

An IBFAN-ICDC report on baby food marketing practices



This page forms part of the global monitoring report – Breaking the Rules, Stretching the Rules 2010. Companies' marketing behaviour is measured against the International Code of Marketing of Breastmilk Substitutes and WHA resolutions.

Nestlé Company profile & Code violations

The Executive Summary to Breaking the Rules, Stretching the Rules 2010 is available at www.ibfan.org

Nestlé was founded in 1905 from a merger between Anglo-Swiss Milk Company and Farine Lactée Henri Nestlé Company. Its reputation, suffers from a continuing consumer boycott linked to its aggressive promotion of baby foods.



'Good Food, Good Life' billboards allow Nestlé to greet visitors in countries they do business in. The slogan reflects Nestlé's "Premiumisation" business strategy which aims to pamper consumers in the top income bracket. The positioning of the billboards in choice spots is representative of another Nestlé PPP (Popular Positioned Products) business strategy to reach lower income segments with products sold at prices which enable consumers to buy a little on a daily basis.

Nestlé is the world's largest food company, with products distributed in 140 countries. With sales of about CHF 110 billion (USD 103 billion Swiss

francs) in 2009, its earnings far outstrip the GDP of many of those countries. Sales in 'emerging' countries accounted for about CHF 35 billion and Nestlé leads in 12 of 16 emerging markets with a total of 90 million births every year. Among them are countries where Nestlé sales range from CHF 1 to 5 billion like Brazil (CHF 5b+), Mexico (CHF 3b+), Russia (CHF 2b+), China (CHF 2b+), South Africa (CHF 1b+), India (CHF 1b+) and the Philippines (CHF 1b+).

On numbers alone, Nestlé Nutrition - the subsidiary for manufacturing and marketing of infant formula and complementary foods - beat other players in the baby food market. The reason, in Nestlé words, is because - "we are where the births are"¹. According to the Code, companies should not be in contact with pregnant women and mothers but that fact is probably lost on investors. Ironically, the slogan for the infant nutrition sector within Nestlé is "Start healthy, stay healthy". By 'starting healthy', Nestlé obviously does not mean breastfeeding, despite its avowed support for the practice which gives babies the best start in life. For the company, 'Staying healthy' means a robust performance in its infant nutrition business which chalked up sales of CHF7.4b, with sales of infant formula alone amounting to CHF3.1b.

Nestlé's healthy performance in 2009 is attributed to "product innovations" which the company relentlessly promotes, often skirting on the wrong side of the Code. Such innovations are touted with claims about the virtues of added substances in the products, claims which are not allowed in many countries.

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Brands

AL110	Nestargel
Alete	Nestogen
Alfaré	Nidal
Alprem	Nidina
Alsoy	Pelargon
Beba	Sinlac
FM85	
Gerber Good Start	Complementary Foods
Guigoz	Alete
Lactogen	Cerelac
Nan	Gerber
Nativa	Mio
	NaturNes
	Nestum

Logos



1 "Driving value at Nestlé Nutrition", Nestlé Investor Seminar, 22 June 2010

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The latest of these claims concerns the ostensible improvement of the overall well-being of babies by enhancing gut comfort (for colicky babies) and the strengthening of babies' natural defences for infant cereals. The roll-outs and promotion of these "added value" designer products are likely to lead to faster incremental sales. For example, Nestlé **Nan** with probiotics launched in 2005 and distributed in over 70 countries, had a growth rate of 24.5% in 2008.

Nestlé's acquisition of **Gerber** in 2007 also helped to drive growth in the nutrition division. The acquisition made Nestlé the leader in the infant meals and drinks sector and allowed the company in the USA to move **Good Start** formula to **Gerber**, using the leverage of the latter's iconic baby face brand. Nestlé takes advantage of the ambivalent US position on the Code and gets away with using the **Gerber** baby face on formula labels, a practice the Code prohibits.

Both **Nan** and **Gerber** are "billionaire brands" each with sales of over CHF 1b in 2009.

Nestlé spent USD100 million doubling the capacity of a milk processing plant in East Java, Indonesia, making it one of the 10 biggest Nestlé milk processing facilities worldwide. The factory which produces **Lactogen** infant formula will allow Nestlé to create demand in Indonesia. In Sept 2010, Nestlé Ghana announced plans to double production capacity of **Cerelac** to 18,000 tons per year. Nestlé also owns 20 factories in China in three districts to source the milk directly from farmers.

