

# ICDC FOCUS

## Fonterra/Annum



This report reveals how New Zealand's premier company builds its formula market in disregard of the International Code of Marketing of Breastmilk Substitutes and WHA resolutions. Practices prohibited under the Code and resolutions are marked with a violation stamp in this report

### Company profile

Henry van der Heyden  
Chairman  
Fonterra Co-operative  
Group Limited  
9 Princes Street  
Auckland  
<http://www.fonterra.com>

Fonterra, New Zealand's largest company is a dairy co-operative owned by 10,500 farmers. New Zealand has a history of dairy co-operatives since the first in 1871. In 1930, there were 400

separate dairy co-operatives throughout the country. To become more efficient the co-operatives started joining forces over the years and established the New Zealand Dairy Board to focus on the international market.

In 2001, the New Zealand Dairy Board and two large co-ops merged to form Fonterra with the vision to be *"the natural source of dairy nutrition for everybody, everywhere, every day."* Effectively Fonterra has a monopoly over New Zealand's dairy industry. It accounts for approximately 30% of the world's dairy exports.

Apart from ordinary dairy products, Fonterra also markets value-added milk products. **Annum** is one of its "power brands" in a few key markets in Asia, Africa and the Middle East. Revenue grew 29% in 2010 in those markets. Fonterra also provides nutritional bases for infant formula and growing up milk powders to five major unnamed infant formula companies, according to its 2010 annual report.

In 2008, Fonterra was implicated in a food safety scandal in China through its 43% ownership of the Sanlu Group. The Chinese company was at the centre of the scandal surrounding melamine contamination of raw milk supply. The episode involved 22 other companies nationwide and affected 300,000 Chinese babies who suffered kidney problems as a result of drinking formula contaminated with melamine. Six died and the long-term effects of melamine exposure are not known.

Fonterra's top managers had to fend off criticism about why it took nearly a month to report the matter after they became aware of the contamination. They paid a heavy price for their Sanlu venture, having to write off NZ\$62 million in investment in 2009.

The Sanlu debacle, however, did not hold back the company. In 2010, Fonterra made a profit of NZ\$685 million, up 12 % on the previous year.

*"A kilo of infant formula is worth ten times the value of a kilo of milk powder, so it's obvious which product New Zealand should be selling."*

— Gerry Brownlee, Economic Development Minister,  
Radio New Zealand News, 29 Oct 2010

New Zealand earned more than \$750 million from milk formula exports in 2009.

Read how New Zealand's biggest company creates a market for its formula products.

### Fonterra, a party to unethical marketing

Although Fonterra sits on the board of Sanlu, it has not prevented Sanlu from advertising, in contravention of Chinese law and the International Code of Marketing of Breastmilk Substitutes.



China circa 2003

A Sanlu formula billboard spanned an overhead bridge in Shijiazhuang, China before the melamine fiasco. The ad promoted a full range of Sanlu baby milk products. The large slogan shouted "More Sanlu More" !



China circa 2004

Sanlu made inroads into the Chinese community through an ad on a bus which plied one of the busiest routes in Beijing. The mobile ad claimed Sanlu was "the best selling infant formula for 12 years".

## Strategic marketing or unethical promotion? A history of Annum

**Annum** entered the infant and young child feeding sector through its milk for pregnant women and mothers. Fonterra's predecessor, the New Zealand Dairy Board launched **Annum 1** for pregnant women and **Annum 2** for lactating mums in the 1990s.

When these products (now rebranded as **Annum Materna** and **Annum Lacta** respectively) hit the market and were promoted in a big way, the need for such products, which are much more expensive than nutrient-rich local foods, was questioned by nutritionists and health workers.

Women are perfectly capable of selecting a well balanced healthy diet during pregnancy and lactation at a fraction of the cost of glamorous milks like **Annum**. However, the promotion of such expensive designer products may lead women to believe erroneously that they are necessary for a safe pregnancy and successful breastfeeding. Furthermore, **Annum** had portrayed itself as supporter of the breastfeeding movement and was at the forefront of 'helping' health facilities to celebrate breastfeeding events.

## Broken trust

When some questioned whether **Annum** promotion should be allowed in healthcare facilities, it was argued that these products did not come under the scope of the Code. Unlike other brands of milks for mothers which are linked to formula products through similar names and logo, the **Annum** brand was not tied to a formula product at this stage. In this respect, **Annum** had the upper hand. While other competitors were blocked from entering health facilities, **Annum** was allowed to do so.

It was seen as the "squeaky clean" player from New Zealand which did not promote milk for babies.

Then and now – Annum products and promotional materials have become more sophisticated over time. The cost of these 'designer products' for mothers is passed on to consumers, while health experts maintain that their ostensible need or value has not been proven with reliable and scientific evidence.

Malaysia circa 1990s

Philippines circa 2005

Malaysia circa 2005

Riding on the coattails of breastfeeding - ANNUM aligned itself to IBFAN and WABA in this leaflet until they were told to stop.

Malaysia 2011

Malaysia 2010

Above: Folate and calcium additives evolved to become *nutri-Q-plus* advertised with gobbledegook like 'hi-folate, SA, GA and EFA, a precursor to DHA and AA'. The highly touted folic acid is naturally found in nuts and leafy vegetables. It works best in the first month of pregnancy, a time when most women do not even know they are pregnant and would not dream of taking Annum.

Annum in its latest packaging as seen in Malaysia, March 2011.

Enticing gadgets – who could resist?

