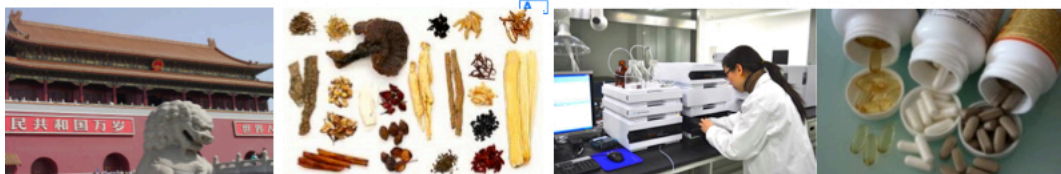


CHINA UPDATES

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ISSUE 102
July 30, 2014

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National Nutritionist Conference was Held

The seventh national nutritionist annual conference was held in Baoding, Hebei province last week.

The conference was held by food safety and nutrition committee of China Health Association, China Nutritionist Website and China Health Consultant Website and Baoding Health Managing Industry Association.

The conference focused on "making good use of policy advantage, realize the talent development", and invited expert to talk about career plan and challenges faced by nutritionist in the seminars. (Source: China News Site)

Direct-Selling Committee Founded to Better Regulate the Industry

After the direct-selling model was introduced to China's market in 1990, 44 local companies have gained rights to conduct this business in China.

To help the public better tell the difference between direct-selling and pyramid selling, the newspaper is to have a column to report on this industry based on the almost 10-year-old "direct-selling regulation".

In 2006, the deputy secretary general, Jia Yaguang, said in a public speech that related government departments needed to set up China Direct-Selling Industry Association, in efforts to regulate this industry better with the regulators.



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Since the early 2014, news about the setup of direct-selling industry committee have been reported now and then. On Feb, 19, a direct-selling committee under the China Foreign Merchant Investment Association held an opening conference in Beijing. Most experts and industry people are positive about the setup.

The committee released proposals to companies which attended the conference, asking direct-selling companies to behave well and avoid doing pyramid selling.

“The set-up of the committee can provide a communication platform for the industry, and I am sure that it will promote the industry to develop faster and better,” said Daniel R.Chard, COO of Nuskin. (Source: International Business Daily)

Qinghai Health Food Companies Promised Food Safety

The local FDA of Qinghai province partnered with 23 health food production companies and 54 health food operation companies to sign two letters of commitment on food safety.

The companies promised that they would abide by the production regulation of health food and food safety law, making sure that the food they are producing and selling are up to standard.

They also promised to set up system to upgrade their assembly line so that they can ensure food safety from raw material procurement to sales.

The companies also promised by signing the letters that they would not conduct illegal promotion, and will buy raw materials from legal channels. (Source: China Quality News Site)

Beijing FDA Listed Bottled Water as High-risky

Beijing local food and drug regulator has scheduled three large-scale spot checks on bottled water,

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aiming to test the volume of 24 bacteria contained in the products.

So far, the inspections have covered over 100 companies in the capital of mineral water and spring water etc. It is the first time that the Beijing FDA list bottled water as high-risky product.



“As the industry does not have law enforcement right, it can only reply on the companies themselves to improve the quality of related products,” said Yuan Jun, deputy chief of Beijing Bottled Water Sales Association.

The official data showed that the pass rate of bottled water in the past few years is over 90%. (Source: Beijing Youth Daily)

China's Dairy-Consolidation Push to Spur Deal Making

A renewed push by the Chinese government to consolidate the country's dairy industry could spur a round of deal making and capital raising in the sector.

Chinese regulators expect consolidated companies will have better control over their supply chains, the fragmentation of which experts cite for repeated food-safety scares. China's dairy supply chain continues to be dominated by small farms.

The government has been pushing to restructure the domestic dairy industry since 2008, when the chemical melamine was found in infant formula made by 22 companies. Thousands of children were sickened and six died.



The country now aims to create a small pool of national dairy heavyweights that control product lines including milk powder, infant formula and raw milk, as well as a greater proportion of dairy-product processing.

The government said in June it plans to form about 10 large milk-powder companies, each with annual revenue of more than two billion yuan (\$323 million) by the end of this year. The number will fall to five by 2018, marking a second phase of consolidation.

In late May, the China Food and Drug Administration unveiled the results of a six-month

review of the infant-formula industry, issuing production permits to just 82 of 133 companies that had applied. The Ministry of Industry and Information Technology said last year it wanted to shrink the sector to 50 manufacturers by 2018. In June, the State Council unveiled a plan to push for further consolidation in the infant-formula industry.

Raw-milk producers continue to consolidate, too. According to data from Malaysian brokerage CIMB, the number of farms with a dairy herd of more than 1,000 cows reached 18% in 2013 in China, compared with 5.5% in 2008. The number of farms with just one to four cows, meanwhile, fell to 20% in 2013 from 32.4% in 2008.

