

Functional Foods: Trends, Opportunities and Challenges



Ranjan Sharma PhD MBA

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What do today's and tomorrow's consumers want?

- ▶ Products that deliver ethical benefits
- ▶ Products that are unique
- ▶ Products that are healthy and have functional health benefits



adapted from Euromonitor, 2010

Healthy Foods

Healthy Foods



Natural Foods – free from artificial ingredients and process-induced modifications



Organic Foods – independently certified



Lesser Evil Foods – low- (sugar, salt, fat), diet, pesticide-free



Functional Foods – having health benefits (with or without health claims)



Functional Foods – a definition

- ▶ No universally accepted definition
- ▶ **Foods and beverages that contain either naturally or via processing or fortification, sufficient amounts of physiologically-functional components and have potential health benefits**



Functional and healthy foods market trends

- ▶ **Natural and organic foods** will grow the fastest of any healthy foods categories in the next eight years—with growth of organic reaching nearly 10% in 2012—as product categories like organic fruits & vegetables and natural meat, fish & poultry side into the mainstream.
- ▶ With a forecast compound growth rate of **nearly 9%**, **organic foods** is expected to be the biggest competitor in healthy foods for the future. Compound annual growth for the total **healthy foods** industry should hover **above 5%** for the next eight years, just outpacing the growth of its largest categories, functional and lesser-evil foods.
- ▶ **Lesser-evil foods** will lose market share to the natural and organic categories
- ▶ **Functional foods** should retain about a quarter of healthy food sales over the next eight years

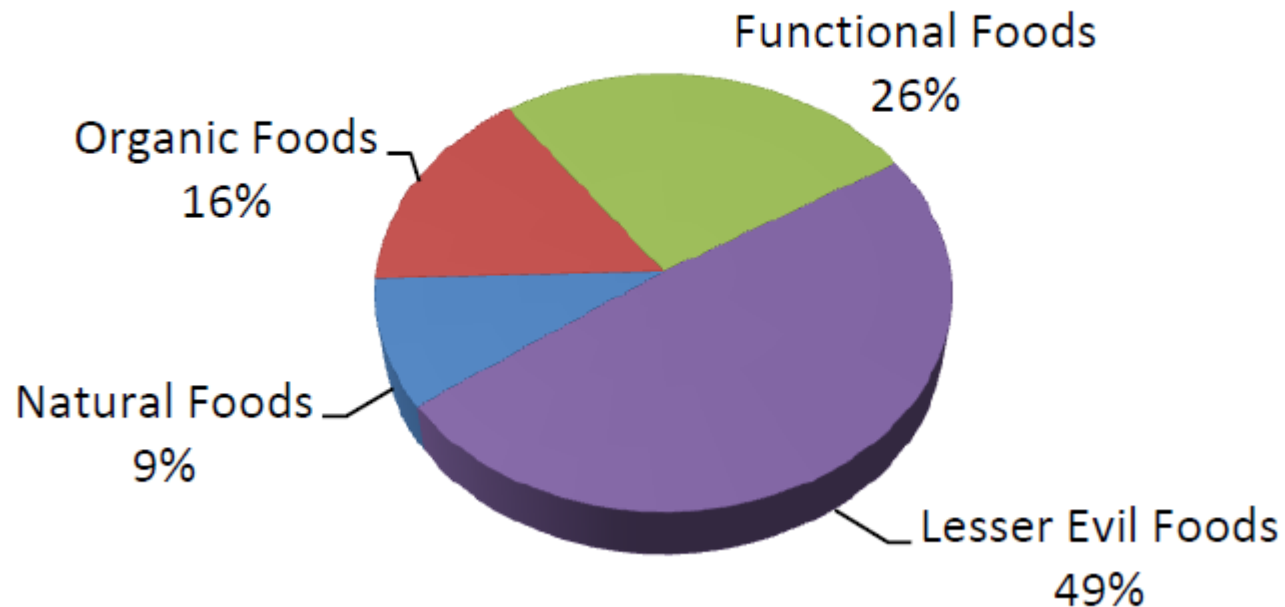
NBJ, 2010

Global Health & Wellness market, 2008

- ▶ Global health and wellness market
 - ▶ US\$ 570 billion
- ▶ Global functional foods market
 - ▶ US\$ 152 billion
- ▶ Australian functional foods market
 - ▶ A\$ 2.7 billion

