

Hi South East Asia

27 – 29 March 2018

Jakarta International Expo



Health ingredients
South East Asia

Reviewing the market



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The Health & Wellness (H&W) market is made up of segments that lie along a spectrum from food to supplements to medicine



Source: L.E.K. Research & Analysis

The case for health ingredients in South East Asia



The case for health ingredients in South East Asia

- **H&W food sales in Asia Pacific¹ have seen tremendous growth in recent years.** It is the world's largest market for functional foods (US\$97bn in 2016) and for vitamins & dietary supplements (US\$41.8bn).
- **South East Asia² is an important growth driver in the region,** with an overall H&W market of US\$30.7bn (2016).
- **Functional foods have seen rapid growth across South East Asia** since 2011, and are now the largest H&W segment worth \$17.4bn (2016). 9% CAGR is forecast between 2015 and 2020.
- **Vitamin and dietary supplement (VDS) sales are also set to rise in South East Asia.** Worth \$4.8bn in 2016, CAGR of 9% is predicted to 2020.

¹ China, Japan, South East Asia, South Korea, Taiwan, India

² Indonesia, Malaysia, the Philippines, Singapore, Thailand, Vietnam

Sources: Euromonitor, L.E.K. Research & Analysis; Future Market Insights

What's driving growth for health ingredients in South East Asia?

Demand-side drivers

- **As economies develop, eating habits are changing.** More people can afford Western-style fast food, which is associated with social status, leading to a rise in lifestyle diseases like obesity, cardiovascular disease and cancer.
- Thanks to information campaigns, there is **growing awareness of the link between food and health.**
- Consequently, the **emerging middle class is also the major growth driver for H&W foods.** More consumers are spending their disposable incomes on foods that may prevent, or address the root causes of, lifestyle- and age-related diseases.

Supply-side drivers

- **Companies are investing in R&D and production capacity to meet demand.** As well as catering to the middle class, new concepts are needed to lower the price barrier for lower-income consumers with healthy intentions.
- **Health and wellness products are now widely available** in supermarkets and hypermarkets – and online retail channels are developing fast and are predicted to become as important as 'bricks and mortar' outlets.

Sources: Euromonitor, L.E.K. Research & Analysis; Mintel; FoodNavigator Asia; Future Market Insights.

Health ingredients companies also face challenges in SE Asia

- **Uneven regulatory landscape.** Harmonisation of supplement regulations for ASEAN countries, expected in 2015, has been delayed, meaning companies must deal with a different framework for each market.
- **Permitted health claims also vary between countries** (see slide 19), meaning companies may need to make multiple submissions for the same ingredient.
- **Raw material supply chain issues are affecting growth for some ingredients**, particularly those that face competition from the wine, beer, baking and fermentation industries (e.g. beta glucan, derived from yeast, which is also required in baking and fermentation).

Sources: Future Market Insights.



Indonesia is in
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Indonesia is in the top 10 global markets for health and wellness

- Indonesian vitamins & dietary supplements market is one of the largest in SE Asia and expected to grow at 12% CAGR between 2015 and 2020.
- Indonesian functional foods market is one of the largest in SE Asia, worth an estimated US\$253.4 in 2016 and expected to grow at 4.5% CAGR to 2026.
- Indonesia is one of the four South East Asian countries that publishes permitted health claims publicly.
- Functional food claims are permitted.
- Regulation uses the term 'functional foods' and provides specific requirements for use of the term.
- Disease risk reduction claims permitted (higher level health claims)

Sources: L.E.K Research & Analysis; Future Market Insights; Drug and Food Supervisory Agency (BPOM), Indonesia

Indonesia at a glance



G 20

Indonesia is one of the member of G-20

G-20 economies account for around 85% of the Gross World Product (GWP), and two thirds of world population

One of the Global Growth Generating Countries

The grouping based on domestic saving, demographic, health, education, quality of institutions and policies and trade openness

3G

4th LARGEST POPULATION


Indonesia has the world's 4th largest population of 261 million people (2016)



Indonesia has 68% of population at productive age, with a median age of 30. This indicates an enormous work force.

