

Pharmaceutical CMO - Market Share Analysis, Industry Trends & Statistics, Growth Forecasts (2024 - 2029)

<https://marketpublishers.com/r/PF30A73C0B38EN.html>

Date: July 2024

Pages: 230

Price: US\$ 4,750.00 (Single User License)

ID: PF30A73C0B38EN

Abstracts

The Pharmaceutical CMO Market size is estimated at USD 173.13 billion in 2024, and is expected to reach USD 237.56 billion by 2029, growing at a CAGR of 6.53% during the forecast period (2024-2029).

Advanced manufacturing technologies and processes are expected to contribute to the growth of the CMO market. CMOs can optimize their manufacturing processes and reduce waste and costs through new operational strategies, including continuous manufacturing. Small and mid-sized pharma companies, which account for an increasing share of new drug approvals and often lack manufacturing capacity, are expected to drive CMOs to adopt new manufacturing technologies.

Key Highlights

One of the main reasons for outsourcing pharmaceuticals is cost. Outsourcing gives companies access to specialized knowledge and tools at a fraction of the cost of maintaining internal capabilities, lowering operating costs and capital expenditures. Also, CMOs are expanding their capacity by purchasing manufacturing facilities from drug manufacturers, owing to the increasing demand.

CMOs can scale up the expansion of their capabilities quickly through acquisitions. This shift in focus was accompanied by a change in the market's M&A landscape. For instance, developing novel therapeutic modalities (such as cell, gene, or mRNA therapies) and advanced vaccines over the past decade necessitated a sizable investment in new manufacturing facilities for nucleic acids, lipid-based formulations, viral vectors, and cell manipulation.

For instance, FUJIFILM Diosynth Biotechnologies, a contract development and manufacturing organization for biologics and advanced therapies, recently held a ceremony to mark the beginning of its single-use manufacturing campus expansion project in Texas. The expansion will add a cGMP production facility that will be operational by 2024. The growth will double the Company's advanced therapy and vaccine manufacturing capacity in the United States.

Additionally, pharmaceutical companies have been directing their priorities toward the core areas of competency. Hence, they prefer not to dispense available resources, expertise, and technology in formulating the final dose of medicines. The increased competition and shrinking profit margins compelled the pharmaceutical companies to revisit their production processes and R&D activities instead of manufacturing the formulated drug to stay competitive in the market.

The growing geriatric population and increasing development and investment in the active pharmaceutical ingredients (APIs) market are propelling the growth of the biopharmaceutical industry. The prevalence of chronic diseases such as cardiovascular disease and cancer will also contribute to API growth. With the ongoing growth in the pharmaceutical sector, pharmaceutical innovator companies need to stock their pipelines with new drugs. However, they do not have the resources to discover, develop, and manufacture products. Hence, the requirement for CMOs is quite significant.

Further, countries, such as China, India, and Japan, hold a significant share of the pharmaceutical CMO market, owing to low labor costs, low capital and overhead costs (compared to that of the United States and Europe), tax incentives, and undervalued currency combine that provides a significant cost advantage for pharmaceutical companies outsourcing to these countries.

Investing in research and development (R&D) is becoming expensive, but the valuable outcomes are becoming less and less common. Many companies realize that outsourcing this part of their business while capitalizing on emerging pharmaceutical markets is the best way to reduce costs. Despite all the evidence of cost savings and the skills that can be gained, many companies don't want to give up control. However, the situation is changing. The pressure to shorten supply chains and optimize lead time is forcing companies to take a variety of measures to meet demand, making contract manufacturing a bottleneck in their supply chain.

Pharmaceutical CMO Market Trends

Active Pharmaceutical Ingredient (API) and Intermediates are Expected to Witness Robust Demand

The API manufacturing growth has consistently increased over the past few years. This will continue to rise steadily, with further patent expiries expected in the future and a significant increase in global generic production capacities. Most businesses in the sector emphasize creating biological APIs and boosting API production in the market under study. Compared to OTC medications, the general prescription pharmaceuticals subsegment has a higher need for API production.

Increased government initiatives in the healthcare field, biologics innovation, and an increase in cancer and age-related disorders are just a few of the key reasons propelling the expansion of the API manufacturing market. However, the development of the business can be hampered by rigorous regulatory laws in places like Europe.

