



CHINA UPDATES

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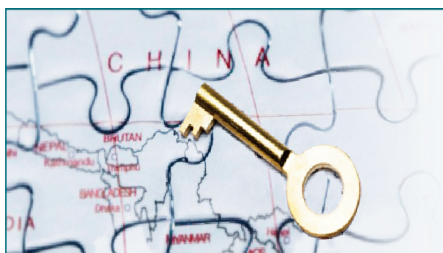


The association's executive director Jeff Crowther will be attending Natural Products Expo West / Engredea to give two separate presentations on the China market. See below for details:

PRESENTATION ONE

China is in the process of reforming its food safety law, which includes legislation for dietary supplements. Also sales channels are on the move with new opportunities opening in e-commerce.

Title: China's Dietary Supplement Regulatory and Market Overview



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Date: Friday March 6, 2015

Time: 9:30 – 10:30am

Place: Natural Products Expo West Marriott Hotel Platinum Ballroom 1

PRESENTATION TWO

It is estimated that China supplies upwards of 70 percent of the raw materials dietary supplement, food & beverage manufacturers use to create their products. Quality and trust continue to be on going issues for many companies sourcing from China. This presentation will discuss the ups and downs of sourcing in China as well as discuss areas in which the U.S. – China Health Products Association and its partners can be of assistance.

Title: Nutritional Ingredient Sourcing from China: It's all about Transparency

Date: Saturday March 7, 2015

Time: 10:30 – 11:30am

Place: Natural Products Expo West Marriott Hotel Ballroom 3/4

Hope to see you all there. (Source: USCHPA)

Weihai Launched Special Campaign on Health Food

Food and drug regulator in Weihai, Shandong province, launched special campaign to crack down on illegal health food in the local market.

The authority sent inspectors to strengthen daily check and shorten the investigation period of each case to enhance efficiency. The local bureau also sent letters to counterparts in Tianjin, Guangzhou province and Xi'an to ask for cooperation in investigation on health food cases.

In 2014, the joint efforts by public security bureau and food and drug regulators cracked 2 major cases of health food that involve propolis products.

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The investigation focuses on counterfeit health food and strengthen cooperation by regulators in different cities. (Source: Shangdong Health News Site)

TCM Industry Park Landed in Henan

A national TCM industry park, which is co-developed by eight institutions including China Market Association and China TCM Association, landed in Xuchang, Henan province.

The park aims to serve as a world-class production and trading base for China's TCM industry and green health industry.

It was invested Rongshi Investment Group and J.S. Capital. The park covers about 20 sq.km. and includes ten projects including a TCM museum, a TCM R&D center and a hospital with an investment of 4 billion yuan. (Source: Henan Daily)

CFDA Strengthens Regulation on Food and Health Food Ahead of CNY

As China's spring festival is on the corner, the importance of food and drug safety during festival season is once again highlighted by the state regulator. CFDA launched a meeting recently to reiterate the food safety issue during festival period.

The official document released by the state regulator asked the local authority to strengthen the inspections in key areas, including parks, markets and service stations along expressways. The special campaign targeted at rural food market should be carried on.

As consumer complaints usually increase during festival period, and the demand to various food and drinks soars as well, the local regulators are asked to pay special attention to meat product, dairy product, wine, seasoning and beverage. Vendor of substandard food should be punished severely and in time, said the document.

Special attention should also be paid to raw material of dishes, cold dishes, cakes and processing of seafood.

Regarding health food, the key products that should be specifically inspected include those that claim to relieve fatigue, help control blood pressure, diet control and improve sleeping quality. (Source: China Health Association)

Chongqing Bans Smoked Bacon in Bid to Ease Air Pollution

Residents in Southwest China's Chongqing municipality have been banned from making smoked bacon, a traditional method of preserving pork, as it is blamed for causing foul air in the city.

Starting from Jan 20, the Chongqing's Environment Protection Bureau (CEPB) joined forces with the municipal departments of public security, city planning, food and drug administration and others to stop bacon smoking in major districts of the city.

Eating preserved pork and sausages is a long-held tradition in Chongqing and the neighboring Sichuan Province, with many households making smoked bacon before the Chinese lunar new year, which falls on Feb 19 this year.

According to the bureau, burning materials in the open air and making "firewood chicken", a delicacy

cooked with lots of firewood, are also prohibited. Highly polluting burning materials will be replaced with clean energy such as natural gas, electricity and liquefied gas. Anyone caught violating the rules will face a punishment of up to 5,000 yuan (\$805), the bureau said on its official website on Wednesday.

