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Talking points: Will Wegovy eat the food industry's lunch?

Getting ready for the GLP-1 diet

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Summary

Out of all the risks and threats the food and beverage industry faces, it is somewhat surprising that the potential impact of newly approved drugs that mimic the effects of naturally occurring hormones such as glucagon-like peptide 1 (GLP-1) to help treat, but not cure, obesity has taken center stage. Last month, the observation by Walmart's US CEO, John Furner, that people on the new medications who food shop at their stores were buying "less units, slightly less calories," quickly mushroomed into a wider fear that Ozempic, Wegovy, and now Zepbound are going to eat not just the food industry's lunch but probably its breakfast, mid-morning snack, and dinner too. For now, here are four points to consider:

1. It is exciting – This new generation of drugs is an exciting development in expanding the medical profession's toolkit to help improve the health outcomes (not just weight loss) of the millions of people living with obesity and overweight. The ever-growing list of these drugs' broader health benefits, which include lowering the risk of heart attacks, will make it even harder for naysayers and health insurance companies to dismiss them as Botox-like "vanity drugs."

2. What will the GLP-1 diet look like? – People on these medications do consume fewer calories and lose significant weight, but after that are many unknowns for the food industry. Anecdotes from early adopters do point to some interesting shifts in food preferences, including fewer cravings, although these may change over time and may not necessarily carry over as the market broadens. These may be wonder drugs, but it is probably wishful thinking to believe we will all fall in love with broccoli and lose our sweet tooth.

3. For food companies, less can be more – Any new market development creates opportunities, and in a Wegovy world, food entrepreneurs will ask themselves how they can capitalize on it and where to take their brands next.

4. Reintroducing fiber, a natural weight loss treatment – Even the food-as-medicine crowd has a renewed opportunity here to emphasize less-calorie-dense foods with a higher fiber (and/or protein) content. Avoid the nausea and cost by tucking into the dietary fiber from fruits and vegetables. Stimulate your satiation hormones the natural way.

It's enough to give you sleepless nights

Let's spare a thought for the plight of food company executives, who have to face down one threat after another. Unlike suppliers in other industries, food purveyors are ensured a solid demand foundation given that we all have to eat, but just reflect on the number of risks the industry has experienced over the last 10 to 15 years; it's enough to give anyone a sleepless night or two. For example, we have witnessed the rise of social media-savvy emerging brands

attempting to “disrupt” established brands, zealous private equity shareholders imposing radical cost cutting on the bigger players, the day-to-day crisis management of the global pandemic, and rising input and labor costs and other supply chain disruptions resulting from the war in Ukraine. And let’s not forget the constant trial of dealing with an ever-changing consumer who can get very excited about something and then drop it like a stone (looking at you plant-based foods). As Mondelez’s recent annual filing to the SEC put it, “Our success depends on our ability to... identify... and meet the tastes, dietary habits... and other preferences of consumers around the world and to offer products that appeal to these preferences....” Yet, despite all this change, earlier in the year it felt like companies were on the cusp of having a bit of a respite. Mark Schneider, Nestlé’s CEO, talked optimistically about how, after years of crisis, there were “signs of further normalization” in their operating environment. Fat chance.

Even by the standards of an industry used to food fads, new diet trends, “game-changing” products, and searches for holy grails, it is somewhat surprising how concern about the potential impact of a new class of prescription injectable drugs that help with the long-term treatment of (but do not cure or prevent) obesity, such as Novo Nordisk’s Wegovy and Ozempic, has gotten the food industry so jumpy and overexcited (see box 1).

Box 1: The US Food and Drug Administration (FDA) approved Novo Nordisk’s Wegovy in 2021 and Eli Lilly’s Zepbound in 2023 for chronic weight management in adults with obesity or with overweight with at least one weight-related condition such as high blood pressure or Type 2 diabetes. The drugs are, as the FDA states, “for use in addition to a reduced calorie diet and increased physical activity.” Ozempic was approved for diabetes in 2017 but is often prescribed off-label for obesity. Wegovy and Ozempic have the same active ingredient, semaglutide, but at different dosages. The active ingredient in Zepbound (and its diabetic-drug equivalent, Mounjaro) is tirzepatide. These drugs mimic (and amplify) the effects of naturally occurring gut hormones such as GLP-1 (and glucose-dependent insulinotropic polypeptide, or GIP, in the case of Zepbound) that increase the production of insulin, which lowers blood sugar levels. For weight loss, they act in the brain to suppress appetite (we eat less) and slow digestion (we feel fuller, longer.) By eating fewer calories, patients lose body weight, not just body fat but lean body mass (including muscle) too. In medicine, unlike food, consumers don’t seem to be put off by, or advised to avoid, weird-sounding products like semaglutide, tirzepatide, Ozempic, etc. that are hard to pronounce.

