

How to respond to COVID-19 in the natural ingredients for health products sector

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The global outbreak of the COVID-19 virus is having a major impact on international trade. The pandemic has increased consumer demand for health ingredients. Still, companies in this sector could face considerable challenges if the supply chain is disrupted. This study provides you with a step-by-step plan, from recommended actions during the first stages of the outbreak to preparing an exit strategy for after the crisis.

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The effect on the natural ingredients for health products sector

Countries, enterprises and civilians throughout the world have been affected by the COVID-19 pandemic. The virus first spread in China, a major buyer and supplier of natural health ingredients. And the crisis has directly impacted the market for health ingredients. This is due to its relation to health and the agri-food value chain.

Since January, various countries have imposed complete or partial lockdowns. For many, there are travel restrictions and even trade bans on certain strategic products leaving the country. These measures aim to slow down the spread of COVID-19 (and guarantee the availability of essential goods on a national level).

The health food supply chain has proven to be very flexible. Shortages so far have been either temporary or limited to specific countries/regions. Still, a long-lasting crisis could put pressure on food supply chains. The supply chain for natural health ingredients is a complex web of interactions. It involves small farmers, global food processing companies, wholesalers, distributors and a widespread network of retail outlets.

Despite the many challenges and obstacles on the road, COVID-19 has boosted the market for health ingredients. It has increased consumer interest in health, nutrition and wellbeing. Retailers across Europe are reporting a big increase in the demand for food supplements, healthy foods and essential oils.

Consumers are focusing on a healthy lifestyle and healthy food, especially foods that strengthen the immune system. The demand for food supplements, healthy foods and natural products is high and will stay high, even in the new normal, post-COVID-19 society. And even though the world will probably experience a serious economic recession and a decline in global trade.

As a company active in the market for health ingredients, now is the time for you to be flexible and prepare yourself for what is to come.

Recommended actions during the first stages of the COVID-19 outbreak:

1. Assess the impact of COVID-19 on your supply chain

The network of workers in agriculture, production and processing plants and food distribution is considered a potential risk for spreading COVID-19. Food products and food contact materials are potential carriers of the virus. Yet, according to the Food and Agriculture Organisation of the United Nations (FAO), there is currently [no evidence that COVID-19 can be transmitted by food](#).

Travel bans are obstructing the free movement of people and trade at the moment. Most of the corporate level workforce is thus working from home. At the same time, the agri-food sector in various countries is experiencing labour shortages. The sector is also experiencing severe logistical problems in both local, regional and international transport of produce and products. The decrease in airport and port capacities has also increased shipping and freight costs and time.

Demand is unstable. This is due to stockpiling, increased interest in health ingredients and regional supply disruptions. This has put extra pressure on the supply chain for natural health ingredients. Shortages of agricultural produce could become an issue for the health ingredients industry. Support efforts from most governments often focus on urban areas and larger industries. But agricultural businesses and rural processors have limited access to support. This directly affects their production output.

You should keep in close contact with your operational management team and key suppliers. With them, evaluate how flexible your supply chain will be. Consider various market scenarios. Think about the impact of local supply shortages, increased local and international demand for strategic ingredients, or severe pressure on prices due to economic recession. Looking into possible future scenarios will help you anticipate possible obstacles. It also means that you can look for solutions with your suppliers before problems occur.

In the coming period, there will probably be temporary shortages of some natural ingredients. This may impact their price and availability for the processing industry. Disruptions in transport and travel between certain regions may also continue. Consumer demand for health ingredients will probably remain strong. But an economic recession, with a rise in unemployment and trade restrictions, may result in price pressure and lower demand in some categories.

Tips:

Regularly contact your local suppliers. Coordinate supply and demand and to identify potential problems.

Support suppliers of raw materials if they have practical issues. Issues could be related to staff transport, materials, and so on. For example, [Wiraccocha del Peru](#) set up a special support program to help its farmers transport workers and machinery to guarantee the harvest of the new quinoa crop.

