

White Paper

# Food Additives – A Growing Global Market

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There are signs that the global food additives market is returning to growth as the worst effects of the worldwide economic downturn have passed and consumer spending levels are starting to increase again. As the economic situation improves, the processed foods industry continues to expand within the developing world in particular. In this White Paper, **Jonathan Thomas**, Principal Market Analyst, explores the global food additives market, shining the spotlight on its growth, the 'natural' profile of additives, as well as what increasing consumer and government interest in health and wellness means for manufacturers and suppliers.

Despite its highly mature state, the global food additives market continues to grow in value terms. Demand remains strong from the world's food and drink manufacturers, since additives are used for a wide variety of different purposes – examples include taste enhancement (e.g. flavours), food safety (e.g. preservatives), appearance (e.g. colours), texturising (e.g. hydrocolloids) and, increasingly, to impart additional health qualities (e.g. antioxidants and functional food ingredients).

Although the food additives market is for the most part a business-to-business industry, it is subject to numerous consumer trends and influences. These include the growing desire for more natural (rather than synthetic/artificial) additives, as well as steady demand for food and drinks which promote health and wellness and the expansion of the processed foods market in the less developed parts of the world. These underlying trends will be discussed in more detail in due course.

## A growing global market

Between 2009 and 2013, the global market for food additives grew from USD29.94bn to USD36.45bn, according to Leatherhead's 2014 report on the industry (Figure 1). This represents an increase in value terms of 21.7%, or 5.4% per annum on average. It should be noted that this figure excludes sales of vitamins, minerals and functional food ingredients, all of which are rather difficult to quantify. Taking these three additional sectors into account is believed to increase the size of the global market to more than USD45bn.

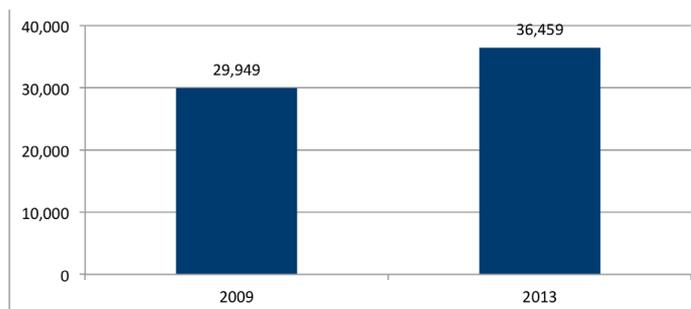


Figure 1: Global Food Additives Market by Value (USDm), 2009-2013  
Source: Leatherhead Food Research, Global Food Additives Report

During this time, growth in market value has been most apparent within the hydrocolloids sector, at more than 10% per annum. However, this can partly be attributed to the rising price of some hydrocolloids – for example, the price of guar gum reached a record high in 2012, driven by rapidly increasing demand from the shale gas industry. Other categories have also performed well during the last four years – annual growth rates of between 5% and 10% have been observed within the enzymes, flavours and emulsifiers sectors.

The largest sector of the food additives market is flavours, sales of which reached USD11.25bn in 2013. This equates to 31% of the global market, ahead of hydrocolloids (18%) and flavour enhancers (11.4%). Most market sectors now command annual sales worth in excess of USD1bn – the two exceptions are antioxidants and fat replacers, which were worth USD965m

and USD855m, respectively, in 2013.

## The move to 'natural'

The world's consumers have been turning away from artificial and/or synthetic food additives in ever greater numbers, in favour of more natural equivalents. In Europe, for example, up to 80% of consumers now prefer their foods to be free from artificial additives – it is chiefly for this reason that the product claim 'free from artificial ingredients' is becoming so widespread throughout the global food industry. This trend can also be illustrated by the fact that many consumers are now demanding better labelling from manufacturers and retailers, in order to see what goes into their foods.

The trend towards natural food additives is most evident within sectors of the industry such as flavours and colours. According to data from Mintel, the percentage of new product launches featuring natural flavours within the global food industry increased from 35% in 2008 to 39% in 2012. During the same period, the share taken by artificial flavours decreased from 65% to 61%. Even allowing for the differences in definition which exist worldwide, the trend towards natural flavours is clearly evident – as can be seen from Figure 2, this has been most apparent in Europe and North America.

Within the food colours market, natural products have increased their share of global sales from 37% in 2009 to 45% in 2013, largely at the expense of synthetic varieties. The food colours market is also experiencing strong growth in demand for colouring foodstuffs, examples of which include turmeric, lycopene, paprika and beetroot juice. Not only do these help to impart colouring to food and drinks, but they frequently possess other benefits (such as taste and health) and have no E-numbers – therefore enabling food and drinks to be promoted on a 'clean-label' platform.

On a related note, the desire for more natural food additives has also been a major driver behind the development of stevia-derived products within the sweeteners sector. With food and drink manufacturers under ever greater pressure to remove or reduce sugar in their products, demand for alternative sweeteners is expected to stay strong. Stevia-based sweeteners such as Rebaudioside-A (or reb-A for short) have made considerable inroads into the world soft drinks' industry, particularly in sectors such as flavoured waters and tea drinks. The market is now widening to include so-called 'next generation' stevia sweeteners (e.g. reb-D), which augurs well for the future development of the category.

