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CFDA Released Spot Check Result on Infant Formula

Recently, China's state food and drug regulator has released the spot check result of infant formula that covers 87 companies with 224 batches of domestic infant formula products.

The result shows that all tested products were up to standards, says the regulator. The spot check was conducted in January.

"In general, the safety level of our infant formula products is getting steadily increasing," said Bi Jingquan, chief of CFDA.

"It is the power of technology that helped us to get further in terms of improving the quality of products," said Sun Lisheng, senior manager of Mengniu Group, the domestic dairy brand. (Source: cnfol.com)

Shanxi Released Document on Regulating Health Food and Cosmetics

The drug regulator in Shanxi province released a document that maps out the key issues in regulating the local health food and cosmetics market in 2017, which was released earlier this month.

The document mainly covers the following aspects: Special campaigns should be launched to regulate the production and operation order of health food and cosmetics. A system to track information of health food and cosmetics should be built. A credit system to indicate the risk of producing health food and cosmetics should be built.

Also, the quality managing system should be better promoted, and more spot checks should be conducted among health food and cosmetics. The local regulators should improve the safety assessment of health food and cosmetics. (Source: Shuzheng Kangxun)

China Released Data on Health Food Import and Export

According to data released by China's customs regulator, the sales volume and value of China's health food export in 2016 both dropped.

The sales value of export only reached $249 million, down by 13.22% from a year ago. But the sales value of import was up by 18.99% to $190 million last year.

At this moment, health food products are quite special in the calculation system in China's customs. Many health food are calculated as general food in import and export.

In recent years, China's health food companies are accelerating in tapping into international market. Several Chinese companies are buying into foreign health food companies, which helps to drive up export of Chinese health food.

At the same time, the cross-border e-commerce also helps to boost import of health food. Thank to the new regulations, including the registration of health food, brought forward by the latest food safety law, the local health food market is expected to develop with more vitality. (Source: Shuzheng Kangxun)

China to Improve Food, Drug Safety By 2020

The State Council has released two national plans on food and drug safety during the 2016-2020 period, promising rigorous standards with strong supervision, accountability and sanctions.

The period will see the full establishment of an efficient food and drug safety management system, according to the documents.

By 2020, random safety checks will cover all food categories with agricultural pollution sources effectively addressed. There will be at least one safety check of producers and traders annually.

The number and quality of professional drug quality inspectors should expand to meet demand. (Source: Xinhua)

E-Commerce Set to Grow 15% By 2020

Chinese e-commerce is set to grow by 15 percent by 2020, cementing its position as the biggest e-commerce market worldwide, according to a report issued by Worldpay, a leading payments company with global reach.

E-wallets were the most popular payment method in China in 2016 with an overwhelming 56 percent of market share, followed by debit cards and credit cards, both with 11 percent of the payments market, the London-listed Worldpay said on Thursday.

Cash on delivery also held 8 percent of market share, with bank transfers taking the remaining 7 percent of market share in 2016.

The report predicted that as the e-commerce market in China matures over the next five years, e-wallets are set to decline by 10 percentage points to a 46 percent market share as other payment methods start to increase in popularity among Chinese consumers.

"The growth of the Chinese e-commerce market is highly significant and can be best exemplified by China's recent shopping spree, the Double 11, in which sales volumes achieved a record," said Tang Kok San, manager in charge of Worldpay's business in China.

Tang added the Chinese e-commerce market is maturing, as local consumers started to mirror the behavior of western consumers, both in what they were shopping for and how they wished to pay.

"This could slightly dilute the huge market share e-wallets currently hold, but the most popular payment method will still rule in Chinese e-commerce in 2020," Tang added.

As e-commerce gradually penetrates different aspects of people's day-to-day lives, people are set to see a diversification in the range of payment methods merchants offer to address these changing preferences, the report found.

Credit cards are expected to go up slightly from 11 percent to 14 percent and debit cards should also increase from 11 percent to 13 percent by 2020. However, e-wallets are still likely to be king in 2020, the report added.

The report also showed the total e-commerce market size of China is set to be worth $1.42 trillion by 2020, almost twice that of the US at $779 billion and more than nine times that of Japan at $153 billion.

It also predicted that India will overtake the US to become the second largest e-commerce market in the world by 2034. (Source: China Daily)

Incentives For Second Child Considered

China is mulling financial incentives to encourage couples to have a second child, as surveys show many are reluctant to expand their families due to economic constraints.

Wang Pei'an, vice-minister of the National Health and Family Planning Commission, revealed the potential move at a social welfare conference on Saturday.

Top decision-makers last year relaxed the more than four-decade-old family planning policy to allow, if not encourage, all Chinese couples to have a second child.

Nationwide, the change led to 17.8 million births in 2016, an increase of more than 1.3 million compared with the previous year and the biggest annual increase in 20 years.

"That fully met the expectations, but barriers still exist and must be addressed," Wang told the conference. "To have a second child is the right of each family in China, but affordability has become a bottleneck that undermines the decision."

