

What is the current economic contribution of the dietary supplement industry to the U.S. economy?



The dietary supplement industry comprises a diverse set of products, with annual consumer sales of over \$20 billion every year since 2004.¹ The industry grew from \$22.5 billion in 2006 and to \$23.7 billion in 2007, turning in growth of 5.9 percent.² Dietary supplements are produced by a large number of manufacturers and distributed through a variety of channels.³ The supply chain involves raw materials sales by growers, harvesters, refiners, and extractors to approximately 900 wholesalers, who then support direct marketing sales, and retail sales.

Wellness has become a growing trend among Americans.⁴ Healthy consumers use supplements to increase their energy, boost their immune systems, prevent memory loss, build muscle mass, or lose weight. Less healthy or ill consumers turn to supplements as an alternative to traditional medical treatments, to either complement prescription drugs they may be taking or substitute supplements for prescription drugs they cannot afford. With 80 percent of adults buying supplements at least once per year, the economic contribution of the industry extends well beyond direct employment and the purchase of goods and services.

Dobson | DaVanzo & Associates, LLC, a health care consulting firm based in the Washington, D.C. metropolitan area, was commissioned by Natural Products Foundation's Dietary Supplement Information Bureau (DSIB) to determine the direct and the "ripple" or downstream effects of the dietary supplement industry on the national economy.

The purpose of this study is to use a mathematical input-output (I-O) model (IMPLAN) to examine the economic output, labor income, and employment of the dietary supplement industry and to show how the flow of dollars affects the output and employment in **other** industries. We also calculate a tax impact. By expanding the analysis beyond the direct impacts, IMPLAN provides a more complete picture of all of the economic effects of expenditures by the industry.

Simply put, an I/O model is based on the theory that when new money enters a community through investment, revenues, or income, some of it is re-spent one or more times in the local economy, thereby creating additional economic impact. This impact is most often measured in terms of employment (jobs) or income. Increased demand for dietary supplements positively affects the producer of the supplement, the producer's employees, the producer's suppliers, the supplier's employees, and so on, ultimately generating a total effect in the economy that is greater than the initial spending by the industry.⁵

The economic contribution of the industry extends well beyond direct employment and the purchase of goods and services

1 *Economic Impact of Dietary Supplements in the United States. Special Report.* (2005). Dietary Supplement Education Alliance, Nutrition Business Journal, The Coalition to Preserve DSHEA.

2 Nutrition Business Journal 2008-2009 Sample Issue: *U.S. Nutrition Industry Prospers in 2007, Despite Economic Slump.*

3 Institute of Medicine. (2004) *A Framework for Evaluating Safety.* Washington DC: Institute of Medicine.

4 *Nutrition Business Journal: Consumer Research in the Nutrition Industry V.* October, 2007.

5 The implicit change in demand for this study is the scenario "if the dietary supplement industry were to disappear," what would be the full economic impact?

Summary of Findings

There are three major findings from this study.

The Dietary Supplement Industry Contributes Nearly \$61 Billion to the Economy Through Direct and Ripple Effects.



The dietary supplement industry directly produced **\$22.5 billion** in 2006.

A “ripple effect” of another **\$38 billion** is produced through the indirect effect (nearly \$16 billion) and induced effect (\$22 billion).

The total tax contribution of the industry is **\$10.1 billion**. This is split between federal (\$5.3 billion) and state/local (\$4.7 billion).

For every dollar spent by the dietary supplement industry, the economic contribution to the US economy is **\$2.71**.

The Dietary Supplement Industry is Responsible for Nearly Half a Million Jobs Across 100 Different Industries.

For every one job created by the dietary supplement industry, **2.29 jobs** are created in the U.S. economy.



The Dietary Supplement Industry has Represented a Consistent Proportion of Health Expenditures Over Time.



The industry has maintained itself at more than **1 percent of total U.S. health expenditures** for at least the last 10 years. This means that as health expenditures grow, the dietary supplement industry also shows steady growth, becoming an economic engine for jobs and income.