and includes strict rules of conduct that prohibit illegal recruitment, "pyramid" activities and conduct that is deemed illegal under Chinese laws.

Herbalife also said its Chinese operations is committed to the protection of the Chinese consumer and protecting the integrity of the direct-selling channel.

To date, Herbalife China has obtained direct-selling licenses in 25 provinces and regional municipalities, which collectively service 97 percent of the Chinese consumer population.

Currently, Herbalife China has almost 150,000 Preferred Customers, who purchase products for self-consumption, not for distribution, and there are nearly 3,000 Nutrition Clubs throughout China, the company said. *(Source: NASDAQ.com)*

China Urges Investigation into Gelatin Products

China's food and drug watchdog on Sunday urged investigation and exposure of illicit gelatin products following media reports about the use of industrial waste in food and drugs.

The China Food and Drug Administration called for all relevant departments to carry out surprise inspections of local gelatin manufacturers and tighten examination of the entire production chain, including raw materials, purchases, production and sales.

On Saturday, media reported that some enterprises had used gelatin made from industrial waste leather to produce food and drug capsules.

Since gel capsules made from toxic chromium-tainted industrial gelatin were exposed in 2012, the administration has highlighted supervision of edible and drug gelatin products through measures such as

increased inspection times and standardized production and operations.

In 2014, the administration issued a circular to prevent illicit sales and supervise use of gelatin.

The administration sent work teams to relevant areas for on-site inspection.

Also on Sunday, the administration issued a circular advising consumers to buy cosmetic lenses with medical device registration certificates.

The circular said that people may report fake product vendors to local food and drug watchdogs, which will handle illegal acts in line with the law. *(Source: Xinhua News)*

China Vows Crackdown on Expired Food

China's food and drug watchdog on Thursday vowed to crack down on illegal sale and disposal of expired food.

The State Food and Drug Administration (SFDA) issued a circular, requiring food and drug authorities at all levels to make sure expired food be withdrawn from market.

The SFDA will target practices such as using expired food as ingredients, falsifying expiration dates, repackaging and recycling expired food.

Food producers and distributors should dispose of expired food in an environmentally friendly way, or have expired food recycled as feed or fertilizers by licensed processors.

The SFDA warned that, malpractice will be recorded in food companies' credit files, and low-credit companies will be subject to frequent inspections.

Violators may have their licences revoked and be added into a "blacklist", the SFDA said. *(Source: Xihua News)*

If you have China related news that you would like to share with the association for publication in its newsletter please contact us at:

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