The poverty rate is declining from 12% (2013) to 10.9% (2016)

68% AT PRODUCTIVE AGE



EMERGING MIDDLE CLASS

Middle Class & Affluent Consumers:

2013: 74 million
2020 will be doubled: to roughly 141 million people.

GLOBAL MIDDLE CLASS



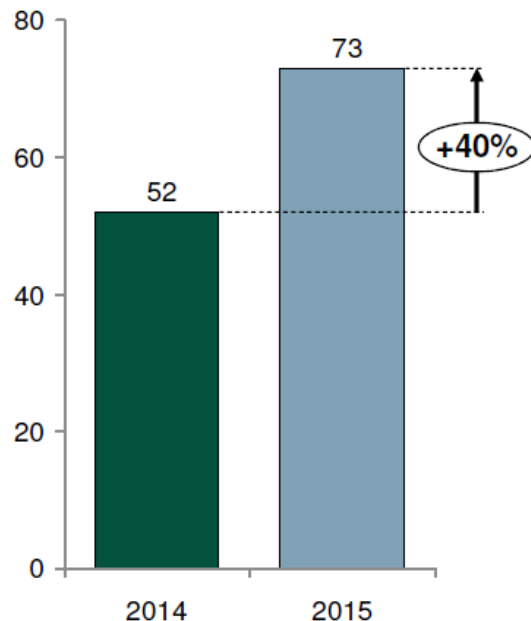
2009 2020 2030

ASIA PACIFIC

Sources: CIA World Factbook, World Bank, Boston Consulting Group

Growing consumer awareness and concern about healthy living in Indonesia, significantly greater than the regional average

Health awareness in Indonesia*
(2014-15)
Percent of respondents



89%

Express high concern about risk of potential diseases caused by unhealthy lifestyles – significantly higher compared to the regional average of 64%

69%

Would make better nutrition choices to adopt a healthy lifestyle – compared to the regional average of 50%

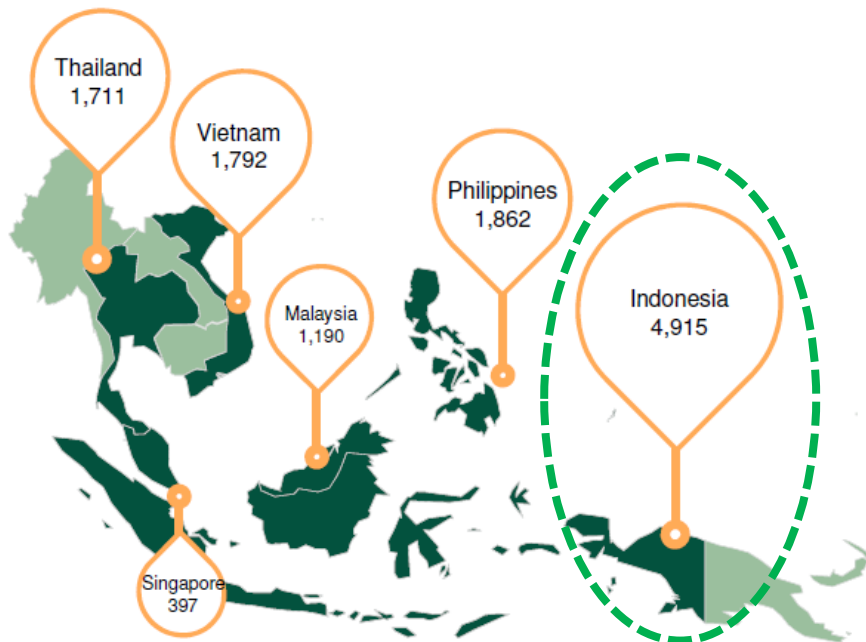
- ✓ Word-of-mouth
- ✓ Expert recommendations
- ✓ Social media / online resources
- ✓ Health awareness activities / promotion

