



Issue 15

July 2, 2012

THIS ISSUE

SFDA Consults on Management Rules of Health Food Companies

China Releases Food Safety Improvement Plans

Ministry of Health Releases 11 Standards for Food Safety

Five-year Plan for Food Safety Released

USCHPA Attends Shanghai Expo

China Updates is a service provided by U.S.-China Health Products Association. The Newsletters will be issued as relevant material becomes available. China Updates will provide news on regulatory environment, new legislation, association activities and any information related to the natural health products industry in China.

SFDA Consults on Management Rules of Health Food Companies

SFDA, China's food and drug watchdog, is asking for comments for industry on the Management Rules of Certificate, Invoice and Ledger of Health Food Producing and Operating Companies (Hereinafter referred to as Management Rules). Management Rules were drafted according to Food Safety Law to enhance the management of health food producers, and to ensure the traceability of health products.

General Provisions

- There should be specific person or department in charge of the management of certificate, invoice and ledger. They shall have professional training beforehand and organize the files in a timely manner.
- The files shall be held for one year after the expiration date of the product and no shorter than two years. Enterprises are encouraged to establish electronic archive management system if conditions permit.
- Market managers shall check the implementation of certificate, invoice, and ledger management of health food producers on a regular basis

Certificates of producing companies shall include:

- ❖ Suppliers' business license or other related certified documents

- ❖ Production license and distribution license of the companies producing raw material, accessory and packaging material. Import companies, shall provide the documents issued by entry-exit inspection and quarantine agencies
- ❖ Delivery inspection certificate of the raw material, accessories and packaging material. Quarantine certificate shall be provided when quarantine is involved
- ❖ Suppliers' printing license and bar code printing license shall be provided when trademark and bar code printing is involved.
- ❖ Other materials required by laws and regulations.

Certificates of operating companies shall include:

- ❖ Business license of Health food producing companies and suppliers
- ❖ Production license and distribution license, or other certified documents
- ❖ Approved certificate (including technical review) and quality standards of products
- ❖ Delivery inspection certificate; quarantine certificate shall be provided for import health food

(Source: SFDA)

China Releases Food Safety Improvement Plans

China released a five-year plan to upgrade its food safety regulations in the country's latest efforts to address food safety concerns.

The government will improve national food safety standards by revamping outdated standards, reviewing and abolishing any contradicting or overlapping standards and working out new regulations, according to a plan posted on the website of the Ministry of Health.

China has more than 2,000 national food regulations and more than 2,900 industry-based regulations.

Many of the regulations are overlapping or contradict each other, since multiple government agencies were given the responsibility of compiling their own standards years ago.

According to the plan, 14 government departments, including the Ministry of Health, the Ministry of Science and Technology and the Ministry of Agriculture, will coordinate to finish revamping the existing standards by 2015.

China is still suffering from the absence of several major food safety regulations, the plan said.

The government will prioritize safety standards for dairy products, infant food, meat, alcohol, vegetable oil, seasoning, health products and food additives so as to specify limits for dangerous ingredients in these foods, according to the plan.

Moreover, the government will make special efforts to set standards for testing various contaminants, food additives, microorganisms, pesticide and animal drug residue in food production by 2015, according to the plan.

Food safety became a nationwide concern in China after a spate of food safety incidents, such as food contamination and the illegal use of prohibited ingredients and additives in food production.

The most recent scandal involved an "unusual amount" of mercury found in baby formula produced by Inner Mongolia Yili Industrial Group Co., one of China's biggest dairy companies.

Yili started to recall the defective products on Wednesday.

Small costs, but big crisis

As for the reasons, food experts said the excess mercury could have been caused by several factors, including the environment, water and animal feeds, according to a report of the China Securities Journal, a daily newspaper published by the Xinhua News Agency.

The excessive level of mercury could be from the company's imported whey powder, which is the main ingredient in making baby formula products, the newspaper cited the CMS as saying.

Although the company faces only limited costs stemming from the recall as the involved products only accounted for a small part of its portfolio, the recall will nevertheless dampen consumer confidence in the company, the report said.

In Yili's annual report for 2011, its milk powder and dairy product account for 15.07% of its total revenue with the highest profit margin of 42.59%. As contrast, the number for Mengniu, another milk giant of China is only 1.2% of the total revenue. Mengniu, however, makes profits mainly from liquid milk.

According to AC Nielson, Yili's baby formula takes the lead among the domestic formula brands, accounting for 13% of the sales share.

