

# In focus

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## APAC food and beverage trends and opportunities

Adapt to changing Asia Pacific requirements, and explore new potential in China





Opportunities for international trade of food and beverage products in Asia Pacific markets are growing. However, the complex regulatory landscape can be confusing. In this white paper we outline recent and forthcoming changes that exporters need to be aware of. We also take a closer look at emerging opportunities in China, from regulatory amendments to the rise of livestream e-commerce.

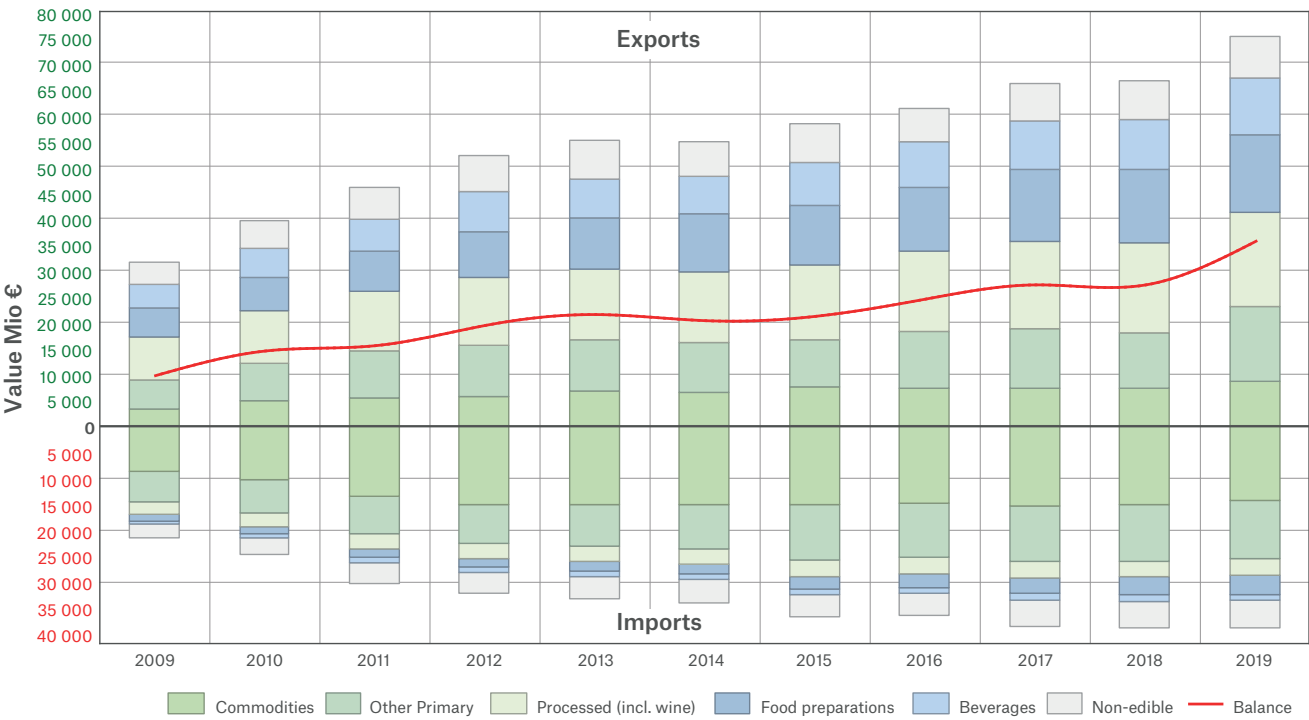


**APAC export potential is growing**

Over the past decade, agri-food export from the EU to the Asia Pacific Economic Cooperation (APEC) has more than doubled. In 2019, the value of these exports hit €74,710 million<sup>1</sup>. This trend looks set to continue, with the Asian food and beverage market expected to increase by a compound annualised growth rate of 11% between 2020 to 2024, reaching US\$277 billion (approximately €238 billion)<sup>2</sup>.

There is much potential for multinational food and beverage firms to build or extend activity in APAC markets. To maximise the opportunity, it is important to keep up to date with relevant legislation and consumer trends.

In this whitepaper we share some important regulatory developments in China, Taiwan and Australia and New Zealand, which have repercussions for food and beverage manufacturers. Then we take a more detailed look at China, which has some of the most complex food legislation in the APAC region, as well as holding the greatest growth potential.



