

# CHINA UPDATES

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### **China Needs to Come Up with Innovative Food Solution**

China's food technology companies need to be more innovative in coming up with solutions to address the local market's demand for a more healthy and nutritious food plan, said Li Yongjing, CEO of Dupont health service center in a recent seminar.

One of the major reasons of China's rapid food industry development is China's urbanization, said Dr. Li in the seminar co-hosted by China Food Technology Association. The rapid increase of city dweller means that the future of food industry is based on innovative ways to provide safe, healthy and convenient food.

According to Food and Agricultural Organization of United Nation, China still has 130 million people who lack for sufficient nutrition. At the same time, the consumption of "junk food" by the well-offs is increasing as well. According to China Food Technology Association, the average profit of China's food industry is 6.8%, while health-related industry boasts an average profit of over 10%.

Urbanization will add new consumption value to this country of 1.7 trillion to 2.6 trillion. Food will be a vital part in the consumption. "In face of such a huge market potential, the food industry needs to address the issue of how to provide better food in an innovative, responsible and moral way," said Dr. Li (Source: China Food Journal)

China Updates is a service provided by U.S.-China Health Products Association. The Newsletters are issued approximately three times a month. China Updates provides news on regulatory environment, new legislation, association activities and any information related to China's natural health products industry.

## Reform is expected to Boost China's Health Industry

Analysts expect a reform to boost the development of health industry in China, as the industry does not perform well this year.

“Companies matter when it comes to perform in the health industry. First, you need to see if the product itself is good or not; second, you need to check its marketing,” said a PE staff who follows medical industry closely. “If a company does well in these two aspects, it will be well embraced by the

local market.”

“The growth matters instead of the current profit,” said the PE staff, noting that the industry expects greater reform after the new industry policy takes effect early next year.

The new policy will be stricter with substandard products. It will bring more changes to the industry.

China's health industry started to develop since 1980s. “Because the ageing-society problem stands out and will be a major social issue in China, the prospect of health industry is very promising in this country,” said the PE staff.

China's latest national food industry development plan, issued in January 2012, listed the nutrition and health food industry as a key industry for the first time. The plan also expected the product value of China's nutrition and health food industry to reach 1 trillion yuan in 2015 with an annual increase of 20%.

The plan also expects that more than 10 nutrition and health product companies can boast sales revenue of over 10 billion yuan in 2015.

However, the latest research report of China's health food industry in 2013 shows that the product value only reaches 280 billion yuan by 2006 local companies in 2012, leaving a big gap with the national goal.

Though the sales scale of the industry surpassed 110 billion yuan in 2012, the year-on-year increase rate only reached 4.8 %.(Source: Financing Daily)

## Baidu.com Initiated Health Alliance

China's search giant Baidu.com launched a health alliance recently with a large number of private medical institutions, combining online platform with professional medical institutions to serve as direct medical assisting platform.

The new platform is invested with 200 million yuan and covers thousands of counties and cities in China. The assistance targets children who cannot receive timely medical treatment due to absence of quality medical resources.

China has a large number of left-behind kids in rural and backward areas. The parents of these kids migrate to other cities to work for a living, leaving their kids with the grandparents or even alone at home. These kids



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cannot enjoy quality medical treatment when getting sick.

Moreover, most of the rural families cannot afford expensive medical expense, not even some urban families. Providing timely and quality medical service to children becomes an urgent priority of the society.

Children who are in need of medical service, while not being financially capable of getting treated, can file application to the official website of the alliance (1119.baidu.com). After the emergency center confirms the application, free and professional assistance will be provided to the applicant by one of the medical institutions in the alliance.

Most medical institutions in the alliance are private hospitals. These hospitals are developing well in different areas across the nation. The alliance announced in the launching ceremony that the first

project would be providing surgery to 1000 kids in rural areas who are suffering from congenital cataract.

Baidu has been cooperating with government departments on health-related issues in recent years. It provides medical services including online searching and making appointment with doctors in efforts to boost the development of private hospitals. (Source: Huanqiu.com)

## China's Consumer Confidence Remains Stable in Third Quarter

China's third-quarter consumer confidence index (CCI) remained unchanged from the previous quarter at 110, but is still 4 points higher from one year ago, according to a report released Tuesday by Nielsen Holdings.

Fourth-tier cities were seen as being a major driver of the stable consumer confidence in the third quarter, the report said.

The third-quarter CCI of fourth-tier cities' residents rose by 2 index points to 109 from the second quarter, an increase of 5 points compared with the final quarter of last year.

In comparison, the third-quarter CCI of first- and third-tier cities both dropped from the previous quarter, while second-tier cities saw a rise of 1 point in their CCI reading during the quarter.

"The fourth-tier cities, many of which are located at the crossroads of rural and urban China, are always regarded as regional centers for rural consumers to shop around or to have a tryout of city life," said Patrick Dodd, managing director of Nielsen China.

"The expansion by both multinational and local Chinese companies and retailers into lower-tier cities will further unlock the consumers' purchase power in these emerging markets," Dodd said.

