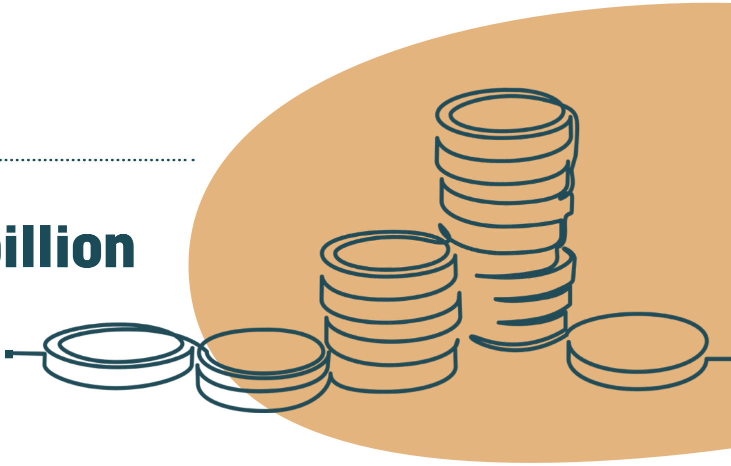
TREATT

NATURAL EXTRACTS

2023

Natural Market Overview

The global *Natural Extracts* market, valued at $11.94 billion in 2022 is forecast to reach a value of $25 billion by 2030.



Europe dominates with approximately 31% of the global market followed by North America and APAC.

The rising prominence of clean label ingredients with claims such as 100% natural, non-GMO, and organic in key markets such as China means that APAC is now the fastest growing market for natural extracts.

By application, the key industries for natural extracts are the food and beverage sectors – accounting for 47% of market share in 2021.

The market is commonly segmented by:

Natural EXTRACTS

- essential oils
- oleoresins
- herbal extracts
- natural colours
- dried crops

Plant EXTRACTS

- essential oils
- oleoresins
- flavonoids
- alkaloids
- carotenoids

Botanical EXTRACTS

- flowers
- herbs
- fruits
- spices
- tea leaves
- others

The increasing prominence of a plant forward diet will inevitably stimulate a growth in demand for natural ingredients in beverage. Ingredient and flavour trends that we are exposed to as consumers on supermarket shelves and on restaurant menus frequently result in the next beverage trend. The growing number of plant-based alternatives in food is accentuating the positive impact of natural ingredients for our personal health and the health of the planet.

Botanicals are blossoming as consumer tastes evolve towards botanical-forward beverages – particularly in the premium beverage space. Floral profiles and more herbal flavours are trending in new product launches providing new dimensions of flavour or functionality.

With the shift in healthy eating accelerated by the pandemic, natural flavour and colour companies are being swept up through mergers and acquisitions as the key flavour and fragrance companies target their growth and development plans in natural extracts. Major players in this space include, Firmenich, Givaudan, Robertet, Synergy, Miritiz and Sensient.

Consumer demands and trends in beverage

Since 2021, the Health & Wellness mega-trend has outranked all others as the most influential for consumers and its longevity and permanence persist as the dominant trend driving the natural extracts market.

Despite inflation shifting behaviours, the premiumisation trend continues as growing awareness of health issues associated with the consumption of artificial ingredients is shifting consumers towards naturally derived food and beverage ingredients.

The key target consumers for beverage manufacturers, Millennials, and in particular Gen Z are increasingly using TikTok as a search engine.

The influence of TikTok on the path to purchase across this consumer group cannot be overstated. Whilst statistics vary, up to 60% of the 656 million TikTok users globally are now Gen Z (Statista).

Flavour, ingredients, and provenance are also key purchase drivers

Consumers' focus on quality and safety drive demand for clean and natural attributes in food and drink. Mintel report that 36% of UK consumers agree that foods which contain artificial ingredients cannot be healthy. In China 45% of consumers look for natural ingredients when shopping for food.

During the 2010s, consumers demanded more information about the food they ate and wanted to know about the ingredients being used. Brands responded with transparency and accentuated what was NOT used in a product. Clean label has now evolved, and clean label ingredients must be supported by brands with a 'clean conscience' and strong ESG credentials. In markets such as Europe, clean label is no longer a selling point, but it is becoming an expectation.

In North America, consumer interest, and sales of natural and organic food reached a new high during the first year of the pandemic. The cost-of-living crisis in developed economies has caused a slowdown in growth but according to foodnavigator.com this is expected to rebound by 2024 as consumers continue to be self-aware with regards to the foods they eat and the health implications.

Global Data's 2022 Q1 consumer survey shows that the most influential factor when making product choices is the extent to which the product or service impacts health and wellbeing, with almost two-thirds (66%) of global consumers always or often influenced by this when shopping.

Natural is an umbrella term often associated with claims such as organic, non-GMO, sustainable, ethical, local and plant based.

But no matter the interpretation the growing importance of 'natural' in product positioning and labelling cannot be understated.

Global Data's 2022 global consumer survey reported that a total of:

81% of respondents cited that 'natural' was an essential or nice to have feature they looked for when choosing a product

Globally, female Gen Z consumers are most likely to seek natural as an essential driver of purchase although this is a key driver across all demographic groups.

Interestingly the % of responses indicating that natural was an essential feature in product choice was almost identical for Gen Z/Y/X and Boomers clearly indicating the desire for natural is not limited to the younger generations.

Real and natural claims in alcoholic drinks are also popular, often focusing on authentic production techniques and limited ingredients.

