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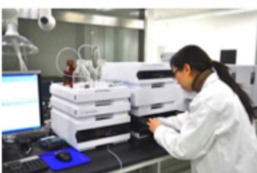

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Import & Export of Health Product Keeps Climbing in China

Based on information released by the press conference of International Drug Ingredient Expo held in Shanghai, the import and export volume of health product in China reached $424 million in 2013, a year-on-year increase of 19.63%.

In the first four months of 2014, the import and export of health product in China reached $151 million, increased by 7.06% compared to that of last year.

Statistics show that the import and export volume of China's health product has kept climbing since 2012.

About 300 health product companies, domestic and international, took part in the expo in Shanghai, looking for business opportunities for new product, technology and ingredient. (Source: Shanghai Business News)

Changsha Found 18 Batches of Substandard Products

The food and drug regulator of Changsha released a report of the first drug and health food test this year, saying 18 batches of the tested products are not up to the standard.

To protect local consumers, the regulator has tested 149 batches of drug and 61 batches of health food for their quality level. The result shows that related products from Zhengzhou, Shanxi province and Hunan provinces are among others which failed the test. (Source: China Quality News)

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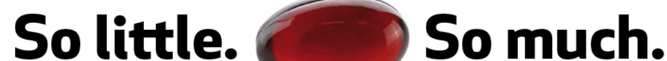

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Beingmate Set up Fund for Maternal and Child Care

The sixth International Child Development Seminar, co-hosted by China Maternal and Child Care Association, China Soong Ching Ling Foundation and Beingmate Baby & Child Food Co Ltd, was held in Hangzhou.

The lecturers advocated that it was important to not only boost the physical development of teenagers, but also pay attention to their mental health development. The Association called for more research projects on this topic to be developed and supported.

Beingmate also co-set up a research fund on maternal and child care issue with China Maternal and Child Care Association. 30 million yuan will be used in the first phase of the fund to support studies on issues including the development of breast feeding and mental health of kids before school. (Source: canyin.com)

Nestle Wraps Up Unsuccessful Tea Venture in China

Nestle's recent pullout from the tea market in China showed that even the world's largest food company has difficulty operating in the country, reports the Chinese-language Innovative Finance Observation.

The Swiss company confirmed its decision to withdraw from China's tea market in early May, pulling its Nestea brand which was first introduced in the country in 2002.

This was another failed attempt by Nestle and Coca-Cola — its partner in the Nestea venture — according to market consultant Cui Tao, who said the two companies had failed to position the ready-to-drink tea brand correctly.

Nestle and Coca-Cola are equal partners in Beverage Partners Worldwide, which operates the Nestea brand globally and had decided to tap into the rapidly growing tea market in China during the early 2000s.

In 2000, market data reflected that its tea production had touched 1.85 million tonnes, making it the rising star and the third-largest player in China's beverage market at the time, the paper said.

Before Nestea's launch in China, Coca-Cola had unsuccessfully launched two tea-based drinks in the country, including the American company's first non-carbonated brand in China called Tianyudi and its honey tea brand called Lanfeng, according to marketing expert Sun Zhaoling.

Tianyudi, which was launched in 1998, was removed from the market after a two-year run because Coca-Cola did not set a target market for the brand, while Lanfeng failed because of its high pricing, Sun said.

Despite the resources of both Nestle and Coca-Cola and comprehensive market research, Nestea was launched with heavy marketing campaigns, which failed to captivate local consumers, the paper said.

Euromonitor International figures indicated that Nestea's market share peaked at 2.3% in 2008 and dropped to 1.9% in 2010 given the highly competitive environment. This led to Nestle and Coca-Cola's decision to go their separate ways in

China in 2012, with the Swiss company taking over the operations of Nestea in the country, while Coca-Cola focused on its Yuan Ye tea brand.

Cui said Nestea had been unable to distinguish itself from leading brands operated by Master Kong and Taiwan's Uni-President, even though the brand had tried to highlight its Western characteristics.