The Chinese central government has been trying to shift the growth pattern of its GDP to be more reliant

on domestic consumption and less on investment, which is considered to be unsustainable.

Zhang Lei, a Beijing-based macroeconomic analyst with Minsheng Securities, told the Global Times Tuesday that residents of fourth-tier cities are more confident because they face less stress in buying homes and their income has remained stable.

"Residents of first- and second-tier cities are pressured by high living expenses, and their income has been sliding due to the slow economy. Both reasons dampen the residents' confidence and willingness to buy," Zhang said.



Dodd said that the consumption level of less developed regions has huge potential to grow.

"Fourth-tier cities are a dream for marketers, because rural households are migrating between fourth-tier cities and the countryside frequently and they spend money in both regions," he said.

Some 86 million households, whose total income value is 3 trillion yuan (\$492 billion), live in China's fourth-tier cities, and 169 million rural households, who have 4 trillion yuan of income, live in rural areas, said the report.

Both types of households are potential consumers for companies, Dodd believes.

Residents in the urban areas spent 13.1 percent more in October than in September, and those living in rural regions spent 14.6 percent more in -October than in September, the Ministry of Commerce said Tuesday.

Lynn Xu, vice president of Nielsen Greater China, said that fourth-tier cities and rural areas will experience "explosive growth in online shopping" once more of their residents start using smart phones.

Increasing food prices, formerly ranked among the top three concerns, fell to fifth, following children's education and welfare, and personal career, and equally weighted with job security.

The Nielsen Global Survey of Consumer Confidence and Spending Intentions, established in 2005, measures consumer confidence, major concerns, and spending intentions among more than 29,000 respondents with Internet access in 60 countries. Consumer confidence levels above and below a baseline of 100 indicate degrees of optimism and pessimism.

The Nielsen China Consumer Confidence Report, the largest of its kind, is compiled from a mixed-methodology survey of 3,500 respondents from across China - everywhere from key cities to rural countryside.

In other key developed economies, the Nielsen survey showed that the United States saw consumer confidence levels rise seven index points to 98 from the same period 12 months ago, its highest score in six years and nearing pre-recession levels.

Meanwhile, consumers in India and Brazil remain some of the most confident in the world. (Source: Global Times)

## China Considers Consumer Goods Safety Law

China's quality watchdog is considering a consumer goods safety law for better consumer rights protection, it said Monday.

The draft law will be submitted to the Legislative Affairs Office of the State Council for examination by the end of 2015, and will be included in the State Council's legislative work, according to the General Administration of Quality Supervision, Inspection and Quarantine (AQSIQ).

The consumer goods safety law legislation is aimed at intensifying the institutional supervision of consumer goods safety, reducing and preventing consumer goods safety accidents, and safeguarding consumers' rights and interests, said Mei Kebao, deputy head of the AQSIQ.



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The consumer goods safety law should be linked with the product quality law and the food safety law, and take into consideration the condition of Chinese enterprises and China's economic and social development, he added.

Tang Wanjin, a member of the leading group for the consumer goods safety law legislation, suggested that the law should highlight the liability of companies and governments, clarify fines and punishments and offer practical supervision methods to improve the efficiency of the consumer goods safety monitoring network.

So far, China has no specific law concerning consumer goods safety. The food safety law took effect on June 1, 2009 and the product quality law took effect on Sept. 1, 2000. (Source: Xinhua)

## China's Cabinet Announces Appointments

The State Council, China's cabinet, on Friday announced a number of government appointments.

Mao Weiming was appointed vice minister of Industry and Information Technology.

Chen Zongrong was appointed vice director of the State Administration for Religious Affairs.

Wu Wenxue was appointed vice director of the China National Tourism Administration, replacing Zhu Shanzhong.

Ren Xianliang was appointed vice director of the State Internet Information Office.

Li Yafei and Gong Qinggai were appointed vice directors of the Taiwan Affairs Office of the State Council, replacing Zheng Lizhong and Sun Yafu.

Huang Hong was appointed vice chairman of the China Insurance Regulatory Commission (CIRC) while Li Kemu was removed from the post. Liang Tao was appointed CIRC assistant chairman.

Wang Zhiyong was appointed vice director of the State Administration of Traditional Chinese Medicine, replacing Li Daning.

Lu Yong was appointed director of the sixth executive council of the China Disabled Persons' Federation (CDPF). Sun Xiande, Cheng Kai, Jia Yong and Wang Meimei were appointed vice directors of the sixth executive council of the CDPF.

Zhang Rong was appointed president of Shandong University, replacing Xu Xianming. Dong Xiaojun replaced Zheng Qingdian to be representative of the People's Republic of China to the International Seabed Authority.

Yu Jianhua was removed from the post of vice representative of international trade negotiation for the Ministry of Commerce. Zhou Wenzhang was dismissed from the post of vice president of the Chinese Academy of Governance.

Li Heping was removed from her post of vice director of the State Archives Administration. Wang Jiliang was removed from vice political commissar of the Xinjiang Production and Construction Corps. (*Source: Xinhua News*)

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