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Poll： 70% Demanded Severe Punishment to Address Illegal Addictive in Food

After the state regulator released a blacklist of food that contain illegal additives, China Youth Daily recently launched a poll that involves 2,244 web users, with over 70% of them demanded severe punishment towards illegal additives.

60.2% of the interviewees demanded a clear illustration of additives on the package of food products, and 57.4% suggested to update the regulation of food additives, according to the poll result.

Only 8.8% of interviewees said they found the illustration of additives to be very clear on the package of the food products they buy.

"Many parents only buy snacks that taste good to their kids, without knowing if the addictive is good for their health," said Liu Mingzhao,a resident in Cangzhou, Henan province.

The poll shows that 68% of consumers think about taste first when they choose to buy a food product, with brand comes in second and price in third. (Source: China Youth Daily)

Peruvian Product Hit in Chinese Market

This year has seen a surge in the number of Chinese buyers rushing to the South American country of Peru to purchase maca root in large quantity, which pushed the per-kilo price to $25 from the previous $3.2, according to news reports from some Peruvian media outlets.

However, according to Juan Barillas, former chairman of the Exporters Association of Peru, since overall sale of the country’s agricultural products are still at low level, the sudden surge in price of maca is a result of sharply increasing demand of the plant, which is a normal phenomenon in line with international convention.

Maca, a nutritious and medicinal root planted in the Peruvian Andes, has been the object of trade fever over the recent decade and gained an increasing market share especially in Europe and Asia. As evidence in published clinical studies have revealed, maca’s value of highly nutritious composition and its legendary sex-enhancing function, its market price has, as a result, climbed quite steadily.

As maca products have grown more popular in the Chinese market, it is very likely it may become a new growth point of China-Peru economic trade in the future, said Gao Jinbao, commercial counselor at China’s Embassy in Peru. Once the market is opened, Peruvian products, including maca-related ones, will see a huge potential for export to China.

Observing such profit-making opportunities, farmers in China’s southwestern Yunnan province have begun to cultivate this plant since the former Ministry of Health approved it in 2002 as a new food source. Following maca growers in Lijiang, some other cities of the southwestern province such as Shangri-La and Huize have eyed the business opportunity and grown maca on a large scale. For example, the acreage of maca in Lijiang has increased to 20,000 mu (1,333 hectares) from 17,000 mu in 2012.

At present, there have already been about 300 companies, established between 2011 and 2013, doing maca-related business in Yunnan province, with more investment flooding in, according to Liu Dahui, an expert with the Yunnan Academy of Agricultural Science.

Type in keyword maca in Chinese on Taobao, China’s leading online shopping platform, and a list of about 45,000 products, in six categories turn up. The best-selling one has obtained a monthly-accumulated sales amount of more than 24,000 boxes.

But many maca product manufacturers, while advertising their products, have overemphasized its medicinal values, especially the use to improve sex drive, while neglecting it as a new source of nutritious food, with major common use such as the management of anemia, chronic fatigue syndrome, depression as well as boosting energy levels and stamina, said Liu.

What is worth noting is that in contrast with the growing acreage of maca, the country has a long way to go in terms of in-depth development of the plant. According to Zhou Bangyong, deputy secretary general of the China Health Care Association, the maca industry in China is still at introductory stage, selling raw materials or semi-processed maca, instead of mature product line.

The domestic maca products lack in variety while in Western countries with more mature R&D and market, maca plants have been widely used in a group of health food, like energy drinks of juice and coffee.(Source: China Daily)

Harbin's Unchecked Placenta Pill Industry Piques Local Mothers

Placenta pills — sourced straight from hospitals in China's chilly northeastern city of Harbin before being rinsed, cooked, dried, ground and placed into capsules — are all the rage, but are the mothers who provide the raw material even aware of it?

Around an unnamed maternity hospital in Harbin, ads for processing fresh placentas can be seen everywhere. According to one sales pitch, you can either provide your own or have one provided for you, to be processed for 150 yuan (US$24.50) into 100 capsules that can be consumed over several months, reports Shanghai-based outlet the Paper.