China's food-safety scares have prompted a surge of imports of dairy products, such as infant formula, to the detriment of domestic producers. As the industry restructures, smaller farmers are getting out, which has caused a drop in raw-milk production. At the same time, demand for dairy products from Chinese consumers continues to rise faster than domestic production.

That could encourage bigger dairy-product makers, for example, to acquire raw-milk producers to integrate their supply chains.

The State Council has said that it will provide financial support, such as offering lines of credit, to promote mergers and acquisitions in the industry. Meanwhile, investors—likewise encouraged by China's rising demand—are putting money into companies that they believe will emerge as winners from the latest round of restructuring. (Source: WSJ)

Fonterra, Abbott to Build Dairy Farms in China

New Zealand dairy co-operative Fonterra and U.S. healthcare company Abbott are planning to build up to five dairy farms in China to secure domestic supply to meet rising demand for milk in the world's second-largest economy.

In a statement issued on Friday, the world's largest

dairy exporter and Abbott, a major infant formula seller in China, said they had signed a \$300 million agreement to build up the farms in one of the world's fastest growing dairy markets, which would produce up to 160 million litres of milk each year.

The planned hub, whose location is yet to be decided, would be Fonterra's third, following similar dairying centres in China's Shanxi and Hebei provinces. If the plan is approved by Chinese authorities, the companies said the first farm would begin producing in early 2017.

"Farming hubs are a key part of our strategy to be a more integrated dairy business in Greater China, contribute to the growth and development of the local Chinese dairy industry and help meet local consumers' needs for safe, nutritious dairy products," Fonterra Chief Executive Officer Theo Spierings said in a statement.

The deal would build on the existing relationship between the two companies, as Fonterra counts Abbott as a wholesale client of its milk powder products, which include Similac infant formula brand.

Abbott is expanding its production capabilities in China, opening an infant formula plant near Shanghai in June.

"This strategic partnership gives us flexibility for the future on however we use milk," an Abbott spokesman said.

Abbott recalled some of its milk formula brands in China and Vietnam in August after a contamination scare involving products containing Fonterra-produced ingredients, which proved to be false.

Abbott in April said the recall crimped sales of milk formula products by \$75 million in the first quarter.

Global milk formula makers are pushing to capitalise on increasing dairy demand from China, where growing middle classes are developing a voracious appetite for cheese, milk formula and other products. (Source: Reuters)

Changes Sought in Smoking Law

Anti-tobacco activists have called for more specifics in Beijing's legislation on smoking control, which is now under review and expected to take effect in 2015.

Under the World Health Organization's Framework Convention on Tobacco Control, which China signed in 2003, the law taking shape in Beijing should include more specific articles, said Xu Guihua, deputy director of the Chinese Association on Tobacco Control.

The draft of the smoking control law in Beijing has been sent to the legislature for review and is scheduled to be enacted by next year, said Zhang Jianshu, head of the Beijing Patriotic Health Campaign Committee.

He was invited to take part in the draft review.

"The legislation aims to reduce the number of smokers, their smoking frequency and health impacts by secondhand smoke, particularly in public places," he said.

To facilitate that, Xu is urging lawmakers to more specifically define in the legislation what is meant by "public place".

At places such as sports stadiums and railway and subway stations, a smoke-free "buffer zone" should be extended to 15 meters outside the indoor area, she suggested, citing the large number of people who are usually at or close to entrances and exits of indoor public places.

While there is a growing consensus for a smoking ban at indoor public places, "the concept of a buffer zone outdoors needs further promotion", Xu said.

Outdoor places such as parks, which are frequented by children, should also be smoke-free under the new law, she said.

Cui Xiaobo, a professor of social medicine at Capital Medical University in Beijing, agreed and added that the law ought to clearly ban tobacco sales to minors.

Currently, a ban on sales to minors is included in the law on minor protection, but who is supposed to enforce that is not clearly defined, he said.

A recent survey by the Chinese Center for Disease Control and Prevention found that more than 80 percent of junior school students aged 13 to 15 were never refused when buying cigarettes in the 30 days before the survey.

As the world's largest cigarette producer and consumer, China has more than 300 million smokers. Additionally, at least 740 million nonsmokers, including 180 million children, are regularly exposed to secondhand smoke.

Zhang Jianshu said the coming law should at least be able to protect non-smokers from secondhand smoke.

But he said a step-by-step approach would be necessary to advance tobacco and smoking control in China, citing a longtime dependence on the tobacco industry for tax revenue.

By January, more than 10 cities in China had issued laws and regulations to ban smoking in public places, said Yang Jie, a researcher for the China CDC.

Additionally, the National Health and Family Planning Commission is stepping up its efforts to research a draft law on tobacco control, said spokesman Yao Hongwen. (Source: China Daily)

Pessimism Hits Morale of Shanghai Consumers

THE confidence of consumers in Shanghai fell in the second quarter as they expected economic outlook to be gloomier and were less willing to spend, a survey showed yesterday.

