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CFDA: Substandard Rate of Online Food Sales Too High

The state food and drug regulator of China said recently that substandard rates of food sold online as well as by small restaurants at some places are too high.

Teng Pengjia, deputy bureau chief of CFDA, said that the agency would strengthen spot check towards food sold online.

CFDA recently released the spot check result towards food last year, which showed that the general situation of food safety was stable, but still quite a number of problems were found, including illegal additive and pesticide residue.

Mr. Teng said the problems root in the polluted farming area, weakness in food industry, and the lack of self-discipline of some companies. CFDA would release the result of spot check in time to the public and take measures towards companies that are found with illegal conduct. (Source: Beijing News)

China's Food Package Industry Cries For Reform

In face of the growing potential of food package industry, an increasing number of Chinese companies started to tap into this industry. But the safety problem is still severe.

For many Chinese consumers, ironically, we know some industrial materials or chemicals from food. We have been very sarcastic towards our countries' food safety. The quality of food package directly relates to food safety.

Regarding the domestic food package market, the ratio of component of food package and the standard of food package in general all need to be improved and better regulated. So far, 90% of the domestic food package is made of traditional composite material, which will lead to food pollution during transportation.

A number of illegal materials are also made into food package, which will cause harm to consumers.

Governments should map out a reasonable regulation to improve the situation to address the current problems in China's food package industry. (Source: China Food Machinery and Equipment Net)

Xinjiang To Promote Health Card in 2016

The health card campaign was recently launched in Xinjiang, which aims to make full play of the health card that enables local residents to enjoy medical service in different regions of Xinjiang.

"The establishment of health information platform in Urumqi has paved way for the promotion of health card," said Li Yuefeng, chief of health card regulation department of National Health Committee.

The national agency's objective to promote the health campaign is to see each family have a family doctor, each citizen has an e-version of health archive, a smart health card, and every can enjoy basic health service by 2020. (Source: Tianshan net)

CFDA: Infant Formula Food Are With High Risk

The state regulator of food and drug said recently that the agency would include infant formula, edible oil and meat products into the list of high-risk food. Starting from this year, the national regulator will launch monthly inspections towards infant formula food.

Officials with CFDA said that the so-called high-risk food is singled out based on the nutrition and food structure of the public, as well as their consumption patterns. Other elements include the track record of previous inspection and the level of harm.

Regulators also learn from the management methods of foreign countries, and gathered experts' suggestions.

"A monthly inspection towards infant food is unprecedented," said an official with CFDA. (Source: hkwb.net)

U.S. Food Supplier Weighs Appeal After China Court Jails Workers

OSI Group LLC, the U.S. food company run by banker-turned-burger tycoon Sheldon Lavin, said it's considering an appeal after a Shanghai court found two of its Chinese units guilty of selling out-of-date products and jailed 10 workers.

There was "ample evidence" that Shanghai Husi Foods Ltd., Hebei Husi Foods Ltd. and the 10 employees intentionally passed off disqualified products as being acceptable, the Jiading district court said in a statement on its official microblog. Each unit was fined 1.2 million yuan ($182,000).

The court concluded the trial on Dec. 30, more than a year after Chinese television channel Dragon TV reported workers were repackaging and selling expired chicken and beef. The ensuing outcry prompted fast-food chains in China and Japan, including McDonald's Corp. and Yum Brands Inc.-owned KFC, to halt supplies from OSI's Chinese units. It's one of several widely publicized food safety scares in recent years in China, where consumers have become increasingly concerned about standards.

The conclusion of the trial came after a "harmful smear campaign" by Dragon TV, controlled by state-owned Shanghai Media Group, closely held OSI said Monday in an e-mailed statement. The outcome is "unjust" and conflicts with facts presented in court, and OSI is weighing an appeal to seek "a just, evidence-based verdict," it said.

" We have made every effort to follow firm instructions to silently co-operate on the advice it would lead to a fair conclusion," the Aurora, Illinois-based company said. "However, we can no longer accept injustices against our people and our reputation."

Yang Liqun, an Australian citizen who was a general manager for OSI in China, was given the heaviest sentence of three years in jail, a 100,000-yuan fine, and will be deported, according to the statement from the court. The other nine were sentenced to jail terms of 19 to 32 months, of whom four were given reprieves.