In China, the placenta is commonly thought of as a source of nutrition, and even as medicine. Cai Yan, director of a Harbin maternity hospital, disagrees. Not all placentas are nutritious, as some pregnant women may have certain diseases. The healthy ones, however, are an ingredient used in traditional Chinese medical prescriptions, especially for postnatal recovery.

China's National Health and Family Planning Commission has ruled that placentas must be handled by the mother herself and hospitals do not have the right to intervene in their choice of whether to have it processed or disposed. As there are no clear regulations further than this, some processing factories do not hesitate to turn placentas into capsules and sell them for profit.

Hospitals have even gone so far as to lie to mothers about "complications" with their placenta before ushering it off to storage and selling it under the table for profit to processing factories, according to one processor.

Over 20 placenta processing workshops, most of which lack disinfection facilities, standardized equipment and sanitary working conditions, were uncovered by a reporter in the neighborhood of one well-known Harbin maternity hospital, said the report.

Mr Zhang, a section chief for Harbin's Food and Medicine Supervisory Bureau, said the bureau has received complaints about placenta capsule sales but without clear policy direction they are unsure of how to handle the cases.(Source: Want China Times)

The Health Industry Expects Shuffle in China

With the lift of price control over drug, the drug and health product market in China expects a new round of shuffle.

Statistics show that this year’s sales of drug and health products during the Singles Day sales campaign on China’s Tmall e-commerce platform have increased by 315% compared to last year. The sales of health products also see a booming business online.

“With the lift of price control of drugs, the traditional sales channel are seeing a shrinking profit margin, which will contribute to the development of online sales,” said Xia Zhongxun, a senior branding expert, adding health product brands including Amway and By-Health are actively exploring a transformation to sell online at this moment.

In the document that encourages the development of health industry released by the State Council, it is estimated that the health industry will reach a market value of over 8 trillion yuan by 2020 in China.(Source: China Economic Observer)

Chinese Health Care Draws Investors

Investing in China’s health care sector is not for the faint of heart.

The country's pharmaceutical supply chain is rife with corruption. Doctors and hospital staff have been attacked and even killed by patients who have been refused treatment. Farmers unable to pay for surgical amputations have made headlines by sawing off their own limbs.

Despite all this, Chinese health care is quickly becoming one of the most popular sectors for investors looking for the next great untapped market. Foreign and local private equity groups, drug companies, hospital operators and even construction companies are pouring record amounts of money into China to invest in hospitals, clinics, pharmaceutical businesses and medical equipment manufacturers. Mergers and acquisitions in China's health care sector rose to a record $11.3 billion in the first 11 months of this year, up 13 percent from the $10 billion in the same period a year earlier, according to Dealogic data.

For all the challenges of China's health care system, demand for more and better medical products and services is surging. That is because of a combination of demographics and economics: The world's biggest populace is both rapidly aging and increasingly affluent. The consulting firm McKinsey & Company estimates that health care spending in China will grow to $1 trillion by 2020, up from just over $350 billion in 2011.

"We've started noticing all sorts of players who don't normally play in the health care space becoming very interested — they could see the demographics, the aging population," said Mark Gilbraith, the head of PricewaterhouseCoopers' China health care and life sciences practice, based in Shanghai. "Within China, deals are more about gaining access to untapped markets."

The surge in deal making and investor interest coincides with a wave of sweeping overhauls that the Chinese government has introduced in recent years, as it tries to improve the accessibility and affordability of a health care system that has been widely described as being in a state of crisis. While recent decades brought a significant opening of the country's economy, the reduction of socialist-style state funding left the health care system to fend for itself. The result is a half-liberalized but highly bureaucratic public hospital system that often compromises patient care in favor of profit.

China had 13,440 public hospitals as of October 2013, and these provided 90 percent of the country's medical services, Xinhua, the official news agency, reported in April.

