



# Ingredient Market Forecast 2012:



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## I. EXECUTIVE SUMMARY

There's a saying around here that the foundation of innovation is functional ingredients. "When it shows up in ingredients, it'll show up eventually in finished products," said Tom Aarts, co-chair of the NBJ Summit and founder of Nutrition Capital Network.

This remains true whether your finished product is a food, beverage, supplement or cosmetic. For example, in the beverage world, the big-growth leaders are so-called "experiential" energy drinks led by carbonated caffeine category creator Red Bull in cans and energy shots led by caffeine-plus 5-Hour Energy. These drinks to some degree violate the No. 1 rule of digestible sustenance—must taste good—but sell billions of dollars of product because, more than anything else, they work; consumers can feel, or experience (hence the word experiential) the effects of the buzz. Shots have an easier time dealing with taste issues because shots have never been about taste, only effect.

For supplements, "hope in a bottle" is predicated on the consumer belief that the ingredients—be they in a capsule, pill, gel-cap or, increasingly these days, gummy form—are doing something for their long-term health. The rise of "experiential" supplements is a response to a consumer desire to actually feel like they're getting something out of swallowing so many pills. And those feelings don't have to be a buzz; any nutrient whose effect can be measured and ascribed a number, whether it's vitamin D levels or triglyceride levels (changed with pharma-dose fish oil concentrates) now counts as experiential.

A counter trend—a tension, if you will—is emerging in the food and beverage world that reflects a consumer desire for short and clean ingredient decks. That means all-natural, nutrient-dense whole foods that provide a better-than-solid foundation for health. These are ingredients like kale, blueberries, nuts, chia, and pomegranate.

Consumers, it seems, are skipping past the cavalier food companies that have patted themselves on the backs for developing "better-for-you" foods by taking out unhealthy ingredients—think trans fats, high fructose corn syrup, MSG and sodium. How are ingredient suppliers helping manufacturers with solutions to this evolving consumer zeitgeist?

At its core, companies will find success using evidence-based ingredients to power products. On occasion, an ingredient such as the superfruit açai makes waves out of nothing more than an exotic marketing play, but the rule of thumb remains that science powers ingredient success. Other factors in play include taste, price and the ineffable quality known as "resonance."

### **What you'll find**

Within this report are a tidy compendium of trends and macro-forces affecting the CPG world. We identify tensions at play today—trends setting the pace for outsized profits today and for the mid-term, as well as over the horizon. You will read thought-provoking ideas of how to position your company for success in the expanding health and wellness sector, which is fast making inroads into the mainstream processed food world, providing innovative opportunities for outsized profits in beverages, and delivering preventive health benefits in the supplements arena.

In the supplements world, all too many companies are failing Good Manufacturing Practices inspections conducted by the US Food and Drug Administration. Congress is paying attention, and that's not a good thing. Apart from quality concerns, a more muscular Federal Trade Commission is making the marketing of products more difficult.

One area that does not have such concerns and thus is experiencing a boon in innovation is in delivery formats. From gummies for adults to multivitamin-infused chocolate coins, there are increasing ways to deliver nutrients to pill-weary consumers.

Food companies for the last decade have been trying to gain a measure of healthiness, either by nutrition-by-subtraction or nutrition-by-addition. In the case of the former, better-for-you ingredients and free-from foods rule the day. The addition crowd plays behind the concepts of clean labels and, in a new movement, naturally functional ingredients—nutrient-dense whole food ingredients.

We also show you health conditions to rally your company around. Diabetes—the insidious nexus of blood-sugar issues and weight-management concerns—is easy to identify. Cognitive health—from stress and mood to age-related cognitive decline—represents the largest gap between consumer demand and product solutions. The last condition is inflammation, which underlies all chronic degenerative disease states. A little more consumer understanding of the concept will lead to entire classes of ingredients moving to the fore to provide product manufacturers with ready-made solutions.

And we finish this compendium with our Top 10 list of ingredients that can provide a marketable difference in your product portfolio. Omega-3s and probiotics are the easy ones—but even here, the omega-3 world is perhaps the most dynamic ingredient class out there, with shifting sands of supplied sources, from the old standbys fish, flax and algae to the newer krill and the novel squid and biotech offerings. You won't be able to guess the top 10 on our list, but you'll be glad you read this report when all is revealed.

This Ingredient Market Forecast edition of the Engredea Monograph series is brought to you by the Engredea team at New Hope Natural Media. In addition to the Engredea Monographs, our flagship magazine is *Functional Ingredients*. A number of in-person events include the Nutracon conference, held at the front end of the Natural Products Expo West and Engredea trade shows in Anaheim every March, as well as the Market QuickStart events held throughout Asia. Also under this umbrella includes the team at *Nutrition Business Journal*. Visit us online at [NewHope360.com](http://NewHope360.com). We are here with the business intelligence to serve suppliers and manufacturers of healthy products around the globe.