Agriculture and Agri-Food Canada
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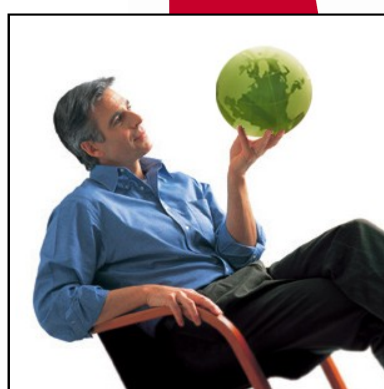
International Markets Bureau

MARKET INDICATOR REPORT | FEBRUARY 2011

Health and Wellness Trends in China



Source: Shutterstock

Growing Forward

Canada

EXECUTIVE SUMMARY

In the next ten to twenty years, China is expected to become the world's largest importer of agricultural and food products. With the largest population of any country in the world (estimated at over 1.3 billion in 2008), China's rapidly expanding middle class presents excellent opportunities for Canadian agri-food exporters.

Falling birth rates and increasing life expectancy are contributing to an overall aging of the Chinese population. The median age is 37.6 years (2008 estimate), which has steadily increased from 25.2 years in 1990.

This large and aging population will ensure that demand for healthcare and related products continues to rise, presenting an opportunity for both for re-branded bulk ingredients, and launching branded products into the retail sector.

Changing lifestyles and unbalanced diets are leading to an increase in health-related problems among the general Chinese population. As a result , an increasing number of people in China are becoming more health-conscious. Compounded by growing disposable incomes and consumer preference for safe and quality products, these factors are driving the growth of China's health and wellness market.

Canada's reputation among Chinese citizens, as a country with a clean and green environment and an unequalled food safety record, means that Canadian products may already have an advantage. However, Canadian companies will need to pay particular attention to the strict regulations and registration procedures that apply to nutraceuticals and related health products in China.

This report uses definitions for the various health and wellness categories as defined in the Annex.

INSIDE THIS ISSUE

Source: *Planet Retail*

MARKET DATA

Health and Wellness Market Retail Sales US$ Millions

	2004	2005	2006	2007	2008	2009
Health and Wellness - Nutritionals	8,941.8	9,648.9	10,541.1	11,484.7	12,406.8	12,957.0
Health and Wellness - Food and Beverages	17,123.9	19,750.3	22,473.5	25,638.3	29,149.0	32,189.3

Source: *Euromonitor International: Health and Wellness*

Health and Wellness Food and Beverage Market Sales US$ Millions

	2004	2005	2006	2007	2008	2009
Organic Food and Beverages	7.1	8.7	11.1	19.6	25.4	21.2
Fortified/Functional Food and Beverages	4,667.3	5,696.4	6,736.4	7,854.4	8,525.5	9,504.1
Better-for-you Food and Beverages	1,205	1,373.6	1,550.0	1,755.0	1,964.3	2,184.9

Source: *Euromonitor International: Health and Wellness*

Health and Wellness Nutritionals Market Sales US$ Millions

	2004	2005	2006	2007	2008	2009
Vitamins and dietary supplements	5,760	6,197.1	6,736	7,377.5	8,001.3	8,323.4
Herbal/traditional products	2,572.8	2,767.3	3,042	3,318.1	3,592.4	3,807.8
Slimming products	598.0	668.1	745.9	768.4	789.3	799.6
Sports nutrition	11.0	16.4	17.2	20.7	23.8	26.2

Source: *Euromonitor International: Health and Wellness*

ECONOMIC TRENDS

▶ China is populated by over 1.3 billion people, representing numerous ethnicities over a vast territory of complex geography. The 55 Chinese minorities alone constitute a population of 104.5 million, which is larger than the total population of most countries in the world. China's enormous societal and geographic differences could pose a challenge to developing an economic market that embraces its entire territory.

▶ China has one of the most lucrative and rapidly-growing retail markets in the world. Despite the global economic downturn, China's retail sales hit US $1.8 trillion in 2009. China's booming retail sales are underpinned by the steady rise of household income. In 2009, per capita disposable income in urban areas reached US $2,515, nearly triple what it was a decade ago. In economically advanced cities, such as Beijing and Shanghai, the average per capita disposable income is more than US $3,810.

Source: *Planet Retail*

▶ Overall better living standards have shifted people's focus from satisfying basic needs to pursuing a higher quality of life, creating significant opportunities in the retail market in general, but particularly for health and wellness products.

▶ Nearly 20 million people in China are moving from rural to urban areas every year. This population on the move offers a unique marketing opportunity as these new urban consumers have specialized product needs.

▶ Unlike some other Asian countries, in China, women are active participants in the work force. As a result, they have an independent means of income, venture out of the home every day, and have the opportunity and desire to spend on consumer goods.

CONSUMER TRENDS

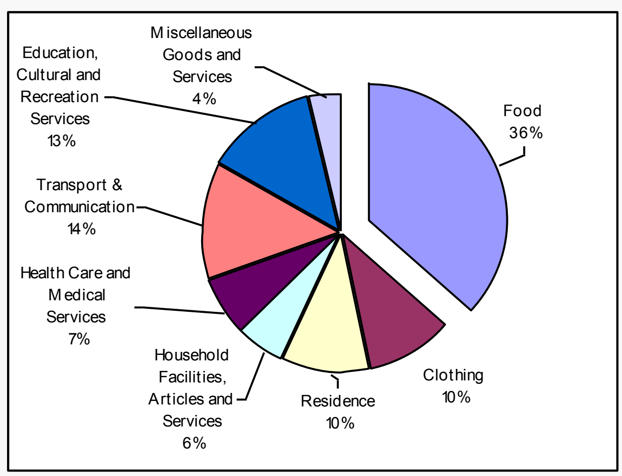
▶ Food is the largest item in Chinese household budgets, accounting for 38% of the expenditures made by urban families, and nearly half of those made by rural households.