Have a plan for supply disruptions. Identify potential new suppliers of produce, ingredients, packaging material and other essential services.

Ask your freight agents what they expect regarding the [availability](#) and price levels of international

transport. Websites like [cargo.one](#) and [Agility](#) also provide price information.

2. Keep communication channels open with all your stakeholders

The economy is facing an unknown situation due to COVID-19. Everyone needs information, understanding and reassurance. There is a lot of uncertainty about the current situation and the future. So now is the moment for you to show your customers, business partners, suppliers and other stakeholders that they can count on you.

This is a time where everybody in the supply chain needs to be flexible and be open to new partnerships and collaboration. You need to stay in contact with your staff, suppliers, customers and other actors in the supply chain, including government agencies. At the same time, watch how the lockdown evolves.

Discuss relevant topics such as future demand, potential issues with their business and future scenarios.

Frequent communication and sharing information and insights will strengthen your relationship with everyone involved in your business. It will help you to come out of this crisis stronger. In a period with so much uncertainty, suppliers that take responsibility and support their suppliers and customers will prove to be the foundation of the health ingredients industry.

Tips:

Develop a communication strategy for your commercial contacts, important customers and the market in general.

Communicate clearly and frequently with your staff. Communicate not only about the business operations and the changes due to COVID-19 but also about their mental and physical health.

Be active in your business community. Communicate with members of your association or industry and share information. Together you are stronger!

Support staff with the right tools to help them to communicate effectively via new/digital channels.

Strengthen your commercial relationships and develop new partnerships.

3. Implement health and safety measures in your company

COVID-19 affects the market for natural health ingredients and its complete supply chain. However, it first impacts the health and wellbeing of your employees and their families. Ingredient companies can only provide products to their customers if they can guarantee a safe working environment for their staff. People need to be able to work with minimal risk of catching the virus from a co-worker. They need safety on the work floor and in recreational areas, but also access to safe means of transport to the company.

Food, food contact materials and food packaging can be carriers of the virus. Minimising the risk of contamination of your products within your premises or during transport is crucial for the safety of your staff and everyone in the supply chain handling your products.

You should develop a COVID-19 health and safety protocol that covers health and safety/food safety on the work floor. Include social distancing during worktime and health and safety protocols for employees and visitors to

your premises. Clear protocols and guidelines reduce the risk of the virus spreading from human to human or via your products.

In most countries, food and health companies are considered essential industries. They are thus allowed to operate, even during a lockdown. Still, providing a safe working environment for your employees is a requirement for operating. More people are becoming aware that the virus can survive on product surfaces for several days. Because of this, many food processors and retailers have developed strict guidelines for hygiene to reduce the risk of food contact material contamination.

Tips:

Make changes to your workflow to allow for social distancing on the work floor. Working with smaller shift sizes, separation screens and new safety and hygiene instructions will help.

Support your employees with extra protective material. If necessary, arrange transport for them.

Let non-essential workers work from home whenever possible.

Develop clear protocols for visitors entering your premises.

Communicate to customers what your company is doing to make sure products are safe and virus-free.

4. Control your costs and keep reserves for commercial opportunities

The COVID-19 outbreak has led to a surge in demand for health ingredients, food supplements and healthy foods in general. However, market risks have increased a lot. Lockdowns of important markets have resulted in major problems in supply chains. There is a strong decline in economic activity all around the world.

Many companies, including companies in various segments of the agri-food sector, are struggling. More consumers are having financial difficulties. Governments are launching financial stimulus packages to support business, employment, and access to income for their citizens. As a health ingredients business, you should prepare for the economic consequences of this crisis

This crisis requires liquidity buffers. This is money that companies can make available immediately to deal with unexpected circumstances. Health food companies, in particular, also need financial reserves to benefit from opportunities that may arise in the market. It is important to control all your expenses and manage working capital and your overall capital position.

