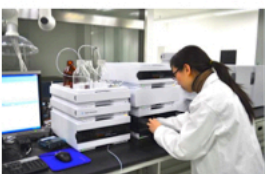


CHINA UPDATES

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Imported Food Machine Detained

Local FDA regulators in China's coastal Xiamen city detained a batch of imported pancake-making machines from its port, as the machines which claimed to be brand new are found to be second-hand.

The regulators found that the safety level of these machines were not up to standard, which would be dangerous to people who operate the machines and consumers who buy the products produced by these machines.

The food machines are closely related to the food safety issue. At this moment, the local food machine industry is very weak in China. Its R&D capability lags far behind the international levels.

As a result, most local food manufacturers tend to import food machines from overseas countries. In recent years, local regulators have found an increasing number of cases involving illegal food machine importing.

The related authority warns the local companies to make sure the imported food machine has an "R" logo and documents that prove the safety level of the machine. If the machine manufacturer cannot provide related documents itself, it must provide certificates from a third-party institution. (Source: AQSIIQ)

FDA: Upgrade on Dairy Company's Certificate is to End

The latest certificate update based on the so-called "most strict milk powder regulation" is about to end. The upgrade



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targets at spotting the unclear ingredient book with dairy products and unsafe milk source.

Local FDA in Shanghai requires the dairy companies to downsize the number of ingredients shown on the product, as some dairy companies cheat the local consumers and raise the product's price simply by changing the name of the same ingredient and make the ingredient list of the dairy product looks longer.

"Companies are asked to control the milk source itself, or have a very stable milk provider," said Song Liang, a dairy industry expert. "The stricter regulation on milk source will help to kick illegal producers out from the industry."

Local regulators also ask the companies to set up CCTV in their factories to monitor every step of the product's manufacturing. The video clippings need to be controlled online. The footage should be kept for over six months for the regulators' reference.

The upgrade caused concern that it may lead to price raise in dairy products. Some dairy companies said it would be unlikely to raise the price, as they would lower the production cost by getting bigger market share.

"Whether this move will rebuild the public's confidence really depends on the public's reaction," said Song. (Source: People's Daily)

Huiyuan Bottled Water Found Substandard

CFDA released a blacklist after its recent spot check on local food. 312 batches of products failed the check.

A mineral bottled water company under the giant food brand Huiyuan is also listed. Though a spokesman of Huiyuan Group commented that the manufacturer of the bottled water is a separate part of the group, industry people said that Huiyuan as the owner of the brand and trademark should also be responsible for it.

The involved bottled water failed the test as the environment and hygiene situation of the factory

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were not up to the national standard.

The bottled water is produced by a local factory in China's western Ningxia. It is the only bottled water company with trademark usage right from Huiyuan Group.

Related products have been recalled. (Source: Chinairn.com)

Man Sues Yao Ming, Pharmacy Chain for 'Misleading' Fish Oil Supplement

Former NBA star Yao Ming is being sued by Beijing resident Feng Changshun for endorsing a health food product that Feng said misleads consumers, in one of the first consumer rights cases involving a celebrity since a new protection law was enacted in March.

Feng is suing Baxsun Pharmacy, a retail chain in Beijing, for exaggerating the benefits of its fish oil capsules.

Yao, a spokesman for the product, is also being sued. Beijing's Xicheng district court has confirmed that it will hear the case.

Feng said he is seeking 500 yuan (\$80.10) in compensation from the retail chain and 0.01 yuan from Yao Ming.

"(The lawsuit) is symbolic. I want (Yao Ming) to

admit to infringements of my rights," he said.

The court said no date has been set for a hearing.

According to the Law on the Protection of Consumer Rights and Interests, enacted on March 15, social groups and individuals who endorse products or services that harm consumers should be held liable together with the producer or service provider.

Feng said he bought a bottle of fish oil capsules in February at a Baxsun Pharmacy store because he suffers from occasional memory loss and poor eyesight. Sales assistants at the store gave him a promotional pamphlet about the product and said the fish oil capsules, produced by Guangzhou-based By-Health Co, would help remedy his ailments.