▶ As incomes increase, Chinese consumers are spending a more for higher quality. They are paying higher prices for brand name foods, processed products, meals in restaurants, and food certified to be free of dangerous chemical residues. This trend is magnified by the concentration of food spending growth in the upper tiers of the income distribution. Wealthy households tend to spend more on quality, while low-income households tend to spend extra food dollars on buying more milk, meat, fish, and fruit.

▶ Chinese consumers are seeking food products with high quality standards and products that offer convenience. They are also demanding higher safety standards and systems of traceability.

▶ As mentioned in global studies by Nielsen and the New Zealand department of Agriculture, safety is the most important factor in determining purchases (more than price), but safety is determined differently for different products. For meat, safety is determined primarily by vendor reputation. For fruit and vegetables, safety is determined primarily by appearance. For processed drinks and dairy products, safety is determined primarily by brand.

Average Per Capita Annual Expenditure of Urban Chinese Households, 2007



Source: *China Statistical Yearbook 2008*

HEALTH AND WELLNESS TRENDS

- Spurred by the global trend toward eating healthy, including the consumption of natural ingredients and quality food, coupled with a blurring of the distinction between pharmaceuticals and nutraceuticals, China is a ripe market for increased consumption of high-quality, all-natural ingredients and derivatives for health. Currently, four of the ten most-advertised brands in China are health-oriented products such as food supplements, fortified baby foods and baby formula. These products appear in televisions slots, where a host will describe and promote them in great detail, and provide audiences with the opinions of "specialists" or even celebrities to advertise the products' benefits.

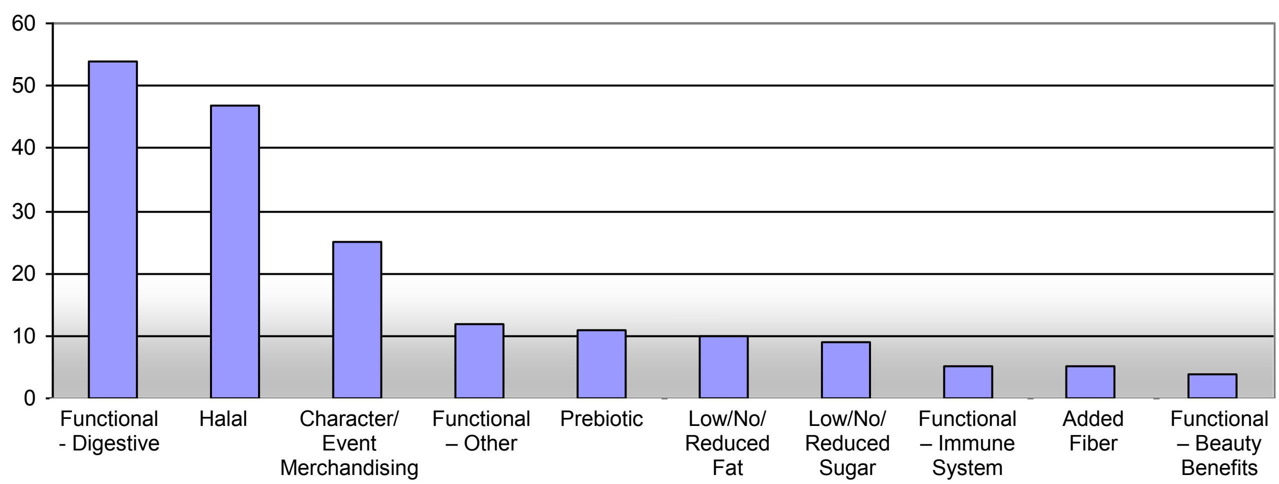
- Nutraceuticals is the most rapidly expanding sector, benefiting from a 2000-year tradition of herbal medicine. Traditional Chinese green tea, for example, has been gaining acclaim in the scientific world as a source of flavonols, which claim to interfere with lipid metabolism favouring the oxidation of fat. But there are other reasons for growth: as China's economy strengthens, so does the wealth of its citizens, allowing them to follow the global trend in making healthier choices.

- Nutritional ingredients and products are becoming more important to Chinese consumers as they become more attentive to their overall health and dietary intake. Portion sizes and calorie control are often at the forefront of consumers' efforts to be disciplined in their dietary choices, but reducing fat intake is the most important and most frequently-practiced dietary approach. According to research by Nutraceuticals World, over 40% of women in urban China and Hong Kong consider themselves to be overweight, and nearly 25% of urban women in China are planning to try and lose weight within the next six months. Fitness club memberships, yoga classes and slimming pills are all experiencing double-digit growth.

- The desire to reduce or modify salt and sugar intake is also intensifying, but carbohydrate concerns are generally lower on consumers' agendas. Food additives and processed food are of high concern for the vast majority of Chinese consumers, who are also increasingly conscious of and influenced by claims of freshness. Concerns surrounding food safety have intensified consumers' focus on food sourcing, while 'free-from' food remains a growing niche.

