



OMEGA 3



STEVIA



ALOE



FIBRE



PROTEIN



CO-Q10



WEIGHT

Industry resilient, but takes its shots

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These are extraordinary times. In 2008, the water line for this industry was about eight per cent. In 2009, some companies

are lucky if they can stay afloat, while others are seeing so much overflow it seems like a 100-year flood – think vitamin D and stevia.

In this issue of *Functional Ingredients*, the editorial is dedicated to ingredient names and numbers that have fared well over the course of the past two years and, sadly, those that are faltering.

Historically, this industry has been recession proof, but in this new era of regulation the assaults on the industry are more than just the economy. For the first time since its inception, the FDA is actually enforcing DSHEA. Some industry leaders are saying be careful what you wish for, while others welcome the scrutiny, citing that too many bad players snuck on the ark while no one was watching (*see the 10 Commandments sidebar, p. 15*).

For the companies that entered this space with only money on their minds, the pending Good Manufacturing Practices (GMPs) will prove too tough an obstacle to overcome. As you will see on **FIONline.com** in an exclusive GMP survey from our readers, most companies will make it through the arduous process and come out ahead. In the opinion of *Functional Ingredients* editors, GMPs are a necessary and vital component to regaining consumer confidence.

During the recent *Nutrition Business Journal* Summit, 40 per cent of the CEOs and other executives in attendance said they believe the most critical challenge facing the dietary-supplements industry is potential changes to DSHEA, followed by food-safety legislation (28 per cent) and new GMP rules for supplements.

As the year closes, there is hope. In September 2009, two significant government pronouncements made an impression. One, Federal Reserve Chairman Ben Bernanke proclaimed the recession

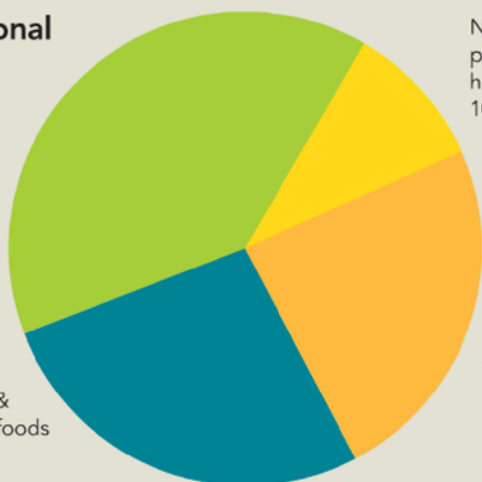
\$102 BILLION US NUTRITION-INDUSTRY CONSUMER SALES IN 2008

Functional foods
36%

Natural & organic foods
29%

Natural & organic personal care and household
10%

Supplements
25%



Source: Nutrition Business Journal estimates (consumer sales)

2008 FUNCTIONAL-FOODS SALES BY PRODUCT & CHANNEL

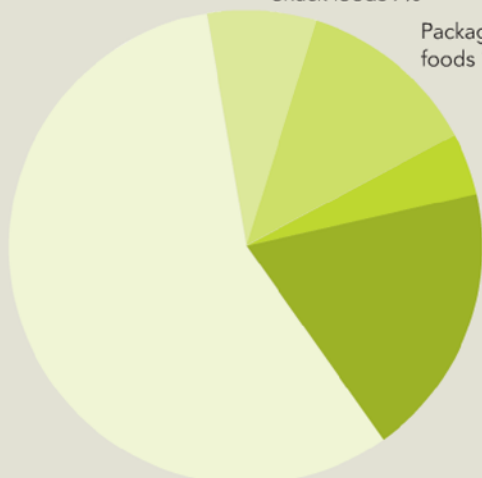
Snack foods 7%

Packaged/prepared foods 12%

Dairy 5%

Breads & grains 17%

Beverages 58%



Source: Nutrition Business Journal



SUPERFRUITS



RESVERATROL



FATIGUE



CARDIO



DIABETES



JOINTS



IMMUNITY

“very likely over.” Granted, it may be akin to a truck that ran you over and it’s only a few feet past you as you lie flattened on the pavement – but hey, the accident is over!

Two, the USDA proclaimed organics “mainstream.” Its agricultural marketing service announced, “Organic products have shifted from being a lifestyle choice for a small share of consumers to being consumed at least occasionally by a majority of Americans.”

Hand-in-hand with lifestyle choices such as organic is health care. Town-hall meetings are hot beds of anger and frustration as tomes of legislative paperwork are hoisted into the hallowed

halls of Congress and the Senate. Admittedly, reading the actual proposals hasn’t been a strong suit for our elected officials, but meanwhile, Americans are slowly getting it – good health can’t be taken for granted.

Wellness depends not only on physicians, but also on self care. This industry is squarely placed to be the epicenter of self care and wellness, whether it’s healthier schools or healthier cupboards.

Health care

Across the country, many schools have removed soda vending machines, saying they should not be plying children with sugary drinks. In the summer of 2009,

the American Heart Association urged people to reduce their intake of sugary foods and beverages to lower the risk of conditions such as obesity and high blood pressure – singling out soft drinks as a prime culprit.

Riding those coattails is a proposal floating about of a penny an ounce tax on sugary beverages, which would raise \$14.9 billion in its first year, to be spent on health-care initiatives. The tax would apply to soft drinks, energy drinks, sports beverages, and many juices and iced teas – but not sugar-free diet drinks. Even President Obama has voiced a cautious openness to the tax, though he allowed that the politics of it could submarine the idea.

At its core, the natural-products industry is about healthier living. Healthier than what, you say? Healthier than the chemical-intensive, cheap, subsidised, commodity carbohydrates food manufacturers foist upon unwitting consumers, who buy based on price without bothering to consider the link between diet and health.

In the Great Recession economy, while natural and organic are more expensive than conventional foods, they >>

FASTEST-GROWING AND DECLINING SUPPLEMENTS IN 2009

FASTEST GROWING

Natural Channel

1. Fish oil
2. Vitamin D
3. Probiotic supplements
4. Vitamin C
5. Multi-source protein

Food/Drug/Mass

1. Açai
2. Fish oil
3. Vitamin D
4. Multivitamins
5. Calcium

FASTEST DECLINING

Natural Channel

1. Chinese herbs
2. Psyllium
3. Milk-based protein
4. Guarana
5. Adult multivitamins

Food/Drug/Mass

1. Adult multivitamins
2. Flaxseed
3. Soy products
4. Ester-C vitamin C
5. Vitamin E

Source: SPINScan Natural; Natural Supermarkets >\$2M (excluding Whole Foods)
SPINScan Conventional; Nielsen ScanTrack excluding Walmart
Total US; 52 weeks ending 5/19/09

WHAT RECESSION?

Sales of foods manufactured and marketed as functional increased **46%** since 2004 to a little more than \$6.3 billion (**27%**, adjusted for inflation)

60% of adults claim to have purchased functional foods and drinks in the past three months, up from **48%** in May 2008.

Source: Mintel