"Unlike most public hospitals in the world, Chinese public hospitals are an embodiment of both government and market failures," Winnie Yip, a professor in the Blavatnik School of Government at the University of Oxford, and William Hsiao, a professor at the Harvard School of Public Health, wrote in an article published in August in the British medical journal The Lancet.

While the government limits to 15 percent the markup on drugs that hospitals can charge, doctors increase revenue by prescribing unnecessary drugs or unneeded and expensive diagnostic tests. Moreover, the professors wrote, pharmaceutical and medical equipment makers provide benefits to hospitals and physicians for using their products.

As a result, by 2011, China's spending on drugs was 43 percent of the total health expenditure, compared with an average of 16 percent in the dozens of countries with advanced economies in the Organization for Economic Cooperation and Development. At the same time, drug revenue accounted for 41 percent of total hospital revenue in China.

"Many public facilities act as private entities, putting profit above patient welfare," Professors Yip and Hsiao wrote.

The Chinese government has tried in recent years to extend basic subsidized health insurance to all its citizens and, according to official estimates, more than 90 percent of the population is covered. But the quality of this coverage varies widely across the nation, as does the ability of individuals to get access to care.

These disparities were vividly illustrated in recent news reports, including the case of Liu Dunhe, a farmer in the southeastern Anhui Province who, uninsured and lacking the money to pay for an operation, decided to perform surgery on himself. Over the course of six hours on the night of April 20, Mr. Liu, who was suffering from severe necrosis after his feet were frostbitten, amputated his feet.

Widespread corruption in the health care system, especially involving the prescribing of drugs, is also an issue, and one that has ensnared multinational investors. In September, a Chinese court fined the British pharmaceutical giant GlaxoSmithKline nearly $500 million for bribery and jailed five of its executives, including a Briton. The government had accused Glaxo of bribing hospitals and doctors by channeling illicit kickbacks through travel agencies and drug industry associations to inflate drug prices.

China's government is increasingly concerned about the problems of the health care system. Part of its solution has been to open the door wider to foreign investment in the sector. The latest example came in August, when the authorities expanded a pilot program begun a month earlier to allow wholly foreign-owned hospitals to operate in seven major cities and provinces. Previously, foreign ownership was capped at 70 percent.

A number of recent deals have followed as a result of this liberalization. In September, the American private equity giant TPG teamed with a unit of the Fosun Group, a big Chinese investment company, in a $420 million deal to privatize Chindex International, a Nasdaq-listed operator of hospitals and clinics in China and Mongolia.

More recently, UPMC, a hospital operator based in Pittsburgh, and Massachusetts General Hospital, which is affiliated with Harvard University, said they had signed or were exploring deals to manage or build hospitals in China.

"Investing in China's health sector faces many challenges," said Yanzhong Huang, a senior fellow for global health at the Council on Foreign Relations in New York. He cited the large amount of capital required and the comparatively lower rates of return, as well as uncertainties over how privately owned hospitals will fit into China's national medical care payment system.（Source: New York Times)

L'Occitane Launches Online Store on Alibaba's Tmall Site

French skincare brand L'Occitane opened on Alibaba Group Holding Ltd.'s Tmall shopping site this week, the latest upscale name to join the platform in an attempt to combat unauthorized sales of its products there.

L'Occitane, whose online storefront opened Dec. 1 with products such as shimmery cherry-blossom lotion and dry-skin hand cream selling for about $40 U.S. apiece, saw an opportunity to launch on Tmall, China's main online venue for big brands, because its goods were already selling on the platform without its permission, according to Andre Hoffmann, president of the Asia-Pacific region for L'Occitane.

"This is the only way we can assure that expired and damaged goods are not sold," said Mr. Hoffmann. "Our goal is to be the only authorized seller of L'Occitane products" on Tmall.

U.K. luxury brand Burberry PLC and high-end cosmetics brand Estée Lauder Cos also opened online storefronts on Tmall this year, with sources close to the companies telling The Wall Street Journal that a key draw was the chance to protect how their brands were represented on the site.

