



Issue 6

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China Updates is a service provided by U.S.-China Health Products Association and its partner Herbridge Media. 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.

MOH Allows New Strains of Bacteria in Infant Formula

November 2, 2011 - The Ministry of Health (MOH) released a list of bacteria allowed to be used for infant food, namely *Lactobacillus acidophilus* (NCFM), *Bifidobacterium animalis* (Bb-12), *Bifidobacterium lactis* (HN019, Bi-07), and *Lactobacillus rhamnosus* (LGG, HN001), among which, *Lactobacillus acidophilus* is limited to be used for the food of children over 1 year old.

State Council Works to Strengthen Health Food Sector

November 6, 2011 - The Food Safety Committee Office of the State Council issued a Notice on November 6, titled "On Further Strengthen the Supervision Work on the Quality and Safety of Health Food Products", and made concrete arrangements for the administration of the quality and safety of health-food.

More frequent supervision checks: Special and specific supervision checks will be conducted, and the scope of sampling will be expanded too. Health products that have higher numbers of complaints from the public will receive more frequent checks, such as those products that make claims for weight lose or alleviating physical fatigue. Stricter punishment will be received for those illegal acts, such as manufacturing or selling counterfeit or low-quality products, spiking products with illegal or medical ingredients, or making deceptive or false advertisements.

Blacklist: Have strict review and approval control in health products. Those who submit false information in application will not be approved and will be "Blacklisted".

Advertisement and label supervision: The advertising content must be approved by the Food and Drug Administration Departments at the provincial level for review and approval. Those who publish the disapproved content, or change or alter the approved content, will receive severe punishment. More efforts will be paid to the regulation of advertising and promotional materials to safeguard against health foods claiming treatment or prevention of illness or disease. Any specific health function claim made in packaging, labels, or brochures for ordinary food will be severely punished.

More regulations followed: According to the Food Safety Act and its regulations, more relevant laws, regulations and guidance documents will be released, as an important part of food safety administration work.

State Council: China's Twelfth Five-Year Plan on Aging Industry Highlights Importance of Health Care

State Council issued China's Twelfth Five-Year Plan on Aging Industry, highlighting the importance of the health care industry. The Plan stresses to fully develop the health care industry for the elderly, including provide more education in health care, illness prevention, mental health, and first aid, to make the health care knowledge available; encourage them to have regular exercise and healthy way of life. During the Twelfth Five-Year Plan, China's first growth peak of aging population will arrive.

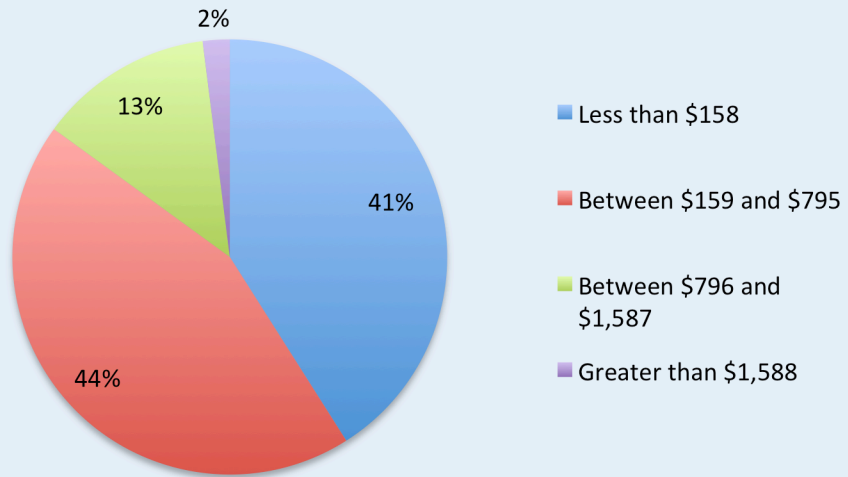
From 2011 to 2015, China's population aged sixty and above will increase from 178 million to 221 million, i.e. 8.6 million people will join the ranks of senior citizens each year in average. The proportion of the sixty plus population will increase from 13.3% to 16%, an average annual increase of 0.54%. In the next 20 years, China's aging population will continue to grow and by 2030, it is expected this group will double from that of now. Service demand for those over sixty will increase dramatically.