are the key sources of health and lifestyle awareness for most Indonesians

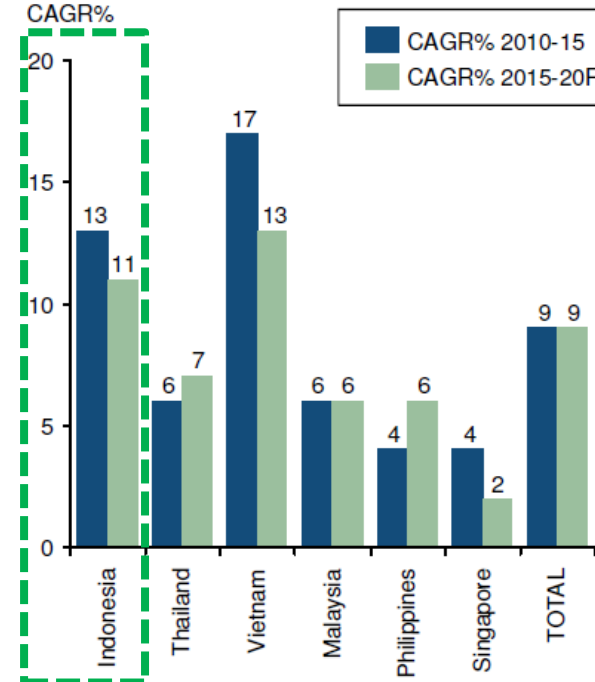
Source: Herbalife health awareness online survey 2015 (*c. 800 participants, mainly in Java)

The Indonesian functional food market is largest in SEA and experiencing strong growth

Size of functional food supplement market in SEA (2015)
In million USD



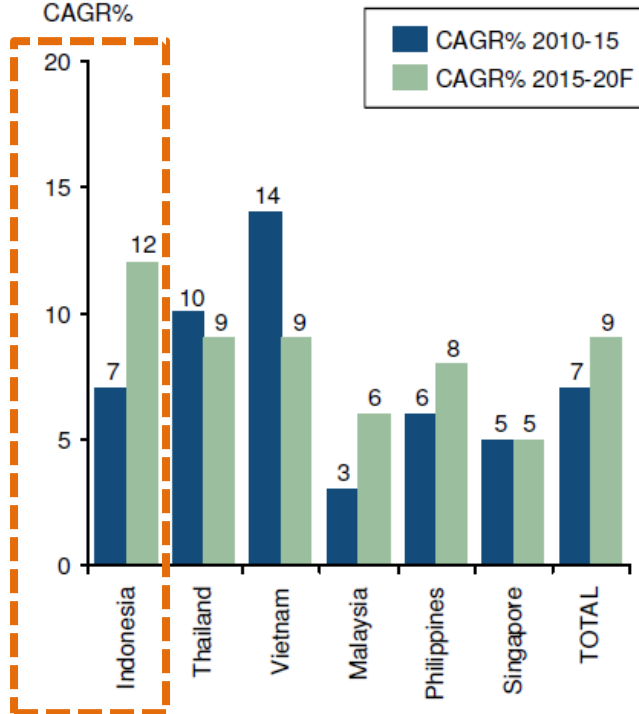
Growth of functional food supplement market in SEA (2010; 15; 20F)
CAGR%



