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New Rules on Health Food Took Effect

Since July, the new rules on health food's registration was to take affect, which is expected to bring huge impact to the health food industry.

Song Liang, dairy industry analyst, said that the new rules would ban OEM of dairy and health food, and combining registration with filing system can be regarded as a huge progress.

The new rule specifically said that the registered company must be the production company itself and no OEM is allowed in health product industry. The company is not allowed to apply one registered ingredient to health products that are under different names.

An agent, who declined to be named, said that OEM would bring potential risks to a company's long-term development. (Source: China News)

Food Industry Devastated by Rumors

According to latest data released by China's twitter-like Sina Weibo, the social media platform has spotted 1290 posts that involve unauthentic information, including 245 food-related rumors, in the first half of this year.

At a recent national forum on how to crack down on food-related rumors, Teng Jiacai, deputy chief of CFDA，said that the online rumors have brought troubles and disturbance to daily life of local consumers.

Teng also said that the most common food-related rumors include those that teach people how to keep fit or how to enhance food safety. Some of the rumors were churned out due to fierce competition among rival companies, who aimed to spread rumors to hurt the other company's reputation. (Source: Jinghua Times)

Fujian Provincial FDA Takes No More Health Food Application

The provincial food and drug regulator said in a recent notice that according to the new guidance on health food registration and filing system, registration application of health food will all be processed by the national agency.

The provincial FDAs will stop taking registration application of this kind after the new guidance takes effect.

This means that the roles of provincial regulators will transfer from administrative approval to market inspection on the products that are put into market. (Source: Fujian Daily)

Pfizer Invests $350M in Biotech Facility Based in China

Pfizer announced that it will invest approximately USD$350 million in the development of a state-of-the-art Global Biotechnology Center at a ground-breaking ceremony in the Hangzhou Economic Development Area (HEDA) in China.

This innovative facility will be Pfizer's third biotechnology center globally and the first in Asia. It will ensure the local production of high-quality, affordable biosimilar medicines that will benefit patients both in China and throughout the world. The establishment of the Pfizer Global Biotechnology Center also represents further investment in R&D and clinical research across China, which will further contribute to China's growing biopharmaceutical industry and economy.

This Global Biotechnology Center will include an advanced modular facility by GE Healthcare (NYSE:GE), based on flexible single-use bio-manufacturing technology that meets strict international standards for quality, safety and efficiency, as well as accelerated speed of construction and superior environmental standards.

This Center is expected to be completed in 2018. Pfizer will work closely with Chinese regulators to bring the biosimilar products produced at the Pfizer Global Biotechnology Center in Hangzhou to market as soon as possible.

"We believe that the Pfizer Global Biotechnology Center in Hangzhou will help support China's aim to increase the complexity and value of its manufacturing sector by 2025, and contribute to building a truly innovative and vibrant biopharmaceutical industry," said John Young, Group President, Pfizer Essential Health.

"We are encouraged by a series of important reforms introduced by Chinese government that will further stimulate the industry to meet emerging health challenges, such as the rising incidence of non-communicable diseases and an aging population; as well as attract both domestic and foreign investment in healthcare and R&D."

The Pfizer Global Biotechnology Center aims to support China's healthcare reforms, assist the Chinese government in its continuing efforts to update the local industry in this sector, and provide world-class biological medicines for patients in China and the world.

The facility will house Pfizer China's Biosimilars and Biologics Quality, Technical Service, Logistics and Engineering divisions, in addition to commercial manufacturing, and will also serve as a process development and clinical supply site.

This center will create more than 150 job opportunities and establish local biotechnology expertise that will help strengthen and promote innovation as well as modernize China's biopharmaceutical industry.

"We plan on building on Pfizer's 30-year history in China by applying our Global expertise in manufacturing excellence and world-class capabilities to bring high-quality biosimilars to market," said Tony Maddaluna, President of Pfizer Global Supply.

"The local production of high-quality, affordable biosimilar medicines will have the potential to significantly improve the lives of patients not only in China but across the world."

