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Shanxi Cracks Down on Food and Drug Cases that Values at 230 Million

To strengthen food safety in the province, the local authority in Shanxi province has taken great efforts in cracking down on illegal food and drug cases in the first half this year.

According to official data, the related cases, totaling 4800 cases with 1334 suspects involved, value at over 230 million yuan.

The biggest case spotted, which involves a kind of poisonous "health product", is conducted by six suspects, who have produced 1682 illegal health products that are circulated province-wide, which value at over 2.4 million yuan.

The local police said as most illegal health product manufacturers are working in small workshops, they cannot be spotted without regular and intense inspections by the police, which the local authority has paid great attention to in the first half this year. (Source: Shanxi Daily)

AQSIQ Report: Quality of Imported Products Not Satisfactory

In a recent press conference by China's Administration of Quality Supervision, Inspection and Quarantine, Li Jing, the director of the agency's press officer, said that based on the first phase of spot check on imported products this year, the quality of imported clothes, food and cosmetics is not satisfactory.

Among the products that were found with quality problems,



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the well-known brands including ZARA, Hermes and MUJI are said to have failed the test for more than ten times this year.

“The products that are closely linked to consumers are found to be with serious quality problems,” said Liu Shiyuan, deputy chief of the inspection department of the agency. “We found the substandard rate of the imported products including clothes, wood floor and small electronics to be 34.97%.”

“261 brands with 603 batches of clothes are found to be with quality problem, including Zara, Bershka, Hermes and MUJU,” said Mr. Liu.

The imported food are also found to be with severe quality problem. “261 batches of imported food and 13 batches of cosmetics are found to be substandard, with the major ‘problem products’ to be sweets, beverage and cookies,” said Ms. Li. “The major issue with these products is high volume of food additive”(Source: China Economy Net)

Chongqing Launches Special Inspection on Food Market in Rural Area

Local authority, including food safety office of FDA, police bureau and industry& commerce bureau, launched a 3-month inspection on food market in rural area. The copycat food is the main target of the inspection.

“In rural area, it is very common to spot illegal factories, workshops and stores that produce or sell illegal food,” said a director with local FDA.

“The major approach to address the food safety issue in rural area is to solve the problem that many local food vendors are not aware of the importance of getting receipt from the food factory, so these ‘black factories’ can easily get rid of any legal responsibility if their food are found to be substandard,” said the director.

The local authority also said that the illegal addictive and kid food are specifically targeted in the

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inspection. (Source: Chongqing Daily)

Avon Cleared of Bribery Charges in China

The original securities fraud lawsuit accused the cosmetics company of concealing its inability to stop workers from bribing officials in China to win business there; however, this week it won the dismissal.

U.S. District Judge Paul Gardephe in Manhattan presided over the case, clearing Avon and former Chief Executive Andrea Jung and former Chief Financial Strategy Officer Charles Cramb.

In his ruling he found no showing that they intended from 2006 to 2011 to deceive shareholders about the company's knowledge of alleged bribery, such as through corrupt ‘dinner and karaoke’ events, and dependence on bribes to boost sales.

In a 59-page decision, Gardephe also says Avon shareholders did not show the company intended to deceive them about its ability to comply with the federal Foreign Corrupt Practices Act, which prohibits bribing foreign officials.

The lawsuit was brought on behalf of shareholders from July 31, 2006 to Oct. 26, 2011, and had claimed that Avon's corporate culture was ‘actively hostile’ to effective oversight. Gardephe said the

plaintiffs may amend their complaint if they wish.

The original probe began in June of 2008, aimed at getting to the bottom of whether or not officials at the company had violated the Foreign Currency Practices Act – a law that makes it illegal for US businesses to bribe foreign officials.

This looked into alleged improper payments in China, which it has said cost the company \$300 million.

In January 2012, Avon confirmed in an SEC filing that Cramb was fired following ongoing investigations into its China operations.

The company confirmed that the executive had been let go, with the filing underlining the fact that it was in connection with the investigations into possible material-disclosure violations that may have involved the bribery of officials in several countries.

In May this year, Avon announced a tentative agreement to pay \$135 million to settle related probes by the U.S. Department of Justice and Securities and Exchange Commission. (Source: cosmeticsdesign.com)

Consumers' Appetite Grows for Healthy Food, Lifestyle

Chinese consumers have become more concerned about healthy lifestyles and eating habits, which also drives the market to shift to those more natural and healthier food products, according to a report by the United Kingdom-based research firm Mintel Group Ltd.

