



SPECIALITY INGREDIENTS – OPPORTUNITIES AND CHALLENGES

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INTRODUCTION

THE GLOBAL MARKET FOR SPECIALITY
INGREDIENTS

CONSUMER DEMANDS

SUPPLY CHALLENGES AND OPPORTUNITIES

INNOVATION

WHAT'S NEXT?

What are speciality or value-added ingredients?

Designed and used to add specific benefits to the core recipe

Production

Consumer

Improve taste and texture

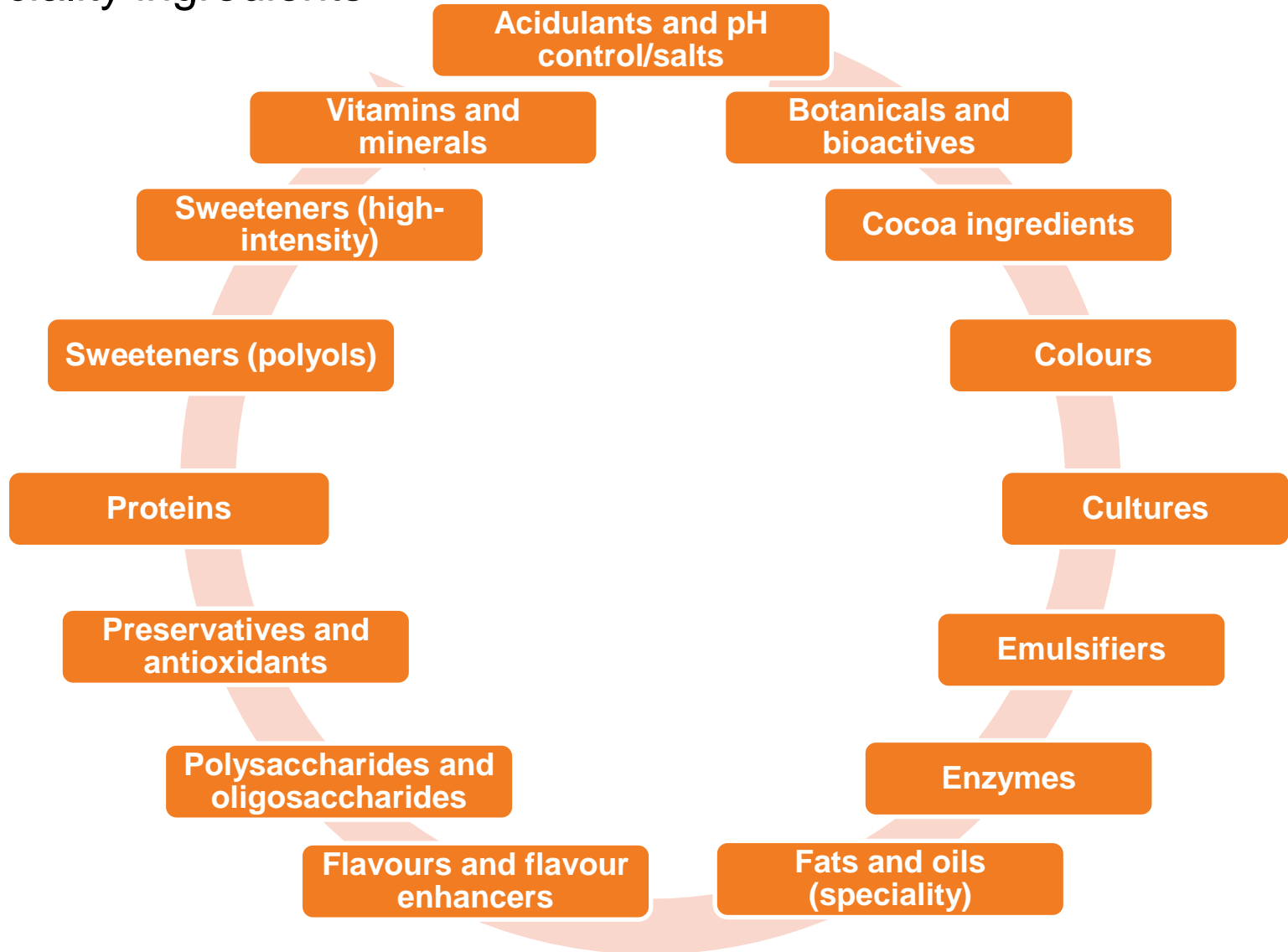
Improve appearance

Extend shelf-life

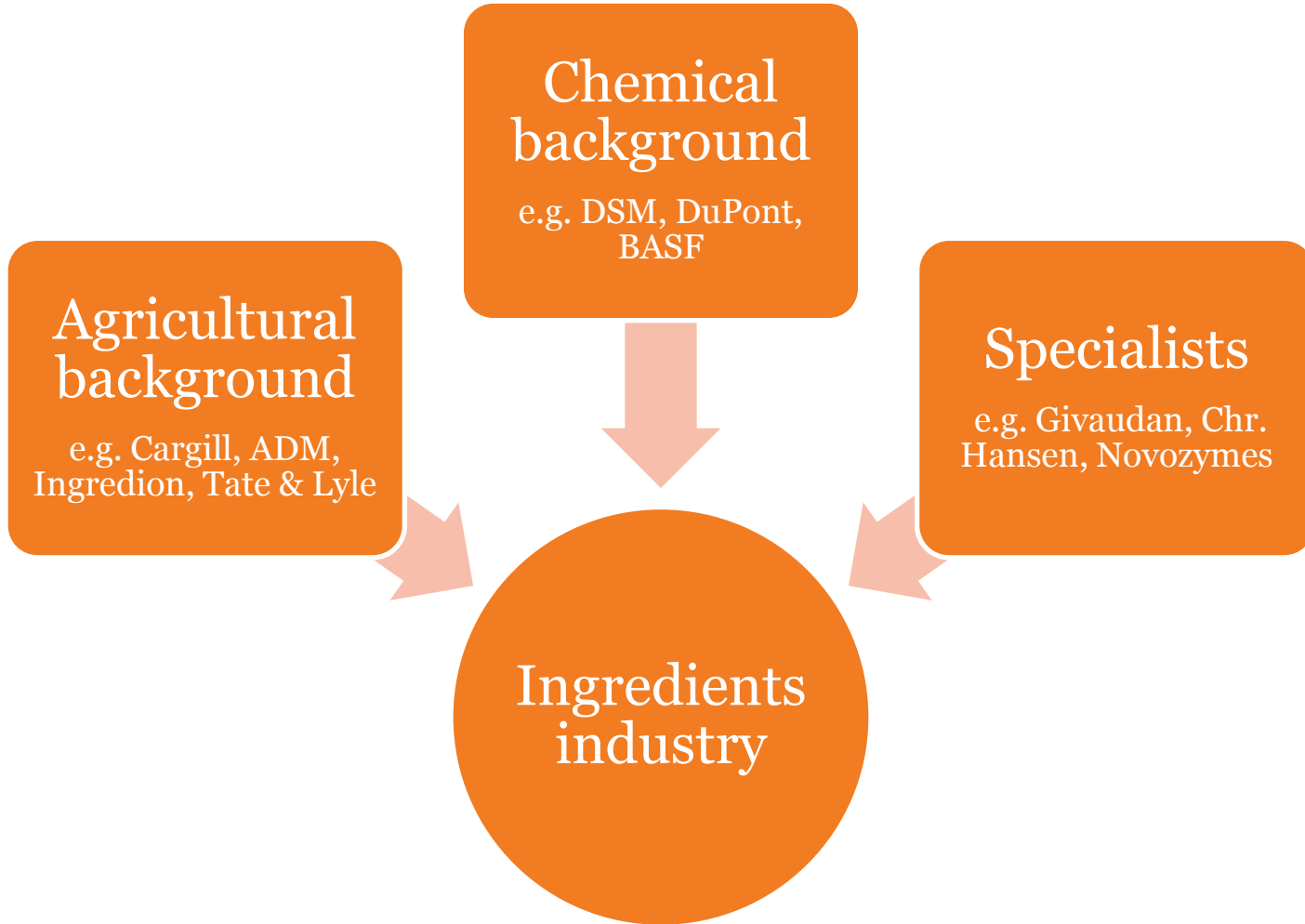
Enhance healthiness

Improve product image

Speciality ingredients



A diverse industry



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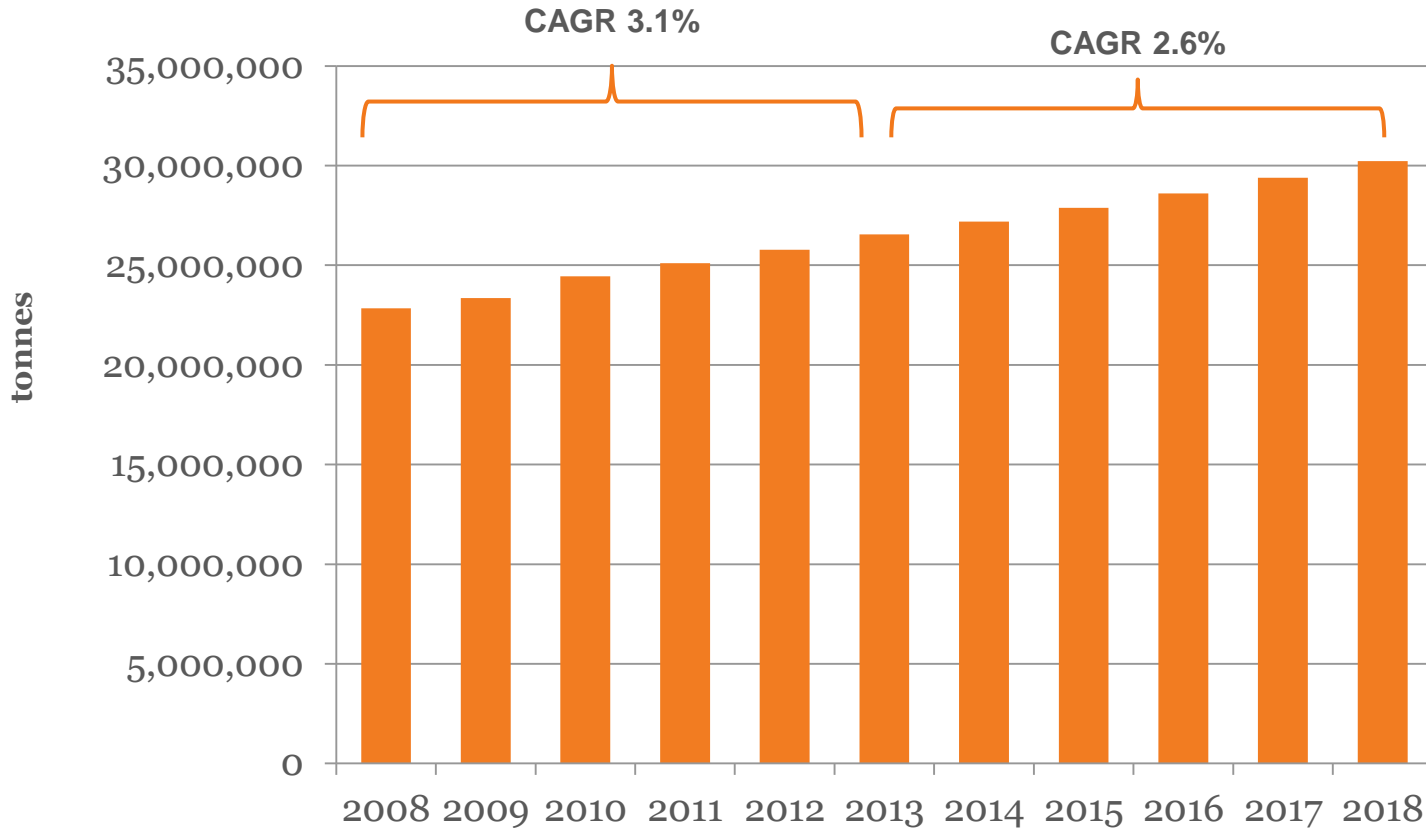
SUPPLY CHALLENGES AND OPPORTUNITIES

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WHAT'S NEXT?