To find cost-saving opportunities, look into non-essential costs and contracts with service suppliers. Also, look at production-related costs. This includes cost and payment conditions of raw material, storage costs and use of resources. These could be costs for energy, water, communication or human resources, such as temporary staff and overtime expenses. The market is uncertain right now. Good financial planning, accurate market data and good financial reporting and forecasting will help to prevent future liquidity problems.

Demand and supply for health ingredients, especially those that benefit the immune system, will continue to vary. This directly affects the availability and price levels of strategic ingredients. Travel and transport limitations will cause delays in access to products and support services. This will often drive up shipment costs.

Also, the economic crisis due to COVID-19 will put financial pressure on markets, governments, and consumers.

This will result in increased financial risk, price pressure, more variation in exchange rates and changes in payment conditions and terms for customers. Access to credit may also become more difficult for small and medium-sized enterprises (SMEs).

Tips:

Evaluate the financial impact of COVID-19. Do this in terms of investment in work floor adaptation, financing and pre-financing of produce and other affected operational costs.

Review your outstanding buyer credits and financing needs for upcoming orders. Base this on a sales forecast of your export portfolio.

Review the payment conditions for your suppliers. Forecast the financial impact of possible price and strategic stock increases on your purchasing operation.

Communicate with your shareholders and external financiers about the financial impact and risk factors COVID-19 has on your business.

5. Learn, train and make sure you do your homework

Many food processing companies are adapting to the new situation. They are limiting their on-site activities to production and expedition. Food professionals in marketing and sales, research and development and other support areas are often working from home or working part-time. This is a great time for them to learn new skills and information. They could work on projects that were overlooked in the past. These could be projects like plant and production line maintenance, developing marketing material, such as product folders or websites, or coming up with new product ideas.

The traditional marketing and sales channels in the health food market are major tradeshow and conferences, and seminar and training events. These are cancelled or postponed. In the meantime, global food and ingredients companies, universities, business schools and training institutes offer a lot of interesting and detailed online content. From a consumer perspective, the demand for health foods and supplements is doing well. At the same time, the need for information about healthy lifestyles, functional ingredients and preventive medicine has never been higher.

Provide training and online learning opportunities to staff working from home. This helps to keep them motivated, and you will come out of the crisis with better trained, better-informed employees. For example, Javagri, from Indonesia, acted quickly after the lockdown and a drop in production for some of its products. It provided training for its staff and management on Good Manufacturing Practice (GMP) and Global Food Safety Initiative (GFSI) based quality systems.

The post-COVID-19 society will see some big changes in the way businesses operate and how human resources functions within organisations. Many of these changes require different skills and different job profiles. You will need to adapt to these new circumstances and invest in the personal development of your employees.

Tips:

Get your marketing and development team to attend webinars about consumer trends, health food and innovation. You can find great content on platforms linked to exhibitions and food marketing media companies. Take a look at [Vitafoods Insights](#) and [Fi Global Insights](#). Also, look at [Innova Market Insights](#) and [NutraIngredients](#).

Analyse trends. Have your planning and strategy people review your business plans. See how new market trends and possible fundamental changes in the health food market could benefit you.

Spend time on product documentation and dossier development. This is important to meet the increased demand for scientific proof of health ingredients. Focus on transparency, clinical research, effectiveness and sustainability. Commercial agencies such as [Intertek](#) and [TNO](#) provide good information. You can also look at examples from ingredient companies such as [Naturex](#) or [Cambridge Commodities](#).

There is increased concern about food safety. Have your quality team review all the food safety manuals and quality plans. Instruct them on changes in food safety and quality systems, as well as market requirements.

6. Contribute to collectivism - every company is a health company

Throughout the world, many great initiatives have been started to help with the battle against COVID-19. These come from individuals, collectives, like sports teams, and industries especially. These initiatives help via awareness campaigns, donations, or the supply of products like hand sanitisers and protective masks to essential workers.

