The Philippine Natural Health Products Industry Roadmap

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The Chamber of Herbal Industries of the Philippines, Inc. “CHIPI”

CHIPI is an association of companies engaged in the manufacture, development, research, distribution, trading and raw materials supply of herbal products. Organized in 2001 with a starting group of 12 companies, it has now over 80 SMEs stakeholders in the Philippine Natural Health Products Industry.

CHIPI envisions to become the prime mover and lead agency in the development, promotion, advocacy and protection of the Phil. Natural Health Products Industry and its stakeholders so as to significantly contribute to the people’s health care and the country’s economic progress.
In April 2009, CHIPI with the support of the Department of Trade and Industry (DTI) conducted the Summit of the Phil. Natural Health Products Industry. This forum was attended by various CHIPI members, relevant government agencies and other industry stakeholders. The purpose of the said summit is to formulate a set of recommendations to the government on the policy environment and support that the industry needs so that it can become a major contributor to the improvement of our people’s health and country’s economy.
In January 30, 2012, DTI through its attached agency, the Board of Investments (BOI) launched the Industry Development Forum, under the Philippine Development Plan 2011-2016, to encourage industry associations to formulate their respective roadmaps up to 2030 (short term 2012-2016, medium term 2013-2022, and long term 2023-2030).
In July 19, 2013, CHIPI submitted to DTI Industry Development and Trade Policy Group Undersecretary Adrian S. Cristobal, Jr. the Philippine Natural Health Products Industry (PNHPI) Roadmap 2014-2030, an update of the recommendations made in April 2009 and an in-depth presentation of the industry’s present condition, SWOT analysis, issues and concerns.
THE PNHPI ROADMAP

The Roadmap described and analyzed the status, problems and prospects of the Philippine Natural Health Products Industry with the end-view of arriving at recommendations which the industry stakeholders can take on to reinforce the industry.

INDUSTRY VISION

A sustainable, inclusive, and globally competitive Philippine Natural Health Products Industry known for the dedication and passion of its stakeholders in consistently providing safe, innovative, superior quality, effective and affordable natural health products that nurture both people and animal’s health in every market served.
In line with this vision, the industry is determined to build a unique range of natural health products through the effective and efficient use of the country’s natural resources. This effort is directed toward continuous improvement, and with respect for diversity and active involvement of all stakeholders through strong forward and backward industry linkages.

With the adoption of technologies and processes at par with other countries, the industry will be known for producing superior quality, safe, effective and affordable natural health products, and will be committed to creating jobs, empowering and giving equal economic opportunity and uplifting the condition of small Filipino farmers and farmholders especially in the countryside.
INDUSTRY CORE VALUES

The industry mission will be realized by living according to our core values, which serve as the foundation and guiding principles for all industry stakeholders:

- Honesty, Integrity and Accountability
- Passion, Dedication and Commitment to Excellence
- Safety, Innovation, Quality and Affordability
- Teamwork and Empowerment
- Inclusive Growth, Environment, Sustainability, and Community
- Efficient and Effective
- Diversity, Respect and Open Communication
INDUSTRY CORE COMPETENCIES

- The presence of highly diverse natural resources including 850 known medicinal plants as source of raw materials or natural ingredients for the industry.

- The availability of land and the natural condition and location of the Philippines (being a tropical country) is very conducive in the propagation and production of the different plant species for commercial production.
INDUSTRY TECHNICAL COMPETENCIES

- Presence of Research and Development infrastructure and facilities at par with international standards;

- Competent human resources engaged in R&D.

- Highly trainable manpower
INDUSTRY OBJECTIVES & TARGETS

The objectives of the PNHPI are complimentary and consistent with the national government’s thrust in making local industries globally competitive:

1. For the government to take immediate and decisive actions so that the industry will become the preferred global supplier of high-value, branded natural health, and health-related products, both organic and non-organic.

2. For the industry to secure its share of the US$ 4.5 Trillion world market for health-related products by mobilizing all the resources in the supply value chain – skilled manpower, land, technologies, logistics in major regions of the country.
INDUSTRY GOALS

- Contribute to the health and wellness of the Filipino people
- Contribute to the Philippine Economic Development
- To be the Natural Health Products research and development center in the ASEAN Region.
INDUSTRY GOALS

• To develop the competitiveness of the Philippine Natural Health Products Industry in both local and foreign markets:

1. Increase the wealth of farmers and all Natural Health Products industry stakeholders under a sustainable environment;
2. Maintain growth and sustainability of the industry;
3. Conduct continuous product development through extensive research and development program;
4. Continue improvement on the value-adding and quality of products through adoption of new agricultural, processing and production/manufacturing technologies;
5. Increase productivity and cost efficiency in the whole supply chain to bring down the cost of final products in the market;
6. Continue capacity development of industry stakeholders.
INDUSTRY GOALS

- Intensify the pace of transferring and commercialization of new NHP technologies for benefit and the development of the industry;

- Develop the Philippine Pharmacopeia

- To develop the industry in relation to the Primary Health Care and Wellness System
DISTINCT CHARACTERISTICS OF PNHP

PNHPI is characterized by two (2) major features of its products whether as ingredients or finished products which are:

1. They are NATURAL whether from plants/herbs, marine species or minerals;

2. They are promoted, sold and used primarily for their HEALTH benefits.
This new Philippine industry is now composed mostly of Small and Medium Enterprise (SME) companies which produce ingredients or raw materials as well as finished natural health products for the local and worldwide export markets which are exploding because of growing strong preference for natural products for health reasons.

PNHPI intends to secure its share of the US$ 4.5 Trillion world market for health-related products by mobilizing all the resources in the supply value chain – skilled manpower, land, technologies, logistics in major regions of the country, so as the PNHPI can contribute to fast tracking the need for livelihood creation.
NATURAL HEALTH PRODUCTS CATEGORY

NATURAL INGREDIENTS
- Plant Parts
- Extracts
- Oil
- Semi-processed

FINISHED PRODUCTS
- Human
  - Medical
  - Traditional Medicine
  - Health Supplements
  - Cosmetics
- Household/Homecare
- Animal/Net
- Green Fertilizer & Pesticides
- Laundry Detergents/Insect Repellent
NHP Dynamic Value Chain

Relationship Management

Information, Product, Service, Financial and Knowledge Flows

Supply Network

Integrated Enterprise

Market Distribution Network

Materials

Consumers

Capacity, Information, Core Competencies, Capital and Human Resources
STATUS OF THE PNHPI

For year 2011:

- Local sales of Philippine natural health/herbal products increased by 7% as compared to its total sales in 2010.

(Source: EUROMonitor International website)

- Philippine natural and organic products have an estimated total export value (FOB) of about US$153 million.

(Source BETP)
INDUSTRY PERFORMANCE

PHILIPPINE MERCHANDISE EXPORTS
Of Natural and Organic Products
(FOB US$)

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health Supplement</td>
<td>6,607,064</td>
<td>6,988,141</td>
<td>8,325,901</td>
</tr>
<tr>
<td>Medicinal Plants/Food</td>
<td>12,589,177</td>
<td>17,808,498</td>
<td>37,560,594</td>
</tr>
<tr>
<td>Personal Care</td>
<td>82,550,313</td>
<td>112,448,292</td>
<td>106,916,348</td>
</tr>
<tr>
<td>TOTAL</td>
<td>101,746,554</td>
<td>137,244,931</td>
<td>152,802,843</td>
</tr>
</tbody>
</table>

SOURCE : NSO
PROCESSED BY: DTI-BETP
INDUSTRY PERFORMANCE

Export Natural and Organic Products from 2007 to 2011

(Source BETP)
INDUSTRY PERFORMANCE

Top 3 Export Market in 2011

(Source BETP)
INDUSTRY PERFORMANCE

PHILIPPINE MERCHANDISE IMPORTATION
Of Natural and Organic Products
(FOB US$)

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health Supplement</td>
<td>30,483,402</td>
<td>43,267,707</td>
<td>40,416,035</td>
</tr>
<tr>
<td>Medicinal Plants/Food</td>
<td>1,756,817</td>
<td>2,595,302</td>
<td>2,361,835</td>
</tr>
<tr>
<td>Personal Care</td>
<td>156,456,626</td>
<td>159,926,905</td>
<td>154,948,828</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>188,696,845</strong></td>
<td><strong>205,789,914</strong></td>
<td><strong>197,726,698</strong></td>
</tr>
</tbody>
</table>

SOURCE : NSO
PROCESSED BY: DTI-BETP
INDUSTRY PERFORMANCE

Import Natural and Organic Products from 2007 to 2011

(Source BETP)
INDUSTRY PERFORMANCE

Top 3 Suppliers in 2011

### Natural Health Supplements

- **China**: $10,516,282
- **United States**: $5,390,900
- **Singapore**: $5,228,073

### Medicinal Plants/Foods

- **United States of America**: $1,568,148
- **Indonesia**: $473,966
- **Germany**: $93,421

### Personal Care

- **Thailand**: $59,261,631
- **Indonesia**: $22,840,024
- **China**: $13,414,578

(Source BETP)
Using a Simple Linear Regression, the future export values of the Philippine organic and natural health products was forecasted up to 2017 using the available 5-year export values from the Bureau of Export Trade Promotion shown in the table below.