Seniors Need More Education on Dietary Supplements

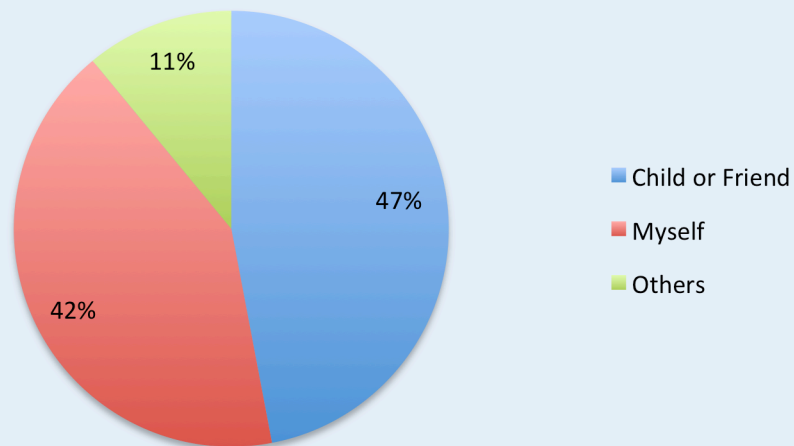
The Jiaxing Daily reported the results of a survey conducted by the Industry and Commercial Bureau of Pinghu City Zhejiang Province on dietary supplement consumption patterns of elderly people. Six hundred questionnaires were distributed in the survey to people over sixty years old. Five hundred fifty eight questionnaires were returned. The results showed that forty percent of the respondents take dietary supplements regularly, and seventy-five percent had purchased health products in the latest six months. However, four-one percent of the respondents couldn't distinguish the difference between dietary supplements and drugs. Over twenty percent polled thought dietary supplements could be used to treat or cure disease without taking drugs. Thirty percent responded that they felt cheated or tricked by deceptive advertisements or overly hyped products by sales people. Below are the results of two other questions asked:

*China's regulations
for dietary
supplements are
becoming stricter.
If industry doesn't
unite for change,
we could very well
see supplements
becoming part of
the Pharma
Industry in China*

How much money are you willing to spend per year on dietary supplements?



Who buys dietary supplements for you?



Increasing Demand for DHA for the Next Five Years

CCM Data& Primary Intelligence, a China's domestic professional market research institution released a report named "Market Research and Forecasting on DHA in China". The report predicted that China's demand for DHA will continue to increase for the next 5 years.

The report stated that in 1993 when the World Health Organization (WHO) formally recommended DHA for infants and young children's growth and development in the early stages, China learned of this important ingredient. China's manufacturing of microalgae DHA started in 2002. By July 2011, there were 15 major manufacturers of microalgae DHA in China, and the total production capacity reached 1,475t/a. From 2007 to 2010, the annual production had increased from 503 tons to 946 tons, an annual growth rate of twenty-three percent. More and more companies were attracted to expand production or go into the business of DHA due to its high profits.

However, the consumption of DHA is limited, due to its limited applications and high price. In 2010, the total consumption of DHA in China was 2,260 tons, however, the market capacity reached 3,700 tons. DHA is mainly used in two consumption areas: formula food and health products. Sixty-seven percent of DHA was consumed in formula food, especially infant formula, infant rice flour as well as milk powder for pregnant women and children's milk. Another emerging and rapid growing application channel is in cooking oil.

The report said, although the DHA industry has developed rapidly in China, it is still in its early stages when compared to developed countries and has lots of room for growth. As consumer's awareness of health products and purchasing ability rise, the demand for DHA in the market will continue to increase.