Lawyers at MWE China Law Offices, representing OSI, couldn't be immediately reached for comment. In a statement, Australia's Department of Foreign Affairs and Trade said it's providing consular assistant to an Australian arrested in Shanghai and declined to give further comment.

OSI said "sensationalized media reports" from Dragon TV spurred a raid by Chinese authorities on the Shanghai Husi plant in July 2014. The accusations Dragon TV made were false and incomplete, OSI said. The company will consider pursuing a lawsuit against Dragon TV for hurting its reputation and business operations, OSI said.

Shanghai Media Group's spokesman couldn't be reached immediately at his office number.

The Shanghai court said that in 2013 and 2014, the two OSI units found themselves with a surplus of meat because customers were returning and canceling orders that weren't up to standard. Yang and the others decided to repackage the product and sell it to other customers to avoid losses, the court said.

The court cited several examples of the companies' transgressions, including an instance in March 2013 where Hubei Husi workers repackaged beef steaks that were previously defrosted and treated, adding new 180-day "best before" dates before they were resold, the court said.

Workers were also directed to reprocess expired beef steaks into mini beef steaks and package them with new sell-by dates, according to the court. Other products similarly repackaged included meat pies, and chicken breasts, the court said.

"OSI has been doing business in China for more than 25 years and maintains the highest standard of food safety in the industry," OSI said. "We will continue to do so in our current operations, as well as seek a reexamination of the facts in the Shanghai and Hebei Husi Foods case." （Source: Bloomberg ）

China's Diabetes Boom Promises $23 Billion Pot for Drug Makers

How big is the potential market for diabetes drugs in China? As big as the entire populations of Australia, Canada and Argentina -- combined. And it's growing.

That has drug manufacturers turning more attention to the world's most populous country in hope of collecting massive new revenues in the coming decades.

Challenges -- among them the recent slowdown in China's once-booming economy, but also its sprawling geography and the specter of increased regulation -- abound. But global drugmakers have invested heavily in China in hopes of raising awareness about the illness and then capitalizing when people seek treatment.

About half of China's diabetics have been diagnosed, according to health experts. Only 15% of those diagnosed are receiving comprehensive treatment, said Jakob Riis, head of the China business at Novo Nordisk, the world's largest insulin maker. Increased urbanization and more sedentary lifestyles are expected to produce more patients.

That, market watchers say, means the battle is on for millions of untreated Chinese diabetics and the millions more expected to follow. "The potential, looking at just the existing number of diabetics, is enormous," said Riis.

More than 150 million expected to have diabetes by 2040

More than 100 million people have diabetes in China, more than any other country in the world, according to the International Diabetes Federation. (In the U.S., the number is closer to 30 million.)

The number of cases has increased rapidly in recent years and is expected to reach 151 million by 2040.

More than 11% of Chinese adults suffered from the disease in 2013, according to a study by Chinese scientists published in the Journal of theAmerican Medical Association, up from less than 1% in the 1980s and about twice the amount in 2000. By comparison, about 9% of adults in the U.S. are diabetic, up from around 6% in 2000, data from the U.S. Centers for Disease Control and

Prevention show.

Almost 500 million more suffer from so-called "prediabetes" -- a stage where blood sugar levels are high, but not high enough to trigger a diagnosis -- indicating what the IDF calls "the enormity of diabetes as a public health problem in China."

The rise comes as many Chinese are changing their diet and lifestyle amid improving living standards and a rush to live in cities. This, health experts say, has led to obesity and less physical activity -- type II diabetes, the most common form, is commonly considered a lifestyle disease -- for many.

High levels of pollution in major cities, which can contribute to diabetes by raising blood pressure and resistance to insulin, is also seen as a culprit, according to health experts.

'The opportunity to take market share is gigantic'

These developments haven't gone unnoticed by international drugmakers. Novo Nordisk and Merck & Co. Inc. (MRK) have all made large investments in the country, setting up sales, marketing and production facilities to benefit from an expected jump in demand for insulin.