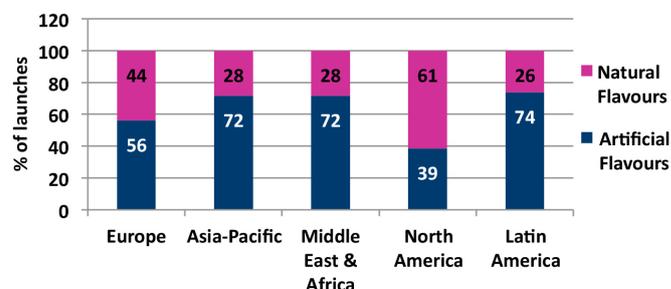


Figure 2: Natural & Artificial Flavour Usage in Global NPD by Region, 2012  
Source: Mintel GNPD

## Health and wellness

The additives industry is also subject to the continued consumer demand for food and drinks which can assist in maintaining health and wellness levels. People around the world are becoming increasingly aware of the relationship between diet and health, and are seeking out food and drinks with lower levels of sugar, salt and saturated fat as a result. This trend has also been largely responsible for the continued growth of the world market for functional foods, which are promoted as offering more specific health benefits.

The pressure for food manufacturers to develop healthier products is not just coming from consumers. Trends such as rising obesity levels are of increasing concern to organisations such as the World Health Organization (WHO), as well as various Government and media sources. Consequently, the food industry is coming under ever greater pressure to improve the nutritional profile of its products, in order to combat the health problems currently facing the global population.

One effect of this trend has been the move by many food manufacturers towards reformulation of their products. As sugar, salt and saturated fats have been removed, opportunities have opened up for suppliers of food additives to develop replacements. Notable examples have included the use of seaweed derivatives as fat substitutes, as well as the growing favour yeast extracts are finding to compensate for the loss of taste caused by the removal of salt. Replacements for sugar, salt and fats are especially popular with manufacturers and consumers if they meet the demand for 'natural' and 'clean-label' solutions.

## Processed foods in emerging economies

Another major market driver as far as food additives are concerned is

the expansion of the processed and convenience foods industry in less developed parts of the world. As the food industry in regions such as the EU and North America is highly mature, manufacturers of food additives have been forced to look elsewhere in the world for growth. Examples have typically included countries with rapidly increasing urban populations (e.g. China, India and Brazil), as well as the Middle East (where per capita income levels are high and demand for western foods is growing) and parts of Latin America and the Asia-Pacific.

To capitalise on the growth in food consumption being observed in these parts of the world, many leading manufacturers of food additives have set up production bases in emerging economies. This has also been done for reasons of cost, as a result of which countries such as China have become leading producers and exporters of certain varieties of food additives. For instance, the country represents the world's largest producer of vitamins, with domestic output worth an estimated 225,000 tonnes in 2013. Up to 80% of this is exported, and China holds an especially strong position in sectors such as Vitamin C and Vitamin E.

## Future directions

Assuming the world economy does not slip back into recession, the global food additives industry is expected to undergo a period of steady growth for the remainder of the present decade. It seems likely that more food and drink manufacturers throughout the world will continue to seek out 'natural' and 'clean-label' solutions in order to satisfy consumer demands, as well as catering towards the obligation from the authorities to improve nutritional standards. The health trend is expected to keep demand for food additives such as antioxidants, sweeteners, fat replacers and functional food ingredients at reasonably high levels.

## Market report

### The Global Food Additives Market – 6th Edition Report

Published: July 2014

Leatherhead's newly-updated report provides an overview of the global food additives market, highlighting recent growth figures and consumer trends which have influenced demand from food and drink manufacturers. The report contains in-depth analysis of each of the market's main sectors, including information such as market size and segmentation. The industry's key industry suppliers are also profiled, covering aspects such as product range and strategy.

Visit [www.leatherheadfood.com/global-food-additives](http://www.leatherheadfood.com/global-food-additives) for more information and to purchase this report.



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Jonathan is a Principal Market Analyst within the Sensory, Consumer & Market Insight Department at Leatherhead Food Research. Prior to joining Leatherhead, Jonathan worked for over seven years at Key Note, a leading UK publisher of market information, where he was responsible for researching a variety of different industries. During his years at Leatherhead Food Research, Jonathan has written reports such as The Global Additives Market, Innovations in the Global Confectionery Market and Key Players in the Global Functional Foods Industry. He also writes a monthly Confectionery Industry Update.

For further information on the global additives market and for further insights, please contact Jonathan, [E.jthomas@leatherheadfood.com](mailto:E.jthomas@leatherheadfood.com)

## About Leatherhead

Leatherhead Food Research delivers integrated scientific expertise and international regulatory advice to the global food, drink and related industries. We support companies, large and small, with independent, professional and customer-focused services.