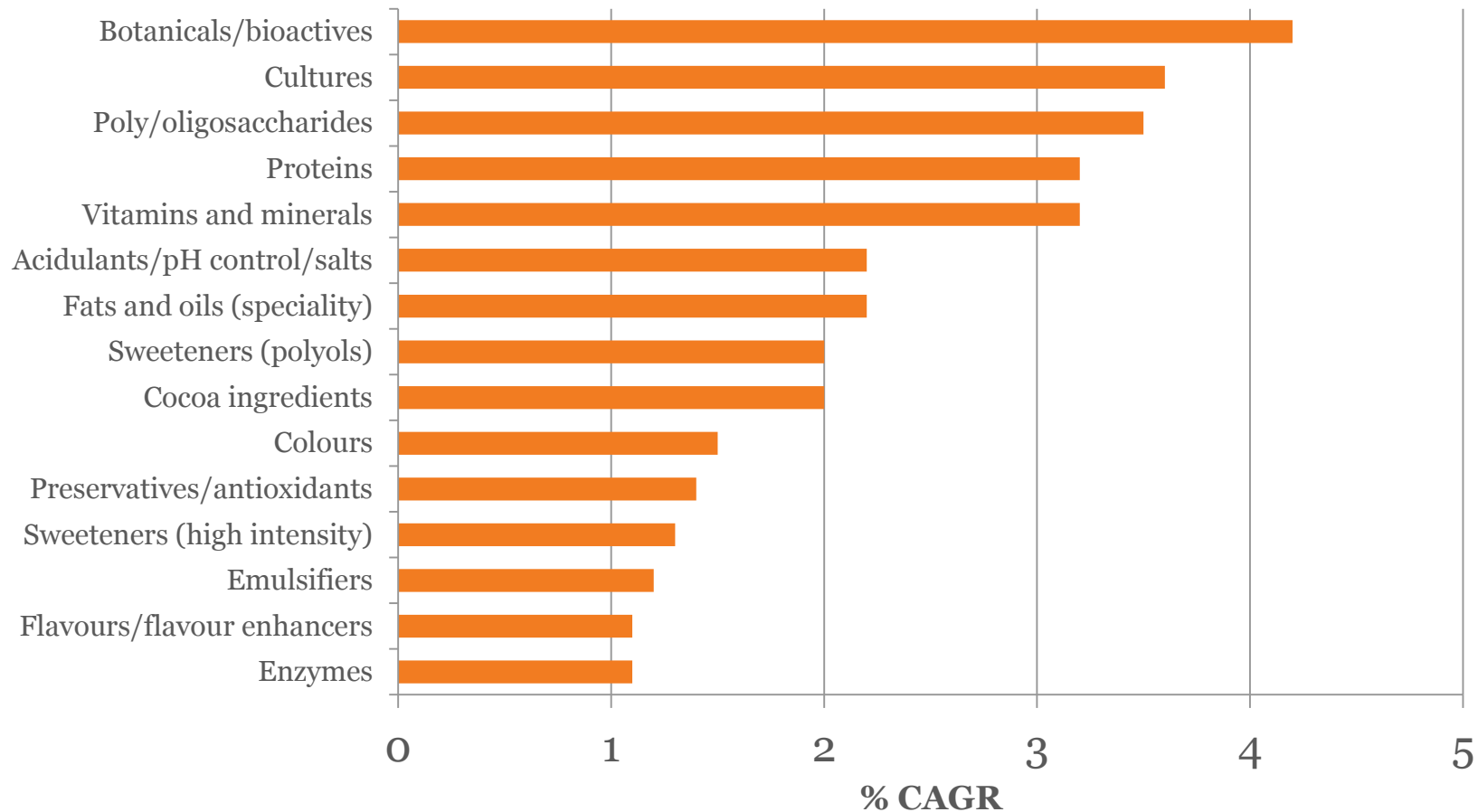
27.2 million tonnes of speciality ingredientsand 5% share of total ingredients use

Speciality Food Ingredients Market by Volume, 2008-2018



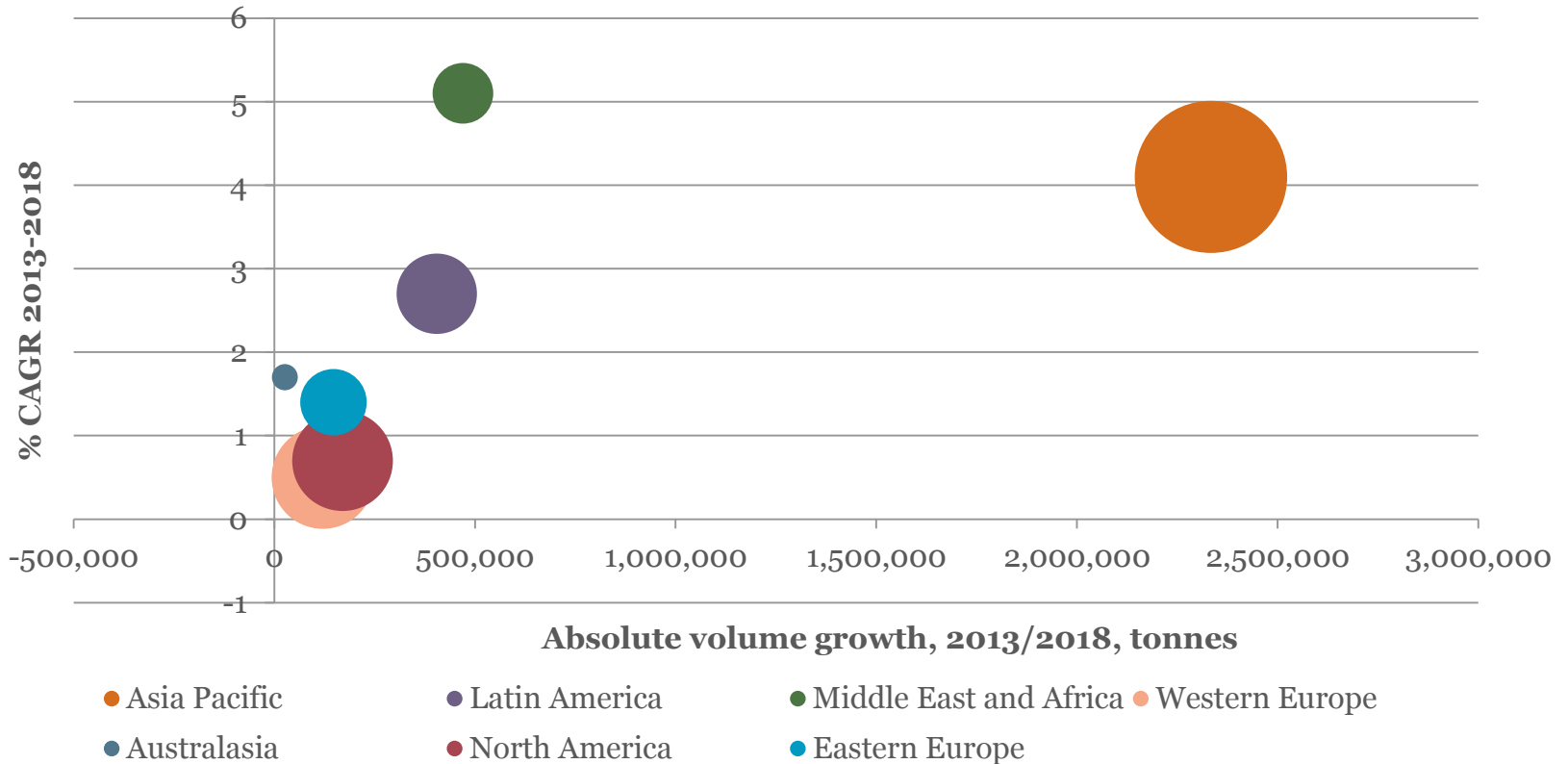
Fastest growth in natural and healthy ingredients

**Speciality Food and Beverage Ingredients:
% CAGRs, 2013-2018**



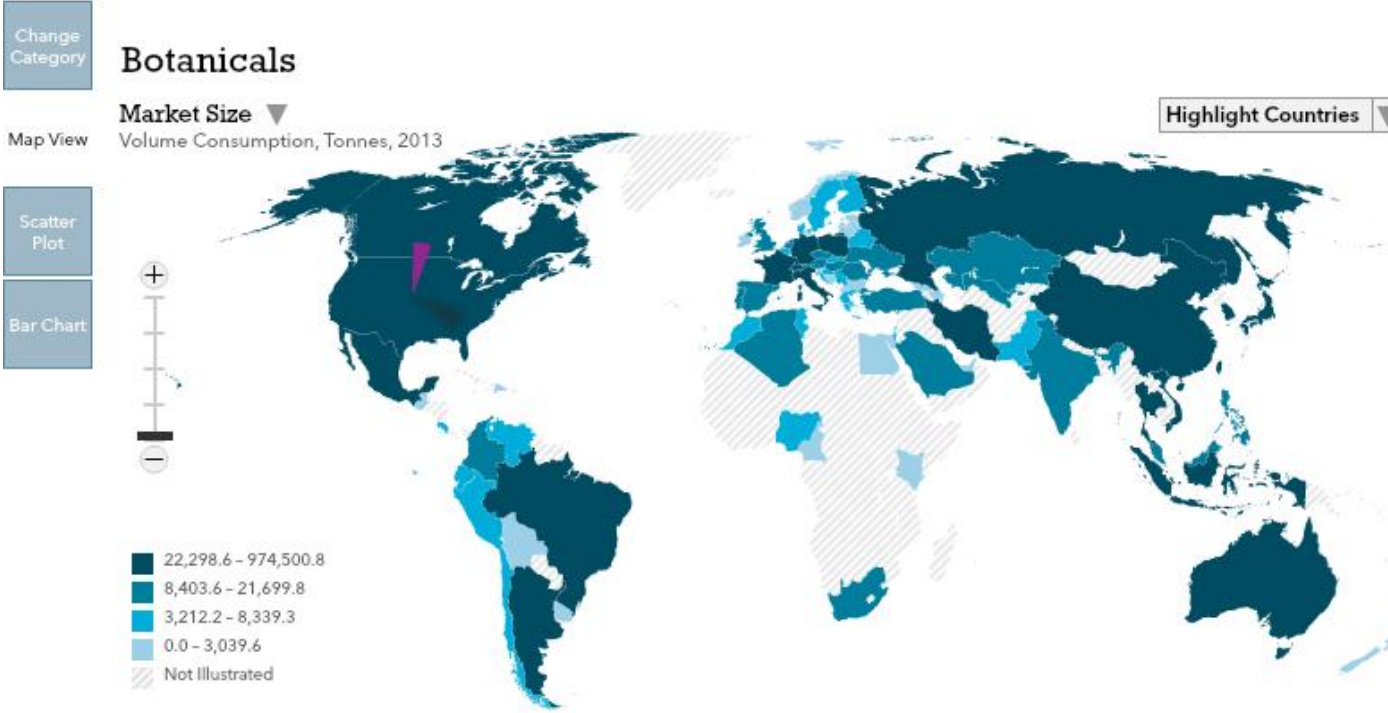
Middle East emerging as an important target