### Projected Export (FOB US$) of Philippine Organic and Natural Product for the Years 2012-2017

<table>
<thead>
<tr>
<th>CATEGORY</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health Supplements</td>
<td>9,001,686</td>
<td>9,530,557</td>
<td>10,448,829</td>
<td>11,296,833</td>
<td>11,937,463</td>
<td>12,734,423</td>
</tr>
<tr>
<td>Medicinal Plants/Food</td>
<td>36,205,827</td>
<td>45,592,373</td>
<td>55,272,410</td>
<td>63,375,822</td>
<td>68,810,517</td>
<td>78,749,238</td>
</tr>
<tr>
<td>Personal Care</td>
<td>127,590,102</td>
<td>138,941,848</td>
<td>152,066,844</td>
<td>160,971,468</td>
<td>177,073,417</td>
<td>187,627,611</td>
</tr>
<tr>
<td>Total</td>
<td>172,797,615</td>
<td>194,064,778</td>
<td>217,788,084</td>
<td>235,644,123</td>
<td>257,821,397</td>
<td>279,111,272</td>
</tr>
</tbody>
</table>
Imports Projection

The imports of the different natural health products by the Philippines is projected and shown in the table below. In 2017, the Philippines is estimated to import about US$ 71.5 Million worth of health supplements, US$ 1.98 million of medicinal plants/foods and US$ 153 million of personal care products.

**Projected Philippine Import (FOB in US$) of Organic and Natural Product for the Years 2012-2017**

<table>
<thead>
<tr>
<th>CATEGORY</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health Supplements</td>
<td>46,966,309</td>
<td>53,215,028</td>
<td>57,618,252</td>
<td>60,746,691</td>
<td>67,186,440</td>
<td>71,538,121</td>
</tr>
<tr>
<td>Medicinal Plants/Food</td>
<td>2,276,061</td>
<td>1,909,030</td>
<td>2,312,566</td>
<td>2,058,038</td>
<td>1,998,137</td>
<td>1,980,171</td>
</tr>
<tr>
<td>Personal Care</td>
<td>139,433,911</td>
<td>155,427,574</td>
<td>153,184,105</td>
<td>151,129,547</td>
<td>152,471,856</td>
<td>152,996,703</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>174,957,603</strong></td>
<td><strong>195,364,498</strong></td>
<td><strong>192,435,048</strong></td>
<td><strong>191,148,684</strong></td>
<td><strong>192,546,547</strong></td>
<td><strong>192,742,148</strong></td>
</tr>
</tbody>
</table>
PROSPECTS FOR THE INDUSTRY

• Natural Foods Merchandiser Magazine's 2012 Market Overview reports healthy growth for the natural and organic products industry. With nearly $91 billion in total revenue last year, the industry grew 10 percent over 2010, showing that consumers are filling their carts with natural products and that the industry is healthy and growing.

• Greater preference amongst Filipinos for safer and effective remedies to minor ailments is expected to drive demand for herbal/traditional products over the forecast period. Companies, particularly local players as well as the government should invest in the research and development of NHPs, in order to introduce more natural alternatives in key categories, such as analgesics, cough, cold and allergy remedies, medicated skin care and other related products.
PROSPECTS FOR THE INDUSTRY

- There are huge opportunities to expand the Natural Health Products to natural homeopathic drugs/medicine. According to Philippine Advocates for Natural and Alternative Health (ANAH), the homeopathy industry is worth around $17.5 million in Canada, GBP£40 million in the UK, and around €400 million in both France and Germany and a measly US$1.4 billion in the United States.

- During the meeting facilitated by the BOI on the crafting of the regulatory framework on homeopathic drugs/medicines, Ms. Joyce Marie Bantiyan of the Philippine College of Homeopathic Pharmacist, Inc. shared that the production/manufacturing of natural-based homeopathic drugs/medicine including its raw materials can be develop here in the Philippines.
PROSPECTS FOR THE INDUSTRY

- Having a diverse ecosystem and the competent manpower to conduct research and development on NHP raw materials and products, the Philippines can be the R&D center/hub for NHP in the region.

- More and more, people are turning to natural health products for themselves and for their animals as an alternative to conventional medication to prevent or treat diseases and conditions. As such, there is a need for these products to be adequately regulated to ensure their quality, efficacy and safety.

