

Which trends offer opportunities or pose threats on the European natural ingredients for health products market?

Various factors currently affect demand for natural ingredients for health products in Europe. Growing consumer interest in alternative medicines, such as nutraceuticals, natural remedies and supplements, creates opportunities. Increasing life expectancy and rising investment in research and development of new medicine and supplements also present opportunities for natural ingredient suppliers. The major risks come from legislative hurdles and political uncertainty.

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1. Growing attention to alternative medicine

There are growing consumer concerns about potential side effects of pharmaceutical drugs or regular medication. One segment of consumers has been turning to alternative medicines, such as homeopathy, natural remedies and supplements. Some experts have also been promoting the benefits of alternative medicine, especially to patients suffering from chronic health conditions.

Nevertheless, a study published in the Scandinavian Journal of Public Health in 2017 states that so far [alternative practices are primarily used in a complementary manner or in combination with conventional medicine](#).

The [global market for complementary and alternative medicine products](#) market is forecast to grow at a compound annual growth rate of 18.2% until 2024. In comparison, [the European pharmaceutical market](#) is forecast to grow at about 3% per annum.

This trend is likely to continue, creating opportunities for natural ingredients used in nutraceuticals, supplements and natural remedies. There is an opportunity for suppliers of natural ingredients in developing countries, especially since some ingredients are not grown in Europe. Turmeric, for example, is indigenous to South Asia and is now finding applications in supplements and in medical products. Like turmeric, many other botanicals and essential oils used in natural health products simply cannot be grown in Europe.

Turmeric is one natural ingredient that is steeped in Ayurveda, a traditional form of medicine that originates from India. These traditional or alternative forms of medicine are becoming popular in Europe, providing opportunities for natural ingredient suppliers in developing countries. For instance, the Swiss government officially recognised Ayurveda and its practices in 2015. The first officially approved ayurvedic practitioners started practising in 2019. The Swiss government has also approved a list of ayurvedic medicines.

There is a growing number of companies offering aromatherapy products across Europe. Significant companies include the UK's [Neal's Yard Remedies](#) and Germany's [Primavera Life](#). These companies have a wide range of essential oils which they supply to aromatherapy professionals. Neal's Yard Remedies works closely with producers in developing countries to source natural and organic raw materials. For instance, the UK company

works closely with producers in Oman and Kenya to source frankincense, which is used as an essential oil in its products. Some of the raw materials are certified organic or fair trade.

Tips:

Do research on what natural ingredients are used in complementary and alternative medicine products, including essential oils and medicinal and aromatic plants.

See the [CBI study on aromatherapy in Europe](#).

Visit websites of European sector associations, such as [EHPM](#) and [EFPIA](#), for updates on regulations and developments in the health products sector.

Promote the benefits of your products for health conditions and general wellness, but make sure that you can substantiate your claims with scientific data and certifications. Don't make medicinal claims.

2. Europe's ageing population

According to the most recent [Ageing Report](#) conducted by the Ageing Working Group of the Economic Policy Committee (EPC) and the European Commission's Directorate-General for Economic and Financial Affairs (DG ECFIN) in 2018, Europe's population is ageing at an incredibly high rate. Even though the EU population is expected to increase to 520 million by 2070, the total number of the working age population will decrease from 333 million in 2016 to 292 million in 2070. This demographic change will force European countries to put more emphasis on long-term healthcare and will result in rising healthcare costs.

This trend is further reflected in the steady increase in healthcare expenditure among all EU members. According to [World Bank data](#), expenditure on healthcare in the EU could increase from 8% of total GDP in 2000 to 14% in 2030.

These developments are closely monitored by the pharmaceutical industry, as well as manufacturers of nutritional supplements. Many Europeans, especially the older population, are increasingly [incorporating nutritional supplements into their diets](#) hoping to reduce the negative effects of ageing on their overall health. A growing number of nutritional supplements are formulated with ingredients such as vitamin D3, vitamin K2 and krill oil, targeting bone and muscle problems in seniors or stimulating a more balanced diet.

This trend provides opportunities for natural ingredients, especially those from developing countries. One such example is moringa, which contains phosphorus and calcium, which are important for bone health. Protein intake is also important for healthy muscle structure. Seaweeds, such as spirulina and chlorella are also rich in vitamin K and protein.