The report said being healthy is the number one priority for urban Chinese consumers. And 98 percent of the surveyed consumers said they planned to eat a healthier diet in 2015, while 97 percent said they want to exercise more.

About 58 percent of those surveyed said in the past year they had started to eat more fruit and

vegetables, while 50 percent have cooked at home more in a bid to achieve a healthier diet. But more than two-thirds of respondents admitted that they failed to cut the amount of desserts and snacks they eat.

According to the report, Chinese consumers demonstrated greater awareness about food safety and ingredients. About 52 percent of urban Chinese consumers now check food labeling before buying a product, paying most attention to whether it contains food preservatives, harmful colorants and other added ingredients.

"Driven by rising incomes and the growing availability of imported and packaged foods, there are more food choices available than ever for Chinese people. Consumers are therefore paying greater attention to ingredients and what exactly they are eating in a bid to make healthier lifestyle choices," said Laurel Gu, senior consumer research analyst for Mintel.



"With this increased consciousness, there is an opportunity for brands to offer healthier alternatives that tap into this appetite for 'cleaner living' and food products," she said.

Industry insiders said some businesses have already sensed the change in consumer behavior and are offering a greater number of healthier products.

During the run-up to this year's Mid-Autumn Festival, various types of mooncakes targeting health-conscious consumers were on sale.

"Moon cake manufacturers are recognizing that consumers are interested in a healthier alternative to what is usually a heavy, sweet, processed holiday food", said Ailsa Gu, North Asia Insights manager for Mintel.

"They are consequently promoting their use of 100 percent natural ingredients, low-sugar content or healthy sugar substitutes, and low fat as a means of increasing the appeal of their product to a wider audience and also to target those who have health problems such as diabetes," she said.

The report also noted that Chinese consumers demonstrated significant interest in all products supported by claims or suggestions relating to health including those household products and cosmetics associated with health and natural benefits.

"From the point of consumers, we observed that most consumers aged 20 to 49 from first-,second- and third-tier cities show the need for health products. And manufactures also comply with this trend and offer products with different price ranges, depending on manufacturers' brand position and their target consumers," she said.

Consumer Wang Lina believes the perceptions of consumers are changing and people are becoming increasingly aware of healthy products.

"In the past, I didn't pay too much attention to food labels when I bought food products. But now I want to know more about what I actually eat or drink," Lina said.

"Now I care more about the food products' ingredients, not merely their look and taste. Besides, I prefer those food products that are more as nature intended with less food additives," she said.(Source: People's Daily)

Nutritional Supplements a Thriving Market

Fifty-six year-old Liu Wen-jing developed a new hobby after she retired-taking nutritional products twice a day to alleviate high cholesterol and knee pain.

"Better to be preventive than be treated in the hospital," said Liu, who is among a rising number of Chinese consumers who are concerned about their health.

According to a health and wellness survey conducted by the Boston Consulting Group in 2013, 73 percent of Chinese consumers are willing to trade up and pay a higher price for products that are deemed healthier.

That is 12 percentage points higher than the global average.

Besides aspiring to physical health and wellness, Chinese people also want to be happy, look good and have enough energy for an active lifestyle, the survey indicated.

Last year, health care and nutrition products jumped to second out of 15 product categories in which Chinese consumers planned to spend more, up from No 11 in 2011, said the survey, which interviewed 2,600 Chinese consumers from the middle and affluent classes.



Rising income levels among those classes are driving the market shift. Earning an annual income of 120,000 yuan and crossing the threshold of the low-affluent class is the inflection point for increased consumption of vitamins and supplements, the report said.

The report projected solid growth for the OTC (over the counter) segment and even stronger growth for the VMS (vitamins, minerals and supplements)

market.

From 2012 to 2020, it is estimated that the OTC segment will grow by 8 percent annually, and the VMS market is expected to grow even faster, at 13 percent, according to the report. China's retail health market is predicted to more than double the current estimated value of \$67 billion.

The reasons behind rising interest in health and nutrition products are said to be needs-based. The BCG report found that almost half of Chinese consumers surveyed reported feeling subpar because of lifestyle factors such as work pressure, family obligations and long work hours, generating physical complaints ranging from insomnia and fatigue to obesity and frequent illness.

The report said the incidence of these complaints is growing, especially among younger people, with 30 percent of respondents aged 18 to 24 reporting ailments compared with only 18 percent of those over 40 years old.

Chinese consumers are looking not only for treatments but also for disease prevention through exercise, diet and nutrition products.