As more data emerges, there will be more to say about the impact on the food industry’s longer-term outlook, but for now, here are four points to consider:

1. It is exciting

This new generation of drugs, the first to get FDA approval for treating obesity in a decade, is an exciting development in expanding the medical profession’s toolkit to help improve the health outcomes of the millions of people living with obesity and overweight. It is often forgotten or disregarded by the food industry that over a decade ago the American Medical Association recognized obesity as a serious chronic disease and not simply a matter of effort and personal responsibility that people should manage themselves. For those who have struggled with obesity all their lives, these drugs represent a life-changing event, judging by some of the heartwarming patient testimonials. We can expect more good news as similar and/or more effective drugs currently in the works come onto the market. As competition heats up, prices too will come down. Only this month, the FDA approved Zepbound, which has a list price of USD 1,060/month about one-fifth lower than Wegovy’s. We are getting closer to the “dream” of being able to pop a pill to help manage obesity rather than having to resort to more drastic and invasive interventions such as bariatric surgery. Also, factor in the ever-growing list of broader health benefits beyond treating diabetes and obesity from taking these drugs, including dramatically lowering the risk of

heart attacks. These additional advantages will, subject to FDA approval, expand the market beyond treating obesity and make it even harder for naysayers and health insurance companies to dismiss them as Botox-like “vanity drugs.”

2. What will the GLP-1 diet look like?

It is reasonably clear that patients on these medications do have less appetite and consume fewer calories. But after that, there are – as Ramon Laguarta, PepsiCo’s CEO, put it – “a lot of question marks.” These include:

- The speed of adoption given the limited health insurance coverage to date and the eye-popping list prices upward of USD 1,000/month. The patients who can afford them may not be the ones who need them the most.
- The seriousness of the side effects over time, which include nausea, vomiting, and constipation.
- The ongoing supply constraints, which are unlikely to be resolved quickly even as Novo Nordisk (manufacturer of Wegovy and Ozempic) announced a further USD 6bn expansion in production capacity.
- The host of factors relating to the effectiveness of these drugs for the individual, including, sex, age, starting weight, etc.

Consequently, we have no way of knowing how quickly these new drugs will plateau on their growth curve and at what share of the potential market. In terms of market size, the number of adults taking this medication is probably going to be higher than the 1% of US adults already on them but probably a lot less than the addressable market. According to the Centers for Disease Control and Prevention (CDC), about 42% of the US adult population is living with obesity, that’s about 110m adults. The chances of hitting 100% are probably as likely as US supermarkets cordoning off the three-quarters of their aisles that sell ultraprocessed foods on the grounds they are associated with poor health outcomes or, equally likely, signing up to the World Health Organization’s classification of alcohol and processed meats as known carcinogens (cancer causing) and closing those aisles too. Let’s not forget that, with societal shifts in attitudes, not everyone shares the concerns of the CDC. According to the International Food Information Council’s latest Annual Food and Health Survey, which is consistent with past surveys, about half of US adults consider themselves to be in excellent or very good health and just 2% in poor health. That’s some disconnect.

Bringing it back to food, we will also have to wait for conclusive evidence on whether patients, once they have been on the medications for a while, settle down to eating the same foods as before (but less) or make some permanent shift in their food preferences. These may be wonder drugs, but it is probably wishful thinking to believe we will all fall in love with broccoli and lose our sweet tooth. Having said that, the research to date and some intriguing anecdotes from the early adopters (whose dietary preferences and income levels may differ from most mainstream consumers) do hint at the following:

- **Fewer fatty and sugary foods.** As early as 2016, a Novo Nordisk-funded study found patients had “less appetite and food cravings, better control of eating and lower relative preference for fatty, energy-dense foods.”
- **Fewer cravings.** Of course, it is hard not to be intrigued by the reports around, say, the reduction in cravings for certain foods (including alcohol and sweet foods). After all, most snacks are bought on impulse, so what happens to that market when you dial down the siren song of chips and candy?
- **No to weight-loss supplements.** It is probably not surprising that this category appears to have taken an early hit. According to SPINS, weight-loss supplement dollar sales are down 8% over the last twelve months, with volumes down by 15%.