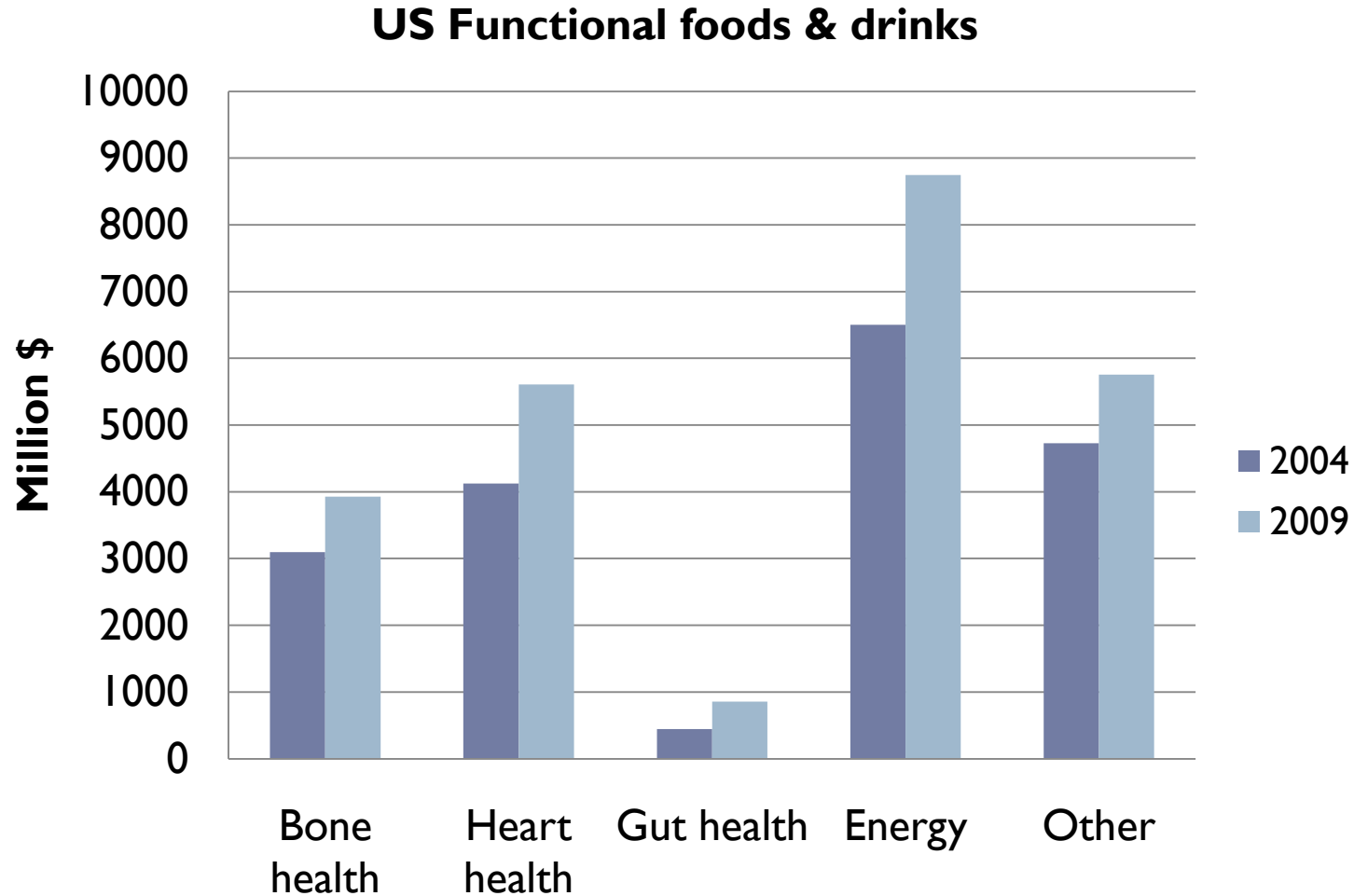
Healthy foods – US, 2009

► Healthy Foods, US –US\$ 143b



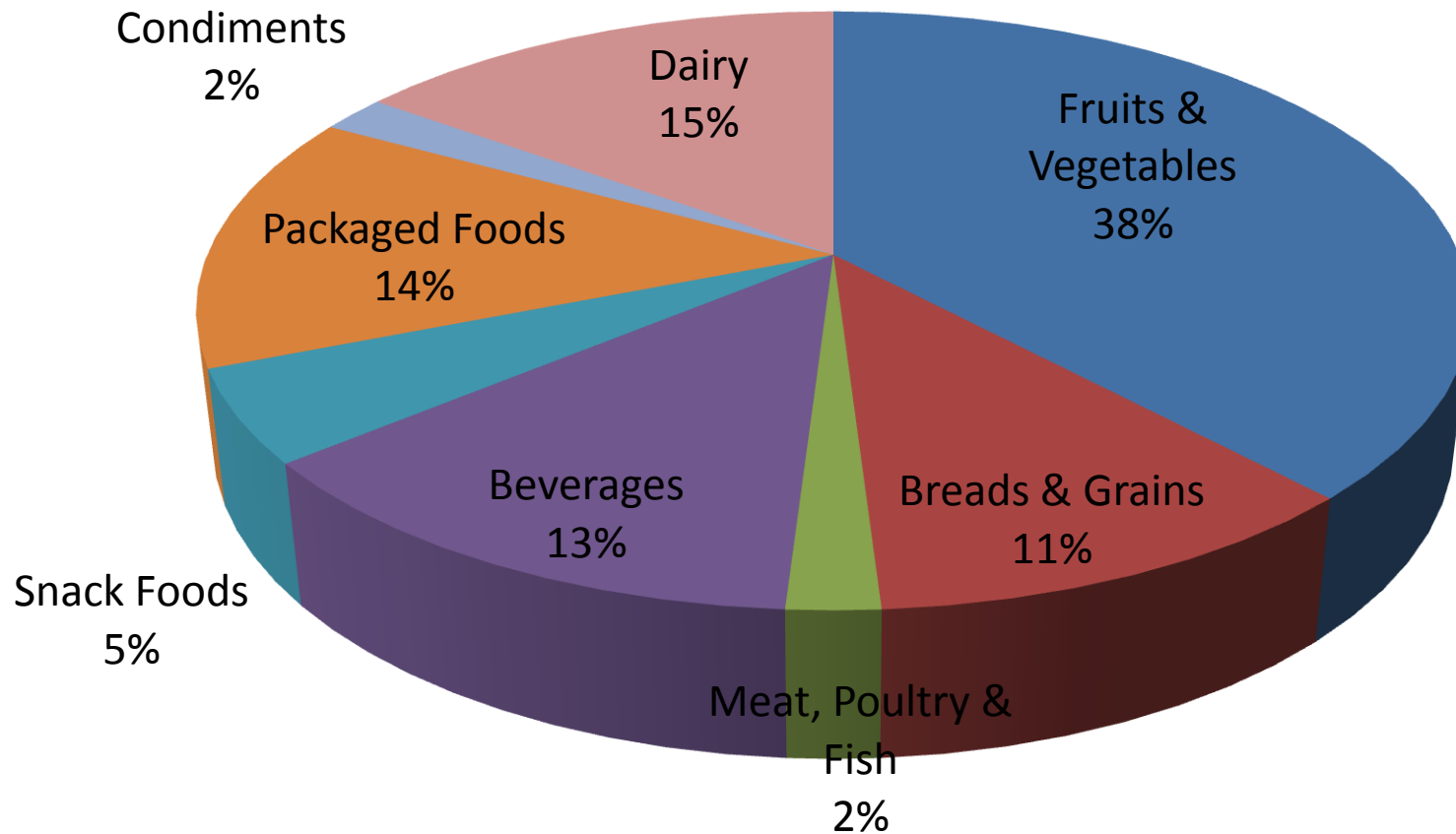
Nutrition Business Journal, 2010

US functional foods and drinks



US organic foods market, 2009

Market size – US\$ 37 billion



OTA, 2010