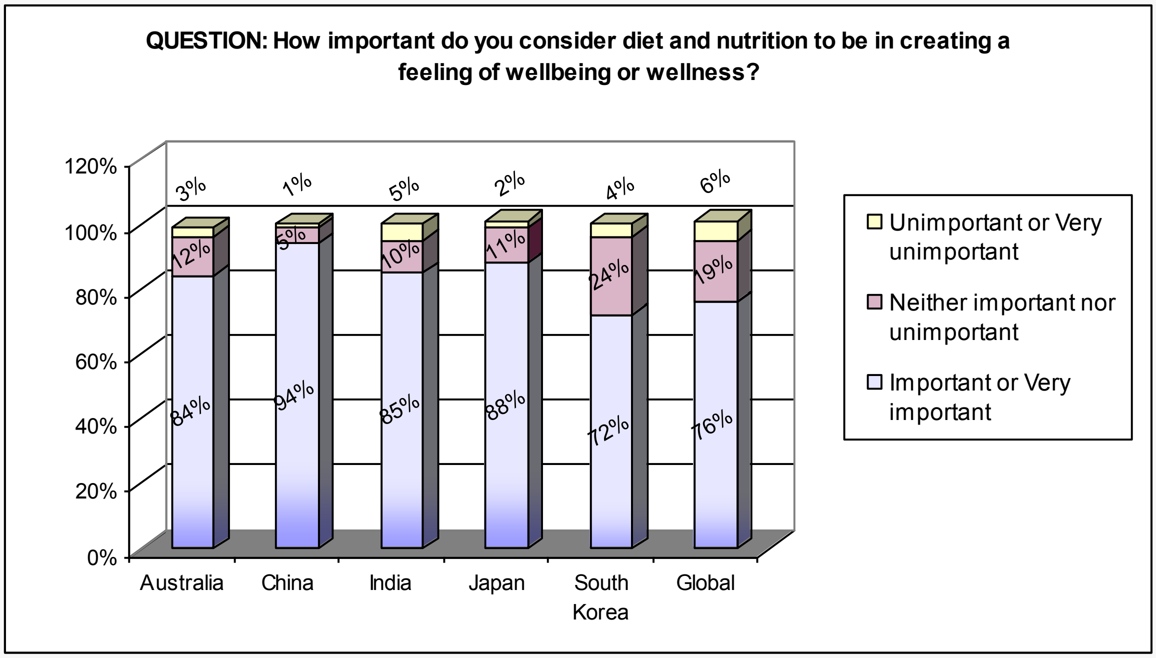
- However, for all the focus on dietary exclusion and the moderation of certain macronutrients, it is also crucial to recognize that today's health-conscious consumers want more than just functional attributes; they also want to derive the maximum nutritional value from the food and drinks that they already enjoy, so as to not have to sacrifice their favourite products. Consequently, companies across all food categories are seeking to incorporate this into their product lines. For example, while traditionally sold in pill or tablet form, nutraceuticals are now being considered for mainstream food system applications, such as cereals, beverages, yogurts, and baked products. The yogurt market has already taken off in a traditionally non-dairy market, based largely on a health platform.

New yogurt product introductions to the Chinese market from 2006 to 2009 by functional claims

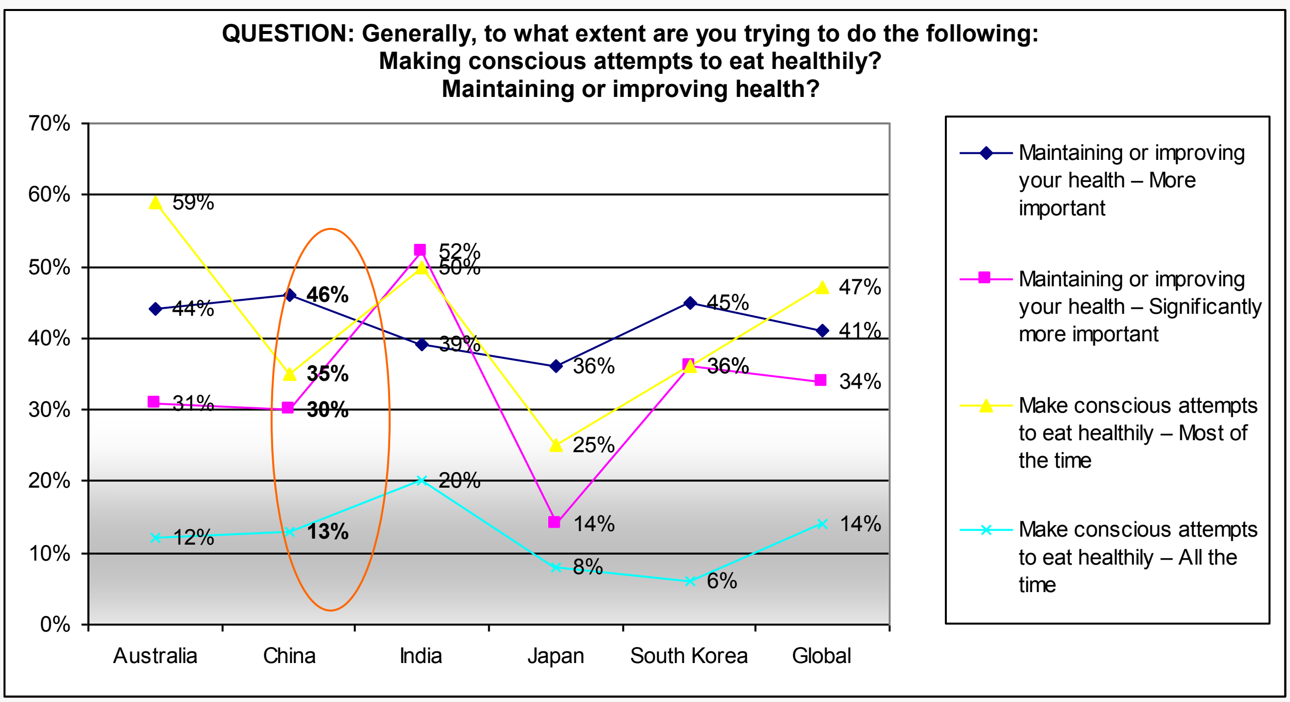


Source: *Mintel International*

Datamonitor conducted a survey of the Asia-Pacific region in 2009, to validate the trend that consumers are paying more attention to the nutritional profile of foods, including ingredient composition. The results highlighted that the perception of health and healthy eating varies throughout the region. Furthermore, the Chinese respondents expressed higher than average opinions regarding the importance of diet to overall wellness, and as to whether maintaining or improving health has changed in personal importance, as compared to two years before (see graphics below).



Source: *Datamonitor International*



Source: *Datamonitor International 2010*

FORTIFIED/FUNCTIONAL FOODS

- Chinese consumer trends reached a turning point in 2003 during the SARS epidemic. This event was a wake-up call, which drove people to pay much more attention to the state of their health. Since then, consumers are moving towards the increased consumption of functional/fortified foods, dietary supplements, vitamins, as well as overall healthy eating, physical activities, and illness prevention in all forms.

- As in the West, food and drink companies are under increasing pressure to take more responsibility in countering the obesity epidemic being observed in the Chinese population, and in reacting to changing consumer needs. As a result, food and drink companies introduced a range of fortified and functional foods and beverages claiming to boost and promote optimal health.

