



INSIGHTS FOR YOUR
INTERNATIONAL FOOD BUSINESS
DEVELOPMENT

MARKET
VALUES AND
PLAYERS

INNOVATION
TRENDS

CLUSTER
SPOTLIGHT

BUSINESS AND
CULTURAL
NOTES

Newsletter produced for the "New Frontiers in Food" project, exclusively for the members of the following clusters:



QUARTERLY NEWSLETTER - N°1 JUNE 2016



DEVELOP YOUR MARKETS IN **USA** and **China**

The US nutraceuticals market

Cluster spotlight:
the Boston biotech ecosystem

Cultural notes:
Be enterprising in the USA!

The Chinese food supplements market

E-commerce trends in China

Cross-border e-commerce, a new way into China

*Click to go
to the article*

Welcome to the **New Frontiers in Food** quarterly newsletter



Dear cluster members,

We are delighted to present you with the first edition of our the **"New Frontiers in Food" newsletter**.

In order to provide members with the support, intelligence and practical means to **accelerate their international and competitive development**, Food Valley (NI), Vitagora (F), Valorial (F), and Wagrallim (B) have developed together the **"New Frontiers in Food"** as part of a joint strategy of internationalization.

Thanks to a 'smart' combination of our various specializations within the agri-food sector, we are focusing on **three complementary value chains that represent significant international growth opportunities** for our member companies:

1. The market of connected food
2. The market of functional food and healthy ingredients
3. The market of processed food products

The first publication of this project, the **"New Frontiers in Food" newsletter** aims to provide you with insights in relation to the chosen value chains gleaned from our combined international actions: market overviews and major players, innovation trends, a focus on a local cluster, and business or cultural notes for conducting your affairs. The first edition of this newsletter provides a focus on the food markets in the **USA** and **China**. The following editions will cover the countries of **Canada, Brazil, Japan, South Korea, Thailand**.

Please contact your cluster team member for any feedback on the content of this newsletter or to find out more about how we can support your internationalization strategy.

Best regards,

News Frontiers in Food Consortium Members
(see back page for our contact details)



This newsletter will provide insights into **3 high-potential markets...**

**CONNECTED
FOOD**

**FUNCTIONAL
FOODS AND HEALTH
INGREDIENTS**

**PROCESSED
FOOD
PRODUCTS**

..explored in **7 strategic countries**



USA



CANADA



BRAZIL



SOUTH KOREA



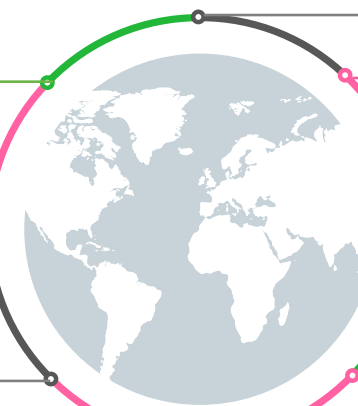
CHINA



JAPAN



THAILAND



Nutraceuticals in the USA



An ever more popular solution to the pursuit of health and wellness. Older consumers maintain spending but younger consumers are catching up.

The term 'nutraceuticals' appeared in the late 1980s to describe food products that have a medicinal benefit. This fast-growing sector includes functional foods (such as vitamin-enriched products), nutritional supplements, sport drinks, and medically formulated foods.

The number of U.S. residents aged 60 and over is expected to grow by 41% between 2008 and 2020, from 53.9 million to 75.9 million. Many of these 60+ consumers are expected to demand foods with health benefits with increasing the life spans of baby boomers prompting an interest in living a healthy, disease free life.

Americans are also being urged to eat more healthily by the government, health associations and employers, as there is also a need to rein in health-care costs. Numerous anti-obesity initiatives are underway at both a state and federal level.

USA - a nutraceuticals powerhouse

The United States is clearly the global market leader, both in terms of market share and the maturity of the offer. Rising consumption of dietary supplements among the baby boomer generation and booming food and beverages market is driving the US nutraceutical market which is expected to reach \$90 billion by 2020, on 6% CAGR. In 2020, the US will still dominate functional food market globally with an expected CAGR of 8.8% globally.