Age plays an important role in the incidence of type 2 diabetes. [According to the World Diabetes Foundation](#), the high prevalence of type 2 diabetes in Europe is partly a consequence of population trends. The section of the European population aged between 50 and 79 is projected to increase from 30.8% in 2015 to about 35.6% in 2040.

Natural ingredients in health products can play an important role in controlling and preventing diabetes. For instance, moringa and baobab can help regulate the amount of glucose in the blood. Turmeric can help improve liver function, which is necessary for people who are treated for diabetes or other health conditions with strong medications.

UK company [Aduna](#) was established in 2015 to import African superfood ingredients to the European market,

setting up sourcing projects in Ghana, working with 1,200 women and families to procure and process baobab fruit. It also works with producers in Senegal and Ethiopia to source raw materials. Aduna supplies baobab powder, teas and snack bars.

Tips:

Identify the chemical and nutritional profile of your natural ingredients, especially if they can be used for disease treatment or health conditions. Promote these features to buyers.

Do market research on what health issues or needs various age groups in Europe have. Indicate how your ingredients can cater to the nutritional needs of European consumers.

3. New wave of innovation and investment in health products

More than 7,000 new medicines are currently in development, according to the European Federation of Pharmaceutical Industries and Associations (EFPIA). Not all of them will be successful in passing all the necessary stages of development to receive market approval. In any case, some could lead to substantial progress in the pharmaceutical industry in the near future.

Europe is the second region in the world in terms of pharmaceutical R&D expenditure, after North America. According to a [report of the European Federation of Pharmaceutical Industries and Associations](#) (EFPIA), Europe spent more than €35 billion on pharmaceutical R&D in 2017 compared to around €17.8 billion in 2000. Switzerland, Germany France and the UK are the main contributors to these R&D expenditures.

On the other hand, there is not enough peer-reviewed, reliable research on complementary and alternative medicine (CAM) products. Between 2010 and 2012, the EU funded the CAMbrella project, which was meant to investigate various areas related to CAM products, including regulations, as well as how this sector should be researched.

One of the major outcomes of this project was the confirmation of the shortage of good-quality research in the EU on CAM products and the total absence in some individual countries, especially in Eastern Europe. The CAMbrella project recommended, among other, more research on the most prevalent CAM treatments and their efficacy to address the most common health conditions. Collaborations between the CAM industry and leading academic institutions have been encouraged.

R&D expenditure on pharmaceuticals, nutraceuticals and related products is expected to rise in the coming years, meaning there may be growing demand for natural ingredients from developing countries. More investment is expected in plant-based proteins, especially as consumers demand vegan and plant products. Exporters of natural ingredients for health products from developing countries should take advantage of this trend, especially since R&D investment and innovation involves a wide range of natural ingredients.

Pharmaceuticals and nutraceutical manufacturers are looking for innovative ingredients with high efficacy. For example, the Indian natural ingredient company Arjuna Natural supplies a turmeric extract with enhanced efficacy under the brand [Curcugreen](#). Its efficacy claims are backed by university research studies in Japan, India and Australia.

Exporters of natural ingredients for health products should be prepared when approaching European buyers. Suppliers should be able to provide technical dossiers and back up any claims with scientific evidence. When developing an innovative natural ingredient, companies should collaborate with universities and research institutions to support any claims. Such information will help partnering with buyers, especially when

introducing new ingredients.

Tips:

To find out about trends in Europe and discover which components are popular, look for information on industry websites, such as [EPM Magazine](#) and [European Pharmaceutical Review](#).

For more information on veganism, visit the website of [The Vegan Society](#).

4. Impacts of Brexit on the pharmaceutical market

The implications of Brexit to the pharmaceutical market depend on eventual trade agreements between the UK and the EU, after Brexit occurs. This uncertainty is a cause for concern for pharmaceutical companies due to the lengthy development and authorisation process of new medicines, which depends on regulations. In order to avoid problems as a result of potential changes to regulatory procedures and border controls, pharmaceutical companies started making preparations for possible scenarios shortly after the UK referendum on Brexit.