Export of China's Plant Extracts Increased Rapidly in First Eight Months of 2011

Liu Zhanglin, Vice President of China Chamber of Commerce for Import and Export of Medicines & Health Products (CCCMHPIE) gave a report on the export of China's plant extracts to Chinese ingredients companies at China Natural Ingredients Conference 2011.

Growing Export Volume and Value: China's export of plant extracts from January to August in 2011 reached 28,420 tons in volume, 16.24% increased, and USD 7.05 million in value, a growth of 47.87%.

Table 1. China's export of plant extracts from 2005 to 2010 Unit: ton, 100mln USD

| Year | Volume | Increase | Value | Increase |
|------|--------|----------|-------|----------|
| 2005 | 34,208 | 7.71% | 3.4 | 25.26% |
| 2006 | 41,362 | 20.92% | 4.9 | 44.49% |
| 2007 | 46,872 | 13.32% | 5.1 | 1.22% |
| 2008 | 40,154 | -14.33% | 5.6 | 11.65% |
| 2009 | 44,471 | 10.75% | 6.9 | 24.12% |
| 2010 | 36,651 | 4.99% | 7.7 | 17.28% |

Expanding Export Destinations: EU, US and Japan were the three major destinations for China's plant extracts export, which all surpassed 100mln USD in export value for the first eight months of 2011. Especially, the export to European countries, such as Germany and Spain grew rapidly. Emerging markets increased more impressively, such as Mexico, Indonesia, Brazil, Thailand and Vietnam. The export growth rates to those countries all surpassed or approached the hundred percent mark. The export growth rate to Thailand reached as high as 348 percent for the first eight months of this year.

Table 2. China's major export destination of plant extracts from Jan. to Aug. 2011 Unit: ton, 100mln USD

| Destination | Volume | Increase | Value | Increase |
|-------------|--------|----------|-------|----------|
| EU | - | - | 1.8 | 78% |
| US | 5,241 | 31.37% | 1.18 | 69.22% |
| Japan | 2,726 | 30.52% | 1.06 | 18.28% |
| Mexico | 1,126 | -33.92% | 0.59 | 93.23% |
| Germany | 2,095 | 50.59% | 0.51 | 108.25% |
| India | 2,184 | -3.79% | 0.48 | 17.14% |
| Singapore | - | - | 0.33 | 48.5% |
| Indonesia | 1,567 | 34.84% | 0.21 | 82.85% |
| Brazil | 404 | 203.52% | 0.08 | 193.35% |
| Thailand | 523 | 265.53% | 0.06 | 348.63% |
| Vietnam | 185 | 179.3% | 0.03 | 231.09% |

Exporters: The top 5 companies in plant extract export in the first eight months of 2011 were :

Chenguang Biotech Group Co., Ltd. in Handan, Hebei; Teck Soon Hong Flavours & Fragrances Ltd. in Zhuhai, Guangdong; Shanghai Tsumura Pharmaceuticals Co., Ltd.; Ningbo Green-Health Pharmaceutical Co., Ltd. in Zhejiang; and Beijing Ginkgo Group.

Natural pigments, flavors and fragrances, health care and medicinal plant extracts were the top 3 catalogues of the export.

Table 3. More Chinese companies started to do export from 1996 to 2010 Unit: thousand UDS

| Year | Export company number | Average export value |
|------|-----------------------|----------------------|
| 1996 | 123 | 246.3 |
| 2000 | 284 | 245.2 |
| 2005 | 985 | 331.3 |
| 2010 | 1279 | 637.3 |

New features in domestic market: More plant extracts are used in soft drinks, especially tea drinks in China's domestic market. The use in the health products increased too. The extracts from blue berry and grape seeds are in high demand of China's market. In 2010, the market of health products in China was about RMB 100 billion.



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