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- Food: Protein hydrolysis

Functions and Applications of Actinidin

- Dietary Supplement: Digestive aid
- Cosmetics: Antioxidant, anti-aging, nourishing and beautifying skin
- Food: Meat tenderizer, fresh cheese production

Functions and Applications of Papain

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- Food: Meat tenderizer
- Leather tanning agent and others

Functions of Inulin

- Balancing the intestinal dysbacteriosis
- Enhancing mineral absorption, especially Calcium and Magnesium
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- Controlling blood sugar

Applications of Inulin

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- Bakery
- Confectionery
- Beverage
- Infant formula
- Cereal
- Ice cream
- Dietary supplement
- Functional beverage

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Guiding natural ingredients industry development
Transmitting Asia Nutrition Market News

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More than 500 hospitals can be payed by Ant Credit Pay and pay by Installments

Nanjing Gu Lou Hospital has officially opened Creditpay (formerly known as "Ant Creditpay") installment. When patients register and pay through self-service machine or Gu Lou Hospital APP, they can choose Creditpay installments service.

This is the first hospital in Jiangsu province which cooperate with Creditpay, but not the first one in China. In May 2016, Alipay officially launched installment services in medical industry,with maximum credit limit of 50,000 yuan. The first hospital nationwide to use Creditpay installment is Shanghai Fudan University Affiliated Huashan Hospital. However, what Huashan Hospital accessed was mainly for payment of health screening sets , and did not include sections such as medical treatment, surgery, hospitalization sections,etc.

National Food and Drugs Homology Industry Science and Technology Innovation Alliance was established

On July 4th,under guidance of relevant departments of the Ministry of Agriculture, Ministry of Science and Technology, organized by Institute of Food Science and Technology CAAS, innitiated by academicians and experts of agriculture, medicine, light industry, food, finance and other areas, the establishment conference of National Food and Drugs Homology Industry Science and Technology Innovation Alliance was held in Beijing.

Zong Jinyao , director of Agricultural Products Processing Bureau of Ministry of Agriculture attended the event and said that scale-benefit of China's food and drugs homology industry has not yet formed,and science publicity in this field is lagging behind. National Food and Drugs Homology Industry Science and Technology Innovation Alliance has gathered agriculture, food, medical, Chinese medicine, catering and related industry units nationwide. On the basis of succession of traditional diet health culture essence, the alliance will continue to lead the innovation of science and technology, model, management and mechanism of the industry, and will strive to develop new science and technologies, new products, new equipment, and will vigorously develop new formats, new models, new industries and new systems to promote synergic development of agriculture, food and medical and medicine industries, so as to accelerate the construction of healthy China.

Mei Fangquan, chairman of the Alliance's Expert Advisory Committee, said that food and medicine homology has a long history. Modern science and technology and a large number of clinical practice had further proved that food and medicine homology products have both medical efficacy and nutritional function, sticking to which can effectively prevent chronic disease , reduce risk of illness, and improve the health of the whole nation.

Ali Health issued 1.188 billion shares for the acquisition of health care products business

On 30th June, Ali Health (00241.HK) issued a notice to distribute and issue 1.188 billion shares on 30 June 2017 to Ali JK Nutritional Products Holding Limited, as price of acquiring 100% shares of Ali JK Nutritional Products Limited. The 1.188 billion shares accounts for about 14.495% of the company's issued shares, with the issue price 3.2HKD per share, bearing a discount of 14.2%. compared with the closing price of June 29.

Pien Tze Huang implement capital increase to its wholly owned subsidiary to speed up its great health strategy

On 1 July, Pien Tze Huang (600436) issued a notice about the capital increase to its wholly-owned subsidiary. In order to speed up the implementation of the "one core, two wings" great health development strategy,using its own fund, the company will increase capital of RMB20 million to its wholly owned subsidiary Fujian Pien Tze Huang E-Commerce Co., Ltd. in order to increase its working capital. The capital increase, on one hand is conducive to the cooperation between the e-commerce company and international brands/cross-border platforms, aiming at expanding sales category, reducing risk of over concentrated main business, improving e-commerce sales revenue, and forming new profit growth points. On the other hand,it helps promote cross-border e-commerce business development and accelerate the pace of entering the international market.

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What are the changes of the health industry over the past decade?

Wu Han, Sinohealth, Director

First, the health industry growth rate saw a rational return; Retail industry market position rapidly increase.

Since the 17th CPC National Congress in 2007 has announced medical reform guidelines, new medical reform had been formally promoted and the industry has entered a new stage of development.Although the process has experienced global financial crisis, the industry's resilience still ensured a 15% compound growth rate, The size of the terminal market had grown from 483.5 billion in the beginning to 1490 billion , with not only the policy dividend-driven high growth of 20%, but also the 7-8% rational return at the end of the period.

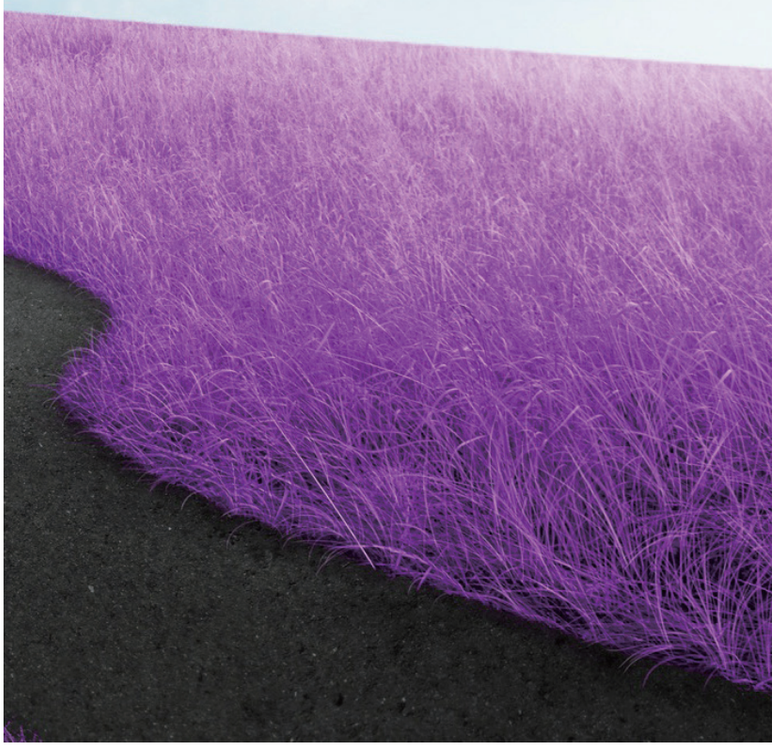
The retail terminal market grew to ¥337.7 billion in 2016, rising as an important strength in the industry. Zhongkang CMH predicted that the growth rate of terminal drug use market will fall back to 5.8%.

Second, the Internet and big data are increasingly penetrating into the health industry.

The high-tech giants with internet technology and big data have began to enter the health industry and joined the battle for customers with the traditional industry service providers,leaving more uncertainties in the development path for the industry.

Third, compliance regulation,innovation and adaption to the new industry ecosystem will replace barbaric growth as the future way of survival for the industry.

10 years of new medical reform has put the whole industry to a real roller coaster. The market was booming in the early stage with the initiative of grass-roots work strengthening and investment increase, with a growth of more than 17% in the drug use market for 5 years in succession, a 20% increase in 2010. As the medical reform entered a stage with the guideline of cost saving and efficiency increase, and waded into uncharted water in the past two years, the industry started feeling the impact of recession due to the new comprehensive policies and slowed continuously to a single-digit rate from 2015.



After China being a member of ICH and the practice of DRG, China's pharmaceutical companies will face greater challenges.

Fourth, structure of drug use changes and the industry expands.

On one hand, the structure of drug use in China has changed as a result of changes in the population structure and disease spectrum: anti-cancer drugs grew rapidly and gained followers from enterprises; cardiovascular and cerebrovascular drugs surpassed anti-infectious agents to become the new leader in the total amount of drug use; pregnancy,baby and children's products recovered a momentum;the drug use level in counties and towns increased, closing the gap between urban and rural areas.

On the other hand, with an increasingly diversified and personalized health requirements,consumers are underserviced by either medicines or medical care. The health industry, expanding the limit of the industry,has become a precise name for this industry instead of the pharmaceutical industry. As the information became more transparent and the technology advanced, consumer awareness improved as well.

Fifth, capital has become a powerful thrust of the changing industrial landscape.

Along with the establishment of China's multi-level capital market system, and the favour of capital on health industry, a large number of capital tools are used in the industry, optimizing the distribution of industry resources, improving industrial concentration, and promoting the industrial innovation as well as industrial structure change.

Five trends in the future health industry blueprint:

[trend 1] the differentiation of industrial dominance and the gradual formation of "dual market" structure

With the change of the medical insurance payment methods, the growth of the commercial insurance, enhanced voice of doctors by multi-spot practice,growing proportion of the

middle class ,greater information transparency and increasing impact of technology, dominant right of industries will come to

consumers,whose spokesmen of interest--commercial insurance institutions and related health services will be more of a say and become a dominant force.

This force will create a "binary market" structure: a basic market dominated by government,with relatively stable structure and broad coverage.An active consumer market which is represented by commercial insurance and health management institutions will meet the diversified needs of high and middle income people.The Zhongkang CMH analysis pointed out that market competition modes will be very different, and pharmaceutical enterprises need to combine their own characteristics to be well positioned.

[trend 2] growth pole shift of health industry

The pharmaceutical market has been an important growth pole in the past due to the relatively monotonous demand and the policy of covering hospital expenses with medicine revenue.Along with the diversification of health demands,medical system reform, and the change of the payment methods, drug market will

maintain slow growth in a long time ahead,and enterprises who are lack of core competitiveness will be excluded from the market quickly;Medical and health services market will be a major contributor to the growth of the health industry and the industry growth pole will shift from product to service.

[trend 3] supply chain structure changes of industrial service

With the development of technology, the change of demand patterns and the evolution of social organization form, a new supply chain structure will be formed,featured by continuing to shorten the distance with consumer,and specialized division of labor combining systematic service. This puts forward higher requirements for brand construction and accurate positioning of enterprises or various service agencies;At the same time, the market also has a strong demand for service providers with professional linking ability, so as to better coordinate the supply resources of various professional institutions and systematically meet the health needs of consumers.

[trend 4] data application ability will become the basic ability of enterprise development

Data will be more widely used in the health industry including business decisions, medical services, drug development and production, circulation and use, payment, etc.About data, meanwhile, an idea needs to change: data is energy, but Zhongkang CMH emphasized that data is not oil, it is the solar energy. It is not exclusive and its value exists only when being applied.The trend of data sharing and the break of information isolation is an inevitable trend.

[trend 5] the wide application of Internet technology and artificial intelligence

Internet is widely used in the medical process,and artificial intelligence will create value in the field of medical and health management.It will fully liberate the productivity of health service providers represented by the doctors, to satisfy more demands and become the impetus to expand the market with increased efficiency. ■

China's Probiotic Industry Scale Reaches 100 Billion Yuan Source: *China Pharmaceutical News*

At present, the concept of health benefit of probiotics has been deeply rooted. Research on probiotics has become a hotspot in many fields such as food science, microbiology, medicine, nutrition, immunology and intestinal health science. With the deepening of scientific research, a prosperous new era for basic research and technology applications of probiotics has come.

Relying on science and technology, the industry together with the academia has been dedicated to the research of health benefits of probiotics, and innovative products continue to emerge. May 24 to 26, organized by Chinese Institute of Food Science and Technology, the twelfth Probiotics and Health International Seminar was held in Hohhot. The seminar, focused on "probiotics: technology and industrialization", attracted more than 300 delegates from industry authorities, academia and enterprises to discuss about the relationship between probiotics and human health as well as finding a effective cooperation route between probiotic research and industrial diversification.

100 billion yuan industry foresees a rocketing development

Among great health industries of 100 billion yuan level, born with a healthy gene, probiotic industry has bursted out of vitality from very start. Euromonitor International's latest data shows that the global probiotic market value is about 40 billion euros. Most of the probiotic products in developed countries has formed a more mature market. In recent years, with the domestic consumer market demand increased significantly for probiotic products, the industry has also started a rocketing development. Relevant reports pointed out prospects of China's probiotic market development: By 2020,product scale will be close to 85 billion yuan.

In China, with the continuous deepening of scientific research and improvement of consumer awareness, the industry for the application of probiotic technology gets more scientific and rational, and the entire industry is stepping into a steady growth period. “In 2016, China’s probiotic market reached about 4.4 billion US dollars, which is a relatively large volume.” Said Chenwei, Vice President of Jiangnan University and Chairman of Chinese Institute of Food Science and Technology probiotic branch. He also introduced that in 2016, global probiotic consumption pattern continued as previous years. Asia-pacific takes as high as 47% of market share, followed by Europe(West Europe 15%,East Europe7%), North America (16.5%) and Middle East (6.5%). Probiotic products have become the first march and explorer of the healthy transformation of the food industry. The forms of probiotic products include fermented dairy products, beverages, medicines, dietary supplements, candy snacks, oral care products, daily chemicals and many others.The functional requirements of the product include improving intestinal health, immune system,nutrition and metabolism, emotional management, liver disease, oral health, gynecological health and other aspects.

What is more encouraging for the industry is that consumer awareness of probiotics is increasing year by year. Survey shows that 94.6% of the respondents believe that probiotics products are healthy food; consumers that have demand for probiotic food products account for 49.8%. The public perception of probiotics might be biased, but as much as 70% of the respondents have some knowledge about problotics. However, regular probiotics buyers count for only 19.9% ,and 40% of the surveypopulation are willing to consume more probiotics. “This shows that consumers has recognized the benefits of probiotics.Their purchasing intention is clear, but to convert it into actual purchasing behavior , the industry still need to make some efforts.” said Chen Wei .

“Probiotic industry is also of global concern.” said Shao Wei, vice chairman and secretary general of Chinese Institute of Food Science and Technology.In March this year, General Mills invested $ 6.5 million in probiotic food and beverage companies to enter the probiotic market. DuPont Nutrition and Health Division had also implemented probiotic expansion plan sucessively in the United States and Europe to meet consumer demand for health.

In China, the probiotic industry draws more and more new players. Chen Wei introduced that traditional health food enterprises, e.g. Infinitus, is launching probiotic products. Traditional pharmaceutical companies such as Xiuzheng, Sunflower and Jiangzhong are also enthusiastic to launch probiotic products in forms of health food or common food. Professional probiotic powder providers such as Ke Tuo HengTong, Wei Kang are emerging. Seeking directions for corporate transformation, some big enterprises with capital advantage are also quite concerned about functional food and probiotics.

Research going in-depth

At present, probiotics is mainly used in food, dietary supplements and non-prescription drugs, etc., among which dairy product is still the main application field. The industry is urgently seeking differentiation, which wil boost the increasingly in-depth and extensive scientific and technological research for probiotics .

In 2016, studies of intestinal microecology drew sustained attention from the tech world. Probiotics and intestinal microecology, probiotics and human health have become the focus of academic research. Experts on the seminar said that in-depth

studies of the relationship and mechanism among digestive tract microorganisms (or probiotics) and host nutrition metabolism, immunity, growth and development, health, disease and product quality using molecular biology, macro genomics, probiotics genomics and other fields of technology and methods, especially finding valuable microbial functional genes through MHIT for further development and utilization, has become the focus of recent theoretical research.

With the acceleration of the global population aging, the relationship between probiotics and the health of elderly population is also concerned a lot. At the conference, researchers from Japan's Lok Jokobu shared the role of L. casei Shirota(LcS) in reducing the risk of infection in the elderly population and on stress-induced abdominal symptoms, DuPont Nutrition and Health Division shared the latest research results on probiotics' effects on the Immune health of elder population.