The new center will feature GE's single-use technology in a KUBioTM modular facility, which increases speed-to-market and manufacturing flexibility at costs of between 25 and 50 percent of equivalent traditional facilities in a build time that can be just 18 months as opposed to the usual three years.

Carbon dioxide emissions, water and energy usage can also be reduced by 75 percent.

"As governments and companies the world over strive to give patients access to a new class of life-changing biological medicines, GE's KUBio modular factories allow biopharmaceutical companies to get their products to market quickly so they can respond rapidly to local healthcare needs.

KUBio's modular construction and single-use technologies, coupled with GE's deep expertise in bioprocessing design, enable speed and increased productivity at global GMP standards wherever they are needed," said Kieran Murphy, CEO & President, GE Healthcare Life Sciences. (Source: Pfizer)

Ali Health: A Revolution for China's Healthcare Industry?

Private-sector actors in China, led by Alibaba, are taking significant steps to do what they believe will

earn a handsome profit in the growing Chinese healthcare industry. With a market expected to reach one trillion dollars by 2020, companies are working fast to secure their slice of the expanding Chinese healthcare pie.

Ali Health, Alibaba's healthcare subsidiary, has pinpointed the prescription drug market as a potentially significant source of earnings. Today in China, hospitals sell almost three-quarters of all medicine prescribed in the country. This de facto monopoly in prescription drug sales contributes significantly to inflated prescription drug prices for patients and incentivizes corruption, as Yanzhong Huang explains in his book Governing Contemporary Health in China.

The hospitals are not the only ones looking for alternate sources of revenue. Chinese doctors themselves are not paid salaries commensurate with the medical services that they provide. Thus, many Chinese doctors seek "gray income" to supplement their salaries. "Gray income" can come in the form of a so-called rebate from pharmaceutical sales companies.

It is paid to doctors by a pharmaceutical sales company in exchange for a commitment that the doctor will prescribe that company's products. To guarantee the pharmaceutical sales companies' own profits, they then hide the so-called rebate in the sales price of the pharmaceutical product, which is the price at which they then sell to the hospital. As a result, before a drug enters the hospital, its purchase price is already significantly inflated.

Alibaba and other players are hoping to benefit from the growing Chinese healthcare industry while searching for creative solutions to break the racket. Alibaba has piloted a mobile application that enables customers to upload a photo of their prescription and receive price bids from nearby retail pharmacies.

Once the customer chooses which retailer they would like to use for that particular transaction, they make payment through Alibaba's mobile payment system, AliPay, and the medication is delivered to their door. This application has been piloted in Hebei Province in cooperation with local governments.

The prescription mobile application, called Alijk, has facilitated the purchase of prescription drugs often around 20 percent below average market prices, saving customers up to 50 percent in total spending. Alijk takes advantage of the widespread use of mobile phones in China and combines it with GPS technology to facilitate cost savings for the customer through the existing system of prescription drug sales.

However, an Internet prescription drug marketplace, the company's next goal, would disrupt the supply-chain entirely and offer an online prescription drug store, circumventing retail pharmacies and hospitals altogether.

If it succeeds, Ali Health would hold a large share of the $149 billion market for prescription drugs. This would have the effect of cutting out some of the price distortions that drive up costs for everyday Chinese.

Three factors must be taken into account before a significant shift in the prescription drug market can take place in China. First, doctors and hospitals will most likely oppose any licensing of Internet prescription drug sales as it threatens their ability to

raise revenue. For example, in response to Alijk, some hospital administrators have complicated the availability of an "uploadable" version of the prescription so as to create strong incentives to use the hospital's pharmacy and preclude patients from using the mobile application.

This resistance can be eased by reforming the provider payment system, so that doctors' salaries are commensurate with the services they provide. Of course, this is easier said than done, but the revenue doctors need to support their families should not weigh so heavily on the wallets of the average Chinese national.

