

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 consumer sales of more than \$27 billion in 2009.¹ The industry turned in growth of 4.4 percent between 2008 and 2009. Dietary supplements are produced by a large number of manufacturers and distributed through a variety of channels.² 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 been a growing trend among Americans.³ 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 more than 75 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 in 2006 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 was 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 economic output and employment in other industries. We also calculated a tax impact. By expanding the analysis beyond the direct impacts, IMPLAN provides a more complete picture of the economic effects of transactions across industries.

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 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 change in demand.⁴

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

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

4 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?

Economic Contribution of Nutrition Industry

Table 1 details the economic contribution of the dietary supplement industry to the overall economy of the U.S. Based on the study findings from 2006, the dietary supplement industry produced **\$22.5 billion** in direct output in just that year.

The indirect effect (nearly \$16 billion) and the induced effect (\$22 billion) of the dietary supplement industry were combined to show the “ripple” effect in the figures in the next section of the report. **This resulted in a total economic contribution in 2006 (direct effect plus ripple effect) by the dietary supplement industry of nearly \$61 billion, or 0.47 percent of the total U.S. GDP, roughly half of 1 percent.**

What this meant is that for every dollar of direct expenditure by the dietary supplement industry, the economic contribution to the U.S. economy was \$2.71. As for employment, for every job produced in the dietary supplement industry, 2.29 jobs were produced in the whole U.S. economy.

Job creation and impact: We calculated that the dietary supplement industry was responsible for approximately 199,052 jobs. For every one job created by the dietary supplement industry, 2.29 jobs were created in the U.S. This employment multiplier of 2.29 produced a total employment impact of 455,782 jobs, or nearly one half million jobs.

The total tax contribution of the industry was \$10.1 billion. This was split between Federal (\$5.3 billion) and State and local (\$4.7 billion).

The Dietary Supplement Industry Has Consistently Represented a Substantial Part of the U.S. Economy

The nutrition industry continues to contribute to the U.S. economy, growing to \$108 billion in 2009. Table 2 shows the relative size of the nutrition industry as well as the dietary supplement industry within the larger context of health care spending in the overall U.S. economy.

The dietary supplement industry has consistently represented a substantial part of the U.S. economy. The industry has maintained itself at more than 1 percent compared to the total U.S. health expenditures for at least the last 10 years. See Table 3.

Table 1: Impact of the Dietary Supplement Industry

Impact	Direct	Indirect	Induced	Total
Total Economic Output	\$22.460 B	\$15.979 B	\$22.318 B	\$60.757 B
Labor Income	\$8.255 B	\$5.032 B	\$6.884 B	\$20.171 B
Employment (Jobs)	199,052	93,439	163,291	455,782

Source: Dobson I DaVanzo analysis of the Dietary Supplement Industry using IMPLAN software and data from the Nutrition Business Journal.

Table 2: Relative Size of the Dietary Supplement Industry

Expenditures	2009	% of GDP
U.S. Gross Domestic Product (GDP)	\$14.100 T	100.0%
National Health Expenditures*	\$2.500 T	17.6%
Prescription Drug Expenditures*	\$2.500 T	1.8%
Out-of-Pocket Prescription Drugs Expenditures*	\$53 B	0.4%
U.S. Nutrition Industry**	\$108 B	0.8%
U.S. Supplement Industry**	\$27 B	0.2%

Source: *National Health Accounts, **Nutrition Business Journal

Table 3: The Dietary Supplement Industry as Compared to the Total U.S. Economy and the Health Care Sectors through Time (in billions of dollars)

Year	Dietary Supplement as a Percent of Health Expenditures	Dietary Supplement as a Percent of Gross Domestic Product
1999	1.3%	0.18%
2000	1.3%	0.18%
2001	1.2%	0.18%
2002	1.2%	0.18%
2003	1.1%	0.18%
2004	1.1%	0.18%
2005	1.1%	0.17%
2006	1.1%	0.17%
2007	1.1%	0.17%
2008	1.1%	0.18%
2009	1.1%	0.19%

Source: *President's Proposed Budget, 2008, **CMS, Office of the Actuary, ***Nutrition Business Journal and calculations by Dobson I DaVanzo.