The Index of Consumer Sentiment in Shanghai fell

to 107.1 in the April-June period, down 5.6 points from the previous quarter but 3.9 points higher than the same period of last year, the survey by Shanghai University of Finance and Economics showed.

A reading above 100 means optimism.

Xu Guoxiang, director of the university's Applied Statistics Research Center, said people's confidence weakened as they were pessimistic over slower growth in the economy and their income.

"Consumers adjusted their economic expectations due to weak economic data and slower growth in trade," said Xu.

"Besides, poor home sales and (weak) stock market are signals for a negative trend, and they squeeze the wealth of the residents, dragging down their expectations for income growth."

Meanwhile, an index measuring residents' intention to purchase homes, cars and durable home appliances fell 6.9 points from the first quarter to 72 points. (Source: Shanghai Daily)

Consumers from China Prefer Niche Luxury Items

Chinese consumers are no longer picking up a flashy Louis Vuitton bag and now prefer niche luxury brands, and those who travel to the United States prefer less mainstream stores to "get away from the crowd," according to fashion industry consultants.

"While you still have, and will likely have for many years to come, large groups of luxury buyers attracted to the big luxury brands, we now see a large and growing group of consumers who are shunning these brands in favor of niche players," said Nick Cakebread, managing director at marketing and communications firm BBDO/Proximity Live in Shanghai.



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Collette and Bon Marche rather than Lafayette.

"Niche luxury brands that tap into people's desire for individuality and self-expression and 'accessible luxury' brands - Michael Kors and Tory Burch. Such brands are seen as the next big winners in China's luxury market as the country's middle class continues to boom," Cakebread said.

"Today's modern Chinese luxury consumer has become equally comfortable shopping at the very top of the pyramid while at the same time experimenting with more avant garde and contemporary designers. This is something which wasn't common even five years ago," he said.

And the fashion experts say many Chinese consumers in the US no longer shop at generic shopping locations and have moved on to less mainstream shopping locales.

"Younger tourists or students, especially in New York, are buying luxury goods off Madison Avenue nowadays, rather than off Fifth Avenue or in Soho. They want to get away from the crowd," said Avery Booker, a partner at China Luxury Advisors based in New York and Los Angeles.

He said smaller stores have made shopping feel more exclusive for these consumers. "They want

"LVMH is now expanding and marketing Loro Piana, Givenchy, Celine - seen as more niche brands - to the Chinese consumer who may have moved on from flagship LV," Cakebread said.

The growth and emergence of the luxury multi-brand retailer has also helped fuel the growth of newer luxury consumer segments that are shunning traditional big luxury houses and are seeking to discover smaller, niche luxury brands, he added.

This new Chinese consumer is well traveled, knowledgeable, sophisticated and has a clear personal style, said Cakebread.

"They aren't walking into LV and buying five handbags, like the generation before them," he said. Rather, when in New York City they are heading to Barneys to seek new contemporary brands. In London, they shun Harrods but opt for Liberty's and Brown's. In Paris, they may head to



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to enjoy themselves while shopping, rather than the snatch and grab of the past," he said. "Before, the enjoyment of shopping came when people would have the privilege of showing off to their friends. Now the enjoyment happens during shopping."

"For me the development of consumer tastes is more focused around the environment and what happens during shopping," Booker said. "Afternoon tea is becoming more popular in China as well (e.g. shoppers will take some time off and get tea at Bergdorf's in New York) it has become an aspirational part of the shopping experience."

Rather than just following the latest trends, Chinese consumers have become quality-conscious consumers, Sarah Rutson, a buyer at Lane Crawford, one of Hong Kong's high-end department stores, told Vogue magazine. "The Chinese client really understands that craftsmanship and quality are incredibly important, and the two do not always go hand in hand."

Consumers also expect the brand they are wearing to tell a unique story. "Chinese luxury shoppers are hungry for knowledge and place a strong emphasis

on understanding a brand's heritage, story, craftsmanship and provenance. Brands that have a compelling story to tell and can live up to customer expectations when it comes to quality have done well," Cakebread said.

"Such consumers are attracted to niche luxury because they seek brands that better reflect their style, personality and taste. Also, they may want to distance themselves from the Chinese 'new rich' that have traditionally bought those brands associated with big logos," Cakebread said.

To Cakebread, the Chinese government's austerity campaign has also been a contributing factor to the rise and success of more subtle, discreet luxury brands.

"Luxury consumers in China are more conscious when it comes to showing their wealth these days. They don't want to be seen with an obviously expensive watch or carrying the latest designer monogram handbag. Instead, if they do buy luxury they look to brands which are less conspicuous. This has been a boon to 'stealth wealth' brands," he said. (Source: China Daily)

China Updates is published weekly by the U.S. – China Health Products Association, a non-profit organization dedicated to the promotion of dietary supplements and the nutritional / functional ingredients. The association's major focus is the continued development of China's dietary supplement and nutritional ingredient industry as well as offering business services to global companies wishing to enter the China Market

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