

# FTAS A SUCCESS FORMULA FOR NATURAL HEALTHCARE COMPANY

FTA CASE STUDY | JUNE 2019

GMP Pharmaceuticals has been manufacturing a range of consumer-ready healthcare and dairy products since 1994. With the help of Australia's free trade agreements (FTAs), the company is growing its business worldwide through exports.

GMP Pharmaceuticals is Australia's leading producer of healthcare, natural health and dairy products, such as infant formula, vitamins, homeopathic medicines and dietary supplements.

Headquartered in Sydney, the company has four purpose-built facilities in Australia and New Zealand, as well as offices in mainland China and Hong Kong. In the last three years, its Australian operations have tripled in size to 500 employees. Worldwide, GMP has around 1000 staff and now exports to more than 30 countries, including China, Korea, Japan, Vietnam, Singapore, Malaysia, Thailand, Indonesia, the Middle East, USA and Europe.

## Lower tariffs help boost exports

Chief Operating Officer Daniel Xu says that Australia's Free Trade Agreements (FTAs) have been instrumental in GMP's success.

'When I was doing business with Korea and China 10 years ago, the tariff for our product was about 20 per cent,' he explains. 'We had no advantage over American or European-made products.'

'However, Australia's free trade agreements with these countries have eliminated these tariffs'. Xu says.



**'Our clients tell us free trade agreements have helped them a lot by making Australian products very cost competitive within the Asian context'.**

Daniel Xu, Chief Operating Officer, GMP Pharmaceuticals.

'The FTAs, including the ASEAN-Australia-New Zealand FTA, the China-Australia FTA and the Korea-Australia FTA, have contributed enormously to our business,' he says.

'Our clients tell us free trade agreements have helped them a lot by making Australian products very competitive within the Asian context.'

GMP is now doing significant contract manufacturing for exporters and providing packing services, product formulation, label design, shipping and regulatory advice. Xu says the company instructs clients to look at FTA markets first.



Australian Government

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'I think it's easiest to deal with the countries that have free trade agreements with Australia,' he says.

'There are two reasons. One is that the price is competitive; the second is that these countries are very interested in building business relationships. This gives companies more confidence in investing in these markets.'

## **New opportunities from CPTPP**

GMP is now eyeing new overseas markets covered under the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP).

'We will definitely target these new countries given the tariff advantage provided by the CPTPP,' Xu says. 'FTAs have made such a big contribution to our business success.'

## **A natural export success**

Founded by Karl Ye, who emigrated from China to Australia in the early 1990s, GMP started out by sourcing natural products in Australia, such as bee pollen, and exporting them to Asia.

Ye then realised there was more value-add in making and packaging his own health-centric products. This, says Xu, was the catalyst for export success.

Exporting to China, hasn't always been straightforward, with Xu admitting that it has very strict food regulations that change often.

'It's important to do your homework and be patient', says Xu. 'Get an understanding of market regulations and policies and build up a robust system to manage these changes and differences.'

'One of the biggest challenges is understanding different cultures and knowing which products are preferred.'

For example, he notes that health supplements and vitamins are treated differently in China and Korea.

'In China, they are concerned about heavy metal content so we must strictly follow all their regulations. But in Korea, they don't care so much about that aspect, they are concerned about the microbiology (products not being contaminated).'

## **Building international networks**

Throughout its export journey, GMP has worked closely with Austrade to research new markets and build up local contacts.

Xu says Austrade has been a valuable resource in guiding the company in various markets. He says overseas trade shows and exhibitions are a great way to connect with potential customers. A local presence is also helpful.

In 2005, after 10 years of operation, GMP opened an office in Beijing to provide customs clearance, regulation consulting and after sales services.

'GMP's strength is in providing an end-to-end service for our customers, from advising them how to start a business, developing and manufacturing products to organising logistics and the export process, from customs clearance to after sales services overseas,' he says.

To learn more about Australia's FTAs, visit [www.austrade.gov.au/ftas](http://www.austrade.gov.au/ftas).

## **About Austrade**

The Australian Trade and Investment Commission – Austrade – contributes to Australia's economic prosperity by helping Australian businesses, education institutions, tourism operators, governments and citizens as they:

- › develop international markets
- › win productive foreign direct investment
- › promote international education
- › strengthen Australia's tourism industry
- › seek consular and passport services.

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