

Interview: Peter Meinshausen - Regional President Evonik Southeast Asia, Australia & New Zealand; Dr. Stefan Randl - VP Sales & Services Asia, Evonik Healthcare, Singapore



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Peter Meinshausen (PM):



What role has Southeast Asia played within Evonik's global business

since you became regional president?

Considering Southeast Asia to consist of the ASEAN countries, we have seen attractive, steady, and solid growth across the region since I became the regional president of Evonik Southeast Asia, Australia and New Zealand (SEAANZ) seven years ago. With more than 600 million consumers in a comparatively stable economic and political environment, SEAANZ is certainly one of the regions we see the most dynamic growth opportunities in.

Over the years we kept on investing in our employees. In parallel we are continuously expanding our business and asset footprint as part of global business line strategies. Our track record

confirms our long term commitment to the whole of Asia Pacific. For example in 2014 Evonik opened its first DL-methionine production plant on Jurong Island in Singapore and the second methionine plant in Singapore expected to come on stream in 2019. Besides, in 2015 Evonik expanded the existing oil additives plant in Singapore to nearly double of its capacity, making it the largest oil additives production site within Evonik's global oil additives production network. Today with more than 900 employees, 12 legal entities, 7 production sites and 6 innovation labs in this region, we are growing our footprint steadily by expanding our regional operations in response to the growing demand.

What would you highlight as the main economic development trends and dynamics in Southeast Asia over the last seven years?

Evonik organizes its business around three global trends: Health & Nutrition, Resource Efficiency and Globalization. For healthcare and nutrition specifically, we work to provide solutions that enable people to stay healthy. According to projections the global population will reach 9 billion by 2050 and a significant portion of that population growth will occur in Asia. Feeding 9 billion people and ensuring they receive proper nutrition such that they can live healthy lives will be a major global challenge. Similarly, the steady development of Southeast Asia's economies, and the rise of the middle class drives demand for healthcare products and services, as well as changes in diet including an increased demand for quality meat. These are the challenges which Evonik's products help to address and solve.

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More specific to the region, interesting dynamics exist just due to the geography of ASEAN being sandwiched between the two massive economies, India and China. This in combination with local policies designed to ensure connectivity among ASEAN members as well as with neighboring economies and trade zones, makes ASEAN countries very attractive for outside investors as they can ideally serve not only regional markets but also both the Chinese and Indian markets from Southeast Asia. As such, we see a convergence of foreign direct investment in the region, with Indian and Chinese companies making significant investments in Southeast Asia as well as other global players. Australia and New Zealand are another major sources of investment in the region. This apart from practical management considerations is one of the reasons why Evonik decided to manage Australia and New Zealand along with Southeast Asia - they are very much part of the Southeast Asia economic equation.

We understand Evonik has recently announced plans to invest more than half a billion euros in another amino acid plant for animal feed here in Singapore - could you tell us a bit about this investment and the importance of DL-methionine?

Given the mentioned global challenge of feeding a growing population, it's clear that efficient food and feed management is increasingly important. Thus, Evonik has for example developed portfolios of amino acids for both human applications as well as the animal nutrition field. For the efficient and healthy raising of livestock to supply societies demand for a healthy diet including meat, the availability of amino acids play a vital role in terms of cost, resource efficiency and the environmental impact of raising livestock.

Among others, the amino acid DL-methionine plays a vital role. Evonik as the market leader for this important animal feed supplement, operates several dedicated DL-Methionine production facilities worldwide. To also efficiently meet the rising demand for meat in the Asia Pacific region, Evonik has completed its global production network and established a significant DL-methionine manufacturing capacity here in Singapore. Currently we have a capacity to produce 150 000 tons of DL-methionine locally, and have recently announced that Evonik will be investing another 500 million euros to establish a second manufacturing facility of the same magnitude.

At the global level, Evonik has recently acquired certain fermentation biotechnologies geared towards amino acid production from the French company METEX. As the leader in the amino acid field, acquiring these technologies which complement our current technology platform, was a strategic decision to further enhance our capabilities in this core business area.

Why is this the right place and time to locate such sophisticated amino acid chemistry in Singapore?

In the case of DL-methionine, we saw a growing demand in the APAC region being driven by the overall economic development and the need for a healthy diet for a growing population in this region. This has determined the timing of both investments here in Singapore. The other key consideration for us was that our technology platform for DL-methionine production is a core technology for Evonik, one which needs significant infrastructure to support, skilled talent to work with, and a secure legal and IP environment.

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Singapore has proven an ideal location for supplying our Asian customers. The excellent logistics infrastructure ensures efficient and competitive supplies regionally and globally. Other than its

positive business and investment climate, Singapore also has a modern and outstanding economic infrastructure, strong IP protection, availability of resources and highly-skilled workforce, making this country a credible and reliable place for investment.