A survey by the commission in 2015 found that 60 percent of families polled expressed reluctance to have a second baby largely due to economic constraints.

To address that, Wang said, the government is considering introducing supporting measures including "birth rewards and subsidies" to encourage people to have another child.

It is the first time that the top population authority has suggested such a move to boost the birthrate, according to Yuan Xin, a professor at Nankai University in Tianjin.

The Hunan provincial statistics authority also suggested in a recent report that the local government give subsidies to couples having a second baby to help reverse falling fertility rates.

"It's not easy, and a 'baby bonus' plan should be applied evenly nationwide as all government policies should be transparent and fair for all," he said, adding that the population authority alone cannot handle such a plan as it requires consensus and cooperation among all authorities.

In some low-fertility countries like Japan, baby incentives such as cash subsidies, prolonged maternity leave, tax breaks, and child and healthcare benefits have been introduced by the government to boost the population.

China, however, is a different case, according to Yuan, who explained that the nation still faces challenges from a huge population base and limited natural and public resources to sustain population development.

"It's not the right time to introduce any financial incentive plans," he said.

Also, "the second-child policy is a choice by the top decision-makers facing a dilemma of the existing challenges and structural population problems like rapid aging and a shrinking workforce", he said.

After all, having one or two children should be a decision made by the families themselves, Yuan said.

A mother of a 3-year-old girl in Beijing said: "I don't expect cash from the government for a second child. Sound social public policies to help working parents raise the children are needed more."

The woman, surnamed Bai, referred to prolonged maternity leave, equal working opportunities for mothers, easy access to quality education resources for children and a well-functioning social welfare system. (Source: China Daily)

China's Slippery Consumers

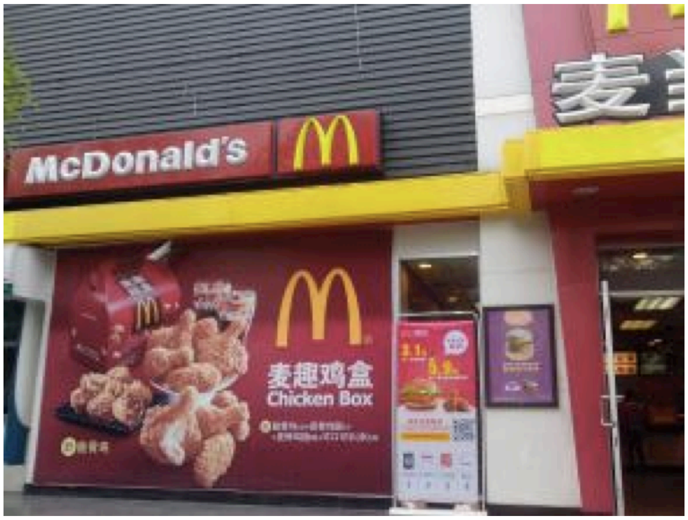
Whatever happened to the great Chinese consumer? It's a question executives at Marks & Spencer Group Plc are asking themselves as the British retailer moves to shutter its 10 stores in China. The answer is that they're still around, but are shifting more toward domestic brands, and online. International-brand sales in 26 categories from shampoo to beer shrank 1.4 percent last year. Sales of local brands, typically quicker to adapt to shifting tastes, rose 7.8 percent.

A recent study of fast moving consumer-goods sales by Bain & Co. found that even as China's economic slowdown weighs on consumption, foreign firms are faring worse than home-grown ones.

While sales of consumer goods in China are slowing across the board, foreign brands are being hit hardest McDonald's Corp., scouting for a buyer for its China operations, and newly independent Yum China Holdings Inc. are hoping they can ride out these changing loyalties with partners that secure them a better presence in rapidly growing smaller cities. Some measure of localization, they hope, will help stave off their declining share of the country's fast-food market.

Sussing the Chinese palate isn't always enough, however.

McDonald's already sells taro pies, while Yum's KFC outlets retail Peking duck wraps. Any further diversification risks diluting those companies' core offerings too much. And going local isn't a sure thing, as Hershey Co. found after it purchased Shanghai Golden Monkey Food JSC Ltd. Marks & Spencer's other mistake -- outside of none-too-trendy clothes and some bad store locations -- was a lack of basic understanding of the Chinese consumer. Many of their fashions didn't even fit local body shapes, for example.



The London-headquartered group joins a growing list of Western retailers, including supermarket chain Tesco Plc and Best Buy Co., that have tried to cater to China's mass market, and failed. Marks & Spencer's international ambitions will now be limited to franchises and profitable stores in Ireland, the Czech Republic and Hong Kong.

The retailer's departure also marks a bigger lesson for mid-tier foreign players seeking a piece of the China consumer pie. An Internet presence is crucial -- 20 percent of China's retail is already online -- and without a local partner, companies will have a tough time getting inside the heads of the nation's aspirational middle class. Unless your proposition is unique, like Starbucks Corp. or the cosmetics of South Korea's Amorepacific Corp., it's an uphill battle.

For some of the world's biggest brands, the quest to win over China's consumer is getting a lot harder.（Source: Bloomberg）

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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