

Medicinal and Health Food Crops: A Diversification Opportunity?

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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

- 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
 - Not (very) price sensitive

Pharmaceutical Products

- Use of intermediary supply companies
 - e.g. 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

- 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

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

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 (e.g. Gorham & Bateson, Kings)
 - Traders (e.g. Bolier)
 - Manufacturers (e.g. RP Scherer)

Strategy

- Know your strengths and weaknesses
- Find someone with a problem
- Be the best
- Provide a service not just a product
- Efficient = profitable