



# CHINA UPDATES

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## Regulation on Infant Formula Takes Effect This Month

The so-called strictest regulation on milk powder in China's history takes effect this month. The new regulation says that no milk powder manufacturer can make over three lineups or nine ingredients.

None of these products are allowed to use words like "imported milk powder" or "from foreign pasture" over the product's label and packages.

The promoter should not indicate that their products can improve intelligence or immunity. The advertisement should not include any statement that indicates that this product can cure any disease.

The new regulation would contribute to the establishment of a healthy system to regulate the so-far messy market of infant formula. China now has 103 infant formula powder manufacturers with nearly 2000 ingredients. Problems including absence of registration system and false advertisement are still pervasive in the industry. (Source: Guangzhou Daily)

## China Promotes E-Commerce in Rural Areas

To boost rural development, China will push for faster growth of the e-commerce sector across its vast under-developed areas.

"Policy support will be given to small online retailers ... to lower their operational costs," the Ministry of Commerce announced Monday.

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businesses operating in rural regions, and training programs will be on offer to small business owners, according to guidance advice posted on the ministry's website.

Cooperation between e-commerce businesses and service providers that deal with rural consumers will be encouraged, infrastructure that supports or facilitates e-commerce in rural areas will be upgraded, and private investors will be encouraged to support the sector, it noted.

The document came as retail sales emerged as a major driver of China's economic growth.

The country is transitioning from an export-reliant economy to a consumption-driven one. In 2015, consumption contributed 66.4 percent to China's gross domestic product (GDP), up 15.4 percentage points from 2014.

To further tap market potential, China is looking to exploit the ample retail opportunities in its underdeveloped rural areas and e-commerce sector. (Source: Xinhua)

### CFDA Released Guidance on Food Safety Issues at Grassroots Level



Recently the national food and drug regulators released a guidance to strengthen supervision over food safety issues by local authorities at grassroots level.

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Measures include improving organization structure, clarifying responsibilities of different departments, standardizing process of administrative reviews and enhance law enforcement.

The guidance requires food and drug regulators of county level to set up offices in different districts to strengthen supervision and make regulator inspection in local markets to spot illegal conducts. (Source: China Medical Journal)

### The Quality of China's Medicines Fail to Meet Expectations

Bi Jingquan, chief of CFDA, said in a recent seminar about China's drug safety, that the public and media should join the regulators to supervise drug safety issues at pharmaceutical firms, retail stores and medical institutions.

In recent years, the country's regulators have taken efforts to improve drug safety in the local market, including reforming the system of medical equipment and drug reviews, improving inspection over clinic data, setting up tracking system over drugs.

However, Mr. Bi said that there is still a big gap between the quality of drug and the inspection system with expectations of the public.

Mr. Bi said that the regulators will strengthen

control over drug reviews before allowing them into the market, and accelerating reforms of relevant systems. (Source: Worker's Journal)

## Anhui Tests Healthcare Reform Program



More than 20 percent of patients of 75 county-level public hospitals in Anhui in the first quarter of this year received care under the "clinical pathway management" system, which promotes standardized healthcare and reduces variability in clinical practices, Anhui Provincial Health and Family Planning Commission Director Yu Dezhi said at a news conference on Friday organized by the National Health and Family Planning Commission, China's top health authority.

The patients' expenses decreased an average of 18.6 percent for supplementary medications and 4.28 percent for antibiotics. As a byproduct of the reduced costs, there were fewer disputes between patients and healthcare workers, Yu said.

The clinical pathway management system, which was adopted by all county-level public hospitals in Anhui province at the beginning of the year, covers 100 kinds of disease. Patients treated for these ailments receive standardized care even at different hospitals.

Certain accessory drugs and antibiotics are barred from use in these regimens.

The system will become the norm at all major public hospitals in the province by the end of the year, Yu said.

Jiang Yu, who researches China's medical reform at the Development Research Center of the State Council, said the clinical pathway management system aims to ensure the quality of medical care while controlling the expense by cutting unnecessary medications and tests and procedures.

"The system is an innovation of Anhui province, and will be adopted nationwide," he said.

"But it has limitations, and customized treatment remains necessary for some diseases."

Anhui is one of 11 Chinese provinces, autonomous regions and municipalities selected to pilot a national medical reform program that would make healthcare more affordable and accessible, according to the National Health and Family Planning Commission.

The main goals of the reform are to establish a multitiered healthcare system to alleviate the burdens on big hospitals and improve healthcare for people at the grassroots; to reform the payment of the government's medical insurance programs control medical expenditures; and to give the market a more important role in the healthcare sector.

Because government funding does not fully cover costs, many public hospitals in China rely largely on medication sales and fees for care sustain themselves, resulting in high medical expenses for patients and the government. (Source: China Daily)

## Wal-Mart Raises Stake in China's JD.com



In a regulatory filing late Wednesday, Wal-Mart said that it has upped its stake in JD.com to 10.8 per cent from 5.9 per cent.

The move comes nearly four months after Wal-Mart bought an initial stake in JD.com in a deal that also gave JD.com ownership of its Chinese e-commerce site Yihaodian, including the brand and app.

Wal-Mart, the world's largest retailer, is trying to improve its business in China, which is lucrative but increasingly challenging. In China, Wal-Mart faces a business that has been slow and uneven. It operates more than 400 stores despite entering the country 20 years ago. It sees bolstering its online business as the future in China.

