Overview of the New Zealand Complementary Medicines Industry

29 August 2007

An estimate of the New Zealand Complementary Medicines Industry was generated using information obtained from New Zealand companies manufacturing, exporting or importing complementary medicines. This information was obtained from a number of different sources including peak industry bodies, the internet and prior contact with Medsafe (PIL project, COMET database, SMARTI). No attempt was made to capture companies that were only retailing complementary medicines and were not themselves importing products or manufacturing. It is likely that there are a number of small enterprises manufacturing, distributing or marketing complementary medicines that have not been captured in this analysis.

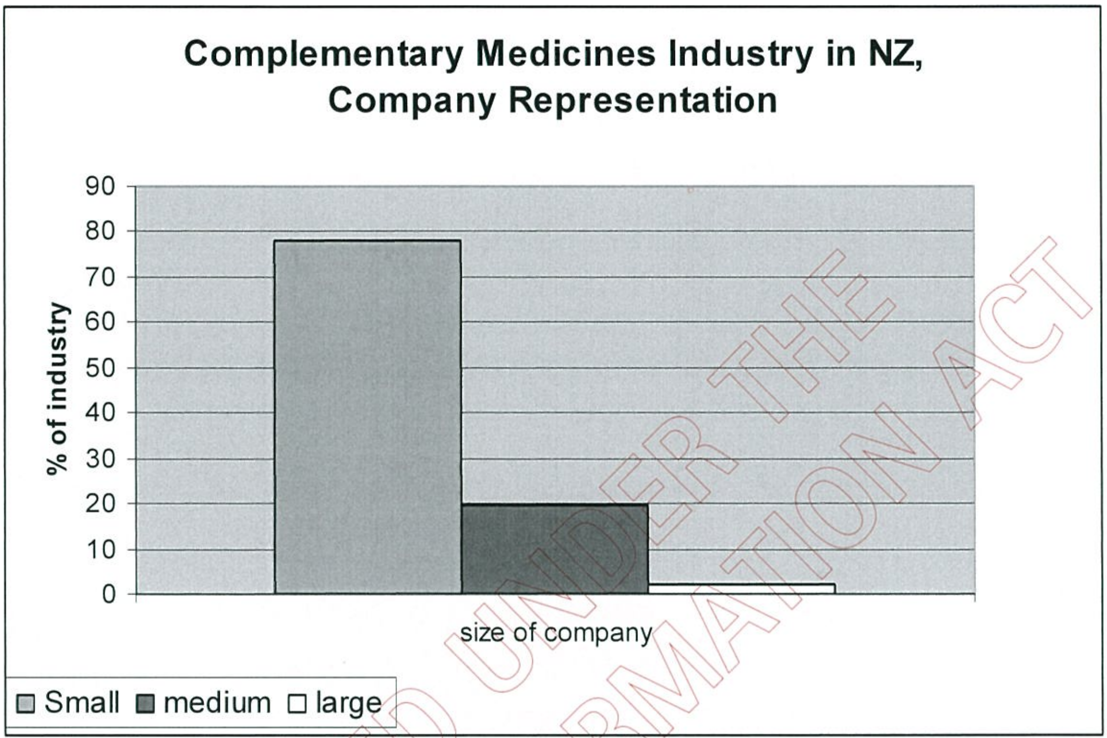
A further analysis was conducted on three peak industry bodies to provide information about their representation in comparison with the industry as a whole.

Company Size

Size (note 1)	***Whole of industry*** (note 2)	*Natural Products NZ* (note 3)	*Canterbury and Nelson Nutraceuticals* (note 4)	*Therapeutic Products Manufactures Association* (note 4)	*Health Trust Supporters*	*Citizens for Health Choices* (note 5)
Small (<10 employees)	257	22 (8%)	10 (4%)	1 (<1%)	23 (9%)	4 (2%)
Medium (10-100 employees)	64	19 (30%)	12 (19%)	8 (12%)	11 (17%)	7 (11%)
Large (>100 employees)	7	4 (57%)	0 (0%)	5 (71%)	0 (0%)	0 (0%)
Total no. companies	328	45 (14%)	22 (7%)	14 (4%)	34 (10%)	11 (3%)