"According to the handout, the product could help ease my sufferings," he said.

Feng said he is a big fan of Yao, and the fact that the former NBA star endorsed the product was a major reason why he bought it.

"I adore Yao and I decided to buy the product to support him," Feng said.

But the oil capsules failed to cure his ailments and Feng later discovered that fish oil is only considered a health food, not medicine.

"I am angry because it has delayed my medical treatment. It feels like I have been used as a lab mouse," Feng said.

Yao has been the face for By-Health Co, a producer of health foods and dietary supplements, since December 2010 and has so far appeared in a number of commercials for the company. His image appears on the package of the fish oil capsule bottles.

"Yao exercised discretion when he selected the company to endorse it, believing it is an accountable enterprise," said Lu Hao, Yao's agent in China.

He said Yao has spoken to the company about the lawsuit and understands that information about its products on the company's websites and promotional pamphlets is within the limits as permitted by the law and "is not misleading".

"Yao will pay close attention to the issue and respect the facts. He also has big concerns about consumer rights protection," Lu said.

By-Health said in a statement on Wednesday that its promotions of fish oil capsules are in accordance with the law, and the quality of its products meets safety standards.

Yue Weiping, a manager of operations at Baxsun Pharmacy, said the company has been notified by the court about the case and is communicating with By-Health.

Qiu Baochang, head of Huijia Law Firm in Beijing and a consumer rights lawyer, said the case is a warning to celebrities in representing a product or service.

"They should choose their words carefully when they endorse products related to consumers' health," he said. (Source: China Daily)

China's Online Retailers Gain From Gender Gap

The secret weapon for many of China's booming e-commerce companies is women, who shop more, spend more and generate bigger profits.

A new crop of Chinese e-commerce companies has harnessed the power of female consumers. Shares

#1 THE FISH OIL IN THE UNITED STATES[†]

NORDIC NATURALS

† based on SPINS scan data

of Vipshop Holdings Ltd., which specializes in branded apparel at big discounts, have soared 30-fold since the company went public in New York two years ago. Women are 75% of the customer base and provide 90% of the revenue.

The company said it chose apparel because it is more profitable than alternatives such as electronics, which appeal more to male buyers. VIPshop's gross margin is a healthy 25%.



The shares of another women-focused e-tailer, cosmetics discounter Jumei International Holding Ltd., jumped 24% on their New York Stock Exchange debut on May 16. The four-year-old company, which said most of its active customers are women, has a profit margin of 41%. Its goal: To become the online destination for female consumers.

The companies are embracing a research-supported stereotype: Devoted shoppers are disproportionately female. A third of Chinese consumers shopped online more than 40 times in 2013, according to iResearch, a Chinese Internet tracking firm, and 59% of those frequent shoppers were women.

"The ones that are succeeding in China's e-commerce space are the female-dominated ones," said Shaun Rein, founder of China Market Research. "The optimism level for female is considerably higher, and they drive retail sales."

A survey of 1,000 Chinese consumers by China Market Research found that 62% of the women between 25 to 45 plan to spend more in the next six months than in the previous six months, compared

with only 52% of the men in that age range. Younger women, aged 24 to 35, are the most optimistic of all.

If they found themselves with extra money, Chinese women say they would spend on clothing and health products, while also setting some aside as savings, according to Nielsen. Women in developed markets would spend on a vacation and pay off debt, as well as saving some. As many as 86% of Chinese women believe their daughters will do well financially, versus less than 40% of women in developed countries.

Chinese women, though their incomes are lower, are more likely to spend on themselves than Chinese men. "Men feel more pressured to buy a home in that age group," said Mr. Rein. "As China shifts from physical heavy manufacturing to a more services-driven economy, women are winning."

Even companies that have succeeded in building male-focused e-commerce sites are trying to woo women now. JD.com Inc., China's second-largest e-commerce site after Alibaba Group, gets the bulk of its revenue from electronics and home appliances, and it took nine years for the company to break even.

