



Complementary Medicines Australia

Complementary Medicines Australia (CMA) is the peak industry body for the complementary medicines industry. CMA members represent over 70% of all product sales and the entire value chain, including manufacturers, raw material suppliers, distributors, consultants, retailers, allied health professionals and educators.

CMA is the principal reference point for members, the government, the media and consumers to communicate about issues relating to the complementary medicines industry.

What are complementary medicines?

Regulated in Australia as medicines under the Therapeutic Goods Act 1989, complementary medicines include vitamins, mineral and nutritional supplements, homeopathic, aromatherapy products and herbal medicines (unless specifically exempt). The term 'complementary medicines' also comprises traditional medicines, including traditional Chinese medicines, Ayurvedic, Australian Indigenous and Western herbal medicines. Other natural healthcare products may be regulated as foods, such as functional foods and special purpose foods, or as cosmetics, such as natural cosmetics that use herbals and botanicals.

Join us

Together we are Stronger

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Healthy People Healthy Growth

Complementary Medicines Industry Audit 2017

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FOREWORD

by the Hon Craig Laundry MP

Assistant Minister for Industry, Innovation & Science

The comprehensive Audit clearly shows that the complementary medicines industry is in good health as Australians continue to invest in their wellbeing. I congratulate the industry on its impressive growth across the sector.



The partnership between the complementary medicines industry and the Australian Government has provided a great case study into the growth possibilities stemming from the National Innovation and Science Agenda, the strong focus upon deregulation to support businesses, and the promotion of trade liberalisation.

The value of sales of Australian complementary medicines has doubled from \$2.3 billion to \$4.7 billion in just over three years, corresponding to a CAGR of 26.9%. Very few industries globally can boast such a double digit compound annual growth rate. This reflects the growth achievement across the entire industry supply chain and all supporting sectors from raw material suppliers to natural health practitioners. Every sector of the supply chain outpaced the 1.7% growth rate of the broader Australian economy, representing an increased share of national income deriving from the complementary medicines industry.

Government support for the sector is bearing fruit. The government will continue support for small to medium enterprises to improve business competitiveness and productivity. Funding for world leading science and research provides important evidence for consumer confidence in the complementary medicines industry.

In addition to reducing entry barriers for Australian firms entering foreign markets, the Australian Government is committed to abolishing needless, costly regulation. Reforms made as a result of the Medicines & Medical Devices Reforms, announced in 2016, will help to drive investment in complementary medicines research, development and innovation and support the Australian industry to remain competitive on the global stage.

I am confident that the industry will continue to harness the National Innovation and Science Agenda, seize the opportunities presented by exporting to new markets and by emerging global trends.

I wish the industry well for 2017.

2017 INDUSTRY AUDIT HIGHLIGHTS

\$4.7 billion complementary medicines industry revenue, having doubled from \$2.3 billion in just three years

VDS category has doubled over the last ten years

Exports have doubled over the last three years

82 TGA licensed manufacturing sites in Australia

12 700 direct high skilled jobs in complementary medicine products industry

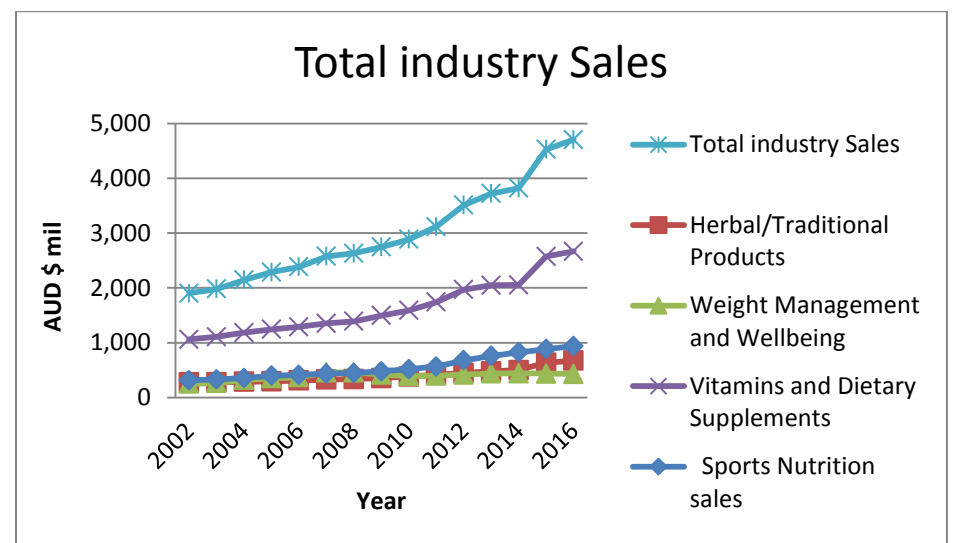
36 441 employees across 29 natural therapy modalities