Speciality Food and Beverage Ingredients: Regional Growth Prospects, 2013-2018



NB: Bubble size indicates total volume sales (in tonnes) of the 15 major ingredient categories in each region in 2013

Asia dominates botanicals



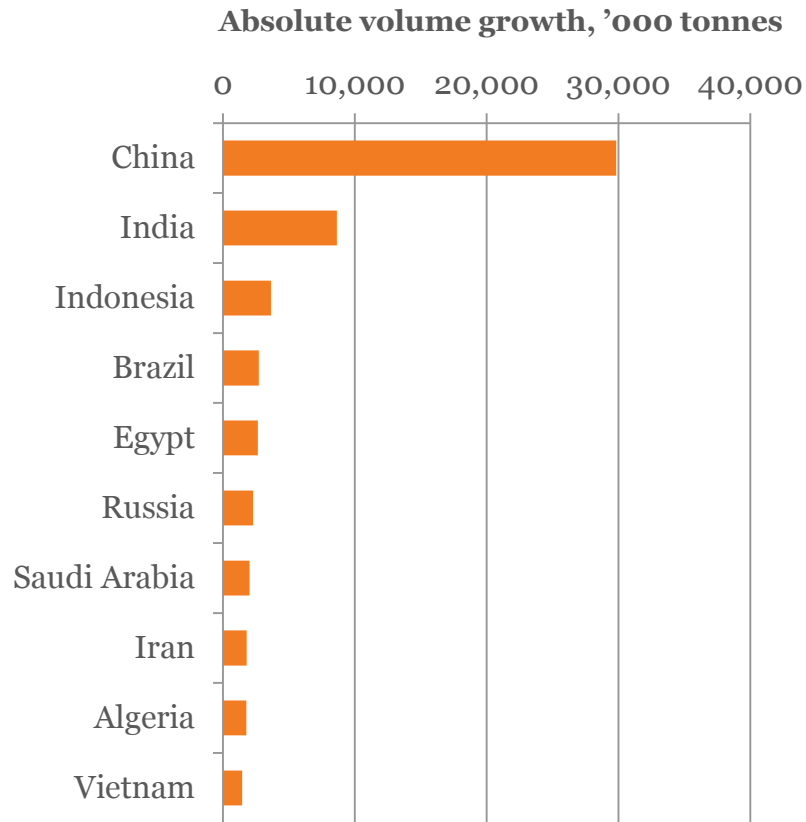
Global Figure ■■■■
2013, Tonnes
3,429,532.0



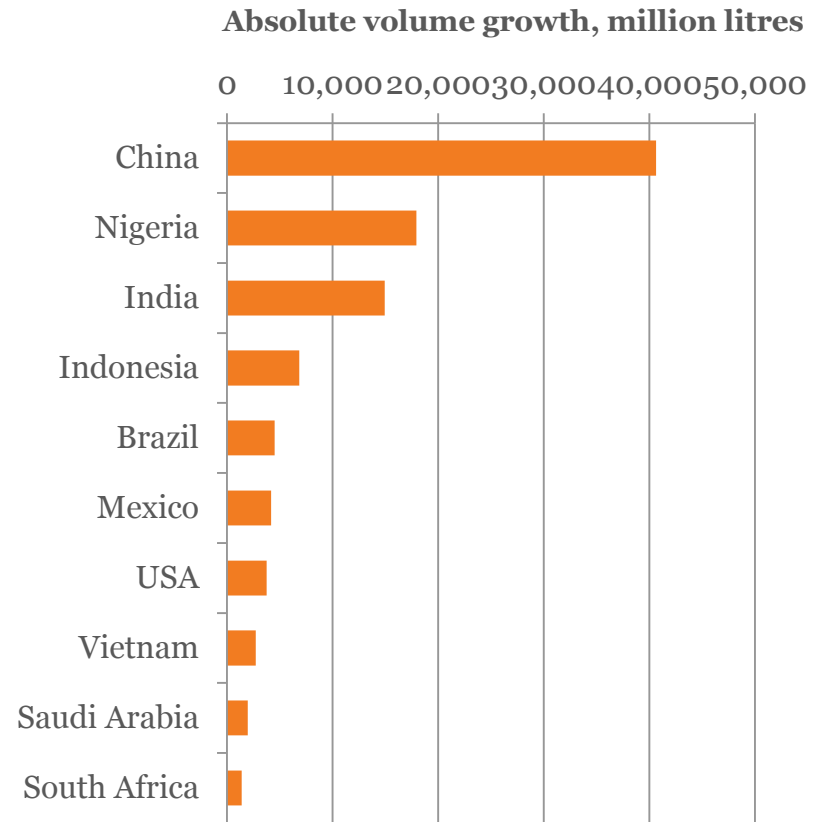
© Euromonitor International 2015

China drives end-use

Packaged Foods: Top Growth Markets by Volume, 2013-2018



Alcoholic/Soft Drinks: Top Growth Markets by Volume, 2013-2018



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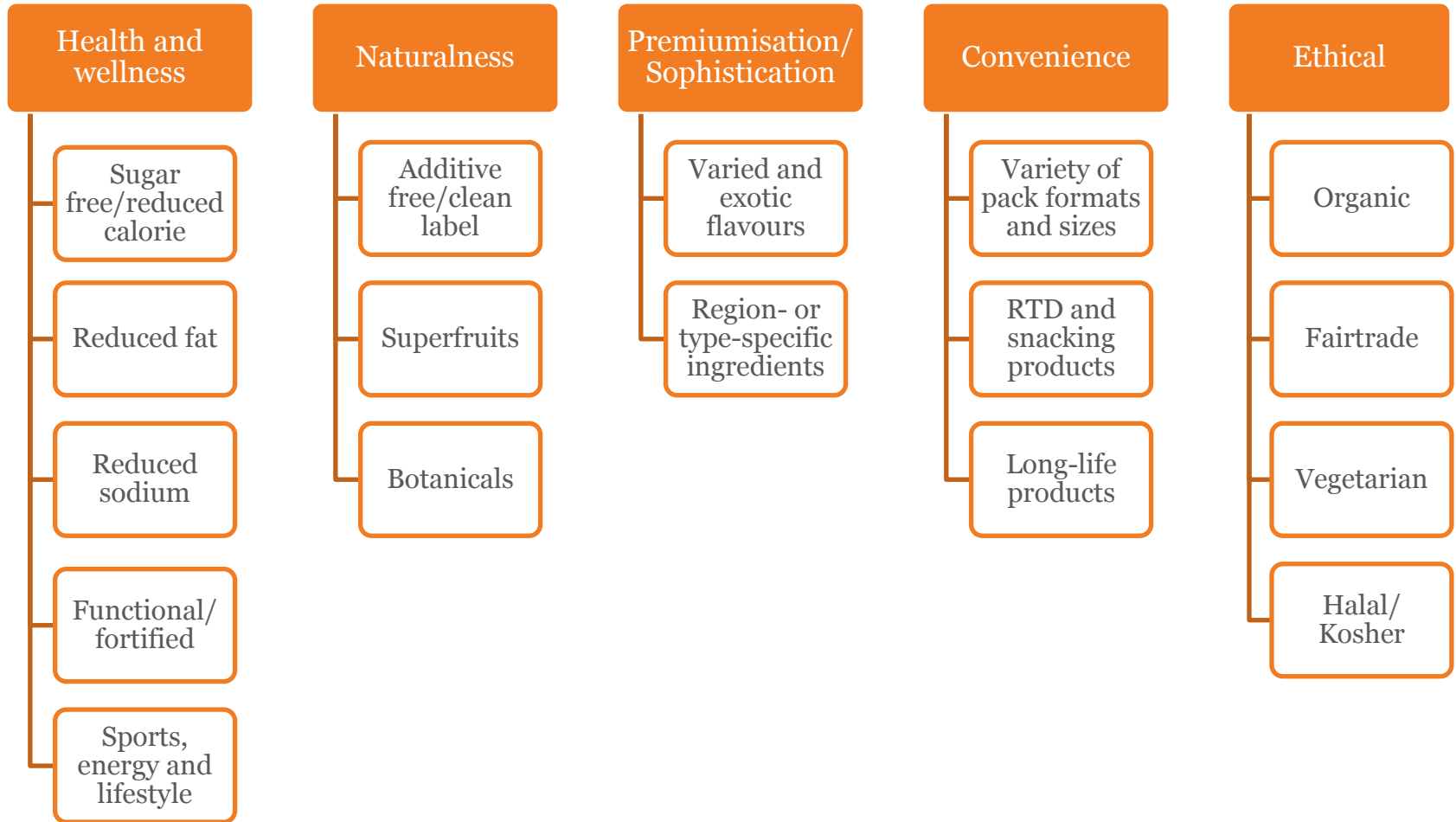
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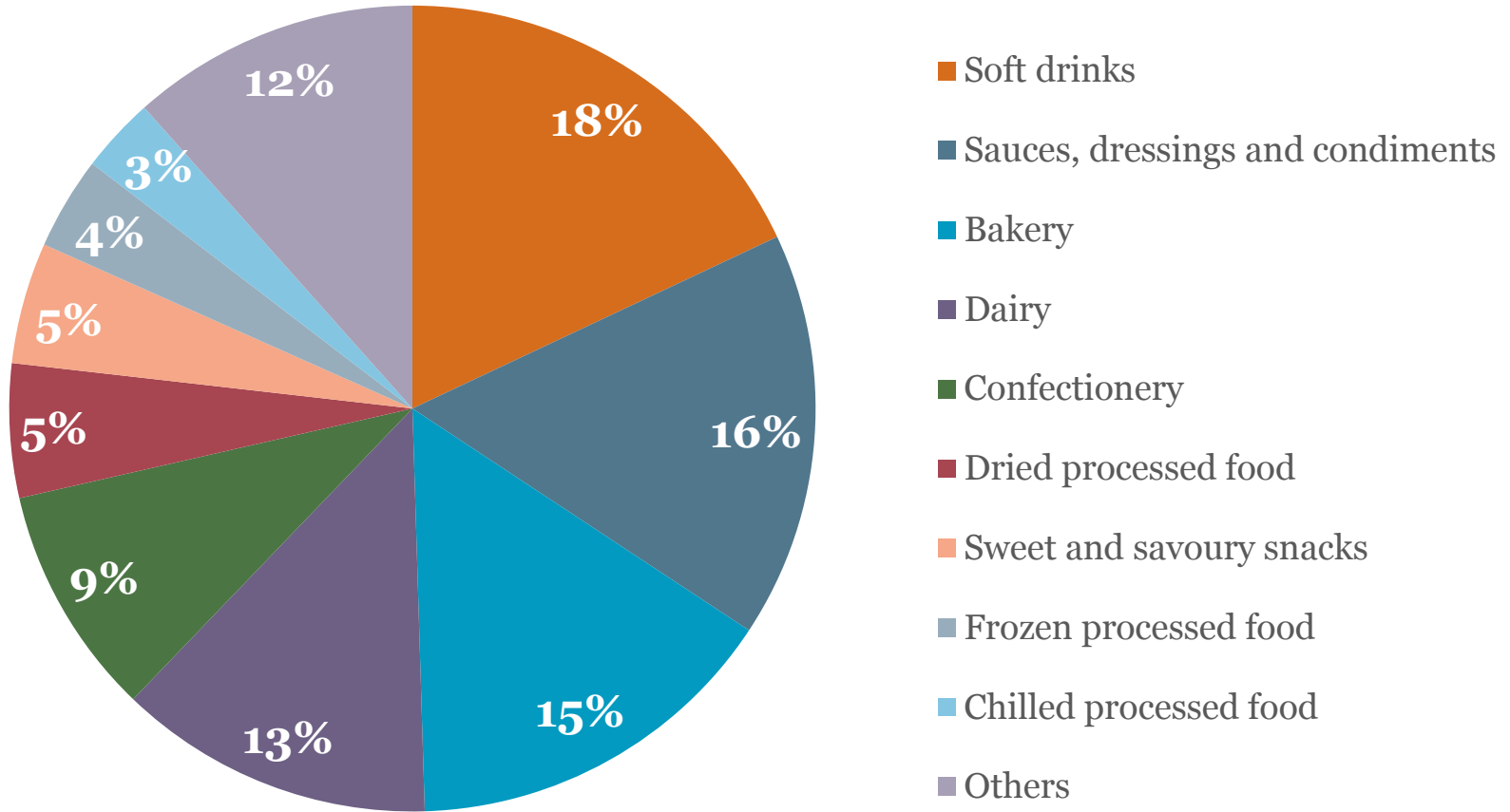
WHAT'S NEXT?

