



## Impact of Food Legislation (HCR) on Innovation in Food Ingredient Business

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### Functional Food



**Functional food is food containing functional ingredients**

Food ingredient industry provides food industry with

**innovative functional ingredients to produce innovative food**

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## Definition of the term „Innovation“ and its consequences

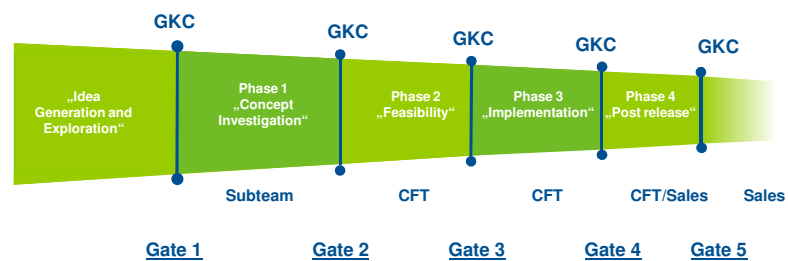
»Research is transfer of cash into knowledge,  
innovation is transfer of knowledge into cash.«\*

Falk F. Strascheg, u.a. ehemaliger Präsident der European Venture Capital Association  
Dr. Pol Bamelis, Mitglied des Vorstandes der Bayer AG zur Eröffnung der 121. Versammlung der GDnÄ, 2000  
Prof. Dr. Claus Weyrich, Mitglied des Vorstandes der Siemens AG, Corporate Technology, 2002  
Prof. Dr. Andreas Pinkwart, NRW-Innovationsminister, 2006

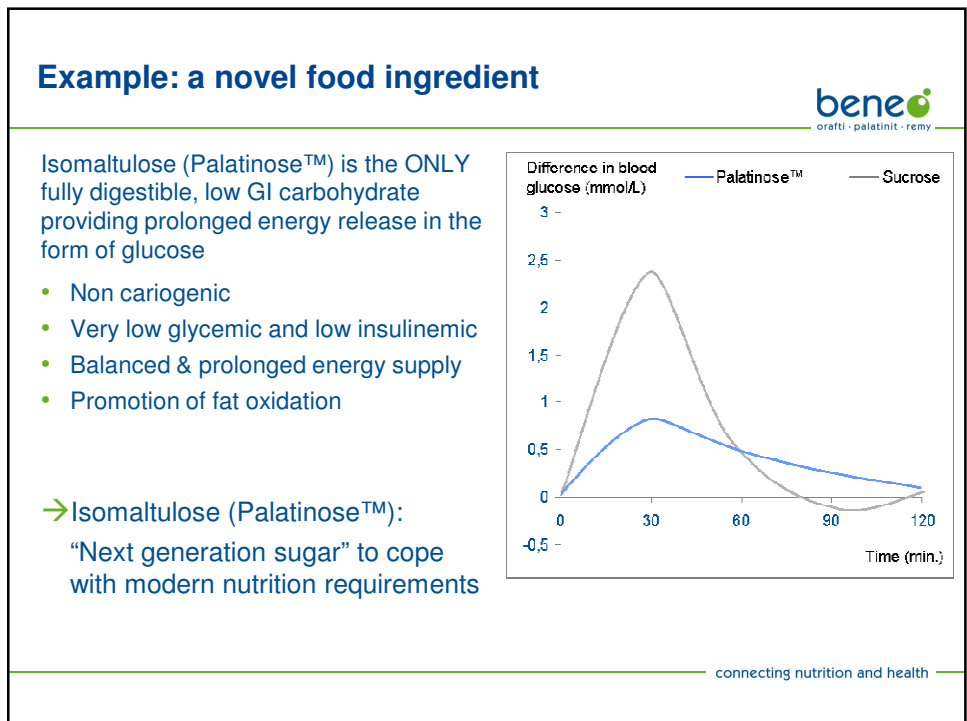
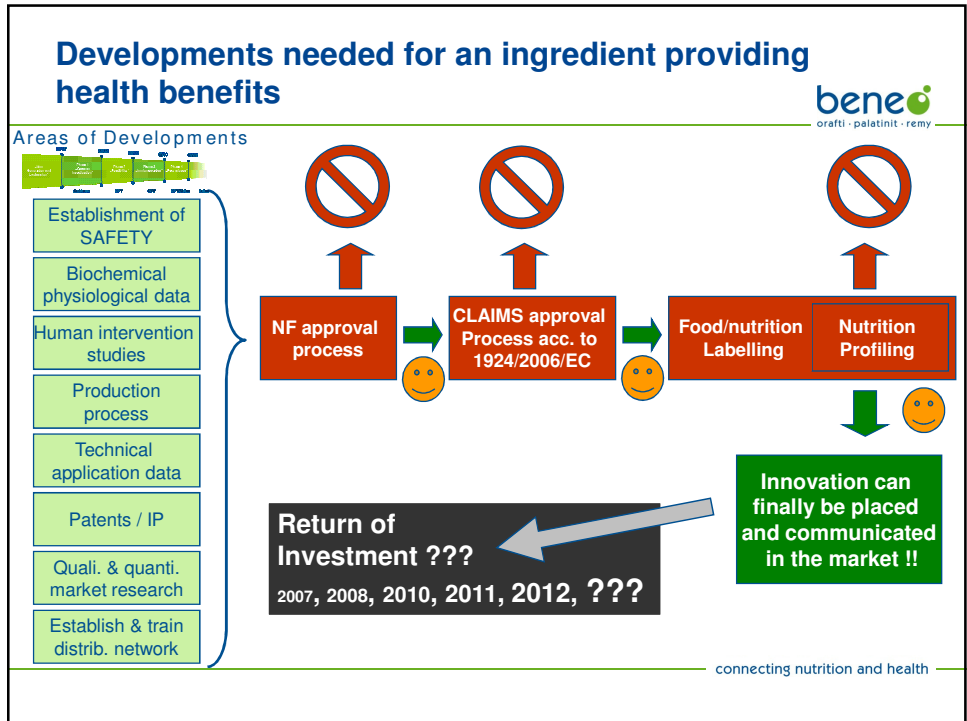
→ Innovation is generally understood as successful!! introduction of a new thing or method