US organic foods market growth

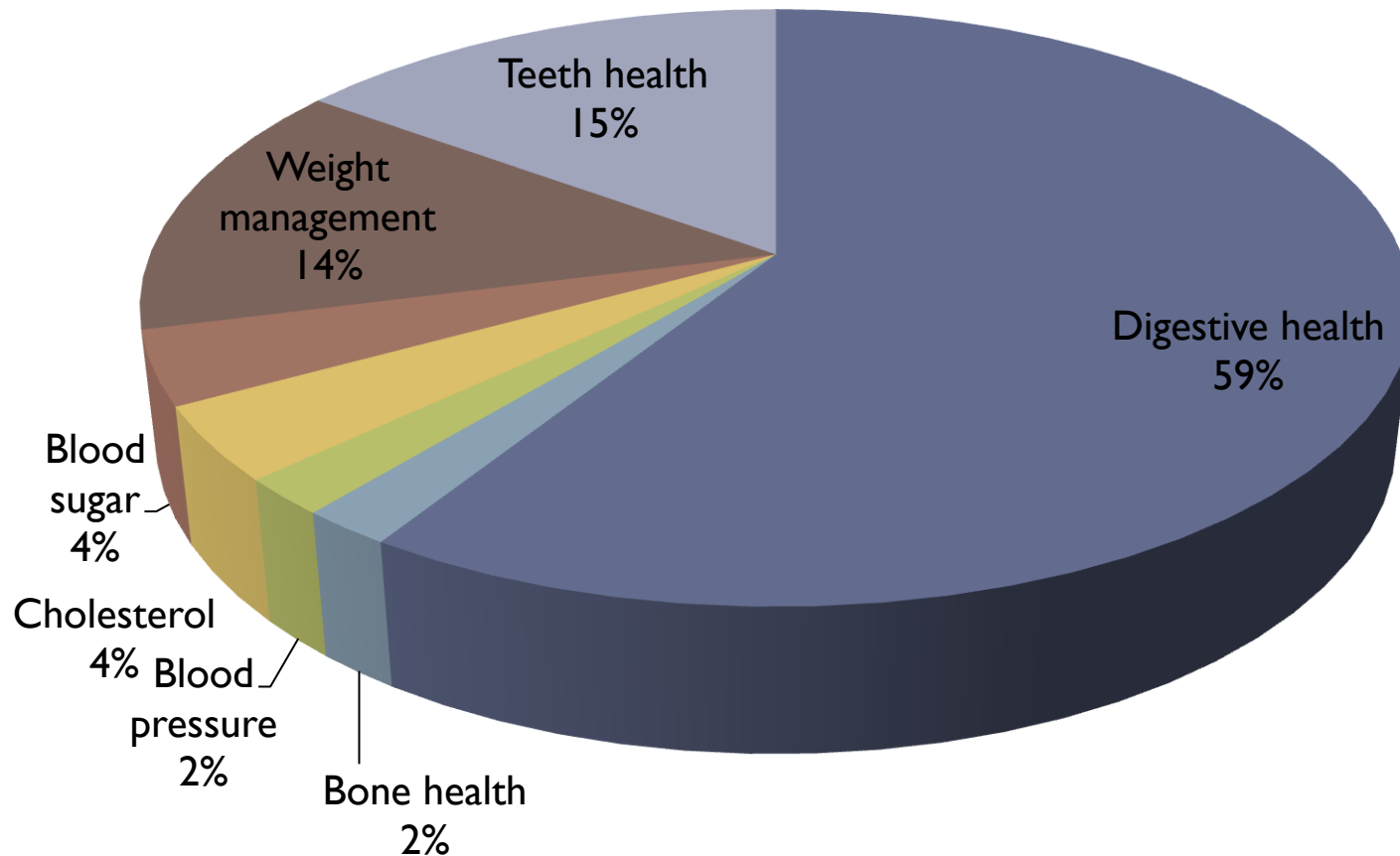
U.S. Organic Food vs. Total Food Sales, Growth and Penetration, 2000-2009

Category	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Organic Food	6,100	7,360	8,635	10,381	12,002	14,223	17,221	20,410	23,607	24,803
Growth	21.0%	20.7%	17.3%	20.2%	15.6%	18.5%	21.1%	18.5%	15.7%	5.1%
Total Food	498,380	521,830	530,612	535,406	544,141	566,791	598,136	628,219	659,012	669,556
Growth	5.0%	4.7%	1.7%	0.9%	1.6%	4.2%	5.5%	5.0%	4.9%	1.6%
Organic as % Total	1.2%	1.4%	1.6%	1.9%	2.2%	2.5%	2.9%	3.2%	3.6%	3.7%

