

# Producing for the Medicinal and Health Food Industries

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# Diversification Opportunities?

- Pharmaceutical products
- Herbal remedies
- Health foods

# Pharmaceutical Products

- Require a government licence
  - Years of research
  - Specialised clinical trials
  - Scientific vs. regulatory proof
  - Intricate application procedure
- Huge cost (US\$ 100 - 500m)
  - Successes have to carry the failures
- Huge companies

# Pharmaceutical Products

- Rigid system
  - Terms of licence govern entire production process
    - Little scope for variation
    - Even small variations require government approval
    - Cost savings may be reclaimed by government
    - Little incentive for further innovation
- No competition
  - Patents keep out other companies

# Pharmaceutical Products

- Manufacturing mindset
  - Production managers usually engineers or chemists, not biologists - or farmers!
  - Averse to risk
  - Distrust of biological production systems
  - ‘Raw material’ = ‘drums of white powder’
  - ‘Just in time’ manufacturing

# Pharmaceutical Products

- Order of preference for raw material
  - ‘Off the shelf’ synthetic chemical
  - ‘Made to order’ synthetic chemical
  - Microbiological product
  - Farmed natural source
  - Wild natural source
- Cost is secondary to reliability

# Pharmaceutical Products

- Use of intermediary supply companies
  - eg. Phytopharm, Indena, Andard-Mount
  - provide a 'white-powder' JIT solution
  - hide the risk elements
  - provide an interface between growers and end user, who have different cultural values
  - may be several links in the chain

# Pharmaceutical Products

- How to break in?
  - Cheaper?
    - Balance cost savings against risk and reimbursement problems
  - Better quality?
    - Unimportant if specification is met
  - Service and reliability?
    - Only interesting if they have problems
    - Better the devil you know?



# Pharmaceutical Products

- Difficult nut to crack
- Not suitable for most growers
- Requirements:
  - high quality operation
  - relevant experience
    - other pharmaceutical crops
    - other similar high-value, high-risk crops
  - track record of success
  - good contacts

# Pharmaceutical Products

- Possible strategy?
  - find and target companies which are researching plant-based products
  - develop the production method in parallel with clinical trials (recognise the risk)
  - get on product licence if possible
  - use inertia in your favour
  - Find a niche

# Healthfood Products

- Sold under food legislation
- No medicinal claims permitted
- No (or very little) patent protection
- Severe commercial competition
- Raw materials are price sensitive

# Healthfood Products

- Supply chain
  - Few healthfood companies have complete vertical integration for all products
- Sources of supply for healthfood co's
  - Seed companies (eg Gorham & Bateson, Kings)
  - Traders (eg Bolier)
  - Manufacturers (eg Sherers)

# Healthfood Products

- Factors for success
  - Geographical location (for crop monitoring)
  - Experience
  - Efficiency (ie. price)
  - Track record
  - Contacts
  - Quality
    - importance depends on market conditions
    - tending to increase in importance

# Herbal Medicines

- Intermediate position
  - between pharmaceuticals and healthfoods
- Government approach
  - benign disregard
  - historical uses tolerated
  - popular resistance to regulation
  - now tightening up

# Herbal Medicines

- Future prospects
  - Likely to be treated as pharmaceuticals
    - consumer safety
    - efficacy
    - standardisation
  - Consequent reduction in new products
    - hugely increased costs
  - Perhaps to be dominated by large companies
    - Höfels > Seven Seas > Merck

# Herbal Medicines

- Categories of herbal companies
  - Traditional
    - Potters
    - GR Lane
  - Overlap with healthfoods
    - Peter Black (Healthcrafts, Natures Best, Lamberts)
  - Overlap with pharmaceutical supply
    - Phytopharm
    - Indena



# Examples

- Spring barley
  - cost advantage

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  - quality advantage
- Evening primrose
  - more active ingredient
- Pollen production
  - Niche market, protected by expertise

# Take Home Messages

- 'Common sense' can lead you astray
- Manufacturers can be remarkably conservative
- It's hard to push a piece of string