According to the latest report on China's tea drink market published by Askci Corp, Master Kong and Uni-President now hold a combined market share of over 40%.

Meanwhile, analysts told the paper that growth in China's tea market has slowed after two decades, and energy drinks and drinks containing mixed proteins are two categories that are experiencing a surge in market share.

Although Nestle has exited the tea market, the company remains highly interested in other segments in the Chinese market, such as milk and bottled water, which was reflected in its acquisition of related Chinese companies since 2011.(Source: wantchinatimes.com)

Male Vanity Helps Drive Cosmetics Sales in China

In China, job applications typically require a résumé—and a personal headshot. The emphasis on personal appearance, both at work and in finding a spouse, has helped fuel China's $22 billion (134 billion renminbi) cosmetics industry. And today it's not only the ladies striving to look their best. Seventy-three percent of Chinese men in China's leading cities told consumer research firm Kantar Worldpanel that looking good was essential for success with both women and work.

Last year, sales in China of personal grooming products marketed specifically to men (facial cleansers, shampoos, deodorants, etc.) rose 7 percent, compared with 5 percent growth in the overall market, according to Kantar. In China's leading cities, the average man uses 2.5 facial products daily, the most of any East Asian country. Yet other product categories have been slower to catch on: Only 13 percent of Chinese men surveyed regularly use deodorant.

Sales of male-tailored skin-care lines, such as L'Oréal Men Expert, now make up just 5 percent of China's $13 billion (80 billion RMB) skin-care market, but analysts expect that percentage to rise rapidly as marketers increasingly target male ambitions and insecurities in China.

Three global brands—L'Oréal, Olay , and Mary Kay—account for 12.5 percent of total cosmetics sales in China. While Revlon has recently announced plans to withdraw from the China market, Mary Kay is planning an expansion. The Texas-based company, famous in China for giving away pink Mercedes to its top sales staff, is now in talks to purchase a $135 million office building in downtown Shanghai, as the Wall Street Journal reported last week.

Alongside the growth in personal grooming products, more men and women in China's big cities are hitting the gym. According to IBISWorld, a

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business intelligence firm based in Australia, the number of commercial gyms in China quadrupled between 2004 and 2012 (to about 5,750 gyms), generating $3.69 billion in annual revenue. The fitness market is dominated by domestic companies. The top foreign brand, CSI-Bally Total Fitness, commands just 1.2 percent of the market.(Source: Bloomberg)

Food Replacing Oil as China M&A Target of Choice: Commodities

After spending the past decade and more than $200 billion acquiring mines and oilfields from Australia to Argentina, China's attention is turning to food.

The world's most populous nation is confronting a harsh reality: For every additional bushel of wheat or pound of beef the world produces, China will need almost half of that to keep its citizens fed.

And in a recognition that it can't produce enough crops and meat domestically, mainland Chinese and Hong Kong-listed firms spent $12.3 billion abroad on takeovers and investments in food, drink or agriculture last year, the most in at least a decade, data compiled by Bloomberg show.

Those purchases included the largest Chinese takeover of a U.S. company when Shuanghui International Holdings Ltd. bought Smithfield Foods Inc. for $7 billion including debt. They are likely to be followed by overseas forays into beef, sheep meat and grain assets, according to the National Australia Bank Ltd.

"These deals have been bound to happen, and I'm actually surprised it didn't happen sooner," said Paul Conway, vice chairman of Cargill Inc., one of the four companies that now dominate world food trade. "China will be more integrated into the global commodities system on the agriculture side than they have ever been."

During China's explosive economic growth of recent decades, it's been a pattern of the government to use state-owned enterprises as national champions to lead a charge into strategic industries.

This is what happened with energy security when PetroChina Co. (857) went on a global decade-long $40 billion plus spending spree to acquire oil assets.

China's emerging champion in food security is Cofco Corp., which controls 90 percent of China's wheat imports and has made two acquisitions this year.