JD.com's dependence on men wasn't a factor when it priced its \$1.8 billion IPO priced above expectations on Wednesday. One reason for the optimism is JD.com's effort to attract more women by adding offerings such as clothing, furniture, cosmetics, food and toys. The company expects such higher-margin items to improve its profitability.

There are more women shopping for clothing, cosmetics, home furnishings and food, which are also the biggest categories for e-commerce, said iResearch. Men outdo women in niche segments, including mobile lottery tickets and virtual currencies that can be used in computer games.

Categories popular with women are bigger and growing faster. Online sales of apparel and footwear in China rose 57% in 2013 to \$28 billion,

while sales of consumer electronics and videogames rose 43% to \$25 billion, according to Euromonitor International, a market research firm.

Many of the men who run Chinese online retailers are quick to credit their success to women. Among the founders of Alibaba Group, JD.com, Vipshop, Jumei and Mogujie.com, a website for reviews of fashion goods—all male—many say that they got the ideas from their wives.

When living in France, Arthur Hong was surprised to see his wife get up as early as 7 a.m. to take advantage of flash sales at a site called vente-privee.com. When he returned to China, he applied what he'd learned: He and a partner co-founded Vipshop. And when it comes to launching new products and detecting consumer trends, the company's senior executives—mostly men—continue to count on insight from their wives, said marketing head Tony Feng. (Source: WSJ)

Tianjin Cracks Down on Illegal Health Food Production

The local FDA regulators of Tianjin released announcements that it would step up efforts in cracking down on illegal health food production.

The regulators aim to focus on key companies, products and areas to start the campaign. It will combine measures including spot check, blacklist expose and regular visiting to related companies.

The campaign targets on the underground food manufacturers and check for expired ingredient and food with illegal package. It will also crack down on illegal promotion including those by holding seminars and offering travel opportunities. Those companies which exaggerate their drug effects will also be punished.

The local regulators are asked to pay special



attention to health food that claim to be able to reduce weight, release fatigue and help with blood pressure problems. The wholesale markets should be listed as key areas for inspection.

Different departments, in and outside the city, should cooperate in cracking down illegal cases.

Seminars that can help the public understand food safety issue better should be held regularly. The local committees should be responsible for it. (Source: Tianjin Daily)

Don't Turn Your Back on GMOs Yet, Adviser Urges China

A stream of public criticism from retired military officials against China's rising engagement with genetically modified food doesn't amount to institutional hostility against the science, a senior adviser to Beijing's cabinet said.

Ye Xingqing, director of the rural economy department at the State Council Development Research Center, said Beijing still regards GMO as the kind of cutting-edge global technology the country must pursue, at least in research, despite vocal sections of public opinion that oppose broadening the use of GMO food for human use.



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Recent essays published in local newspapers by some of China's former brass drew attention to fears that GMOs might be a way by which a Western conspiracy, led by the U.S., could further undermine China's security. But this is mostly coming from some retired officers writing on an issue outside their areas of expertise, Mr. Ye told the Wall Street Journal at a China Europe International Business School conference on Sunday.

"They think GMOs are a technology with ulterior motives, and that Americans are laying a trap for the Chinese. But not all ordinary Chinese support this opinion, and Chinese officials also feel that GMO is essentially a technological issue, not a political question or one with ulterior motives," Mr. Ye said.

Mr. Ye's remarks offer an insight to the different stripes of opinion that make GMOs one of China's most contentious public policy issues. They also underline that, despite recent controversy over China's rejection of some GMO U.S. corn imports, Beijing squarely recognizes that it must embrace the technology, even if it would rather do so on its own terms.

The discovery of the MIR-162 GMO strain – a strain which Beijing is still studying and hasn't yet approved– among U.S. corn shipments in November and December came amid record-high imports of the yellow grain to China. The scandal blunted bookings of U.S. corn, Mr. Ye said.

