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INSIDE THIS ISSUE

The State Council Clarifies the Definition of Health Food

In a recent draft provided by the legal office of the State Council, the regulators clarified the definition of health food, and provides tougher punishment measures towards illegal conducts in the local market.

Industry figures say that the new draft would legitimize health food industry, offering legal support to regulators and promote the industry to develop in a sound and healthy way.

To help smooth the application process of special food registration, applicants of health food, special-use food, and infant formula should pay registration and testing fees, the standard of which will be provided by the finance department of the State Council.

Food sales companies should set up special section for health food sales, which should not be mixed in display with general food.

Provincial food and drug regulators can decide on the exact amount of fines paid by the illegal vendors or manufacturers and other punishment measures including confiscation. (Source: zyzhan.com)

Gansu Province: Over Half of the Local Health Food Companies Should be Spot Checked

A new regulation released by the provincial regulator of Gansu province requires that at least 50% of the local health food companies should be spot checked every year.

City-level regulators should launch inspections at least twice a year. The district or county-level regulators should launch inspections at least once a quarter. The lower level regulators should have regular inspections. (Source: Shuzheng Kangxun)

Guangzhou Consumer Association: 62 Batches of Health Food Tested Found Standard

The Consumer Association of Guangzhou said that the agency recently tested health food sold in the local market as requested by the provincial product quality regulator.

The result shows that among the 62 batches of health food tested, four are found to have small issues with product's label, the rest are all found to be up to standard.

The agency sent staffs to buy relevant products sold in the local market, including supermarket and pharmacies, and compare with standard sample. The sample products are purchased from 14 provinces including Beijing, Shanghai and Zhejiang.

The test aimed to specifically review the volume of certain nutritional elements and whether the given product contains illegal additives. (Source: Shuzheng Kangxun)

China's One-Child Policy to Haunt Families Caring For Elderly For Decades, Study Finds

The Chinese mainland's traditional reliance on family members to care for the elderly is expected to be tested as the demographic effects of the one-child policy grow more pronounced, a survey has found.

The average number of surviving children for people in their 60s has declined to 2.5, while those in their 80s have more than four children on average, the China health and retirement longitudinal study by Peking University found.

It surveyed more than 20,000 residents aged 45 years or above from 150 counties across the country in 2011, 2013 and 2015.

Nearly half of the elderly live independently without help from their children, it found. While more than half had children in the same neighborhood, county or city, the distance between the homes is rising.

Policymakers need to come up with measures to encourage the market to play a bigger role.

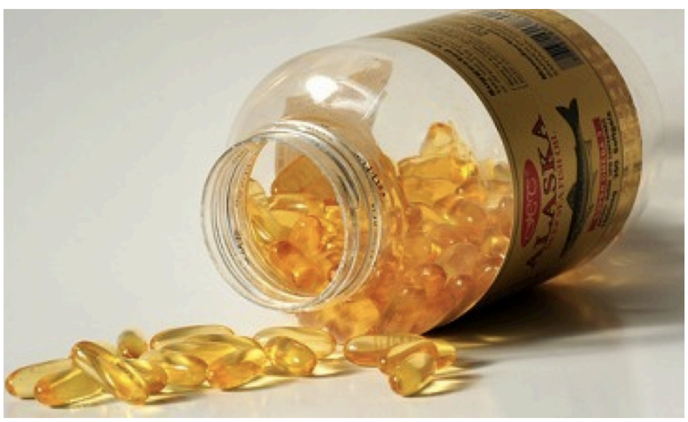
"Those who are in their 80s now still have three to four children and can rely on their children for care, but what didn't appear in the 2011 survey but appeared in the survey in 2015 was that those who are in their 60s now will find it difficult to rely solely on family for care [in their later years],” said Zhao Yaohui, a professor with the university’s National School of Development.

Once a one-child-policy wonder, which Chinese city is now urging party members to have second baby?