### From mothers to babies

Annum became accepted in health care facilities in South East Asia to the degree that in some communities pregnant women and breastfeeding mothers are told by health workers to take Annum milks because:

*“a well balanced diet does not always guarantee an adequate intake of all nutrients”*

*“your baby’s healthy brain development is in your hands”*

[the product is] *“good brain food for the child in your tummy”* or *“the first gift from mum to baby”*.

Annum developed goodwill among health workers and health facilities and it was not long before Annum Infacare infant formulas and follow on formulas were launched into the market. By the early 2000s, Annum Infacare formula for babies had become prominent in the market place, following the ‘good’ reputation already gained.

### Look What they’re Doing Now

So how does Fonterra market Annum formula products? Due to its foothold in health facilities through its promotion of milks for pregnant women and breastfeeding mothers, the Annum brand enjoys prestige and favour with many health facilities.

For example, private hospitals in Malaysia allow Annum access to provide routine supplies of formula milks in standard retail size packs and ready-to-feed liquid formulas for distribution to mothers in maternity wards.

Gifts bearing the Annum logo and sporting the Annum colours such as rucksacks, tote bags, samples of milks for mothers, free regular size formula packs and ready-to-feed bottles are commonly distributed to mothers by hospital staff, thus conferring much valued medical endorsement of the brand.

Annum also seeks direct contact with mothers through its online club and through member-get-member schemes.

All the practices described above are forbidden under the Malaysian Code.

Annum by Fonterra – well, it’s squeaky clean no more.



In Thailand, Annum is promoted as “the first gift from mom to baby” and the foetus with an Annum tin image in this ad illustrates how Annum mothers are “Giving love and good things to baby from the start of life”

Surely this would never be allowed in New Zealand?

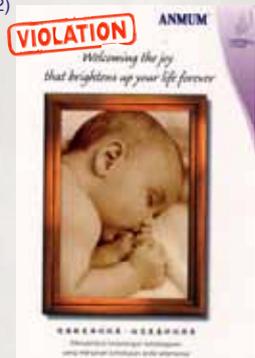
Formula for mothers is not sold in New Zealand but in Thailand, gullible women who are not even culturally predisposed to drinking milk lap it up influenced by this sort of marketing.



(Thailand, circa 2002)



▲ (UAE, circa 2003)



▲ Malaysia, 2005

Companies are not allowed to contact mothers yet they were given samples and felicitations from Annum. (Malaysia 2005)



◀ Surreptitious supplies – full size formula products periodically given to a private hospital in Malaysia (2010)

Annum samples and gifts in their latest corporate colours. (2011) ▼



All these gifts for one baby – at another private hospital in Malaysia, family members of a breastfed baby, received a full array of Annum gifts and products from staff during a follow-up visit, testimony to the quantity of forbidden freebies Annum provides to hospitals.

## When 'Essential' is unnecessary

At the other end of the spectrum of products, Fonterra has the **Annum Essential** growing-up milks (GUMs) for children: **Annum Essential 3** for children 1 year+ and **Annum Essential 4** for children 3 years+.

**Annum Essential** uses a two-pronged approach in its marketing. The first is through claims about "advanced nutrients like DHA and gangliosides" which lack credible and reliable scientific evidence. Yet, spreading across promotion for **Annum Essential** is the image of a child's brain cells forming new connections due to the added 'nutrients'. The second approach is to ride piggy back on the public health message to reduce sugar intake.

The prevailing opinion among health experts is that GUMs are unnecessary because after 1 year, a child who is not breastfed can be given ordinary milk in addition to solid foods. Unfortunately, GUMs promotion induces mothers to stop breastfeeding earlier than recommended and to replace breastmilk with an unnecessary product like **Annum Essential**. They are duped by misleading claims. Equally worrisome is the way GUMs are packaged and promoted to resemble formula products of the same brand range.

GUMs are the fastest growing sector within the baby food business according to market forecasts. By its resolution 63.23 [2010] the World Health Assembly calls for an end to inappropriate promotion of foods for infants and young children and for a prohibition of nutritional and health claims. Fonterra is not following these recommendations and instead, has stepped up promotion of **Annum Essential**.

As this report goes to print, Fonterra is running a massive 'no-added-sugar' advertising campaign in Malaysia, in all media, for its **Annum Essential**. It is made to look like a public health message and comes complete with a supposedly independent website called 'Sugar Check'. No brand name is mentioned upon enquiry but all the leads given by nutritional advisers contacted point to **Annum Essential**.

Up-front promotion would have been preferable. At least consumers would be able to notice the promotional message in its proper context.

Fonterra's track record in marketing Annum products has so far been unethical and irresponsible. Time for its co-operative owners to demand that Fonterra comply with international recommendations.

## Maximising the Annum 'connection'



Malaysia 2011

Annum uses a TV host as brand ambassador at the launch of its 'no-sugar-added' campaign for Annum Essential.

Outright promotion using prohibited claims. DHA, a component of human milk, is important for brain and retinal development of the foetus and the first 2 years of life. There is no conclusive evidence that synthesised DHA will have similar benefits but Annum Essential rests its promotion on 'mind-Q plus' formulation of which DHA is a component.



## Sneaking around with sugar



A 'sugar check' website helps parents find out how much added sugar their children could be consuming but the key phrase 'Tanpa Gula Tambahan' or 'no added sugar' leads to Annum Essential.



Sneaky. Annum is the only brand labelled with 'Tanpa Gula Tambahan' or 'no added sugar' tag. Parents are hence advised to look for that tag in shops and to seek advice from their health providers for such products.