As a result, corn shipments from the U.S. in March and April have begun giving way to purchases from Ukraine and Thailand. But, even though the diversification of its suppliers may be a desirable goal, Beijing isn't deliberately pursuing such a policy just yet, Mr. Ye said. The shifts in China's corn supply base are largely "a market matter," made noticeable only because their relatively low base makes volume changes more pronounced, he said.

China's rising wealth and demographic changes are driving a revamp in how Beijing manages the security of its food resources. Though domestic

production is still its most important policy, imports have become an increasingly crucial component, Mr. Ye said. But agriculture officials are keen to stress that the world doesn't have to fear that China's entry into global food markets would result in a beggar-thy-neighbor policy.

"Import increases will be gradual, even and slow," Mr. Ye said. (Source: WSJ)

China to Tighten Surveillance of Online Food and Drug Sales

Checks on online sales of food and drugs will be tightened, China Food and Drug Administration (CFDA) said Wednesday.

Online sellers should be licensed to sell food and drugs, according to a draft regulation on online sales of food and drugs unveiled by the CFDA to solicit public opinion.

Manufacturers are required to obtain permits to sell food, health food, cosmetics, and medical apparatus and instruments online while drug producers and wholesalers are forbidden to sell products to online consumers.

The CFDA will crack down on false advertising. Information about certain drugs is not allowed to be published online, including stupeficient, psychotropic substances and radiopharmaceuticals.

According to the draft regulation, trading platforms are asked to check qualifications of food and drug sellers. (Source: Shanghai Daily)

China Officially Passes the U.S. in e-commerce

China's Ministry of Commerce released today its official estimate of 2013 online retail sales, confirming what many already suspected: Chinese consumers now buy more online than do their U.S. counterparts.

Online retail sales in China in 2013 totaled 1.85 trillion yuan (\$296.57 billion) in 2013, representing 41.2% growth from 2012—triple the growth rate of 6

overall retail sales in China, according to the Ministry of Commerce. China's online shopping total is 13.0% more than 2013 U.S. e-retail sales of \$262.51 billion, which grew 16.9% in 2013, according to the U.S. Department of Commerce.

“Driven by new technology and innovative business models, the e-commerce industry has become one of the new engines for the economic development in China and helps Chinese companies explore the international market.” Li Jinqi, director of the bureau of e-commerce at China's Ministry of Commerce said today in a presentation to the 2014 China (Beijing) E-Commerce Conference where he reported the official e-commerce figures for 2013. (The July issue of Internet Retailer magazine will feature a survey about e-commerce technology trends.

The Ministry of Commerce report says total e-commerce in China in 2013, including transactions between companies, totaled 10 trillion yuan (\$1.6 trillion.)

Helping fuel the growth in online retail sales was an increase in the number of Chinese consumers shopping online, from 242 million in 2012 to 302 million in 2013, a 24.7% increase, according to the government report.

The number of Chinese using the Internet grew 8.5% to 618 million at the end of 2013, a net increase of 52.4 million online consumers. Mobile Internet users grew even faster, by 19.0% over the prior year, to 500 million, an increase of 80.1 million shoppers going online via mobile devices.

The report underscores the dominant position in China e-commerce of Alibaba Group Holding Ltd. Alibaba's two big online marketplaces, Taobao and Tmall, handled \$248 billion in purchases in 2013, according to Alibaba's recent filing with the U.S. Securities & Exchange Commission in preparation for offering shares on a U.S. stock exchange. That means Alibaba accounted for nearly 84% of e-retail volume in China in 2014.

The Ministry of Commerce also pointed to cross-border e-commerce as an area of especially fast growth. Including both exports and imports, online retail transactions across China's borders grew 43.3% in 2013 to \$21.4 billion. The report did not break out imports versus exports. But e-commerce still represents less than 1.0% of China's total trade. In 2013, the country's trade volume reached \$4.16 trillion, up 7.6% from 2012. Total exports increased 7.9% to \$2.21 trillion and imports increased 7.3% to \$1.95 trillion, the report said. (Source: internetretailer.com)

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