Demand: beyond simple nutrition or hydration



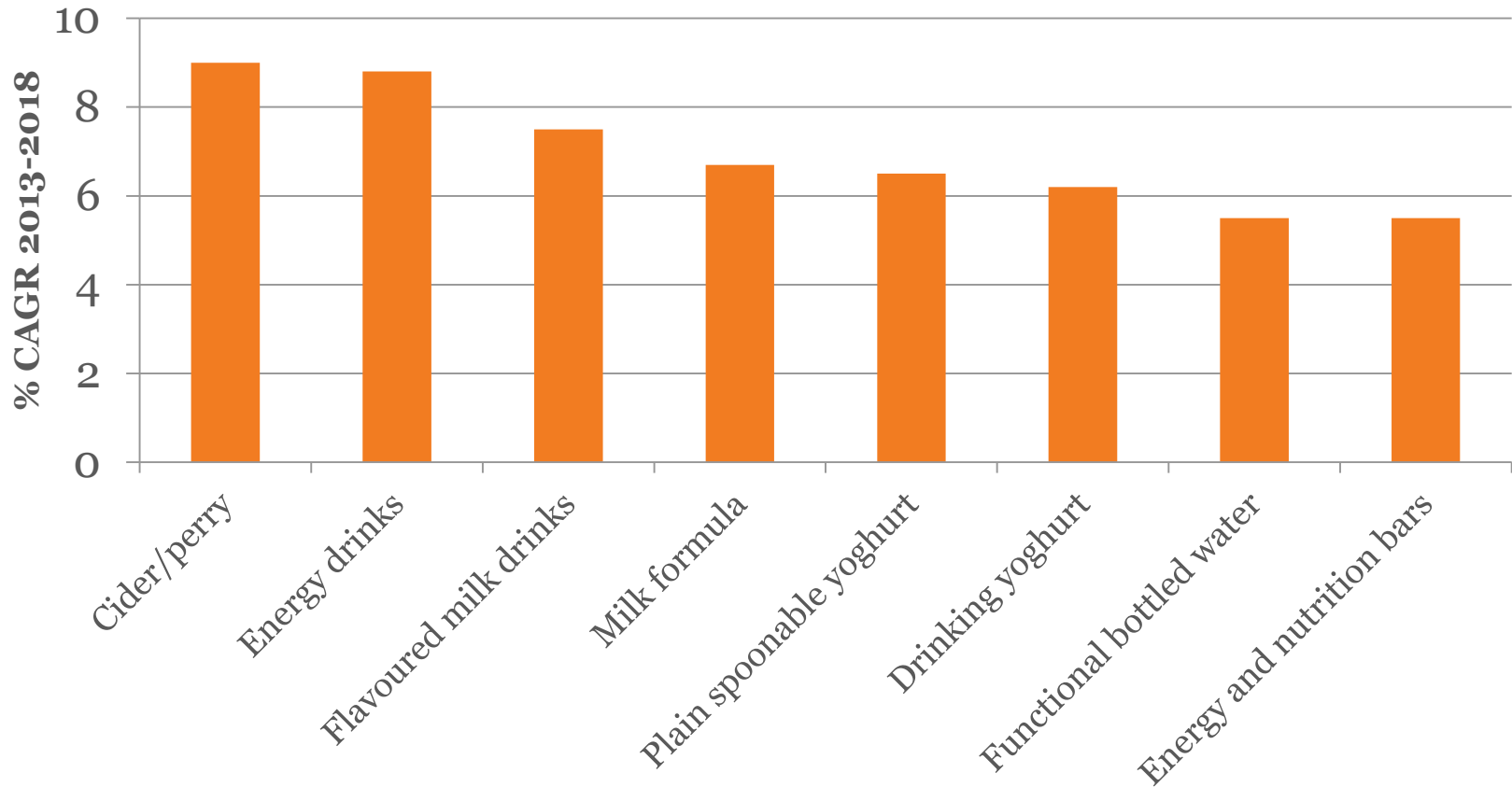
Soft drinks is the largest single market for speciality ingredients