"High-end brands are certainly of interest to Chinese consumers and we are going to continue to grow these brands on the (Tmall) site," said an Alibaba spokesman.

Alibaba, whose $25 billion initial public offering of stock in September was the world's largest, has promised high-profile brands that once they open an online store, it will purge goods sold on its platforms by retailers not authorized by the brands or do more to fight fakes, the Journal found in interviews with nearly three dozen sellers, brands and analysts this year.

When Burberry and Estée Lauder opened their stores earlier this year, all third-party sales of their products vanished from Tmall around that time, an analysis for The Wall Street Journal by e-commerce data firm YipitData found. Analysts see this development as a sign of the lengths that Alibaba will go to in order to court certain brands.

Still, the opening of L'Occitane's Tmall store this week hasn't led to any immediate decrease in the number of the brand's products sold by third-party sellers, according to YipitData, which counts about 1,400 listings of L'Occitane items on Tmall.

Even so, the firm's analysis suggests that brands can gain better control of their image by opening a Tmall store since "the flagship store can get better positioning on the site and make gray-market goods less visible," said Jordan Milan, a product analyst at YipitData.

Mr. Hoffmann said L'Occitane is in discussions with Alibaba about how to tackle the brand's products being sold on the platform by third-party vendors, many at discount prices.

Alibaba doesn't comment on conversations with its customers or on third-party data, the company spokesman said.

Gray-market goods—which are often authentic, bought from distributors outside China and then sold on the mainland at a discount—have been a problem for high-end brands. Brands worry that these unauthorized sales could tarnish their image and erode their pricing power.

L'Occitane has been negotiating with Alibaba for months over the opening of its Tmall store. The skincare company's main concern has been protecting its premium image on Tmall, according to people briefed on the negotiations.

L'Occitane's decision to open a Tmall store is seen as a reversal of strategy.

In a September 2013 report by CLSA Asia-Pacific Markets, analyst Paul McKenzie wrote that the brand has "deliberately avoided the Chinese marketplace sites and views them more of a hindrance than a benefit to its business. It sees the Chinese online shopper as having become conditioned to expect cheap and discounted prices on marketplace sites versus physical stores, something it (correctly in our view) is not willing to succumb to."

For L'Occitane, the first few days of sales on Tmall have been "encouraging," said Mr. Hoffmann.(Source: WSJ)

China Accuses Ex-Bright Food Chair of Embezzling $31 Million

A court in eastern China has accused the former chairman of state-owned Bright Food Group Co Ltd of embezzling some $31 million and of accepting bribes, state media reported.

The allegations against Wang Zongnan relate to his time at state-owned companies Shanghai Friendship Group and Lianhua Supermarket Holdings Co Ltd.

Wang was general manager at Shanghai Friendship Group and then at Lianhua Supermarket before becoming chairman at Bright Food in 2006 until his resignation for health reasons in 2013.

At a hearing in Shanghai, prosecutors accused Wang of embezzling 190 million yuan ($31 million) between 2000 and 2006 when he was chairman of Lianhua Supermarket, the official Xinhua news agency said late on Friday.

The court also charged him with accepting 2.69 million yuan in bribes, the report added.

In 2003, Wang's parents bought two Shanghai villas for 2.1 million yuan, 2.7 million yuan less than the then-market price, from a company subsidiary their son did an unspecified favour for in 2000, Xinhua said, without providing further details.

A verdict is expected later, it added.

While chairman of Bright Food, Wang helped put one of China's biggest food corporations on the global stage with several acquisitions, including a deal for the majority of Britain's Weetabix which valued the cereal maker at $1.94 billion.

Under Wang, Bright Food also bought into Australia's Manassen Foods and New Zealand's Synlait Milk Ltd.

It has not been possible to reach Wang for comment.

Wang's trial is the latest incident in a government anti-corruption campaign that has embroiled several senior state officials including a former security chief, and that has recently extended to executives at major state companies.(Source: The Economic Times)