Looking at the pharma industry in Southeast Asia, what would you highlight as some of the interesting areas where Evonik could have a particular impact?

Stefan Randl (SR): In healthcare, we serve the pharma industry with a variety of business models, as well as the medical devices sector, and finally the nutraceuticals or functional foods industry. For pharma in the Southeast Asia, Australia and New Zealand region, we see three main trends; growing local production, more R&D activities being carried out by both local companies and multinationals, and steadily advancing regulatory and quality standards. All of these factors play in our favor and as such we are increasing our presence in the region in terms of sales capabilities, technical support, and technical services – which can serve as a stepping stone to bringing R&D activities to the region. To this end, we have recently opened a formulation laboratory in Bangkok to provide our clients assistance in formulating oral drug and nutraceutical products.

This way, we can be closer to our customers and better support them in challenging development projects. Formulation solutions using our functional polymers, i.e. EUDRAGIT® for pharma and EUDRAGUARD® for nutraceuticals, which can control the release profile of oral drug and nutraceutical products are particularly interesting to local companies. These polymers can protect the actives present in a tablet or capsule until it reaches the right part of the intestine and accordingly maximize the bioavailability of the active compounds. Our portfolio of generic APIs and excipients are of the highest quality and relevant to any manufacturer looking to produce high quality products.

Recognizing the rapid pace of change in dietary habits and high incidence of chronic conditions such as diabetes across Southeast Asia, we see an increased need for health-minded nutrition and higher demand for nutraceuticals and functional foods. We are actively working on developing our portfolio of advanced food ingredients and already offer some interesting products with clinically proven health benefits, such as Healthberry and PentaQQ. We also offer a range of amino acids for human health under the brand REXIVA.

It is well known that Singapore has a highly developed industry with the highest R&D standards, and Evonik also supports R&D and manufacturing ventures here with relevant products. Taking the Singaporean biopharma industry as an example, we have developed a strong position in the supply

of high purity amino acids and cell culture ingredients used as inputs in biotech manufacturing processes, for both R&D and commercial applications.

With the sophisticated technologies you already have in Singapore, what are some of the potential next steps for developing Evonik's Singaporean operations?

PM: Besides the sophisticated manufacturing platform we have already established here in Singapore, Evonik has been investing in R&D and applied technical services to provide smart custom tailored solutions to strengthen the competitiveness of our customers, with a focus on local needs. At present we have six R&D and applied technical service centers in Singapore, including the TEGO Innovation Center for coating additives, a Beauty & Care Innovation Center as well as analytical and quality assurance laboratories. With the opening of the pharma application technology laboratory in Bangkok, we are looking into bringing more R&D activities to this region, especially in Singapore.

Innovation and R&D are increasingly being tailor-made in Asia for Asian customers, and Singapore is well aware of this trend. With a brilliant R&D ecosystem and talented scientists, the Singapore government has recently announced a SGD 19 billion (USD 13.4 billion) program to support the development of the Singapore R&D landscape through 2021. To cater to companies with an innovative and entrepreneurial thrust like Evonik, the government is also taking steps to further the research ecosystem by establishing appropriate institutions. The Institute of Chemical and Engineering Sciences (A*STAR) for example, is one of the national research institutes we have been closely working with to develop new products and innovative solutions for our customers.

SR: We are very interested in the potential afforded by the strong presence of innovators in pharma and MedTech here in Singapore. On the MedTech side, we have some very interesting products such as RESOMER®, a biodegradable polymer platform, which is used to develop medical devices with biodegradable components. The material can be used to make meshes, stents, or screws – to hold together ligaments for example – which will bioresorb in the body over 6 to 24 months, eliminating the need for the patient to undergo a second surgery. With this and other products, we see significant potential for innovative collaboration within the Singapore life science ecosystem.

Evonik is known as “the creative industrial group. What can Evonik bring to Southeast Asia with this creative spirit?

PM: Especially since the establishment of the South East Asia, Australia and New Zealand region, Evonik has been investing not only in its employees and manufacturing assets, but also on how to

bring and adapt its technologies and knowledge to this region in order to add additional value for its customers. That is why we have been setting up different R&D and applied technical services centers in this region a long time ago. With creativity as one of our corporate missions, we will continue to foster closer collaboration with Asian manufacturers by delivering products and solutions that fit their unique needs and requirements.

As I mentioned earlier, innovation and R&D are increasingly being tailor-made in Asia for Asian customers, moving forward, we will look into increasing our R&D capabilities in the region, and will continue to develop our employees who form the basis of our success.

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