



Talking Points: Anti-obesity medications – Will the food industry be the biggest loser?

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Summary

It has been over a year since the food industry finally woke up to the threats and opportunities of the new class of Anti-Obesity Medications (AOMs) such as Ozempic, Wegovy and Zepbound.¹ And gosh, what a lot has happened since then. Chiefly, both the demand and supply of these drugs have exceeded all expectations and the momentum driving the market suggests they are highly likely to become a permanent feature of the food landscape. Doubly so as scientists keep finding further benefits from taking them – the weight loss effects of these drugs might ultimately prove to be their least remarkable feature. But for now, the impact of these drugs on the food industry is real. People on these drugs not only eat less and consequently lose body weight (about 15%-20% of their bodyweight, consuming about 20%-30% fewer calories) but critically are choosing to eat different foods, oftentimes healthier ones. The challenge for the food industry is to figure out how to respond to that and unlock some of the opportunities these drugs create. Here are three points to consider:

- 1. The AOM market is much bigger and growing much faster than anticipated.**
- 2. There are good reasons to believe demand has strong momentum.**
- 3. Users of AOMs eat less and differently, providing a useful roadmap for food companies.**

1. The AOM market is much bigger and growing much faster than anticipated

When the food industry woke up to the implications of these drugs about a year ago, it was widely assumed the supply constraints and the time it would take for their manufacturers, Novo Nordisk and Eli Lilly, to add new capacity would constrain the growth of the market. Back then, it was assumed only 1% to 2% of the US adult population would take these medications in the short- to medium term. Indeed, that is still partly correct. The number of patients obtaining prescriptions for branded AOM (and diabetic) drugs was about 1.5% of the US adult population in mid-2024 (roughly 4m people). But according to recent surveys, the market has blown past that already. Semaglutide, the active ingredient in Ozempic and Wegovy, was the #1 selling drug in the US, with sales of about USD 14bn. A recent survey by the Kaiser Family Foundation (KFF) found 12% of the US adult population has tried these drugs in the last twelve months and about 6% are currently using them. Other surveys have estimated as much as 10%-12% of the adult population are currently on them, about 25m-30m adults.

¹ These drugs mimic naturally occurring hormones that regulate appetite such as GLP-1 and are prescribed to patients for the long-term treatment, but not cure, of obesity and diabetes. See RaboResearch Talking Points: Will Wegovy eat the food industry's lunch?

The market has been able to grow so dramatically because of the unanticipated role of FDA-registered compounding pharmacies that have helped to help fill the supply gap created by producing cheaper copies of these medications². Because AOMs have been in short supply almost from their launch, the FDA permits registered compounding pharmacies to make chemically identical versions of these drugs such as semaglutide, in the case of Novo Nordisk's Ozempic and Wegovy. Eli Lilly's tirzepatide recently came off the FDA's shortage list, although that is now being challenged and compounding pharmacies are still allowed to produce it for now.

Most of these drugs produced by compounding pharmacies have been sold to patients via telehealth companies such as Ro, Sesame, Hims & Hers, and even Weight Watchers at a substantial discount (USD 200 to USD 300/month compared to the Wegovy list price of about USD 1,350/month). These new sources of supply have dramatically impacted the growth of the overall market by easing up the supply constraints.

The impact was initially hard to gauge because, unlike the official prescription channel, there is no national inventory recording the total amount of production from these compounding pharmacies, so we have had to rely on surveys and guesstimates. Hence the bigger market estimates given in the first section. Eli Lilly was sufficiently concerned that, in addition to legal action to halt production from compounding pharmacies, they also launched LillyDirect in late summer selling its Zepbound in vial form at about half the price of its injectable pen version (about USD 400-USD 550/dose, depending on the concentration).

2. There are good reasons to believe demand has strong momentum

As we noted in our [original report](#), we have no way of knowing how quickly these drugs will plateau on their growth curve and at what share of the potential market. But there are a number of reasons to believe this market has a way to go before it peaks.

a) A full commercial pipeline of next-generation AOMs

Since we last reported on this market, estimates of the size of the pie have gotten bigger and bigger; it is now not uncommon to see market estimates of USD 200bn by the end of the decade. No surprise therefore to learn that over 70 pharma companies have all thrown their hats into the ring, including a who's who of big pharma, including AstraZeneca, Boehringer, Pfizer and Roche as well as biotech firms, such as Zealand Pharma and Viking Therapeutics. Their combined commercial pipeline, the trials in the works on new AOMs, is extensive. According to health data company Airfinity, there are over 200 anti-obesity medications at various stages of development, from pre-clinical studies on animals to late-stage, phase-3 trials.