- The increasing demand of organic products in both local and foreign can also be explored and develop in line with the natural health products industry.
INVESTMENT PROSPECTS OF THE INDUSTRY

In support to the industry vision, mission and goals, the investment activities that can be promoted by the BOI are the following:

- Establishment of nurseries for natural health crops
- Research and Development Centers
- Technology incubators
INVESTMENT PROSPECTS OF THE INDUSTRY

- Clinical testing facilities
- Manufacturing of packaging materials and other investments in support to the industry
- Production of
  1. Fresh raw materials
  2. Processed Raw materials
  3. Final products
## DTI INITIATIVES for the DEVELOPMENT & PROMOTION OF PNHPs

<table>
<thead>
<tr>
<th>DTI Line Bureau/Attached Agency</th>
<th>Initiative/Activity</th>
</tr>
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<tbody>
<tr>
<td>Center for International Trade and Exposition Mission (CITEM)</td>
<td>Organized the annual BIOSEARCH, a local trade show promoting herbal products</td>
</tr>
<tr>
<td>Bureau of Export Trade &amp; Promotions (BETP)</td>
<td>Organized the Offshore Business Missions (OBM) in Europe, Middle East, North America promoting herbal products of SMEs</td>
</tr>
<tr>
<td>Export Development Council (EDC)</td>
<td>Provided funding for the participation of SMEs in international trade shows</td>
</tr>
<tr>
<td>Board of Investments (BOI)</td>
<td>Promotes investments and provides incentives to the industry through listing in the Annual Investment Priorities Plan (IPP) of commercial production and processing of agri-based products wherein herbal medicine and other natural health products are covered, and of medical tourism activities under the Tourism Act; Helps the industry formulate its own roadmap for 2012-2030.</td>
</tr>
</tbody>
</table>
Other GOVERNMENT SUPPORT

- The Department of Agriculture (DA) provides funding for research on other plants for possible sources of natural ingredients. Other initiatives of the DA through its BIOTECH Division are listed below:

  1. Provide funding for the various activity of CHIPII such as “CHIPI TradMed Forum”;
  2. Spearheading the organization of Growers and Producers of Natural Ingredients;
  3. Provide funding for researches on natural ingredient.

- DOH and FDA allow CHIPI representatives in the deliberations of the Philippines stand in the current ASEAN Harmonization of Traditional Medicine & Health Supplement (TMHS).
Challenges & Concerns

Industry Costs

- Slow identification of raw materials for IP/patent registration
- Lack of domestic supply of raw materials, resulting to importation
- Few ingredient processors especially near the raw material suppliers
Challenges & Concerns

Technical:

- Absence of R & D Agenda for NHPs
- Lack of dedicated testing laboratory for NHPs at affordable fees
- Expensive pre-clinical and clinical trials
- Expensive organic certification
Challenges & Concerns

Institutional:

- Low government priority to the industry
- Absence of separate/exclusive classification for NHPs in the Tariff and Customs Code
- Need to revisit/strengthen PITAHC (Amend Law) or TAMA Law (RA 8423)
- No special section within FDA to handle registration of NHPs
- Lack of harmonized certification procedures for NHPs and ingredients/compound from various certifying bodies/government agencies
- LGU and community contract farming
- Inadequate financing on the crop production/growing, processing and marketing
- Absence of priority/special window for lending institutions for NHP investors
INDUSTRY SWOT

Strength
1. Natural conditions (soils, temperature) are conducive propagation environment for variety of crops, rich biodiversity
2. Land available for use in planting/cultivation of raw materials
3. Raw materials are not hard to grow (can be grown in a short period of time)
4. Highly organized and active industry association
5. Raw material uniqueness (active ingredients)
6. Only country in Asia that has a law on the development of traditional and alternative health care law (TAMA Law / R.A. 8423)
7. Competent human resources engaged in R&D
INDUSTRY SWOT

8. Adequate R & D infrastructure and facilities at par with the international Standards
9. Strong support from DOST – PCHRD and DA - BIOTECH on natural ingredients research
10. Presence of laws to support the development of the industry
11. Growing number of industry players (corresponding to FDA product registrations)
12. Strong domestic base
13. Multi-national pharmaceutical company is getting into natural health products (note that the industry is comprised of 85% local MSMEs and 15% large multi-national companies)
INDUSTRY SWOT