In addition, scientists are actively exploring the "magic relationship" between probiotics and human emotions. With the gradually emerging concept of brain-gut-entericmicrobiota-axis(BGMA), neuropsychological areas, such as irritable bowel syndrome, depression, depression, chronic fatigue, etc., will be a new target of probiotic market explorers. On the seminar, professor Cai Yingjie from the Institute of Biochemistry and Molecular Biology, Yangming University, Taiwan, discussed about the psychophysiological effects of probiotics and how to improve psychological and mental health, relieve tension, depression, anxiety and autism.

Wang Zhe, director of Department of S&T for Rural Development, Ministry of Science and Technology, said that the Ministry had always attached great importance to S&T development and supported capacity building of China's probiotic industry. During China's develop periods of "Eleventh Five-Year", "Twelfth Five-year" and "Thirteenth Five-year", many key projects have been deployed to promote the basic research and development of probiotics and its industrial upgrading, striving to achieve the marketization of probiotic strains, starter culture and probiotic foods with independent intellectual property rights, and to strengthen China's international competitiveness of processing technology of probiotic products. He stressed that in the future, supporting China's long-term strategic needs, the ministry will carry out industrial science and technology innovation system planning and forward-looking layout. With in-depth implementation of innovation-driven development strategy and taking supply-side structural reform as the key route, the ministry will guide development of more innovation-driven and leading industries with first-mover advantages.

Industry calls for standardization

The probiotic industry is rapidly developing while facing some difficulties and problems. Chen Wei said that major problems include, firstly, lacking industry standards. At present, a large number of probiotics products are using industry standards of solid drinks, milk powder, fruit juice,etc.If not,no product can be registered. Secondly, manufacturers exaggerated and blindly touted the function of probiotics. The main role of probiotics is dietary recuperation and sub-health intervention, while some manufacturers exaggerate its function to curing all diseases. This has gone against the healthy development of the industry. Thirdly, consumers expect too much of the value of probiotics. Many consumers believe that probiotics have functions such as losing weight, hypoglycemic, antihypertension and many others. Fourthly, probiotic product is has large variety in the market with frequent controversies.New players are flooding in, easily causing quality problems.The supervision is difficult to keep up with the moment. In addition, probiotic products, whether in liquid or solid forms, it is important to maintain a certain amount of bacteria and rhzomorph. Some probiotics are more sensitive hence need to be stored under refrigerated conditions.Since few solid form products are stored in such condition, risk of instability of quality do exists.

"Probiotic industry is like a fast growing tree.It take time to grow, and the industry must continue to enrich themselves to achieve everlasting development." Shao Wei said that in order to ensure the healthy development of probiotic industry, harvesting dividends of global probiotic research interests, China needs urgently to introduce relevant standards to guide scientific research and industrial applications. According to reports, as an important raw material for food industry, food probiotic strains have been widely used in dairy products, meat products, seasonings, fermented vegetables and other food categories. At present, "list system" model is applied for management of China's food-use strains. In order to further standardize the management and constantly improve the national standard system of food safety, since 2013, the National Health and Family Planning Commission started to draft the relevant

national standards for food safety of probiotic products. It is worth mentioning that in 2016, the task of standard setting project of "food safety national standard: food-use bacteria" was assigned. Chinese Institute of Food Science and Technology, as one of the drafters, has actively collected industry-related data,fully participated in the drafting of standard , and held a standard working set meeting on the eve of the seminar, discussing the drafting detrails of the standard text.

Effectively connect scientific research and the industry

At present, in addition to applications in lactic acid bacteria beverages, yogurt and kimchi, probiotics have been widely used in snacks,health food, infant formula food and other special foods. Earlier this year, a project called "key technology and industrial applications of fruit and vegetable probiotic fermentation" lead by Xie Mingyong's professor team of Nanchang University associated with departments concerned, had won the second prize of national scientific and technological progress awards. The project has made a series of breakthroughs in the key technologies of probiotic fermented fruits and vegetables. They have developed new product series of probiotic fermented fruit and vegetable in forms of pulp, beverages, kimchi products,etc. with "bright, nutritious, delicious, convenient" and other distinctive characteristics which have enriched the probiotic market product categories.

The diversification of probiotic products requires foundation of solid research. How to connect the probiotic research and industrial diversification, is currently a very important issue for many research institutions and enterprises.

Zhu Hong, vice president and general manager of R&D center, Jun Le Bao Dairy Group, introduced that "one database, one platform" as the core idea to promote its "probiotics +" strategy. Through the cooperation with University of Vanderbilt, Peking University, China Agricultural University, Sichuan University, Beijing Center for Disease Control and Prevention and other domestic and foreign universities and scientific research institutions, Jun Le Bao had built a new research platform of "integration of production and research". With the platform as a basis, Jun Le Bao successfully developed three series,and dozens of SKUs. How to connect production and research? Chen Wei said that from the long history of human diet, actually there has been mutual selection process between human and probiotics.Different regions, different ethnic groups

consume different type of fermented milk, and the types of probiotics also varies. Therefore, the diversification and localization of probiotics has a very important significance. How to choose a suitable probiotic strain and commercialize successully, will be one of the future research priorities of China probiotic industry. At the same time, the strain selection and cultivation comes out of the laboratory, then companies do the commercialization and expanded its visibility. Foreign industry has accumulated rich experience in strain screening, cultivation and industrialization, especially its technological advantages on downstream industrial application,which is worthy for China's relevant research institutions and enterprises to learn from.

"The efficacy of a good probiotic products should be determined, rather than exaggerated." Chen Wei said that the current study of probiotics in China is limited to diarrhea, constipation and allergies. The lack of strong supporting evidence and clinical research is obvious, and the efficacy is essential for the industry. In addition, the further strengthening of public awareness and popularization of science also requires the joint efforts of the scientific community and the industry. ■

Small Size, Big Market -Market analysis report on effervescent tablet category released

Since 1672, effervescent powder, effervescent infusion and effervescent tablets for external use came into being one after another after the synthesis of Potassium sodium tartrate salt and discovery of " effervescent powder with bubbles" .The effervescent tablets first appeared in the United States Pharmacopoeia (Volume XVI) in 1965, but the first patent for production is in Germany. China began to develop and produce effervescent tablets since the 1970s and brought the real medicinal effervescent tablets gradually to market.But the development has been slow due to the product technology and equipment problems.Now, the effervescent tablets are common in food and health food thanks to the developed production technology and equipment.

Market Shares

Statistics found a higher preference on effervescent tablets dosage form among young people, the people concerned about digestive products and the people who work out, according to a statistical analysis on different ages and consumers concerned about different functions of health food. So far, as the effervescent tablet products are mainly used in the vitamins, collagen, L-carnitine and other products, FMCG channel is tend to be a good marketing channel for it,such as retail channel and supermarkets and malls,etc.

As a category with FMCG properties, effervescent tablet products can often be displayed around cashier registers or on the shelves in a narrow place, with least promotional resources and most easily neglected, and maximize profits for merchants in an innovative way and with easy properties.

It's quite interesting to see the effervescent tablets break down rapidly when they are dropped into water or another liquid,and are evenly distributed in the water, contributing to the good property that is easy to absorb by the body. They also taste good and easy to take and carry, combining the virtues of both solid and liquid preparations. Tablets with fresh fruit flavors are favored by consumers quickly,with a trend already formed by taking fashionable healthy drinks.

Treasure

It takes long time and costs high to apply for the health food.The "report" shows that by June 30th,2017, only 96 health food products with the dosage form of effervescent tablets have been approved. Most of effervescent tablets products sold in the traditional and e-commerce channels don't have "blue cap".

Though filled with a wide variety of effervescent tablet products , the market has a fraction with health food "blue cap", definitely a scarce market resource. Due to the explicit regulations,released by the State, on the upper limit of nutritional components and publicity of functions of the common food, most of the effervescent tablets without a "blue cap" are limited in the content of nutritional components and publicity language. ■

Online “blue cap” Health Food Business of Tmall Being Merged by AliHealth at HKD3.8 Billion

AliHealth officially signed on May 19 a share subscription agreement with Alibaba group, merging the online “blue cap” health food business of Tmall into AliHealth at a price of HKD 3.8 billion. The deal will raise Alibaba group’s stake of AliHealth from 37.9% to 45.8%, with its voting right rise from around 54% to approximately 59.8%.

AliHealth said that the acquisition of target business, on one hand, may bring a wider range of e-commerce business to the online community of medicine and health care, heading for a complete business ecology, as well as developing an organic integrity with other business areas including pharmaceutical e-commerce, smart health service and service platform of product traceability. On the other hand, it can also bring about a revenue growth in a more stable and sustainable way.

In spite of its resource superiority owing to the backing of Alibaba group, and a stable growth in health food market in recent years, AliHealth, being a listed company, its acquisition has to be approved by relevant regulators, an e-commerce veteran told the reporter of 21st Century Business Herald. However, the asset injection to AliHealth has received positive response from the capital market. AliHealth’s stock ended up 11.14% on May 19th.

Long been Anticipated

Released in a statement by AliHealth,in the fiscal year by Mar 31st, 2017, a total of more than 950 merchants sell health food with "blue cap"(the health food registered or filed at China Food and Drug Adminsitration, with a blue cap as its special mark) on the pharmaceutical platform of Tmall , with over 11.81 million active buyers and a transaction volume of around 2.772 billlion yuan of blue cap health food business.

After transaction, AliHealth will access to contractual relations with the health food merchants on Tmall’s pharmaceutical platform, offering them a series of value-added services like brand entering and marketing, technical support and etc., charging commissions. Ali financial report showed that in the fiscal year of 2017, the health food business has brought considerable commission of 62.27 million yuan to Tmall platform.

It's said that the scheme of asset injection has long been prepared. An announcement issued by AliHealth in Apr 2016 revealed that AliHealth was in a positive negotiation with Alibaba Group to explore the possibility of loading its health food, dietary supplements and traditional nutritional supplement business into AliHealth.

On Oct 9, 2016, AliHealth and Tmall pharmaceuticals platform launched together a brand plan called “nourishing China” in cooperation with local governments, brand enterprises, industry associations to label the high-quality nourishing products. At the

same time, with the support of its online tracing platform "rest assured with the code", AliHealth had established the "nourishing China traceability system" to establish correspondence relation between product and its tracing code.

Kang Kai, the president of AliHealth and general manager of health affairs department of Tmall pharmaceuticals platform, told the reporter of 21st Century Business Herald that Tmall Pharmaceuticals platform will make some adjustments and explore an in-depth growth route on the basis of business mode of Tmall platform in line with its business development, covering not only pharmaceuticals, but also health food, pharmacist consultation, etc.

On Mar.14, 2017, AliHealth announced again in a statement that it would continue seeking accquisition to Tmall's online business. Signing the share subscription agreement is exactly the specific result of discussions for more than 1 year.

The sale of "blue cap" health food accounts for a good share in Tmall pharmaceutical platform, and it has a large growth potential in future, an insider from AliHealth told the reporter of 21st Century Business Herald. It is written in the 2016 China Medical Pharmaceutical Material Association(25.080,0.23,0.93%) industry development status blue paper released early this year,that the consumption share of China's medicines and healthcare products in pharmaceutical e-commerce platforms has rised from 76.9% to 82.8% in 2016, and will maintain a stable growth in the next 3 years.

An additional revenue to e-commerce business

Analysing from last year's situation, the "blue cap" deal at the price of HKD 3.8 billion will undoubtedly lead AliHealth to a healthy development path.

AliHealth suffered a crisis in early 2016. The drug electronic supervision code which contributes most of the profit was suspended by China Food and Drug Administration, and the acquisition to Tmall pharmaceutical platform was also stucked due to policy and funding issues, etc. AliHealth's revenue source was once doubted.

Moreover, B2C third-party platform trial license came to expiry, thus online operation was suspended from May 2016. The e-commerce platform, including Tmall pharmaceutical platform, stopped online trading of medicines on Aug 1st, 2016, which had forced some impacts on the sales of both platform and merchants.

AliHealth started to look for solutions. Released in a statement by AliHealth on Aug 17th,2016, that On Aug 16,2016, AliHealth announced its completion of buying a full stake of Guangzhou Wuqiannian Pharmaceutical Co., Ltd, making the latter its wholly-owned subsidiary. But this move had also raised questions. AliHealth spent huge sums to acquire a paper-loss company, with the intention of the latter's Grade-C internet drug trading service qualification certificate, issued by Guangzhou Food and Drug Administration, which is a qualification for online pharmacy business. i.e. the pharmaceutical e-commerce business aimed at individual consumers. And this move was likely to pose a competition with the merchants on the platform in future.

In fact, Alibaba group had been working for merging Tmall pharmaceutical platform into AliHealth before the suspension of drug electronic supervision code, although no positive result was gained after a long time due to regulatory policy restrictions,etc.

On Sep 12th, 2016, AliHealth held an special shareholder meeting, passing an outsourcing value-added service agreements signed by AliHealth and Tmall, which means AliHealth provides a complete chargeable range of outsourcing and value-added services to Tmall pharmaceutical platform, assisting its development of pharmaceutical e-commerce business. AliHealth, in return, had gained access to the high quality resources of Tmall pharmaceutical platform.

The asset injection of "blue cap" of Tmall platform has allowed AliHealth to move one step closer to the construction of industry-wide ecosystem. AliHealth will build an industry-wide ecosystem comprised of medical service, pharmaceutical e-commerce, personal health management and health insurance supported by the internet and big data technology, according to a future layout shown on AliHealth's official website.

An e-commerce veteran told the reporter of 21st Century Business Herald, that with backing of Alibaba group, AliHealth enjoys resource superiority, and health food market foresees stable growth these years. Meanwhile, health food industry will benefit from the transformation from filing system to registering system, which will contribute to AliHealth's business growth in future as well.

The veteran also said that as a listed company, AliHealth still needs an approval of relevant supervision on its move. What's going to happen in the merging process still remains unknown. Previously, the merger was influenced by various factors. The scheme was finally revised as AliHealth being an exclusive operational agency of Tmall pharmaceutical platform.

A clearer orientation for New Retail

Although AliHealth's asset injection has just begun without seeing a confirmed outlook, one thing is clear, that Alibaba's "New Retail" has become a trend of business development, and medicine and health food are no exception.

AliHealth announced its 2017 fiscal year performance on the morning of May 17, that its revenue hit a 475 million yuan, with a massive year-on-year growth of 739.4%. A more than 7-fold growth has proved a increasingly clear new retail mode implemented with omni-channel strategy.

AliHealth expressed its hope in the financial report of building a drug distribution and sales system of full industry chain through the internet, making efforts to improve the efficiency of supply chain of medicines and health care products, in favor of all the participants in the marketplace and the consumers.

Not long ago, AliHealth signed a memorandum of strategic cooperation with Nestle Health Science, a unit of Nestle China, to launch a trial of "New Retail" in omni-channel of health food and nourishment market.

Kang Kai said that the attempt of "New Retail" launched by both parties will open up a channel between e-commerce platform and offline purchase, and will reduce the distance between products and consumers. ■

Pan Gao Shou Exploits the Vinegar Drink Market

With health concepts getting increasingly popular,beverage market has changed remarkably in structure.Carbonated drink,which was once among the top popularity has now slowed,while health drinks continue to heat up and have become the mainstream of beverage market . On China's First Health Drink Summit held in Guangzhou, Pangaoshou,a brand of Guangzhou Phar.holdings, announced its strategic alliance with Guangdong Guanbao Beverage Co.,Ltd. and launched apple vinegar drink as a new product,exploiting health industry.

Pan Gao Shou Exploits the Vinegar Drink Market

Zhang Junxiu,Vice Chairman of China National Food Industry Association said on the forum that market share of carbonated drinks in China is declining year by year while the functional and health drinks takes the share,and Guangdong province is a fertile ground and industry base for healthy drinks market. According to incomplete statistics, Guangdong province takes 20% of China's functional and health drinks' market share.

From the industry view, Pan Gao Shou's layout on plant vinegar drink reveals its ambition for the functional beverage market segment. As a dark horse of beverage industry in recent years, vinegar beverage industry is rapidly expanding, with more and more brands joining in the competition. Previously, the vinegar industry giant Hengshun Group, and condiment company Haitian Group have already introduced fruit vinegar drinks.

