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INSIDE THIS ISSUE

Sports Nutrition Summit to be Held in Shanghai

The overall fitness industry is beginning to resonate with the younger generation. Social media is ablaze with people showing off their fitness accolades in weight lifting, jogging, cycling, yoga, etc. However, due to restrictive and unclear regulations coupled with a lack of viable sales channels, sports nutrition is not enjoying the same level of acceptance and enthusiasm.

Sports nutrition has a very promising future in China. However, the industry needs to work more closely together in order to educate, share and assist in guiding the industry toward its true potential.

With that in mind, the U.S.-China Health Products Association is organizing the “China International Sports Nutrition Industry Summit 2016” in Shanghai, China on June 20, 2016. The agenda is currently being finalized and will be available in the coming weeks.

Who should attend? Global sports nutrition finished product manufacturers, ingredient suppliers and anyone interested in increasing their knowledge of China's overall sports nutrition industry.

The following topics will be covered during the one-day event; product registrations, current/future regulations, industry trends, ingredient overviews, quality assurance/certifications, e-commerce and industry leaders' experiences.

If you would like to attend or learn more, please send an email to sports@uschinahpa.org

Beijing Launched Inspection on Health Product

Beijing regulators launched a five-month inspection campaign recently to check health food sold in the local market, especially those sold online.

The campaign also focuses on health products that claim to be able to control weight, enhance immunity and alleviate fatigue. Those companies whose products contain illegal additives will also be fined by 30 times of the products' value.

Companies which got warnings due to substandard products for three times in a year will be required to suspend from production.

Different from previous campaigns launched by Beijing authority, this campaign will specifically cover products sold online.

"Exaggerating health product's functions, misleading consumers, false-promoting ingredients are all key aspects during the campaign," said a market regulator. "Because the warehouses of many online stores are based in Beijing so we will also inspect these warehouses." (Source: Beijing Youth Daily)

China's Diabetes Boom Promises $23 Billion Potential

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 the American 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, Eli Lilly & Co. (LLY), Sanofi and Merck & Co. Inc. 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. 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."

'We're in China for the long term'

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: Market watch)

Imported "Organic" Milk Tap into China

The local organic food brand, Nature's Origin, teams up with an organic farm in South Korea to produce organic milk. The product has been formally imported to China, the first organic food from Korea to China.

It is difficult for foreign organic milk to be allowed into China's market because the strict regulation on organic food in China. Any food sold in the local market, which bears the word "organic" in the product name, should acquire official approval from Chinese regulator.

All process, from transnational transport to sales, of imported organic food should all be conducted in refrigerated environment. (Source: Tech Journal)

The Model of China Money Plus Foreign Brand Widely Applied in China's Health Product Market

Thanks to the emerging transnational e-commerce platform, foreign health products are developing well in China's market. But what should domestic firm do to tackle with the challenges posed by the strong competitors?

Since 2013, China's health product industry is developing rapidly, with its sales revenue climbed to 157.9 billion yuan in 2013, and soon surpassed 190 billion yuan a year later.

Research data showed that from 2016 to 2021, the average annual growth rate of China's health product can be between 10% to 15%, with sales value to grow from 260 billion to 400 billion yuan.

In the booming market, the major players will be imported brands. Data showed that on Singles' Day last year, the top three health food brands sold online are all imported brands. Among the top ten health brands regarding sales value that day, only two are domestic brands.

Zhang Yong, secretary general of Guangdong Health Industry Association, said that domestic brands are poorly faring in the latest round of booming market. Mr. Zhang said the image of domestic brands is harmed by false advertisement as well as its failure to attract more clients besides senior citizens.

The disadvantages of domestic brands provide great opportunity for foreign brands, which are led by brands from America, Australia, Canada, New Zealand and Japan.

Based on a rough estimate by the reporter, about 60% of foreign health brands, which directly or indirectly tapped into China’s market in 2015, have achieved growth in sales value. NBTY achieved a net profit growth rate of 269% in 2015, the highest among all.