The US functional food market is dominated by global players such as Coca Cola Co., Dean Foods, General Mills Inc., Kellogg Co., Kraft Foods, Nestle S.A. and Pepsi Co. The major players in the nutraceutical ingredients market include DuPont (USA), Royal DSM (Netherlands), Cargill (USA), ADM (US.A) and BASF (Germany). Major Food and Pharma companies are using M&A route to acquire pure-play nutraceutical companies to enter the nutraceutical market.



Find out more...

US REGULATIONS

The main regulations in the US governing Nutraceuticals are the following:

- Dietary Supplement Health and Education Act of 1994 (DSHEA) - https://ods.od.nih.gov/About/DSHEA_Wording.aspx
- Federal Food, Drug and Cosmetic Act (1938) - <http://www.fda.gov/regulatoryinformation/legislation/federalfooddrugandcosmeticactfdca/>
- Current Good Manufacturing Practice regulations (CGMPs) for Dietary Supplements - <http://www.fda.gov/Food/GuidanceRegulation/CGMP/ucm079496.htm>



Millennials - a strong target population

Although nutraceutical products have been most strongly consumed by the older population, opportunities for growth in the US now lie with younger generations. By 2020 Millennials over the age of 25 will comprise 19% of the population, and will require a segmentation approach to appeal to the many different need perceptions.

Demand may address cardiovascular diseases, weight management, cognitive health, gastrointestinal health or bone and joint issues. As American consumers become more aware of the advantages presented by nutraceuticals (both dietary supplements and functional food/beverage options) and actively engaged in their long-term pursuit of health and wellness, they will increasingly see them as an essential part of their everyday diet.

Find out more...

SOURCES

- Health and Wellness Trends, U.S. Market - https://www.gov.mb.ca/agriculture/market-prices-and-statistics/trade-statistics/pubs/us_health_wellness_en.pdf
- Global Nutraceuticals Market. Mordor Intelligence. (2016, March) - <http://www.mordorintelligence.com/industry-reports/global-nutraceuticals-market-industry>



An example of the highly developed nutraceuticals offer available on supermarket shelves in the USA



At the end of 2015, Valorial accompanied 5 member companies for a thematic business mission to the Boston area on the topic of functional ingredients.

In Boston, they discovered a business ecosystem dedicated to life sciences and new technologies but only for candidates with a good level of innovations and good rationale behind them.

Boston and its region are a major hub for biotechnology and pharmaceutical companies. This supercluster of 550 companies has doubled in size in 10 years and offers an optimal ecosystem for the development and value creation in the companies.

This ecosystem is fostered by:

- Scientific research driven by advanced public institutes (Massachusetts Institute of Technology, The Broad Institute, David H. Koch Institute, Wyss Institute ...) and hospitals dedicated to medical research.
- Academic excellence with a high concentration of internationally recognized universities (Harvard, Boston University, Boston College, Tufts, UMass).
- Public / private partnerships supported by the significant contribution of capital. Boston is also the headquarters of 4 of the 10 the most influential "venture capital" firms in Life Sciences. In addition, the Massachusetts Life Sciences Center (MLSC), an investment agency driving a state-run investment initiative, and the Massachusetts Biotechnology Council (600 members), provide certain coordination services and events.
- The proximity of the players with the presence of 8 out of the top 10 major players in global pharmaceuticals. The presence of nearly 550 biotech and pharma companies in Massachusetts.
- An extremely dynamic professional environment with the organization of numerous events every week.



Useful contacts...

CONTACTS

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Tufts University

- Donald McGowan, PhD - Director, Corporate and Foundation Relations - donald.mcgowan@tufts.edu

The Massachusetts Life Sciences Center

- Benjamin Bradford (Director, Regional Development Strategy) - bbradford@masslifesciences.com



A largely informal but dynamic network

Despite its size, this ecosystem is not coordinated by a dedicated organization but rather through an informal network. The most effective way of integrating into this large ecosystem is through your own networking initiatives. Professional social networks are an important means of learning about the various events that take place.