It bought controlling stakes in Dutch trader Nidera Holdings BV and Noble Group Ltd. (NOBL)'s agribusiness in the space of two months, paying about $2.8 billion in total.

With Noble's agribusiness Cofco gained grain elevators in Argentina and sugar mills in Brazil, as well as oilseed crushing plants in China, Ukraine and South Africa. The Nidera purchase gives Cofco a strong platform to produce grain in Brazil, Argentina and central Europe, the Chinese firm said Feb. 28.

Cofco will be "a powerful global agricultural trader and able to procure directly around the world," Fitch Ratings Ltd. said in an April 3 report. (Source: Bloomberg)

Bright Food Takes Over Israeli Supplier

Mainland dairy and consumer products group Bright Food is paying about US$960 million for a majority stake in Israel's Tnuva Food Industries.

The transaction valued Tnuva at about US$2.5 billion, including debt, a source said.

Bright Food spokesman Pan Jianjun said yesterday it had reached a preliminary agreement to acquire private equity firm Apax Partners' 56 per cent stake

in Tnuva. He said the price had yet to be decided and declined to comment further.

Torsten Stocker, a partner at consulting firm AT Kearney, said the deal would give Bright Food a broader range of high-quality products to import into the mainland.

"You are also building a portfolio of brands in different markets," Stocker said, adding he expected more acquisitions to follow.

Mainland companies from Bright Food to pork producer WH Group have been making acquisitions overseas as rising incomes spur demand for consumer goods while a series of food-safety scandals has hurt confidence in domestic brands.

Bright Food bought a 60 per cent stake in British cereal maker Weetabix in 2012.

Tnuva owns seven of the 10 best-known food brands in Israel's supermarkets, according to Apax's website.

It says Tnuva was formed more than 80 years ago as an agricultural cooperative of 620 farming communities, which were also the company's suppliers of raw milk and produce. The cooperative sold the stake in Tnuva to Apax in 2007 at a price that valued the company at US$1.03 billion.

Bright Food, which has retail outlets across the mainland, also operates tea, dairy and rice farms. It was established in 2006.(Source:SCMP)

Diageo Turns to the Web in China

Diageo PLC is expanding online in China amid a government austerity campaign that has hurt liquor sales by frowning on banquets and gift-giving.

The British distilling company said it is rolling out a virtual storefront on e-commerce giant Alibaba

Group Holding Ltd.'s Tmall shopping site and is in talks with other Internet players to sell more of its single malt whiskies and Irish cream liqueur. The maker of Johnnie Walker and Baileys will sell limited edition and special-release distillery goods, a spokeswoman said.

"We continuously work to find innovative ways to meet consumer needs, and we see enormous potential in e-commerce," said Mark Edwards, marketing director of Diageo Greater China.

The Diageo spokeswoman said the company hopes the Web will drive sales of premium spirits and lesser-known brands in China such as Tanqueray gin.

Online expansion comes as liquor makers look for ways to lift their spirits. Liquor sales in China have fallen since the government banned bureaucratic gift-giving and banquets, both of which boosted sales for years.

Diageo's sales in Asia in the fiscal third quarter ended March 31 slid 19%, as Chinese consumers pulled back. The company said its Chinese liquor brand, Shui Jing Fang, suffered setbacks as well, without providing any figures. Since buying the brand, a type of traditional Chinese spirit often given to officials at banquets last year, industrywide

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sales have plummeted. For the six months ended Dec. 31, Diageo said, sales of Shui Jing Fang fell 66%.

Liquor companies are pinning their hopes online, where Chinese shoppers bought 1.84 trillion yuan ($294 billion) of merchandise in 2013, and could buy as much as 4.45 trillion yuan in 2017, estimates data tracker iResearch Global Inc.

Already there is a burgeoning market for sales of alcohol online in China, where—unlike the U.S. market—liquor can be ordered on the Web directly from suppliers and shipped nationally.