The segment is expanding due to the rising importance placed on high-potency APIs. The cutting-edge technologies for HPAPIs can alter the in-out ratio of CMOs in this quickly growing market. Better prospects for CMOs are anticipated in the biopharmaceutical and small molecule API industries as the primary pharmaceutical firms continue to reduce their production.

Companies are actively pursuing acquisition and expansion strategies to bolster API manufacturing, driving growth in the sector. For instance, in January 2023, an active pharmaceutical ingredient (API) production plant in Ringaskiddy, Ireland, was acquired by Sterling Pharma Solutions, a multinational contract development and manufacturing company from Novartis. Additionally, the deal includes an ongoing supply agreement with Novartis to continue to manufacture several APIs for cardiology, immunology, and oncology medications at Ringaskiddy. The facility will add capacity to Sterling's expanding API manufacturing capabilities. Financial information was kept private.

The execution of a collaboration agreement for optimizing cell line productivity development to produce large volumes of anti-infective active pharmaceutical ingredients through precision fermentation was jointly announced by Willow Biosciences Inc. and SUANFARMA in October 2023. To develop a more cost-effective production process, SUANFARMA will have access to Willow's proprietary strain optimization technology through this partnership.

North America is expected to Hold a Significant Share in the Market

Contract manufacturing organizations (CMOs) in the United States have evolved from an initial offering of essential manufacturing services to a wide range of services to meet market and outsourcer demand. Steady growth in the US pharmaceutical industry and increasing outsourcing by major pharmaceutical companies focusing on their core competencies to improve profit margins drive the country's market.

Stricter domestic regulations ensure superior manufacturing quality and final products that CMOs adhere to. For instance, manufacturing an autologous or allogeneic therapy is complex, and the manufacturing facility must obtain its GMP certification.

The country has emerged as one of the largest drug markets, accounting for almost half of the R&D spending in pharmaceutical and biotechnology markets. Hence, CMOs play a critical role in this market and have invested in new facilities and technologies to cater to various outsourcers. The country is experiencing a shortage in manufacturing capability for specific sectors, like cell, peptide, and gene therapy. CMOs have increased their manufacturing bases over the past two years.

The Canadian pharmaceutical industry is one of the most innovative in terms of products. Pharmaceuticals, a key sector of the Canadian economy, is supported by the Canadian government, which provides a business-friendly environment for pharmaceutical companies and can leverage assets for short- and long-term business strategies.

Canada holds the advantage of having a skilled workforce. Although Canada is going to face intense competition from emerging Asian countries, the complex manufacturing processes required for certain drugs, which need skilled personnel, a stable political environment, and the proximity to end markets, such as the United States, are expected to drive the growth of the pharmaceutical CMO market in this region.

Further, the recent regulation of cutting prices for prescription drugs is likely to affect the CMOs in terms of their margins. This long-term effect is expected to hamper the productivity margins of CMOs in the country. Contract service providers (CSPs) in Canada are ideal replacements due to the complex manufacturing processes for certain products and the proximity to the end markets in Canada and the United States.

Pharmaceutical CMO Industry Overview

The market studied is highly fragmented, with major vendors accounting for most of the market share. The presence of many players in the market impacts the pricing of services, making it a direct competing factor, especially for small-scale vendors. The vendors in the market studied are expected to focus on providing one-stop-shop services, providing them with a competitive advantage. These practices would be possible for CMOs with access to large capital. This factor increases the competition and creates a new players' entry barrier. Some of the major players in the market are Patheon Inc. (Thermo Fisher Scientific Inc.), Lonza Group, Catalant Inc., Pfizer CentreOne (Pfizer Inc.), and Boehringer Ingelheim Group.

February 2024: Catalant Inc. and Novo Holdings announced that they had entered into a merger contract under which Novo Holdings acquired Catalant for USD 16.5 billion in all-cash transactions. The acquisition of Catalant is aligned with Novo Holding's order to invest in high-quality life sciences companies to benefit the Novo Nordisk Foundation's mission and philanthropic causes.

December 2023: Advanced and Emerging Therapeutic Business Unit of RecBioPharm and biotechnology company Acuitases Therapeutics announced that they are expanding their strategic partnership and are prepared to conduct technology transfers as well as CGMP manufacturing for clients licensing Acuitas' LNP (Lipid nanoparticle) formulations for mRNA-based therapeutics and vaccines.

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