However, support and networking services can be obtained through certain structures such as the Massachusetts Biotechnology Council (MassBio). To facilitate access to the biotech CRO capabilities from among its 600 members, MassBio has recently created MassBio Gateway (<https://massbio.ondeckbiotech.com/>) web portal.

Incubators can also provide an entry point for the cluster. One of the largest incubators in this ecosystem is the Cambridge Innovation Center on One Broadway. This 20-floor tower hosts a large number of start-ups and offers them temporary premises and support for launching their activity (networking with potential investors, regulatory advice etc.).

Other incubators, such as Cambridge Biolabs and Lab Central, are also able to offer laboratory space or test platforms equipped with biotechnology materials.



Find out more...

The Massachusetts Life Sciences Center: a "hub" driving investment in the Boston ecosystem

The Massachusetts Life Sciences Center (MLSC) is a fee-based organization with 700 members. This investment agency supports life sciences innovation, research, development and commercialization. The MLSC is charged with implementing a 10-year, US\$1 billion, state-funded investment initiative. It develops and offers creative programs that fund innovation-driven economic development initiatives in the Massachusetts life sciences ecosystem, but also may have relevance for other "innovation" sectors.

Contact : The Massachusetts Life Sciences Center Benjamin Bradford (Director, Regional Development Strategy)
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Attitudes about entrepreneurship and risk-taking vary greatly between Europe and the US.

When it comes to supporting entrepreneurship, US has some key advantages over Europe and other parts of the world.

It is not a secret that Americans relish risk-taking and often celebrate the underdog who persists at all costs. In many other cultures failure is seen as an embarrassment to yourself and your relatives while US supports the fact that **if your work hard for your idea or ideal, you will success at the end.**

If you fail in a business in Europe, you will struggle to borrow money the next time around, but on the other side of the Atlantic it is almost seen as a useful experience to have gone through. Moreover, the regulations and personal liability levels for entrepreneurs in US are also lower. **Establishing a business is inherently risky and countries should not penalize entrepreneurs excessively if they fail.**

Another advantage is a **tradition of close relations between universities and industry.** America's universities are economic engines rather than ivory towers, with proliferating science parks, technology offices, business incubators and venture funds. About half of the start-ups of the Silicon Valley have their roots in the university.

It is necessary for European SMEs to remove the stigma of failure and **to develop as much as possible the networking opportunities.** As it is done in the US, successful entrepreneurs need to share their history and help the next generation. This is achieved through the development of incubator, accelerators and clusters which promote the power and value of entrepreneurship as the engine of economic growth.

Cultural tips for foreign SMEs

NETWORKING

- Multiply your presence on trade shows
- Use LinkedIn (English profile)
- Find the best candidate to help you
- Have a stack of business cards ready to distribute
- Follow up is critical
- Modesty won't help in the US

SELLING

- Be truthful
- Show what make you unique
- Be concise, clear and responsive "Time is money"
- Be persistent
- Be direct and address the questions up-front
- Small concessions make big impressions

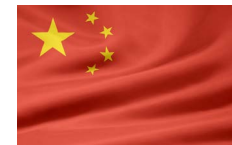
SETTLE YOUR BUSINESS

- Where to locate for tax purposes
- Which time zone suits your business
- Get a registered agent
- Cover your employees with decent insurance
- Develop partnerships and alliances before entry

TO REMEMBER

- Show interest in them
- Let them know a little about you
- Limit emails and prefer phone calls
- Give a positive first impression and be warm (dress smart and conservatively)
- Don't forget to subscribe to a good health insurance

The dietary supplements market in China



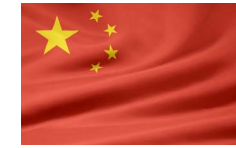
Overview of the food supplements market in China:

- China's market for dietary supplements, grow from 89,2 billion yuan to 100 billion yuan (\$16 billion) from 2013 to 2014. Annual growth is predicted to remain around 15%.
- The market is highly segmented with two thirds of companies in the SME sector.
- Major players include the Americans Amway, Pfizer and GMS, and the Chinese companies By-Health, Tiens and Yangsehngtang.
- According to estimates, in China's health food market, the middle-aged and elderly market accounts for about half of total sales, the women's market accounts for 25%, while the children/youth market accounts for another 25%.
- There is little innovation in the sector (1.67% of revenue invested in R&D). The Chinese have a tendency to copy existing products.
- On the other hand, marketing communications are very important, with 6.6% of revenue being invested in advertising. Television is the most heavily used channel of communication, although internet usage is strong among consumers searching for information on their purchased products.
- Dietary supplements form a major part of everyday life with 50% of urban Chinese regularly buying such products. Demand is turning increasingly to Western style vitamins and supplements, although tradition products retain a strong place in the market.
- The elderly and urban women are the two main growth targets for health supplements. The female health food market is now worth more than Rmb50 billion and is set to grow strongly. Most women buy health food for purposes of beauty, weight loss, blood replenishment, bowel movements and detoxification.

Find out more...

SOURCES

- <https://www.businessforhome.org/2015/07/direct-selling-makes-up-70-of-chinas-dietary-supplements-market/>
- <http://china-trade-research.hktdc.com/business-news/article/China-Consumer-Market/China-s-Health-Food-Market/ccm/en/1/1X000000/1X002L54.htm>
- <http://aarkstoremarketresearch.blogspot.fr/2016/01/dietary-supplements-market-in-china.html>
- <https://globenewswire.com/news-release/2015/01/05/694923/10113991/en/China-Dietary-Supplement-Health-Food-Market-From-2014-To-2018-Industry-Analysis-Size-Share-Growth-Trends-and-Forecast-Radiant-Insights.html>
- <http://www.ft.com/cms/s/0/f1c82b58-fa2c-11e4-b432-00144feab7de.html#axzz49f1ns9la>



In 2015, Vitagora carried out an international development action targeting China, beginning with the partnering of the Tmall subsidiary of the e-commerce giant Alibaba with a number of Vitagora's members companies. Below are a few of the insights identified in preparation of these companies' entry in the Chinese e-commerce market.

A vast e-commerce market driven by middle classes

The Chinese population is growing fast since the government has recently amended its one-child policy, allowing a family to have two children. In this vast country, domestic consumption will increase due to the fact that the Chinese middle class is set to rise to 45% of the total population in 2022, according to McKinsey. The on-line retail market in this country is larger than the US and the markets of these two countries account for more than 55% of worldwide e-commerce. China's gross merchandise volume (GMV) in e-commerce has increased from little over USD 7 billion in 2007 to almost USD 425 billion in 2014.

The Chinese E-commerce market has gained notoriety thanks to the integration of new technologies. In 2014, more than 390 million smartphones were sold, representing 32% of the worldwide sales of smartphones. In the countryside, Chinese consumers who shop via mobile devices account for 64% of on-line purchasers.

Women make up 60% of clients even though they only constitute 44% of the total population. The majority of on-line purchasers are 20-35 years old and live in urban coastal areas. These consumers are indeed constantly in touch with the newest trends and marketing on social media through their

Find out more...

SOURCE

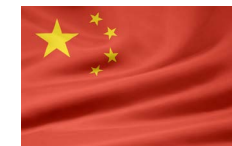
China - Cross-Border E-Commerce
Consulate General of the Netherlands in
Guangzhou (PDF)

smartphones. Accordingly, the share of mobile commerce will rise to 53% in 2016.

Cross-border e-commerce, driven by a search for authenticity and quality

Because of image problems concerning Chinese retailers, in particular concerning counterfeit products, C2C and B2C platforms have become popular hub for cross-border e-commerce in China, and thus avoiding domestic retailers. The most popular categories for overseas products include baby products, cosmetics, fashion, food and beverage, and health products. Chinese consumers will often ask for further information on the country of origin when referred to health and food products.