The CEPB said it has received scores of complaints from local citizens about bacon smoking recently. Chongqing's PM 2.5 readings have soared lately, and the bureau cited smoking bacon, burning materials in the open air and making firewood chicken as the major contributors based on its latest analysis.

PM 2.5 is a particulate matter with a diameter less than 2.5 micrograms, which causes hazardous smog.

Chongqing's "anti-bacon" campaign came days after an official of its neighboring city Dazhou caused a wave of controversy for blaming lingering smog on smoked bacon. Rao Bing, deputy head of Dazhou Environment Protection Bureau, said that one of the causes of the city's acrid smog is smoking bacon.

Dazhou's chengguan, or public civil servants, have started to raid and forcibly demolish meat-smoking sites.

But according to volunteers at Bayu Public Welfare Development Center, a non-government environmental protection organization, which conducted a three-day survey at a dozen bacon-smoking sites, smoking meat does contribute to air pollution, but only to a small degree.

"The impact of the smoking process is confined within a 50-meter radius," a volunteer told the Chongqing Evening News.

The Chongqing campaign invited public ridicule and skepticism on the Internet, with netizens saying that the government "should probably ban cooking because it also generates air pollution."

"Maybe we should stop breathing because it

pollutes the air," mocked a netizen.

It is not the first time that Chinese government officials have suggested controversial explanations for smog. In October, environmental watchdogs in Beijing and the adjacent Henan Province, two severely polluted places, blamed the smog on farmers burning straw, an agricultural practice with a long history.

In recent years, swathes of the country have frequently reported heavy smog, slashing visibility and posing health hazards. China has taken a variety of measures to contain severe air pollution, including restricting industrial production and vehicle use.(Source: China Daily)

Quality Seafood Fuels Surge in U.S. Exports to China

While U.S. seafood exports set records in fiscal year 2014, the real story is the surge in exports to China, when traditionally the trade has gone in the opposite direction.

While only 7 percent of U.S. seafood exports, in terms of value, were destined for China in 2004, that figure has risen to 22 percent. China will likely surpass the European Union (23 percent in 2014) as the top market for U.S. seafood exports over the next few years, according to a new report from USDA's Foreign Agriculture Service (FAS).

"Demand in China, especially for high-quality products, has been increasing as a result of strong economic growth, and an expanding middle class," Abraham Inouye, an agricultural economist with FAS, told SeafoodSource. "Although domestic production has increased, it has not kept pace with the increase in demand for certain products; therefore, the need for increased exports."

The species being shipped to China in greater volume include Maine lobsters, Florida spiny lobsters and geoduck clams from the Pacific Northwest. Shellfish exports are led by snow crab, lobsters and loligo squid. Meanwhile, pink salmon (13 percent of exports), cod (13 percent) and Alaska pollock (7 percent) were the top finfish products exported to China in fiscal year 2014 (2013 October through 2014 September).



Another reason for China's growing demand is its consumers' comfort with buying fresh and frozen seafood online. "China's eCommerce sales of food products dwarf that of the U.S., and are growing at a rapid rate," Keith Schneller, former director of the FAS Agricultural Trade Office in Shanghai, told SeafoodSource. "China's eCommerce platforms such as yiguo.com, tmall.com, and yihaodian.com allow American seafood suppliers to market their high-end seafood products, both live and frozen, directly to consumers across China, especially in second and third-tier cities that don't have access to modern supermarket retailers."

Overall U.S. seafood exports rose 4 percent in fiscal year 2014 to reach USD 5.3 billion (EUR 4.6 billion). Still, China is the world's leading seafood export, followed by Norway, Thailand, India, the E.U. and



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the United States, which represents a 6 percent share of global trade.

America's top five export destinations in 2014 were: the E.U., China, Canada, Japan and South Korea, comprising more than 83 percent of total export value.

The E.U. is the largest market for U.S. scallops, and other top seafood exports include lobster and Alaska pollock fillets, according to the report. Canada was the largest U.S. market for shellfish — led by lobster — and imported more shellfish than fish, by value, from the U.S. Meanwhile, the majority of U.S. exports to South Korea are Alaskan pollock surimi and Alaskan pollock roe.

Other fish products (primarily roe) account for eight percent of total U.S. fish and seafood exports in FY 2104, down 3 percent from the previous year, but up 16 percent over the past five years.

The lion's share (80 percent in FY 2014) of U.S. roe exports were shipped to Japan. "While Russia had previously been the second-largest market, shipments there are currently restricted as a result of the recent Russian ban on certain U.S. agricultural and food exports," Inouye said. (Source: seafoodsource.com)

It's All for Nature

China's sizzling food safety problem has thrown the spotlight on healthy and natural food platforms.