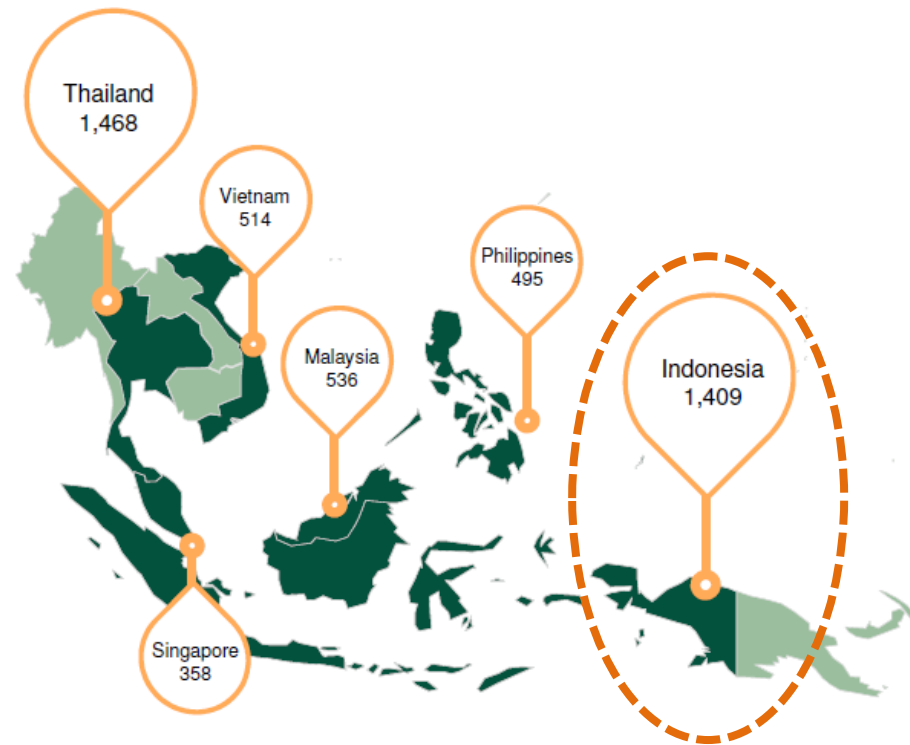
Source: L.E.K. Research & Analysis

Indonesia is one of the largest & fastest growing regions for vitamin and dietary supplements (VDS)

Growth of VDS market in SEA
(2010; 15; 20F)
CAGR%



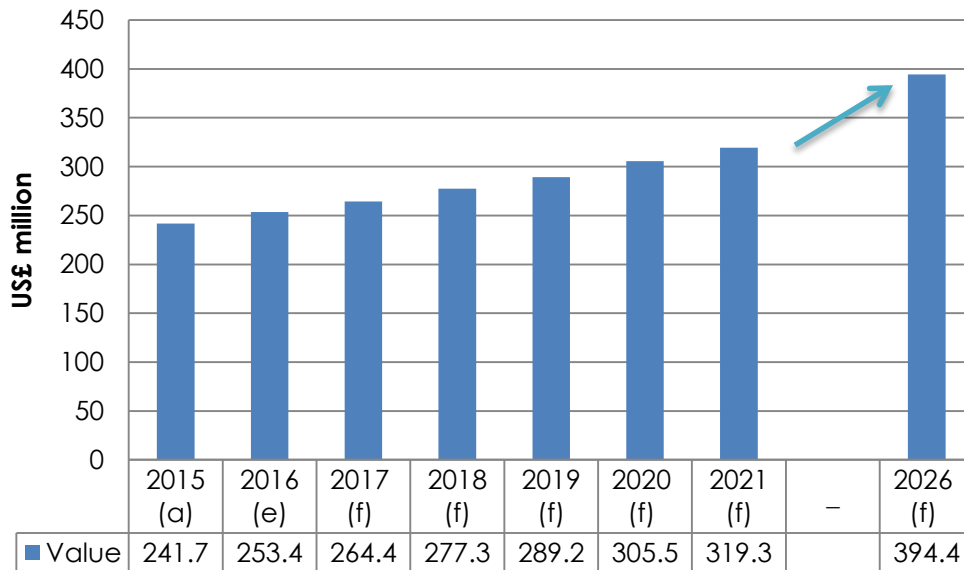
Size of VDS market in SEA
(2015)
In million USD