Note 1 Estimated number of employees
Note 2 Those companies identified to date
Note 3 In terms of market presence, Natural Products NZ members represent a more significant role in the complementary medicine industry than these statistics might suggest due to size and nature of business of larger member companies.
Note 4 Only included companies with a complementary medicines interest (C & NN total membership = 63 companies; TPMA = 27)

Comment: The number of large companies has been revised downwards from previous versions of this table. Agri-Qual and ESR are large organisations with interests in natural products due to their contract testing. Blackmores has been combined with API consumer brands as the latter now appears to be the NZ agent. Similarly Analytical Nutrition has been combined with Good Health Products and Health Foods International with Nutra-life. Following further investigation a few large companies were removed from this analysis as their sole interest is in the raw material supply.



Breakdown of Company Representation

Category	Total	Membership/supporters		
		NPNZ	TPMA	CNN
Very large companies (>100 employees)	**7**	**3**	**4**	**1**
Very large Manufacturers (>100 employees)	3	3 (100%)	3 (100%)	0
Large companies (60-100 employees)	**9**	**6**	**4**	**0**
Large Manufacturers (60-100 employees)	4	4 (100%)	2 (50%)	0
Medium Companies	**55**	**12**	**4**	**4**
Medium Manufacturers (10-50 employees)	43	12 (29%)	3 (7%)	3 (7%)
Medium Importers	11	0	1	1
Medium distributors/exporters	2	0	0	0

Small Companies	256	22	1	10
Total Comp meds companies	328	43	13	24

Primary Company Activity

	*Company size**	*Number*	*% in each category*
Importers	Small	55	21%
	Medium	11	
	Large	3	
Exporters	Small	14	5%
	Medium	2	
	Large	0	
Manufacturers	Small	141	59%
	Medium	46	
	Large	3	
Contract manufacturers	Small	2	3.2%
	Medium	8	
	Large	0	
Contract testing laboratories	All	9	3%

* Company size as defined above

Most small companies with an internet presence offer their products to consumers in overseas countries. It was not possible to obtain any information on the actual number of complementary medicine products that were exported in this way, nor any information on the destination countries. Also, within the small manufacturing group there are 29 companies who appear to be mainly ingredient suppliers (e.g. lavender oil, powdered deer horn) who may have one final product. It is not clear whether the final product is made by them or they then sell on behalf of whoever buys the raw material.

Overall the complementary medicines industry in New Zealand consists mostly of small companies (less than 10 employees), many of whom are manufacturing product for sale.

It is acknowledged that not all small companies identified as manufacturing will conduct the whole process at their facilities. For the cosmetic types of products it is assumed that a cream base is purchased and active ingredients added.

A few companies emerge as major stakeholders in the contract manufacturing business. GMP Pharmaceuticals and Alpha Labs have code stock items that can be labelled for small manufacturers and NZ Cosmetics Labs provides the same service for the cosmetic types of products.

Presumably the deer and bee products industry is using a small number of contract encapsulating service providers.

For the purposes of this study a manufacturer is defined as the person owning the brand.

Company Annual Turnover

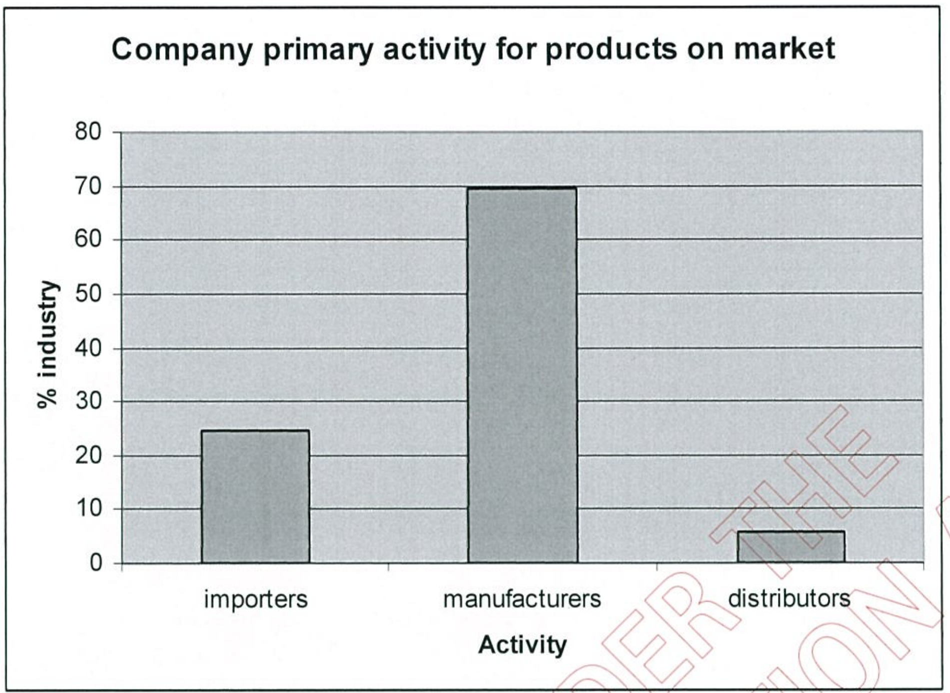
Annual turnover ($NZ million)	*Number of companies**
<1	5
1-5	11
5-10	5
11-20	4
21-50	11
>50	3