Meizi Taoyuan, a store on Wechat, represents a model platform dedicated to connecting farmers who grow the least contaminated agricultural food for consumers throughout the country.

Wang Mei, who founded the company, used to work as a programmer for taobao.com - the largest online store platform in China. Meizi Taoyuan, which literally means "Mei searching for original

food", came into being because she wanted to find the freshest and healthiest food. She hit upon the idea after being warned by her doctor to avoid eating processed food due to her health check-up results that showed hypertension, high blood fat, among other ailments.

"I'm looking for food produced in the most natural manner," said Wang. "In spite of the prevalence of pesticides and additives, there are actually many farmers in China who have been adopting or want to adopt production methods with least human intervention. However, their products have a small output, not known by consumers, or are disliked by dealers because they look so unappealing."

Through various means, such as recommendation by friends and volunteer scouts throughout the country, Wang and her team have found a number of places that produce the least tampered food. The products available at Meizi Taoyuan include honey, kiwi fruit, mangoes, rice, lemons and oranges.

"In China, each type of food usually has its own problem," explained Wang. "For instance, a swelling agent is frequently used in kiwi to make the fruit bigger and appetizing. Polishing chemicals are found on the skin of rice, apples, lemons or oranges, while preservatives are widely used to lengthen the shelf life."

The lack of food safety regulations and reinforcement has made it very difficult for people to gain access to healthy food, said Wang Lei, a nutritionist at the Beijing Emergency Medical Center.

According to Wang Lei, there are two aspects in China's food safety problem. One is completely illegal, such as the high content of poisonous ingredients or unsanitary production conditions. The other problem is the use of additives. For many additives, there are no specific national standards



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or test equipment to determine a safe level. Although most additives won't cause instant harm to health, they can accumulate in the body and result in chronic diseases as a person ages. Thus food in its natural state is the best choice in people's diet.

"There is one Chinese among every four diabetes patients in the world," Huang Shengming, ex-secretariat of the China National Food Industry Association, told a forum on China's nutrition and health industry. "The percentage of medical costs in GDP has been on the rise in China, reaching 5.2 percent. A lot of diseases are preventable if people adopt a healthier lifestyle, particularly if they pay more attention to what they put in their mouth," Huang argued.

Unfortunately, even food that's supposed to be healthy, such as fruits and vegetables, often fail to do what they are supposed to do for people's health. "A lot of professionals in the nutrition industry have been talking about updating the nutrient content chart," said Wang Lei. "The way agricultural products are grown these days has greatly compromised the quality of the food in pursuit of large output. For instance, one can hardly smell the fragrance of cucumber even in front of a whole pile of large and good-looking cucumbers. A large part of the nutritional ingredients, particularly microelements and minerals, have been lost."

In her determination to find the most original food with the maximum nutrients preserved, Wang Mei once spent weeks living with a family of bee farmers in Jiulongteng county in Guangxi Zhuang Autonomous Region in South China in order to get a closer look at how fully-brewed honey is produced.

According to Wang Mei, only 10 percent of the honey in the Chinese mainland market is fully-brewed honey, which is made when the bees shut their nest for about 27 days to make the honey denser and more nutritious.

However, 27 days is too long for honey dealers, who prefer honey made within three days and harvested by centrifuge. Bee farmers, although they know that the three-day-old honey is not of the best, cannot reach consumers who are willing to pay higher prices for better quality products.

Thanks to the Internet, such information asymmetry has been greatly reduced. At Meizi Taoyuan, there are articles explaining the benefits of fully-brewed honey. The honey from Jiulongteng is, of course, more expensive. While a bottle of ordinary honey sells at around 30 yuan (\$4.8) in the supermarket, the fully-brewed honey in Meizi Taoyuan is priced at around 100 yuan per bottle.

"Right now, pregnant women, nursing mothers, babies and small children are the biggest consumers of healthy food in China. Their families are willing to spend a fortune on uncontaminated and highly nutritious food," said Wang Mei. "But as Chinese people grow richer and people become more sensitive to the hazards of contaminated food, the market for healthy food will expand. For example, a customer once told me that she used to be allergic to mangos. But she felt all right eating the mangos sold at our store. Natural food agrees with our body," she said.

Compared to large healthy food platforms, such as benlai.com, a large online store selling fresh and healthy food, Meizi Taoyuan is quite a small store. The key to attracting customers is the products' quality and the service experience, said Wang Mei.