Source: L.E.K. Research & Analysis

Significant growth forecast in functional foods ingredients in Indonesia

Forecast growth – all functional food ingredients



CAGR of 4.5% to 2026

Incremental market opportunity of US\$140.9 between 2016 and 2026

Source: Future Market Insights

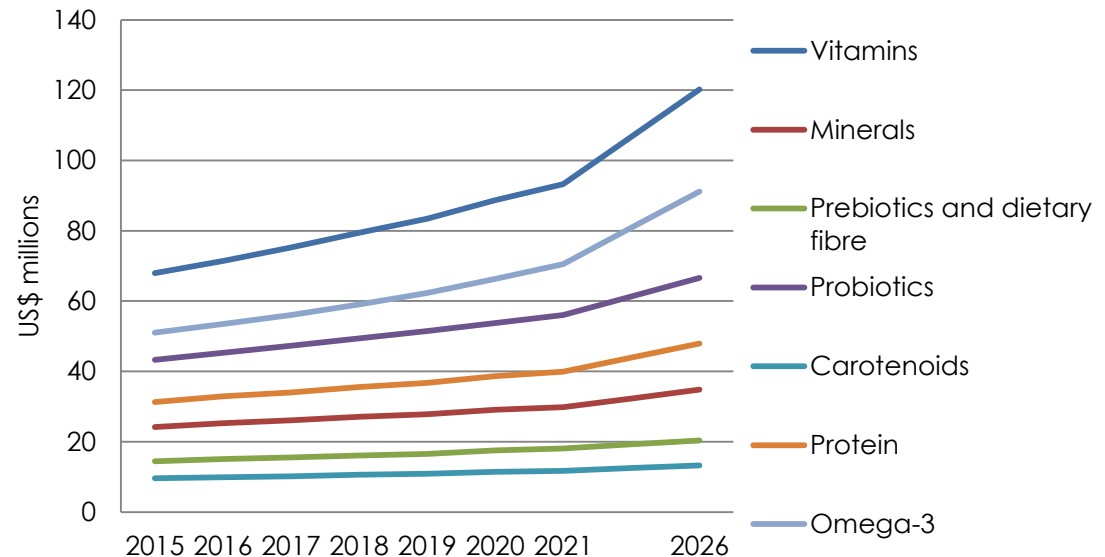
Vitamins, omega-3 and probiotics have highest value and predicted growth in Indonesia to 2026