Wal-Mart said at the time that it announced its initial stake that it could see a tremendous amount of traffic from JD.com's huge customer base and its same-day delivery network.

Getting China right is key to strengthening Wal-Mart's global online business. In September, it completed its deal to buy fast-growing US online retailer Jet.com for a purchase price of US\$3 billion in cash plus \$300 million in stock.

Wal-Mart's global online sales rose 11.8 per cent in the second quarter. That's up from the 7 per cent pace of the first quarter but still far weaker than the 20 per cent increases from less than two years ago. (Source: Ap)

## Western Fast-Food Firms Contribute to China's Economy

Residents in North China's Hebei Province reportedly dissuaded people from patronizing KFC over the weekend, but some domestic supplier of

KFC said the prevalence for Western fast food in China contributes largely to the country's economy.

A businessman, who preferred to be unnamed, told the Global Times on Wednesday that his firm started providing potato chips to Western fast-food companies in China in 2013. His company is one of KFC's pilot suppliers in North China's Hebei Province.

"Every year, we produce 50,000 tons of potato chips for nearly 70 Western fast-food brands including KFC, McDonald's and Pizza Hut," the businessman noted. He said his company is expecting to produce 100,000 tons of potato chips in 2018, of which KFC's demand is likely to take up 10 percent.

"Thanks to our clients, we now employ over 400 employees and help more than 10,000 local potato farmers make a profit," he explained, noting that his company annually yields an average of 15 million yuan (\$2.24 million) in taxes to the local government.

"Currently, we provide potato chips to only a few KFC stores across the country because we are in the second year of observation," the businessman said, noting that KFC has to test its suppliers' products for two years before signing official contracts.

Besides this supplier, Jiangsu Tyson Foods Co in East China's Jiangsu Province, Jiangxi Sunner Foods Co in East China's Jiangxi Province and Shanghai Hormel Foods Co in East China's Shanghai Municipality are all KFC suppliers, according to a sheet on the fast-food company's website.

KFC has around 550 Chinese suppliers who provide 90 percent of all materials for KFC stores in China, ranging from chicken, vegetables and bread to boxes, equipment and construction materials, said a statement on kfc.com.cn.

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KFC in China aims to develop an industry chain of local suppliers, according to the statement.

KFC refused to comment when contacted by Global Times on Tuesday.

Western fast-food chains, like KFC and McDonald's, contribute to the country's economy in terms of employment and advanced business model and management, Ma Wenfeng, a senior analyst at Beijing Orient Agribusiness Consultant, told the Global Times on Wednesday.

KFC has opened 5,039 restaurants in China as of June 11 this year, according to its parent company Yum Brands Inc's second quarter report released on July 13.

In 1987, KFC China had less than 100 employees but the company has grown to more than 300,000 employees over the last 27 years of development, said the statement on kfc.com.cn, noting that its localization rate is 99.9 percent.

McDonald's has established more than 2,200 restaurants in China as of 2015, with over 100,000 employees since it entered China in 1990, according to McDonald's website.

The entry of Western fast food into the Chinese market also facilitates the development of the country's catering industry, as it increases competition between restaurants, Ma said.

McDonald's rolled out a self-made hamburger project in 2015, which allowed consumers to choose hamburgers with specific ingredients based on their

own preferences. Following McDonald's lead, Chinese fast-food giant Kungfu announced in June plans to enable restaurants to let consumers order food to fit their individual tastes, the 21st Century Business Herald reported in June.

KFC will continue to stay in China and its future is still promising, expert noted.

When the first KFC store opened in Beijing in 1987, only 8 menu items were available to choose from, now there are more than 60 dishes available for customers at KFC stores in China, said a statement on kfc.com.cn.

According to the statement, many of the items sold in KFC including the Old Beijing Chicken Wrap, Flaky Pastry and New Orleans Roasted Burger are targeting directly at the Chinese market.

A Beijing white-collar worker surnamed Chu told the Global Times that he loves KFC and McDonald's because eating fast food saves him a lot of time. "I also love traditional Chinese restaurants, but making delicate food costs time," he said.

"I'm optimistic about the future for Western fast food in China as they have existed nearly a hundred years in Western countries," noted the supplier of KFC.

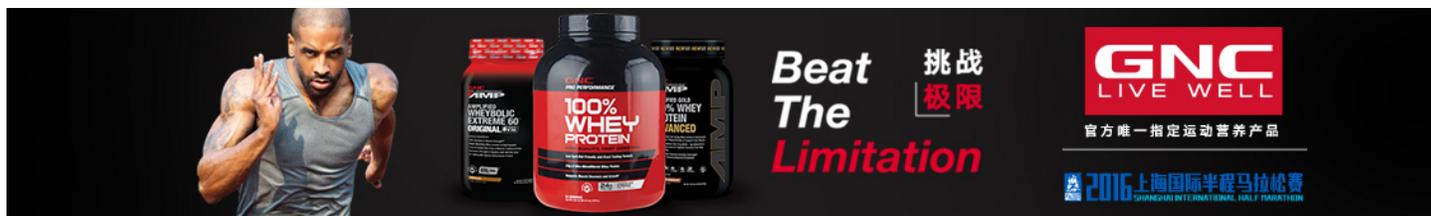
Ma, the expert at Beijing Orient Agribusiness Consultant, said that KFC's reputation is unlikely to be tarnished by some Chinese boycotting. (Source: Global Times)



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