A GROWING INDUSTRY

Complementary medicines are an important element of healthcare around the world. The use of traditional and complementary medicines is growing worldwide, with the global market expected to reach US\$115 billion by 2020.ⁱ Significant growth has been reported in many countries, including the United States, Canada and Australia, and across Asia.

CMA conducts regular audits of the complementary medicines sector. The inaugural study started in 2011 and estimated revenues of \$1.9million. This latest comprehensive audit shows that the industry achieved revenues of \$4.7 billion in 2016. This represents a compound annual growth rate which is almost ten times faster than the growth rate of the overall Australian economy.



Source: Euromonitor, 2016ⁱⁱⁱⁱ

The total industry revenue can be broken down into four broad categories:

- Vitamin & Dietary Supplements** \$2.7 billion
- Sports Nutrition** \$1.0 billion
- Herbal / Traditional Products** \$0.6 billion
- Weight Loss** \$0.4 billion

Surging consumer demand from both domestic and international markets has supported substantial industry growth.

GROWING EXPORTS

Australia is recognised as a premium brand in the complementary medicines sector, stemming from our strict quality and safety manufacturing standards. As a result of this, and Australia's 'clean and green' image, over 60 per cent of companies in our sector are engaged in exporting activities.

A major contributor to the success story for the Australian complementary medicines industry is the growing demand for our products across Asia. According to Austrade, formal exports of Australian complementary medicines increased 156.3 million, or 64.3 per cent, to 399.5 million in 2016.^{iv} This was driven by growth to Australia's top five export destinations for natural health products, which include Hong Kong, China, South Korea, New Zealand and Malaysia.

Country	2015 \$A	2016 \$A	Export Share %	Growth Rate %
Hong Kong	32,544,588	131,691,285	32.96	304.65
China	35,081,582	84,898,781	21.25	142.00
South Korea	37,738,259	42,109,636	10.54	11.58
New Zealand	27,140,179	40,000,271	10.01	47.38
Malaysia	11,567,119	15,027,670	3.76	29.92



Australia's geographic location makes it an ideal base from which to export complementary medicines to meet the rapidly growing consumer demand throughout Asia.^v Whilst Asia's ageing population and the rapidly growing middle class has driven this demand, liberalisation of trade and the removal of regulatory barriers in the region will enable Australia to increase exports into the future.

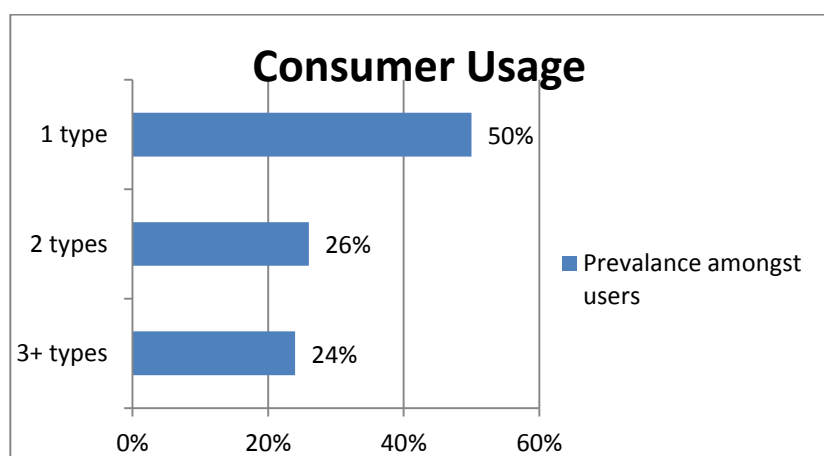
A CONSUMER DRIVEN INDUSTRY

The industry has been a success story in recent years due to increasing interest and demand from consumers keen to take an active role in managing their own health. Australian consumers use complementary medicines for preventive health or as an adjunctive therapy to conventional medicine. The vitamin and dietary supplement category, particularly, is in great demand, with sales doubling in the last decade.

