

## Food

## Asia's Growing Thirst For Gut-Cleaning Drinks

► Barred from using health claims in Europe, beverage makers head east

► "Asia is increasingly becoming the place to be for probiotics"

Meenakshi, one of hundreds of young women who zip around India's dusty streets on scooters promoting the dairy drink Yakult, says health is her best sales pitch. The 22-year-old student knocks on doors two days a week to tell stay-at-home mothers, washing ladies, and residents living in makeshift shacks how Yakult's microbes can help cultivate their "intestinal flora." She gives a short rehearsed speech—the product's 6.5 billion friendly bacteria per bottle help build immunity and protect against constipation, diarrhea, and infections—before passing out corporate leaflets to back up her assertions. "Customers do say their digestive systems have improved," says Meenakshi, who uses one name only. "Regular customers rarely get infections."

That's a pitch fermented drink makers such as Japan's **Yakult Honsha** and **Danone**, the maker of Dannon, can't use in much of the West, where regulators have been tough on food health claims. Danone in 2010 withdrew marketing claims in Europe that its Actimel fermented drink could boost the immune system because it contains probiotics—bacteria that encour-

age other helpful microbes to flourish in the bowel. The same year, the European Food Safety Authority rejected the Paris-based company's claim that Actimel reduced one's chances of developing diarrhea. It also ruled that Yakult couldn't say its drink wards off respiratory tract infections. In the U.S., Danone in 2010 was prohibited from advertising that its Activia yogurt and DanActive dairy drink could help consumers avoid catching colds or flu and had restrictions placed on claims regarding irregularity. Dannon, which agreed to pay \$21 million as part of a settlement with the Federal Trade Commission and 39 states, did not admit any wrongdoing.

Companies have more leeway to make such claims in Asia. So the dairy aisles of Chinese and Indian supermarkets are a riot of brightly colored packages of fermented milk drinks promising health benefits. Alongside Yakult and Danone's Activa products are local offerings such as Shuang WaiWai and Amul's ProLife. "Asia is increasingly becoming the place to be for probiotics producers," says Martin Jochum of SAM Sustainable Assets Management in Zurich. "The regulatory environment there is a lot more favorable than in Europe, and you have a lot of consumers that are demanding better-quality nutrition."

Yakult, a household name in Japan for more than 50 years, has climbed to No. 3 among probiotic dairy beverages in China, with sales of \$174 million in 2010, according to researcher Euromonitor International. The company says it hasn't targeted any particular country due to its ability to make health claims there. Still,

Yakult says that in much of China, regulators allow it to claim the drink helps with "immuno-regulation and improving intestinal flora." In Taiwan, it can say the beverage increases beneficial bacteria.

In India, which Yakult entered in 2008 and where it has a joint venture with Danone, the company has hired Bollywood star Kajol Devgan as a brand ambassador. It employs 250 "Yakult Ladies" who zoom around cities on scooters to tell buyers how the drinks can improve their health. Companies can make general claims about probiotics improving digestion or bolstering immunity as long as they don't suggest products can heal specific diseases.

Although its Indian revenues are small—about \$2 million in 2010, according to Euromonitor—Yakult has increased its sales there by at least 60 percent every year. The global market for foods containing probiotics will probably grow 51 percent, to \$42 billion, by 2016, figures Euromonitor. For fortified drinks such as Actimel and Yakult, the Asia-Pacific region is the No. 2 market after North America, generating about \$18 billion in sales last year, Euromonitor says. Western Europe ranks third at \$11 billion.

Danone, which already owns 20 percent of Yakult, has for months been negotiating to raise its stake, say Japanese press reports. Both companies declined to comment on talks. An existing accord between the two allows Danone to increase its holding this year, though it's prevented from taking "effective majority control" of Yakult until 2017. The two companies also have a joint venture in Vietnam. "The more we work with

Yakult's sales in China, in millions, for 2010, the latest available data

Yakult, the more we appreciate working with them," Danone Chief Financial Officer Pierre-André Terisse told investors in April. "We need to keep developing and increasing these cooperations."

—Dermot Doherty, Malavika Sharma, Adi Narayan, and Yuki Yamaguchi

**The bottom line** Global sales of probiotic-enhanced products, growing in popularity across Asia, could rise 51 percent, to \$42 billion, by 2016.