

China's New E-commerce Food Safety Measures

The China FDA recently issued two measures that address food safety for online food sales and restaurant delivery services. The measures clarify food safety responsibilities in these increasingly important channels. Compliance will require sophisticated approaches to food safety and supplier management.

E-commerce has changed the path food takes from farm to table, and has added a new set of risks. These include traditional food safety risks, as well as the use of fraudulent information that deceives or endangers consumers.

China's FDA is actively addressing food safety and supply chain integrity in these new retail channels, and recently published two measures targeting e-commerce. The "Measure to Handle Online Food Safety Violations", (Order 27), became effective starting on 1 October 2016. In February 2017, the "Draft Measure for Oversight of Online Food Services" (the Draft Measure) was published to solicit comments from the public. The Draft Measure specifically addresses the online restaurant delivery sector.

What's new?

The new measures set clear requirements for food producers and traders who sell products online (online food producers and traders), restaurants that sell online for delivery (online food service providers), and 3rd party e-commerce platforms (3rd party platforms).

What does it mean for food sector e-commerce?

Clarifying food safety responsibilities will help protect brands by improving practices throughout the supply chain and reducing the risk of food safety incidents.

The measures also bring additional costs and complexity for businesses. There are challenging compliance requirements for record keeping, information verification, and monitoring of online food service providers and online food producers and traders. E-commerce platforms must ensure that online information is factual, and monitor and conduct spot checks on food service providers' operations.

The new requirements will favor companies with sophisticated food safety and supplier management, efficient operations, and robust information technology.

Order 27

Addresses food safety for sales via 3rd party and proprietary e-commerce platforms.

E-commerce platforms have food safety responsibilities

3rd party platforms must have a food safety management department or at least full time food safety management staff (article 14). They must set up systems for inspecting and registering online food producers and traders, and for examining traders' activities (articles 10, 14). If violations are detected, the 3rd party platform must stop the violation and report to the local FDA. For serious violations, e-commerce platforms must promptly cut off services (articles 14, 15).

3rd party platforms must collect and create files for the relevant information of food producers and traders, including their food safety staff. Contact and identification information must be maintained for individual sellers of agricultural products (articles 11, 12).

Fraudulent information

Order 27 aims to protect consumers from fraudulent marketing and unfounded health claims. 3rd party platforms and food producers or traders who sell products online are responsible for the truthfulness of online food safety information (article 4). Product information published online must match that of the products actual label (article 17). It is forbidden to state or imply that non-health food has health functions, or that infant formula can improve intelligence, immunity, etc. (article 17). Health food information must prominently display the following: "This product cannot be a substitute for medicine" (article 19).

Transparency

Food producers or traders who conduct business online must prominently display all relevant business, production and trading permits and licenses. Food safety inspection grades must be prominently displayed on food service providers' main activity page (article 18). Online sellers of health food, infant formula or food with special medical formulations must display the products' registration or filing certificate, the advertising approval number and a link to the relevant information on the China FDA's website (article 19).

Shipping and storage

Any special requirements related to storage, transportation, preparation or use must be published online (article 17). Online food producers and traders must ensure that all measures required to ensure food safety are taken during shipping and storage (article 20).

Data collection, retention and security

Order 27 requires 3rd party e-commerce platforms, and food producers and traders that sell via their own platforms to have the capability for data backup and system failure recovery, and ensure data security and reliability (article 9). Transaction information must be recorded and preserved until six months after the shelf-life ends, or for two years if there is no shelf life (article 13).

Draft Measure for Oversight of Online Food Services

Addresses food safety for the online food service and delivery.

Food safety responsibilities for e-commerce platforms

3rd party platforms are responsible for ensuring food safety. They must have food safety management systems and food safety management staff who have demonstrated their capability through examinations. They must have systems to manage food safety emergencies, to handle customer complaints and to protect consumer rights (article 2). They must inspect the locations and permits of food service providers, and sign agreements that clarify food safety responsibilities (article 4).

3rd party platforms must conduct monitoring and spot checks on food service providers' operations and services. They must stop and report violations to the local FDA. For serious violations e-commerce platform services to the violator must be cut off (article 6).

3rd party platforms must provide clean, non-poisonous containers, utensils and packaging (article 5).

Food service provider information

3rd party platforms' responsibilities include: real-name registration food service providers, registration of their legal representatives, address and contact information, as well as prominent display of the operating permit on the food service provider's main activity page (article 4).

Food service providers' information must be factual, whether posted on 3rd party or proprietary platforms (articles 5, 13).

Data collection and retention

3rd party platforms and food service providers that use proprietary websites must fulfil record-keeping obligations, including factual recording the name of the food product, the time of the order and the delivery time and destination. (article 7)

Food service providers

Food service providers who sell online must have a physical shop and a food operator permit (article 8). They must have raw material control requirements, and cannot purchase raw materials that do not meet food safety standards. They must periodically maintain their food processing, storage and display equipment; and periodically clean and inspect warming, freezing, and cold storage facilities (article 9). They must prevent contact with the food by delivery personnel, prevent contamination during delivery, and use clean, non-poisonous food containers, utensils and packaging materials (article 10). They must take the measures required to ensure food safety during storage and delivery, e.g. freshness and temperature control (article 11).

How PwC can help

PwC offers a combination of food safety expertise and vast experience with risk management, internal controls and information technology. We can help companies design and implement the systems required for monitoring and oversight of thousands of online food service providers and online food producers and traders.

PwC has food safety and quality experts who can help set up training programs and in-house food safety management departments that are required by the new measures. PwC can help clients with crisis management planning to meet requirements for handling food safety incidents and violations.

We can apply our experience with supplier management to set up systems and procedures to conduct required spot checks and verifications, and to manage merchants' compliance with food safety requirements.

For information on PwC's Food Supply & Integrity Services, please visit our website:

<http://www.pwcn.com/fsis>

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