

All Economies Are Local In CRN Tool With Analysis Of Supplement Industry Impact

MALCOLM SPICER malcolm.spicer@informa.com

Dietary supplement firms large and small anywhere in the US can offer members of Congress as well as elected state and local officials details on the supplement industry's \$121.6bn total economic impact using an online tool the Council for Responsible Nutrition developed.

CRN President and Steve Mister says the economic and tax impact data (see tables below and next page) complement the trade group's multiple surveys on consumers' use of nutritional supplements that show the industry's contribution to public health.

"Now that we've done that, there was another piece that we haven't answered, which was how do we contribute as an industry to the economy? As opposed to other industries, the automobile industry or anything else, how do we contribute to local economies? Now we have that tool in our toolbox as well," Mister said in an interview.

"This counters any notion that we are simply a blip on the radar. We are a very vibrant and robust part of local economies. That's what this demonstrates," he said.

The website launched June 8 offers data for each of the 435 congressional districts on annual economic impacts in categories from manufacturing wages to wholesalers' output and from ingredient suppliers' output to wages paid by business and personal services linked to the industry. The site provides a view of data for each district in every state while also showing the nationwide impact.

The figures calculated for CRN by John Dunham & Associates classified separate economic impact totals as:

- **direct:** businesses directly involved in manufacturing, marketing and selling supplements and supplying ingredients;
- **indirect:** businesses that provide packaging and equipment, property and facilities, and advertising and other support services for supplement industry firms;
- **induced:** businesses that provide services from auto repair to food and lodging that supplement industry employees and other stakeholders buy.

Mister said the direct impact figures for wages and output are for businesses that "are absolutely connected to making these products and selling them" while the indirect impact reflects how "we create jobs in sectors outside our sector."

The induced impact figures are important to show the total economic impact of the industry.

"We talk about the industry as a \$39-\$40bn a year industry by sales. The annual sales only tell a piece of that puzzle.

There's also the jobs that are on the line, the local taxes, the payroll taxes, the secondary jobs that get created because we build a facility and we have 200 people in a facility making vitamins every day. They've got to go somewhere to have lunch, they've got to go somewhere to fill up their car with gas," Mister said.

In the methodology and documentation report it provided along with the data, Dunham & Associates explained how it determined induced impacts from activities required to manufacture, distribute and sell supplements, which are direct effects, and the indirect impacts that occur when those activities require purchases of goods and services from local or regional firms.

"Additional induced impacts occur when workers involved in direct and indirect activities spend their wages. The ratio between induced output and direct output is termed the multiplier. This method of analysis allows the impact of local production activities to be quantified in terms of final demand, earnings, and employment in the states and the nation as a whole," the firm said

'Appreciate The Value'

Nutritional supplements' benefit to public health and the US health care system have become more widely recognized, and CRN has tracked consumers' increasing use of the products ("CRN Surveys On Supplement Usage 2005-2014" - "The Tan Sheet," Dec. 1, 2014).

However, some members of Congress, state lawmakers and regulatory officials are critical of the industry and support establishing more stringent controls on firms' manufacturing and marketing practices and limiting sales of some categories

More Than Sales Tax

Tax Impact	Business Taxes
Federal Taxes	\$9,196.60
State Taxes	\$5,746.20
Total Taxes	\$14,942.80

of products, such as supplements promoted for sports nutrition and weight loss.

Some of those lawmakers and officials, however, might not be aware of the industry's economic impact.

"That's important as we start talking about product registration and regulations and things like that before regulators and policy makers start thinking about limiting access to products or putting more restrictions on how we can make things or stifling innovation on new products, I think they need to appreciate the value that we bring to local communities and understand what is really at risk if they were to shut down the industry," Mister said.