Speciality Food Ingredients: Sales by End-Use Application, 2014
% volume

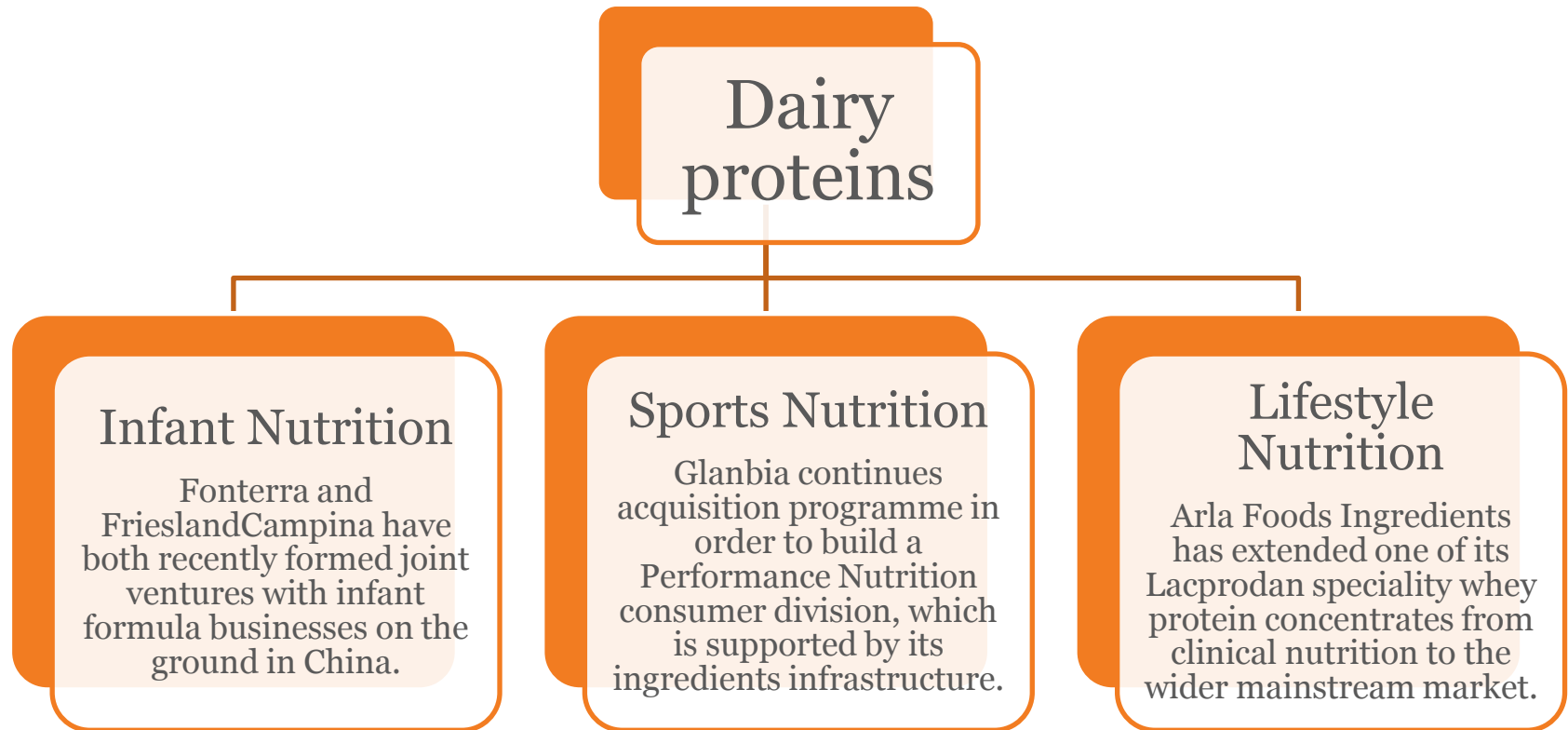


Healthy eating drive evident in top growth categories

**Key Growth Markets for Speciality Ingredients, 2013-2018
(% CAGR)**



Case study: health trends drive diverse investment in dairy proteins



Case study: innovation in natural sugar replacers

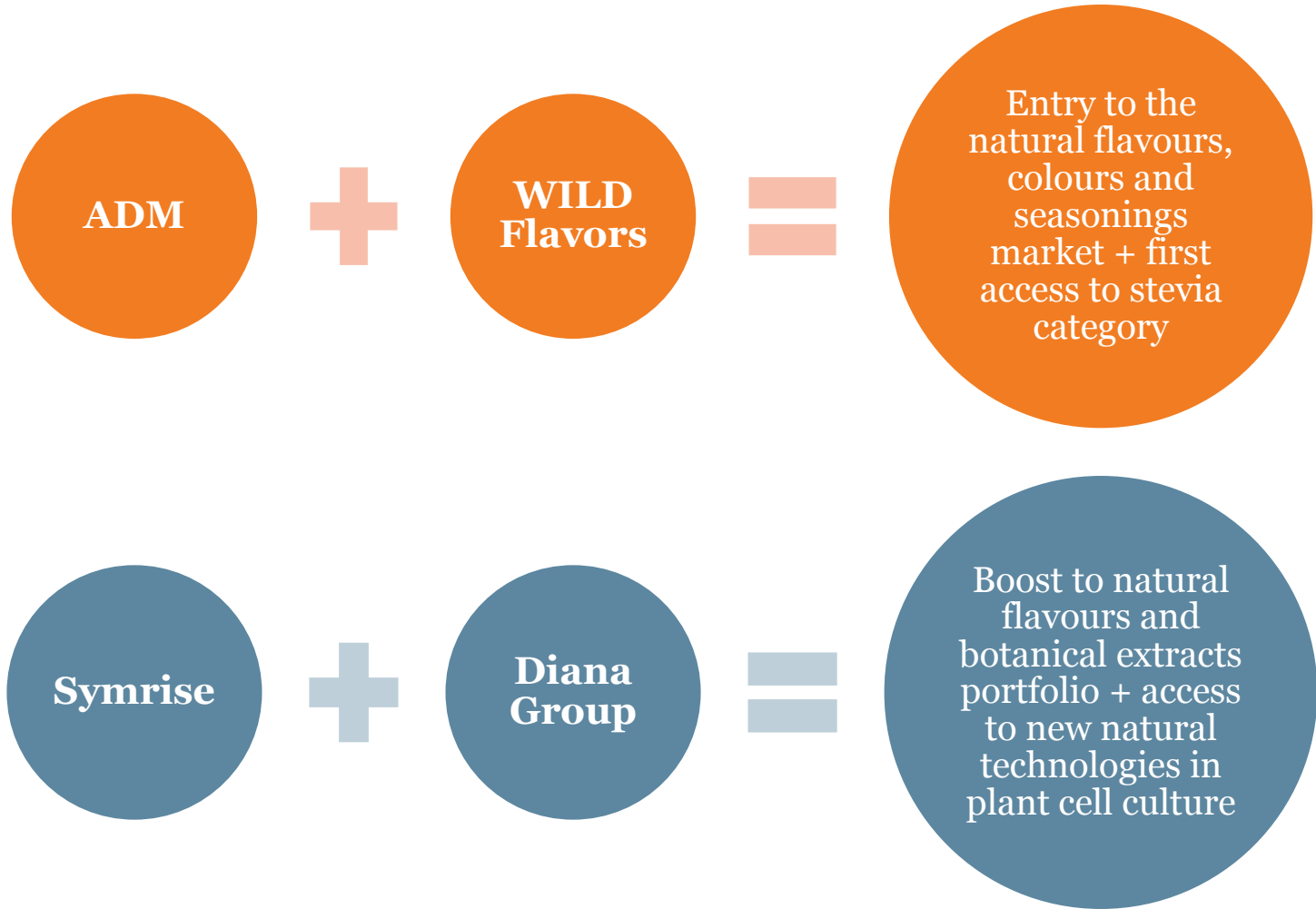


Stevia and monkfruit NPD in 2014

- **Cargill:** *ViaTech* new generation of stevia sweeteners with improved taste performance, allowing sugar reductions of up to 75% or even 100% in some cases
- **PureCircle:** *Sigma-D* stevia specifically for the dairy category
- **Steviva Ingredients:** *SteviaSweet 95-60 Liquid Stevia* for water-based applications
- **Steviva Ingredients:** *Monksweet plus*, a blend of stevia, monkfruit and erythritol with a 1:2 ratio for sugar replacement

Stevia volumes are forecast to grow at a CAGR of 4.3% over 2013-2018

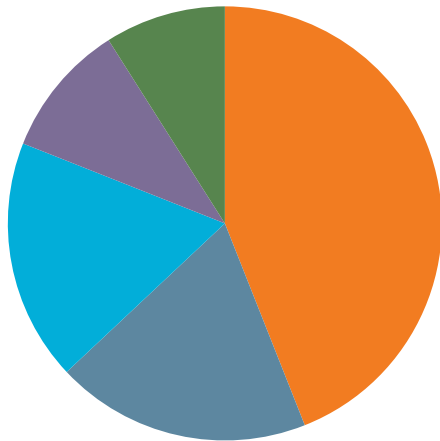
Case study: boosting natural credentials via acquisition



Case study: increased sophistication via value-added solutions

Kerry centres business on end-use

Kerry Group: Ingredients & Flavours Revenue by Technology, 2013



- Savoury & Dairy Systems & Flavours (44%)
- Beverage Systems & Flavours (19%)
- Cereal and Sweet Systems & Flavours (18%)
- Pharma/functional ingredients (10%)
- Regional ingredients (9%)

Ingredion has growing focus on solutions

Name change

- Corn Products International became Ingredion in 2012, with the new identity suggesting a business with wider interests beyond commodity-style corn ingredients.

Penford purchase

- This major acquisition brought a new range of speciality textural ingredients into the portfolio, including those sourced from potato, tapioca and rice as well as corn.

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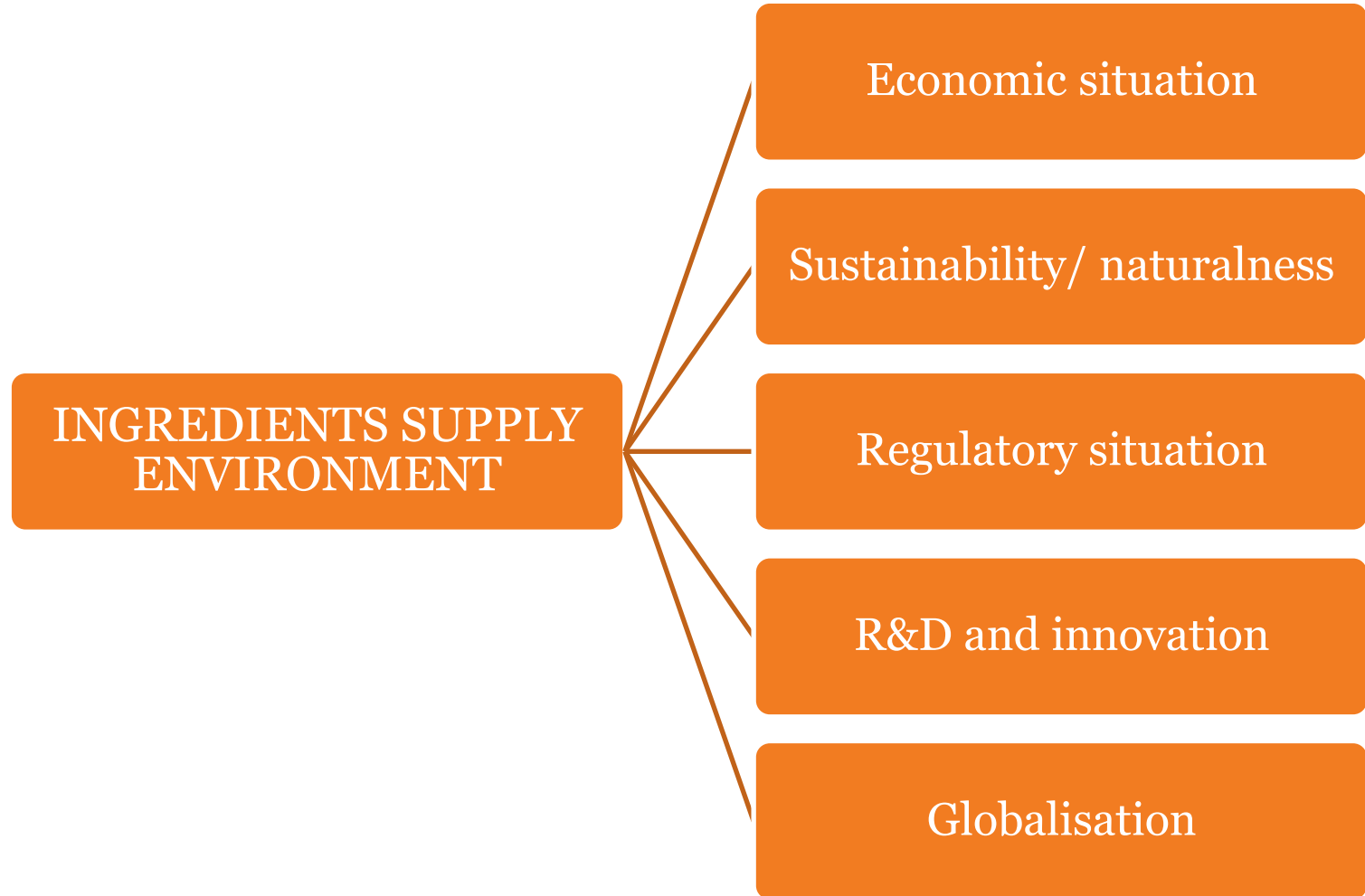
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WHAT'S NEXT?

Core themes impacting on ingredients supply



Economic challenges and opportunities

Challenges

Higher raw material and energy costs

Competition from low-cost ingredients from the developing world

Opportunities

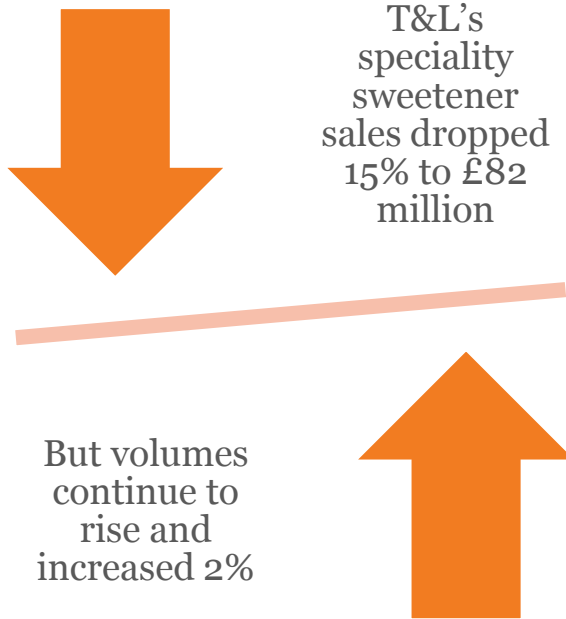
More value-added, application-specific and tailor-made ingredients

Ingredients to substitute more expensive or price-volatile options

Case study: Tate & Lyle seeks next sucralose

The challenge

- Increasing competition from cheaper supplies of sucralose.



