An analysis of markets, trends, competition and strategy in the Global Nutrition Industry
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1. EXECUTIVE SUMMARY

The global nutrition industry continued to enjoy steady growth in 2010, but—thanks to such indomitable forces as severe weather, emboldened regulators and volatile currencies—the future looks much rockier than the recent past. With the world’s major regulatory bodies adopting stricter stances on product adulteration, health claims and good manufacturing practices, the business climate for dietary supplement and functional ingredient companies across the globe looks highly uncertain, with exceptional bright spots landing in Brazil and many of the emerging markets outside America and Europe.

Currency pressures over the past two years have dramatically affected U.S. suppliers on a global hunt for raw materials. “The decline in the U.S. dollar has made it very challenging—and expensive—to source product offshore,” says George Pontiakos of BI Nutraceuticals. With inflation firmly rooted in the raw materials market, the weakening U.S. dollar comes as a one-two punch for importers of nutrition products, as price increases slowly work their way through the value chain to land on domestic store shelves. A strong currency presents its own challenges too, of course, as Lonza’s top-line successes in much of 2011 fell prey to a strong Swiss franc and an ultimate net decline in earnings.

Natural & organic product categories posted the strongest global performance in 2010, with food & beverage reaching 7.5% annual growth and personal care reaching 8.8% growth. Functional foods grew a more meager 4.8%, as did supplements at 5.4%, leading to overall industry growth for global nutrition of 6.1% to reach just over $300 billion in sales. The full report that follows contains more granular data to capture market performance across regions, product categories and major sales channels.

Figure 1-1 Global Nutrition Industry Sales by Product, 2010

<table>
<thead>
<tr>
<th>Category</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supplements</td>
<td>84,500</td>
</tr>
<tr>
<td>Natural &amp; Organic Foods</td>
<td>84,064</td>
</tr>
<tr>
<td>N&amp;OPC &amp; Household Products</td>
<td>30,985</td>
</tr>
<tr>
<td>Functional Foods</td>
<td>101,836</td>
</tr>
<tr>
<td><strong>Total Nutrition Industry</strong></td>
<td><strong>301,386</strong></td>
</tr>
</tbody>
</table>

*Source: Nutrition Business Journal estimates ($mil., consumer sales)*

Severe weather events around the globe—from heat waves and drought in Russia leading to 30% reductions in winter wheat yields, to flooding across Pakistan and rampant malnourishment—are fast becoming de rigueur for commodity food suppliers. Of note, much of industry’s interest in low-cost wage centers is migrating toward...
the most fickle weather zones on the globe. New manufacturing centers appear to be locating more in Southern Asia and Africa, less in China and India, where the burgeoning middle classes there have found purchase in commanding higher pay scales.

Across the globe, regulatory creep is top of mind for ingredient suppliers and supplement marketers, as Health Canada, EFSA and the U.S. FDA have all indicated policy revisions to clamp down significantly harder on safety. According to Pierre Fitzgibbon of Atrium Innovations, a serial acquirer of global supplement brands, “If we buy something, we will stay very focused in one country. I want us to be cautious. To buy a company with a pan-European platform right now—not knowing the outcome of EFSA’s stance on allowable claims—I think that would be suicidal.” Across the pond, Health Canada’s guidance on warning labels for digestive enzymes—ingredients found pervasively in stand-alone and multi formulations, including one-per-day vitamins—put industry on high alert as products might soon carry the following language, anathema to the core value proposition for supplementation with consumers: “For occasional use only. Consult a healthcare practitioner for use beyond three days.”

To end on a brighter note, Brazil stole the show in 2010 with outsized growth and a confluence of favorable factors for nutrition companies. Brazil offers an exploding middle class of consumers with increasing levels of discretionary income, a fascination with appearance and beauty, and a healthy appetite for supplements. “Popular thinking is that China is the place to be,” says Pete Zambetti of Capsugel, “but if I was starting a business, I’d put my money in Brazil.” A softening regulatory environment, thanks to ANVISA’s adoption in July 2012 of base limits for vitamins and minerals, rather than a science-based risk assessment model, led to immediate interest in the region from major multinational supplement companies. Also of note, natural food consumers have taken to functional products in a big way, but seem to quickly leapfrog that category for healthy-from-the-start fare like certified organic.

NBJ’s 2012 Global Report includes sales and growth estimates for functional foods and beverages, dietary supplements, natural & organic foods and beverages and natural & organic personal care and household products. In this report you will find:

- Quantification of the global nutrition industry, including market size estimates for the major geographic regions and countries, as well as major product categories and sales channels
- A competitive analysis of and discussion of trends affecting individual global nutrition product categories and specific global regions
- Detailed sections for all supplement subcategories, including: vitamins, herbs & botanicals, minerals, sports nutrition, meal supplements and specialty supplements
- A history of key events in the raw material and ingredient supply industry over the last two decades