



U.S. – China
HPA
Health Products Association

CHINA UPDATES

Your Trusted Source for Market Intel on China's Natural Health Product Industry



Issue 1

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China Updates is a service provided by U.S.-China Health Products Association to its members. 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.

Welcome to the First Edition

The U.S. – China Health Products Association is proud to launch this first issue to the U.S. natural health products industry as an introduction to the association and the mission we have set forth here in China. After this issue, all issues will be sent directly to members as well as archived on the association's website at a later date for non-members to view.

The association is the only U.S. non-profit association dedicated to the natural health products industry, which is working full time in China and focused on China's developing natural health products industry. China continues to be very important to the U.S. dietary supplement industry as a supplier of raw materials and is now becoming a destination for finished goods. China's consumer base is expanding at an alarming rate and the government is encouraging domestic consumption. China's currency (Yuan) continues to make gains, which makes importing products from the U.S. ideal given the exchange rate advantage. The Yuan will only continue to increase in value against the U.S. dollar ensuring a bright future for U.S. imports.

The association's main mission is that of regulatory advocacy. To that end, the association has been cooperating directly with the U.S. and Chinese governments to work toward a more open and transparent system. The association also assists its members enter the China market. In 2010, the association succeeded in getting five U.S. based companies into the market. The U.S. Department of Commerce rewarded the association for its work by presenting an export achievement award in March 2010 at Natural Products Expo West in Anaheim, California.

U.S. Industry Needs to Work Together

Current regulations in China are some of the most stringent in the world. For an overview of the industry and its regulations, please visit the association's website (www.uschinahpa.org). For the last few years more and more U.S. based companies have attempted to enter the market, but for a variety of reasons many of these companies have not found their China groove. I've yet to talk with a U.S. manufacturer that hasn't been burned, had their trade mark stolen, shipment confiscated or lost their business in China more than once. As mentioned above, many of the issues U.S. companies are facing are related to regulations that lack transparency and in essence have created non-tariff barriers to trade. Many organizations have come to China over the years to hold events to discuss regulations for the industry. Every year I see them come and go. Although intentions are good, there is no strong U.S. government backing for these events nor is there any outlined form of follow through to ensure things move forward. Through the industry white paper I wrote, I was able to get the industry prepared to enter the realm of the Joint Commission on Commerce and Trade Talks (JCCT) between the U.S. and Chinese governments. These are the highest-level official talks between the two governments. The problem is the industry can only benefit from these talks if they participate.



U.S.-China Health Products Association executive director Jeff Crowther together with member retailer World Health Store's CEO Drew Campbell receiving award from U.S. Department of Commerce's Health Team during Expo West March 2011

“Only as a cohesive group can we have an effective regulatory advocacy campaign.”

By participation, I mean working through a focal group that can supply the U.S. government what it needs to engage on the issues that are preventing market access. Since U.S. – China Health Products Association is the only on the ground association focused specifically on this, the association is asking the industry to work together and support the association's efforts. Only as a cohesive group can we have an effective regulatory advocacy campaign. The U.S. Department of Commerce in Washington DC and the U.S. Embassy are open

to working with a consolidated industry group that have clear issues to place on the table.

In order to kick-start the pooling of our issues and resources, I've asked the U.S. Embassy's Commercial Service team and Market Access and Compliance Office to host a meeting of the minds later this year. They have verbally agreed and will take point on this once approved by the higher ups in Washington. The Embassy will be inviting U.S. companies that they know of, which have a presence or active role in China to a round table discussion. This is the industry's opportunity to get together and voice their opinions and share their experiences with China's regulations for dietary supplements. It is also a great time for companies to learn about the current regulations

for those that aren't quite clear on the current regulatory environment. So again, we need to work together and the only way to properly do this is through an association that is focused on China. I welcome you all to attend this wonderful opportunity the Embassy is placing in front of us either in person or by phone. U.S. – China HPA was founded and incorporated to be the industry's focal point in China. As the executive director of the association, I'm hoping you'll all choose U.S. – China HPA as your focal point in China to move the industry towards a more open and transparent system. *(Source: Jeff Crowther U.S. – China HPA Executive Director)*



Maca Powder Approved by MOH

Ministry of Health published bulletin that Maca Powder (*Lepidium meyenii*) has been approved as a new resource food. Its production and management should be in accordance with both Food Safety Law of the People's Republic of China and Measures for the Administration of New Resource Food. For the quality requirements, it should be light yellow powder, with both protein and dietary fiber content equal to or greater than 10% and water equal to or less than 10%. The daily intake dose is 25g or less. *(Source: Ministry of Health)*