* 39 companies publicly declared their turnover.

Number of Products Represented by Company

Company size	*Average no. products represented*	*Range of no. products*	*Sample size*
Small	29	1-500	155 companies
Medium	78	1-500	54 companies
Large	200	2-450	7 companies

The large range of products offered by small and medium sized companies is due to these companies being able to offer extensive catalogues through off-shore parent companies and by a few homeopathic and aromatherapy oil manufacturers with extensive product ranges.



Good quality information on the type of business and the number of products supplied was found for a total of 256 companies. The above graph shows the activity profile of these companies who supply the NZ complementary medicines market. Again the main area of activity is the manufacturing sector and is made up of many smaller manufacturing operations.

Product Category

Product type	*No. of companies with product type*
Deer products	35
Bee products	34
Lavender products	14
Sports (nutrition and creams)	18
Herbal medicines	135
Dietary supplements (vitamins and minerals)	77
Marine products	19
Cosmetics/sunscreens	38
Homeopathics/anthroposophics/flower essences	20
Probiotics	8
Milk products/dairy	19
Aromatherapy oils	10
Emu oils	4
Other	4

Number of Products Marketed (catalogue size)

Catalogue Size	Number of Companies
Large (>100 products)	24
Medium (50-100 products)	21
Small (10-50 products)	69
Very Small (<10 products)	114

Activity Profile

Size of Company (# employees)	Number of Companies with Catalogue Size			
	Large (>100)	Medium (50-100)	Small (10-50)	Very small (<10)
Large (>100)	3	0	1	2
Medium (10-100)	12	9	22	12
Small (<10)	15	7	40	92

Non-Compliance

Of the companies where it was possible to obtain specific details about their products, an assessment was made of the level of non-compliance with the current Medicines Act (1981) and the Dietary Supplements Regulations (1985). Non-compliance was defined only on the basis of the presence of therapeutic claims associated with the product and no attempt was made to determine any other aspect of non-compliance e.g. the presence of scheduled medicines. Dietary supplement-type products (intended for oral use) carrying therapeutic claims and other products (including foods, cosmetics and complementary medicines) carrying therapeutic claims (i.e. unlicensed medicines) all came under the umbrella of "non-compliant".

Number of Non-compliant Products

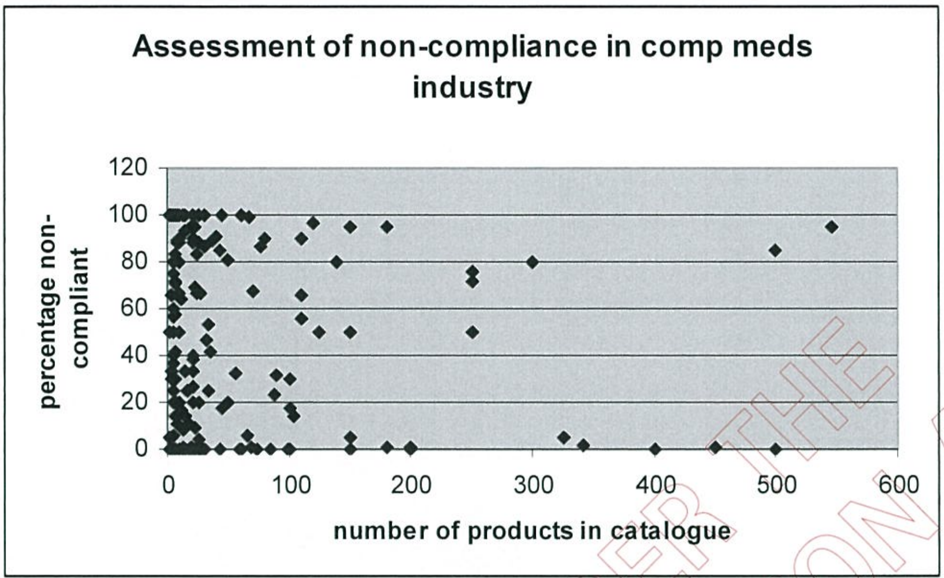
Non-Compliant	6253 (51%)
Compliant	6008 (49%)
Total no. products found	12, 261