- China's entire demographic spectrum is jumping aboard the functional/fortified bandwagon, with the only noticeable absentees being those from rural backgrounds, especially in the underdeveloped western regions of the country.

- Fortified/functional yogurt recorded the fastest value growth in 2007. Fortified/functional biscuits recorded the second-highest retail value growth in 2007. The enriching of biscuits with vitamin and mineral supplements has helped to boost biscuit sales by associating them with a healthier image.

- A Euromonitor report highlights an increasing number of consumers turning to functional gum in search of health benefits. Functional gum accounted for 47% of total gum value sales in 2007, and was by far the fastest-growing subsector.

- Nestlé (China) Ltd is the leading company in fortified/functional packaged food, with a value share of 8% in 2007. Nestlé has a number of functional food products on the Chinese market, particularly in the bakery and dairy categories.

- Mengniu plans to launch beauty-enhancing yogurts aimed at female consumers, and nutrition-rich yogurts aimed at children. These niches will allow the group to enhance its competitiveness within Chinese yogurt sales.

- Wrigley altered its strategy of adapting international products for China's domestic consumption. Its brand LangYi consists of three variants: beauty, relaxation and cooling. Each new gum contains herbal extracts commonly found in traditional Chinese medicine. These product introductions signal a new concept that allows gums to be positioned as more than simple "mouth-fresheners".

- International Nutrition Co Ltd introduced Dumex Dugro Gold in 2007, which contains prebiotic ingredients that are good for a baby's digestive and immune systems. Most domestic and international brands followed suit, and developed prebiotic milk formulas as a fortified alternative to their standard product lines.

China Functional/Fortified Market Sizes- Historical and Forecast in US$ millions

	2006	2007	2008	2009	2010	2011	2012	2013
Fortified/Functional (FF) Packaged Food	3138.1	4025.2	4965.6	5596.4	6385.7	7377.6	8366.7	9428.4
FF Bakery Products	702.4	930.5	1172.4	1381.5	1667.2	2075.7	2503	2986.7
FF Confectionery	690.6	860.7	1058.2	1169.3	1270.5	1374.3	1480.7	1596.8
FF Dairy Products	1703.5	2181.2	2662.6	2958.2	3342.7	3798.1	4230.0	4669.1
FF Oils and Fats	35.7	45.6	63.4	77.1	93.6	116.1	138.0	158.8
Other FF Food	6.0	7.1	9.0	10.3	11.7	13.4	15.1	16.9

Source: *Euromonitor*

▶ BETTER-FOR-YOU FOODS

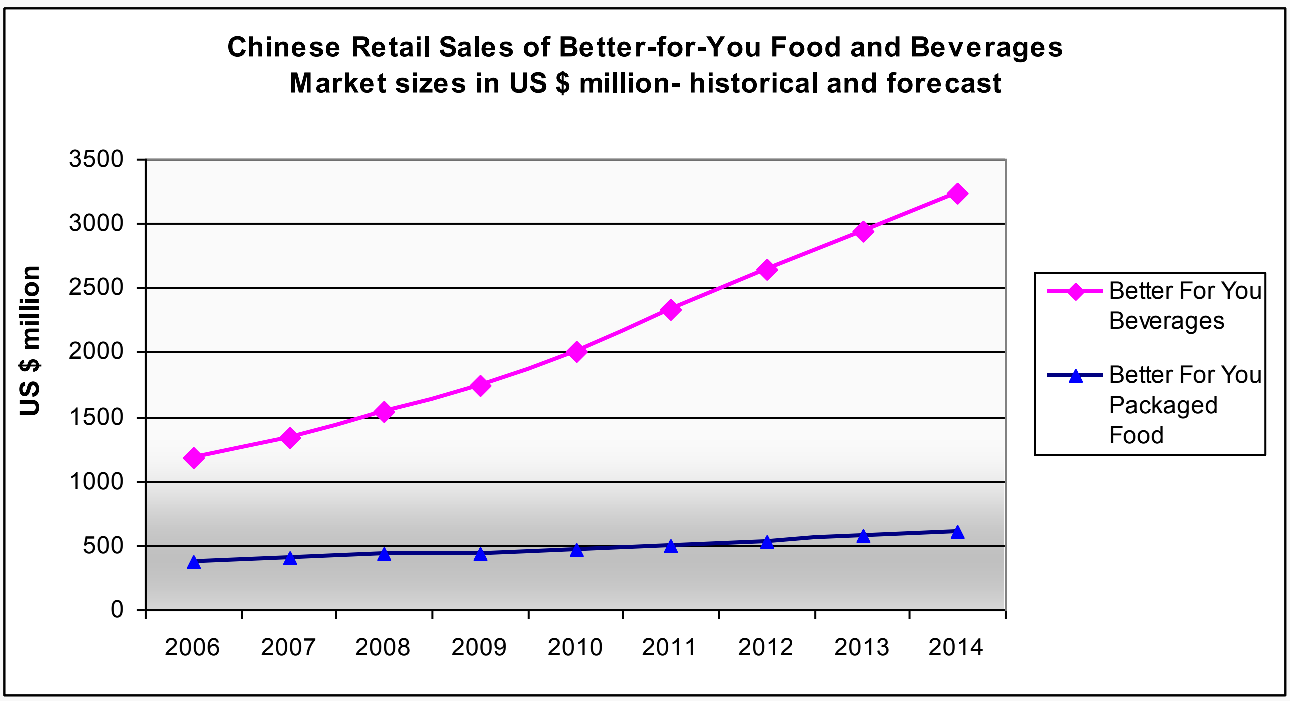
▶ China is recognized as a kingdom of gastronomy and enjoys a long culinary history. Following a long -standing holistic philosophy, meals utilize a rich variety of food products, with particular attention paid to the combination of color, flavour, taste, and nutritional value of the ingredients used. Chinese cuisine is also interconnected with the teachings of traditional medicine, so the Chinese diet is already regarded as serving broader medicinal functions.

