



# CHINA UPDATES

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## **CFDA: 42 Batches of Infant Formula Found Substandard**

The national regulator of food and drug has recently launched a special campaign to inspect infant formula products, which covers 85 domestic companies and some imported products.

Among the 465 batches of domestic products inspected, 42 are found to be substandard. 11 of them are not up to the national food safety standard. 31 of them have problematic labels on their packages.

Among the 121 batches of imported products inspected, none of them are found substandard.

Most illegal products were produced by small and medium companies.

“In the past few years, we have spotted some products which claim to be foreign brands are actually fake and made in China,” said a director with CFDA. (Source: Food Tech News)

## **Xiamen: Drug Inspection Bureau Handles Health Food Registration**

The local authority of Ximen said recently that the local bureau of drug inspection in Xiamen had been picked up by CFDA to register, test and re-test health food products.

The drug inspection bureau in Xiamen was founded in 1961. It is mainly responsible for drug inspection and research. It is one of nine drug inspection bureaus nationwide that are able to test drug, health food and cosmetics by western technologies. (Source: taihai.net)



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## China Organic Food International Cooperation Seminar to Kick Off

This year's China Organic Food International Cooperation Seminar is to be held in Langfang, Hebei province on Sep. 25.

The seminar will be co-held by Hebei Trade Promotion Association and the local government of Langfang.

The seminar will focus on the topic of improving regulation on organic food and strengthening control over food. The attendees include experts from Ministry of Agriculture, CASS and other industry associations. Experts from South Korea, America and France will also address in the meeting. (Source: Hebei Daily)

## PepsiCo Launches Oats-Based Dairy Drinks

PepsiCo Inc has launched its first dairy product with JD.com Inc in China to tap into the growing consumer preference for healthy drinks. It is the first launch of a new product exclusively through e-commerce outside the US.



The company, which makes Frito-Lay, Gatorade, Pepsi-Cola, Quaker and Tropicana, has introduced Quaker High Fiber Oats Dairy Drink to China on Friday exclusively on e-commerce website JD.com Inc

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for two months. A 350 milliliter single bottle of the oats beverage is priced at about 5.9 yuan (0.93 U.S.dollars).

JD has over 100 million annual active users, a mature e-commerce operating platform and a self-owned logistics system covering all of China, PepsiCo said. Online and offline interactions will also help the company in terms of making fast product innovations and catering to varied customer preferences, it said.

Mike Spanos, CEO and president of PepsiCo Greater China, said: "Due to the continued development of the Chinese economy, demand for healthy and nutritious dairy drink products has been rising steadily. Entering China's dairy beverage market is a crucial part of our growth strategy, as it opens new opportunities for PepsiCo in China and will allow more Chinese consumers to enjoy our products," said Spanos.

According to results of the China Health and Nutrition Survey, 90% of the Chinese daily dietary fiber intake is lower than the recommended daily intake, hence intestinal health problems tend to be high.

It is worthwhile to know that the amount of dietary fiber Oates Dairy Drink (350ml) is equal to that in 1.5 bowls (35g per bowl) of oats, which can help clean and maintain the intestinal health.

Industry analysts said PepsiCo will increasingly expand its presence in the non-carbonated soft drink market to diversify its product portfolio and tap into the growth opportunities for health drinks.

According to data from Kantar Worldpanel China, a market research firm, the growth in the market value of carbonated soft drinks fell by 3 percent from 7.5 billion yuan in 2013 to 7.3 billion yuan in 2014, while functional drinks grew by 11 percent from 4.7 billion yuan in 2013 to 5.2 billion yuan in 2014.

"With the changes in lifestyle and taste, Chinese consumers are increasingly looking for health and functional benefits in their everyday beverage choices," said Jason Yu, general manager of Kantar Worldpanel China.

Its findings showed that there was saturation, and hence more price competition in the carbonated soft drink market. In contrast, there was rapid growth in the functional drink, juice, premium packaged water and yogurt segments.

Cross-category drinks have been a trend among beverage producers to break the traditional boundaries and to meet the diversified demands from consumers in China, according to Julia Lee, food & drink analyst with Mintel Information Consulting (Shanghai) Co Ltd. (Source: Xinhua)

## Beijing's First Private Mental Health Clinic Opens

Beijing's first private mental health clinic opened on Sunday, breaking the monopoly of state-owned hospitals.

The clinic in downtown Beijing is the first private mental health medical institution approved by the health authorities, the Beijing Daily reported on Monday.

At present there are a number of psychological counseling agencies in the city that only provide counseling services but not medical treatment.

The clinic is also China's first mental health clinic to combine online and in-person services.



Fifteen mental health experts from major Beijing hospitals will offer medical services at the clinic as part of a move to encourage doctors to serve patients in multiple hospitals and clinics.

China had 4.3 million severely mentally ill patients on official record at the end of 2014.

A 2015-2020 plan for mental health work set a goal to manage the conditions of more than 80 percent of people with severe mental illnesses by 2020, with treatment covering at least 80 percent of schizophrenia cases.

To address a grave lack of mental health professionals, the plan encourages health institutes to set up psychology clinics and strengthen staff training, raising the projected number of doctors specializing in mental disorders to 40,000 by 2020. (Source: Xinhua)

## Pollution Rules Aim At Accountability Measures

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In a bid to improve protection of the environment, China has tightened related accountability measures for Party and government officials, and those found responsible for pollution will be punished beyond their terms.



The new set of guidelines — released by the Communist Party of China Central Committee and the General Office of the State Council—elaborate on situations in which officials would be held accountable for pollution. Officials would face punishment not only for causing serious environmental damage, but also for trying to interfere in actions that would lead to consequences.