2015-2020 China vinegar market supply and demand and future development trend

report shows that in 2015, China's quantity of vinegar used in vinegar beverages is only about 2% of the total production quantity of vinegar in China.

However, in the United States, Canada, Britain and other developed countries,this rate is usually more than 10%. Specific to the domestic vinegar beverage market structure, Heaven and Earth Number One is the dominant brand, accounting for market share of about 40% of the country and 80% of Guangdong province.

Guosen Securties pointed out that in the past a few years, CAGR of fruit vinegar industry is 18.2%,and that of fruit vinegar drink market scale is 23.05%.In the coming a few years, the customer demand growth, promotion of healthy lifestyle and people's income level growth will drive the market demand,and apple vinegar industry will welcome a good opportunity of development,and its annual growth will again have a breakthrough.

Health drinks has become the mainstream

He Jihong, Chairman of China Food Association said that with the adjustment of industry structure,beverage industry has seen a trend of origin, mix, and light taste.Instead of Carbonated beverages, health concept products such as fruit juice,cereal drinks,and vinegar drinks will become the mainstream of the market.

On the forum, Zhu Danpeng, China food industry analyst,said that Chinese consumers' requirement of water quality is getting more and more strict. High quality drinking water, plant proteins, herbal drinks, fruit vinegar drinks, healthy fruit juices, yogurt, functional drinks, coffee will be future sales booster and the top 8 categories with highest profit margin for Chinese beverage distributors in future.

Recently, CocaCola,the carbonated drink giant,has announced it's Q4 and whole year financial report of 2016. What worth mentioning is that carbonated drinks did not contribute much,but bottled waer,flavored vitamin water, the diary brand Fairlife and energy drinks had outstanding performance. Acturally since 2011,CocaCola's carbonated drink business had started a deline in North America and globally,and the trend is not slowed down till now. CocaCola has mentioned several times in the reports using the word "challenging" for this category, with the revenue reached the lowest point in 30 years.

The 2016 beverage industry operational report announced by China National Food Industry Association revealed that with consumers' rising health awareness, new categories such as herbal tea,fiber drinks, water drinks has seen a rapid growth and become mainstream of the market. Also the market share of tea drinks, functional drinks and healthy drinking water grow continuously to take the share of carbonated drinks. ■

Over 40 enterprises in line for a license almost 100 enterprises licensed for direct selling

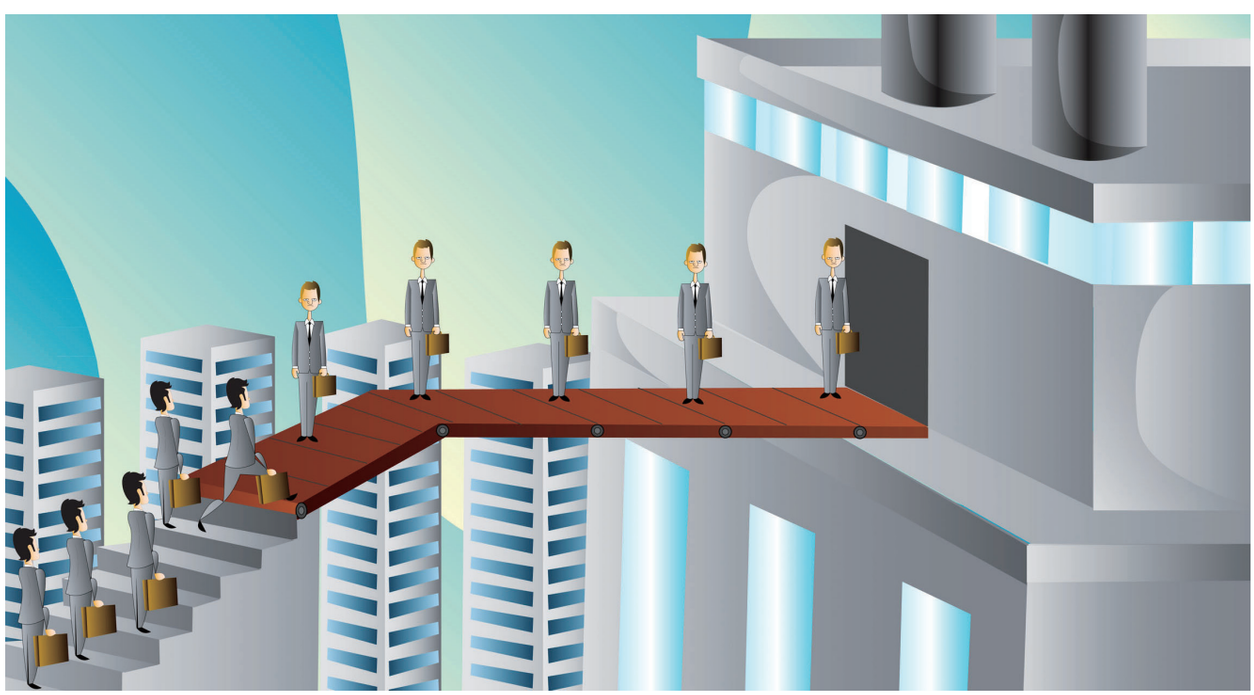
Direct selling, accounting for 40% of Chinese nutritional health food market share, ranks the top type of business. However, this share has declined resulted from non-stop hit by new types of industries like cross-border purchase, We-business,etc. A shift in the competitive environment is forcing direct selling companies to make adjustments, from a"successful-oriented" way into "consumer-oriented"way that can be taken; in other words, they have to divert focus to target customers by experiential marketing rather than pyramid selling.

The Ministry of Commerce recently announced a list of 22 newly-accepted applications for direct selling license following the announcement of 22 companies with application accepted by Ministry of Commerce on June 20th . At present, there are as many as 46 “direct selling company-to-be” on the list of application accepted. When the list of applicants approved, the number of domestic direct selling companies is expected to exceed 100.

It is reported that domestic-funded enterprises are the main group of which application was accepted by Ministry of Commerce this time. According to the announcement list, in addition to several provinces with lots of direct selling companies like Guangdong and Shandong provinces, the Ningxia Hui Autonomous Region also appeared in the first application of enterprises, a breakthrough of zero. And GUANGDONG JIUTIANLU, recently reached a cooperation with WEIKANG BIOLOGIC, and ZHONGSHAN LEAGUE, once set foot in direct selling with rise and fall,etc, also appeared in the list of accepted enterprises.

Not only the regions with direct sales are getting bigger, but also the enterprises licensed for direct selling are increasing in recent years, 36 enterprises licensed after 2015. Industry insiders predicted that the direct selling license holders may exceed 100 at the rate of application at the present stage.

Attachment: The list of enterprises with application for direct selling licenses accepted by the Ministry of Commerce in 2017 (44)



Company Name	Date of acceptance of application
Fujian Hejia Wuxing Tea Industry co.,LTD.	2017-08-09
Guangdong Jiutianlu Pharmaceutical co., LTD.	2017-08-09
Guangzhou Fengzhi Natural Beauty Bio-Technology co., LTD.	2017-08-09
Henan laozi Health Science and Technology co., LTD.	2017-08-09
Hubei Pengdun Technology Group co., LTD.	2017-08-09
Hubei Suizhou Hongfa Bee Product co., LTD.	2017-08-09
Ji'an Fanyuan Bio-Technology co., LTD.	2017-08-09
Jilin Zhengde Pharmaceutical co.,LTD.	2017-08-09
Jiangsu Global Master Home Products co., LTD.	2017-08-09
Jiangsu Home Textile Technology co., LTD.	2017-08-09
Liaoning Haohushi Health Technology co., LTD.	2017-08-09
Ningxia Natural Bio-Technology co., LTD.	2017-08-09
Shandong Saite New Material co., LTD.	2017-08-09
Shandong Wellife Marine Organism Science and Technology co., LTD.	2017-08-09
Shandong Zhongxin Bio-Technology co., LTD.	2017-08-09
Shanxi Sanjinyuan Health Science and Technology co.,LTD.	2017-08-09
TianjinLlilong Bio-Technology co., LTD.	2017-08-09
Tianjin Soyuan Chemical Bio-Technology co., LTD.	2017-08-09
Wuhan Twink Life Health Industry co.,LTD.	2017-08-09
Xueweishilan(Tianjin)Science and Technology co.,LTD.	2017-08-09
Zhongshan Like Cordyceps Product co.,LTD.	2017-08-09
Zhongshan Meitai Health Product co., LTD.	2017-08-09
Beijing Sunwins Bio-Technology co.,LTD.	2017-06-20
Beijing New Century Dagang Bio-Technology Development co., LTD.	2017-06-20
Guangdong Yibo Health Products co., LTD.	2017-06-20
Heze Yaoshun Peony Bio-Technology co., LTD.	2017-06-20
Hunan Haiji Bio-Technology co., LTD.	2017-06-20
Hunan Hualai Bio-Technology co., LTD.	2017-06-20
Jilin Xiuyangtang Health Industry co., LTD.	2017-06-20
Jiangsu Kanion Meiyu Bio-Medical co.,LTD.	2017-06-20
Jiangxi Dadi Health Care Product co., LTD.	2017-06-20
Jingliyuan Bio-Technology co.,LTD.	2017-06-20
Langsha Holding Group co.,LTD.	2017-06-20
Qinghai Anpu Bio-Technology co., LTD.	2017-06-20
Shandong Fuda Bio-Technology co., LTD.	2017-06-20
Shanxi Chenyu Technology Development co.,LTD.	2017-06-20
Shenzhen Angel Drinking Water Utility co.,LTD.	2017-06-20
Sichuan Hengai Health Industry co.,LTD.	2017-06-20
Weihai Jinyiyang Pharmaceutical co., LTD.	2017-06-20
Weihai Kangboer Biological Medicine co.,LTD.	2017-06-20
Wuhan Health New World Technology co.,LTD.	2017-06-20
Xianyidai co.,LTD.	2017-06-20
Zhengzhou Huangdi Health Garden Development co., LTD.	2017-06-20
Zhuhai Nuoshi Cosmetics co.,LTD.	2017-06-20

Tongrentang accelerates its preparations for direct channel and adds 26 kinds of direct-selling health food

Tongrentang is speeding up the arrangement of direct marketing channel, adding 26 more health food in its direct selling channels on July 4.

The newly-added health food SKUs are all produced by Beijing Tongrentang health pharmaceutical Co. Ltd, a holding subsidiary of Beijing Tongrentang (group) Co., Ltd and a leading role in health industry distribution of Tongrentang. The company is in charge of operation management of Tongrentang direct selling, according to informaition of Ministry of Commerce.

Actually, Tongrenrang was licensed for direct selling in May 2016, making it a new listed traditional firm in direct selling after Harbin Pharmaceutical Group and Kangmei Pharmaceutical Co. However, Tongrentang has not yet extended direct selling channel after its obtaining of license more than 1 year ago.

Miss Fu, a direct selling manager of Beijing TRT health pharmaceutical Co. Ltd, was interviewed by reporter. She said that the arrangement of direct selling is still in the preparation stage and is not yet innitiated.

Although still in preparation , the market has its expectations for Tongrentang's direct selling. A lot of people made calls to consult about the cooperation of direct selling these days, according to a switchboard operator of customer service in Beijing Tongrentang health pharmaceutical co. Ltd. The company has set out to prepare for the direct selling since March and April this year.

After contacting an information broker of direct selling, reporter learned that at least 3 people had consulted about Tongrentang direct selling today according to wechat screenshots shown by the broker.

Up to now, 16 self-operated direct selling branches have been set up in Beijing, providing services to urban areas and outskirts of the city. A total of 34 kinds of health food were licensed for direct selling, making up 20% of Tongrentang's health food types. ■

SHANGHAI JIAO DA ONLLY CO.,LTD. saw its net profit of RMB59.07 million in the first six months of 2017 and an explosion of direct selling

On Aug 28th, JIAODA ONLLY(600530) announced first-half results of 2017. The company reported revenue of ¥139 million for the first half of 2017 with a year on year increase of 0.85%;and net profit of ¥59.07 million witha year-on-year increase of 3.08%. According to Shuzheng Health,JIAODA ONLLY specializes in research and development, production and sales of health food, food, probiotics and others, with health food accounting for about 65% of the revenue.

JIAODA ONLLY previously said that in 2017 the company will expand production capacity to meet the market demand, and actively explore direct selling and other businesses. Also, the company is set to develop the health care products that meet the predictable market demand. The health care products are based on the existing business of health food and will be promoted by direct selling, in order to improve rapidly the market share.

The main activities of health food sector in the company in the first half of 2017 are as follows—

1.The construction project of new production plants was carried out on schedule. The company completed most of equipment and construction bidding work during reporting period.

2.Application of direct selling license. The company completed the capital increase to its subsidiary—SHANGHAI JIAO DA ONLLY Life Technology Development co.,LTD. , and the review of application materials and onsite inspection by Shanghai Municipal Commission of Commerce during the reporting period.

3.Considering the market change, the company was actively trying to explore a new marketing channel. It aims to accelerate the development of new product and achieve a good level of product reserve, as well as enhancing process control and improving the product quality increasingly.

What is worth mentioning is that the financial report shows, the company's net profit (after deduction of non-recurring profit and loss) slumped 42.4% from the same period of last year to ¥11.8228 million only. Of the non-recurring profit and loss, government grants were ¥4.39 million and income from investments, ¥58.4425 million. ■

Acetar's Pumpkin Seed Protein

Market Trend

Because of many benefits for human's body, plant-based protein are more and more popular in the market. Among general types of plant-based protein, pumpkin seed protein is a kind of burgeoning with its high nutritional value,it is green protein star. The market demand is rising constantly.

Whe we explore this product?

Acetar Pumpkin Protein Powder is made from nutrient-dense organic pumpkin seeds—one of the richest plant sources of protein, omega-fatty acids and fiber.Our organic pumpkin powder contains at least 60% protein, and it provides a variety of other key nutrients with a nutty flavor .Acetar use high-quality pumpkin seeds , the seeds are processed in a low temperature ground,the obtained pumpkin seed oilcake is filtered and milled

in to find powder.Packaged according to Acetar process,protecting the nutrients from light, heatand harmful oxidation.All natural, with NO artificial preservatives, fillers,gluten,soy, stabilizers, starch or sugar added. Rich in vegetable protein,contains vitamin K.Naturally rich in Magnesium, ALA omega-3 fatty acids andcontains min. 12% dietary fiber.

Acetar Advantages

• Capacity: 50MT /month, strong production ability toesnure a continuous supply to clients

• Excellent taste and smell

• Rich aminal acids and Nutrient composition

• Gluten Free

• Regular Inventory: 500-1000kg

• Competitive Price

• cGMP Manufacturer

• Organic certified ,ISO22000,Kosher,Halal and Suitablefor Vegans.

How to use

• Can be added to just about everything as a protein replacement.

• Mix in hot or cold cereals, blender drinks and yogurt.

• Great for baking and all gluten free recipes (tested for gluten free status).

• Do not swallow in dry form.

• Concentrated source of vegetarian protein.

How to guarantee the quality and quantity?

Acetar Bio-Tech, as a cGMP manufacturer has core technology, strong R&D ability, complete facilities, abundant funds and all these make us solve all the problems in this new product in the last two years, meanwhile China has the biggest pumpkin seed output in the world, which give us a stable supply abiltiy for pumpkin seed. With the rising market demands,Acetar is planning to increase the production lines according to the market demand. ■

health food enterprises check this out—Chinese companies are speeding up overseas layout

The health food industry in mainland China is sure to be driven by the in-depth development of cross-border acquisition with an overall progress, that will eventually force to cool cross-border purchase and make it return to the domestic market, following the same roundabout routes that home appliances, mobile phones, cars, etc, have walked.

M&A has become one of the powerful tools to promote the transformation and upgrading of traditional economy under the influence of China's economic transformation and structural adjustment. Mergers and acquisitions of enterprises can effectively lead to an effective and rational resource allocation and propel the enterprise's expansion and growth. In the meanwhile, numbers of enterprises in China mainland are intended to develop overseas markets and their overseas mergers and acquisitions have drawn extensive attention.