US Dietary Supplement Industry Nationwide Economic Impact

Direct Economic Impact	Jobs	Wages*	Output*
Manufacturing	45,553.00	\$7,486.70	\$31,306.00
Ingredients	8,036.00	\$706.90	\$5,694.50
Whoelsaling	5,408.00	\$473.40	\$1,336.10
Retailing	138,594.00	\$5,580.00	\$11,543.80
Direct Sales	185,639.00	\$1,758.00	\$2,374.70
Total	383,230.00	\$16,004.60	\$51,255.20

Indirect Economic Impact	Jobs	Wages*	Output*
Agriculture	743.00	\$102.60	\$57.20
Mining	1,807.00	\$215.60	\$919.40
Construction	3,699.00	\$212.00	\$647.60
Manufacturing	6,952.00	\$765.20	\$5,955.50
Wholesale	18,831.00	\$1,648.50	\$4,653.80
Retail	6,263.00	\$195.20	\$530.30
Transportation & Communication	18,133.00	\$1,461.60	\$5,514.20
Finance, Insurance & Real Estate	18,489.00	\$990.70	\$4,222.80
Business & Personal Services	56,970.00	\$4,433.00	\$8,421.90
Travel & Entertainment	5,584.00	\$150.10	\$365.50
Government	2,900.00	\$256.90	\$656.50
Total	140,371.00	\$10,431.10	\$31,944.70

Induced Economic Impact	Jobs	Wages*	Output*
Agriculture	4,432.00	\$197.50	\$625.80
Mining	1,099.00	\$128.70	\$548.20
Construction	2,768.00	\$158.30	\$494.00
Manufacturing	11,199.00	\$827.40	\$6,444.40
Wholesale	6,940.00	\$605.70	\$1,712.80
Retail	29,333.00	\$1,025.50	\$2,352.80
Transportation & Communication	12,256.00	\$1,005.00	\$4,436.90
Finance, Insurance & Real Estate	27,974.00	\$1,645.30	\$9,358.10
Business & Personal Services	94,062.00	\$5,143.40	\$9,274.70
Travel & Entertainment	34,444.00	\$871.90	\$2,353.80
Government	2,832.00	\$239.70	\$630.20
Other	3,705.00	\$72.70	\$161.40
Total	231,044.00	\$11,921.10	\$38,393.10

Total Economic Impact	Jobs	Wages*	Output*
Total Economic Impact	754,645.00	\$38,356.40	\$121,592.90

* all dollar figures in millions

Source: Analysis for the Council for Responsible Nutrition by John Dunham & Associates

Impacts From Economic Decisions

Dunham & Associates said it developed the economic impact analysis on data provided by CRN, the Nutrition Business Journal, Dun & Bradstreet Inc. Infogroup and federal and state governments.

The economic research firm said to quantify the impact it used the IMPLAN Group LLC's model, which adopts an accounting framework through which the relationships between different inputs and outputs across industries and sectors are computed.

The model can show the impact of a given economic decision - such as a factory opening or operating a sports facility - on a pre-defined geographic region and is based on the national income accounts generated by the Department of Commerce's Bureau of Economic Analysis.

Producer employment is based on data provided by D&B, Infogroup, CRN, annual financial reports or the producer themselves; for establishments where a match was not found, econometric techniques were used to estimate an employee count.

Dunham & Associates notes that induced impact "is the most controversial part of economic impact studies and is often quite inflated." But in the analysis model for CRN's report, "only the most conservative estimate of the induced impact has been used," it said.

The report shows heavy supplement industry presence in New Jersey, New York and Utah, but it also found a direct impact on Florida's economy of more than \$2bn annually.

"Florida I think is an interesting one. I don't know that people would have immediately thought of Florida as the industry having a major contribution to their economy," Mister said.

"I had not thought of Florida as being a center of the industry, but it certainly is."

The initial chance for use of the industry data came the day of the site launch for executives from CRN member companies visiting Capitol Hill.

When speaking with a House member from anywhere in the country, Mister said a supplement firm executive could access the data and ask, "Did you know that we bring 'X' number of dollars to your district?"

"That's an important piece to be able to talk about when you're sitting down with an individual member of Congress," he said.

That goes for firms outside of CRN, too. "When they're having conversation with elected officials, they can have this information because we want them to be able to show the strength of the industry, whether they're a member of CRN or not," the trade group CEO said.