Australian consumers spent over \$AU550 per capita on complementary medicines in 2016, which has increased from \$AU472 over the past five years. According to Roy Morgan research the number of consumers who used a complementary medicine on a regular basis in 2015 was 8.1 million, up 22.7 % from 6.6 million in 2011.^{vi}

For the domestic market, two significant trends are supporting the growth of the industry: an ageing population and increase in chronic disease, and the growing awareness of the importance of preventive health. Whilst the older population is expected to remain a key driver of the market, the industry is also seeing growth in the youth market, especially in the area of sports nutrition.

With half of complementary medicine users now consuming more than one product per day, individuals continue to tailor their supplementation regime to their specific needs and goals. Australian consumers understand that complementary medicines are not a replacement for prescription medicines; rather they use complementary medicines to enhance overall wellbeing and for maintenance of health.



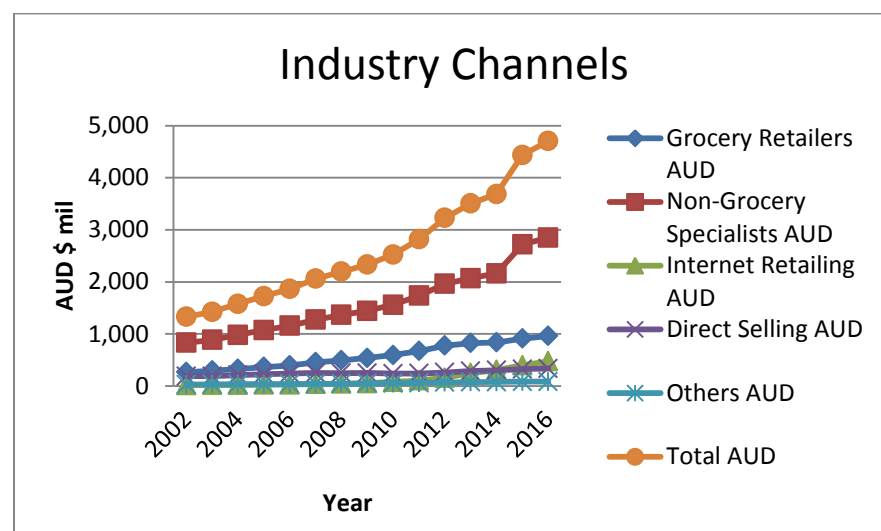
Source: ABS, 2014^{vii}

INDUSTRY CHANNELS

The 1500 health food stores in Australia play a vital role in their local communities, providing health and wellness advice and an extensive range of natural health products. They bring together specialised expertise, skills and a passion for health.

Pharmacies and para pharmacies, where consumers can obtain professional healthcare advice from the pharmacist and in-store health professionals, remain popular outlets to purchase complementary medicines in Australia.

Online shopping is the fastest growing purchasing channel with an 18.9 per cent growth over the 2015-2016 period.^{viii}