Estimates of the size of the Chinese market for diabetes treatments vary, but they are large. Franck Le Deu, head of McKinsey's Greater China Health care practice, estimated that the insulin market was valued at between $1.7 and $2 billion in 2015, while London-based market research firm Visiongain recently said total 2015 Chinese revenue from diabetes drugs is estimated to come in around $5.12 billion.

They are further expected to rise about 10% a year to reach $8.7 billion in 2020, according to Visiongain, which expects a market of around $23 billion in 2025. That, experts say, means there is still time for substantial jockeying for position in a fast-growing marketplace.

"The opportunity to take market share is gigantic," Le Deu from McKinsey said.

Novo Nordisk, the biggest insulin maker in China, got almost 10% of its $13.5 billion in 2014 sales from China. And Sanofi said almost 20% of its diabetes sales came from emerging markets in 2014, a large chunk of that coming from China.

Novo Nordisk expects Chinese sales growth to be flat to slightly positive for 2016 after coming in around 5% in 2015, CEO Lars Rebien Sørensen said in October.

That would represent a substantial slowdown from the 11% growth seen in 2014 and the 15% recorded in 2013. But the company remains committed to the market, he said, and is keeping its more than 2,000 sales representatives in the country.

Drugmakers urged to work harder to build presence in rural markets.

With just half of China's diabetes sufferers diagnosed -- and fewer receiving correct or adequate treatment -- the battle for the 50 million remaining patients has begun.

While many multinational drug makers have offices and staff in China's largest cities, according to Le Deu, they are missing millions of potential patients in the rural areas. There, smaller Chinese companies are better positioned to promote products and build relationships with health professionals.

In response, he says, drug makers should use digital channels to develop harder-to-reach markets and create deeper partnerships with Chinese companies. "The companies need to extend their coverage," said Le Deu.

Some companies are already doing that. Sanofi agreed in July to set up a joint venture with Zhejiang Hisun Pharmaceutical Co. Ltd. (600267.SH) to develop insulin and other diabetes-related treatments. Novo Nordisk and Eli Lilly also have close ties to government health care workers they are working to educate about diabetes.

The large and growing market has attracted more manufacturers, including domestic ones, which has meant pricing competition and pressure to cut costs. The recent slowdown in China's economy has also tempered the short-term outlook.

There is also long-term risk, according to Le Deu, particularly if Chinese authorities move to protect local companies by requiring that more packaging and product manufacturing is done in-country.

Most international insulin makers make their products closer to home. Novo Nordisk, for example, makes the active pharmaceutical ingredients of insulin in Denmark and then ships it off to be packaged and marketed in China.

Such a change might redraw the lines of profit and potential for the Chinese market, observers say. "It isn't likely to happen right now, but medium to long-term it's a possibility that can't be ruled out," said Le Deu.

While the opportunity for huge revenue growth is enticing for drug companies targeting China, profit margins can be thin when compared with the U.S. markets because the state regulates prices, giving manufactures less control.

Still, market watchers believe the opportunity is too good to ignore. "The pie is growing extremely fast," said Le Deu. "Maybe they'll get a smaller share, but from a bigger pie."

Investors watching the insulin drug market shouldn't build a case solely on Chinese potential, according to DNB Markets pharmaceuticals analyst Rune Majlund Dahl, as the U.S. remains the largest market by far.

Sales for the U.S. diabetes market were around $16.4 billion in 2012, and are forecast to rise to $38.8 billion in 2022, according to a study published in Pharmacy and Therapeutics in December 2014. This means the U.S. market is set to more than double over a decade, although the growth rate is still forecast to be well below China's.

Meanwhile, most drug companies -- with Novo Nordisk a notable exception -- produce products targeting a range of illnesses, making it hard to bet solely on Chinese diabetes growth as a revenue and profit driver.Sanofi and Merck have large cancer-drug and vaccine businesses, while Eli Lilly is strong in neuroscience.

"You aren't buying into a China story" in most cases, said Dahl, whose "buy" rating on Novo Nordisk is driven mainly by the company's U.S. outlook. "You are buying into a pipeline story and a story that is primarily driven by the U.S. and other international operations."

For drug companies operating in China, however, the story remains a key part of their vision for growth.

"We entered China [in 1993] because we saw huge potential," said Andrew Hodge, president of Eli Lilly's China business. "We're in China for the long term." (Source: marketwatch)

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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