The concept and the use of health and nutrition products are relatively new to the country, and consumers are not always able to interpret the terminology used to describe such products.

Lack of knowledge, combined with a lack of stringent regulations and aggressive product marketing, leads to trust issues among Chinese consumers. More than half of those surveyed said they worry that health food products may not be made as advertised. Many take less than the recommended dosage because they fear side effects or additives.

Given the fragmented Chinese health market, the

BCG report suggested companies develop product portfolios by enhancing brand building, since Chinese consumers prefer trusted brands, and educate and inform consumers about their product quality to correct common misconceptions.

It is also important to manage retail outlets aggressively because most consumers make their final purchase decisions at retail stores or pharmacy chains, the report said.

Christina Wang is a veteran purchaser on Taobao.com, the country's leading online retailer. Nutrition and health products are one of the regular purchases she makes from the stores on the website that offer international brands in this category.

She shops for fish oil and omega-3 supplements for her mother, who has heart health risks, and multivitamins for herself from the online shops.

The Internet is not an important purchasing channel for health and nutrition products yet but it soon will be. According to BCG's survey, the Internet is a critical channel for information and sales in many product categories.

The total number of online shoppers in China grew to 260 million in 2013, up from 180 million in 2011, and online sales already take up about 8 percent of total retail sales, according to the report. But due to trust issues, only 2 percent of consumer health products are purchased online.

Still, the online channel for such products is developing quickly, as the government and industry players work to improve consumers' confidence, including stricter requirements for online vendors and consumer education campaigns released by the various enterprises.

The number of products available also is growing



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quickly. Take JD.com, one of the country's largest retailers, for example. It now offers more than 4,000 health products online.

The report predicted that the health and wellness market will migrate to the Internet sooner than later, given that the Internet provides more convenience, greater price transparency and more product information than off line shopping.

Online promotions and discounts may also engage consumers and drive sales, especially for known and proven products, the survey said.(Source: China Daily)

China Pledges 'Harshest Penalties' for Food-Safety Violations

China has vowed to hand out the "harshest penalties" to food safety violators and to further reform the food and drug safety administration, Xinhua news agency said on Saturday.

Vice-Premier Wang Yang made the comment during an inspection tour of Beijing's food safety monitoring centre on Friday, the news agency said.



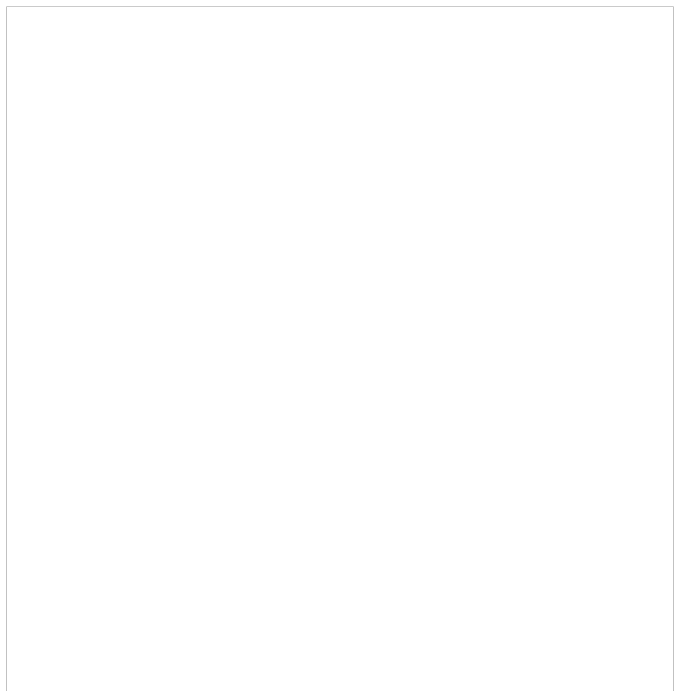
Food safety is a highly emotive issue in China where there have been numerous scandals from photos of food oil being scooped from drains to tales of phoney eggs and melamine-tainted milk powder.

More recent scandals have embroiled the likes of McDonald's and KFC-parent Yum Brands Inc.

"The strictest supervision should be carried out to

create a fair market environment, the harshest penalties should be used to deter violations, and the most serious accountability system should be established to punish those who fail to perform their duties," Xinhua quoted Wang as saying.

In August, Chinese police arrested six staff from McDonald's supplier OSI Group Inc after allegations that workers at its Shanghai Hushi plant doctored food production dates and used expired meat. McDonald's and Yum have pledged to improve their supply chain oversight. (Source: Reuters)



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