

NUTRITIONAL PRODUCTS

by Marnie Morrione

Pharmaceuticals and Nutritional Products, Trade Development

As health care costs rise and preventative medicine becomes the new watchword, consumers are looking toward another sector: the nutritional products industry. The interest in self-treatment has created new market opportunities for nutritional products around the world. The U.S. industry recently has suffered through market adjustments with relatively low sales domestically, following the prosperous years immediately after the enactment of the Dietary Supplement Health and Education Act of 1994. However, the export potential for U.S. products is improving as demographics shift and living standards rise.

According to the Freedonia Group, world demand for nutritional products is currently at approximately \$131 billion and is expected to increase by over 8 percent annually to \$162 billion in 2004. Most of the impressive growth is projected in fortified foods and beverages followed by dietary supplements such as multivitamins and mineral preparations. What is driving this demand? The two leading forces are ageing populations and improving standards of living. Consumers aged 50 years and older are the main market drivers; many of these consumers are seeking a better quality of life through cheaper means.

OBSTACLES TO CONSIDER AND HOW COMMERCE CAN ASSIST

Although many overseas markets are ripe for U.S. nutritional products, there are several obstacles to consider. With a strong U.S. dollar, often U.S. companies are at a disadvantage with

regards to pricing. Europe, Canada, and Japan are the strongest competitors for U.S. nutritional product companies. Market research is essential to make sure there is sufficient demand for your product overseas and that you can offer competitive contracts. Offering custom formulation, private labeling, distributorships, and bulk-pricing contracts can often make the difference, because many distributors or buyers are interested in putting their own companies' names on nutritional products to utilize their existing customer bases.

To assist you in finding the best market for your products, the Department of Commerce (DOC) offers many programs and services, including market information by country and industry. In addition, we encourage companies to participate in international trade shows and missions to assess the level of interest in your products in countries or regions. For example, the DOC provides a relatively inexpensive way to participate in trade shows through a Product Literature Center whereby Commerce takes your product information to a trade show and represents your company while collecting potential buyer and distributor information. At the recent first annual Natural Products Expo Asia in Hong Kong, the DOC collected more than 700 trade leads for 14 U.S. companies. Expo Asia was hailed as a success, attracting over 4,000 industry attendees with retail, manufacturing, and supply buyers from more than 60 countries. Penton Media has announced this trade show will return to the Hong Kong Convention and Exhibition Center on

June 18-20, 2003, and the DOC intends to represent interested U.S. companies again.

Asia offers some of the best prospects. Asia's improving economy and living standards have spurred rapid development of the nutritional products market. The current nutritional products market for China and Japan alone has a value of approximately \$30 billion and is forecast to increase to \$40 billion by 2004. Now that China is a member of the World Trade Organization, it is expected that China's State Drug Administration and Ministry of Health will reevaluate the country's regulatory standards for health products within the next few



Visitors to Expo Asia in Hong Kong peruse the displays of natural products.

Photo courtesy of Trade Development

SOME UPCOMING TRADE EVENTS

American Association of Clinical Chemistry Annual Meeting and Clinical Lab Exposition

July 28-August 1, 2002, Orlando, FL

The AACC Clinical Lab Expo, the largest trade show for diagnostic products and services in the United States, is expected to attract more than 18,000 visitors from over 80 countries.

Contact: Meetings Department, (202) 857-0717, www.aacc.org

Supply Side Asia

September 4-6, 2002, Yokohama, Japan

This international trade show and conference will highlight business opportunities for natural ingredients, dietary supplements, and health foods.

Contact: Attendee Information, (480) 990-1101, ext. 1718; Exhibits, ext. 1171; <http://supplysideshow.com/asia>

Natural Products Expo East

October 3-6, 2002, Washington, DC

Whether you're a small retailer, a mid-sized raw ingredients supplier, or a large international manufacturer, Natural Products Expo East has the resources you need to develop your business in natural products.