Indonesian vitamin market worth US\$71.4m in 2016. CAGR of 5.3% to 2026

Indonesian omega-3 market worth US\$53.5m in 2016. CAGR of 5.5% to 2026

Indonesian probiotics market worth US\$45.3m in 2016. CAGR of 3.9% to 2026

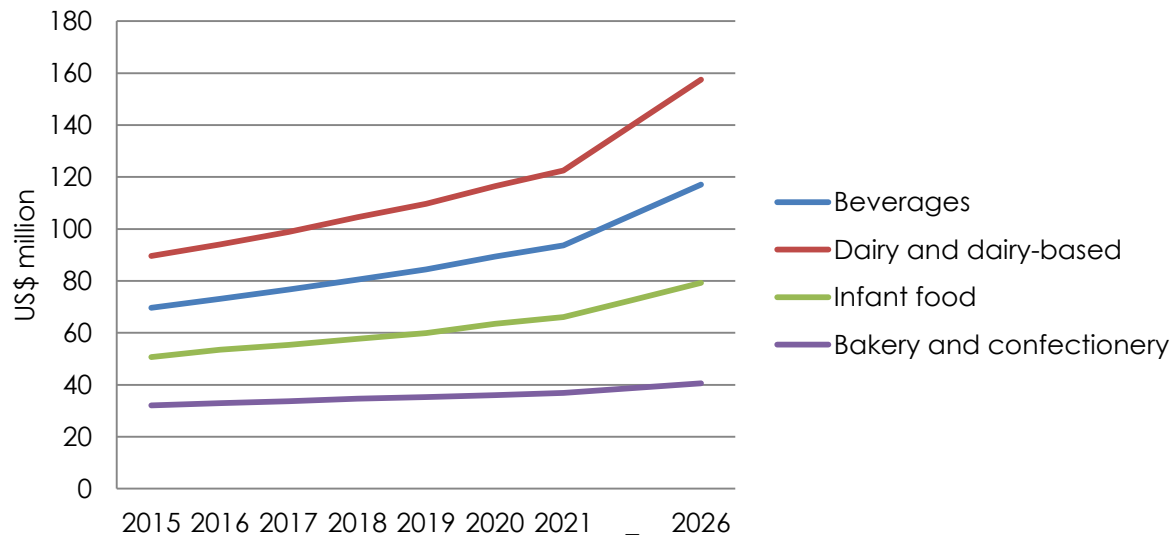
Growth trajectory by ingredient type



Source: Future Market Insights

Functional dairy/dairy-based products represent the biggest opportunity in Indonesia by application

Growth trajectory by application



Indonesian functional dairy/ dairy based products market worth US\$69.6m in 2016. CAGR of 5.3% to 2026

Source: Future Market Insights

Key insights on Indonesian consumer trends

Weight management products

(e.g. functional meal replacements and dairy yoghurts) are popular with mid-to-high income urban consumers, especially younger females.

Around 50% of functional foods **promote benefits including high calcium.**

Other key positioning includes sugar-free, low calorie, weight-loss/management, and body building.

Middle-to-low income VDS customers focus on **improving immunity/ preventing illness.**

Affordability and manufacturers' promotional efforts drive vitamin sales.

High income VDS customers drive growth in **fish oils and omega-3** fatty acids.

There is increased awareness of perceived benefits for **cardiovascular function, brain function and joint health.**

Source: L.E.K. Research & Analysis

Functional foods in Indonesia | Samples



Allowance of health claims per country – Indonesia compared to rest of South East Asia

| INDONESIA | MALAYSIA | PHILIPPINES | SINGAPORE | THAILAND | VIETNAM |
|---|--|---|--|--|---|
| <p>Nutrient function claims (not on foods for infants under 1 year)</p> <p>Accepted list of claims - in regulation. Industry may submit new claims for assessment</p> | <p>Nutrient function claims</p> <p>Positive list published in 'Guide to Nutrition Labeling and Claims' (last updated 2010)</p> <p>Industry may apply to MOH for new claims</p> | <p>Nutrient function claims (not on foods for infants and young children).</p> <p>Only for nutrients with Nutrient Reference Value</p> | <p>Nutrient function claims</p> <p>List of 141 acceptable claims published in 'A guide to food labelling and advertisements' (last updated 2016)</p> | <p>Nutrient function claims.</p> <p>Positive list of 29 claims. Additional claims are substantiated on a case-by-case basis</p> | <p>No distinction made between three types of health claims</p> <p>Term 'functional food' applies to 'supplemented foods' with added substances, dietary supplements, and medical foods</p> |
| <p>Other function claims (not on foods for infants or children under 3)</p> <p>Accepted list of claims in regulation. Industry may submit new claims for assessment</p> | <p>Other function claims</p> <p>Positive list published in 'Guide to Nutrition Labelling and Claims'</p> <p>Industry may apply to MOH for approval for new claims</p> | <p>Other function claims (not on foods for infants and young children)</p> <p>Industry submits proposed claims to FDA for approval</p> | <p>Other function claims.</p> <p>Industry may submit applications to AVA</p> | <p>Other function and reduction of disease risk claims are not currently permitted, but are expected when the '(Draft) guidelines for use of health claims' are confirmed.</p> | <p>All subject to pre-market approval</p> <p>Health claims for 'supplemented foods' when substance is over 10% or more of Vietnamese Recommended Nutrient Intake</p> <p>For substances with no RNI, scientific evidence is required</p> |
| <p>Reduction of disease risk claims (not on foods for infants or children under 3)</p> <p>Industry may submit proposed claims to BPOM for assessment</p> | <p>Reduction of disease risk claims NOT permitted</p> | <p>Reduction of disease risk claims (not on foods for infants and young children)</p> <p>Industry submits proposed claims to FDA for approval</p> | <p>Industry may apply for use of five nutrient specific diet-related health claims</p> | | |