Domestic e-commerce – dominated by local giants

Currently, Alibaba dominates the Chinese e-commerce landscape, respectively followed by Taobao (C2C) and Tmall (B2C), both also part of the Alibaba group. It is said that around half of e-commerce in China is carried out through C2C marketplaces, with Taobao being the strongest service provider.

Grey channels also allow many overseas products to enter China without passing through customs inspections and paying import duty. Meanwhile, B2C e-commerce takes a large share in the sales of a number of core products, such as fashion, electronics and home appliances.

The market leader, Alibaba, and the challenging team of JD and Tencent have their own ecosystems: social platforms, payment methods, and operational e-commerce. The Alibaba system is composed of the widely used payment system Alipay and social marketing via their partner organization Sina Weibo.



A "Cross-border e-commerce experience center" in the Chinese city of Hangzhou.

Government-led challenges to domination

To challenge these alternative channels, the Chinese governments of the Free Trade Zones and Cross-Border E-Commerce Zones (a combination of bonded warehousing and simplified import procedures) have set up service hubs intended to facilitate contact with platforms and logistic service providers, and have occasionally launched their own e-commerce platforms, for example Kuajingtong in Shanghai.

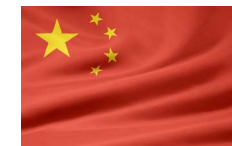
In addition, a few local governments have set up "Cross-Border E-Commerce Experience Centers" in bonded zones that work in a similar way to duty-free shops: customers are able to pay the same lowered tax in these shops as they would via cross-border e-commerce. Furthermore, there are discount offers on certain overseas products.

The most developed metropolitan areas on the mainland are especially recommended to make contact with Chinese e-commerce platforms and media: Beijing, the Yangzi River Delta (around Shanghai) and the Pearl River Delta (around Guangzhou). International logistical possibilities are mainly present in Hong Kong, Beijing, the Free Trade Zones and Cross-Border E-Commerce Zone cities.

China E-Commerce Channels				
B2C STANDALONE eSHOP	B2C PLATFORMS	B2C ONLINE MULTI-BRAND RETAILERS	B2C PRIVATE SALES SHOPPING CLUBS	C2C MARKET-PLACES

Accessing China as a food SME

A regional approach with the help of a **cluster**



China, a vast potential, but which can be overwhelming for SMEs wanting to break into Chinese food markets. A regional approach taking advantage of established cluster to cluster relationships can pay dividends.

The Chinese population's confidence undermined by quality problems with their own food products; a strong drive towards sustainable food production; a large, and growing, population and rapid economic growth - these conditions have made China a major focus for food industry development with multinational players finding their way into the country. But how can the development for Small and Medium Enterprises (SMEs) be facilitated?

Due to the large size and diverse geography, a regional-based approach is the best route for SMEs to access Chinese markets. Two major food regions have been identified, with development initiatives open to partnering with foreign clusters. Two of these regions, Fujian and Weifang, have been the subject of collaborations with Food Valley NL:

- **FUJIAN** - Food production has always been one of the strongest industrial sectors in this province on the southeastern coast of China. Fujian has more than 3,000 food companies whose sales collectively amount to 100 billion Yuan (12 billion Euros). Mushrooms are the region's main product; other strengths include seafood, canned vegetables and white tea.
- **WEIFANG** - Weifang is one of the highly concentrated areas of agro-food production in China and has become the largest production base of high-quality agricultural produce, the country's largest agricultural processing base, and the largest distribution base.

For both SMEs and larger companies, establishing relations with existing or soon-to-be-developed clusters in China is a useful avenue for collaboration. For example, the city of Zhangzhou, one of Fujian province's biggest centers, is currently drawing up a government supported plan to

create a cluster and expand the city's food industry. Collaborating with Wageningen University, Zhangzhou established the Sino-Europe Agricultural Development Centre (SEADC) in 2011. In November 2015, Food Valley NL opened a local office at SEADC.