Weaknesses

1. Majority of the players are MSMEs
2. Lack of capacity of MSME players to generate their own (credible) data
3. Weak industry integration, no value chain management
4. Diseconomies of scale
5. Certification systems (NI and organic) not yet in place
6. Poor collaborations (weak linkage) among scientist, research institutions and the private sector and poor access to industry information
7. Lack of data transparency among industry players
INDUSTRY SWOT

8. Tedious application and reportorial requirements of financing/lending institutions
9. Poor dissemination of relevant laws especially those that grant incentives to the industry (i.e. E.O. 226 and R.A. 9178)
10. Inadequate scientific documents on natural health products efficacy
11. Low level of technology on product development
12. Lack of funds to support and reach out industry players in the countryside
INDUSTRY SWOT

Opportunities

1. More than 850 medicinal plants - potential for new natural ingredients
2. Big domestic market (based on increasing population)
3. Increasing export market
4. Rapidly increasing number of enterprises engaging in NHP industry
5. Available raw materials from farms both wild/conventional harvests and those that can be cultivated.
6. There are 2,070 Agrarian Reform Communities (ARCs) in 9,229 Barangays with a total 1.587 million hectares of agricultural land
INDUSTRY SWOT

7. The different FTAs that was signed by the Philippine Government
8. More players ready to diversify- more than 80 CHIPI members
9. Capacity Utilization vis-à-vis Demand Projection (local & international demand)
10. Implementation of the ASEAN harmonization for NHPs
11. Increasing demand for organic products
INDUSTRY SWOT

Threats

1. Overwhelming growth of NHP industry of neighboring countries
2. Negative advertisements of chemical-based pharmaceutical companies on NHPs
3. Poor collaboration of various government agency to work towards a common goal (R&D, Legislative, Regulation, etc)
4. Inadequate supply of local raw materials due to weak supply chain (diseconomies of scale – high cost of local RMs)
5. Proliferation of FDA-unregistered local and imported smuggled products (which destroy the reputation and image of the whole industry)
INDUSTRY SWOT

6. Inadequate financial and manpower support of the national government for the regulatory agencies (e.g. FDA, PITAHC) related to natural health products industry
7. Expensive pre-clinical and clinical trial procedures
8. Current FDA regulations are not aligned with TAMA Law
9. The implementation of the ASEAN harmonization for NH Products
10. FDA lacks the technical capacity (although they have the equipment) and manpower to serve better the NHP industry
11. Non-tariff measures (NTMs) being imposed by other countries with Free Trade Agreements with the Philippines
12. Absence of exclusive/separate AHTN nomenclature for NHPs
Based on the Industry SWOT, INDUSTRY’S GENERAL STRATEGIC COURSE OF ACTION

- Market development
- Market penetration
- Product development
- Forward integration
- Backward integration
- Horizontal Integration
- Related Diversification
PROPOSED STRATEGIES

1. Identify and select priority natural health products required by each sub-sector.

   Criteria for selection:

   1a) That the NHP enjoys an existing and fast growing local and export market.

   1b) That the NHP has an existing traditional and or scientific basis for their use.

   1c) That such NHP can be produced locally at productivity levels and costs that are competitive with those in other countries.

2. Establish a National Research and Development Agenda for the NHP.
PROPOSED STRATEGIES

3. Establish a National Production Agenda that will sustain the NHP raw material requirements for the identified champion NHP.

4. Establish a Financing Support Agenda customized for the stakeholders of the whole PNHPI value chain.

5. Establish a National Marketing Agenda for both local and export market.

6. Harmonize and align the Philippine FDA regulations with the TAMA Law.

7. Assignment of separate tariff headings for NHP.
ANNEX XII - Table 11. Suggested Specific Strategic Course of Action by the Different Stakeholders for the Development of the Philippine Natural Health Products
Proposed PNHPI Development Council

Stakeholders

Department of Trade & Industry (DTI), Department of Health (DOH), Department of Agriculture (DA), Department of Science & Technology (DOST), Department of Environment & Natural Resources (DENR), Department of Tourism (DOT), National Economic Development Authority (NEDA), Philippine Institute of Traditional and Alternative Health Care (PITAHC), Philippine Association of State Universities and Colleges (PASUC) and Private Sector Representatives
(Five Private Sector Representatives to be nominated by CHIPI)

Chairman – BOI Co-chaired - CHIPI

Secretariat

Oversight Committee / Audit

R & D Group

- Research
- Product Development

Technical Production Group

- Growers/Raw Materials
- Manufacturing Final Product

Marketing and Promotions Group

- Market Research
- Market Development

Support Group

- Legal and Regulatory
- Human Resources
- Budget/Finance
- Information and Data Management
THANK YOU