▶ Diet is seen as playing an important role in maintaining good health by contributing to an optimum balance of vital life energy. In fact, the Chinese believe that diet is one of the three origins or sources of good health, along with heredity and environment. Therefore, the foods we eat directly influence the excesses and deficiencies in our bodies.

▶ Chinese consumers are putting their newly acquired economic power toward a better lifestyle, and are influenced by Western trends. As a result, they often dine out and, when eating at home, they prefer cooked, semi-prepared and packaged foods. These consumers demand that food be recreational, convenient, healthy, and ideally functional.

▶ At least partly attributable to this Westernization, the Chinese population with weight-related illnesses expanded dramatically in the 2000s. The leading chronic illness in China is hypertension, followed by cerebrovascular disease, arthritis, heart disease and diabetes. Heart disease is now one of the main causes of death in China. Such findings have boosted the sales of healthier foods, such as high-fibre and low-fat dairy products.

▶ The Chinese government is also taking the initiative against the obesity epidemic, and has recently launched a series of ads that encourage consumers to make healthy food choices a part of everyday life. Better-for-you foods could be well positioned in this respect, especially if they can satisfy the needs of consumers who, by nature, prefer food to formal medicine.



Source: *Datamonitor International, 2010*

NUTRACEUTICALS

- As a result of China's one-child policy the overall aging of the population will occur much more quickly than in parts of the more-developed world. Consequently, Chinese consumers are increasingly turning to foods and beverages that promote healthy living.

- According to Euromonitor reports on heath and wellness in China, the Chinese are increasingly fervent consumers of nutraceutical products. Euromonitor has valued the overall health and wellness market in China at US $32 billion in 2009, and project that it will reach US $50.9 billion by 2013, with a large part of those sales in the nutraceuticals sector.

- Nielsen found that as a higher proportion of the population has the income to afford specialty products or supplements in addition to their usual diet, nutraceuticals are seen as a means to "alleviate some of the problems caused by an unbalanced diet, westernisation, and the pressure of urban and suburban ways of life".

- Nutraceuticals are also becoming more acceptable as a result of regulations over health food registration that were finalized in 2005, as part of a government public health drive that also included new measures for examining and administering health foods advertisements.

- Foreign and domestic companies have invested in advertising campaigns, and some have adopted innovative marketing strategies and product branding initiatives. Promotions at the consumer level, in addition to better understandings of consumer preferences, and efforts to educate consumers on varied product benefits, has helped support the growth of nutraceuticals

- Several Western companies in the sector have entered into joint ventures with Chinese companies in an effort to gain presence in the market and help to overcome price pressure on ingredients they had previously manufactured elsewhere.

Nutraceutical Market Growth Drivers

- Rising Chinese consumer purchasing power is surging demand for health and wellness products in China, including growth in the consumption of nutraceuticals, and functional foods and drinks.
- Nutraceuticals fill a similar space in the market as traditional medicine products.
- International trends are contributing to market growth:
  - A growth in demand for functional foods based on an aging population;
  - A rise in the use of preventative medicine as a reaction to rising health care costs.

Nutraceutical Product End-markets

- Health supplements, functional food and beverages:
  - Rutin: Multivitamin and Ester C products
  - Quercetin: Vitamin C varieties, functional drink mix powders, specialized eye health supplements
  - Gingko Biloba: Weight loss aids and multivitamins, energy and attention deficit products, functional drink mixes
  - L-rhamnose: Multivitamin drink mixes, and as a basis for fruit flavourings in food

Source: *Huifeng Bio-Pharmaceutical Technology*

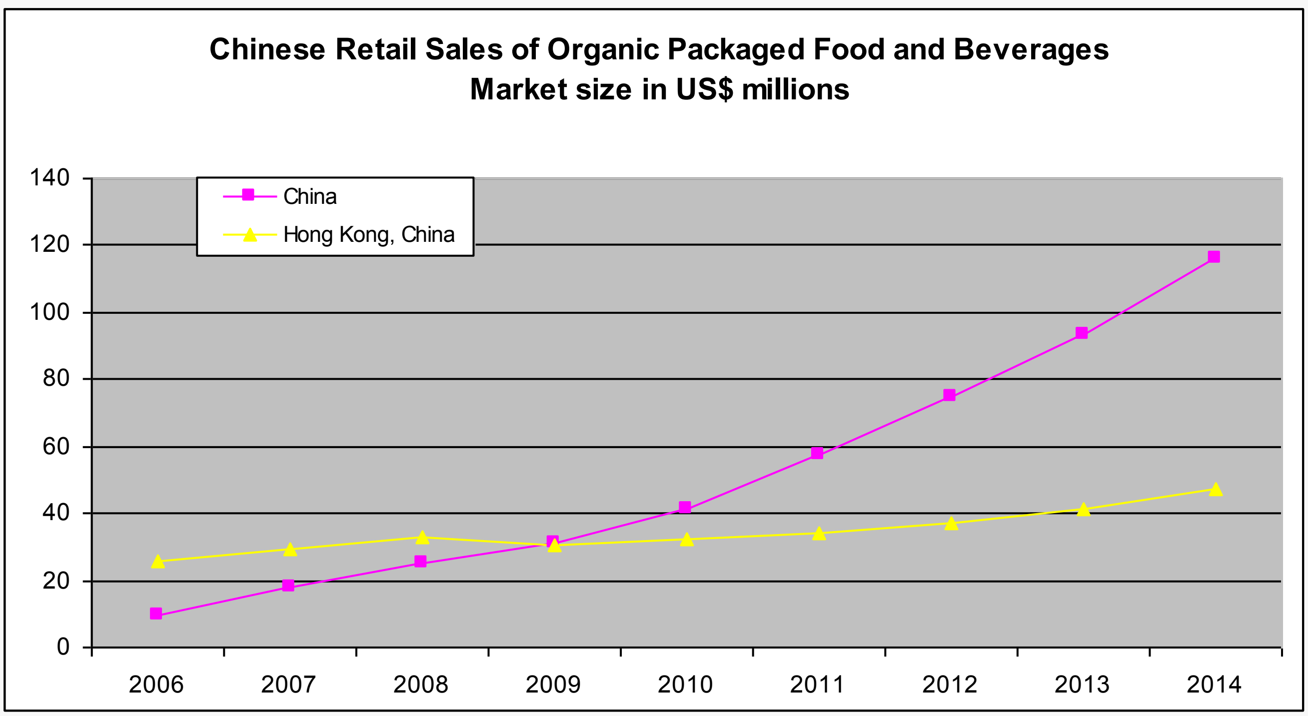
▶ ORGANIC FOODS

▶ In China, the primary consumers of organic products are middle-income people with a high level of health awareness. This group includes, but is not limited to, young professionals, wealthy families, and people who are physically active. In essence, the consumer base for organic products can afford, and are willing to pay, a premium price to benefit their health and the environment.