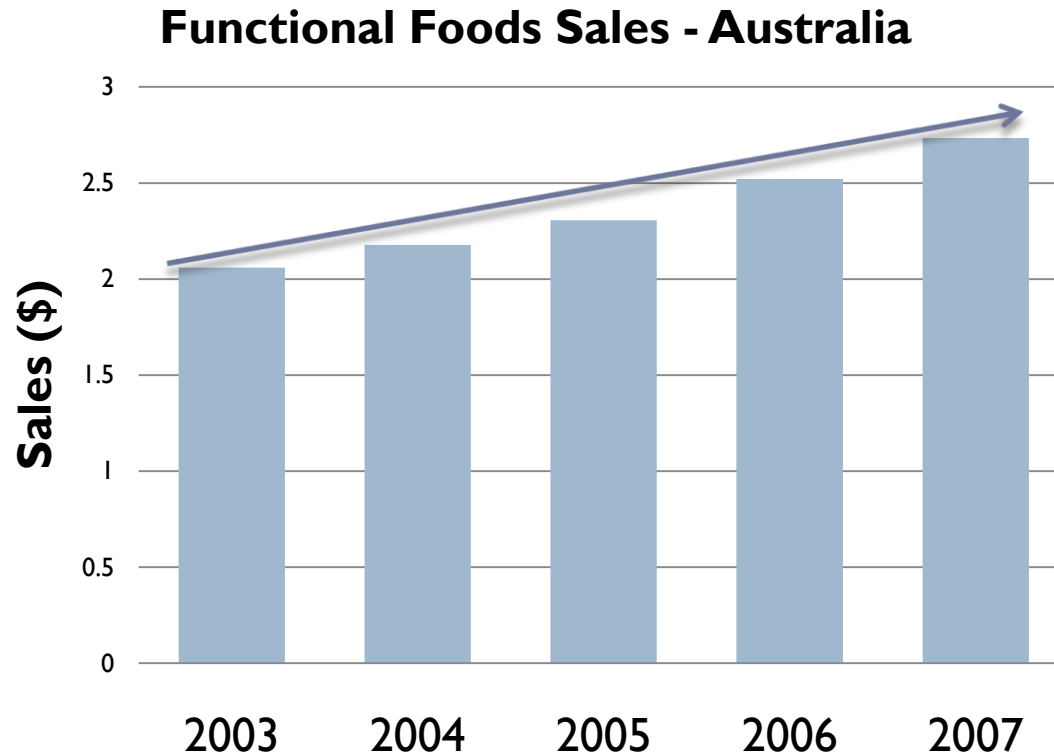
Source: Organic Trade Association's 2010 Organic Industry Survey conducted 1/21/2010 – 3/3/2010.

