

Dietary supplements could become state's first \$10 billion industry

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Dietary supplement health companies along the Wasatch Front report phenomenal growth in 2005, boasting a statewide revenue of \$4.1 billion. And with the increasing popularity of dietary supplements, industry leaders say the trend will likely continue in 2006.

"The future is bright," said Joe Chang, president of Provo-based Pharmanex. "People are living longer but are less healthy. Health care costs are rising and baby boomers are moving to retirement. This is a great opportunity for anti-aging products and direct selling."

The 11-year-old company, acquired by Provo-based Nu Skin Enterprises in 1998, has an estimated annual sales reach of more than \$700 million. It employs 1,200 at its headquarters and has a worldwide sales force of 5,000. Global sales for 2005 were \$1.2 billion, a phenomenal year, Chang said. "Pharmanex continues to grow year over year."

Pharmanex is one of nearly 115 supplement companies with Utah headquarters, ranging from retail and network marketing companies to manufacturing firms and analytical labs. Utah has become so popular in the supplement industry, in fact, that it has been called the Silicon Valley of health supplements.

"Utah, because of its historical pioneer roots, has developed major strengths and expertise in natural products," something Pharmanex has utilized with its anti-aging formulas, Chang said.

"The crux of the matter," said Steve Hatchett, president of Farmington-based Cornerstone Research & Development, "is that whether you like it or not, Utah was settled by a bunch of pioneers who lived off the land, and who used herbs and other natural remedies to offset the debilitating effects of living in a rough environment."

The trend took root, and eventually people began manufacturing and marketing their home medicines. One difference between then and now, however, is that companies are now investing heavily in research and development in addition to respecting grandma's home remedies.

Cornerstone, a contract manufacturer of dietary supplements owned by Japanese conglomerate Mitsui & Co., employs 400 at its 100,000 square foot

facility in Farmington. In 2005, the company reached total sales of just under \$100 million, a substantial increase from the year before, Hatchett said.

“Utah uses more nutritional supplements per capita than any other state,” he said. “We are a fairly significant group and are growing in a big way.”

So is XanGo, which specializes in juices made from mangosteen fruit. XanGo opened for business in Draper in 2002, but has since moved to Lehi where it operates from a 65,000 square foot facility at Thanksgiving Point. Because of its continued growth, two additional 100,000 square foot buildings are being constructed on the its 30-acre lot.

This year, XanGo was named the top growth company by *Nutrition Business Journal*, having increased sales by 145 percent in its third year of business. It is this quick growth that has created some challenges for the firm, said spokesman Bob Freeze — XanGo has moved three times in four years. But that is a good kind of challenge, he admits. “We are growing drastically every year. It is just phenomenal,” Freeze said.

The entire industry grows by leaps and bounds every year, and Utah is leading the way, said Loren Israelsen, executive director of the Salt Lake City-based United Natural Products Alliance. But he also sees some challenges. For one, the lack of enforcement of the law by the Food & Drug Administration.

In 1994, Congress passed the Dietary Supplement Health and Education Act (DSHEA), which created a statutory framework for the regulation of dietary supplements. It was Utah’s Sen. Orrin Hatch who championed the legislation in order to protect consumers right to access to dietary supplements and to give the FDA a regulatory mandate to work with the supplement industry.

“DSHEA was to bring order, to define safety standards and to prescribe good manufacturing standards in the industry,” Israelsen said.

“Supplements are regulated by the FDA, but unfortunately the agency generally chooses not to use its enforcement authority,” said Rory Mahony, general manager of Nature’s Way, a 35-year-old botanical company located in Springville.

Nature’s Way employs roughly 270 and is growing, Mahony said, though he would not share sales numbers. A popular item right now is glucosamine, he said, calling it a “good, stable product.”

Overall, the U.S. dietary supplement industry grosses about \$20 billion annually, with Utah leading the way.

“In Utah specifically, there is a real desire to be the gold standard in the industry, to set the example of how to do this right,” said Hatchett, who would like to see the FDA become more involved to help “filter out those guys who aren’t doing this right.”

“They are a small group, a small minority, but there are some companies who are not following the same guidelines as other companies are following,” Hatchett said. “As an industry, we have to put more emphasis on science. We want the government to be involved at certain levels. We want to make sure that what is printed on labels is what is put into the bottles.”

The State of Utah, recognizing the importance of the local dietary supplement industry, has become a close working partner with UNPA to build relationships with key governments such as China.

“In the next few months we will be announcing several major initiatives with China to conduct joint research and to enhance quality control systems,” said Israelsen. “We envision this as just the beginning of a series of international programs that will put Utah’s dietary supplement companies on track to be the state’s first \$10 billion industry”

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