▶ According to Rock Wing Co. Ltd, an organic consulting company in Shanghai, about 90% of the total sales of organic food represents produce, while 5% comes from domestically processed food, and the other 5% from imported products. Other industry sources also indicate that organic vegetables, fruits, and grains are the most popular products among all categories.

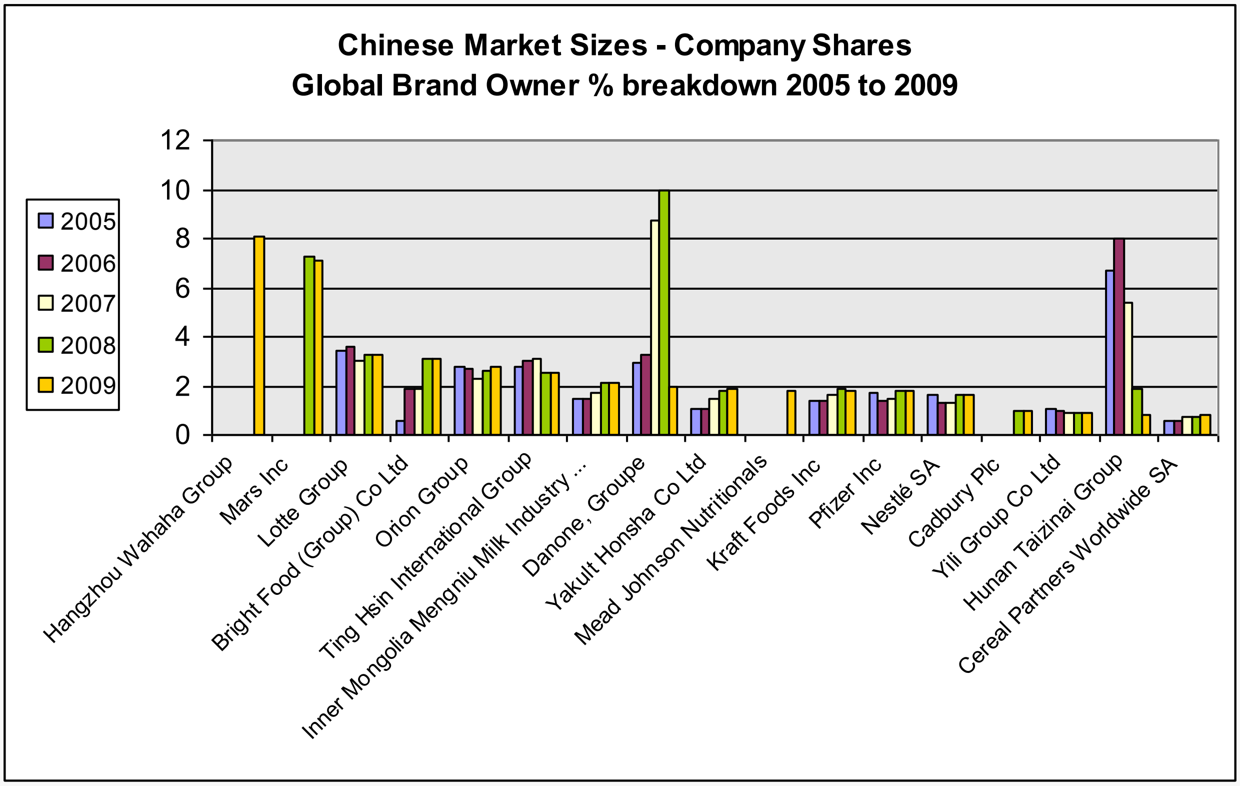
▶ Changes are also beginning to be seen in consumer behaviour in terms of environmental awareness. This awareness is translating into the everyday adoption of living green. Free plastic bags, for example, were banned in many retail stores, shopping malls and wet markets, and media campaigns were arranged to raise awareness about environmental protection and sustainability. As a result, along with seeking sustainable products, more and more consumers are bringing their own bags when shopping and retailers are offering environmentally-friendly bags instead.

▶ This change in lifestyle marks the emergence of a new market segment focused on health and fitness, as well as the environment, and sustainable living. These consumers are interested in products covering a range of market sectors and sub-sectors, including: food and clothing, eco-tourism, green buildings, and energy efficient electronics and appliances. Eating organic fits into this overall green movement, and the sales growth observed in the organic market is reflective of this change.



