

Food innovation spurs growth

Fast-growing Comvita doesn't just want to rely on honey – it is adding olive leaf extract and Omega-3 fish oils to its portfolio of natural health products sold around the world, writes **Graham Skellern**

Comvita, operating from the Bay of Plenty village of Paen-garua, has built a successful business based on manuka honey and other natural health products.

Food innovation has always been in its DNA, and Comvita is now diversifying and growing its product range by including fresh olive leaf extract and Omega-3 fish oils as core ingredients.

Scott Coultter, Comvita's former chief operating officer, took over as chief executive in September last year when the board was reviewing its product and sales strategy.

The board felt strongly that our greatest strength was manuka honey and bee products, but it was also our greatest weakness," says Coultter. "We were dependent on honey as the biggest contributor to sales. By diversifying we can minimise our risk."

Coultter says two risks were:

- A bad season of wind and rain which could affect the pure honey supply
- New regulations in export markets, such as proposed registration for honey producers, and wheries. In China – Coultter says the registration process won't disrupt Comvita and Chinese officials have already visited its manufacturing plant for auditing.

He says "we know our consumers want other products from us – we asked them – and we are using new ingredients to broaden our product range and deliver on consumer health needs."

Comvita expects to have the first of its new, high-value Olive Leaf Extract and Omega-3 products, in liquid and capsule form, on the market next year. The antioxidant ingredients are a natural source of health and wellbeing, and clinical trials have shown they can boost the immune system and fight diseases.

Coultter says the latest clinical research results, published in the *European Journal of Nutrition*, showed that study participants taking Comvita's Olive Leaf Extract for six weeks experienced lower blood pressure and improved cholesterol levels.



Picture / Greg Bowker.

"This study has helped to strengthen links between our olive leaf extract and its ability to support cardiovascular health."

The oleuropein molecule in the olive leaf has anti-inflammatory, anticancer, antimicrobial and antiviral properties and is used as a food supplement in the Mediterranean diet.

Coultter says Omega-3 fish oils containing EPA and DHA fatty acids are the most researched compounds in health and nutrition, with more than 3000 human clinical trials and 28,000 published papers. Trials have shown Omega-3 helps lower cardiovascular risk factors and maintain a general sense of calm.

Children require DHA for growth and development, particularly the brain, and high levels of EPA can be effective for supporting cognitive function. Consumer products containing Omega-3 have a global market value of \$31.4 billion.

Comvita owns the world's largest olive plantation in Coomviva, Queensland, with more than one million trees over two estates. The freshly-picked olive leaf extract is processed on site and Comvita has updated production systems in the past year to increase throughput and improve efficiency.

"We have also propagated and planted a further 80,000 trees to build future supply capacity and meet market demand trends," says Coultter.

Comvita has taken a major share-

holding in Nelson-based Sea Dragon

to secure a long-term supply of refined Omega-3 fish oils.

Sea Dragon has recently built a state-of-the-art fish oil refinery, and Coultter says "with this control over supply, we will be able to build a ship to shelf business model delivering a high-quality product with a unique New Zealand-source story. This approach ensures integrity of the product all the way through the supply chain to the consumer."

He says Comvita has long believed

New Zealand fish oils could command a premium in international markets as the region is synonymous with clean, deep, blue oceans and high quality primary sector exports.

The Omega-3 is refined from the 70 per cent waste in a fish after it is filleted. "We have been doing a lot of trials to optimise the product and take it to market as top niche. We are planning to launch it from Sea Dragon in the first quarter of next year," says Coultter.

Consumers around the world now consider functional health food as an important part of their natural diet.

"If we do things well, there's plenty of opportunity," says Coultter. "We are transitioning over the next five years and using manuka honey, olive leaf extract and Omega-3 fish oils as core ingredients for our natural health products."

Comvita is also looking at dairy, berries and probiotics to further diversify its product offering. It is

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already producing bilberry extract capsules for eye health and Manuka Up – a milk drink blended with dietary fibre and manuka honey, and high in calcium and Vitamin D for healthy bones and teeth.

Comvita has set a target of sales reaching \$400 million in five years' time, and Coultter says "the two key building blocks of our strategy are security of supply and new product innovation."

"With a large number of retail stores and dedicated sales counters across our markets, we are ideally placed to quickly test prototypes and assess consumer uptake to ensure we have successful products that we can then take into broader distribution."

Comvita has also identified a lack of skilled beekeepers as a constraint to growth and it has employed 15 cadets from around the country on a scheme to build the talent pool of beekeepers. It has partnered with Pacific Coast Technical Institute to deliver the first year of the programme.

Recently Comvita announced a net profit of \$18.5 million on sales of \$231 million for the 15 months to June 30. Coultter says sales of \$130 million were recorded in Australia and New Zealand, driven by the re-export market to China.

Australia is now the largest market with sales of \$74 million.

The fast-growing Comvita – the main manufacturing plant is at Paen-garua – has 460 staff operating in seven countries: New Zealand, Australia, Hong Kong, Japan, South Korea, United Kingdom and United States. Comvita sells online through seven country-specific websites, and supplies pharmacies and health food stores. The company has its own retail shops in New Zealand, Hong Kong and South Korea, and a further 400 outlets through its distributor in China (the outlets vary from a standalone store to a supermarket shelf).

Comvita also works with major E-commerce provider Amazon, and others in China.

Coultter says on Tao Bao, the Chinese consumer to consumer site, Comvita is now the number one honey brand in China, based on data which also includes local brands.

"On T'Mall, which is the business to consumer site, we are the number two brand. China is the largest honey producer in the world so this is a very positive position for our brand." Comvita sales have grown 33 per cent overall across the whole Chinese E-commerce market to the end of June 2016. And Coultter estimates that more than 60 per cent of his company's total sales globally end up in the hands of a Chinese consumer.