



# CHINA UPDATES

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### **Taiyuan Cracks down on Health Food Sales Fraud**

Regulators in Taiyuan recently held a meeting to kick off a campaign to specifically crack down on sales fraud of food and health food, which aims to last for one year.

Officials in the meeting clarified on the campaign schedule and make sure that relevant regulators shoulder due responsibility.

The meeting also realizes the spirit of the state regulator on cracking down on illegal sales of health food and relevant false advertisement. Specific agendas for each month and quarter were set at the meeting as well. (Source: food.sxgov.cn)

### **China's Green Food Companies Exceed 10,000**

China has more than 10,000 accredited green food companies producing more than 26,000 types of products, latest statistics showed.

China's green food industry is growing fast, and gradually expanding its market share, said Wang Yunhao, director of China Green Food Development Center (CGFDC) which oversees the country's organic food standards.

For a company or product to be accredited as green food, it has to meet standards set by the CGFDC under the Ministry of Agriculture in relation to the reduction in use of agriculture chemicals.

"Green food covers more than 1,000 types of agricultural and processed products," Wang said.



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China has reduced 34 million tonnes of carbon dioxide and 2.68 million tonnes of urea on average annually since 2011, thanks to promotion of standardization of green food production.

The 18th China Green Food Expo started Friday in Baotou, north China's Inner Mongolian Autonomous Region, attracting more than 1,000 companies. (Source: Xinhua)

### **AQSIQ Denied Entries of a Certain Imported Food**

The state quality control authority recently released a list of foreign food and cosmetics whose entries into China were denied in August. 784 batches of food and 32 batches of cosmetics were found substandard.

The notice released showed that the 18 kinds of substandard food were from 49 countries or regions. The products were mainly cookies, grains and beverage.

The list includes some of the food that are well embraced by local consumers, including Devondale milk powder. 965 kg Devondale milk powder, which were produced by Murray Goulburn Co-Operative Co., were found to have passed the expire date, and thus were rejected by the customs in Shanghai.

Also, several batches of Three Peaks, the honey product from New Zealand failed to present qualification certificate, and the Godiva chocolate were also found to have passed the expire date.

The substandard cosmetics were from eight countries or regions. The problems are mainly about labels and qualifications. (Source: info.foodmate.net)

### **China's Appetite for Baby Food Gives Danone A Growth Spurt**

Danone's sales of baby milk formula in China rose strongly in the third quarter, beating forecasts and sending the French food company's shares to a record high.

Danone published its strong sales figures as Le Monde reported that chairman Franck Riboud, 61, is to stand down and hand over to chief executive Emmanuel Faber, 53, who will become both chairman and CEO.

The company is the latest consumer goods group to come under investor pressure to improve results and it needs to deliver on a profit margin target it recently set.

Riboud, who took over from his late father Antoine in 1996, handed the CEO role to Faber in 2014 to prepare his succession at a time when Danone was facing weak sales and criticism from U.S. activist investor Nelson Pelz.

Riboud stayed on as chairman with expanded powers, focusing notably on the long-term, but these powers were expected to end sometime this year.

Le Monde said Riboud would hand full responsibility for Danone to Faber, who is increasingly focusing Danone on health-oriented products. A board meeting will rule on that on Wednesday, Le Monde said.

Danone is facing fierce competition in the China baby food market from Nestle (NESN.S) and Reckitt Benckiser, but said on Tuesday it was gaining share in the country.



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In China, the world's largest market for infant milk formula, consumers are extremely quality conscious since a 2008 safety scandal killed several babies. Profit margins are high and Danone and its rivals are all trying to boost their market presence.

Nestle is the global market leader in infant formula, and new CEO Ulf Mark Schneider recently identified infant nutrition as one of the company's key areas. Reckitt Benckiser recently jumped into the business by buying Enfamil maker Mead Johnson.

Danone finance chief Cecile Cabanis said there was strong Chinese demand for Danone's high-end formula brands such as Aptamil and Nutrilon, and that it was also benefiting from its strategy of developing direct distribution.