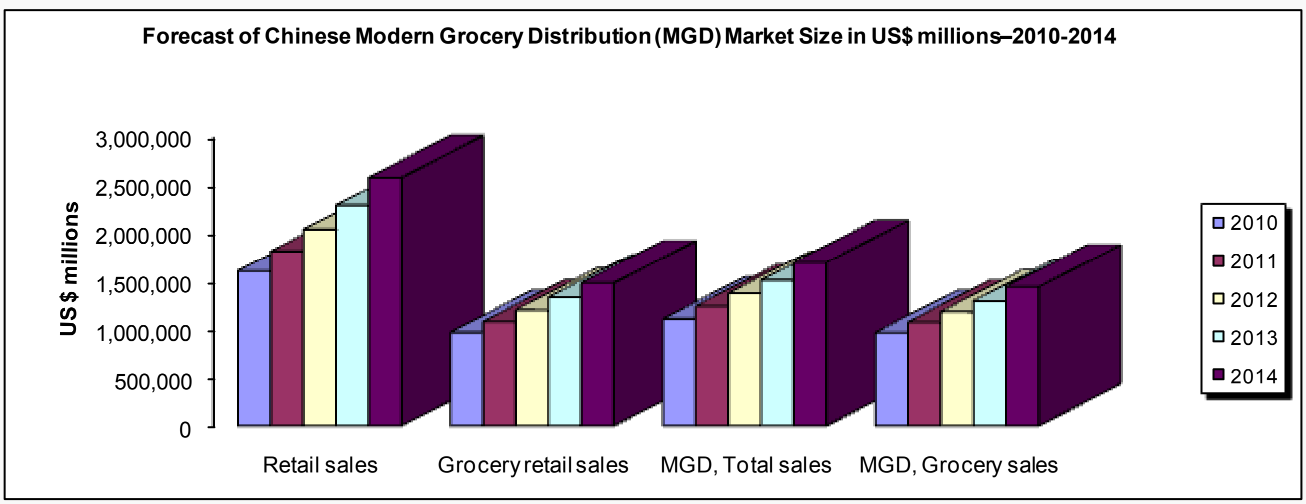
Source: *Euromonitor*

MAJOR DISTRIBUTORS



Source: *Euromonitor*

- A large number of companies operate within the Chinese health and wellness market. These companies largely restrict their product offerings to large cities, where prosperity and food expenditure are more substantial than in rural areas. The launch of new health and wellness products, in the form of fortified and functional, naturally healthy and better-for-you products, is becoming very popular amongst manufacturers in China. The best selling point of new products is ideally something related to an overall healthy lifestyle.



Source: *Planet Retail*

DISTRIBUTION CHANNELS

- Carrefour is recognized as one of the most successful foreign operators in the country, having adapted its store format well to suit local tastes.

- Wal-Mart became the leading hypermarket operator in China when it acquired the 101 store Trust-Mart chain, and gained a strong presence in south and east China.

- Tesco has been the most recent foreign company to forge a joint venture with Ting Hsin, to operate the Hymall chain. In addition, there are a large number of other foreign groups from across Asia and Europe who are planning on entering the lucrative Chinese market.

Top 5 Distribution Channels in China

Rank	Company	2009			
		Banner Sales (US$ millions)	Market Share (%)	Banner Food Sales (US$ millions)	Market Share (%)
1	China Resources Enterprise	9,554	1.0	8,506	1.0
2	Lianhua	9,265	0.9	8,122	0.9
3	Auchan	7,352	0.7	4,608	0.5
4	Wal-mart	6,035	0.6	3,789	0.4
5	Carrefour	5,597	0.6	3,626	0.4
Subtotal		37,803	3.8	28,651	3.3
Others		944,862	96.2	829,066	96.7
Total Sales		982,665	100.0	857,717	100.0

Source: *Planet Retail 2010*

- Hypermarkets in China tend to be located in the centre of the city, rather than on the outskirts as in Europe and North America. Car ownership is very low, forcing Chinese consumers to visit the store several times a week using bicycles and public transport. This limits the amount of goods they can buy in one trip. Although the average transaction is usually low, due to a higher volume of sales, hypermarkets are able to charge lower prices than department stores and supermarkets.

- Supermarkets remain the most important sector for modern grocery distribution and are generally used for daily shopping needs. However, in China's major cities they are coming under increasing pressure from the growing number of hypermarkets. Consumers are visiting the stores for frozen, chilled and other goods that do not need cold storage, while still preferring to visit the wet markets for fresh produce.

- According to Planet Retail, discount stores have not yet taken off in China, but they are expected to be a major format for growth in the future.

- There is a large number of stand-alone department stores in China, and some are owned by the same parent companies as supermarket, convenience store and hypermarket chains. In big-city shopping centres, department stores play a very important role, as most consumers still choose to buy cosmetics, clothing and footwear from this format. Some department stores have supermarkets in the basement, restaurants upstairs, and an overall comfortable environment. Others have sought to reinvent themselves into small hypermarkets and have expanded their product line to include fresh fruits, vegetables, meat and other foods.

