Which trends offer opportunities or pose a threat on the European natural food additives market?

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The European natural food additives market is growing. This is mainly driven by a growing number of health-conscious consumers, and a stronger preference for clean label food. Furthermore, there is a notable surge in the demand for organic food, especially within the vegan and vegetarian market segments. Additionally, substantial investments in Research & Development (R&D) for the development of innovative products has led to the growth of the natural additives market in recent years. Another factor driving growth is the instability within supply chains. This instability forces European formulators and manufacturers to search for alternative solutions, thereby opening up opportunities for new suppliers of natural food additives.

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1. Increasing demand for ethnic food opens up opportunities for food additives

European consumers continue to demand more ethnic flavours and spice blends in their food. Accelerated by the COVID-19 pandemic, there is an increasing popularity for ethnic food from different regions of the world. Essential oils for food, oleoresins and natural food colours (extracts) are important natural food additives for this trend and offer opportunities for exporters of natural food additives. Ingredients such as agar, used as a gel-texturiser commonly found in Asian foods, are important natural food additives for ethnic foods.

The global ethnic food market is estimated at a value of US$ 41.9 billion in 2023. The market is expected to reach US$ 62.6 billion by 2028, with Europe being the fastest growing market. Growing immigration because of employment opportunities, higher education and tourism are important drivers of the increasing ethnic food market. More and more ethnic food components are also available in specialised supermarkets, contributing to the democratisation of exotic tastes at home. This creates a higher demand also for food products with new taste experiences. In addition, post COVID-19, consumers prefer a healthier, low-fat and low-calorie diet, which is often associated with Asian and specifically Indian dishes.

The biggest market and the leading producer of ethnic food is the Asia-Pacific region mainly because of the growing young population and their growing use of social media. In terms of global food market share, the most prominent categories are Asian cuisines (including Chinese, Indian, and Thai) and Italian dishes. In addition to these well-established cuisines, the African and Middle Eastern cuisine has also gained in popularity in recent years.

This is leading to a rising popularity of flavours. Examples are yuzu, tamarind and also new formulations of natural food flavours which combine familiar fruits with spicier flavours such as mango with chili and lime. The Flavour Trend Report 2023 says that such unique and global flavours are popular amongst 62% of consumers worldwide. With GenZ and Millennials favouring flavours like Gochujang, Tajín, and traditional Chai, the opportunity for innovation is endless. From sweet to savoury, new fusion food combinations are rapidly gaining in popularity. About 76% of consumers globally say that they are open to trying new flavours.

Tips:

- Search for manufacturers of ethnic food and find out the formulators supplying the natural food additives for their recipes.
- Make sure to inform importers and formulators about the traditional use of your products to guide their product development.
- Have a closer look at the webpages of key trends and players within the ethnic food market, relevant for Europe. By studying their webpages, you can learn about trends and see how your products are typically used in the market. Examples of leading companies active in Europe include Nestle S.A., General Mills, ADM or Associated British Foods PLC.

2. Unstable supplies due to global crisis and climate change

The production and trade of agricultural products, including natural food additives, is highly affected by global events such as climate change, logistics crises, war, and other unstable political situations. A result is increased migration, higher prices for food components, and the closure or interruption of production and supply chains.

Amid economic downturns and rising costs for energy and logistics, suppliers have become less flexible. Costs have increased in every domain, starting from raw materials and extending throughout the supply chain. The industry (importers, food manufacturers and product formulators) is aiming to secure their supply chain, yet is forced to diversify it. This may offer opportunities to exporters of natural food additives to enter new markets.

For example, Sudan is the world´s largest producer of gum Arabic, a product derived from the arcadia tree. Sudan has lived through many years of political conflict, as well as humanitarian and climate crises. Logistics in and out of Port Sudan have been blocked because of ongoing conflicts, and supply chains are interrupted. For these reasons, prices for gum Arabic have skyrocketed. As a result, European suppliers have been looking for potential alternative sources to purchase gum Arabic from further countries of the so-called gum belt, the arid wood savannas of Chad, Nigeria, Somalia, Eritrea and Mauritania.

