



Council for Responsible Nutrition

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March 30, 2020

Nick Westcott
Director of Advance
Office of the Secretary
United States Department of Agriculture
Via email: nick.westcott@usda.gov

Dear Nick:

Thank you so much for reaching out to the Council for Responsible Nutrition (CRN) earlier this week to inquire about potential disruptions in the food supply chain for our members. As you know, CRN represents dietary supplement and functional food marketers, manufacturers and ingredient suppliers, so the experience of our members may differ from the reports you receive from traditional food manufacturers. We appreciate the opportunity to contribute to your analysis of the food industry.

CRN has surveyed its 120 voting members for their concerns about actual and anticipated supply chain disruptions. The accompanying spreadsheet summarizes the issues they raised. In particular, we note recurring concerns about:

- Ingredient and supplies from China—The closures associated with the pandemic in China have closed many factories. Our members raise concerns about raw ingredients as well as packaging materials coming from China. Several members noted that China appears to be coming back “online” but they anticipate long production and transportation delays resulting in a need for much longer planning and procurement timeframes.
- India shutdown—Reports last week that India has essentially shut down manufacturing and transportation countrywide to control COVID-19 has alarmed our members who import ingredients from India. Several report issues with obtaining supply and express worries of availability of materials and disruptions and delays in transporting materials to the U.S.
- Australia / New Zealand—While manufacturing does not appear to be significantly impacted in Australia and New Zealand, members report difficulties in getting ingredients from these countries because of the distance and reduced availability of cargo flights and shipping vessels. Higher transportation costs are expected.
- Increased consumer demand for supplements—Coronavirus has dramatically increased U.S. consumer demand in many dietary supplements, whether it is for improved nutrition during the crisis, assistance with sleep and stress relief, or supporting a strong immune function to improve general resistance to health threats. Increased sales have created a supply chain not equipped to handle the surge in demand. Many suppliers are not able to guarantee supply above original forecasted needs from before the pandemic, despite increased demand. Transportation is impacted by staff shortages, less available freight capacity and increased costs due to less supply.

We hope these insights help the Department of Agriculture to better understand the challenges faced by dietary supplement and functional food producers at this time and allow you to better fashion programs that address these needs. Should you have additional questions, feel free to contact me again.

Sincerely yours,

A handwritten signature in blue ink that reads "Steve Mister".

Steve Mister
President & CEO

**Council for Responsible Nutrition (CRN)
Member-Identified Supply Chain Disruptions for Dietary Supplements**
(compiled March 30, 2020)

| COUNTRY | ITEM | PROBLEM/WORK AROUND |
|---------|---------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| GENERAL | All DS Ingredients | Supply chain definitely is not equipped to handle the surge in demand we've seen. Many suppliers are not able to guarantee supply above our original forecasted needs from before the Pandemic, and our demand has increased significantly. |
| GENERAL | All DS Ingredients | Freight issues that we are facing. Capacity has declined and accordingly costs are rising. I think dry and bulk capacity will be the biggest issues, and therefore things are slowing down |
| GENERAL | Contract Manufacturers Capacity and Constrained Materials | Air freight is very difficult to secure, and road freight is affected by staff shortages |
| GENERAL | Domestic Raw Materials- Various Sugars and Tapioca | Supply disruptions |
| GENERAL | Indirect Materials to Support Our Production Facility: Cleaning & Sanitation Supplies, PPE, Masks | Supply disruptions |
| GENERAL | Labor disruptions | Labor is a daily variable that continues to inject risk into manufacturing capability and throughput. These variables are fluid and change daily based on geography, Government policy, and situational for each supplier's workforce |
| GENERAL | Overall Limitations on Logistics Impacting the Flow of Raw Materials and Finished Goods Throughout the Supply Chain | Supply disruptions |
| GENERAL | Packaging Materials (Plastics Caps, Cap Liners, Labels, Cartons) | Supply disruptions |
| GENERAL | Raw materials and Packaging | Due to demand increases across the market on immune related products, demand is exceeding supply on immunity related ingredients (botanicals and vitamins) as well as supporting material such as packaging. We expect this to worsen as safety stocks in market place are being depleted. |
| GENERAL | Raw materials and Transportation | Manufacturing capacity constraints and logistical backlogs on transportation. |
| GENERAL | Surgical masks, gloves, shoe covers and beard covers | Shortages; have had to source from new suppliers. |
| GENERAL | USP Grade alcohol | USP Grade alcohol for the Hand Sanitizer |
| GENERAL | Vitamin C (ascorbic acid) | Fluctuating availability in market |
| BRAZIL | Bovine Collagen – Raw Material | Delivery delays due to logistics delays in Brazil and US |
| CHINA | All DS Ingredients | Planning for a month delay out of China for materials. General rule that we are applying. This means that we need to start our material planning and procurement process a month earlier |
| CHINA | All DS Ingredients | Ongoing residual impacts on production and connectivity; Delay in export and import clearances; Continued delays on cargo/port flights due to backlogs |
| CHINA | Biotin - Raw Material | Very short supply, really high price and long lead time due to shutdown in China. |
| CHINA | Botanicals - Berberine | Supply disruption |
| CHINA | CoQ10 | Production changes at the major global manufacturer and not directly due to COVID-19 |
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CRN Member-Identified Supply Chain Disruptions for Dietary Supplements