Sources: Drug and Food Supervisory Agency (BPOM), Indonesia; Ministry of Health Malaysia; FDA Malaysia; FAO Codex Alimentarius; FDA Philippines; Singapore Sale of Food Act, Chapter 283; Thai FDA; Vietnam Ministry of Public Health

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Evidence to substantiate new health claims – Indonesia compared to South East Asia

| INDONESIA | MALAYSIA | PHILIPPINES | SINGAPORE | THAILAND | VIETNAM |
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| <p>Strong scientific evidence.</p> <p>Review will take into consideration the competence of researcher, the quality of research and scientific publications used as references, timing of research, and supporting publications.</p> | <p>For new nutrient function claim, evidence from 5 clinical trials to be provided. Data from human intervention studies preferred. Evidence should include both positive and negative findings.</p> <p>Epidemiological and experimental studies and review papers may be included as supportive evidence.</p> <p>Result of all studies should be published in refereed journals.</p> <p>Approval from other countries may also be submitted</p> | <p>Primarily human intervention studies; human observation studies may contribute to totality of evidence. Animal studies may provide supporting evidence.</p> <p>Nutrient function claims may be substantiated based on generally accepted authoritative statements by recognised expert scientific bodies.</p> <p>Some health claims, e.g. between a food category and a health effect, may be substantiated by a consistent evidence from multiple from epidemiological studies.</p> | <p>Independent peer-reviewed reports of human intervention studies (min 5, max 10, and preferably published in the last 10 years).</p> <p>Where available, the official statements by recognised expert scientific bodies (e.g. World Health Organisation and food authorities of major developed countries) that have been verified and validated over time.</p> | <p>For additional nutrient function claims, a systematic review or meta-analysis; or scientific opinion of expert scientific bodies; or well-designed human intervention study.</p> <p>For other function and disease risk claims in the future, it is expected that a well-designed human intervention study will be needed, plus systematic review or meta-analysis and/or scientific opinion of expert scientific bodies.</p> | <p>Scientific reports on effects on human health for products:</p> <ul style="list-style-type: none"> • making disease treatment claims • with new benefits not claimed in other countries • containing unapproved active elements • new supplement formulations • of animal or plant origin marketed for the first time • medical foods not yet approved in country of origin. <p>Testing must be done at medical research facilities; where testing is overseas, facility must be accredited facility or results published in a scientific journal.</p> |

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Unique Selling Points

Hi South East Asia



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- Event focus on food health ingredients for nutraceuticals, functional food and vitamins and dietary supplements
- Annual event in Indonesia, providing access to the largest South-East Asian market for functional food ingredients and one of the largest markets for vitamins and dietary supplements
- The health ingredients market is expected to growing over 11% annually
- Indonesia offers clear health claim regulations and acknowledges certain disease risk reduction and functional food claims
- The event features a 3 day Health ingredients South-East Asia conference
- Supported by GAPMMI, IUFoST, International Society of Functional Foods and Nutraceuticals, SEAFast CENTER, PATPI, Badan POM National Agency of Drug & Food Control etc.
- The event is co-located with CPhI SEA, the leading pharma ingredients exhibition in South East Asia
- The event offers matchmaking and networking opportunities, pre-show and onsite

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**Don't delay! Act today.
Contact our team.**