Another example can be found in the supply chains of essential oils, such as geranium oil or rosemary oil. These products are also widely affected by political instability in their main producing regions.

Besides political instabilities and supply chain vulnerabilities, global climate change also has a big impact on the availability of natural food additives. In the case of the acacia tree, the Sahel belt in Africa is feeling the effects of climate change. Experts are predicting that natural disasters such as desertification, droughts, floods, and rising sea levels will become more frequent and intense in the coming years.

Although some companies are starting to look for alternative origins and suppliers, there are also companies investing in their supply chains. For instance, natural food additives processor Alland & Robert is engaged in the preservation of the Sahel environment, and works on several projects in the region to support local communities and to assure the availability of acacia trees to obtain natural gums.

Tips:

- Make sure you inform your buyers about the current political situation in your country and be transparent about the challenges you are facing along the supply chain.
- If possible, it is recommended to negotiate for fixed prices for your product so that you are more independent from global market developments.
- If you can offer stable production, make sure buyers know about you and your product.
- Check websites and contact key formulators in the natural food additives market for more information about opportunities in this industry. Examples of such companies in Europe include Doehler, Givaudan and Chr. Hansen, which often import directly from producing countries.
- Check the list of European formulators to find key partners for your target market.

3. Unstable supply chains boost innovation in the sector

All in all, these global developments represent a major challenge for formulators and food manufacturers and therefore also for exporters of natural food additives. On the other hand, these global crises, in combination with changing consumer markets (read more about this in the different tips below), have also boosted innovation in the European food market.

Food ingredients need to be cheaper to stay competitive during economic crises. At the same time, they need to be healthier and to be used in different items such as vegan products, snacks or non-alcoholic beverages. Some natural food additives also need to be exchanged because they are no longer available or because formulators need different combinations for new products.

For example, natural food colours need to combine performance, safety and supply reliability with tailored solutions to supply food manufacturers. For example, GNT is offering spirulina-based colour powders for food and beverage formulators and the product is used in ice cream and breakfast bowls, among other items.

Figure 1: Example from GNT for application of natural food colour in ice cream

Source: GNT exberry.com

Tips:

- Create visibility, either virtually or by attending international fairs such as Sial, Anuga, or Food and Health Ingredients Europe to offer your products more widely.

Make sure you work very closely and reliably with potential business partners to solve problems in the supply chain.

Try to offer natural food additives with a stable export quality and market price.

4. Sustainability is a key concern in the European industry and for consumers

“Health of the planet” is now the top global concern of consumers worldwide and forces manufacturers and formulators to focus on sustainable natural food additives. People are becoming increasingly aware that trade and production have a high impact on climate change, food waste and use of resources. Sustainability has become mainstream and a key concern in the industry.

In 2021, Europe registered the highest percentage (52%) of global food and beverage launches with ethical claims. The fastest growing product categories with ethical claims were meat substitutes, which increased at an average annual rate of 24% from 2017 to 2021. Product categories with the next highest growth rates were alcoholic beverages, food for babies and toddlers, as well as products such as spreads, sauces, and seasonings.

Figure 2: Fastest growing product categories making ethical claims (global, average annual growth rate, 2017-2021)

Source: Innova Market Insights, October 2022

The increasing demand for sustainable and ethical products is in part driven by Generation Z (GenZ), the generation born between 1997 and 2012. For example, 44% of GenZ consumers in Germany see themselves as ethical and sustainable consumers. They are willing to spend 40% more for sustainable food and drinks.

Products that are better for the environment are a main concern for consumers within the food and beverage market. Animal welfare is also crucial for 45% of GenZ consumers when purchasing sustainable food (White paper Consumer Statista).