“It means policymakers need to come up with measures to encourage the market to play a bigger role and lower the threshold to entering the industry of providing elderly care.”

The survey found a gradual process of delaying the retirement age – as Beijing is doing –was possible. The proportion of men between 55 and 59 who have taken some form of retirement fell from 53 per cent in 2011 to 41 per cent in 2015.

About 87 per cent of men aged between 60 and 64, and 86 per cent of women in their 50s, do not have health conditions limiting work. “The finding means [delaying retirement] is a feasible choice ... as many are physically able to work even after their legal retirement age now,” Zhao said. (Source: SCMP)



Key Players in Shanghai Discuss the Vast Potential of E-Commerce in China

The American Chamber of Commerce in Shanghai (AmCham Shanghai) recently held an e-commerce and digital conference to discuss the future of e-commerce in China. Scott Williams, vice president of AmCham Shanghai, predicted that the future for China's e-commerce market will be bright.

"Cross-border e-commerce is estimated to be worth $86 billion. The overall e-commerce sector in China employs 3 million people and provides, on top of that, indirectly over 20 million more jobs," said Williams.

Regarding mobile channels, the shift from websites to mobile applications is more obvious in China, with apps penetrating into every aspect of business and life services. According to reports from Nelson, Chinese people's dependency on smartphone applications to place retail orders is far higher than any other country in the world. From meal delivery services and baby products to IT and mobile goods, the country offers unlimited growth potential.

Meanwhile, Chinese social media networks continue to expand. Tencent's WeChat reported over 806 million active users this year. Williams, a foreigner, uses WeChat to stay connected to Chinese communities in major American cities. "It's very easy to connect with those communities as you join WeChat groups in all those areas," said Williams.

Yi Qian, global business development director of Alibaba Group, delivered a keynote speech on cross-border e-commerce at the conference. According to Yi, although the total value of China's import and export decreased in 2015, Chinese consumers are more eager for foreign products. In 2015, the value of China's cross-border e-commerce reached 4.8 trillion yuan ($720 billion) with 28 percent annual growth.

Alibaba Group's research team predicted that China's cross-border e-commerce will reach 12 trillion yuan by 2020. The proportion of cross-border e-commerce in China's overall import/export sector will grow from the current 19.5 percent to 37.6 percent in 2020.

"The fast growth of e-commerce will bring a lot of opportunities to those import and export companies in China," said Yi, adding that as import continues to grow in China, the market opportunity in imports to China has become bigger than its exports.

Regarding cross-border B2C, cross-border imports in 2015 was 248 billion yuan. But this figure was expected by Yi to grow to 1.5 trillion yuan through 2020, at an annual growth rate higher than 43 percent. Globally, the value of China's export B2C was 503.2 billion yuan in 2015, but it was expected to reach 2.16 trillion yuan by 2020.

"The strong export B2C helped a lot of Chinese companies to build their brands globally. There are a lot of opportunities for growth. Last year, I visited a lot of small companies. They started with one or two people, and did right by focusing on cross-border e-commerce. Now they have become publicly listed companies," said Yi.

Thus far in 2016, B2C in China accounts for about 14.8 percent of China's retail. In the US, this number is somewhere between 8 to 9 percent, expected to reach 11 percent by 2018. But in China the expectation is 19 percent.

Yi said that China's retail market will become the world's biggest this year. E-commerce has the highest penetration in China among all the countries. "That is something that nobody wants to miss," said Yi. (Source: Global Times)

Chinese Firms Look at Fortifying Nutrition Holdings With GNC

GNC has met with a range of Chinese buyers in recent weeks to gauge their interest in a potential buyout. ENLARGE

Chinese consumers' rising penchant for popping vitamins and supplements is leading companies there to look abroad for brands to buy, including U.S. company, GNC Holdings Inc.