According to *Mid-term Review and Prospect of M&A Market in China in the First Half of 2017* released lately by PwC, in the first six months of the year, the transaction amount in the three major sub-sectors of strategic investment, financial investment and overseas mergers and acquisitions fell as a result of the reduction in large-scale transactions, resulting in a decrease in trading volume of M&A activities to $ 282.9 billion, down 20% compared with the second half of 2016.

However, the more active overseas mergers and acquisitions have become a highlight. Lu Guchun, a partner of PwC China enterprise M&A service department, told the reporter that due to the lack of high-profile mega deals, the total transaction of M&A activities was significantly affected. However, the number of overseas transactions hit a new historic high, which indicates transactions with strong strategic reasons are still welcomed by the market.

An increased activeness in overseas mergers and acquisitions

PwC reported that despite many restrictions, the total amount of overseas M&A deals in mainland China fell by 13%, but the overseas M&A activities(volume) still rose 8% from a month earlier in the first half of 2017, and hit 482, a new record of half-year trading volume.

Giving a wide view to the three major sub-sectors of overseas investments-state-owned enterprises, private enterprises and financial investors, the number of transactions have maintained or increased. Transactions with clear strategic reasons continue to be favored, and the number of transactions in the technology industry is in a leading position, and projects that invest in high-tech enterprises abroad and "introduce into domestic market" gain sustained supports.

It is worth mentioning that the report shows that financial investors in the amount and number of overseas M&A transactions by financial investors created a new record in the first half of 2017, private investment funds with US dollars being active.

Inbound mergers and acquisitions, despite a much smaller scale than overseas ones, still hit a two-year high, largely due to several large-scale transactions and investment growth from Japan.

Giving an outlook for overseas mergers and acquisitions, PwC's report predicts that the amount of overseas investment transactions in 2017 will be significantly lower than 2016, the volume of transactions may be roughly equal; the amount of transactions in 2018 is expected to gradually recover and the volume of transactions will grow further.

"In general, dollar funds, overseas listed companies and companies with overseas financing channels will still have an advantage over investors with RMB financing channels only." an industry said. However, in view of the increased clarity of national regulatory and enforcement measures, Chinese enterprises, in the medium and long term, will keep up momentum of overseas expansion with a constant boost by some factors.

A-shares turning into PE/VC A preferred withdrawal route

The data shows that in the first half of the year M&A amount by domestic strategic investors fell about 15%. There were only 10 transactions in excess of $ 1 billion in the first half of 2017, compared with 15 in the second half of 2016.

In terms of strategic tradings in different industries, M&A in real estate industry reached a three-year high and continued to be active, mainly owing to the two major transactions involving Vanke Real Estate, the total value reached $18 billion according to the report. Although the high-tech industry rebounded slightly in the second half of 2016, it only returned to its 2014 historical level.

And PE / VC market still keeps it s own rapidly increase tendency in the M&A market.. According to statistics, compared with the peak in the second half of 2016, private equity funds and financial investors' M&A activities fell by nearly a quarter in the first half of 2017, while domestic and foreign private equity buyout funds remained, on the whole, a strong growth.

PwC China Enterprise M&A service department partner Wu Ke said that private equity and financial investors' M&A activities has declined ,compared to the peak in the second half of 2016 , but the overall situation remains strong. Overseas mergers and acquisitions are becoming increasingly important in this wave of trends. In the first six months of this year, Chinese companies' mergers and acquisitions abroad accounted for a quarter of private equity investment transactions.

Initial Public Offerings keeps normal. The domestic A-share market is the preferred withdrawal way for investors. Benefiting from the high valuation of China's capital market and continuously optimized equity market, private equity and venture capital have seen a rapid growth in exit transactions. The data show that during this period, a total of 161 private equity/venture capital transactions have managed to withdraw via IPO. In the second half of 2016, by contrast, only 131 withdrawn IPO.

M&A expected to remain strong

"We expect a slight slowdown in China's M&A activities in the second half of the year," said Lu Guchun, but China's M&A activities remains strong and is expected to grow further in 2018.

The report shows that foreign investors are expected to remain interested in the consumer retail industry, pharmaceutical and health care industry, and infrastructure industry. In particular, the opportunity of the consumer retail industry lies in an upgrading demand for domestic consumption and lower regulatory barriers; there is a potential investment opportunity for pharmaceutical and health care industry as the population is aging; thanks to the Silk Road economic initiative that provides foreign investors with opportunities to cooperate with local businesses, infrastructure industry is likely to be sought after as before.

Due to its small peak in the second half of 2016, the annual private equity investment volume will be slightly less than that in 2016, but still stronger than in 2015,an insider expected. Looking further ahead, in view of the ample market capitalization, that offsets some of the negative factors that affect the market, private equity investment is expected to grow further in 2018.The withdrawal transaction of private equity investments may remain its momentum in the next 6 to 12 months.

It is worth mentioning that, according to a statement published recently by the official website of China Securities Regulatory Commission,M&A transactions of Chinese listed companies amounted to ¥889.2 billion in 2013 based on statistics in full market range, and this number jumped to ¥2.39tn in 2016, an average annual growth rate of 41.14%, ranking second in the world. Mergers and acquisitions has become an significant way to support the real economy by capital market.

A brokerage analysts said the mergers and acquisitions will continue to be vigorously promoted in the future, with the same strength on normalizing reorganizing for listing on the stock market . In general, the short-term speculation is the regulatory focus to contain , but the long-term industrial mergers and acquisitions, especially the high-quality mergers and acquisitions with a strong synergy is highly encouraged.

Return on overseas cross-border acquisitions updates H&H Group and Swisse

At present, the pharmaceutical companies are struggling to survive, and baby formulas industry are longing for a breakthrough ... and all kinds of "off industry " investors had a first taste of high-growth in nutritional health food industry. A greater half of 2017 is already over. How is the return of these enterprises?

In the first half of 2017, H&H Group achieved revenue of ¥3.55 billion, up 18.1% year on year; and net profit of ¥397 million, down 2% year on year. The business area of "adult nutrition and care products", the most successful achievements of Swisse, created a revenue of ¥1.466 billion, accounting for 41.3% of the total revenue.

Major businesses of Swisse in the first half of 2017

In March 2017, Swisse established a global partnership with Formula One team Ferrari. The relationship plays a supporting role in the growth of existing markets, the access to new markets and the promotion of brand awareness among consumers worldwide.

On April 8, 2017, the Group officially launched the general trade business of Swisse in China. A variety of star products, including blood orange drink, cranberry drink ,effervescent tablets and others, were launched by means of new and existing national retail network.

In addition, in order to promote the cross-border e-commerce trade and general trade business in China, the Group has built partnership with major business platforms to enhance brand awareness, including: Super Brand Day Event organized jointly with Tmall Global, JD.com, VIP·INTERNATIONAL,and NetEase Koala; live show of June 18th promotion organized with JD.com; and color run across multiple cities in China sponsored by the Group.

Xiwang Food & Kerr

Xiwang food posted revenue of ¥2.881 billion in the first half of 2017, up 145.66% year on year; and net profit of ¥141 million, up 48.62% year on year.

The business area of “nutritional supplements”, the greatest performance of Kerr, earned revenue of ¥1.466 billion,making up 41.3% of total revenue.

Major businesses of Kerr in the first half of 2017

In the first half of 2017, Xiwang food went on raising Muscletech’s recognition and sales in China through a series of activities and cooperation ,of which the monthly sales in Tmall flagship store grew by more than 100% year on year. At the same time, the company launched another major product-Six star, of which the Tmall flagship store has been formally set up. It’s a major initiative for the company to actively expand target users for the sports supplements and extend product line.

West King Food said that in the second half of the year, the company will launch domestic promotion activities on new items of health food area through new media and large-scale market activities, and gradually guide consumers to develop the habit of consumption of sports supplements.At the same time, the company will firmly grasp the selling season around Nov 11th the Singles Day to make a rapid growth in new items sales. In terms of channel construction, the company is set to reorganize the publicity strategy, make product testing and community marketing, with intensive large-scale market activities as a supplementary way, and strive to successfully achieve the annual sales target.

Ausnutria & Nutrition Care

Major businesses of Nutrition Care in the first half of 2017

Since the purchase of the nutrition product business, the Group has been actively streamlining the operation of the nutrition product business and has been seeking out the main and potential products to introduce abroad (especially China, which is considered the main target market for the future of such products) since the fourth quarter of 2016, and planning to bring them to market. The Group has introduced a series of nourishment with Nutrition Care as the brand name in China through JD.com, Tmall and a number of well-known e-commerce platforms and purchasing agents. As the Chinese consumers pay more and more attention to health, the Group believes that the nourishment business will benefit from the increasingly developed market demand for nutritious products, by advantage of manufacturing infrastructure and extensive distribution network.

Kingdomway & Doctor’s Best

In the first half of 2017, Kingdomway achieved revenue of ¥905 million, up 12.34% year on year; net profit of ¥149 million, up 15.09% year on year. Among them, Doctor’s Best created revenue of ¥247 million, an year-on-year increase of 50.09% , net profit of ¥28.97 million, an increase of 184.16% year on year. The revenue growth is mainly attributed to stronger marketing by DRB.

Major businesses of Doctor’s Best in the first half of 2017

The company now is not only a supplier some of the raw materials of nourishment, but also owns the US health food brand Doctor’s Best, the US health food manufacturer Vita Best and Kingdomway coenzyme Q10. As getting into the sports nutrition and functional healthy food industries,the company will make a strong step into China market with the support of ProSupps, LABRADA, WUKUN, ENZAMIN and other brands. In future, the company will combine several different forces to give full cooperation, share resources, and constantly expand the company’s market influence. Also, it will open up the channel between online and offline network and continue to expand the market share for company’s products.

Note: At press time, SHANGHAI PHARMA, YIXINTANG, Pfizer haven’t released the 2017 medium-term results; BY-HEALTH semi-annual report did not disclose NBTY performance in the semiannual report; ALAND and SIRIO, as non-listed companies, did not release relevant performance.

China’s health food industry is still in the early phases of development, lack of products, brands, and service. Meanwhile, the start of filing system will be more helpful to the rapid entry of overseas brands and products. As a result, the purchase of foreign brands, for one thing, will help enhance domestic competitiveness, for another, is a quite effective measure for enterprises that want to open the health food market, without guaranteed profits though. Each of enterprises is going to face a challenge of how to operate business with Chinese characteristics after transferred to China. ■

The Imported Toothpaste Market Needs to be Reorganized and Regulated Source:*China Industry News Consumer Goods Weekly*

In recent years, with the rising consumption, exotic goods has flooded into the life of ordinary consumers.Toothpaste, as one of daily necessities is no exception. It is reported that Toothpastes are imported to China mainly through three ways.The first is by general trade in accordance with the general import and export regulatory system of China custom.The second is through various thriving cross-border e-commerce platforms. The third way is through individual or small organizations doing overseas purchasing. The vast market of imported toothpastes has attracted some profiteers, whose dequalified or fake products appeared on the market as well as illegal misleading propaganda. These market disorders has not only broken the healthy and fair competitive order, but also damaged the benefits of legitimate practitioners and consumers.

Fake Sources of Products Damage the Benefits of Consumers

Imported toothpaste is large in both volume and number of types. According to customs statistics, in the past three years, both the transaction volume and transaction amount of imported toothpaste showed double-digit growth.In December 2015, a three-digit high speed growth appeared: the volume of imports during that month reached 1,614,788kg, with the year-on-year growth of 125.63 %, while the transaction amount reached $11,440,790, with the year-on-year growth of 133.19%. In 2016, imports of toothpaste still showed high-speed

growth.In June 2016, e.g., the import volume of the month was 1,259,778 kg, with an year-on-year increase of 43.17%, and the transaction amount was $30,694,763, with an year-on-year increase of 70.50%. In 2017, the growth of imported toothpaste slowed slightly. The growth rate of import volume and transaction amount in March were 18.25% and 22.81% respectively. In terms of product types, more than 20 types of imported toothpastes from eight countries including Korea, Japan, Australia, New Zealand, The United Kingdom, Germany, Italy and the United States, are being sold in JD Mall.

Numerous types of Imported toothpastes have become breeding ground for dequalified and fake products, which consumers can not distinguish. Take the most famous brand "MARVIS" known as"Hermes of toothpastes" for example, also a hot sale product on Taobao: e.g., a shop among top sales of MARVIS toothpaste on Taobao has 5056 recent completed orders. To prove the authenticity of their product, the shop provides a customs declaration form and a CIQ inspection sheet for imported goods. Tian Liming, Marketing Director of Hemaiheda Group, China's large-scale operator of imported daily chemicals, said that the domestic imported toothpaste market is full of "false imports", i.e. toothpastes produced by domestic small factories were exported and then re-imported through transit of custom, or directly labeled as imported goods. Without a complete traceability system, consumers simply can not tell between the authetic and the fake.

Xiang Jianqiang, vice chairman and secretary-general of Oral Care Industry Association, said that aside from the domestic brands, foreign enterprises which own mainstream toothpaste brands of world's highest market shares,such as Colgate and Crest of U.S., Sensodyne of U.K., Lion of Japan and LG Bamboo Salt of South Korea,have all built factories in China, and generally they do not need to import.The annual production of toothpaste of Colgate does not only meet the needs of domestic market, but also been exported to more than 30 countries and regions. In recent years, in order to meet the consumers' pursuit of niche brands, some disqualified imported toothpaste produced by small factories without full production qualifications had come into China market. The local sales of these "niche" brands is quite plain,but they were marketed as niche imported high-end products in China. In fact, these "niche" products are risky in the production standards and safety of source, and China consumers are the ones who finally pay for these risks.

For "Disqualified import", "fake-import" of toothpastes, HEMAIHEDA called for the implementation of CFDA import registration system. According to their introduction, relying on CFDA's import and export registration system of imported food and cosmetics, supervision and management on both importer and product can be achieved at the same time to ensure the quality of imported products, and testing standards for imported oral care proudcts can be simultaneously established. In addition, monitoring from the production and import side, the implementation of such system can improve the market access threshold, and finally keep the non-qualified or non-compliance products from entering China Market.

Regulatory Imbalances Harms Fair Competition

To meet increasing demand of consumers and face the challenge of large import volume of toothpaste to China market, China Oral Care Products Industry Associations said that quality of domestic toothpastes need

to be improved and sub-functional products need to be constantly developed. Xiang Jianqiang introduced that at present China's oral care-related enterprises are carrying out "category-quality-brand" strategy as a guide to continuously improve manufacturing standard, focusing on promoting industrial automation and intelligence, product refinement and personalization.

Tian Liming also believes that "Marketing is just supplementary mean.Only excellent quality is the most solid factor for a long-live product." In fact, to ensure the quality, most of domestic toothpastes strictly comply with standards and regulations in China,while some imported toothpastes do not.Monitoring on such violations of law and regulations are not yet in place.

For example, functional claims such as "treatment of oral ulcers","improving gingivitis" etc. are often used to promote imported toothpastes. These propaganda often appear on major e-commerce websites as advertisement to introduce imported toothpaste.This behavior violated the relevant regulations of the Advertising Law of China: "Exception to medical, pharmaceutical and medical device advertisements, it is forbidden that any other advertisements involve treatment of diseases, or use words that easily make confusion with drugs and medical devices. "(Chapter II, Article 17).

In addition, the implementation of national standards and industry standards of the imported toothpaste need to be regulated. First, some toothpastes imported through major e-commerce platforms and oversea buyers do not meet China's National standard of oral care products general label (GB29337-2012), which is a national mandatory standard with legal attributes. There are no corresponding Chinese charactors on the packaging of these products imported not through authorized agents, importers or distributors, which violates the standard clause of "For oral hygiene care products, except for registered trademarks, the language of label contents should be Chinese. Pinyin, minority languages, traditional characters or foreign languages used should have corresponding Chinese

characters. “, let alone meeting other standards such as net content and composition.