(Source: Global Data 2022 Q3 global consumer survey)

Opportunities, USP's of category and challenges

The growth in the Low/No Alcohol category presents a sizeable opportunity for natural extracts and flavours.

The IWSR reported that the market value for Low/No grew from

$8 BILLION TO $11 BILLION

and is forecast to grow at a CAGR 7.6% 2022 – 2026

The no-alcohol category is predicted to grow faster than low alcohol. Much of the focus of innovation and product messaging has shifted towards the functional benefits and premium natural flavours.

Functional beverages are now widely regarded as the hottest category for functional foods. Functional ingredients are intrinsically associated with being natural and offering wide ranging health benefits.

Botanical Extracts **are blossoming in both non-alcoholic and alcoholic beverages as they are increasingly being applied in NPD to create more intense flavour and add functional benefits.**

In the sports and energy drinks category natural caffeine is increasingly replacing the sugar laden caffeine boosted drinks of the past.

The trend is now much more towards natural caffeine and innovation using premium natural ingredients such as green tea with its purported natural energy boosting properties

Raw material and supply chain challenges are front of mind as the higher costs of obtaining raw materials required to produce natural flavours, along with the seasonal availability of natural sources present challenges. Increased awareness of the dangers of consuming artificial or synthetic chemicals will only ameliorate the growth of the natural extracts industry as consumers continue to lean in to natural.

Addressing the needs of the value conscious consumer will be increasingly important in the short to medium term as some consumers will need to trade down with discretionary purchases. This presents both a challenge, and an opportunity for innovation in the value space where consumers still seek many of the same benefits as those found in the premium price point products.

Trending flavours by category

All the below are forecasting volume (M Litre) growth of +20% between 2023-2028

Category	Flavours
ENERGY DRINKS	Herbs and Spices, Apple, Lemon, Peach, Orange Pear, Grapefruit, Lime, Mango, Melon, Kiwi, Nuts and Seeds
SPORTS DRINKS	Apple, Lemon, Peach, Orange, Lime, Mango, Berries, Tea
RTD COFFEE	Vegetables, Berries, Nuts and Seeds, Herbs and Spices
FLAVOURED WATERS	Lemon, Peach, Grapefruit, Mango, Pomegranate, Passionfruit, Calamansi, Melon Guava, Herbs, and Spices
RTD TEA	Apple, Grapefruit, Tamarind, Lychee, Mango, Melon, Nuts and Seeds, Calamansi
CARBONATED	Pear, Lime, Coffee, Tea, Honey, Pomegranate, Kiwi, Camu Camu

LOW alcohol category

(0.5% - 1.2% ABV)

The Fruit and Vegetable flavour group witnessed the biggest growth in this category – 77%, 2021-2023 (NPL's)

Ingredient claim: 'Natural' has grown by 117% in new product launches globally in this category (NA 57% and Europe 89%)

Source: Mintel GNPD (global)

TREATT

MAKING THE WORLD TASTE BETTER. *For Good.*

Our portfolio of natural extracts and authentic flavour ingredients portfolio deliver on taste. We know what it takes to create a beverage that will stand out for all the right reasons, whether you're reformulating a product, or developing a new one.

We're featuring some of the top trending flavours within our product portfolio.

CITRUS

Our TreattClear™ citrus range offers water soluble, true to fruit products to service beverage developers. They provide an impactful citrus taste and provide formulators confidence in stability across a range of applications whether for still, carbonated, non-alcoholic or alcoholic beverages.

TreattClear™ Organic Lemon
A refreshing, well balanced, true-to-fruit whole lemon profile with lemon peel, zest and fresh floral / green notes.

TreattClear™ Zesty Lemon
A refreshing juicy, lemon peel, and zesty profile to awaken the tastebuds.

TreattClear™ Citral Lemon
A well balanced, true-to-fruit fresh lemon profile that gives a citral aroma.

FRUIT & VEGETABLES

Mango Treattarome®
Our from the named fruit mango extract imparts a tropical mango flavour. Particularly effective in clear beverages and energy drinks requiring the creamy sweet notes of mango. Wholly distilled from mango Mangifera indica.

Passionfruit Treattarome®
Our from the named fruit passionfruit extract imparts an estery, fruity-tropical flavour, particularly effective in clear beverages requiring sulphurous tropical notes. Wholly distilled from yellow passion fruit Passiflora edulis flavicarpa.

HERBS, SPICES & FLORALS

Honey Treattarome®
Our Honey Treattarome® delivers sweet-floral with heavy, sugary toffee base notes. It imparts a sweet honey flavour without adding sugar or calories and has a wide variety of applications in beverages, sauces, confectionery and bakery.

TEA

Looking for a fresh brewed flavour in your ready-to-drink Iced Tea or the delicate top notes in a blended beverage? We source from a number of premium global locations and can supply the perfect tailored solution across a range of applications.

Green Tea Treattarome® Organic
Floral, green, hay like profile, adds complexity to exotic citrus, like mandarin and yuzu flavours. Boosts the authentic profile of iced teas.

Black Tea Treattarome® Organic
Floral, aromatic profile adds complexity to alcohol flavours. Suitable for use in honey flavours, floral tonalities, or with tropical fruits.

Taste it for yourself...

Our evolving ranges of natural extracts and ingredients have been carefully curated with our customers' needs, and consumers' tastes, in mind. We have a diverse portfolio that enables us to meet any customer specification, no matter how adventurous.

Contact one of our experts and request your demo today

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