EU Agri Food trade with: APEC (Asia Pacific Economic Cooperation)  
Resource: AGRI-FOOD TRADE STATISTICAL FACTSHEET

## New APAC requirements for allergen labelling

APAC markets regularly review food legislation to enhance the safety and quality of food supply as well as promoting international trade. Major recent updates have been made to allergen labelling requirements in China, Taiwan and Australia and New Zealand.

### China

Voluntary allergen labelling for pre-packaged foods was first introduced in China ahead of the 2008 Beijing Olympics to improve food safety for athletes and visitors. However, on 31 December 2019, the National Food Safety Standards Review and Evaluation Committee issued a consultation on a new draft version of the general labelling standard (National Food Safety Standard GB 7718-2011 General Standard for the Labelling of Pre-packaged Foods).

A major change that will be introduced is mandatory allergen labelling for pre-packaged foods sold in China. The new draft specifies how allergens should be declared on product labels, as well as outlining exemptions for certain highly processed ingredients.

Separately, the Beijing FDA published a local regulation, the *Beijing Hygiene Standards on Dining Area and Kitchen of Food Services* in 2018. Focused on the food service sector, it recommends that Beijing restaurants list main ingredients and seasoning on menus to convey allergen information to customers. It is expected that China will gradually introduce allergen labelling for catering establishments at a national level in the future.

### Taiwan

Taiwan's allergen labelling requirements are also becoming more aligned with international standards and guidance. Current allergen labelling regulations refer to 'mandatory' and 'voluntary' allergens.

On 8 August 2018, the Taiwan Food and Drug Administration (TFDA) mandated seven allergens that were previously classified as voluntary, which extended the list of mandatory allergens from five to twelve entries. The additional mandatory allergens are goat's milk and products thereof; fish and products thereof (except gelatine for certain uses specified); tree nuts, sesame seed and products thereof; cereals containing gluten and products thereof (with certain exemptions); soybean and products thereof (with certain exemptions) and added sulphites in concentrations of 10 mg/kg or more, calculated as sulphur dioxide residue. The new allergen labelling regulations came into force on 1 July 2020.

### Australia and New Zealand

To make food labels easier for consumers to understand, Food Standards Australia New Zealand (FSANZ) intends to revise its allergen labelling requirements.

On 29 November 2019, FSANZ published a draft amendment on allergen labelling. It proposes the declaration of allergens using specific, mandated terms in bold font. There is an additional requirement to declare allergens in the statement of ingredients as well as in a separate allergen summary statement.



## What else is changing?

### Taiwan

Taiwan has altered its legislation on microbiological criteria and maximum limits for contaminants to align with international standards. Previously, the relevant provisions on these topics were laid down in vertical product sanitation standards. However, on 8 May 2018, the TFDA published Notification No. 1071300778 announcing the new Sanitation Standard for Contaminants and Toxins in Food. This is a horizontal standard establishing maximum limits for heavy metals, mycotoxins and certain other contaminants in foods. It came into force on 1 January 2019, replacing the relevant rules in the vertical product sanitation standards.

Subsequently, the TFDA issued the new horizontal standard Maximum Levels of Microorganisms in Foods. This new standard is scheduled to come into force on 1 July 2021. The new horizontal standards are more closely aligned with international standards and guidance. New criteria have been established and some former maximum limits for contaminants and microbiological criteria have been amended. Food and beverage organisations operating in Taiwan need to review levels of contaminants and microorganisms in products to ensure they follow the new rules.



## Focus on China

The complexity of exporting food and beverage products to the Chinese market cannot be overstated.

Multiple food standards and regulations are set by various government authorities and associations. To take vertical, product-specific standards as an example, the various tiers include but are not limited to:

- National Food Safety Standards (GB prefix): mandatory standards that establish safety criteria for foods
- Recommended national standards (GB/T prefix): non-mandatory standards surrounding quality criteria for foods. However, certain local enforcement authorities reference these voluntary measures when checking product compliance, especially in the absence of mandatory standards in specific areas
- Industrial standards (including NY/T, QB/T, SB/T prefixes amongst others)
- Local standards (DB/T prefix)
- Group Standards (T/CBJ prefix)

Generally speaking, the Chinese authorities review the national standards every decade. And changes in food legislation can bring opportunities as well as challenges, as the following sections demonstrate.