In addition to national mandatory standards, some imported toothpaste did not meet two industry standards of toothpaste efficacy evaluation standards WS / T326-2010 or functional toothpaste standard QB / T2966-2014. Both industry standards require providing a set of proofs of relevant clinical trials when promoting specific efficacy of functional toothpastes. Although the above two standards are non-mandatory standards, they have been implemented by most of the domestic toothpastes. But most of the imported toothpastes have not implemented the two industry standards, and their behaviors have not been investigated by relevant departments.

For above issues, reporter called the State Administration for Industry and Commerce,and he was told that the specific responsible party for this issue is Department of Advertising Regulation. The reporter then called Department of Advertising Regulation, but their phone has been no answer.

As early as in September 2014, during a inspection tour of quality inspection work in Shenzhen, Premier Li Keqiang had required that the quality inspection departments should promote corporates to produce export and domestic sales products on the same production line with same standard, so that the domestic and export products can achieve the same quality standards. This policy,which is called “same line, same standard, same quality”,will undoubtedly enhance the quality of supply, helping domestic consumers enjoy higher quality products.

While improving the quality of domestic products, the industry has also been looking forward to implementing similar policy on the imported products including toothpastes. It is hoped that the relevant supervision and management departments will improve market access barriers, and manage imported products with same quality standards, safety standards, laws, regulations, and traceability as domestic products. China Oral Care Industry Association vice chairman Xiang Jianqiang appealed that imported toothpastes and domestic toothpastes should race from the same starting line, and the supervision standard of packaging, product quality and advertising language of the two should be the same, instead of limiting the domestic toothpastes and giving a green light to imported ones. ■

General Review of Probiotics Dead Bacteria Market in Japan

"intestinal flora" is the most concerned topic for health market in Japan. Probioics market grow gradually and has already formed the mania for probiotics.What has caused he mania is the sales growth of yogurt which contains live bifidobacterium and lactic acid bacteria， and Bactericidal lactic acid bacteria(dead bacteria)was a booster of probiotics market development.

Bactericidal lactic acid bacteria,as a dietary supplement,has gained noticeable market share in the past.In recent years,it has been widely added in common food such as snacks and instant noodles, and has appeared in menus of some chain restaurants.

Bactericidal lactic acid bacteria is characterized by its stable quality and production convenience.Its function and accumulating research proofs has been gradually accepted by the market.Especially that its immunoactivating effect has drawn high attention of consumers. Related food products with functions such as Anti-allergy, Anti-fatigue, Anti avian flu, and etc.is being developed continuously.

Features and Advantages of Sterilized Lactobacillus Beverages

*After Lactic acid bacteria culture, by heat sterilization the bacteria can be highly concentrated, and the number of bacteria per gram will increase significantly. (active bacteria density of 100 billion / g is said to have been the limit of technology, and that of sterilized lactic acid bacteria can reach 7 trillion / g)

* Thus a small amount of addition can result in taking in much more bacteria

* Because of the sterilization treatment, pollution control can be minimized without worrying about contamination in food plants.

* Shelflife can be extended to 2 years-a longer shelflife than living bacteria

* Basically there is no restriction on the preparation, and can be added in almost all foods. In particular, it can be added in foods with high water activity and heating processes.

Raw materials enterprises vigorously promote and the supply increased

Bactericidal lactic acid bacteria,as the name suggests, is the lactic acid bacteria after heat sterilized treatment.The promotions were mostly focused on the concept " still alive in the small intestine"hence in consumers' minds the concept "lactic acid bacteria must be alive" is deep-rooted, but the sterilized lactic acid bacteria is not non-functional.

In fact, the usefulness of bactericidal lactic acid bacteria (dead bacteria) was demonstrated 100 years ago. Russian microbiologist Mechnikov had proved health effect of lactic acid bacteria.He proposed that human aging is due to production of corrupt substances caused by harmful bacteria in the intestines,and eating yogurt can reduce the harmful bacteria ,thus is the secret of longevity.

An article called"longevity health"published in 1907 mentioned that lactic acid bacteria in yogurt have the role of inhibiting proliferation of intestinal bacteria. This have started boom of research of lactic acid bacteria,and the study of bactericidal lactic acid bacteria began. Certain literature showed that life span of the mice fed with food containing heat sterilized lactic acid bacteria was extended by 8%.

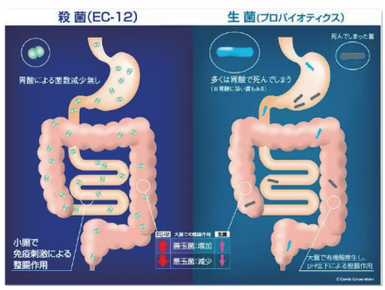
At that time studies were seen about the usefulness of bactericidal lactic acid bacteria. In the modern lactic acid bacteria market, the function of probiotics had been clear, making the aforementioned "lactic acid bacteria must be alive" concept widely accepted by the market.

In the current market, improving intestinal flora has become a hot topic, yogurt containing lactic acid bacteria and bifidobacteria has explosive growth in sales.On the other hand, dietary supplements, beverages, snacks, cooked food, semi-finished food and other common food added with dead bacteria are also lauched in a large number. The main reason is the convenience of the application of dead bacteria, as well as the rich evidence which has been widely accepted.

In Japan, veteran manufacturers such as Combi, BERUMU, Broma Institute etc.had already started functional research of fecal enterococcus ,continued to release the latest research information,and carried out promotional activities.They have established the basis of sterilized lactic acid bacteria market. In addition, IHM, kameda

Pharm and etc. have become the major suppliers of plant lactic acid bacteria. KITII and other companies also had thorough functional research in the fields such as oral health.And with growing market awareness, sterilization lactic acid bacteria market has been formed. In fact, Japan's dairy manufacturing giant Morinaga had been making efforts to explore probiotics market and also participated in the business of sterilized lactic acid bacteria,which is one of the main contributions to the formation of a mature market.

It is better to say that we have entered the era of judging the usefulness of bacteria by the effects of the culture, the strain, and the state of the bacteria.



Reduce visceral fat, anti-allergic, anti- H. pylori and other research progress

With the increasing demand for bactericidal lactic acid bacteria, raw material suppliers are enriching their research data of each function direction. A COMBI's brand "EC-12" has so far accumulated research data of improving intestinal bacterial flora, improving constipation, reducing visceral fat, improving allergic derma,body defense, promote avian flu treatment, improve acne and other. COMBI has recently published a paper with improving Japanese women's intestinal environment as the title. The company is also developing and selling the industry's only Bacteroides Bactus "BR-108", which also has effect of improving intestinal flora, improving constipation, inhibiting hay fever, promoting NK cell activation, and the latest research results have confirmed the effect of inhibiting avian flu bacteria. COMBI had been heavily invested in the research.

BERUMU,with more than 30 years of research and development,has developed the Enterococcus faecalis "EF-2001" which is confirmed to have the effects of anti-allergy, improving ulcerative colitis,etc.The company has recently published in the Asian Lactobacillus Society a paper titled as improving effect on Ulcerative colitis by experiment on mice.

Broma Institute had engaged in lactic acid bacteria research since the beginning of Japan's bactericidal lactic acid bacteria market,and had developed "nanoECF" using enterococcus faecal. With the immune effect as an indicator, they focus on the development of number of bacteria and the efficiency of bioavailability.It is already proved in human trials to have improving effect on intestinal flora.

Snowden,a research company of lactic acid bacteria raw materials for stomach health, verified the effect of anti-H.pylori in the experiment conducted with the independent raw material "Lactobacillus LJ88". In addition to confirmation that in vitro and in vivo is to play the anti-Helicobacter pylori activity, the H. pylori and Lactobacillus LJ88 fungicidal mixture showed no synergistic agglutination reaction but destruction effect to Helicobacter pylori. Previous studies on Helicobacter pylori were conducted by experiments with viable bacteria. The company confirmed the results of the data by dead bacteria experiments. In terms of the principle of action, it was not the "synergistic agglutination" in the previous report. Based on dead bacteria,it is further speculated that secretion of lactic acid and other liquid factor is different,may be

related to the molecules and their structures on the surface of LJ88 cells. And the company is currently actively studying the mechanism of action of dead bacteria itself.

IHM, which works with plant lactic acid bacterium, has confirmed the effect of"inhibit the inflammation of colitis and reduce the effect of mucosal injury" for its product"phyto-nano-lactic acid bacteria SNK". The company as a differentiated propaganda with others, and is actively carrying out market education.

Functional label food market of dead bacteria is worthy of expectation

In April of this year, Asahi Drinks marketed a functional claim food product named"KARADA" (registration number B20) with lactic acid bacteria CP1563 strain as a functional ingredient. With functional publicity "has the function of reducing body fat", marketing activities had been launched. In the past, health food and functional label food added with lactic acid bacteria majorly aims at market of intestines health.Snow Brand's functional label food "megumi lactobacillus gasseri sp strains yogurt" (registration number A46, A47)which is added with active lactic bacteria and promoted as reducing fat,had harvested 7 times growth of market.

Asahi drink is the first marketer of non-intestine functional label food adding sterilized lactic acid bacteria.Its sale in future worth much of attention.

Some other manufacturers are also preparing to apply for such food product.The market of functional label food adding sterilized lactic acid bacteria is highly promising. ■

2017 semiannual report | NSP aiming at China A superfast growth in digest & weight management

On August 9, Nature's Sunshine Product, Inc. (NASDAQ: NATR, hereinafter referred to as NSP) announced net sales revenue of $164 million,a year-on-year drop by 4.27%; net profit of $1.973 million,down 57.45% year on year in the first half of 2017, according to 2017 second quarter report.

The sales revenue created in China and new markets reached $8.431 million, an increase of 32.19% year on year, accounting for 10% of total sales revenue.

The sales of medicines for digestion is surging in China and new markets, achieving $3.455 million in the first half of 2017, up 127%, followed by the sales of weight management products, reaching $1.071 million in the first half of the year, an increase of 107% year on year.

	Six Months Ended June 30,	
	2017	2016
China and New Markets:		
General health	$ 1,965	$ 2,008
Immune	266	347
Cardiovascular	1,553	1,523
Digestive	3,455	1,522
Personal care	121	461
Weight management	1,071	517
	8,431	6,378
	$ 164,442	$ 171,768

Direct selling officially set out in China

Founded in 1972and listed on the Nasdaq in 1978, NSP is a long-established direct selling company, but it officially expanded in China as late as in 2014 after receiving a huge investment from Fosun Pharma in the same year, compared with the other three listed direct selling companies which have expanded their Chinese market long ago.

Nu Skin and Herbalife were licensed for direct selling as early as in 2006 and 2007 respectively, and USANA, which entered China later, was licensed in 2010 helped by the subsidiary BabyCare. Nature's Sunshine(Shanghai) Product Co., Ltd. received its direct selling license in May 2017, released by the official website of the Ministry of Commerce.

By August 10, 2017, Nature's Sunshine Product has been recorded for 1 branch, 9 service outlets (distributed in all areas of Shanghai, in self-run, franchised and authorized way), 1 category and 6 types of direct sales products(all cosmetics).

Company scale of Nature's Sunshine(Shanghai)Product Co., Ltd.			
Direct selling area-branch:1 Click for details			
Direct selling area-service outlets:9 Click for details			
Direct selling product-1 Category 6 Types Click for details			
Direct selling trainer-6 (6 registered, 0 canceled) Click for details			
Nature's Sunshine(Shanghai)Product Co., Ltd. direct selling products information list			
Product name	Product type	Manufacturer	Record-filing date
1 Nature's Sunshine aloe vera skin gel	cosmetics	Nature's Sunshine Product Co., Ltd.	
2 Nature's Sunshine compound herbal gel	cosmetics	Nature's Sunshine Product Co., Ltd.	
3 Nature's Sunshine jojoba oil	cosmetics	Nature's Sunshine Product Co., Ltd.	
4 Nature's Sunshine base oil for massage	cosmetics	Nature's Sunshine Product Co., Ltd.	
5 Nature's Sunshine tea tree oil	cosmetics	Nature's Sunshine Product Co., Ltd.	
6 Nature's Sunshine holly oil	cosmetics	Nature's Sunshine Product Co., Ltd.	
10	Page 1		1 to 6 are shown, 6 records alto-gether

China's direct selling business, a key to profit growth

Up to now, 4 listed enterprises with direct selling licenses- Herbalife, USANA,NuSkin and Nature's Sunshine Product- have all disclosed 2017 interim results.

	Revenue	Revenue Increase	Net Profit	Net Profit Increase
Herbalife	¥2.249 billion	-3%	¥223 million	206%
Nu Skin	¥1.049 billion	-2%	¥69.53 million	45%
USANA	¥512 million	3%	¥44.62 million	-7%
NSP	¥164 million	4%	¥1.97 million	-57%
Q2 Revenue Competition in Chinese Zone				
	Revenue	**Growth**	**statistical zone**	
Herbalife	¥458 million	5%	China	
Nu Skin	¥322 million	12%	Mainland China	
USANA	¥137 million	8%	Greater China	
NSP	¥4.9 million	-8%	China and New Markets	

It's not difficult to find that, according to the data, the performance of enterprises in Chinese zone have all maintained a basic growth, with highest growth rate in Nu Skin by 12%, in contrast to the overall performances almost in recession. NSP's decline in second quarter was mainly due to the increased investment in mainland China and Hong Kong. By reviewing the overall situation in the first half of the year, the performances in China and new markets rose 32%. ■

THE U.S. DIETARY SUPPLEMENT MARKET: AN OVERVIEW OF ISSUES AND TRENDS

A special section in the 3Q2017 issue of Asiaceutical Insights

INSIDE

Published by the
United Natural Products Alliance

UNPA
UNITED NATURAL PRODUCTS ALLIANCE®

Welcome.

This special section on the U.S. marketplace for dietary supplements is brought to you by The United Natural Products Alliance.

We invite leaders in key market sectors, countries and product categories that are willing to contribute to the responsible growth of the natural and organic health products industry to enquire about membership.

UNPA provides the following services

- Consulting services: Regulatory, acquisitions, M&A, licensing, partnerships
- Education and training, including onsite training
- Industry leadership and guidance on key issues
- U.S. federal and state legislative and regulatory representation
- Communications, updates and other member resources

...and much, much more!

UNPA
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The United Natural Products Alliance (UNPA) is an international association representing more than 100 leading natural products, dietary supplement, functional food, and scientific and technology and related service companies that share a commitment to providing consumers with natural health products of superior quality, benefit and reliability. Learn more at www.unpa.com.

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Herbal formulations often ignore underlying principles of traditional medicine

Finding a place for ingredients from the traditional medical systems, such as Traditional Chinese Medicine or Ayurveda, in the modern marketplace can be a difficult exercise, with formulators only paying lip-service to the principles that underlie these ingredients, according to experts in the segment, including Ezra Behar, a scientific advisory board member of the American Botanical Council; Roy Upton of American Herbal Pharmacopeia; and Beth Lambert of herbal products company, Herbalist and Alchemist. Growing interest in these ingredients has highlighted the issue.

Nutraingredients.com

Growing China supplement market also presents potential challenges

Supplement exports from Australia, New Zealand and the West to China have significantly increased recently due to the country's burgeoning middle class and a rising awareness of health and wellness. However, China's skyrocketing supplements market also presents a number of key challenges that new entrants need to be aware of, according to a new report from the Australian Trade and Investment Commission, Austrade. The report says the Chinese health food market, which includes vitamins, supplements, animal and herbal extracts and TCM, is currently valued at $30 billion.

Nutraingredients-asia.com

UNPA President Loren Israelsen and Liu Xuecong, secretary-general of CNHFA celebrate the signing of a partnership agreement between the two organizations. From l. to r.: Dennis Simmons of the U.S. Commercial Service; State Rep. Eric Hutchings, R-Utah; Scott Pozil, U.S. commercial counselor; Israelsen; Xuecong; Bian Zhenjia, China FDA deputy commissioner; Zhao Beihai, CFDA director of international cooperation; and Liu Sonata, CFDA director of special food registration.