Figure 3: Sweet Fa Gluten Free Oat and Raisin Organic and Vegan Cookies

Source: Innova Market Insights October 2022

There seems, however, to be a disconnection between the intention to develop sustainable supply chains and the ability to realise sustainable products for the markets. According to the 2023 F&B Food and Industry Report, the main barriers for food and beverage manufacturers are the following:

- 60% of the brands have difficulties in sourcing ingredient partners.
- 49% of the brands do not have enough supplier transparency beyond their main suppliers.
- 42% reported that confusion about the labelling of sustainable food is a challenge for them.
- 39% simply did not have enough resources to search for compliant suppliers during the last six months.

This situation offers interesting opportunities for natural food additive suppliers to enter the European market, but only if you can prove sustainable production and sourcing.

Leading formulators and food manufacturers increasingly prioritise sustainable supply chains and responsible sourcing practices. MANE, for example, is attempting “to apply a responsible purchasing policy aimed at raising awareness among suppliers of the CSR (Corporate Social Responsibility) policy and to assess their environmental and social performance”. MANE expects its suppliers to apply the same CSR principles as the company itself.

Tips:

- Check out sustainability reports of formulators and food manufacturers in your target market.
- Make sure that your supply chain is transparent and follows the requirements of potential buyers related to their sustainability targets.
- Contact formulators in this market to present your products, such as GNT for Colorants, that sets out plans to lead the food colouring industry on sustainability.
- Cross-check your products and your company against sustainability requirements.

5. Growing plant-based food market offers opportunities

The flexitarian way of eating continues to gain in popularity in Europe. In 2022, 24% of consumers in Europe were following a flexitarian, 8% vegetarian and 4% vegan diet. As more Europeans choose plant-based foods, there are chances for natural food additive exporters, especially in categories such as:

- Flavours and colorants.
- Thickeners / hydrocolloids to improve the texture.
- Acidulants to achieve the required pH or to influence taste, flavour, colour, and texture.

The top product categories for plant-based formulations are pizza with an average annual growth of 36% between 2018 and 2022, followed by prepared pasta & noodles, ready meals and sandwiches. The production of those “non-meat” alternatives need a lot of natural food additives to assure texture, taste and colour. Most of the products are coming with claims such as “Vegan”, “Veggie Lovers” or “PlantLove”.

Examples of plant-based companies active on the European market include Beyond Meat and Plantway. At the Anuga Fair 2023, the company Beyond Meat showcased a range of plant-based meat options and introduced their latest innovation, the “Beyond Steak”. The company Plantway introduced plant-based chicken chunks.

According to ProVeg International, Germany is the most important European market for plant based food in terms of sales value. Germany is the country with the highest share of plant-based eaters and number of flexitarians. Positive perceptions and consumer demand for plant-based foods have been translated by fast food chains into plant-based offers. This has led to increased awareness and changes in both the range of products available and what people want to eat. The COVID-19 pandemic has also had a positive effect on this trend, with many people opting for more plant-based diets during lockdown.

For a long time, vegan products did not really fulfil consumers expectations. Currently, however, product innovations in this sector have generated some highly appreciated products. Companies such as Heinz are leaders in developing new products for the plant-based market. They have launched a range of vegan mayo and salad creams, as well as the “Meatless Burgers”.

An estimated 69% of European consumers say that it is important for alternative meat sources to be naturally formulated. As a result, the plant-based food industry needs more natural ingredients such as vanilla, which is a very important flavour enhancer in plant-based alternatives. Moreover, hydrocolloids are gaining in popularity as key ingredients for plant-based products such as burgers. They are produced from plants or seaweed and help bind the vegetable proteins used in plant-based products. To this end, a blend of xanthan gum and konjac glucomannan (the source is a tuber) can be used, as in the “Heinz Meatless Burgers”.