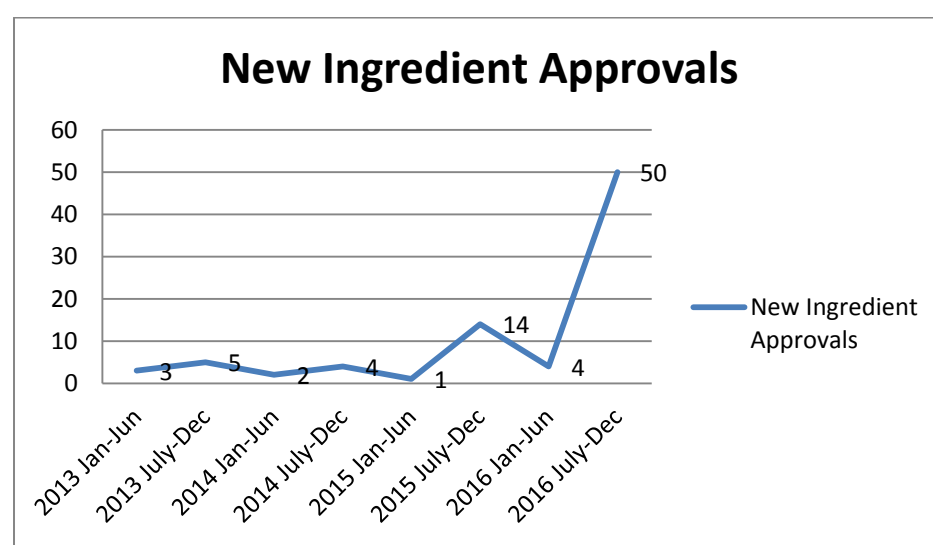
Source: Euromonitor, 2016

The industry is seeing a new trend in the market. Consumers are seeking 'clean-label' complementary medicines, with the same trend being seen in the food and beverage markets. Consumers are becoming more savvy and conscious about what they put into their mouths. Consumers wish to know if products contain any allergens or any artificial chemicals such as colours, sweeteners or flavours, or GMOs. With this new trend, raw material suppliers and manufacturers are increasingly focusing upon ensuring they meet consumers' demand for 'clean' products.

AN INNOVATIVE INDUSTRY

Well-informed consumers are keen to access innovative new products. For the complementary medicines industry, as for other Australian industries, putting the right regulatory environment in place will nurture, promote and enable competitiveness and innovation.

The Therapeutic Goods Administration (TGA) has recently approved the inclusion of many new ingredients to the List of Permissible Ingredients. In the *Therapeutic Goods (Permissible Ingredients) Determination No. 2 of 2016*, 38 new ingredients, along with associated requirements relating to their use, were added to the list.^{ix} Over the last three years, greater than 100 new active and excipient ingredients have been added to the approved list, allowing the industry to innovate further and formulate new products to meet consumer demand.



Source: Therapeutic Goods Administration^{xi}

Under the proposed new regulatory framework from the Review of Medicines and Medical Device Regulation (MMDR), there will be a third option for listing medicines onto the Australian Register of Therapeutic Goods (ARTG) where the sponsor can elect for their product, which contains ingredients already permitted in listed medicines, to undergo pre-market assessment by the regulator for efficacy. CMA has strongly supported the concept of a third, modified pathway, which will allow the ability to make higher level health claims. This will encourage and reward greater investment in research and development by industry, and be an incentive to further expand the clinical research base on complementary medicine products.

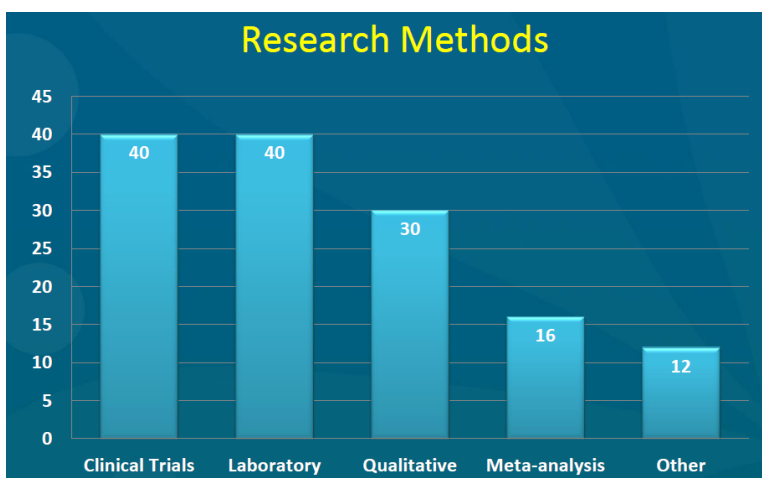


RESEARCH CAPACITY

Increasingly, complementary medicines are being found to contribute to improved health outcomes through increased effectiveness, safety and cost-effectiveness, and integration with conventional medical care.^{xii}

Australia is proud to be a global leader in complementary medicines research, boasting two five-star Australian Research Council recognised institutions for complementary medicines: the National Institute of Complementary Medicines (NICM) and the Australian Research Centre in Complementary and Integrative Medicine (ARCCIM). Australia also boasts notable research organisations outside of the university sector, such as the Blackmores Institute, the National Institute of Integrative Medicines (NIIM) and the Practitioner Research and Collaboration Initiative (PRACI).

A recent study by NICM showed that Australia has 160 lead investigators working on 295 complementary medicine research projects, and over \$30 million is being invested in research. The high quality of this research is demonstrated by Packer et al. (2016) which shows that clinical trials are the primary method of research.