UNPA and CNHFA sign a joint memorandum of understanding to further Sino-U.S. industry cooperation and growth

In an effort to formalize cooperation and collaboration between the natural health products industries in the United States and China, the China Nutrition and Health Food Association (CNHFA) and the United Natural Products Alliance (UNPA) signed a memorandum of understanding (MOU) agreement in a ceremony held at the U.S. Embassy in Beijing. The MOU signing took place at the recent Sino-U.S. Health Food Summit Forum.

CNHFA and UNPA signed the MOU to promote and exchange research and technology, as well to promote cultural exchange and the safe and sustainable development of the natural and health products industry in both countries. The two organizations agreed to mutually communicate about regulations and policies to strengthen Sino-U.S. health products registration, regulation, market access and other aspects of regulatory policy.

"We are honored to be working closely with our colleagues at CNHFA to further our mutual interests to responsibly grow the natural health products industries in both countries," said Loren Israelsen, president of UNPA. "It is our hope that this MOU agreement will stimulate further collaboration and the exchange of ideas and resources to help do this."

"We believe the MOU will promote cooperation and communication between both associations and industries. We hope through information exchange and projects, it will encourage industry development and regulatory harmonization," said Liu Xuecong, secretary-general of CNHFA.

Liu Xuecong, Bian Zhenjia, deputy commissioner of the China State Food and Drug Administration, and Scott Pozil, counselor of the U.S. Embassy in China, attended the signing ceremony, along with members of the China State Food and Drug Administration International Cooperation Department.

THE U.S. DIETARY SUPPLEMENTS MARKET: AN OVERVIEW OF ISSUES AND TRENDS
A special section in the 3Q2017 issue of Asiaceutical Insights, *published by the United Natural Products Alliance*

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Industry News

Researchers develop DNA botanical ID technology for extracts

A new technology, building on genetic information as the basis of botanical identification, has been demonstrated in a recent research paper dealing with a common TCM ingredient. The authors, from two Chinese research institutes as well as the University of Guelph, detailed development of an identification method for *Lonicerae japonicae Flos*, or Japanese Honeysuckle, which is a common component in many Chinese patent medicines. The authors noted that traditional medicines, especially the highly complex TCM preparations, suffer from a rising tide of adulteration.

Japanese honeysuckle is a case in point. Rich in chlorogenic acid (CGA), it is subject to adulteration with cheaper sources of CGA that have different chemical properties, according to the paper. DNA barcoding has been put forward as a method for positive botanical identification, but the authors and industry have noted drawbacks in that this method, which relies on relatively intact strands of DNA, which may be difficult to find in materials after processing or may be absent in extract form.

The new technology uses a "nucleotide signature" that is unique to the target species but much shorter than common DNA. It also uses a device that should make uptake of the approach easier for industry. The researchers say it is still early for the new technology and much work still needs to be done for its wider acceptance and application. **Nutraingredients-usa.com**

Survey: A booming Asia market, receptive to new regulations

Three of four respondents in the first annual *Nutraingredients-Asia State of the Supplements, Health and Nutrition Survey* believe their companies will post better financial performance this year than last. The results also showed a rising awareness of health and wellbeing in the region, but while company outlooks were good, securing financing is still a challenge. The second part of the study looks at the raft of new supplement and functional food regulations introduced in the past two years, or those that are imminent. The region has seen several high-profile regulatory changes in China and Japan, with new rules soon to be enforced in India. The survey results say that the regulations have been broadly welcomed by industry in the Asia-Pacific region. **Nutraingredients-asia.com**

TSI Group receives approval for first, only CFDA license for HMB

Missoula, Mont.-based TSI Group announced the approval of the first and only China Food and Drug Administration (CFDA) Manufacturing License for β-hydroxy -β-methyl butyrate (HMB) production in China. TSI's Jiangyin Pharmaceutical facility, a wholly owned TSI Group company, received this exclusive license to produce HMB for use in Chinese food products. The approval also includes use of TSI's HMB in a range of novel food categories, including beverages, chocolates, candies and baked goods.

China is a key market for TSI's global muscle health growth strategy, where TSI's mission is to deliver muscle health benefits that enhance and maintain consumers' healthy and active lifestyles.

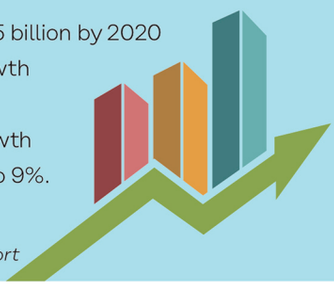
"These recent regulatory approvals are significant milestones for all of us at TSI. The door is now wide open for us to deliver TSI's world-class HMB products to one of the fastest growing markets in the world – China," said Larry Kolb, president of TSI Group. "We know HMB can make a difference in people's daily lives and are excited for the opportunity to positively impact muscle health for millions of Chinese consumers – from athletes of all kinds to aging adults." **TSI Group**

The U.S. Dietary Supplements Industry 2016 by the Numbers*

Overall Supplement Sales: $41.2 billion
Supplement Growth: sales expected to reach $52.5 billion by 2020
Herbal Supplement Sales: $7.4 billion on 6.8% growth
Vitamin Sales: $12.8 billion on 4.6% growth
Sport Supplements Sales: $5.7 billion on 8.3% growth
Practitioner Market: $3.5 billion on growth of 7% to 9%.

*All amounts in U.S. dollars

Source: *Nutrition Business Journal Supplement Business Report*



Building laboratory capacity to ensure product safety, quality and efficacy

Due to the complexity of today's natural products, dietary supplements and Traditional Chinese Medicines (TCM), it is essential to use state-of-the-art analytical technologies, such as chromatography and mass spectrometry techniques, for drug discovery, research, quality control of raw materials and finished products, as well as verification of label claims. Working with these technologies helps bring scientific expertise to new product development and ensures compliance to legislative requirements.

Much of this can be overwhelming to many laboratory-dependent companies, but there are specialists who can help, by providing business advantages and practical solutions for companies that need analytical technologies to ensure the safety, quality and efficacy of their product. Waters Corp., in Milford, Mass., was an early pioneer in providing these services and continues to be a market leader today. For more than 50 years, Waters has been helping companies by integrating analytical standards, column and sample preparation chemistries, chromatography, mass spectrometry and data management software. Waters also helps manufacturers and labs utilize analytical solutions to identify diverse chemical compounds, meet compliance requirements, reduce operational costs and increase productivity, according to Naren Meruva, Ph.D., Waters' marketing manager, Food and Environmental.

Industry Leadership

Waters has also taken a technical leadership role in the broader industry, with its involvement in method standardization bodies, such as AOAC and the U.S. Pharmacopeia, and with independent, third-party nonprofit organizations, for the development of analytical standards. These efforts have helped build capacity for laboratory training programs and assisted key research organizations to improve manufacturing quality standards.

For example, Waters served as an instrumental partner in a collaboration with the National Center for Natural Products Research (NCNPR) at the University of Mississippi (see article on page 8) to establish The Natural Products Training Center. Designed to promote scientific standards in the advancement of commercially viable natural products, the center offers training courses for technical professionals, scientists, regulatory, quality control and quality assurance personnel affiliated with dietary supplements and other manufacturers of natural products. Waters provided laboratory analytical instrumentation and software for separation, analysis, appropriate data evaluation and management for use at the training center.

Waters Corp. partnered facility at the National Center for Natural Products Research houses state-of-the-art analytical equipment.

Waters
THE SCIENCE OF WHAT'S POSSIBLE.®

Modernizing TCM

In other areas, Waters has also worked to help bridge the gap in scientific research of traditional medicines using modern technologies. "Waters is dedicated to developing comprehensive analytical solutions for simplifying the complexity in understanding traditional Chinese medicine," said Jimmy Yuk, Waters' marketing manager for Natural Products and TCM.

"Research on the modernization of TCM conforms to the current development trend in the life sciences and the biopharmaceutical industry," said De-an Guo, Ph.D., director of the Shanghai Research Center for TCM Modernization at the Shanghai Institute of Materia Medica, in Shanghai, China.

TCM typically involves complex mixtures with many constituents, and the modernization of Chinese medicine is designed to use modern scientific means to separate and understand the actual effect of various ingredients. "The development of Chinese medicine modernization is inseparable from the analytical testing technology, especially liquid chromatography and mass spectrometry," said Guo. "As Waters Center of Innovation partners, we believe Waters' leading technology and rich experience in the field of analytical chemistry can help us achieve breakthroughs to promote TCM to the world."

For more information visit **www.waters.com**

CRB brings operational efficiencies to facility design and construction

At some point in their growth curve, most supplement and natural products companies will need to consider an upgrade of their laboratory facilities or perhaps an expansion involving a complete manufacturing construction plan. Choosing the right design and construction firm with relevant experience in key areas, such as regulatory compliance and operational efficiencies, can be the difference between a smooth, cost-effective project and one that is fraught with problems.

Keith Kettler

Selecting a company that offers a custom approach and comprehensive understanding of specific industry manufacturing needs is a good approach, according to Keith Kettler, an associate with CRB, a Kansas City, Mo.-based consulting, design and construction services firm. Founded in 1984, CRB has evolved from a three-person firm to a team of more than 1,000 professionals in 15 offices throughout the United States and Europe. The company touts extensive experience working with international partners to ensure successful completion of their projects.

Good facility design creates key operational efficiencies.

Processes drive design

CRB's initial work was in the biotech and pharmaceutical industries, but as the company saw an increasing regulatory environment for nutritional products, it crossed over into the nutraceutical space. "We found that the processes are similar to the pharmaceutical industry regarding production of tablets and capsules, especially the technical areas of oral solid dosage," said Kettler. "But we also have an understanding of what is actually applicable, and we found a good bridge to apply what is necessary at a cost that is appropriate to the industry."

The company typically works with clients that are producing high-quality products. "Many of our clients are high-end brands and companies making supplements that are sold to practitioners, and they are concerned about meeting U.S. Food and Drug Administration (FDA) regulations and complying with current Good Manufacturing Practices (cGMPs)," Kettler said.

An example of a CRB-designed warehouse

CRB provides a team of experts with the responsibility and authority to deliver a quality project, on schedule and under budget. The team applies a systematic, proactive approach to identify issues and resolve them before they become problems.

Kettler suggests there are three important elements that nutraceutical companies should look for in a design firm.

The first is Operational Improvement (OI): CRB, for example, applies the latest OI strategies to help facilities run more effectively and efficiently, with less waste and lower cost. This involves looking at equipment downtime, transportation and handling of product throughout the facility, inventory, forecasting and scheduling issues, he said.

A good example of the impact these strategies can have was with a project in which CRB was commissioned to design a new facility for a growing supplement company, based on usage of the client's existing equipment. The first design came in way over budget, Kettler recalled, so the CRB team suggested analyzing equipment

usage and came up with a plan to reduce square-footage in the new facility by 40 percent. "Just because a company has three encapsulation machines doesn't mean they need three," Kettler said.

Cultural adaptations

Manufacturers and brands from outside of the United States should look for a firm that has a track record of working with international companies that can adapt culturally. CRB is particularly geared to help offshore companies looking to build or repurpose facilities in the U.S. and which are looking for lean, efficient design, Kettler noted.

Beyond design efficiencies, a design firm should also bring extensive experience working with FDA and other regulatory agencies to set industry guidance as well as design and construct facilities to meet cGMP rules for supplements and Food Safety Modernization Act regulations for natural foods and dietary ingredient producers, Kettler explained. "This involves cleanliness of the facility from the personnel to room finishes, along with procedures for cleaning, making sure that the heating, ventilation and air conditioning system works properly and that room conditions reduce particle generation from people."

The third piece is sustainability, an important aspect for nutraceutical companies, whose products embody the concepts of being good for both people and the environment. "This is where we look at reducing energy use, waste and use of water, which can lead to a lower cost of goods," Kettler said.

As a member of the United Natural Products Alliance (UNPA), CRB is concerned about the direction of industry regulations and is hoping to have an impact. CRB is always looking for ways to get involved and help with client and industry education, Kettler added. "We feel it is important to understand where an industry is going and help set those directions. UNPA was a good fit for that." For more information, visit **www.crbusa.com.**

UNPA testing labs, product development and equipment resources

Alkemist Labs: Contract testing laboratory

Founded in 1997, Alkemist Labs is a contract-testing laboratory of natural products, herbal medicines and omega-3 fatty acids. Headquartered in Costa Mesa, Calif., Alkemist Labs is a cGMP contract laboratory specializing in routine QC/compendial testing, method development and validation services and dedicated research services for companies throughout the food and beverage, nutraceutical and cosmeceutical markets. Alkemist offers high-throughput HPTLC analysis for botanical ingredient identity testing of whole herbs and plant extracts, with a standard five-business-day turnaround at no extra charge. In combination with HPLC, microscopy and an onsite herbarium, Alkemist offers the most reliable technical support and highest-quality services for companies to become cGMP compliant. **www. Alkemist.com**

Covance: Product development and lab testing services

Covance is one of the world's largest and most comprehensive drug-development services companies, helping pharmaceutical and biotech companies of all sizes fulfill their research and development, clinical trial, regulatory and marketing-support needs. The company is dedicated to advancing healthcare and delivering solutions by providing high-quality, nonclinical, preclinical, clinical and commercialization services to help reduce the time and costs associated with product development. Covance is also a leading provider of laboratory testing services to the environmental, food and nutritional supplement industries and a provider of innovative, custom antibody products and services to the research community for neurological disorders. **www.covance.com**

PerkinElmer: Imaging, software and services solutions

PerkinElmer Inc. is a global leader focused on improving human and environmental health. The company provides customers with critical knowledge, expertise and innovative detection through imaging, software and services solutions. PerkinElmer helps scientists, clinicians and governments make accurate detections for health and safety of people and the environment. With innovative detection, imaging, informatics and service capabilities, combined with deep market knowledge and expertise, the company helps customers gain earlier and more accurate insights to improve lives and the world around us. Solutions range from more effective diagnostics and therapies to making sure that the food we eat, the water we drink and our environment are safe from contaminants. **www.perkinelmer.com**

National center brings academic, research perspectives to study of botanicals

July of 1995 was a big month for the fledgling National Center for Natural Products Research (NCNPR). Founded by an act of the U.S. Congress in 1988 to discover, develop and commercialize natural products as pharmaceuticals and agrochemicals, the center, at the School of Pharmacy at the University of Mississippi in Oxford, Miss., had just opened its doors.

What the future held was uncertain, even as the small staff started work to create the premier research facility for the study of natural products and botanicals.

Twenty-two years later, NCNPR, with nearly 100 on its staff, has established itself as a renowned, one-of-a-kind academic and research facility. Its partnerships with the U.S. Department of Agriculture and the U.S. Food and Drug Administration (FDA) have led to its leadership role as the only university–affiliated research center devoted to improving human health and agricultural productivity, including its work in helping ensure the identification and quality of dietary ingredients and botanicals.

The formal partnership with FDA forged in 2001 was particularly important and led to the first International Conference on the Science of Botanicals (ICSB) that year and the creation of the Center of Excellence on Botanical Dietary Supplement Research (COE) in 2006. The center uses medicinal plant resources, from seed banks to greenhouses to field plots, to study plant chemistry in relation to genetics, botany, pharmacology, toxicology and agronomics.

The annual ICSB, held each spring in Oxford, brings together academics, researchers, scientists and natural products industry representatives from around the world to discuss issues related to medicinal plants and dietary supplements. It is the only such event each year that includes the sponsorship by and active participation of FDA, where its team members, including executives from the Office of Dietary Supplements, share their perspectives on regulatory and research-related issues.

"The Center of Excellence has accomplished a great deal since its creation," said Ikhlas A. Khan, director of the COE and NCNPR. "We established a repository focused on medicinal plants and a 'living collection' of botanicals. We have also contributed research that has helped the FDA to make regulatory decisions."