Figure 4: Heinz Meatless Burgers

Source: The World of Food Ingredients, April/May 2023

Tips:

- Explore the products available on the vegan market and see whether your natural food additives are applicable for existing or potential new products or new recipes.
- Contact formulators in this market to present your products, such as GNT for Colorants. This company is an important market player in the food colouring industry.

6. Consumers are demanding clean label food and “free-from” food

Consumers in Europe are showing a growing preference for clean label foods, driven by a desire to move away from lengthy ingredient lists that often contain synthetic food additives. Food manufacturers are following this trend with the reduction or elimination of synthetic ingredients in favour of natural food ingredients. Aligned with this, manufacturers are required to list ingredients in a simple and understandable way on product labels, such as “beetroot concentrate” for red food colouring.

Clean labels are labels showing the words GMO-Free, Natural, No Additives / Preservatives, Organic, among others. Globally, Europe registered the most clean label food launches in the years from 2017 until 2022. Most product launches were in the category of sauces and seasonings (15%), followed by bakery, snacks, dairy and ready meals/side dishes (11%).

Labels such as “Clean” and “Free from” cater to consumers with allergies or sensitivities to certain ingredients. These consumers are increasingly avoiding unnatural additives because they associate them with artificial and less healthy foods. Although consumers are increasingly avoiding artificial ingredients, they are not willing to compromise on appearance, taste, cost, or sustainability claims.

For meat products, acerola (Malpighia emarginata) can for instance be used as a natural antioxidant. Acerola is a fruit from Brazil with an extremely high natural ascorbic acid content. Therefore, the name of the fruit can be listed within the ingredients list. Moreover, to align with consumer preferences for “clean” and natural foods, some synthetic ingredients are being substituted with natural oleoresins.

The trend towards clean labels also goes hand in hand with the growing market for plant-based foods, to fulfil the needs of a growing number of vegetarian, vegan, and flexitarian consumers in Europe.

Tips:

Do market research and store checks so you can explore which end-consumer formulations may provide a market for your natural food additive.

Contact formulators and manufacturers specialised in these target markets and support them with detailed information about your product. Refer to the European list of formulators to find examples of these companies and check out the exhibitor list of the Dutch trade fair “Free From Food Amsterdam” to find formulators, brands and processors for natural food additives.

If you intend to make health-related claims for marketing purposes, it is crucial to ensure that these claims are firmly supported by thorough research.

7. Social media is boosting food consumption awareness

European consumers are increasingly turning to social media and online shops to be informed about the ingredient lists of the food they purchase. This rising awareness forces industry players to provide a wider array of products with clean labels, transparent ingredient lists, and products that align with changing dietary preferences. Through online channels, consumers can easily learn about and compare products, including synthetic and natural food additives. This enables consumers to increasingly be able to make well-informed choices.

Consumers find inspiration for food and beverage products through online tools, with social media playing a big part when it comes to plant-based products. There is a rise in the use of food apps, with 47% of consumers in Europe reporting the use of a scanning code on a plant-based product. Shoppers are increasingly prioritising ingredient labels that they consider to be more ‘close-to-nature’.

Figure 5: Scanning ingredients with food apps

Source: Innova Trends Survey 2023, Innova Dairy, Meat and Alternative Protein Survey 2022

In addition, social media and bloggers are promoting initiatives such as Veganuary. In response to this, the industry tends to develop more plant-based products just before and during January. Influencers are promoting visually appealing dishes and beverages, which are often vibrantly coloured.

Figure 6: Blue colour protein, extracted from spirulina

Source: The World of Food Ingredients, April/May 2023

GenZ, a generation raised in the internet age, is a type of consumer that needs brands to employ different targeting strategies, often through social media. For exporters of natural food additives, this means that different media and market approaches may be included to target industry (formulators and manufacturers) and consumers. In addition, the industry is using social media to engage with customers. For example, Hipp, the well-known producer of baby food in Germany, is actively looking for bloggers, so that they can share their experiences with Hipp products. Chefs are also increasingly promoting products on social media, for example for spice extracts.