- **More protein (again).** Many users are also reporting greater interest in protein to offset the loss of muscle mass they are experiencing as part of their overall weight loss. Circana too found that “GLP-1 households” increasingly favor high-protein products, adding further momentum to the ongoing consumer interest in all things protein. And judging by the chatter around cottage cheese (backed up by sales volume data, up over 10% this year), protein might just be having a bit of a Wegovy-inspired moment right now.
- **High dropout rate.** It will be important to understand what is causing the almost fad-diet-like, relatively low adherence rates to these drugs. One report, for Wegovy, found two-thirds of patients quit in the first year. The drugs are not a cure but a long-term treatment. If you stop taking them (say, because you have hit your target weight), they stop working, and the weight comes back.
- **Free pass.** It is not inconceivable that users of these drugs may consider them a free pass to continue eating whatever they like while still keeping the weight off.
- **Heart health first.** The findings reported in the media, including the [Financial Times](#), that semaglutide (Wegovy) led to a 20% lower chance of suffering a cardiovascular event such as a heart attack or stroke opens up a new market for the drugs. As my colleague, Cyrille Filott, observed, “This might mean that adoption of the drug could be wider – for heart reasons – and a side effect is lower consumption of food.”

3. For food companies, less is always more

More than one commentator has pointed out how eating less is very bad for the food business, but this is somewhat of a misconception. Although lower volumes are of course unwelcome, for food companies, the focus is primarily on earnings, profits, and returns to shareholders and stakeholders. It is about the ongoing search for value addition rather than for volumes, tonnage produced, or calories created. Any new market development creates opportunities, and companies will be asking themselves how they can capitalize on this new development and where they will next take their brands.

In the same way that beverage companies have adapted to the decline in alcohol consumption among younger adults by providing nonalcoholic alternatives, companies will pivot and explore the opportunities. Many are already experienced and have a proven toolkit in making money out of lower volumes (more expensive calories) that already work with today’s trends, such as higher-protein or keto diets, and can easily be adapted to a GLP-1 diet. 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. Consider the following:

- **Redefining health and wellness.** Consumers are always redefining what health and wellness mean to them, from low fat to low sugar, to gluten-free, to plant-based. In an Ozempic world, this too will evolve to be relevant to any potential new GLP-1-style diet trend. The genius of companies using the “better for you” phrase to infer a product is healthy is that it so wonderfully undefined and ever fungible.
- **Packaging for portion control.** Smaller appetites might mean smaller portions and packaging sizes (possibly resealable). For food and beverage companies, the smaller the pack, the higher the margin. The Coca-Cola Company and PepsiCo have been doing this in beverages for some time. At this year’s CAGNY conference, food companies were all talking about their “minis” – the miniaturization of their iconic brands such as Doritos Minis and Magnum Mini ice creams. Although this was primarily a “shrinkflation” story, looking back, it seems they were ahead of the curve.

- **Premiumization and reformulation.** Companies are already experienced in transitioning their portfolios and consumers to more expensive, higher-quality, higher-margin products. Companies might reformulate their products with ingredients that help reduce nausea, add more protein (as some anecdotes suggest that patients look for protein to counter the loss of lean body mass), or add greater fortification to address a concern that, with a reduced appetite, patients are no longer obtaining enough vitamins and minerals.
- **New products for new eating occasions.** The sky's the limit here. Companies might opt for suggesting new eating occasions such as the "mini-meal," – bigger than a snack but smaller than a standard entrée for those with reduced appetites. Or companies might choose to create a new line of products just like they would for any new food trend such as keto, organic, or gluten-free. Nestlé is already talking about "companion products" for those taking the medications, drawing on insights from its medical nutrition business. There might even be an increase in demand for packaged, convenient solutions. For a drug that lists nausea as a potential side effect, people might feel less inclined to spend time in the kitchen cooking from scratch for other members of the household. Perhaps these products will be skewed to appeal more to women (the main user group) or a more elderly palate (if these drugs do indeed promote longevity) or to help to maintain or restore the joy of food when on these medications. Afterall, we don't just eat for homeostatic reasons but hedonic ones also.

4. Reintroducing fiber – a natural weight loss treatment

The excitement and media buzz around these drugs even offers up a new opportunity for the food-as-medicine crowd to emphasize the role of less-calorie-dense, "natural," and whole foods with a higher fiber (and/or protein content) in providing satiety and helping with weight loss. By following such a diet and eating the kinds of dietary fiber that stimulate naturally occurring GLP-1 in our bodies, people who are also keen to lose weight, and perhaps have been motivated by the anecdotes of people on these new drugs, can avoid the expense and potential side effects. Protein already has plenty of airtime, but fiber is long overdue for a comeback. It has been over forty years since Audrey Eaton's *F-Plan Diet*, credited with being the first high-fiber weight-loss diet; it caused quite a sensation back home in the UK. I'm already seeing posts on social media and even in the pitch decks of startups talking about natural alternatives to Ozempic and Wegovy. (Remember, these new drugs are designed to mimic naturally occurring hormones that help suppress appetite.) Although the dosage and impact of the drugs will be much larger, the fiber-forward diet involves the same mechanisms and is natural.

Imprint

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