Supply chain inefficiencies and price rises due to increasing costs are expected to be the strongest implications of Brexit for the pharmaceutical market. There are questions about whether medicines approved for market in other European countries can continue to be sold in the UK and vice versa. Shortages could result in limited access to certain medicines and thus threaten public health.

The European Medicines Agency (EMA) left its premises in London in March 2019 to continue its operations in Amsterdam. The decision for the relocation was made shortly after the Brexit referendum in 2016. The agency's strong gravitational pull within the pharmaceutical market has already led to Sanofi and Novartis, two of the largest global pharmaceutical companies, opening new offices in Amsterdam, too.

Tips:

Focus on non-UK markets until the Brexit process becomes clearer. Keep up to date by following news and getting feedback from European partners.

Learn more about Brexit and its implications to the pharmaceutical and nutraceutical sectors. For example, read the article of the [European Pharmaceutical Review](#) on Brexit.

For more information on developments in the pharmaceutical market visit associations websites, such as [CBI](#) and [ABPI](#).

5. Continuous improvement of EU regulations

The pharmaceutical industry in Europe is strictly regulated by European Union regulation to ensure only high-quality, effective and safe medicines be sold in the European market and protect public health. Any medicines intended for the European market requires regulatory approval under a framework of regulations which is constantly updated to stay up to date with the newest developments in the pharmaceutical industry.

On January 31 2018, the European Commission disclosed plans for implementing a pan-European health technology assessment (HTA) regulation. HTAs are required to evaluate the medical necessity of a new medicine or treatment compared to existing alternatives. This assessment plays an important role in the

negotiations between governments and pharmaceutical companies on prices and when deciding whether a new medicine will be reimbursed under their national health systems. Currently being conducted at national level based on individual assessment criteria, an EU regulation to harmonise HTAs among member states is expected to foster cooperation on clinical assessments, scientific consultations and new health technologies. It would also give individual countries more leverage against large pharmaceutical companies.

On 9 February 2019, the deadline for pharmaceutical companies to adapt to the new requirements for drug serialisation under the [Commission Delegated Regulation \(EU\) 2016/161](#) expired. The regulation was passed by the European Commission on 2 October 2015, with the aim of preventing falsified medicines to enter European markets by adding additional serialisation and traceability measures. Pharmaceutical companies were granted a transitional period of almost four years for implement necessary adjustments. All packages of prescription medicines now must feature a unique identifier (UI) and an anti-tamper device (ATD) to allow their identification and authentication.

The implementation of this regulation has not yet been completed and significant uncertainty remains around its impact. The main goal of this regulation is to create an integrated assessment system operated centrally for all member states. This development does not directly affect suppliers of natural ingredients to the health products sector. Manufacturers of pharmaceuticals will be affected by shifting to the pan-EU HTA system.

For food supplements, an EU-wide legal and regulatory framework was established in 2002. The [Food Supplements Directive 2002/46/EC](#) classifies food supplements as foods. Hence, vitamins and minerals, as well as the substances used to manufacture them, have been examined through a comprehensive assessment and a harmonised list of permitted substances that may be used in food supplements in the EU has been compiled. Moreover, the EU directive also regulates the labelling requirements for the food business operators placing the supplements on the market.

Under Directive 2002/46/EC, companies have to submit an application in case they want to offer substances on the EU market which are not on the list. This request is subject to approval of the European Commission, which evaluates the request with the support of an opinion from the [European Food Safety Authority](#) (EFSA). The list is subsequently adjusted according to the results. Due to their classification as foods, the final safety of food supplements in the European market is a responsibility of manufacturers, importers, suppliers and distributors.

In May 2018, the EFSA's scientific [Panel on Nutrition, Novel Foods and Food Allergens](#) (EFSA NDA Panel), which consists of scientists from across Europe who are responsible for carrying out the assessments that support the European Commission's decision making, additionally assumed authority for the assessment of nutrient sources added to food.

Despite a series of European laws regulating food supplements, the implementation is still mainly subject to national legislation. For instance, there are no binding maximum and minimum levels for the substances used in food supplements. The merely adequate harmonisation of compositional requirements for manufacturers has led to significant legislative differences within the EU, resulting in numerous trade barriers between member states.

Tips:

Stay up to date on the latest developments on regulations in the pharmaceutical industry, visiting, for example, the [Euractiv](#) or [European Commission](#) sites.