Nestlé claims to abide by national laws and that "everything we do is totally in line with our own company's values".

"Nestlé, as a food and beverage company whose products are consumed around the world, could be described as being in the business of trust. We know that trust needs to be earned with all stakeholders product by product, brand by brand, consumer by consumer, and we understand that trust is also about corporate behaviour"

- Nestlé 2009 report.

Recent incidents in the US and Canada cast doubt on the accuracy of such statements. Some examples:

A 2009 peer reviewed study² showed that breastfeeding could actually save the US health care system \$13 billion dollars per year. When the study received positive media coverage in April 2010, one of its detractors was a Professor of Paediatrics, Dr. Lillian Beard. In an interview on ABC News, she demanded to know if the study takes into account the cost for breastfeeding mothers. With the help of the online lactation community, it was discovered that ABC had teamed up with Nestlé for several commercial promotions³ and that Dr. Lillian Beard, sits on the Advisory Board of the Nestlé Nutrition Institute and



Elsewhere in the world, the Gerber face on infant formula would be prohibited notwithstanding its status as a registered trademark.



NAN – billion dollar brand backed by aggressive promotion.



Dr. Lillian Beard, a speaker for Nestlé, questions breastfeeding research

Photo: CBS News

2 <http://pediatrics.aappublications.org/cgi/content/abstract/peds.2009-1616v1>

3 <http://www.nestleusa.com/PubNews/PressReleaseLibraryDetails.aspx?id=AFCECF9-CF70-4433-B9EC-2000301B620F>, accessed 24 August 2010

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is one of their paid speakers!!

It is irresponsible but not surprising for ABC to keep a cover on its corporate relationship with Nestlé. Although Dr. Beard is entitled to her opinion, there is a clear conflict of interest when she uses her authority as a physician to publicly discredit a study without disclosing her ties to industry.

In a separate development, the US FDA issued a warning in December 2009 to Nestlé for misbranding the **Juicy Juice Brain Development Fruit Juice Beverage**. The product, marketed for children under two years of age, bears the claims “Helps support brain development” and “no sugar added” in contravention of FDA regulations. The FDA also reviewed Nestlé website, <http://www.juicyjuice.com> and found claims that **Juicy Juice Brain Development Fruit Juice Beverage** is “naturally lower in sugar”, a claim prohibited for such food. Nestlé was directed to take prompt action to correct the violations.

A similar warning letter was issued to Nestlé for misbranding its **Gerber Graduates Fruit Puffs** and **Gerber 2nd Food Carrots** because of use of nutrient content claim which may not be made for foods for infants and children below two.

Over the border in Canada, a joint initiative of Health Canada and the Canadian Food Inspection Agency (CFIA) in 2007 failed to stop Nestlé from using unproven or misleading nutrition and health claims on labels of its formula products, **Good Start** and **Follow-up Transition** formulas. Noting how there is a huge potential for misrepresentation and consumer deception, CFIA itemised eight items for the company to change on labels to comply with Canada's food and drug regulations on nutrient content claims or diet-related health claims.

Facing imminent prosecution, Nestle made the required changes to three statements buying itself time for negotiation on the other items. A Nestlé Canada spokeswoman commented in a January 2010 press report that “Nestle is fully committed to complying with Health Canada's Food and Drug Act and Regulations for all of our products including infant formula and that we take this matter very seriously.” The fact that Nestlé waited three years and the threat of prosecution before partially complying puts that commitment into question. Incidentally, **Good Start** in Canada is still marketed under the Nestlé name so no **Gerber** baby face, unlike in the US.

This report is compiled either according to themes or geographical location. As the way Nestlé interprets the Code is very different from the actual text of the Code and its subsequent resolutions, the table on the following page will help readers understand where and how they differ.



Marketed for children under 2 years. US FDA says there is misbranding but no obvious compliance from Nestlé. (Accessed from website on Sept 2010)



The ban on health and nutrition claims as imposed by this letter to industry was ignored for 3 years



The look may be new, but Nestlé still violates CFIA's instructions. See main story.