The Pittsburgh. Penn.-based retailer has met with a range of Chinese buyers in recent weeks to gauge their interest in a potential buyout that could be worth $4 billion including debt, according to people familiar with the situation. The company's market value is roughly $1.3 billion, and it has nearly $1.6 billion of debt outstanding, according to S&P Global Market Intelligence.

Interested Chinese companies include Fosun Group, a Shanghai-based conglomerate, and ZZ Capital International Ltd., a Chinese investment firm, the same people said. A number of Chinese pharmaceutical companies also have expressed an interest, they said. It is unclear whether the interest would ultimately result in bids for GNC.

Chinese buyers are swooping in on global nutritional companies and vitamin-makers as shoppers in China become increasingly health conscious. The country's vitamins and dietary-supplement market is expected to increase by 53% to $28.7 billion by 2021, according to Euromonitor International Ltd. Chinese consumers are also putting greater trust in Western brands after a string of scandals involving counterfeit drugs and poisonous infant formula made in China.

Any deal for GNC would be the highest-profile acquisition by a Chinese company overseas in the sector.

In June, China's Xiwang Foodstuffs Co. bought Iovate Health Sciences International Inc., a Canadian maker of muscle-building supplements, valuing the company at $730 million. In August, Shanghai Pharmaceuticals Holding Co. and China-based private-equity firm Primavera Capital Group agreed to buy Vitaco Holdings Ltd., an Australian purveyor of health food and nutritional products, for $238 million.

Ryan d'Almeida, Vitaco's chief executive, said that he initially was shopping a 15% stake in Vitaco to potential investors but that Chinese buyers were ready to pay up for full control.

He said he understands Chinese companies' strategic imperative to develop in the space. Chinese consumers are "not as trusting with their own local brands as they would probably like to be," he added.

Chinese consumers are also keen on products that help counteract the heavy pollution in many Chinese cities. "We've seen quite a few of the products that have gathered momentum have been specifically related to antioxidants and those products that help respiratory health," Mr. D'Almeida said.

China has been a bright spot for GNC, which sells vitamins and herbal supplements in over 9,000 locations world-wide.

The retailer—whose Chinese name means health, safety and happiness—has opened only eight stores in mainland China since it entered the market in 2011 but has become one of the top sellers on China's online shopping sites such as Alibaba Group Holding Ltd.'s Tmall and rival JD.com Inc. While revenue in GNC's international business fell 4.6% to $79.9 million in the first half of 2016, a $3.5 million increase in GNC's China business helped mitigate the decrease.

Shen Xiaoxiao, a 30-year-old textile-industry professional from southeastern China's Zhejiang province, first tried GNC products after they were recommended by a friend in 2011 and since has taken nutritional supplements daily.

"I don't trust some of the Chinese nutritional products; you never know if they are as good as they claim," she said. "International brands are more reliable."

Ms. Shen said she prefers to buy these products online from overseas, or ask friends to bring them home when they travel abroad. "It is much cheaper to get these things overseas than in China," she said.

Chinese buyers are looking to take home international brands to sell to customers like Ms. Shen.

"We believe the demand for sports-nutrition and health supplements in China will rise rapidly on the back of a growing sports market and an increasing awareness of health and fitness of the Chinese urban middle class," said Fred Hu, chairman of Primavera Capital, which also joined with Xiwang to acquire Iovate Health.

"Domestic supply of quality and premium products remains limited," he said.

The country's aging population is important, too: More than half the country's annual spending on nutritional products comes from the middle-aged and the elderly, according to the China Health Care Association.

Still, some Chinese bidders are concerned that turning around GNC could be tough. The company's chief executive—its second in two years—resigned in July. Its same-store sales declined by 3.7% in the second quarter.

GNC is exploring options for the company with bankers at Goldman Sachs Group Inc. that could include a sale of the business, but it isn't clear whether that is the most likely outcome of a strategic review started this year. GNC may also opt for a U.S. buyer that could grapple with fixing its U.S. business, according to a person familiar with the matter. (Source: WSJ)

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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