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Contract manufacturing to reach $18 bn by 2017: Frost

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Singapore: Global pharmaceutical contract manufacturing market earned revenue of $13.43 billion in 2012 and is estimated to reach $18.49 billion in 2017, expanding market for solid dose, liquid and semi-solid dose and injectable dose formulations, according to a report by Frost and Sullivan.

According to the analysis firm, cost benefits and pharmaceutical companies' desire to focus on their core competencies has created an increasing need for outsourcing and spurred the global pharmaceutical contract manufacturing market. Expiring blockbuster drug patents will reduce manufacturing capacity utilization rates and boost outsourcing further.

Pharmaceutical and biotechnological emphasis on complex disease areas, trends in disease control, growth in emerging markets, and reformulation of existing products have widened the scope of the contract manufacturing market.

"Investments and capacity expansions in the injectable dose formulation segment are in the near future, as it is likely the most significant source of income for the global pharmaceutical contract manufacturing industry," said Frost & Sullivan healthcare research analyst, Ms Aiswariya Chidambaram. "Cytotoxics manufacturing, in particular, offers immense growth potential, given the demand from the cancer research and therapy segments."

The global pharmaceutical contract manufacturing market remains highly fragmented with many contract manufacturing organizations (CMOs) relying on one client for more than 50 percent of their revenue. Coupled with huge tax incentives and lower inventories for low-volume products, this creates immense pricing pressures for CMOs.

Currently, the US and Europe are major markets for outsourcing finished dose formulations and sterile preparations, while Asian CMOs are preferred destinations for active pharmaceutical ingredients, intermediates and generics. However, given the immense cost benefits, Asian CMOs, like in India, China and Singapore, will likely emerge as favorable destinations, particularly for solid dose formulations.

"Consolidation in the form of acquisitions and strategic alliances to gain access to new, emerging markets and niche segments will be crucial for both small and large CMOs," concluded Ms Chidambaram. "Large CMOs can broaden their geographic presence, while small CMOs can leverage the technical expertise and resources of large CMOs to enlarge their footprint."