

Generic market set for rapid growth in 2012

Growth of the generic pharmaceutical market - locally and globally - is set to rapidly accelerate in 2012, building on the significant momentum the sector achieved last year.

"We anticipate that the generics industry will experience considerable growth in the coming year, after the average 11% growth we saw locally in 2011 (IMS Nov 2011)," says Paul Anley, CEO of generic pharmaceutical company, Pharma Dynamics, whose 42% annual growth makes it the fastest-growing pharmaceutical company in South Africa.

Reasons

Anley says the expected gains in the coming year can be ascribed mainly to two reasons: the spiralling cost of healthcare and the expiry of a number of patents.

"There is now tremendous pressure on medical aids, and the need to cut costs is higher than ever. This need to contain costs will inevitably lead to a move towards generic alternatives from expensive originator drugs," says Anley.

"Secondly, a noteworthy number of products are coming off patent, especially in the cardiovascular category. This means that more new generic medicines will be coming onto the market, and these more affordable treatments are likely to be an attractive option for medical aids and patients alike."

Further favouring the growth of the generic industry is globalisation.

"Historically, originator companies have operated globally, while generic manufacturers were domestic in nature. However we are now seeing an accelerated rate of consolidation and globalisation as companies are looking to expand their geography to attain global reach, in particular in emerging markets," says Anley.

"The growth of the middle classes in developing countries has a direct impact on the growth of the generics market. In middle-income settings, people often cannot afford originator medicines and generics are the obvious choice. Employed people are also much more likely to purchase affordable generics than to approach state hospitals and wait in line for medicines," he says.

Decline of originators

Anley says that, as the market share of generics grows, originators will face decline in theirs.

"Originator companies facing patent expiry and hence sales reduction and a fairly significant hit to profitability are seeking

to consolidate and merge. The strategy is defensive as well as aggressive, in that originators either get into existing generic companies, or buy their own in order to expand their sales base."

From a global perspective, the generics market is likely to double over the next seven years because of patent expiries. This will lead to market consolidation on the part of originator companies, because as products face patent expiry, big Pharma will be coming under increasing profit pressure.

"One of the ways for them to continue growing in spite of these pressures is through continued consolidation."

Rapid growth in SA

Anley notes that South Africa is one of the world's fastest growing pharmaceutical markets, generating nearly R24-billion in pharmaceutical sales last year.

"Although pharmaceutical sales in SA only accounts for 1% of the global pharmaceutical market, it is growing rapidly and have moved into the top 20 markets since 2005. This explosive growth is due to changing demographics, rising incomes, modernisation of health systems and an increase in the treatment of chronic diseases, which creates a greater demand for medicines."

Uncompetitive arena

However he warns about local conditions that will increasingly burn the purses of South Africans if not urgently addressed.

"Continued regulatory delays are hampering the effective launch of new products in the SA market, which means that competition is reduced and pricing is uncompetitive.

"Additionally, government has yet to sternly address the practice by some originators of patent ever-greening and the development of pseudogenerics. Unless government intervenes, we will see this trend continuing, and impacting on the ability of generics companies to enter new products onto the market. Again, competition is reduced and prices remain inflated."

The patent office also needs to be beefed up, as currently it has no search function which means that patents are granted when in fact they should not.

"This leads to the existence of multiple patents covering the same drug. This is not easily rectified in court, as courts are usually inclined to err on the side of caution. Add this to the unnecessarily long time the Medicines Control Council takes to register new products, and the road to market becomes a long and very expensive one - for the generics manufacturer and ultimately the public."

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