Strong sales in China contributed to a 4.7 percent rise in underlying third-quarter like-for-like sales, far above analysts' average expectation of 2.8 percent, and the 0.2 percent growth it reported in the second quarter.

"Danone is successfully harnessing demand in e-commerce and specialized Mom & Baby store channels, possibly at the expense of Mead/Reckitt in this period, we think," Investec analysts said in a note.

Analysts also said Danone's indirect e-commerce sales might have benefited from China's decision to delay regulation of cross-border e-commerce until the first quarter 2019 from the first quarter 2018.

"The infant category is said to have accelerated but we also assume Danone has benefited disproportionately from the delay of the new regulations which has supported growth in consumer to consumer channel," Barclays analysts said.

Danone shares, which rose to a record-high of 71

euros, were up 1.24 percent by 1212 GMT.

Danone has had slower growth overall than its rivals, which include Unilever (ULVR.L), largely due to weakness in its dairy business in Europe which has had to contend with sluggish demand and private label competition.

Its dairy business was hit by a relatively unsuccessful Activia re-launch in Europe, while in China its baby food and waters businesses have had regulatory issues.

Sales at its 'Specialised Nutrition' business, which now includes baby food and medical nutrition products, rose 17.8 percent in the third quarter, accelerating from 5.5 percent in the second.

The company said the growth reflected a more than 50 percent increase in demand for infant formula in China where the market was now growing by 10 percent.

This has been helped by a sharp rise in birth rates tied to the end of the one-child policy, growth of urbanization and the affluent middle class. The performance was also helped by a favorable year-on-year comparison.

But Danone, also the world's largest yoghurt maker with brands Actimel and Activia, said challenging conditions had hit its dairy business in Brazil, where sales fell by a double-digit rate.

The dairy business improved in North America, where Danone is integrating the U.S. organic food group Whitewave. But it also said sales remained negative amid challenging market conditions. It was confident sales in the region would turn positive in the fourth quarter, Cabanis said.

Danone reiterated its full-year guidance and said it now expected 2017 recurring earnings per share growth to exceed 12 percent at constant exchange



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rates, having previously forecast double-digit growth. (Source: Reuters)

### Cross-Border E-Commerce Platforms are the Stars of China's Ever-Rising Foreign Trade

Whenever Liu Lin finds herself missing England, where she has previously studied, she just hops onto a cross-border e-commerce platform to buy herself some British-made merchandise.



"Some of the products I used to purchase there, such as a brand of combs made in England, aren't sold in China, so I buy them from overseas," she said.

Shopping for foreign products has never been easier for Liu and other Chinese like her. But imported makeup, food and clothes from other countries can now all be obtained with one swipe of the phone.

China's cross-border e-commerce platforms have developed rapidly in just the past few years. Many online shops both in and outside of China, especially those from Belt and Road countries, are taking advantage of this phenomenon, with both the foreign retailer and the Chinese shopper benefiting.

Cross-border e-commerce is now a bright, shining highlight of China's ever-growing foreign trade. According to data from the China Electronic Commerce Association, in the first half of 2017, China's cross-border e-commerce trade reached 3.6 trillion yuan (\$541.87 billion), up 30.7 percent from last year.

China has also released a series of new policies to further develop cross-border e-commerce, such as increasing the efficiency of products going through customs and supporting enterprises that establish overseas sales channels.

In September, Chinese premier Li Keqiang said at an executive meeting of the State Council that there needs to be more development of cross-border e-commerce on a bigger scale, including encouraging enterprises to develop through Belt and Road.

Data shows that the trade volume of countries along the Belt and Road accounts for a quarter of China's entire foreign trade. In this case, cross-border e-commerce can be a large boost for trade.

Shops both in and outside of China are benefiting from being placed on such platforms. At a recent cross-border e-commerce convention, the director of Jilin's Guhetai Machinery told Economic Information Daily that 80 percent of his company's clients were found via the platform.

In the 18 months since Guhetai Machinery first started using e-commerce platforms, the security safes it produces have been sold to numerous Belt and Road countries. According to a new research report from Chinese e-commerce giant Jingdong (JD), many Chinese companies have successfully extended their brands overseas. (Source: Global Times)

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