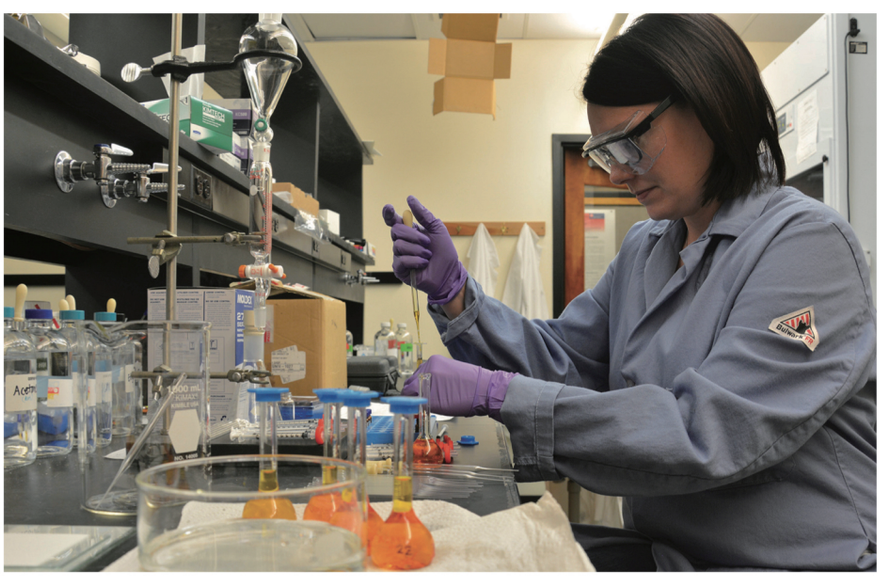
State-of-the-Art Training

Part of the work of the COE includes the training of FDA field inspectors, who are tasked with visiting and reviewing the hundreds of facilities across the U.S. that produce dietary ingredients and dietary supplements. To date, the program has trained more than 600 inspectors.

In 2015, NCNPR celebrated the opening of The Thad Cochran Research Center West Wing, part of the NCNPR complex on the university campus. The following year, the center opened its Natural Products Training Center, which includes five laboratories covering 3,000 square feet with state-of-the-art analytical equipment donated to the center by UNPA member Waters Corp., based in Milford, Mass. The Training Center provides hands-on training in plant taxonomy, laboratory analytical techniques and quality standards for botanical products, including guidance in good manufacturing practices for dietary supplements.

"This training lab was created while keeping the future of the dietary supplement industry in mind," said Khan. "This will be a great resource for people to get hands-on training and develop the skills to implement good manufacturing practices."

For more information on NCNPR, visit **www. pharmacy.olemiss.edu/ncnpr.**



Amber Reichley, a physical science technician, works in Charles Cantrell's USDA Natural Products Utilization Research Unit laboratory at the NCNPR. UM photo by Sydney Slotkin DuPriest.

American Herbal Pharmacopoeia promotes responsible use of herbal medicines

Roy Upton

In the mid-1990s, as the market for herbal medicines in the United States continued to grow, it was clear to noted herbalist Roy Upton that independent standards of identity, purity, quality and testing needed to be developed to ensure the safety and efficacy of botanical dietary supplements, which are relied upon by ever-increasing numbers of people worldwide.

This thinking became the primary mission of the American Herbal Pharmacopoeia (AHP). Founded in 1994, AHP works to promote the responsible use of herbal medicines. AHP accomplishes this by producing some of the world's most comprehensive and critically reviewed botanical quality-control monographs, each of which also contains a therapeutic compendium detailing the efficacy and safety of the botanical.

AHP, like other pharmacopoeial organizations, also provides testing laboratories with authenticated botanical reference materials that can be used to make sure that ingredients bought commercially are what they are expected to be.

Resurrecting classical methods

A key purpose of each monograph is to re-establish the importance of classical botanical pharmacognosy in herb-quality assessment that takes into account growing habitat, harvest practices, drying conditions and environmental impacts. This is contrary to most modern botanical assessments that primarily focus on chemical analyses.

In addition to resurrecting, rekindling, and codifying knowledge of traditional herbal and classical pharmacognosy practices, Upton spends a great deal of time defending the rights of consumers to access herbal medicines and to see these medicines integrated into the fabric of the health care system.

"In almost every country on earth, with the exception of the United States, herbal medicine is regarded as an integral part of the formal health care system," he said. "A great example is Asia, where Traditional Chinese Medicine is a readily available option for those that choose it. America has little access to some of the most valuable systems of healing and is stuck in the conventional disease-care model. Americans literally have little access to true health care, which is well represented and is a focus of Asian healing systems."

To date, AHP has published 39 monographs fully characterizing approximately 50 different botanicals, which includes some of the most common herbal ingredients, such as *Ginkgo biloba*, American ginseng, echinacea, reishi mushrooms and cannabis. AHP plans to develop at least 300 monographs, which will cover the largest percentage of the most widely used Western, ayurvedic and Chinese botanicals that are used in the U.S.

Broad collaboration

A typical monograph can take as long as three years to complete and requires the work of many volunteers with wide-ranging expertise, including botany, chemistry, pharmacognosy, pharmacology, toxicology and traditional healing systems. Each monograph undergoes an extensive peer-review process with contributions from collaborators throughout the world, including strong representation from Asia.

"AHP's primary role is to bring together the breadth of traditional and scientific botanical medicine knowledge, including examinations of quality, efficacy and safety, into one monograph," said Upton. "We are both rebuilding an herbal tradition that is otherwise not accessible to most Americans and simultaneously creating a model that can be emulated worldwide. In the process, we are creating a synthesis of traditional and scientific knowledge and giving equal respect to both sources of knowledge."

For more information, visit **www.herbal-ahp.org.**

Who's your PCQI? An Introduction to PCQI

By Loren Israelsen

If an FDA investigator or one of your major customers were to ask, "Who is your PCQI?" (Preventive Controls Qualified Individual), how would you answer?

Preventive Controls for Human Foods is one of seven provisions of the Food Safety Modernization Act (FSMA), the most sweeping reform of the food safety laws in the United States in more than 70 years. According to the Food and Drug Administration (FDA), FSMA aims to "ensure the U.S. food supply is safe by shifting the focus from responding to contamination to preventing it."

FSMA is also the key to a new generation of food good manufacturing practices (GMPs) based on the Hazard Analysis Critical Control Point (HACCP) principles of "anticipate, prevent and validate." Within the Preventive Controls for Human Food rule, a PCQI is required for all companies that manufacture foods and dietary supplements, outside of a couple of specific exemptions, including companies that manufacture or sell seafood, juice, low-acid canned food, and Code of Federal Regulations Title 21 Part 111-compliant dietary supplements.

The Preventive Controls (PC) is the process, and the PCQI is the person or persons trained to devise, implement and execute the preventive controls developed through a food safety plan.

Who needs to have a PCQI?

If you produce, transport, distribute, warehouse or sell any products that require a Nutrition Facts or Supplement Facts label on products sold in the United States, you are strongly advised to complete PCQI training. See "Who is required to have a PCQI on staff" in the "Frequently asked questions about PCQI" at right for a complete list of PCQI training requirements.

How PCQI training works

1. Companies designate at least one individual responsible for the preventive control food safety plan and its implementation.
2. A PCQI is required to have successfully completed training in the development and application of risk-based preventive controls at least equivalent to that received under a standardized curriculum recognized as adequate by FDA or as otherwise qualified.
3. The standardized, curriculum-based course is 2.5 days with active student participation.
4. Class size is capped at 15 people per instructor.
5. The coursework is standardized and approved by an independent body, the Food Safety Preventive Controls Alliance (FSPCA), a non-profit organization recognized by FDA to oversee PCQI training.
6. PCQI graduates receive a certificate of training, *which is specific to the PCQI*, not the company. Thus, if your PCQI leaves your company or is on leave for any reason, you need to designate and train another PCQI.
7. The PCQI is now responsible to create, implement and maintain compliance through the food safety plan that begins with PCQI training.
8. Each facility (not company) must have at least one PCQI.
9. A food safety plan is specific to each product type, and it is not uncommon for one facility to have multiple food safety plans.
10. The compliance date for PCQI implementation is dependent on the company size, and large companies were required to have a PCQI on staff as of September of last year.
    - Large companies (>500 employees): September 2016
    - Small companies (<500 employees): *September 2017*
    - Very small companies (<$1 million in annual sales, but this includes the value of your inventory): September 2018

UNPA offers PCQI trainings

Clearly, thousands of conventional food and dietary supplement/dietary ingredient companies require training to be in compliance with these federal regulations—a huge task. In response, UNPA offers PCQI training in specific locations as well as onsite training for individual companies. Please visit **www.unpa.com/ABOUT/Education-Training** for information on upcoming UNPA PCQI trainings.

There are other parts of FSMA that require a qualified individual with separate training, such as the Foreign Supplier Verification Program (FSVP). We will be offering FSVP training starting in the fall of 2017.

UNPA has set FSMA compliance as a high priority. We are doing all we can to provide the tools, the training and the resources for industry companies to be FSMA compliant. Our goal is to have a 100-percent FSMA-compliant membership within the next 12 months. We hope we can help you become FSMA compliant, too.

Loren Israelsen is the president of the United Natural Products Alliance and has been deeply involved in the commercial, political and regulatory issues facing the global dietary supplement industry since 1980. He also served as general counsel and president of Nature's Way Products Inc.

Frequently asked questions about PCQI

Compiled by the UNPA staff

What is a PCQI: PCQI (Preventive Control Qualified Individual) is an individual(s) on your staff whom you've designated to be responsible for the preventive control food safety plan and its implementation. It's a requirement of the Food Safety Modernization Act (FSMA). A PCQI has successfully completed training in the development and application of risk-based preventive controls at least equivalent to that received under a standardized curriculum recognized as adequate by FDA or as otherwise qualified.

What is FSMA: FSMA (Food Safety Modernization Act) is the most sweeping reform of the nation's food safety laws in more than 70 years. It aims to ensure the U.S. food supply is safe by shifting the focus from responding to contamination to preventing it, based on Hazard Analysis Critical Control Point (HACCP).

What is Preventative Controls for Human Foods: Preventive Controls for Human Foods is one of seven provisions of FSMA and the key to a new generation of food Good Manufacturing Practices (GMPs), based on the HACCP principles of "anticipate, prevent, validate."

What are Preventive Controls: The Preventive Controls (PC) is the process, and Preventive Control Qualified Individual (PCQI) is the person trained to implement the preventive controls developed through a food safety plan.

Who or what falls under the PCQI requirement: All food products, wherever they are from, that are consumed in the United States. Note: Some companies are exempt (seafood, juice, low-acid canned food, and Section 111-compliant dietary supplements).

Who is required to have a PCQI on staff: A food company, brand holder or contract manufacturer that manufactures, packages, holds or distributes a food product using a Nutrition Facts panel is required to have a PCQI. This includes manufacturers of natural food products and functional foods, such as protein shakes and 'power' bars.

In the U.S., dietary ingredients (raw materials) are classified as a food, and therefore suppliers of these ingredients are subject to the full requirements. These suppliers include companies providing botanical powders used in dietary supplements, such as echinacea, gingko, and others. Any company selling or distributing a finished dietary supplement product would be expected to qualify their suppliers of these ingredients to ensure they are compliant with the new regulation.

Companies and products using the Supplement Facts panel are required to ensure that all of their ingredient suppliers—including all foreign suppliers—have at least one PCQI on staff. Therefore, it is highly recommended that each finished supplement manufacturer or distributor be fully educated about PCQI so that they can qualify their entire supply chain as required by FSMA to eliminate or prevent hazards from being introduced into the food supply.

Does every manufacturing facility need to have a PCQI: Yes, each facility (not company) must have at least one PCQI. It's important to note that each product must have its own Food Safety Plan in place.

What is a Food Safety Plan: A Food Safety Plan (FSP) is specific to each product type, and it is not uncommon for one facility to have multiple food safety plans. The PCQI is now responsible to create, implement and maintain compliance through the food safety plan that begins with PCQI training.

When do you need to have a PCQI on staff: The compliance date for PCQI implementation is dependent on the company size:

- Large companies (>500 employees): September 2016
- Small companies (<500 employees): *September 2017*
- Very small companies (<$1 million in annual sales, but this includes the value of your inventory): September 2018

When is the next PCQI training offered by UNPA: Please visit **www.unpa.com/ABOUT/Education-Training** for information on upcoming UNPA PCQI trainings. UNPA is now offering onsite corporate PCQI training, which offers an efficient and cost-effective means for companies to get their staff and even their supply chain in compliance.

Are there additional required trainings to meet the compliance standards: Yes, there are other parts of FSMA that require a qualified individual with separate training, such as the Foreign Supplier Verification Program (FSVP). UNPA will be offering FSVP training starting fall 2017, as well.

Is the PCQI training standardized: Yes, the coursework is standardized and approved by an independent body, the Food Safety Preventive Controls Alliance (FSPCA), recognized by FDA to oversee PCQI training.

Practitioners show increased engagement with botanicals and supplements

Highlights of *Holistic Primary Care's 2016 Practitioner Survey*

The desire for non-pharmaceutical alternatives to promote health and prevent or ameliorate disease has driven growth in all segments of the dietary supplement and natural products industries, most notably in the healthcare professional segment.

According to recent research from *Nutrition Business Journal*, practitioners accounted for 9% of overall supplement sales across all channels in 2015, generating approximately $3.5 billion in revenue. Though the channel still represents a small slice of the total sales, *NBJ* says it has maintained steady growth rates of 7% to 9% over the last decade, outpacing growth in all other channels.

This is attracting new clinicians to the space, with more than half of the survey's responding clinicians reporting they are new to the practice of integrative medicine.

Brand Opportunity

Practitioner brands have traditionally built their businesses around the needs and practice models of chiropractors, naturopathic physicians and "alternative" medical doctors (MDs). While these categories are likely to remain cornerstones of the channel, it is now clear that other practitioner groups, specifically mainstream MDs that sell supplements, are growing in influence, scope of practice and size.

The practitioner channel is also an increasingly attractive proposition for supplement and natural product brands, offering strong growth, premium pricing, relatively few competitors and an opportunity to leverage basic science.

With these themes in mind, *Holistic Primary Care's 2016 Practitioner Survey* here shares a small sample of top-line findings to help industry stakeholders better understand practitioner engagement and make more informed, data-driven business decisions.

In this year's cohort, a majority of practitioners are in solo or small-group practices and more typically require cash payment rather than taking insurance. Nearly half of the respondents report they are considering major changes to their practice models and looking for new streams of revenue, including dispensing supplements.

It is not surprising that a large majority of these practitioners (more than 80%) are engaging in nutrition counseling to some degree. Their interest in botanical medicine has been growing within the sector over the last decade. Two-thirds of this year's respondents (64%) say they utilize herbs in their practice, up from 53% in 2015 and 23% in 2013. The reasons for this shift are not entirely clear but likely reflect patients' desires for non-pharmaceutical treatment options, as well as growing scientific support for herbs such as turmeric.

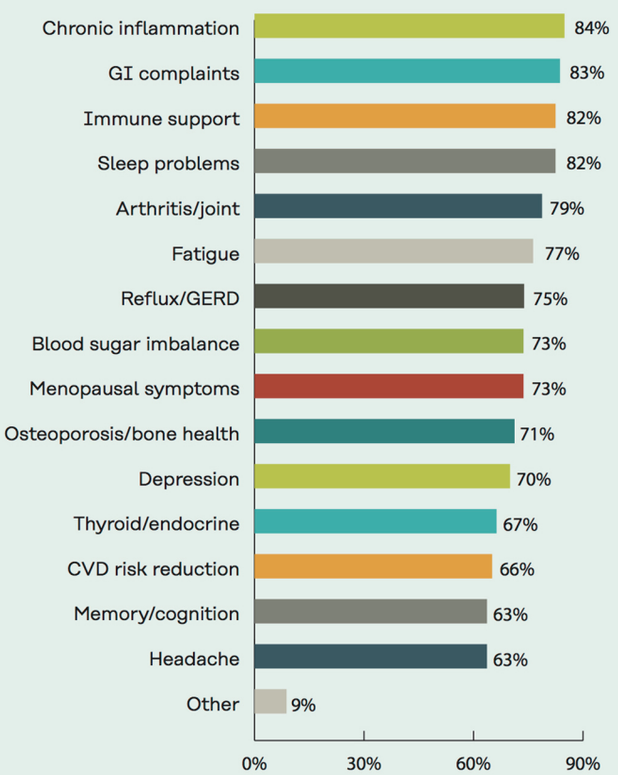
Use of herbs is strongest among naturopaths (95%), but 61% of the conventionally trained MDs, 53% of chiropractors, and 50% of registered dieticians (RDs) are using botanicals to some degree. Use was much higher at 77% among non-RD nutritionists.