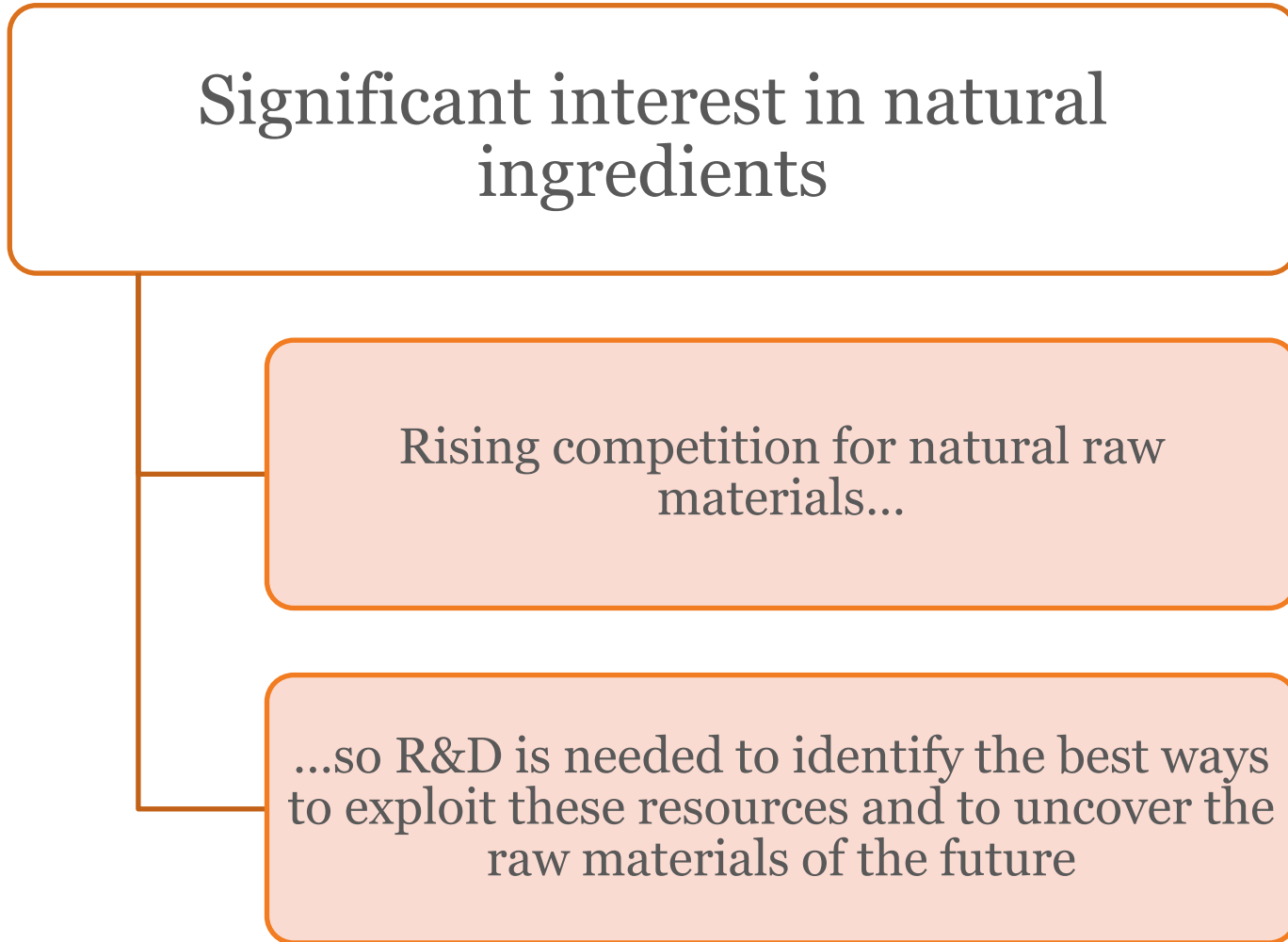
Six months to 30 September 2014

The response

- Investment in new sweeteners and pioneering health solutions.



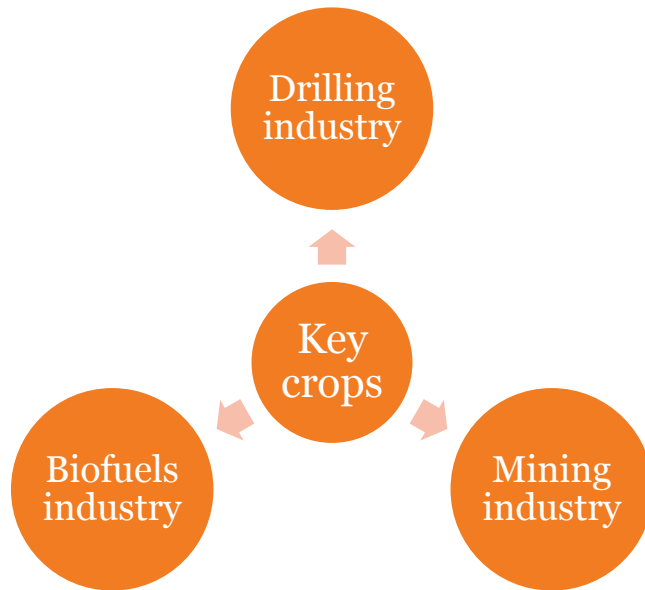
Natural is the buzzword



Case study: Naturex buys into new resource

The challenge

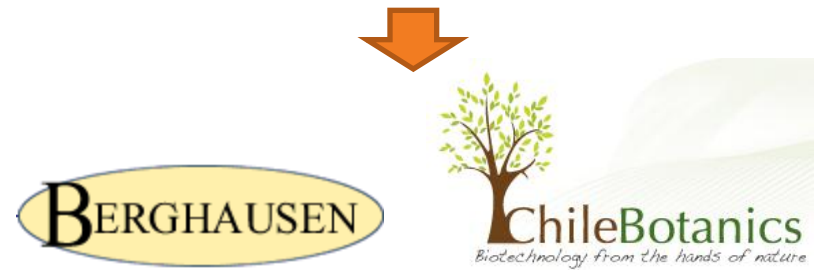
- Increasing pressure on the world's resources and a need to tap new raw materials.



The response

- Buying up small, specialist operations to add marketing and distribution muscle to new ingredients.