Second, Ali Health could face competition from its counterparts at the intersection of technology and healthcare. For example, Tencent, another major Chinese Internet company, has added doctor appointment systems and payment services into its mobile chat application WeChat, invested in a health portal, and created an online healthcare service. For now, Tencent is mostly focusing on medical service payments, but it may yet try to enter the Internet drug market should it take off in the near future. Past experience in China indicates that a profitable market attracts a flood of competition. Perhaps a cooperative effort to combine Tencent's service and payment platforms with Ali Health's marketplace would benefit both the pioneer companies as well as China's healthcare industry.

Third, and finally, is the challenge of implementation. Ali Health and its competitors will need to develop an effective platform for sales together with reliable distribution mechanisms. The incentives for doctors to overprescribe, or prescribe certain brands of medication, can endure in an online marketplace system. Pharmaceutical companies will still be interested in offering financial incentives to doctors to prescribe their medication, no matter if the patient makes the purchase online or offline.

Ultimately, if the Chinese government elects to grant licenses to sell prescription drugs online it will have profound implications for healthcare reform in China. Will Beijing opt to favor the status quo despite its inefficiencies, or will it begin to see that this seemingly minor issue of Internet pharmacy marketplaces demonstrates a need for more sweeping reforms to the Chinese healthcare system? We will have to wait and see. （Source: The Diplomat）

Local Brands Gain More Market Share

The growth rate in the value of fast-moving consumer goods in China reached a five-year low of 3.5 percent in 2015, according to an industry report. The fifth annual China Shopper Report, issued by Bain & Company and Kantar Worldpanel, suggests that the rise of the service sector in China and its higher paying jobs has helped boost growth among brands in premium categories, such as yogurt and pet food. It also says that foreign brands are continuing to lose battles to local brands in this sector.

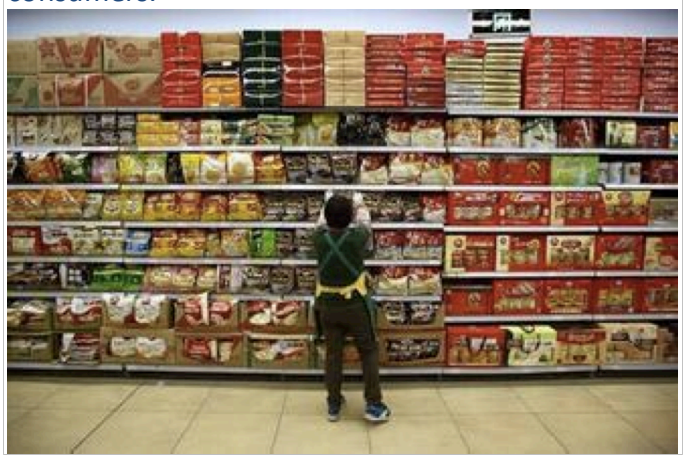
Brands in categories that traditionally cater to blue-collar workers are suffering as many manufacturing jobs move to lower-cost countries. For example, in 2015, sales of instant noodles declined by 12.5 percent and beer by 3.6 percent.

Last year, local companies' sales grew by nearly 8 percent and continue to gain share over their foreign rivals. Their biggest advance occurred in skin care, baby diapers, hair conditioners, toothpaste and shampoo.

Foreign companies generated their greatest share increase in fabric softener, infant formula, instant noodles and beer. However, foreign brands overall declined by 1.4 percent in 2015.

"Local companies have wider distribution networks particularly in lower-tier cities where growth is higher. They can make faster decisions and are more adaptable in the digital environment than their foreign peers, achieving a higher growth rate," said Jason Yu, general manager of Kantar Worldpanel China.

For example, Shanghai Jahwa uses its knowledge of Chinese herbal beauty therapy to win over consumers.



The country's retail landscape has also evolved with smaller formats continuing to gain momentum. Notably, convenience stores generated 13.2 percent growth in value last year, catering to cash-rich and time-poor urban consumers.

Online shopping continues to define the modern retail environment in China. Over the last four years, e-commerce in China has grown at an annual rate of about 37 percent and generated revenue of nearly 4 trillion yuan. The report has found that baby-related categories and skin care continue to dominate the e-commerce market. （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 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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