Interbrand goes a step further and states that "[every company is a health company now](#)". This means that the collective responsibility of health food companies goes even further. Right now, you have the opportunity to show society that your care for public health goes beyond making a profit.

A great example is the company [Rumah Atsiri](#) from Indonesia. It developed a special line of aromatic hand sanitisers with anti-bacterial essential oils to take advantage of the drop in demand for some of its other products. Besides donating the material in bulk to the local community, its well-designed product line also attracted attention from international buyers. This opened new markets for the company in a different product category.



Rumah Atsiri hand sanitiser

As a company, you are a vital part of your community. In times of crisis, your responsibility goes beyond making a profit. Investing in the community will strengthen your reputation and the team spirit within your company.

After the COVID-19 crisis, companies will be judged on how they behaved towards their staff, their suppliers and their customers, but also as a partner of the local society. In some countries, lists are published of companies/brands that contributed most to the battle against COVID-19. Such lists also include the companies that had a disappointing or negative contribution. These businesses took advantage of the situation in a selfish or even unethical way.

Tips:

Brainstorm with your team about what your company can offer to support those in your community that need help.

Review your marketing and communication messages to see if they are appropriate. Make sure they do not give the impression that your company is insensitive to the current crisis. They should not make it seem as though your company is taking advantage of it for its own commercial benefit.

See if there are current products or other materials that you could donate or source to help essential workers or to supply food banks, for example.

COVID-19 exit strategy – recommended actions for the coming phase:

7. Adjust your product range to the post-COVID-19 consumer

The world is going through a moment of great change. People are spending much more time at home. This is to protect themselves and their loved ones from the virus. At the same time, people are worried about their jobs, their future and the impact COVID-19 will have in the years to come. What will be the new normal?

Food consumption is shifting to a less contact model. Consumers are looking for foods that are healthy but also provide them with comfort and indulgence, now that their daily social interactions are limited. From a health food perspective, there are clear changes in consumer behaviour.

People have become even more conscious of the importance of a healthy diet. Home cooking, with new and healthy ingredients, has become the new norm. Food as preventive medicine has seen strong growth. Products that are rich in nutrients are also in demand. In the current climate, consumers are focused on the best way to support a healthy immune system.

Good examples are [PhytoChemindo Reksa](#) from Indonesia and [Casa Albinei](#) from Moldova. These companies have developed special lines of immunity-boosting products. These use bee propolis and pollen as functional ingredients. This has allowed the companies to increase their sales and market share.



Casa Albinei honey with bee propolis, royal jelly and pollen

It will take time before we know what impact lockdown and COVID-19 has had on our physical and mental health. The health food industry has a responsibility to help and support consumers. The industry should help them consume food in a way that boosts health and promotes physical and mental wellness. Food supplements may offer health solutions. But, growth is expected for natural ingredients for the food and beverage industry. Increased interest is also expected for natural and organic products, plant-based formulations and natural remedies.

Tips:

Focus your marketing and sales on products that match current consumer needs. These could be natural extracts and essential oils that boost the immune system or provide anti-bacterial/anti-viral protection.

Look at your product portfolio and adjust your product and brand promise where necessary.

Explore ingredients that match consumer needs and trends. Consumer needs and trends could be home cooking, immunity, mental health and heart health, for example.

Explain how your health ingredients could be beneficial. But do not make health claims, such as “the cure against COVID-19”, that are not science-based or [approved by food safety authorities](#). This will be counterproductive and, more importantly, unethical and potentially illegal.

For ingredients that are in demand, see, for example, [Food Ingredients First](#) and [NutraIngredients](#).

8. Innovate, now more than ever

So far, 2020 has been a year full of new kinds of disruptions. We have had disruptions to the way we live, work, consume and the way we think about the world, society and our future. Health has become a central theme in our lives. Now, more than ever, we measure our behaviour in terms of health risks and health benefits.

For the health food industry, this moment comes with challenges and opportunities. COVID-19 has affected health and safety requirements, consumer needs and habits, channel distribution and purchase behaviour.