Make sure your ingredients are allowed in European country markets by checking the relevant [positive lists](#).

If you are supplying an ingredient that is new to the European market, make sure you comply with the [Novel Food Regulation](#). There is no positive list of novel food ingredients yet, but you can access the [Novel Food Catalogue](#) on the European Commission website.

6. Recent development in Europe regarding homeopathy as part of healthcare expenditure

In many European countries, homeopathy has been incorporated into national healthcare systems and is therefore often covered by national health insurance. However, there are considerable differences in the extent of reimbursement of homeopathy among European countries. Belgium and France, for instance, have only partly reimbursed homeopathic practices in their public health systems as opposed to Germany, the Netherlands and Italy.

Even though awareness about homeopathy products in Europe is rising, there are certain developments that concern proponents of homeopathy. In June 2019, France's national health authority (HAS) declared that [beginning in 2021 France will stop reimbursing patients for homeopathic treatment](#). The decision was justified with an insufficient scientific evidence for the effectiveness of homeopathy. France's social security paid back 30% for homeopathic treatments adding up to €126.8 million in 2018 out of a €19.9 billion total paid for medication reimbursement.

In Germany, homeopathic treatments are covered by healthcare by law. Modalities such as anthroposophy, homeopathy and phytotherapy are included. However, homeopathy and alternative medicine methods were recently subjected to [opposition coming from MP Karl Lauterbach](#). He proposed a new law banning refund for homeopathy in Germany.

These challenges could threaten demand for complementary and alternative medicine in Europe. The consequence is a knock-on effect on demand for natural ingredients that are used in the modalities. This is especially true in countries like France, where consumers are used to having costs of alternative medicine being partly subsidised.

Complementary and alternative medicines are popular in the three main countries with German-speaking populations: Germany, Austria and Switzerland. Suppliers of natural ingredients from developing countries looking at supplying for the CAM sector should focus on these countries. They have large consumer markets for CAM products and a significant number of manufacturers are present.

Tips:

For more information on the CAM sector in Europe, including updates, visit the websites of the [Association for Natural Medicine in Europe](#) and the [European Federation for Complementary and Alternative Medicine](#).

Create a register of documents from national and international sources that describe the benefits, claims and properties associated with your product. Refer to publications, scientific articles and press releases. Conduct or look for studies on traditional healthcare uses of your product.

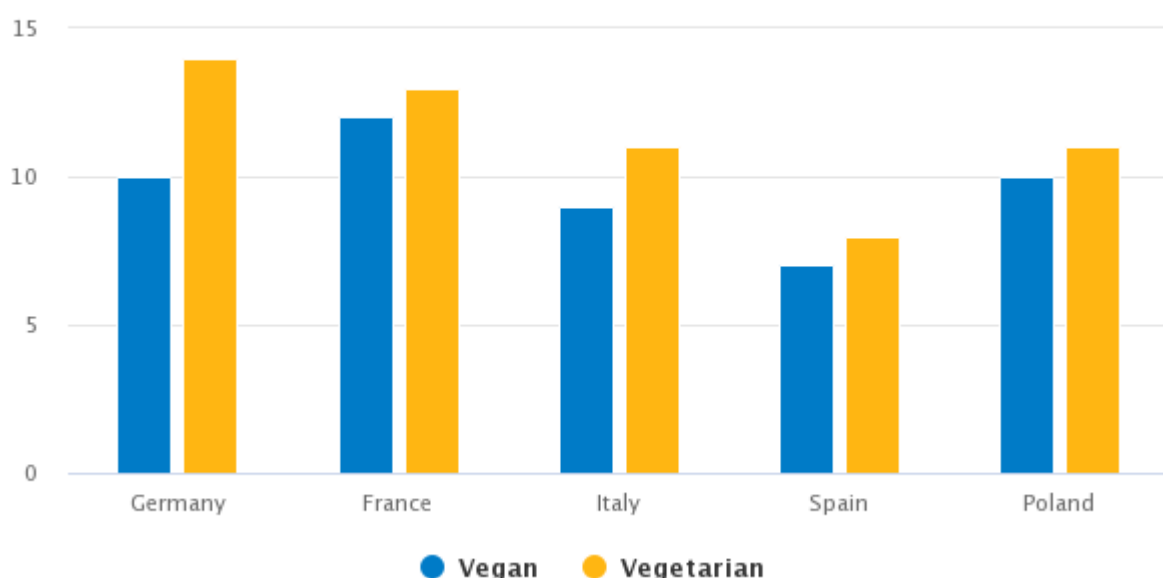
Make sure you comply with the relevant European standards on herbal medical products. For more details, visit [this European Commission website](#) which provides regulations and a list of approved substances.