The two current players, Novo Nordisk and Eli Lilly, not wishing to lose any market share, are also pumping billions into additional capacity, conducting trials into next generation drugs and spending heavily on R&D (Eli Lilly spends about 27% of sales on R&D; most food companies struggle to get to 2%.) If all goes to plan, in the US, we can expect at least 15 new AOM medications on the market within the next five years. Of these, most excitement is around who will win the race to first commercialize one of these next-generation AOMs in pill form such as Eli Lilly's Orforglipron or Pfizer's Danuglipron. Pills, and they may be available as soon as 2026, are likely to further transform this already fast-developing market as they are cheaper to manufacture, more convenient for patients, especially those who are needle averse. But that is only the start. Other properties we can expect from these new drugs include:

² A compounding pharmacy is a specialized pharmacy that makes customized medications. When a drug is in short supply, the FDA permits registered compounding pharmacies to make chemically identical versions.

- *More effective.* The new drugs are targeting more hormones beyond GLP-1, leading to even greater weight loss. For example, Novo Nordisk's CagriSema is a combination of semaglutide and an amylin-like compound (amylin is a pancreatic hormone). One of Eli Lilly's new drugs, Retatrutide, mimics three gut hormones.
- *Fewer side effects.* The new drugs will be better at maintaining muscle as well as having fewer stomach-related side-effects (nausea, diarrhoea and vomiting being the most common).
- *More convenient.* In addition to pills, companies such as Amgen's MariTide is a monthly injection as opposed to the current weekly ones.
- *Much cheaper.* More competition will lower prices. We can also expect generic versions of these drugs as US and EU patents begin to expire in the early 2030s for semaglutide (as early as 2026 in China). In the UK, Novo Nordisk's Saxenda, an older and less effective version (requiring a daily injection) of this class of drugs expired this month and the government there has already begun to approve generic versions.

With all of these positives, pharma companies are hoping the newer drugs will lead to greater adherence. Although the reasons are unknown, surveys are reporting how many patients take these drugs for only a few months – there is certainly a decline in use over time, rather than it being used in perpetuity as recommended. For example, analysis by Prime Therapeutics found about 70% of GLP-1 patients had stopped within the first year and about a further 15% within two years.³

We can also expect the addressable market to expand too. In his final months in office, President Biden has proposed covering AOMs in the government-funded health programs such as Medicare and Medicaid. Novo Nordisk is petitioning regulators to extend the use of Saxenda to children from six years of age (Wegovy is already approved for teens). Eli Lilly is already talking about testing these medications on people who are not overweight but “at risk of weight gain” (surely everyone, in an obesogenic food environment?) and for conditions unrelated to obesity as we discuss below. And what about our pets? According to the Association of Pet Obesity Prevention, about 60% of US cats and dogs (both have GLP-1 receptors) were overweight or obese.

b) “Wonder” drugs

But, incredibly, this is just scratching the surface when one considers the other emerging health benefits of these drugs that will make it even harder for health insurers to deny coverage and so broaden access. Because although the health of people living with obesity generally improves with weight loss, these wider effects go beyond those just associated with weight. As *The Economist* recently marvelled, “how can one class of drugs do so much?” Every week it seems scientists, as they try to figure out how exactly how these drugs impact the brain and other body organs, are discovering a new use from taking these drugs across a range of health issues. In March, the FDA approved semaglutide to cut the risk of heart disease in overweight people but since then the range of potential benefits has expanded dramatically. This includes Alzheimer's, kidney disease, psoriasis, reduced risk of Type 2 diabetes, inflammation, sleep apnoea, as well as mental health (reducing anxiety and depression) as well as compulsive behaviours and addictions such as drug and alcohol abuse, even to gambling and nail biting. Only last month, semaglutide was found to help curb alcohol addiction (which affects 30m US adults) as well as easing osteoarthritis knee pain. It is hard not to get excited about how the reduction in all these chronic diseases may result in a longer-living, healthier population as well as the wider benefits for the economy and society as a whole.

³ Speculation on the low adherence rates generally center around: side effects; cost of medication coupled with lack of healthcare coverage; patients achieving their desired weight loss goal. Patients may also be frustrated about how weight loss seems to plateau after twelve months or that the drugs don't work for everyone. And for those who stop using them, most people regain the weight, typically regaining two-thirds of weight within the first twelve months.

Finally, a note of caution. As with any drug, there will always be concerns over their long-term safety. That this GLP-1 class of drugs has been used for over 20 years to treat diabetes without serious side effects emerging will be reassuring to many but offsetting this is the fact that in the last half-century, over 20 AOMs have had to be withdrawn after serious side-effects emerged (often years later). Having said that, although we do not know their long-term side effects, if any, we do have a good handle on the detrimental long term impact on a person's health of living with obesity.