Source: Packer et al. (2016)

A drastic expansion of research capacity is expected for 2017 as firms and universities shore up government support. Two major projects that are currently being pursued, and that have the ability to significantly expand the evidence base of complementary medicines, are the construction of the Westmead–NICM laboratories and the new dedicated clinical trails centre at La Trobe University.^{xiii}

NATURAL HEALTH PRACTITIONERS

Complementary medicines practitioners play a pivotal role in supporting individuals to manage their general wellbeing and are a key information source for consumers concerning complementary medicines. Across the 29 natural therapy modalities, 36,441 employees contributed \$AU1.83 billion of consultation value to the Australian economy.^{xv}

The industry recently welcomed an innovative project – PRACI – the largest national practice-based research network for complementary healthcare practitioners in the world. Founded by the Endeavour College of Natural Health, PRACI consists of collaborative networks between researchers in academic institutions and practitioners in real clinical settings.

MANUFACTURING SECTOR

The high international demand for Australian complementary medicines is driving major expansion of local manufacturing. Our industry is delivering on its potential for growth and building on the strength of our global branding for excellence.



Australia's complementary medicines industry is backed by a regulatory regime that is regarded as one of the strongest in the world. Complementary medicines must be manufactured under pharmaceutical standard Good Manufacturing Practice (GMP) in TGA approved and licensed facilities, where strict safety and quality regulations are enforced. This enables us to manufacture products that meet the highest standards of quality and safety.

There are currently 82 TGA licensed sites manufacturing complementary medicines in Australia, and our industry is supported by 12,700 direct highly skilled jobs. With the high international demand for Australian products, the manufacturing sector is expected to continue to expand, with an anticipated annual growth rate of 3.9% contributing further to the strength of our high-skilled local manufacturing.

Despite the positive growth story, the complementary medicines manufacturing sector in Australia is facing a number of challenges, including the need to remain globally competitive. Our industry must consistently produce innovative and value-added products in order to compete internationally.

A HEALTHY FUTURE

With the potential of the Government's National Innovation and Science Agenda to allow Australian businesses to become more competitive and more innovative, and with the growing consumer demand for complementary medicines as a core element of caring for their health, our industry has much to offer to both the preventative health agenda and the Australian economy.

As highlighted by this latest industry audit, the Australian complementary medicines industry continues to be in a great position to capture the growing domestic and international markets.



ⁱ Ung, C., Harnett, J. (2017). Community pharmacist's responsibilities with regards to traditional medicine/complementary medicine products: A systematic literature review. *Research in Social and Administrative Pharmacy* 13 686-716

ⁱⁱ Euromonitor International Australia. (2016). Complementary Medicines Market Data 2016-2017

ⁱⁱⁱ Therapeutic Goods Administration. (2016). Performance statistics report: July 2015 to 2016.

^{iv} Austrade. (2016). Export Statistics: Vitamins & Supplements

^v Ibid.

^{vi} Roy Morgan. (2015). Checking the health of Australia's vitamin market [Press release]

^{vii} Australian Bureau of Statistics. (2014). Australian Health Survey: Nutrition First Results – Foods and Nutrients, 2011-12

^{viii} Euromonitor International Australia. (2016). Complementary Medicines Market Data 2016-2017

^{ix} Therapeutic Goods Administration. (2016). Therapeutic Goods (Permissible Ingredients) Determination No. 2 of 2016. Sourced from [Therapeutic Goods \(Permissible Ingredients\) Determination No.2 of 2016](#)

^x Ibid.

^{xi} Therapeutic Goods Administration. (2017). Half Yearly Performance Snapshot, 1 July to 31 December 2016.

^{xii} National Institute of Complementary Medicine. (2013). Research Priorities for complementary medicine in Australia. Retrieved from:

http://www.nicm.edu.au/data/assets/pdf_file/0009/537840/Research_Priorities_for_CM.pdf

^{xiii} Packer, J.G.A., Besch, J., Boon, S., Bensoussan, A. (2016). Complementary Medicine Research projects in Australia 2008-2013. *Advances in Integrative Medicine*

^{xiv} Smith, B. (2016). Swisse and CSIRO sign multimillion-dollar research deal. *Sydney Morning Herald*.

^{xv} Steel, A. (2017). Unpublished data from PRACI Workforce Data