For example, if a decision by local Party and government officials seriously violated planning on environmental protection, those officials would be held accountable.

Wang Yi, head of the Institute of Policy and Management at the Chinese Academy of Sciences, said the new guidelines help enhance consideration of the ecological environment among officials and would affect their decisions.

The guidelines also emphasize that Party and government officials will be punished for the rest of their lives if they cause serious damage to the

ecological environment and resources, even if they had since been appointed to new positions or promoted, or even if they had retired.

If supervisory agencies fail to conduct investigations, they will also be held responsible. Furthermore, those who are suspects in any such crime should be handed over to judicial authorities in a timely manner.

Xinhua News Agency quoted an anonymous senior official from the Organization Department of the CPC Central Committee who said that the major reason some officials fail to fulfill their responsibilities and subsequently get away with it is the lack of a system to deal with such crimes.

The official said one breakthrough of this guideline is to emphasize that both officials from the Party and the government must be punished if they fail to do their jobs.



"Given that the law and rules didn't have terms binding Party officials, this guideline pushes officials from the Party and government to shoulder their responsibilities on building eco-civilization," the official said.



Wang from the Chinese Academy of Sciences added that the guidelines also describe a specific process for implementing a coordination mechanism among environmental supervision departments, discipline inspection bodies and organization and personnel departments.

"And if the supervision department employees fail to do their job, they should also be questioned. This can effectively help implement the guidelines," Wang said.

The guidelines also steer government and Party officials toward a healthier environment and ecosystem, and away from a previous focus on economic development. (Source: China Daily)

## Going Organic: Investing in China's Growing Health Foods Market



Are organic products safer than other products? Are foreign imports really worth paying 2-3 times the cost of domestic items? These are some of the questions conscientious Chinese consumers may find themselves asking when they step into one of the international supermarkets that now dot the top tier cities along China's coastline. Given the

recent food scandals and the resulting wide-scale distrust towards domestic food products, many middle class Chinese consumers have shown to be

willing to shell out extra cash for health foods and foreign imports in order to quell anxieties about domestic food safety.

This has created new investment opportunities for foreign investors in food business in China, especially those involved with organic and health food products.

For some, China's harsh new food safety law, which will officially take effect October 1, couldn't be implemented too soon. Politicians hope that it will signal a new direction for the food industry in China by holding manufacturers accountable for food additives and introducing harsh fines for safety violations.

For investors in food business, the law will mean more stringent requirements for product regulation and certification, especially for organic and health food products.

Whether or not the food safety law will be able to put an end to China's food scandals remains to be seen, but regardless, the increased demand for foreign food imports brought on by domestic food scandals is expected to grow.

Foreign food imports have annually increased 15 percent in recent years, and the amount of food imports has more than quadrupled in the last ten years.

By 2018, China is expected to become the top importer of foreign food products, with the total value of food imports set to reach RMB 480 billion (US\$77 billion). Edible vegetable oils, cereal and milk products account for roughly half of all food imports.

Of particular interest among food imports are organic food items. Once seen as a luxury food item, imported organic foods are an increasingly



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accessible option for a Chinese consumer base with a growing disposable income.



The organic food market in China has tripled since 2007 to currently account for 1.01 percent of total food consumption, which is still lower than the 5 to 8 percent of the market in areas like Europe and the U.S. Current rough estimates for the market value of organic imports are around US\$20 million, with consumers typically middle and upper class Chinese with children.

In a consumer study carried out on 204 Chinese organic consumers in Beijing and Shanghai, 71 percent were ready to pay a premium of 20 to 50 percent for organic products. The top five reasons for buying organic were all related to food quality assurance.

To meet growing demand for food imports, a number of high-end specialty stores have opened up across major cities. Ole Supermarkets, a new high-end supermarket chain with imported goods accounting for over 70 percent of its products, is expected to reach 50 stores by next year.

Supermarket chains like Wal-Mart and Carrefour have also been banking in on demand for imported products and goods and have even taken extra measures to assure quality of products distributed. Carrefour invested RMB 5 million (approximately US \$800,000) to establish its own food safety lab to test products before distribution, and Walmart's green and organic products come directly from its own farm cooperatives in China, through the Direct Farm Program it established in 2007.

In addition, Chinese consumers have been increasingly turning to online retail and O2O (online to offline) platforms for their food and beverage consumption demands. There have even been a number of online retailers specializing in organic products, like FieldsChina.com and KateandKimi.com, that have opened up to meet growing demand for natural and organic products.

Fields China has delivered to over 200 cities in China so far, showing that demand for health foods reaches far beyond the scope of China's top tier cities along the east coast.

Online distribution platforms are seen to be particularly promising for organic and specialty foods, as they can help cut product costs and can provide more product guarantees – two of the biggest hurdles that organic products face in becoming more widely consumed.

Despite the new food safety law's harsh penalties for safety violations, the government may find it difficult to reduce concerns about food safety that sometimes go beyond harmful food additives and manufacturing malpractice.



In June 2014, a national five-year soil survey revealed that up to 40 percent of rivers and 20 percent of land in China is polluted. Pollutants from the land inevitably make their way into agricultural produce and then onto consumers' plates, like the excessive levels of cadmium that were found to be present in at least 10 percent of

all domestic rice. Consumers are all too aware of these harrowing facts, driving their preference for foreign food imports and organic products that are perceived to better meet quality requirements.

As the largest consumer market for food and beverages and the fastest growing food market in Asia, the food and beverage market in China offers many opportunities to foreign investors.

Investors in food business should fully familiarize themselves with the new food safety law as well as the different licensing protocols for food production, catering, and distribution in China. (Source: China Business Review)

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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