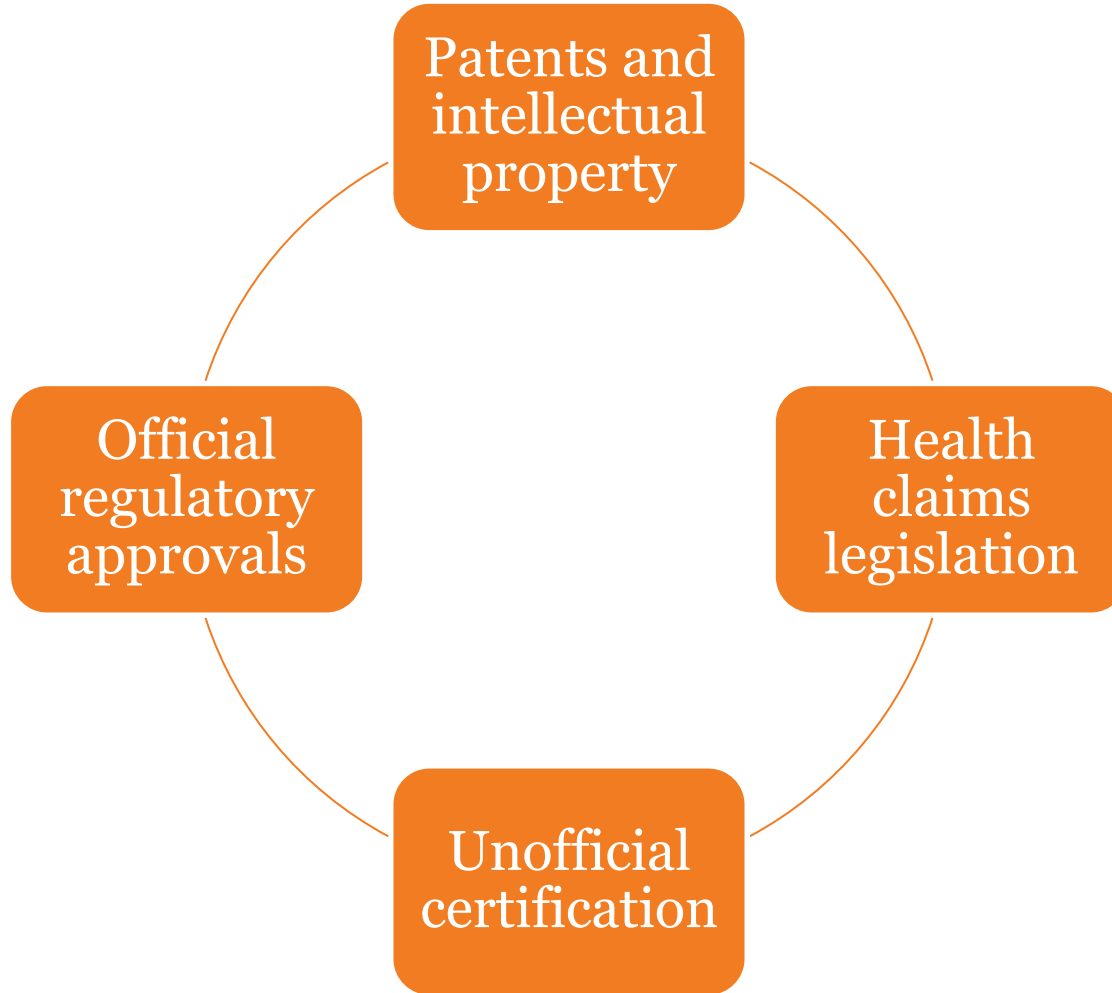
Naturex acquisitions



A totally new string to its bow



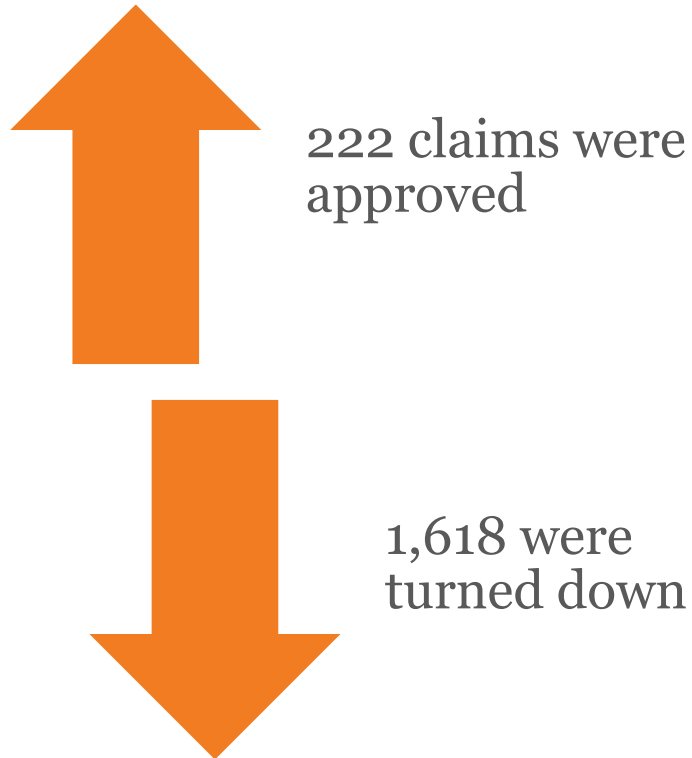
Important regulatory issues



Case study: DSM invests in proven health ingredients

The challenge

- Tighter regulation of health claims in the EU in 2011



The response

- Increased focus on ingredients that have established credentials and are approved for specific claims

DSM in
omega-3s,
2011-2014

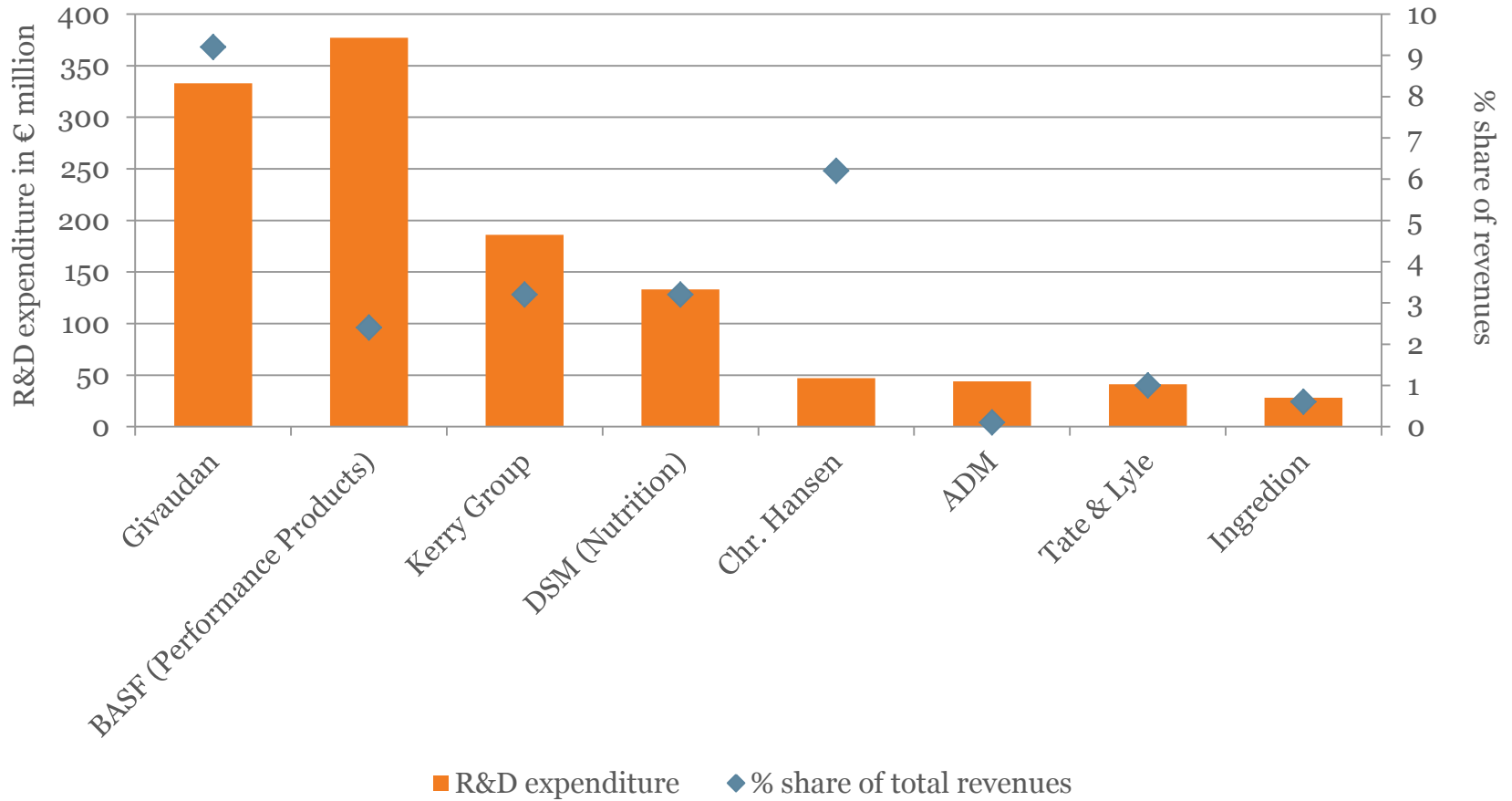
- Acquired Martek
- Acquired Ocean Nutrition
- Expanded plant in Nova Scotia

DSM in
vitamins,
2011-2014

- Acquired Vitatene carotenoids business
- Acquired Fortitech
- Acquired Aland vitamin C business
- Acquired Unitech premixes business

Ingredient advances require strong R&D investment

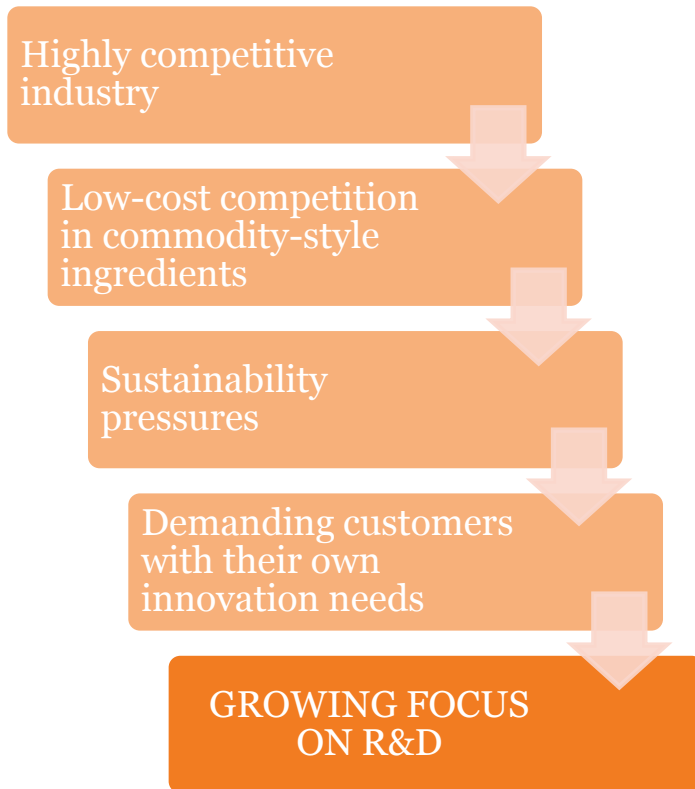
R&D Expenditure by Selected Ingredients Firms, 2013-2014



Case study: Chr. Hansen is committed to innovation

The challenge

- Increasing need to stand out and to deliver new and exciting ingredients



The response

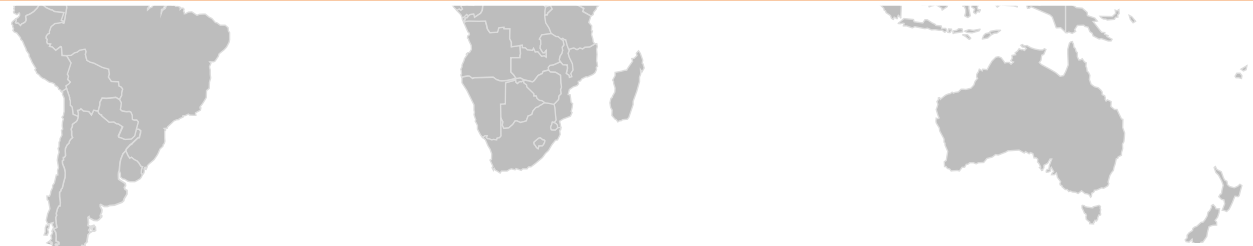
- Rising focus on and investment in R&D



Regional spread is essential to target large multinationals



The largest food and beverage companies claim coverage of up to 200 or more countries worldwide, with some of the largest operating production and/or sales offices in as many as 100 or more



Multinational customers in end-use markets



Ingredients suppliers must operate globally...



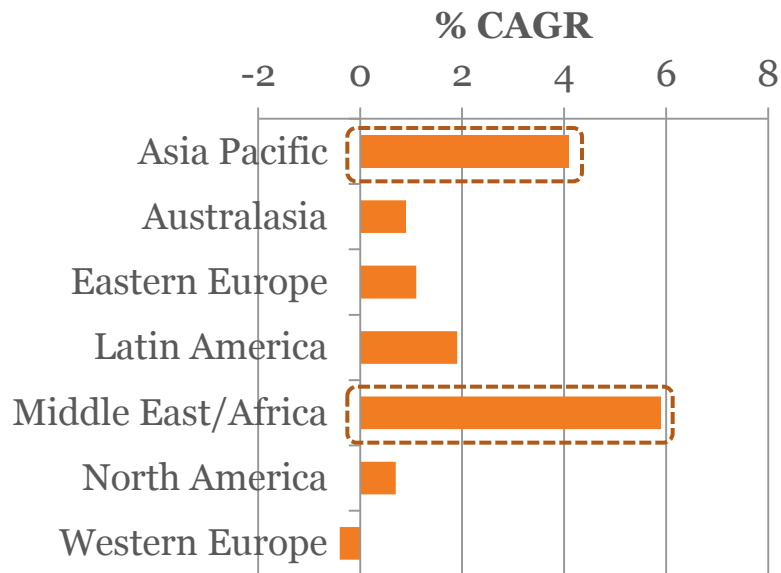
...but understanding of local needs is also crucial