7. Increasing demand for plant-based supplements

European consumers have been generally seeking more plant-based foods. The same trend is happening for nutritional supplements, providing an opportunity for suppliers of plant-based proteins in developing countries.

According to [The Vegan Society](#), Google searches for the word vegan in the UK quadrupled between 2012 and 2017. The growing interest is rooted in increasing consumer awareness of the environmental impacts of meat production and growing evidence of the perceived positive health impacts of a vegan diet. [An estimated 75 million vegans and vegetarians](#) currently live in Europe. Chart 1 shows the share of young adults aged between 16 and 24 who are vegan or vegetarian in selected European countries.

Chart 1. Share of young adults who are vegetarian or vegan in selected European countries, 2017



Source: Statista

According to an analysis of [Google Trends](#) by the Chef's Pencil, the trend in veganism is growing fast in Europe, led by the UK, Sweden, Ireland, Austria and Germany.

Europe's [plant-based protein market](#) is expected to reach US\$2.6 billion by 2024, projected to increase at a compound annual growth rate of 7.4% between 2019 and 2024.

[Research also shows](#) that European consumers find it important whether supplements come from plant-based origins. According to the Natural Marketing Institute, approximately 71% of supplement consumers indicate that plant-based origin is important to them. Moreover, approximately 46% do not want their supplements to contain animal products. Their survey also indicates that consumers are willing to pay more for plant-based products, especially in France and Italy.

This trend highlights an opportunity for premium plant-based protein products in the European market, especially as this demand will continue to increase in the future. Suppliers of natural ingredients in developing countries can capitalise on the trend by supplying plant-based raw materials, such as chia, rice and raw cacao to the European market.

However in the case of chia seeds and their industrial applications, European regulations such as the Novel Food Regulation provide an obstacle. While cheaper alternatives, such as soya are popular sources of plant-based proteins, consumers are willing to pay more for high-quality premium products. For example, German organic ingredient importer [Naturkost Übelhör](#) is sourcing chia seeds from Ghana, working closely with growers to set up supply chains for these organic raw materials. The [Momentum Trust](#) also supports and trains chia seeds farmers in Kenya.

Tips:

For more information on the veganism trend, see websites and associations such as [The Vegan Society](#).

Read the CBI study on [exporting plant proteins for health products to Europe](#). You can find more information on competition, regulations and competition.

8. Increase in over-the-counter medicines and self-care products in Europe

Rising awareness about self-care and wellness, as well as increasing distribution of medicines are major drivers of over-the-counter (OTC) drugs in the European market, as European consumers look for new forms of disease prevention and treatment.

[The European OTC market](#) is expected to increase by a compound annual growth rate of 6.92% between 2018 and 2023. Over-the-counter drugs are considered an affordable treatment option by European consumers.

According to the Association of the European Self-Care Industry (AESGP), using self-care products reduces the strain on social security systems and healthcare costs. Over-the-counter medicines also contribute positively to public health and improve prevention of illnesses.

Chart 2. Non-prescription share of pharmaceutical market in European countries

Source: AESGP

Chart 2 shows the share that non-prescription medicines occupy in the pharmaceutical market in European countries, ranging between 4% and 44%. In most countries, non-prescription medicines take up double-digit shares of the market, but in Poland that share is the highest at 44%.

The share of OTC medications is expected to continue to grow in the future, thanks to rising consumer

awareness about health prevention. This trend opens an opportunity for suppliers of natural ingredients for health products in developing countries. Exporters of natural ingredients from developing countries should target companies that produce OTC medicines.


Important companies in this segment include [Novartis AG](#), [Sanofi](#) and [Bayer AG](#).


Tip:


For updates on market developments and regulations on OTC medication and selfprescription products, visit the website of the [Association of the European SelfCare Industry \(AESGP\)](#).

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