China health and wellness distribution - % breakdown by channel

	2002	2003	2004	2005	2006	2007	2008	2009
Health and Wellness								
Store-Based Retailing	97.9	97.3	98	98	98	98	98	98
Supermarkets/Hypermarkets	34.7	35	35.7	36.2	36.7	37.2	37.3	38.2
Discounters	-	-	-	-	-	-	-	-
Small Grocery Retailers	25.6	25.8	26	26.2	26.4	26.7	26.8	27.2
Convenience Stores	15.1	15.3	15.5	15.6	15.8	16	16.1	16.3
Independent Small Grocers	10.1	10.2	10.2	10.3	10.4	10.4	10.5	10.6
Forecourt Retailers	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Other store-based retailing	37.6	36.6	36.3	35.6	34.9	34.1	33.8	32.6
Other Grocery Retailers	37.6	36.6	36.3	35.6	34.9	34.1	33.8	32.6
Better For You (BFY)								
Store-Based Retailing	99.4	99.4	99.4	99.4	99.4	98.5	98.5	98.5
Supermarkets/Hypermarkets	29.7	30.2	30.8	31.4	32	32.7	33	34.5
Discounters	-	-	-	-	-	-	-	-
Small Grocery Retailers	24.2	24.5	24.7	24.9	25.1	25.4	26.2	27.7
Convenience Stores	14.3	14.5	14.6	14.8	15	15.1	16	17.4
Independent Small Grocers	9.6	9.7	9.8	9.8	9.9	10	10	10
Forecourt Retailers	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Other store-based retailing	45.5	44.7	43.9	43	42.2	40.5	39.3	36.3
Other Grocery Retailers	45.5	44.7	43.9	43	42.2	40.5	39.3	36.3
Fortified/Functional (FF)								
Store-Based Retailing	99.3	99.3	99.3	99.3	99.3	99.3	99.3	99.2
Supermarkets/Hypermarkets	33.2	33.6	33.9	34.2	34.5	34.9	34.9	35
Discounters	-	-	-	-	-	-	-	-
Small Grocery Retailers	24.7	24.9	25.2	25.4	25.6	25.9	25.9	26
Convenience Stores	14.7	14.8	15	15.1	15.3	15.5	15.5	15.6
Independent Small Grocers	9.9	9.9	10	10.1	10.1	10.2	10.2	10.3
Forecourt Retailers	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Other store-based retailing	41.3	40.8	40.2	39.7	39.1	38.6	38.4	38.2
Other Grocery Retailers	41.3	40.8	40.2	39.7	39.1	38.6	38.4	38.2
Naturally Healthy (NH)								
Store-Based Retailing	97.3	96.3	97.3	97.3	97.3	97.3	97.3	97.3
Supermarkets/Hypermarkets	35.8	36.1	37	37.6	38.2	38.8	38.9	40
Discounters	-	-	-	-	-	-	-	-
Small Grocery Retailers	26	26.3	26.5	26.7	27	27.2	27.4	27.6
Convenience Stores	15.4	15.6	15.7	15.9	16.1	16.3	16.4	16.5
Independent Small Grocers	10.3	10.4	10.4	10.5	10.6	10.6	10.7	10.7
Forecourt Retailers	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Other store-based retailing	35.5	34	33.8	33	32.1	31.3	31	29.6
Other Grocery Retailers	35.5	34	33.8	33	32.1	31.3	31	29.6
Organic								
Store-Based Retailing	97.1	97.1	97	97	96.9	96.8	96.8	96.7
Supermarkets/Hypermarkets	35.2	36.3	36.3	36.4	36.5	36.6	36.8	37
Discounters	-	-	-	-	-	-	-	-
Small Grocery Retailers	26.4	27.1	27.8	28.5	29.3	30.1	30.2	30.5
Convenience Stores	15.2	15.7	16.1	16.5	17	17.5	17.5	17.6
Independent Small Grocers	10.2	10.5	10.8	11.1	11.4	11.7	11.7	11.9
Forecourt Retailers	1	1	0.9	0.9	0.9	0.9	0.9	0.9
Other store-based retailing	35.5	33.7	32.9	32	31.1	30.1	29.8	29.3
Other Grocery Retailers	35.5	33.7	32.9	32	31.1	30.1	29.8	29.3

***Source:** Euromonitor*

NEW PRODUCTS

According to Mintel International, there were 2399 new health and wellness products introduced in the Chinese market between January 2009 and June 2010. Below are a few examples.

New Product Introductions to the Chinese Marketplace, by Claim in 2009.

	Non-Alcoholic Beverages	Dairy	Snacks	Bakery	Sauces & Seasonings	Sugar & gum Confec-tionery	Meals	Baby Food	Processed Fish, Meat & Egg Products	Desserts & Ice Cream
Natural	226	189	130	48	120	28	71	40	23	24
Minus	172	89	86	86	39	68	17	21	35	7
Functional	140	154	40	26	12	36	19	106	8	4
Suitable for	33	90	65	99	91	15	48	9	61	21
Plus	51	95	54	34	7	27	7	66	21	2
Convenience	44	32	43	11	9	8	72	16	42	6
Demographic	19	52	8	14	3	5	3	127	0	1
Positioning	12	26	12	8	5	4	3	6	2	7
Ethical & environmental	17	20	13	3	7	4	3	9	8	2
Beauty enhancing	13	7	2	1	0	1	1	0	0	0

***Source:** Mintel GNPD 2010*

Classy Kiss Papaya Yogurt contains papaya enzyme and 17 types of trace elements. This yogurt drink is 10% papaya juice and 80% fresh milk. It is claimed to be mellow, refreshing and nourishing. The product is free from preservatives and retails in a 200 ml carton.

Luck-Yes Energy Bars are available in an egg yolk flavour. The energy bars are made with 12 types of natural grains with no added preservatives or colourings. This product retails in a 160 g pack containing individually wrapped bars.

Heinz Orange Teething Rusks are designed specially for babies from 6 to 24 months old. The rusks are made with quality ingredients with no added artificial flavourings, colourings or preservatives. It claims that orange is rich in vitamin C to help the body to absorb more iron. This product is easy to grip and retails in a 64 g pack.

MasterKong Low Sugar Green Tea has been repackaged and reformulated to offer a much mellower taste and a more aromatic smell. This tea contains natural honey and tea polyphenols. The product is free from colourings and now retails in a 1 litre bottle.

ANNEX: DEFINITIONS

This report analyzes the market for health and wellness food and beverages in Japan. For the purposes of this study, the market has been defined as follows:

- Functional Foods—Items to which health ingredients have been added. These functional foods and beverages should have a specific physiological function and/or are enhanced with added ingredients not normally found in the product, providing health benefits beyond their nutritional value. The categories covered in this segment are: added calcium, functional digestive, functional immune system, functional bone health, and vitamin/mineral fortified.

- Better-For-You Foods—This category includes packaged food and beverage products where the amount of a substance considered to be less healthy (fat, sugar, salt, carbohydrates) has been actively reduced during production. To qualify for inclusion in this category, the “less healthy” element of the foodstuff needs to have been actively removed or substituted during the processing. This should form part of the positioning/marketing of the product. Products that are naturally free of fat/sugar/carbohydrates are not included. The categories covered in this segment are: low/no/reduced fat, low/no/reduced sugar, low/no/reduced sodium, low/no/reduced glycemic, and no/low/reduced cholesterol.

- Nutraceuticals—Natural substances are found in foods that have medicinal properties to treat or prevent certain diseases. These natural substances can be added to the diet by increasing consumption of certain foods, or can be taken as nutritional supplements. Products typically claim to prevent chronic diseases, improve health, delay the aging process, and increase life expectancy. The categories covered in this segment are: vitamins, sports products, herbal supplements, and meal replacement /slimming products.

- Organic—Products that are certified organic by an approved certification body. Depending on the country, such products are called “organic,” “biological” or “ecological”.

The usage of the above categories is taken from both Euromonitor International and Mintel. These groupings represent globally accepted classification and product identification for the purpose of data collection.

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