COFCO Nutrition/Health Research Institute

China's largest food company COFCO invested 3.2 billion RMB to build the Nutrition and Health Research Institute. It is the first business-oriented research and development center which will be focusing on Chinese people's nutritional needs, metabolic characteristics and its impact on health. By 2013, the institute will be put into operation. The chairman said, since the general population has more income in China, how to upgrade their nutrition level is the first question for the food company and the institute will combine life science and nutrition research to invent nutritional food and make their best effort to build the life science institute for Chinese people. *(Source: 163.com)*

New Fish-oil Manufacturer in Nanjing

Nanjing Senhai Bio Oil LTD's deep sea fish oil production line has entered into the adjustment phase yesterday. Its product capacity is thousands of tons of fish oil and will take up 20% of the global supply. Its products will be exported to Europe, America, Canada and Japan. *(Source: Sohu.com)* nutritional food and make their best effort to build the life science institute for Chinese people. *(Source: 163.com)*

Association Member Opens New Store

World Health Store (WHS) is the first foreign owned and managed health food store in China. The WHS team is gearing up for a soft opening of their new store in Shanghai this week. This is the fifth location for WHS in China.



U.S. Department of Commerce visiting WHS first location in Shanghai Puxi area back in April 2011.

The specialty retailer is expanding quickly and is operating in a relatively untouched channel. Not only does China have difficult regulatory hurdles for U.S. and other foreign companies to overcome, it also lacks a well-developed health food store sales channel making product placement a challenge for companies that are traditionally known as health food store brands. WHS CEO Drew Campbell said, "This is the reason I began WHS." "China did not have a traditional health food store, which carried dietary supplements, sports nutrition, aromatherapy, prepackaged organics, personal care, etc.," "The timing was right to fill that void and WHS is doing that quite nicely with over 700 SKUs most of which are imported from the U.S. such as Jarrow Formulas, All American EFX, Detour Bars, Accelerade, Chef Jays, Bragg Live Foods, Navitas Naturals and more are on the way." (Source: U.S. – China HPA)

For more information on WHS, visit their website at www.whs.asia.

Amway to Raise Prices in China

According to Amway China, Beginning July 5, 2011, twenty-seven Nutrilite products increased in price by eleven percent. Amway China explained the increase is necessary and mainly due to the rise in cost of raw materials as well as storage and transportation expenditures. Seeing that Amway is very popular in China, the Internet community has been very vocal about the price hikes and made their disapproval clear across a variety of websites and blogs. (Source: Chinanews.com)

Polling the Masses

With more and more international dietary supplement companies entering China's developing natural health product industry, Chinese people are being exposed to a variety of new and exciting healthy products. From 2009 to 2011, a survey was conducted to gauge the level of acceptance and knowledge of these new products.

In the past, those consumers who bought supplements many were doing so as a gift. Given the fact that imported dietary supplements have a good reputation and are certainly more expensive than locally produced products, they made an impressive and thoughtful gift for family and friends. However, as a consumer based industry, we want to see more people buying for themselves and family to use on a daily basis not just as a gift. The study found an interesting and reassuring trend that in fact a larger percentage of consumers are now buying for themselves and family. Also the study highlighted another changing trend. People are beginning to understand that dietary supplements are taken to improve health and wellness not to cure or treat disease. Both these findings show that China's dietary supplement industry is moving in the right direction from the perspective of the consumer regulations of course is another story. (Source: Shuzheng Consulting)

UPCOMING EVENTS

12th International Nutrition and Health Industry Expo

Time: August 22-24, 2011

Location: Shanghai New International Expo Center

Host: Beijing Shibowei International Exhibition Co.,Ltd

Website: <http://www.jianbohui.com>

Market Quickstart

Time: August 22-23, 2011

Location: Shanghai Renaissance Pudong Hotel

Host: New Hope Supply Network

Website: www.engredea.com

Natural Products Expo Asia

Time: August 25 -27, 2011

Location: Hong Kong Convention and Exposition Centre

Host: New Hope Natural Media

Website: www.naturalproductsasia.com

Market Quickstart

Time: August 29-30, 2011

Location: Beijing Marriot Hotel West

Host: New Hope Supply Network

Website: www.engredea.com

11th China International Health Products Expo

Time: September 16-18, 2011

Location: Shenzhen Convention and Exhibition Center

Host: Reed SinoPharm / CHCA

Website: www.cihexpo.com

7th International Organic and Green Food Expo and Summit

Time: November 16-18, 2011

Location: Beijing Agricultural Exhibition

Host: CNFIA, china safety and health food industry association (foodmate.com)

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

news@uschinahpa.org