Flexibility to adapt to the COVID-19 situation will determine which companies will come out stronger and which will not. In a poll amongst food and agriculture companies, held during a recent [F&A Next event](#), 72% of the participants indicated that COVID-19 had increased the sense of urgency for innovation within their companies.

The COVID-19 outbreak has boosted the demand for ingredients that contribute to consumer health. You should continue to develop products around ingredient combinations that promote a better quality of life. Your customers will welcome innovative and value-added products.

Consumers are buying all sorts of products that claim to boost the immune system and target virus symptoms. Natural ingredients like honey, propolis, maca, turmeric, ginger and Vitamin C rich fruit ingredients are doing very well. However, immunity and holistic health concepts may not remain high on the list of health priorities in the times to come. This is a time for you to be creative and innovative to distinguish yourself from the competition.

For example, [Tiferet](#) from Moldova realigned its sourcing plans for this year. The company is steering its product line more toward health-based fruits like berries and sea buckthorn. It is emphasising the nutritional value and health aspects of frozen fruits.

Tips:

Evaluate all your ingredients and look for the benefits they could offer. This could be related to immunity, heart health, stress reduction, quality of sleep, eye health and home cooking.

Do market research to identify new market and customer segments. And actively look for partners interested in co-creation.

Focus on quality and effectiveness. Is your ingredient effective? What are its active components? Do good micro-nutritional analysis and clinical research support them?

Explore the direct-to-consumer channel. Online is a strong sales channel for functional foods.

9. Prepare for tougher market conditions

Many countries are still in lockdown. Other countries are slowly opening up their economies and adjusting life and commerce to the new normal, based on social distancing. The world economy is heading towards a deep recession or worse. In several major economies, we currently see a peak in employees on temporary leave and a strong increase in unemployment numbers. Sectors such as tourism, non-food retail, food services and the events industry have reported drops in revenues of up to 90% in the past months.

The food retail and healthy food category has had good results. Still, you will have to consider that a recession, or possibly a depression, will severely impact the spending power of consumers in many countries.

You need to analyse your product and client portfolio. Work on scenarios based on short-, medium- and longer-term market decline. See [scenario planning](#). Forecast how sales could be affected by each product/market combination. Which of those combinations will be the most vulnerable in tougher market conditions? Do not forget to map the dependencies between you and your supply chain partners in your planning. Their business continuity is a vital part of your success.

A global recession caused by COVID-19 increases the risk of worldwide food-price increases, supply disruption of agricultural products and possible food protectionism. Even in sectors that have shown positive results in the

earlier stages, you should perform a risk analysis. This should include your suppliers, outstanding buyer credits, access to credit and potential price pressure on your ingredients.

Tips:

Follow the demand in growth categories. Be flexible in adjusting production to these developments.

Develop a cost restructuring strategy that allows you to be more price-competitive in categories where you expect price pressure.

Invest in strategies to differentiate your products from the competition. Communicate their unique values.

Perform a stress test in your supply chain to see how robust it is in times of economic decline.

Explore opportunities in markets and segments that are less affected by COVID-19.

10. Transform into digital

COVID-19 is having a major impact on how business is conducted, on consumer behaviour and on the functioning of the health food supply chain. We have seen a strong shift to online sales for many consumer product groups, including health food. Business-to-business communication is also greatly affected. This is in terms of how we market our products, how we find buyers and how we share and verify information between supply chain actors.

Customers and potential customers will not be able to meet you face to face in the coming period. So use online communication. Tools such as video meetings, virtual company tours and interactive marketing content are good alternatives. This will help you to increase your client engagement in a cost-effective way.

The digital part of the marketing and sales process of health ingredients will grow substantially. Customer engagement and finding buyers will be done more and more via digital platforms. Client interaction will move to video conferencing and mobile chat tools such as Zoom, Microsoft Teams and Whatsapp. Platforms such as Instagram and LinkedIn are growing in importance for content-based marketing and digital events, [IFT](#) and [Vitafoods](#) went digital this year. Digital events will partly replace conferences and exhibitions.