Alcohol sales through retail websites such as Tmall and rival JD.com jumped to an estimated 7.3 billion yuan in 2013, up from 600 million yuan in 2010, according to Beijing-based research firm Analysys International.

"Companies can reach more consumers more easily by going with e-commerce," said Josh Goldman, a digital-shopping executive for research firm Nielsen.

Other liquor companies have made headway online. China's best-known liquor brand, Moutai, opened an official store on Tmall last year. Pernod Ricard SA launched its first Tmall flagship store in November 2012 and has expanded sales to other e-commerce platforms in China, a spokeswoman said. She said sales have grown significantly but declined to disclose financial details.

Pernod Ricard and Remy Cointreau SA have both issued profit warnings in the past year on concerns in China. Sales of both companies' high-end Cognac have plunged amid the government's austerity campaign.

But Diageo has fared better as sales of expensive Scotch whisky have remained healthy, while Baileys has been an unexpected hit among Chinese women. Sales of the Irish liqueur shot up 40% in China in the six months to Dec. 31. (Source: WSJ)

COFCO Takes a Bite Out of the Nation's Food Insecurity

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Cofco's role

Cofco will be "a powerful global agricultural trader and able to procure directly around the world," Fitch Ratings Ltd said in an April 3 report.

The numbers show why. China has 21 percent of the world's population with just 9 percent of its arable land, and an even smaller percentage of fresh water, according to Jefferies Group LLC. Rising incomes are driving demand for more protein-rich food, while domestic output is close to its limits, Abhijit Attavar, an analyst with Jefferies in Singapore, said in an April 15 report.

In the task of feeding China, Cofco will have plenty of competition.

Archer-Daniels-Midland Co, Bunge Ltd and Cargill of the US, as well as France's Louis Dreyfus Holding BV - known collectively as the A-B-C-Ds - control more than 70 percent of global grain trade, according to Tokyo-based Continental Rice Corp.

Others sensing big opportunities in food include Japan's Mitsui & Co. The trading house has built a farming and trading network almost from scratch since 2007 and can tap assets on five continents.

Japan's trading houses have ventured into assets as diverse as Brazil soybean plantations to Thai shrimp farms and US corn silos. The world's biggest oil trader Vitol Group last year expanded into grains trading by setting up a Singapore desk.

"We're seeing that driven by SOEs, private enterprises and trading companies from other countries are looking to create supply chains that go from Australia into China and, indeed, from the Americas," said Patrick Vizzone, regional head of food and agribusiness at National Australia Bank.

Vizzone, who also sits on the board of Cofco unit China Agri-Industries Holdings Ltd, said he sees the potential for Chinese ventures and acquisitions in the grain, oilseed, mutton and beef industries.

There also may be bigger options.

Preparing for the future

Margarita Louis-Dreyfus, chairman of her namesake company, has said the commodities unit will be reorganized to prepare itself for a possible stake sale or an initial public offering. That won't happen in the immediate future, but the company wants to be ready, she said in April.

Cofco had no comment on acquisitions, a woman in the company's media relations office, who asked not to be identified citing company policy, said by phone. Yin Jianhao, Cofco's official spokesman, didn't answer numerous calls to his mobile phone.

"Food security must include imports, and without that, the global food system doesn't work," said Franz Fischler, former EU commissioner of agriculture. "The idea of self-sufficiency is almost an archaic fear, and China is realizing this."

Cofco was formed through a series of mergers of State food and animal husbandry companies in the

1950s and is now China's biggest food company with 60,000 employees. Chairman Ning Gaoning holds an MBA from the University of Pittsburgh and also serves as Cofco's Communist Party Secretary.

Today, the company operates China's biggest grain storage facilities and owns ports that can process 100 million tons of grain a year.

Outside food, Cofco runs commercial and residential property units, tourist resorts and financial services that include a commodity futures brokerage, a regional bank and an insurance venture with London-based Aviva Plc. It has seven listed units. (Source: Xinhua News)

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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