China's dairy industry suffered a heavy blow after a scandal in 2008 in which SanLu baby formula was found to be tainted with melamine, an industrial compound used to create plastic and resin. The tainted formula led to the deaths of six infants and sickened 300,000 children across the country.

Yili's baby formula, however, survived only in that scandal. It even took over Sanlu's market share of baby formula. In 2008 and 2009, Yili witnessed 3.2 billion and 4.0 billion Yuan in sales revenue respectively, reaching a historical high.

Melamine-tainted milk was a great damper on consumers' confidence, Yili, the industry's lead in sales revenue, could naturally have a huge impact on the entire industry once found of these incidents, said Lei Yongjun, general manager of Beijing Putian Shengdao Planning Agency.

Wang Dingmian, expert in dairy product also said, in the first-tier market, China's domestic milk powder only took 2% of the market shares. The top 4 dairy products are Dumex, Mead Johnson, Wyeth, and Abbott.

Domestic products, however, were mainly sold in second-tier or third-tier market. Yili's excess mercury could again evolved into a new round of confidence crisis. *(Source: First Financial Daily)*

Ministry of Health Releases 11 Standards for Food Safety

The Ministry of Health has released 11 national standards for food safety in an effort to boost Chinese consumer awareness and understanding.

The list for newly added standards is as follows:

GB 28401-2012	Food additive—phospholipid
GB 28402-2012	Food additive—pulullan polysaccharide
GB 28403-2012	Food additive—guar gum
GB 28404-2012	The determination of α -linolenic acid, EPA, DPA, DHA in health food
GB 4789.5-2012	Food biology test—Shigella bacteria inspection
GB 4789.13-2012	Food biology test—Clostridium perfringens test
GB 4789.34-2012	Food biology test—Identification of Bifidobacterium
GB 4789.38-2012	Food biology test—Escherichia coli counts
GB 5009.94-2012	Determination of rare earth elements in plant food
GB 9686-2012	Inner wall epoxy polyamide resin
GB 14936-2012	Diatomite

Up to date, Ministry of Health has formulated the usage and dosage for more than two thousand food additives, and introduces more than 100 resins and 300 additives for food packaging materials.

Recently, the safety of additives in processed food has been a big concern for many, but few understand the reality of the products in their food.

Many mistake illegal additives to be the same as food additives. But in fact, experts say not every additive is bad for human health, as long as it's used below the set maximum dosage.

In China, there are more than one thousand Food Safety Risk Monitoring Stations located across the country to further educate the public. So far, the stations cover about 70 percent of cities and 20 percent of counties and districts. (*Source: CNTV*)

Five-year Plan for Food Safety Released

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Moreover, the government will make special efforts to set standards for testing various contaminants, food additives, microorganisms, pesticide and animal drug residue in food production by 2015, according to the plan. (Source: Xinhua News Agency)

Association Attends NPC Expo in Shanghai



USCHPA made the trek from Beijing to Shanghai to attend Natural Products China from June 26th – 28th. The organizers invited the association's Jeff Crowther to give a presentation on the U.S. market aimed at updating Chinese companies on the latest in regulatory and market intelligence. The presentation was attended by over 50 people and served as a platform to encourage Chinese suppliers to increase their commitment to producing quality products by seeking to gain GMP certification from association board member NSF as well as to increase their connections with U.S. buyers by attending New Hope's Engredea Expo in Anaheim, CA this coming March 2013. 5

The association also had a booth at the show, which allowed the association to promote itself and its member's products and services.

Crowther also made the rounds at NPC and Fi Asia show visiting with a variety of Chinese and foreign manufacturers of finished goods and ingredients. An interesting side note is that about 98 percent of the Chinese ingredient suppliers would not quote prices on the show floor. They insisted on giving details later by email. An association member looking to purchase ingredients at the show also confirmed this behavior. This is an odd sales tactic and one that will certainly cost some suppliers business. However, there



were a couple of suppliers that actually gave pricing. Can you imagine going to buy a car and the sales person says, "Give me your business card and I'll email you the price next week". That dealership would certainly go out of business.

Putting this aside, the show was well managed meaning that everyone that visited the association booth was from the industry, there were not piles of discarded marketing materials covering the show floor and all the booths were marketing appropriate industry products and services. Unfortunately, most other shows in China are not managed in this way. Most other shows let the general public in to boost attendance numbers. For those with booths, it is a difficult task to filter through all the visitors trying to figure out who is a potential partner and who is just looking for free samples. (Source: USCHPA)

To learn more about NPC Expo, visit their website: <http://www.npcexpo.com/en>

If you have China related news that you would like to share with the association for publication in its newsletter please contact us at:

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