Tips:

Explore social media channels to understand food trends and potential new trends. They may open doors to formulators, if you have natural food additives which are needed for those products.

Check platforms such as foodrevolution.org. Easy Health Options or FoodNerd to understand communication about food additives and prepare arguments and facts for selling them.

If you are an exporter of food colourings, you may want to survey the non-alcoholic beverage market on social media channels to see the new trends in different target markets.

8. Consumers look for convenience; ready-to-eat meals on the rise

Natural food additives are seeing a growing market with products supporting individual wellbeing and consumers' challenges in everyday life. Non-meat products, non-alcoholic beverages, ready-to-eat products including snacks and sauces are gaining in popularity. All of these products require the right combination of taste, texture, colour, and flavour, making the use and right combination of natural food additives essential.

As a direct consequence of the COVID-19 pandemic, companies have been investing in the development of ready-to-eat meals. These meals increasingly include natural food additives instead of synthetic components and are also using new antioxidants or flavouring compounds. In 2022, Europe was leading in the global market for ready-to-eat meals, accounting for 45% of global launches.

This trend focuses on products offered for the time-limited consumer. Consumers are looking for convenience. They tend to favour products and ideas that fit their busy lives but still offer the chance to personalise meals. This trend offers opportunities for exporters of natural food additives used in ready meals and snacks.

To follow a healthier lifestyle, consumers often favour Asian and Indian cuisine, believing it to be healthier due to the use of natural food additives derived from superfoods such as ginger, acai (violet colour), baobab, acerola, aloe vera, cardamom and much more. Fruit and plant extracts are rich in bioactive compounds, and the industry is using them in a lot of recipes. One example is Yuzu, a fruit coming from South Korea and Japan, which has a very high content of antioxidants. Its extract and peel oil can be used in pastes, dessert, and soft drinks.

Givaudan introduced "Feel good"-food experiences to the industry, offering complete natural ingredient solutions for colour, preservation and texture. The company offers plant-based natural texturisers and emulsifiers from oats and quillaia (quillaia bark extract) and natural food preservation additives.

Tips:

Find out about the Food trend map and lifestyle trends in your target market to offer potential future natural food additives to formulators.

You may include consumer trends to find USPs (unique selling propositions) for your natural food additives to support formulators such as Givaudan or Symrise with their product developments.

9. Growth of organic market in Europe

While thousands of additives can be added to conventional food, no artificial preservatives, colours, or flavours are allowed in organic food. There are only around 40 synthetic substances which can be used in organic packaged food and only after having been reviewed by independent and government experts.

Organic food and beverages are therefore potential markets for natural food ingredients, especially the organic vegan and the organic plant-based food markets as they all need food additives. There is also a potential market for organic beverages and for natural antioxidants and colours.

The organic market in Europe reached €54.5 billion retail sales in 2021, which represents a growth in sales of 4% from 2020 until 2021. This growth rate was much lower compared to the 15% growth experienced between 2019 and 2020, primarily influenced by inflation and rising living expenses in Europe.

The largest market for organic food is Germany with €15.9 billion. Denmark has the highest share of organic food with 13% of the total food market, followed by Austria and Luxembourg.

Figure 7: Europe: Organic Retail Sales 2021

Source: organic-world.net - Infographics

Tips:

Consult the webpages of FiBL and the resource library of IFOAM Organics International to learn about the European Organic Market and more details for specific countries and products.

Visit BioFach Fair to explore organic products using Natural Food Additives

Research which additives are allowed and requested by food manufacturers of organic food. You can find a list of food additives which are allowed in organic food on the Polynt Group webpage.

Check websites and contact key formulators in this market such as Doehler, Givaudan, Chr. Hansen for more information about opportunities in the natural food additives market. They often import directly.

Andrea Richert and Kasper Kerver of ProFound – Advisers In Development carried out this study on behalf of CBI.

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