The success of NBTY has won attention and favor from Chinese companies. By Health, the leading Chinese health brand, has formed new joint venture with NBTY lately, a crucial step for the Chinese company to go global.

Last year, Biostime International Holdings Limited, another Chinese health brand, also pocketed Swisse, the Australian health brand.

Besides health food, other food companies, transnational e-commerce platform, trading companies and investment firms all rush to snap up foreign health product programs, or try to nab the upstream resources, like the cooperation deal between JD.com and Blackmores, and the deal signed by Tongrentang International and Factors from Canada.

However, though the online channel for imported health product via transnational e-commerce platforms has been loosened for foreign players, the offline channels are still strictly controlled with layers of reviews and approvals towards imported products. To acquire the “blue hat”, the official logo for health food, foreign brands usually have to wait for one to two years for official review and approval with half to one million yuan as cost. (Source: Jiemian)

National Lab Animals Standard On The Way

China is expected to adopt its first national standard on laboratory animal welfare and ethics by the end of the year.

This will mark a major legislative breakthrough for the protection of animals used in research and testing by the pharmaceutical and other industries.

The draft, which is available for public opinion until Sunday, is expected to greatly improve the welfare of laboratory animals in China, according to Sun Deming, chairman of the Welfare and Ethics Committee of the Chinese Association for Laboratory Animal Sciences.

"Although all users of laboratory animals are required to conduct welfare and ethics reviews, they adopt different standards, and some are too lax," Sun said.

Qin Chuan, the association's president, said the lack of legislation has become a bottleneck for the development of China's multibillion-yuan biological and pharmaceutical industries and other industries related to the use of laboratory animals.

The new standard, which aims to minimize the use of animals and also their pain, integrates the latest concepts and requirements for the ethical treatment of lab animals, Sun said.

It has been recognized by leading experts at home and abroad, Sun said during the two-day Sino-British Third International Seminar on Laboratory Animal Welfare and Ethics.

The conference in Hefei, Anhui province, which was co-hosted by the association and the British government, ended on Thursday.

"We drew on experiences and lessons in the legislation of laboratory animal welfare from other countries, such as the UK, when drafting the standard," Sun said. "If carried out, it will be of epoch-making significance for China's laboratory animal welfare and ethics."

The draft includes requirements for the production, transportation and use of laboratory animals, including qualifications for personnel, animal-raising facilities and the use of animals in testing.

About 20 million laboratory animals, mainly mice, are used annually for testing in China, according to Yue Bingfei, director of the Laboratory Animal Monitoring Center at the National Institutes for Food and Drug Control.

Sun said that although China is a major producer and user of laboratory animals, there is hardly any legislation on their welfare, and no specific government department supervises animal welfare.

In one recent case, Xi'an Medical University in Shaanxi province suspended surgeries on animals in December after it was found that some dogs had been abused and their carcasses mishandled during research.

An anonymous microblog that posted photos of more than 10 dogs bleeding on the roof of a university building went viral, drawing criticism and concern.

Qin said the lack of welfare and ethics standards affects the health of laboratory animals, which in turn affects the results of scientific experiments and the quality of products.

She said it also leads to some Chinese academic achievements being rejected by leading international institutions and also prevents some Chinese products, such as cosmetics, from being sold in international markets.

Mark Prescott, head of research management and communications at independent scientific organization NC3Rs in the UK, said promoting animal welfare in China can help Chinese scientists to collaborate internationally. It will also benefit companies, as they can produce products safely and efficiently and market them better.

China is making progress in promoting the welfare of laboratory animals.

Lin Qingbin, an engineer at the Drug and Cosmetics Registration Management Department at the China Food and Drug Administration, said domestic producers, for example, have been allowed to market commonly used items, such as shampoos and perfumes, without animal testing since 2014.

But according to scientists, China is weak in the research of alternative methods to using laboratory animals, making the abandonment of animal testing impossible in the near future.

More than 300,000 people are employed in industries that use animals for testing. (Source: China Daily)

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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