Number of Companies with Non-compliant Products *Note 1*

	No. of companies (%)
Compliant	58 (22%)
Non-compliant	205 (78%)

Total no. companies	263

Note 1- Classed as medicines under the Medicines Act (1981)



The above graph represents the scatter in the industry. Many products on sale in New Zealand would be compliant with claims allowed for listable medicines in Australia.

The severity of non-compliance was also assessed. The severity of non-compliance was based upon the type of therapeutic claims being made by the company for their products and was divided into either high (claims of efficacy about a product for serious diseases and conditions including cancer, depression, diabetes etc.) or low (therapeutic claims likely to be appropriate for a low risk medicine). An "average severity" of the therapeutic claims made be each company was grouped into low or high.

Severity of Non-Compliance per Company

Average severity of non-compliance	*No. of companies (% of total)*
Low	144 (74%)
High	50 (26%)
High for >80% of products in catalogue	26 (10%)

The non-complaint products (i.e. those carrying therapeutic claims) were further subdivided into cosmetic, food, dietary supplements and complementary medicines to provide some information about the types of products that were non-compliant. Cosmetics included products which were intended to have a primarily cosmetic purpose eg. moisturisers with anti-aging claims and foods included products consumed in a normal diet such as fruit drinks carrying therapeutic claims. Dietary supplements included vitamins and minerals and products generally meeting the definition of a dietary supplement according to the Dietary Supplements Regulations 1985[1] apart from the claims made. Complementary medicines included products that did not fall into any of the above categories, including creams and balms with no primary cosmetic purpose and herbs with a traditional history of use as a medicine.

The following table gives an indication of where the non-compliant products would fall if the therapeutic claims were to be removed i.e. would it be regulated as a food, a cosmetic, a dietary supplement or would it be likely to be considered a medicine. Because of the subjective nature of the classification and the absence of information on all of the products on the New Zealand market, the information is only intended to indicate general trends.

Areas of Non-Compliance

	Number (% of total)
Cosmetics	250 (5%)
Foods	252 (5%)
Dietary supplements	1357 (27%)
Complementary medicines	3170 (63%)
Total number of non-compliant products identified	5029

Analysis of Selected NZ Industry Groups

Three significant industry groups with New Zealand-specific niche markets in the complementary medicines area were selected for a breakdown of the individual companies' activities.

Deer Industry

- Total number of companies identified: 29
- Countries exported to: Asia, Korea, China, Germany, Australia, USA

Areas of Activity

Exporters	19
Manufacturers	17
Contract Manufacturers	6

Bee Industry

- Total number of companies identified: 30

[1] Dietary supplement means any amino acids, edible substances, foodstuffs, herbs, minerals, synthetic nutrients, and vitamins sold singly or in mixtures in controlled dosage forms as cachets, capsules, liquids, lozenges, pastilles, powders, or tablets, which are intended to supplement the intake of those substances normally derived from food.

- Countries exported to: Countries mentioned included Australia, USA, Europe, Canada, China, Asia.
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Areas of Activity	
Exporters	21
Manufacturers	22
Contract Manufacturers	4

Marine Industry

- Total number of companies identified: 19
- Countries exported to: Australia, USA, Canada, Japan, Singapore, Malaysia, China (Hong Kong), UK.

Areas of Activity	
Exporters	10
Manufacturers	18
Contract Manufacturers	6