| COUNTRY | ITEM | PROBLEM/WORK AROUND |
|---------|-----------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| CHINA | Glass Bottles | Glass bottles from China were impacted and we experienced some delays but we are receiving large containers soon that will enable bottle production to pick back up. |
| CHINA | Packaging & components materials | Slight delay. Plant reopened ~3/3/20 and is now operating at full capacity. |
| CHINA | Packaging, specifically glass bottles and lids from china | Significant disruptions in sourcing from China |
| CHINA | Raw materials and Packaging | Supplies of Raw Materials and Packaging that are manufactured in China are experiencing short term disruptions. Safety stocks in country have been depleted. Normal replenishment shipments from China were disrupted due to the shut down in China, and are just beginning to resume. The back up also impacted air freight, and the ongoing and growing lack of air freight capacity does not give us the ability to easily expedite goods to mitigate out of stocks. |
| CHINA | Regional Raw Material Ingredients | Supply disruptions |
| EUROPE | All DS ingredients | Planning for a month delay out of Europe for materials. General rule that we are applying. This means that we need to start our material planning and procurement process a month earlier |
| EUROPE | All DS ingredients | Ongoing residual impacts on production and connectivity; Delay in export and import clearances; Continued delays on cargo/port flights due to backlogs |
| EUROPE | Regional Raw Material Ingredients | Supply disruptions |
| FRANCE | Bovine Collagen – Raw Material | Delivery delays due to shutdown in France and logistics delays |
| GERMANY | Alpha Lipoic Acid | Short demand or we are having issues obtaining |
| INDIA | All DS ingredients | Supply of ingredients sourced from India may be impacted due to Indian manufacturers are shut down until they get clarity or approval from government to work under food grade or essential business category. This could impact our ability to manufacturer food/dietary in the near future if supply is not maintained. |
| INDIA | All DS ingredients | Production has been halted; No inland vehicle movement until 3 rd March; Delay in export and import clearances as 50% staff at Customs and Central Govt are working; Major impact on incoming passenger and cargo flights |
| INDIA | All DS ingredients | Country "lockdown"; Logistics and transportation paralysis |
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| INDIA | Botanicals - Acumin Turmeric | Short demand or we are having issues obtaining |
| INDIA | Botanicals - Ashwagandha | Short supply and long lead time partially because of shutdown in India and logistics delays in US. |
| INDIA | Botanicals - Berberine | Short demand or we are having issues obtaining |
| INDIA | Botanicals - Guggulipid | Short demand or we are having issues obtaining |
| INDIA | Botanicals - Turmeric & Boswellia | Country "lockdown"; Logistics and transportation paralysis |
| INDIA | Botanicals - Turmeric Root Powder | Short demand or we are having issues obtaining |
| INDIA | Regional Raw Material Ingredients | Logistics related and not materials availability problems |
| INDIA | Regional Raw Material Ingredients | Supply disruptions |
| INDIA | | Cargo flights are expected to get permission to arrive and depart in the next 2-3 days. Many companies have materials which are at the airport in the secure facility which are pending clearance and departure, lack of manpower and planes again is making this a challenge. Manpower shortage expected to be addressed in the next 72 hrs. |

CRN Member-Identified Supply Chain Disruptions for Dietary Supplements

| COUNTRY | ITEM | PROBLEM/WORK AROUND |
|---------|------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| ITALY | Botanicals - Black Elderberry | Short demand or we are having issues obtaining |
| ITALY | Botanicals - Boswellia, Curcuma, Silybin | We're seen a longer lead time. This is also transportation-related from what we are being told, as XXX is still producing product. |
| ITALY | Raw material - Quatrefolic | Short demand or we are having issues obtaining |
| MEXICO | Saccharomyces spp | Short demand or we are having issues obtaining |
| NZ | All DS ingredients | Boats appear to be more scarce and it's harder to get a booking. We have been told that there are simply less boats arriving to New Zealand. |
| NZ | Probiotics | There are less flights and ships available to utilize |
| NZ + AU | All DS ingredients | There are less flights and ships available to utilize |
| SPAIN | Botanicals - Echinacea | Short demand or we are having issues obtaining |
| SPAIN | Botanicals - Resveratrol | Disruption |
| US | All DS ingredients | Major impact on staffing due to shelter in place; Increased freight related costs due to availability; Supplier/Distributors are running low on inventory levels due to import constraints. |
| US | Lab (3rd party) partners | Testing delays secondary to staffing challenges with third-party lab partners are also causing issues both on the raw material side as well as with finished products |
| US | Manufacturing partners | Due to staffing challenges secondary to "stay-at-home" orders, our manufacturing partners in the US Mid-Atlantic are experiencing substantial delays in production of our finished products. |
| US | Transportation disruptions | Domestic transportation disruptions are limited but occurring. This is a combination of an increased shortage of drivers, and a shortage of empty shipping containers as a result of the disruption in the number of containers arriving from China. |