The way we develop, introduce and sell products will be different. More research and product development will be done via collaborative creation models, with partners around the globe working together. Direct-to-consumer sales via global platforms such as Alibaba, Amazon and many other platforms will increase. This will allow for faster product adaptation based on consumer trends, needs and feedback cycles.

Even quality control and certification will see major changes. There will be more remote audits, data integration and transparent business models. Process and product control and supply chain traceability will see an increase in smart data-sharing and validation apps.

Tips:

Adjust your marketing and sales activities to the digital world. Develop a concrete plan on how best to engage with the market via digital platforms. Look into online exhibitions and matchmaking programmes organised by different exhibition organisers and health food media companies. Some examples are [Informa](#) and [Food Matters Live](#).

Explore opportunities for direct-to-consumer sales. Now is the time to find new markets and new customers.

Make virtual communication with your customers easy. Provide them with convenient communication channels, relevant content and accurate data. Transparency and accessibility are very important.

Have a strategy in place that allows for data integration in the area of traceability, quality control, food safety and product development with your partners.

Train your staff and provide them with the necessary tools to adapt to the digital marketplace.

11. Adapt to the new normal - be more sustainable and transparent

The COVID-19 crisis has made it even clearer that human intervention in nature comes at a price. Industrial agriculture is driving habitat loss. This is creating the conditions for viruses to emerge and spread. The crisis may also send millions of people back into poverty and hunger.

There is a general agreement that COVID-19 is not an isolated crisis. Other crises are expected as a result of human intervention in the environment, causing deforestation, air pollution, soil degradation, and emission of greenhouse gasses, resulting in climate change.

Society has been confronted again with the need for a green and responsible food value chain. Lawmakers are looking into green taxes and packaging to encourage new, clean and social business models. Consumers are much more conscious of where the products they consume come from. And, of course, the health food industry depends on the richness of the soil and the biodiversity of nature to provide nutritional and clean products.

Products that are healthy, sustainable and affordable have good opportunities in the current market. Making your business more sustainable in terms of its environmental and social impact, and implementing a long-term, holistic strategy can add to your short-term profits.

The current pandemic will force companies to think about efforts that reduce their impact on the environment. For example:

- Agricultural methods that give back to nature;
- Technologies that sustainably increase the yield of production;
- Reducing unnecessary transport of people and input in production;
- Innovation that reduces packaging material, while guaranteeing food safety; and
- Programmes that contribute to local society as much as they do to business.

The coming years will see companies invest more in sustainable options, such as:

- Plant-based proteins;
- Natural health foods and remedies that use and preserve the rich biodiversity of our planet;
- Smart growing and processing techniques that improve the sensory characteristics and nutritional values of our food; and
- The transformation of waste and rest materials into exciting new foods.

Looking into the heritage of local food cultures from different regions will provide exciting new healthy, nutritional ingredients. These will contribute to natural health and wellness solutions.

Tips:

Review your current supply chain and see where you can reduce unnecessary movement of people and products. Go local wherever possible.

Use your biodiversity as a commercial advantage, and the protection of your natural richness as a core strategy.

Review your current operation. See where you can reduce your environmental impact in terms of greenhouse gas emissions, water and energy use, food waste and soil degradation. For more information about Corporate Social Responsibility (CSR), see [ISO](#), [Sedex](#) or [Intracen](#).

Explore new agricultural and processing methods based on concepts like [circular economy](#), [regenerative agriculture](#), AG technology and packaging and processing innovation.

Explore how you can generate business as well as reduce costs by working more sustainably. A sustainable business also has to be financially sustainable.


For information about different sustainable certification systems, see [ITC's sustainability map](#).

This study has been carried out on behalf of CBI by [Reindert Dekker from Nutridiant](#).

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