Contact: Customer Service, (866) 458-4935 or (303) 390-1776, www.expoeast.com

NNFA Northwest

October 25-27, 2002, Seattle, WA

A trade show for the natural products industry. NNFA is the National Nutritional Foods Association (www.nnfa.org), which represents manufacturers and retailers.

Contact: NNFA WA, (360) 379-2805, nnfanwshow@olympus.net

Supply Side West

December 4-6, 2002, Las Vegas, NV

This is another show for natural ingredients, dietary supplements, and health foods (see Supply Side Asia, above).

Contact: Attendee Information, (480) 990-1101, ext. 1718; Exhibits, ext. 1171; www.supplysideshow.com/west/2002

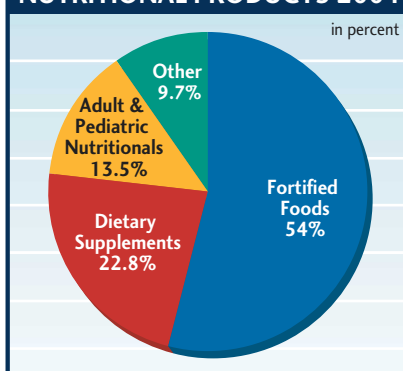
BioTechnica America

April 28-30, 2003, Monterey, CA

BioTechnica America will hold its first biotechnology exhibition, conference, and partnering event in North America. It will also feature a financial forum for investors, a Bio Boot Camp to learn about exporting and sources of capital, and BioBizNez to learn about funding programs to assist start-up companies.

Contact: Hannover Fairs USA, (310) 410-9191, www.hfusa.com

WORLD DEMAND FOR NUTRITIONAL PRODUCTS 2004



Source: The Freedonia Group

years. Both developments make the Chinese market even more promising.

In the meantime, U.S. sales to Japan have been increasing and were up about six percent in 2001. Japan's Ministry of Health recently established four new categories (drugs, food for specified health uses, nutritional food, and other food) to assist in classifying products and determining regulation. Each category has a different level of restriction or regulation to be followed. U.S. companies can now better determine the requirements for imported products.

Classification of nutritional products can present another obstacle for U.S. companies. Considering the cost and time associated with foreign regulatory requirements is imperative. In the majority of overseas markets, nutritional products are classified in an over-the-counter or medical category with difficult regulatory requirements. Unlike the United States where dietary supplements are considered foods, many foreign countries regulate supplements through their ministries of health.

The regulation of nutritional products poses somewhat of a dilemma for governments throughout the world. Based on cost-saving considerations, public authorities typically seek to make many of these products available. However, at the same time, regulators believe that they must protect

consumers from unsafe, ineffective, or fraudulent substances that lack proven health or nutritional benefits. It is necessary for a company to consider not only whether it can comply with the foreign country's regulations, but also the cost and time lag associated with the approval process. To assist in minimizing trade barriers including regulatory roadblocks for U.S. companies, the DOC staff identifies exporting difficulties caused by foreign governments and works to achieve equal treatment for U.S. exporters.

On a global scale in the nutritional products industry, the DOC is working with the U.S. Department of Agriculture, the Food and Drug Administration, and other federal agencies to represent the United States at Codex Alimentarius meetings. The United Nations established the Codex Alimentarius in 1961 to develop standards and guidelines for food products. Its primary purpose is to improve the quality of food products worldwide and to decrease trade barriers due to different sets of standards in different countries. Currently, four key Codex initiatives directly affect the dietary supplements sector: the draft guideline on vitamin and mineral supplements; the draft standard on additives, including those that may be used in supplements; a draft guideline for health claims that can be used for foods, including supplements; and the principles for assessing and managing risks. The next meeting of the Codex Committee on Nutrition and Foods for Special Dietary Uses will be held in Berlin, Germany, on November 4-8, 2002. The DOC continues to participate in Codex to ensure a level playing field for U.S. industry as well as to promote fair trade policies.

Whether it is assistance in promoting your nutritional product overseas or market access concerns and interest in international negotiations, the DOC can provide answers to help your company to succeed. ■