Case study: Givaudan invests in developing markets

The challenge

- Meeting the needs of growing markets in the developing world

**Food/beverage Flavours:
Volume Growth by Region,
2013-2018**



The response

- Expanding on-the-ground operations in Asia

Givaudan's Asian investments, 2013-2014

- 2014: Technical centre and regional office in Dubai
- 2014: State-of-the-art spray-dry flavours facility in Indonesia
- 2013: Savoury flavours facility in Nandong, China
- 2013: Innovation Centre in Mumbai, India

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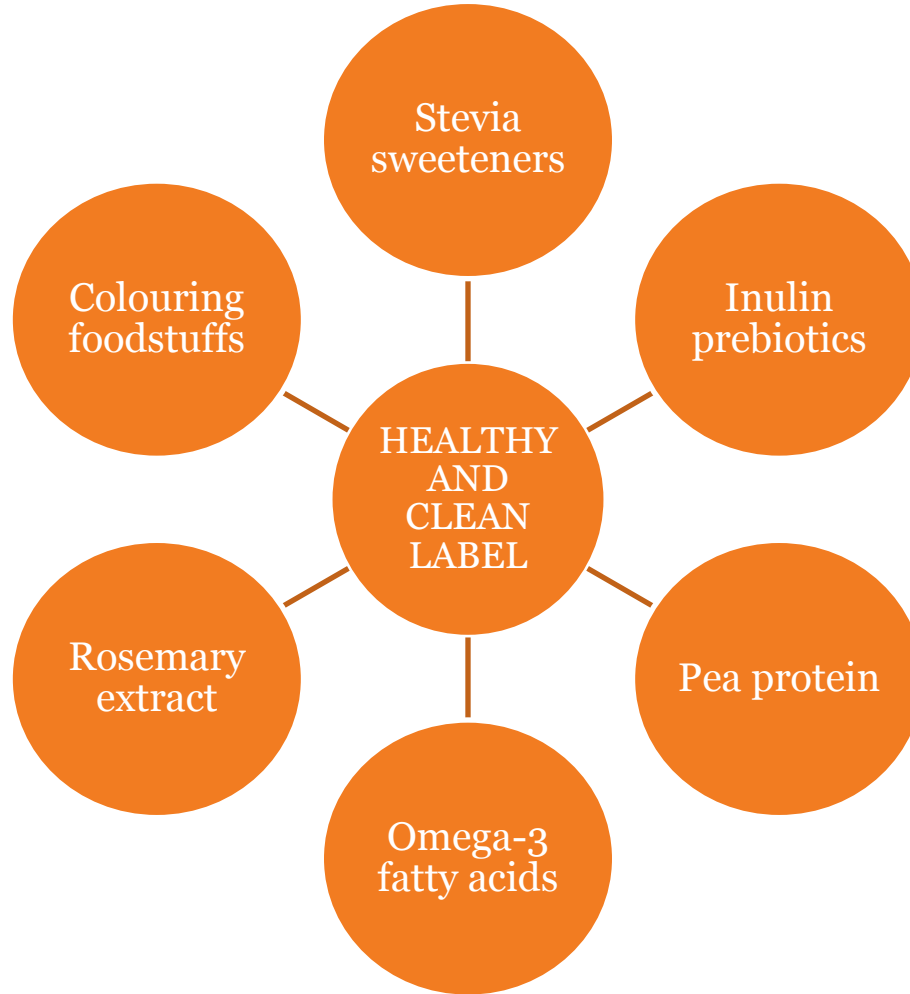
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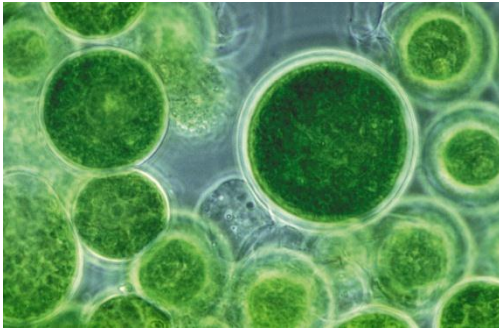
INNOVATION

WHAT'S NEXT?

Significant innovations inspired by demand for natural health



One to watch: algaculture



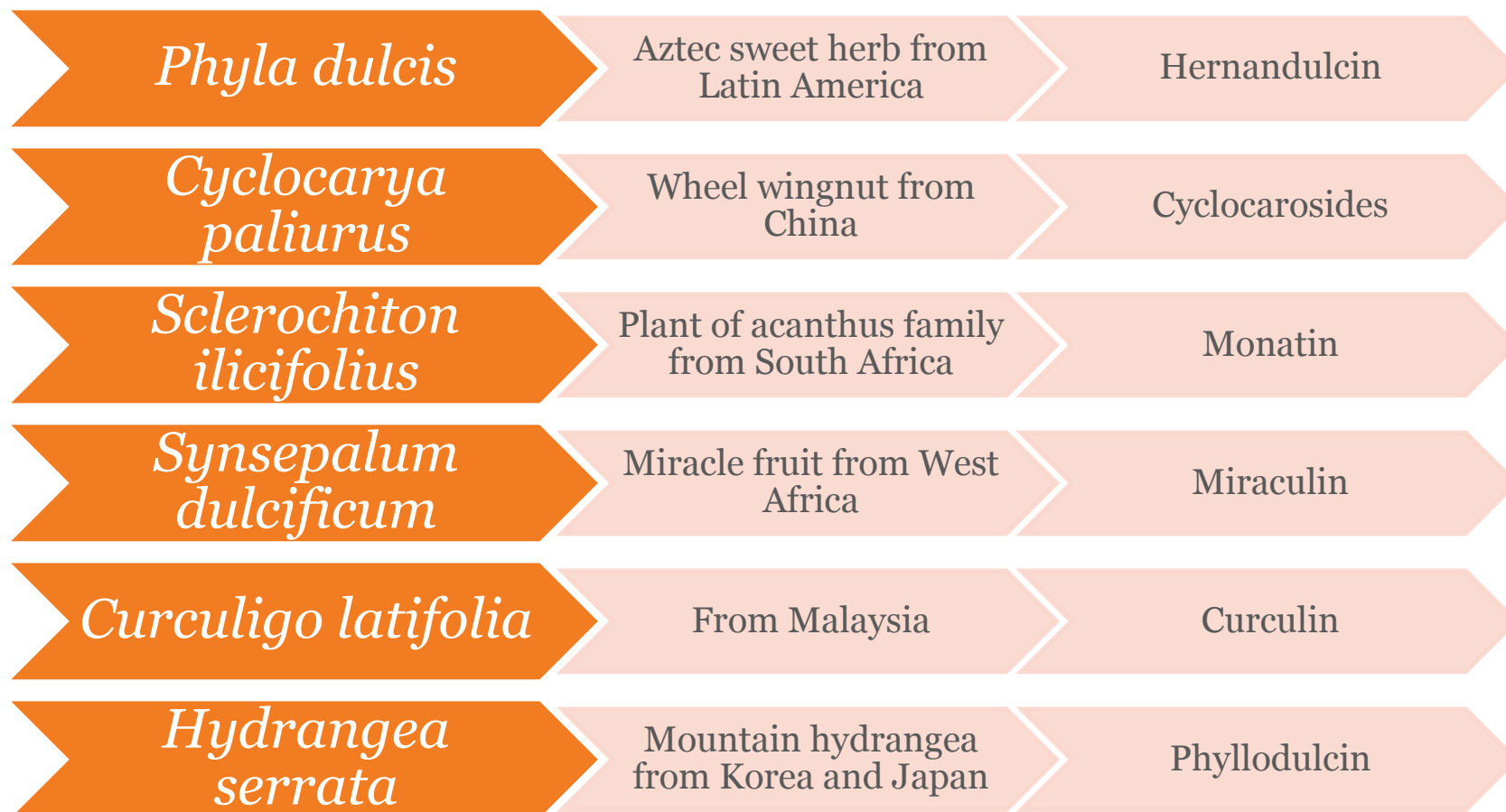
Diverse ingredient opportunities

Multiple health benefits

Significant sustainability benefits



One to watch: natural sweeteners



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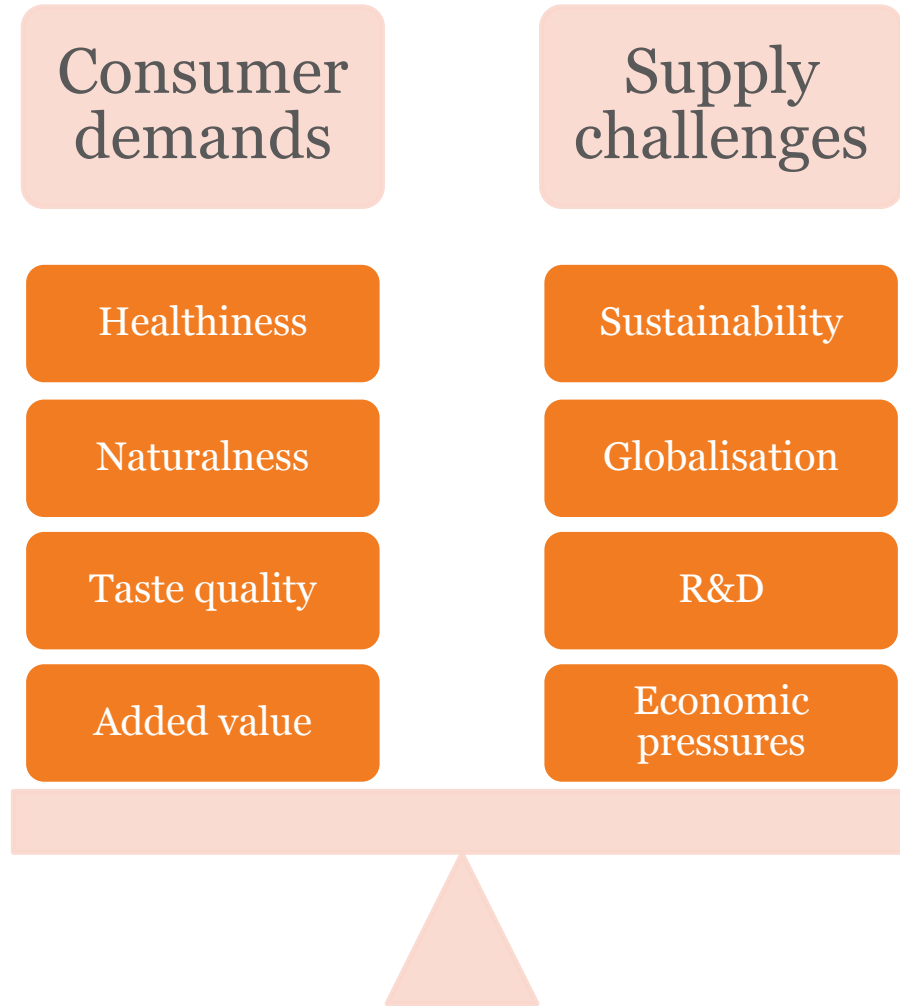
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WHAT'S NEXT?

Balancing consumer demands and supply challenges



The ingredient source of the future?





THANK YOU FOR LISTENING