3. Users of AOMs eat less and differently, providing a useful roadmap for food companies

A year on we also have a lot more evidence to suggest, as the anecdotes of early adopters hinted, that patients are not only eating less but also eating differently, oftentimes choosing healthier options. A recent survey by PwC found about over half of patients on the drugs said they were exercising more and making healthier food choices (including smaller portions).⁴

This provides food companies with a much clearer roadmap on how to proceed. First, this is to be expected if people are using the drugs correctly. Reading the directions on how to use Wegovy is a reminder that drugs such as semaglutide are meant to be used in "an adjunct to a reduced calorie diet and increased physical activity." That is to say, eat less and move more.⁵ In October, ADM shared their insights of a survey of 1,500 patients on AOMs, where many of the findings (for the majority of users) were broadly similar to what we have heard from other surveys from companies such as Mattson, Nestlé, Numerator and PwC. This can be summarized as:

- *Reduced appetite.* Eating less food and having smaller portions including snacking less.
- *Fewer cravings for sweet foods.* Fewer cravings for fat was less pronounced.
- *Greater interest in the quality of food.* Because patients are eating less food, there is a greater interest in the nutrient density of food. This includes more fruits and vegetables as well as protein foods to maintain muscle mass.
- *More hydration.* Drinking more water but less soda, coffee and alcohol.

The ADM survey in particular threw up two additional points of relevance to food companies. First, because most respondents said they were cooking at home more, over 80% were looking for "products specifically marketed as supportive of their needs on these drugs." The survey also found people are looking for dietary support such as foods that promote satiety as they come off the drugs and wish to avoid any weight regain. Many people don't share the pharmaceutical company view that they are "forever drugs" but see them more for health maintenance. (Oprah was once lambasted for saying "I now use it as I feel I need it, as a tool to manage not yo-yoing," – she now seems ahead of the curve.) These surveys also make it harder for companies to downplay the impact of these drugs on their businesses, either as a boost or drag on demand. It follows, that from what we now know it would seem a mistake to treat the AOM market like a passing food fad but rather than as a new long-term trend that isn't going away.

Starting with the more challenging news around demand, as Jon Cox from Kepler Cheuvreux recently observed, "given increased GLP-1 usage in the US, we suspect that some of the pressure on volumes in food and beverages is linked to reduced calorie consumption." In this context, it was interesting to note that on a recent quarterly investor call, one of the major US snack and confectionery companies conceded that the drugs were having a mild impact on their sales.

⁴ The US may have even passed "peak obesity." According to the latest US government data, the incidence of adult obesity in the US fell for the first time in 2023 by 2pp to about 40%. Although it is far too early to conclude we have passed "peak obesity," this coincides with the growing use of anti-obesity medications, which first became available in the US in mid-2017.

⁵ By themselves this works well for some people without the need for medication.

As we wrote last year, the food industry has in the past proven adept at managing changing consumer preferences. Any new market development creates opportunities, and companies will be asking themselves how they can capitalize on this new development and where next to take their brands. Entrepreneurial companies will experiment and innovate, possibly looking to M&A, as they play around with their portfolio and see what flies with the consumer. Tried and tested responses include changing packaging sizes to accommodate smaller appetites, adding protein to counter concerns of muscle loss, creating new products with more fruits and vegetables to meet the needs of these consumers looking for more healthier options. Or to put it more bluntly to food companies, in the words of Eli Lilly's CEO, David Ricks, "If they're worried that salty snack foods, high in fat, saturated fat are selling less, I'd say well, why don't you make healthier ones? Or if you are worried about fast food volumes..., then maybe make healthier fast food that has smaller portion sizes."⁶

Given the overwhelming number of survey respondents who expressed interest in "products specifically marketed as supportive of their needs on these drugs," it seems rather a missed opportunity for food companies to just talk up the relevant products in their portfolio and argue they have this market covered. For example, Danone has pointed to their yogurt (protein and gut health), ConAgra to its Slim Jim meat snacks and single-portion Healthy Choice frozen entrees, and Campbell's on their "digestible, nutrient rich soups." And Coca-Cola's quite surprising statistic that two thirds of their products (but not sales) have low or no calories, as well as Fairlife high-protein shakes (Diet Protein Shakes – a mashup of Diet Coke and Fairlife is a viral hit on social media). That ADM felt the need to come up with 25 prototype food and beverage options (such as protein shakes, high-protein snacks, savoury bites, as well as dietary high-fiber supplements) suggests they felt the industry needed a nudge; a hint perhaps that food companies weren't doing enough. In contrast, other companies have seized the opportunity and target GLP-1 users. For example, Nestlé, which has spoken on this topic more than any other major food company has come out with a new brand, Vital Pursuits. Similarly, Simply Good Foods has launched "Atkins Strong" a line of high-protein and fiber shakes "designed to be an ally to individuals working hard to keep the weight off following their GLP-1 journeys".

⁶ Source: The Journal Podcast. Trillion Dollar Shot, Episode 4.

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