Prevalence of dispensing supplements varies by practitioner type: It is highest among naturopaths (87%), chiropractors (86%) and non-RD nutritionists (81%).

One of the most troubling findings this year is that nearly 60% of responding practitioners are not familiar with the landmark law governing supplements in the U.S., the Dietary Supplement Health and Education Act of 1994 (DSHEA). Among those who do recognize DSHEA, confidence in the law is weak, with only 9% calling it effective in ensuring supplement safety and protecting the public, and 19% saying the law needs major revision.

For more information about HPC's practitioner surveys, visit **www.tpcforum.com/practitioner-survey**.

Conditions for which practitioners use supplements



Collaborative program seeks to help remove adulterated botanicals from supply chain

A partnership among two leading non-profit organizations and a major university in the United States seeks to educate and inform the herbal and dietary supplement industry about adulteration of botanical ingredients, whether accidental or intentional, and to help industry identify and remove adulterated ingredients from the supply chain.

Mark Blumenthal

The American Botanical Council (ABC), the American Herbal Pharmacopoeia (AHP) and the University of Mississippi's National Center for Natural Products Research (NCNPR) partnered in 2010 to create the ABC-AHP-NCNPR Botanical Adulterants Program (BAP).

With year-to-year growth in the botanical supplements market, the herbal and dietary supplement community has become increasingly aware of suspected and confirmed practices of adulteration of botanical raw materials, extracts, essential oils and finished, botanical-based consumer products.

Adulteration instigated the industry-funded BAP, which serves as an important self-regulatory mechanism for industry to address adulteration problems through education rather than federal regulation.

Adulteration of botanical ingredients can be accidental or deliberate, as a result of poor quality-control procedures, lack of adequate training, and/or the intentional adulteration of plant-based products for financial gain.

Detecting Adulteration

"Our objective is to educate industry members about the presence of adulterated botanical materials and how to detect and avoid it," said Mark Blumenthal, founder and executive director of ABC and director of the BAP. "Our publications are used by many industry members when developing specifications for their botanical ingredients to help ensure high-quality products, properly labeled for consumers."

The BAP is a long-term, multi-party coalition of botanical quality and identity experts in university research groups, third-party analytical laboratories, government agencies, trade associations and industry companies, who examine the extent of suspected adulteration of herbal materials, particularly adulteration that is economically motived. The goal is to confirm the extent of adulteration in the United States and global markets, determine which official or unofficial analytical methods are currently available to help detect the presence (or absence) of a suspected or known adulterant and to provide comment and guidance on the relative strengths and/or weaknesses of differing analytical methods. The results of these investigations are published in a series of reports and are available at no charge on the BAP website.

Black cohosh is one of the herbs with a BAP Laboratory Guidance Document

Botanical Adulterants Program

BAP publishes Laboratory Guidance Documents that identify the most suitable analytical methods for detection of certain adulterants and authentication of specific botanical materials in all the available forms. Positive assessments of analytical methods are based on a thorough review of available methods from official compendia and other reliable sources, in addition to the relevant methods in the published, peer-reviewed literature. Currently, four Laboratory Guidance Documents have been published on bilberry fruit extract, black cohosh, skullcap and grapefruit seed extract.

BAP also publishes a series of reviews on adulteration of specific botanical ingredients, called the Botanical Adulterants Bulletins, to keep industry personnel and laboratories informed of adulteration problems in a timely manner. There are currently 10 bulletins published covering the adulteration of various popular herbs in international commerce.

"Compared to our extensive Laboratory Guidance Documents, the Bulletins are a more rapid means of confirming suspected and/or alleged adulteration and have become the key publications in the program's educational activities," Blumenthal said.

To access the BAP documents mentioned above and for more information, visit **cms.herbalgram.org/BAP/index.html**. All the BAP information is free-access; registration on the ABC site is required.

A TALE OF CONSUMER TRUST

U.S. consumer perceptions about supplements are mixed, but it's still a call to action

By Rick Polito

Trust is a block, even a cornerstone, in the foundation of any industry. In supplements, it is the foundation.

That foundation, *Nutrition Business Journal* (*NBJ*) consumer research suggests, has some cracks. Whether they spread, or the mortar weakens, becomes the biggest shadow darkening the industry today. How that foundation can be strengthened becomes the biggest question.

But the troubling nature of the results cannot be questioned at all.

NBJ and New Hope Network surveyed 500 people. Among the most troubling responses for supplements was the category's "trust" ranking among various industries and professions. The question was posed as, "How trustworthy are the following industries or institutions?"

Supplements did not fare well.

Respondents rated supplements' trustworthiness above only big business and the U.S. Congress. Only 39 percent rated supplement makers trustworthy or extremely trustworthy. Nobody paying attention would expect supplements to wedge into the upper rungs with police and small business owners, but to see the supplement industry ranked below broadcast news, and more importantly, pharmaceuticals, is troubling, indeed.

What it tells Martha Rogers, author of the book *Extreme Trust*, is that the industry needs something like a bucket of cold water thrown in its face. It could be just the beginning. Trust was a marketing mission before. With consumers getting access to more information than at any time in history, trust has to be a reality built into every link in the supply chain and every step in the manufacturing process. Fail that test, said Rogers, and "the age of transparency means that (the industry's trustworthy ranking) will be lower than this sooner or later."

Tipping point?

Indeed, the numbers suggest a certain precariousness to the public's trust. Just 47 percent of supplement users think the industry has strict control of what is in their products. Only half think the industry follows strict regulations. Worse yet, the share of supplement users that think supplements are safe because supplement makers are following strict quality and testing guidelines is just 39 percent. A troubling 59 percent think there could be undisclosed ingredients in their supplements.

Those numbers aren't necessarily tipping points, but they certainly look like tipping points.

Whatever they look like, they suggest urgency to Mike Archbold, former CEO of

retailer GNC. In November 2016, Archbold and GNC announced an industry coalition to establish safety standards and proposed a product database and mandatory good manufacturing (GMP) certification to make it onto GNC shelves. He wanted to see more action and less discussion. "When do we need to do it? To me, it's right now," Archbold said. "This can't be a multi-year protracted process for us to get there."

Too much of the discussion, Archbold complained, has been inside the industry. The story, coupled with concrete action, has to go out to the public. "There might be those in the industry who would say we already do this, and we're good. Well, if the consumer doesn't believe it then that's the reality. Consumer perception is reality."

That perception sounds a complicated alarm. Only 43 percent of those surveyed believe the industry has clear and honest motives, and 45 percent think the industry is honest and upfront about product benefits. At the same time, an incongruous 68 percent think the industry is continuously trying to make those products more effective, and 66 percent believe the industry is trying to improve the quality of ingredients. Slightly fewer, 64 percent, believe the industry is attempting to make products safer.

Those results may be mixed, but they are also encouraging, Rogers said. Making the industry better is better for every manufacturer, she said. If people believe the effort is real, they may accept more of the good news the industry can share. Referring to the 50 percent of consumers that think the industry follows strict regulations, Rogers contends that "if we could get that number up to 90 percent ...," trustworthiness would be "a given."

"In a perfect world, it's not even a differentiator anymore," Rogers said.

That benefits the whole industry, with the companies leading the effort possibly benefitting the most, she said. Leaders in transparency and trust are going to be recognized, and with recognition comes familiarity. That familiarity is a valuable commodity. "One of the things that we learn in communications is that familiarity all by itself makes people feel better about something," Rogers said, offering the scenario of a small town with three restaurants, one of which has a billboard on the highway. Stop for a meal and "the one that you saw the billboard for is probably the one you will go into because at least you've heard of it before."

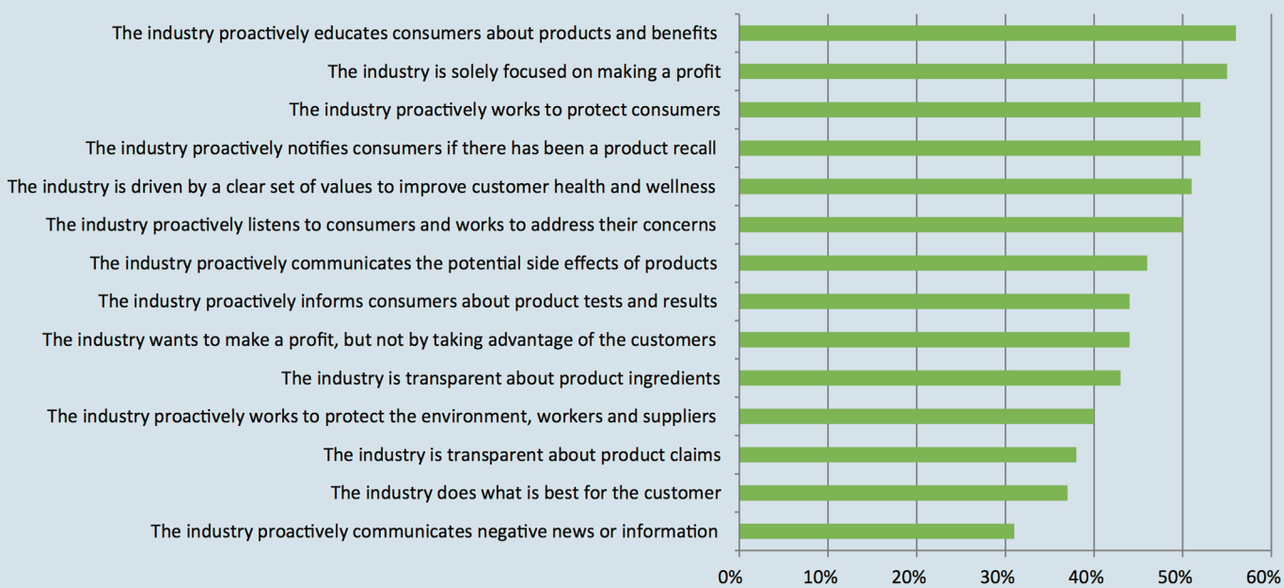
Tying familiarity to high-profile efforts at industry wide reform creates a powerful combination and offers a spot on the first wave in a rising tide that could grow the entire industry.

Collective dysfunction

Peter Wennstrom at the Healthy Marketing Team agrees with the potential for the rising tide, but says the effort that drives it has to be tidal itself. It can't be one company trumpeting its efforts. It has to be the whole industry working together or even category leaders doing the heavy lifting without emphasizing their brands. Several companies are in a position to do that, he said. It's to the industry's and the companies' benefit. "If the proverbial pie grows and you are the market leader, then of course your share grows the most."

That doesn't make it simple. Wennstrom's company has a global focus, and he sees mistrust of supplements in most markets. He just sees it more in the U.S. customers. "It's a bigger problem in the U.S., because you have bigger villains there,"

To what extent do you agree with the following statements about the supplement industry?



Source: NEXT & NBJ Survey conducted Q1 2016

Wennstrom said, referring to America's megacorporation business culture. He also observes an endemic case of paranoia. "You always suspect there are schemes and plans behind your back."

Part of the answer, Wennstrom believes, is emphasizing quality of ingredients over claims. The battle for claim supremacy has "commoditized" a market that should be built on quality and integrity, Wennstrom said. Though *NBJ* data suggests brands can have a significant trustability advantage—67 percent rate premium brands as trustworthy or extremely trustworthy—Wennstrom doesn't see the relationship between brand and customer as exceptionally strong in supplements. He recalled a study that looked at the strength of the relationships between customers and brands that ranked supplements against other categories. "Batteries have a stronger relationship than supplements in the U.S.," he said.

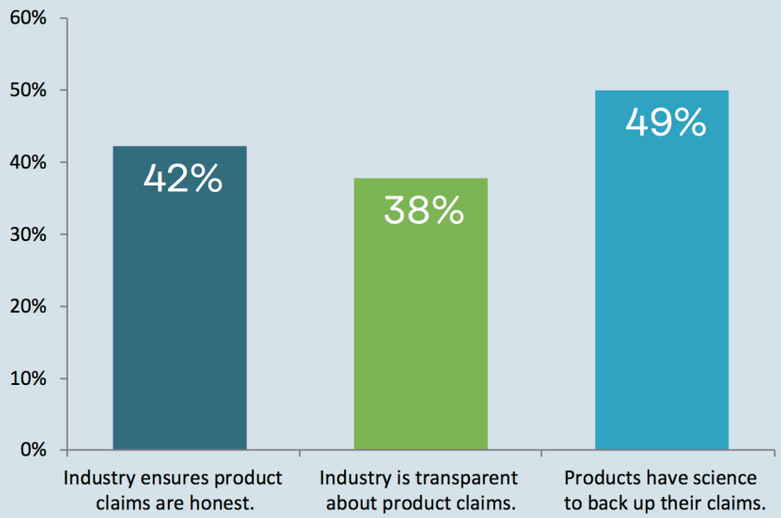
Promoting quality over claim, Wennstrom added, is the way to bake that bigger pie. It can't be companies promoting their brand over others, either. Telling the quality story across the whole industry is "not cheap," he said, but it's essential. "If you don't get your act together, your piece of the pie shrinks."

Signed and sealed

For Rogers, the quality story has to be written in shorthand. That could be the retailer—"I depend on Whole Foods Market to kind of pre-screen stuff for me," she said—but she would like to see it right on the label. She is surprised that third-party certification made so little difference for consumers in the *NBJ* survey, but says the story has to be told quickly and simply. "If we were able to give consumers one clear thing that made it possible for them to know the difference between 'This one is ok' and this one 'might not be ok,'" that's all we are going to be able to teach people."

The *NBJ* survey respondents ranked third-party certifications or seals second to last among attributes that drove their supplement purchases, just above sales or promotions. For Rogers, that means the education effort has not been well developed.

Supplement users thoughts on product claims



Source: NEXT & NBJ Survey conducted Q1 2016

That's part of what Michael O'Hara at Underwriters Laboratory (UL) is seeing. UL is developing an information system to allow customers, retailers and manufacturers to see, among other things, what's in the products and where it was sourced. UL is famous for its seal, but a certification program is not in the plans.

Perhaps people don't base decisions on the seals because they don't know what they mean, O'Hara contended. Whatever the reason, the seals have not changed the game. "Some of these programs have been around for 12-plus years. Have they solved the problem that the industry is facing? I don't know," O'Hara said. "It doesn't seem like it."

O'Hara said UL's information platform plan, that may happen in conjunction with the Council for Responsible Nutrition's product registry or GNC's database, could offer deeper information more appropriate to a digital age. "It's a new story to tell," he said.

Whatever happens, O'Hara added, it has to be industry wide. "If it is companies across the industry that support that, you've got many different channels to promote the good work. You've got more hands to pull and push."

That fits Archbold's thinking. Having every product in a registry or database highlights credibility for every manufacturer. "That's a giant leap forward," he said. It's also part of a new storyline that could build trust. The story has to be true and it has to be told. Steps have been taken, but pushing the tipping point in the other direction will mean more work and more voices telling the story.

Nobody is going to listen to that story when it's just a plan, Archbold said. That's merely a conversation inside the industry. It only becomes a story when it becomes true, when it goes beyond intention into evidence and action.

The time to get started was years ago. The time to lean in is right now, he said.

"Change is coming," Archbold said. "And the best way to deal with it is to initiate that change."

Rick Polito is the editor-in-chief of *Nutrition Business Journal*, an executive market-intelligence publication produced by New Hope Network, a division of Informa Exhibitions. For more information, visit **www.newhope.com/nbj.**

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