## China's Xiachen markets

Historically, brands looking to enter the Chinese market targeted cosmopolitan consumers based in China's first and second tier cities. However, the markets in these metropolitan areas have gradually become saturated. Businesses now need to consider the lower tier markets, also known as the Xiachen markets.

The Xiachen markets include lower tier cities, counties and countryside regions. These areas have the largest population and greatest untapped potential. Compared to metropolitan cities, the cost of living is low, meaning people have higher disposable income. According to China's Consumer Trend Index released by Nielsen N.V. (2019)<sup>3</sup>, residents in the second, third and fourth-tier cities and countryside regions have more confidence to spend than those in the first-tier cities.

Ongoing infrastructure and economic improvements mean Xiachen populations are more exposed to diverse cultural influences. They also have greater access to new products and services through e-commerce. It is believed that Xiachen markets will lead the next wave of consumption growth in the country. Hence, domestic and international brands are increasingly looking at new methods to engage these consumer audiences. This includes livestream e-commerce which we discuss in more detail later.

## Integrated alcoholic beverages

On 17 January 2020, China's National Technical Committee of Brewing Standardisation began consultation on the new version of the recommended national standard GB/T 27588-2011 Lu Jiu. This covers various non-standard alcoholic beverages such as liqueurs, cocktails and alcopops as well as 'Lu Jiu' (a traditional Chinese herbal medicine and/or animal infused alcoholic beverage). It has been renamed the *Quality Standard for Integrated Alcoholic Beverage* and major changes have been introduced.

Formerly, a lack of understanding of western alcoholic drinks, meant an 'integrated alcoholic beverage' was categorised similarly to Lu Jiu. So, products were subject to legislation requiring an alcohol content range of 4.0%vol ~ 60.0%vol at 20°C, and products containing less than 4.0%vol were not compliant. This created a significant barrier for many manufacturers looking to export their products to China.

The new draft new version of GB/T 27588 distinguishes Lu Jiu from other integrated alcoholic beverages, setting a separate alcohol content range of 0.5%vol ~ 68.0%vol at 20°C. This downward revision of the minimum alcohol content requirement is expected to increase opportunities for overseas brewers and introduce new diversity to the Chinese alcoholic beverage market.



## Accelerated health food trade

Due to their relative expense, Health Foods (i.e. dietary supplements) were formerly regarded as luxury goods in China. However, following rapid economic growth in recent years, China's emerging middle class is paying more attention to health and nutrition status, and has become more willing to purchase foods with health benefits.

According to a white paper<sup>4</sup> released by Tmall in 2020, the Health Food market size was 551 billion yuan (approximately €69 billion) in 2007. It is expected to exceed 2,300 billion yuan (approximately €289 billion) in 2022. Health Food is gradually becoming more mainstream in the Chinese diet. In addition, imported multi-vitamin nutrition products have become the most popular nutrition commodity<sup>5</sup>. It is expected that demand for multi-vitamin products will continue to grow in China following the COVID-19 pandemic.

In 2016, the State Council of the People's Republic of China launched the national plan '健康中国2030' ('Health China 2030') to promote people's health status nationwide. It introduces a series of measures to improve the wellbeing of Chinese citizens, from enhancing health awareness to promoting the quality of public medical services. In 2017, the 'National Nutrition Plan (2017-2030)' ('国民营养计划 (2017—2030年)') was launched. This details strategies to achieve goals set in Health China 2030 regarding Chinese citizens' nutritional status. A key strategy laid down in the National Nutrition Plan (2017-2030) is the development of 'innovative nutritious healthy foods', such as Health Foods and nutrient-enriched products.

Currently, Chinese regulations on Health Foods are in a transition period following the revision of the framework measures, Food Safety Law of China. Previously, all Health Foods were subject to a pre-market registration procedure. Chinese authorities evaluated the production formulation and labelling (including use of health claims) on a case by case basis during the registration procedure. Under the new framework, pre-market authorisation will only be required for Health Foods that use ingredients not included in the Health Foods Ingredient Inventory, and for Health Foods being imported into China for the first time (excluding vitamin and mineral products).

For vitamin and mineral Health Foods, pre-market authorisation will not be required. Instead, they will be permitted market entry after completing a notification procedure with the relevant authority.

**This newly introduced notification process is much simpler and faster than pre-market registration. It will accelerate the progress of businesses looking to launch vitamin and mineral supplements in China.**

A review of existing health food regulations has led to consultation on several new regulations regarding the labelling of Health foods. This includes mandatory warning statements and some adjustments to authorised Health Food functionality claims. As China gradually modernises and improves its Health Food legislation, there will be greater clarity on product formulation compliance and claim permissibility.