"China's food safety problem is going to change bit by bit," she said. "I think market players jumping on the bandwagon of healthy food are all striving for the same goal along different paths. For a small company, it's easier to manage the quality of every food source." (Source: China Daily)

Tapping China's 'Silver Hair Industry'

Companies looking to make money off Chinese consumers have for years targeted lucrative niches

like the young and the rich. Now many are eyeing a different market: the elderly.



Researchers at Abbott Laboratories in Shanghai are busy testing flavors of nutritional drinks for China's senior citizens. Kimberly-Clark Corp. has launched television ads for its Depend adult diapers and expanded distribution online. Local e-commerce companies like Alibaba Group Holding Ltd. and JD.com Inc. are rolling out senior-focused marketing pushes.

The companies are after the growing ranks of people born during a Mao Zedong-inspired baby boom that took the country's population to nearly one billion people in 1980 from 542 million in 1949. China's birthrate dropped sharply during the 1970s and 1980s as the government reversed course and implemented a one-child policy.

The boomers are now hitting old age: China's over-65 population is projected to soar to 210 million in 2030 from 110 million, and by 2050 will account for a quarter of China's total population, according to United Nations data. By then, the U.N. says, China's elderly population may exceed the entire U.S. population.

"What has us interested...is that half a billion people over the age of 60 will be living in China over the next 35 years," said Scott White, president of Abbott's international nutrition division.

China's elderly are hardly affluent. The average monthly pension income for an urban resident as

of last year was a little over 2,000 yuan, or about \$320, less than half the average wage of an urban worker, according to government statistics, though payouts vary by region and program.

China's graying population represents a major problem for Beijing. It is facing a potential shortage of young workers who can support the elderly as a result of its one-child policy, which leaders recently relaxed.

Han Wenzhen, a 75-year-old retired factory worker browsing for fish and soy sauce at a Beijing Wal-Mart recently, said he was skeptical of e-commerce, and his senior-specific purchases consist mostly of long underwear and thick down coats. "We just want to stay warm," he said.

But the sheer numbers make Chinese seniors a big market. Sales of goods and services for the elderly could reach 106 trillion yuan by 2050, up from four trillion yuan in 2014, according to the China National Working Commission on Aging's "China Report on the Development of the Silver Hair Industry."

Many companies doing business in China previously focused their efforts on luxury baubles and baby bottles, said Matthew Crabbe, a director of research at consultancy Mintel Group, leaving other niches untouched. That left consumers like a 70-year-old Beijing woman who gave her name as Lao Fu, or Old Fu, seeking out products that better fit her needs.

"There are plenty of vitamins everywhere, but I need stools that aren't too low to the ground," she said, adding that more companies need to design products for aging knees and aching bodies.

Swiss food company Nestlé SA in 2011 began building free health-check stations that let seniors check their blood pressure and cardiovascular health in outlets of retailers like Wal-Mart Stores Inc. and Carrefour SA across China. Nestlé sells at retail a senior-targeted milk nutrition powder that it rolled out for the Chinese market in 2009.

Aware of the reputation of elderly Chinese as

skinflints, many companies seeking their business are marketing to their children—a potentially effective strategy in a country where adult children feel deep cultural pressure to take care of their parents.

Ms. Fu said that—with the help of her daughter—she often shops online, buying everything from clothing to chairs on Alibaba Group’s Taobao marketplace. “She taught me two years ago and now I shop on it at least once a month,” Ms. Fu said.

Alibaba, with two million online shoppers over the age of 50, according to a 2013 company survey, recently launched a senior shopping section on Taobao where links to products like slippers and long underwear are more readily available, a spokeswoman said.

Rival JD.com said it is revving up marketing to reach children who shop for their parents online. In November it aired an online advertisement about a young man who replaced his parents’ old sound system after some safety problems.

The companies declined to disclose specifics on

sales figures for senior-related products on their sites.

In September, Chinese electronics company Hisense Co. launched a smartphone for seniors featuring easy-to-access flashlight and medical-help options. The phone, the E360M, also sends automatic texts to loved ones when seniors activate emergency functions.

Abbott has spent the past six months setting up distribution in more than 11,000 retail outlets and pharmacies across China. For Lunar New Year, a prime gift-giving season, the Illinois-based company is stocking retail shelves with special gift sets of Ensure, a senior nutrition drink.

Abbott plans to vastly expand its product offerings to cater to China’s elderly, said Mr. White.

Most of the first movers in the segment have focused on improving health or addressing health problems, but many of China’s elders are fit, active and are looking to travel, said Mintel Group’s Mr. Crabbe, adding that there is room for companies to fill high demand for travel, leisure and entertainment. (Source: WSJ)

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 nutritional ingredients. The association’s major focus is the continued development of China’s overall natural health product industry as well as offer business services to its global members.

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