→ Key parameters to determine success is profitability

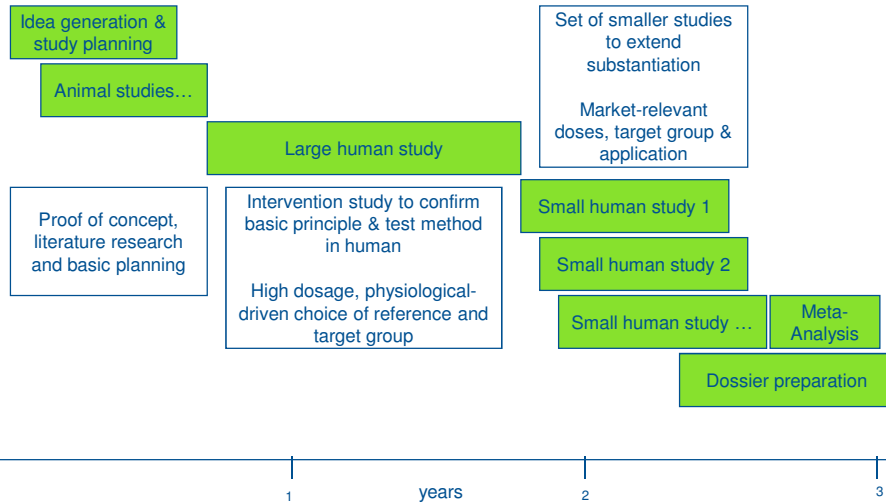
## From ideas to innovation



Significant pre-market R&D and management attention is needed prior to a successful product launch & first returns



## “Palatinose™ enables fat oxidation” - Necessary science to substantiate



\* \$13.5 claim dossier under preparation

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## A successful ingredient development needs:



- 5 – 10 years pre market-entry development period
- 30 – 50 mio. € R&D costs
- 50 – 300 mio. € investment in production plant
- 300 full time workplaces (FTE) per ingredient

Fast time-to-market is absolute crucial for success

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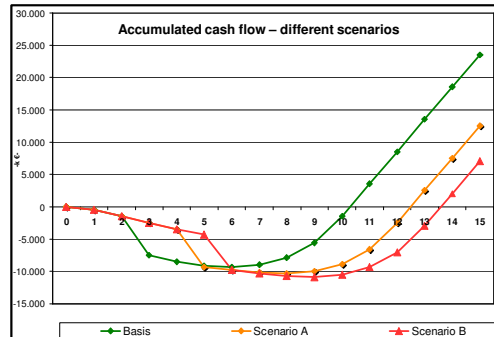
## Economical effect of delayed market entry (MODEL CALCULATION)

### Assumptions:

- **Market entry base case:** Year 4
- **Scenario A** Year 6 (+ 2 years)
- **Scenario B** Year 7 (+ 3 years)

### Consequence for profitability

- **IRR Base case:** 17 %
- **IRR Scenario A:** 9 %
- **IRR Scenario B:** 2 %



## Conclusions (1/2)

### For Isomaltulose (Palatinose™)

- Health benefits are well scientifically substantiated
- Profitability is “at the edge”
- However, only because currently claims can be made that in future would need pre-market approval ...
- ...Only therefore, first returns were possible

## Conclusions (2/2)



For new ingredients

- No transition period
- No early returns
- E.g. Novel Food & claims approvals demand long lead times
- Very high risk of projects to fail
  - not because of insufficient health benefits
  - but because of lacking profitability

**Risk: Discontinuation of food ingredient innovations in EU to the disadvantage of consumers health**

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