## Livestream e-commerce

The success of China's livestream e-commerce is a gamechanger for the sales methods of many industries.

### What is livestream e-commerce?

Combining social media with online shopping, livestream e-commerce promotes online sales via product endorsement by influencers. In most cases, influencers are hired key opinion leaders (KOLs) or celebrities. This concept emerged in China several years ago, and took off in 2019. Currently, China's largest player in livestream e-commerce is Alibaba-owned Taobao, followed by ByteDance's Douyin (TikTok) and Kuaishou (Kwai). According to Phoenix Finance (2020)<sup>6</sup>, the number of livestream users of Taobao reached 400 million in 2019 and the annual gross merchandise volume exceeded 200 billion yuan (€25 billion).

This novel platform enables businesses to engage with customers via an innovative blend of sales and marketing methods. And it's gaining traction with some of the world's largest food and beverage brands. According to Sina News<sup>7</sup>, on 22 April 2020, COFCO Coca-Cola Beverages (Sichuan) Co., Ltd. together with Xiaolongkan (a well-known hot pot brand in Chengdu city) and JD.com hosted a livestream with millions of online viewers. During the event, Chen Hongbing, the CEO of COFCO Coca-Cola Beverages Sichuan entered the livestreaming studio to interact with the audience. Soon after, the founder and chairman of New Hope Dairy, Liu Yonghao, also joined a livestream on TikTok to promote his brand.

With the popularity of livestream e-commerce increasing, the Chinese competent authority published the *Code of Conduct for Online Live Stream Marketing*, which came into force on 1 July 2020. This lays down requirements for brand owners, online platforms and multichannel networks as well as users involved in livestream e-commerce. In the light of these developments, monitoring and alignment with Chinese regulations is becoming increasingly critical.





Conclusion

Food and beverage regulation in the APAC region is undergoing a period of upheaval, bringing both challenges and opportunities for international trade. Changing allergen labelling requirements in China, Taiwan and Australia and New Zealand need to be observed. The same is true of Taiwan’s new standards on microbiological criteria and maximum limits for contaminants in foods.

While the APAC market as a whole offers much potential for food and beverage export, the greatest opportunities currently lie in China. Changing requirements for integrated alcoholic beverages and health supplements make the Chinese market more accessible to manufacturers of these products. And social development coupled with innovative digital marketing and sales activity unlock large and lucrative markets for all food and beverage exporters.

Leatherhead Food Research can help

Experts on Leatherhead’s global scientific & regulatory team closely monitor regulatory updates in all major Asia Pacific markets. We can support your Asia Pacific growth by reviewing the formulation and labelling of products to ensure compliance with the latest standards. Throughout our history of service, the Leatherhead team has built strong relationships and connections with the local authorities in these countries and regions. In cases where legislation may be unclear, we are able to work with you and the authorities to seek clarification. Many businesses looking to market their products in Asia Pacific markets do not fully understand the regulatory landscape. Leatherhead can provide expert opinion surrounding relevant food legislation to support strategy development for the markets of interest.



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## About Leatherhead Food Research ▾

Leatherhead Food Research provides expertise and support to the global food and drink sector with practical solutions that cover all stages of a product's life cycle from consumer insight, ingredient innovation and sensory testing to food safety consultancy and global regulatory advice. Leatherhead operates a membership programme which represents a who's who of the global food and drinks industry. Supporting all members and clients, large or small, Leatherhead provides consultancy and advice, as well as training, market news, published reports and bespoke projects. Alongside the member support and project work, our world-renowned experts deliver cutting-edge research in areas that drive long term commercial benefit for the food and drink industry. Leatherhead Food Research is a trading name of Leatherhead Research Ltd, a Science Group Company.

[help@leatherheadfood.com](mailto:help@leatherheadfood.com)

T. +44 1372 376761

[www.leatherheadfood.com](http://www.leatherheadfood.com)

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- Regulatory & Compliance: helping clients in highly regulated markets to launch, market and defend products internationally, navigating the frequently complex and fragmented regulatory ecosystems.
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[info@sciencegroup.com](mailto:info@sciencegroup.com)

[www.sciencegroup.com](http://www.sciencegroup.com)