To further the exchange of ideas, knowledge and collaborations, the upcoming Future Food Forum international conference in Zhangzhou will focus on the future of food production in Asia and the rest of the world, in particular the latest developments in manufacturing healthy, safe and sustainable food products. It is also an excellent opportunity to meet potential business partners in China. The conference is organized by China Merchant Group, SEADC and Food Valley NL.



The launch of the Sino-Europe Agricultural Development Centre in Zhangzhou



Cross-border platforms are considered one of the best ways to sell your products in China (more info on the advantages and obstacles can be found here: <https://www.clickz.com/2015/12/21/why-chinas-cross-border-e-commerce-channel-is-just-the-beginning>). It is notably a means of bypassing the limits imposed on direct selling to Chinese consumers from within China (see left for more information).

New rules for cross-border e-commerce

Foreign on-line traders have benefited in recent years from China's relatively relaxed rules regarding purchases by Chinese consumers from overseas websites. However, new rules have entered into effect from April 8th.

Chinese purchasers importing goods via e-commerce transactions will no longer be required to pay import duties for transactions within the following limits:

1. A limit per transaction of 2,000 RMB (273 euros)
2. Annual purchasing for individuals is limited to 20,000 RMB/2,730 euros (total amount a year per person)

However, it is necessary to add a new sales tax (at a flat rate of +11.9%) regardless the purchasing amount and the category of product. These new rules provide a small disadvantage for purchases involving food products: the previous import duty of 10% has been replaced by the sales tax of 11.9%, and is applied even to smaller purchases previously completely exempt from additional fees.

For purchases beyond the above limits, in addition to the sales tax, duty fees are the following, by category of product:

- Food 10%
- Apparel, electronics 20%
- Alcohol, cosmetics 50%

Find out more...

E-COMMERCE WITHIN CHINA

If you wish to set up an e-commerce activity in China, there are a number of constraints to be taken into account:

- E-commerce in China must be conducted in accordance with Chinese law under the control of the central government
- E-commerce in China can **only be conducted by Chinese companies** (a joint venture is required) (Exemption for On-line data services and trade handling services which can be held by foreign companies)
- The Chinese government imposes centralized reporting, shipping and delivery systems.
- Importers will be held responsible for compliance with regulations

Source: <http://www.chinalawblog.com/2015/07/china-e-commerce-the-new-rules.html>

UPCOMING EVENTS



Upcoming events for partner clusters or major events (international missions) to target countries.

May 31-June 1, 2016	Future Food Forum, Zhangzhou - China, organized in partnership with FoodValley http://www.foodvalleyupdate.com/news/future-food-forum/
July 16-19, 2016	IFT Food Expo, Chicago - USA, presence of FoodValleyNL http://am-fe.ift.org/cms/
October 3-7, 2016	Food factory and farm of the future, Denmark-Sweden Economic and Technological mission, organized by Valorial, presence of Vitagora
October 4-6, 2016	BENEFIQ International Health Ingredients, Quebec City - Canada, presence of Vitagora and Wagralim - http://benefiq.ca/_2016/
October 12-13, 2016	Food Valley Expo Arnhem - The Netherlands, organized by FoodValleyNL http://www.foodvalleyexpo.com/program/
October 16-20, 2016	SIAL Paris, France, presence of FoodValleyNL, Valorial, Vitagora and Wagralim https://www.sialparis.fr/
November 3, 2016	Forum Vitagora, Dijon - France, organized by Vitagora http://www.forum-vitagora.com
November, 2016	November 2016, Economic and Technological Mission to Brazil organized by Wagralim, presence of Vitagora
January 5-8, 2017	Consumer Electronics Show Las Vegas - USA, presence of Valorial, Vitagora and Wagralim https://www.ces.tech/Events-Experiences/CES-Innovation-Awards.aspx

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