Functional foods in Japan

Functional Foods in Japan, 2007 - \$16.4 b

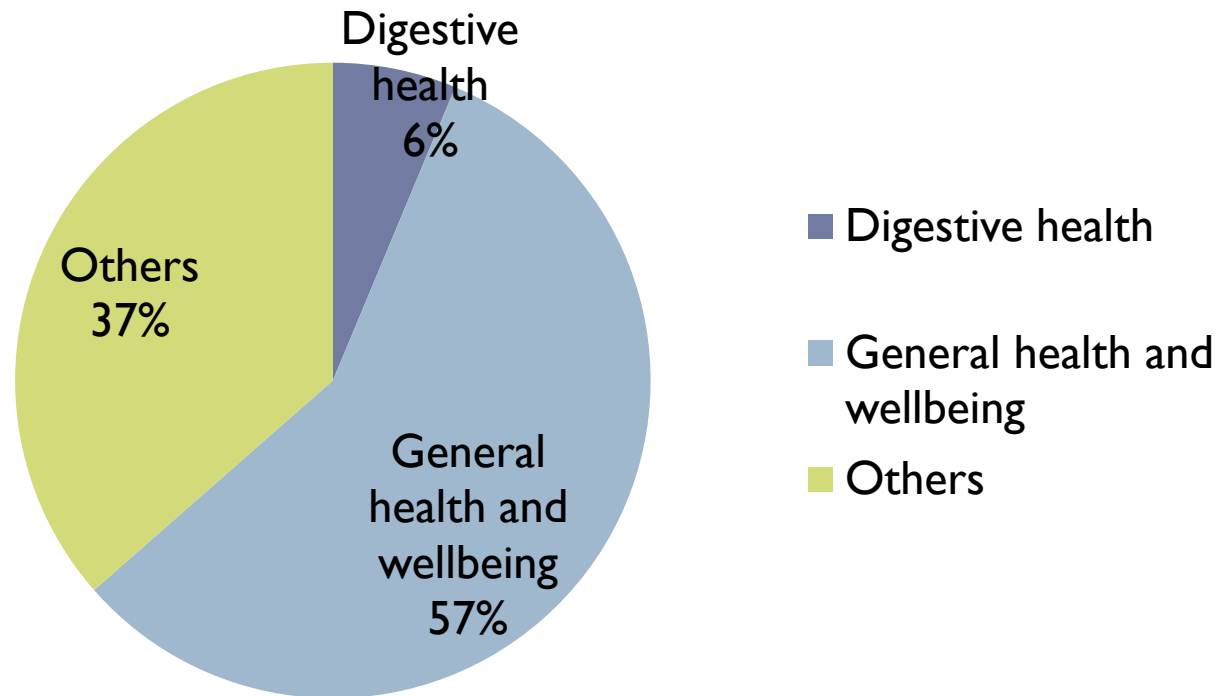


Functional Foods - Australia

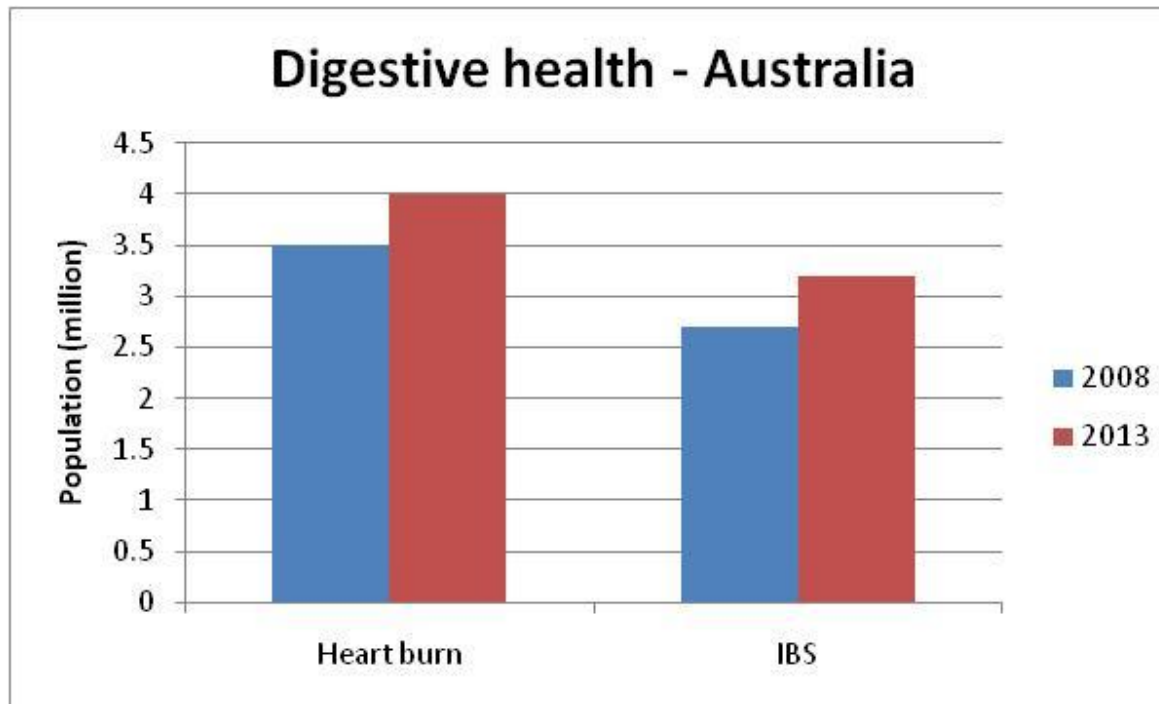


Functional Foods - Australia

Functional Foods - Australia, 2007 – \$ 2.7 b



Digestive health - Australia

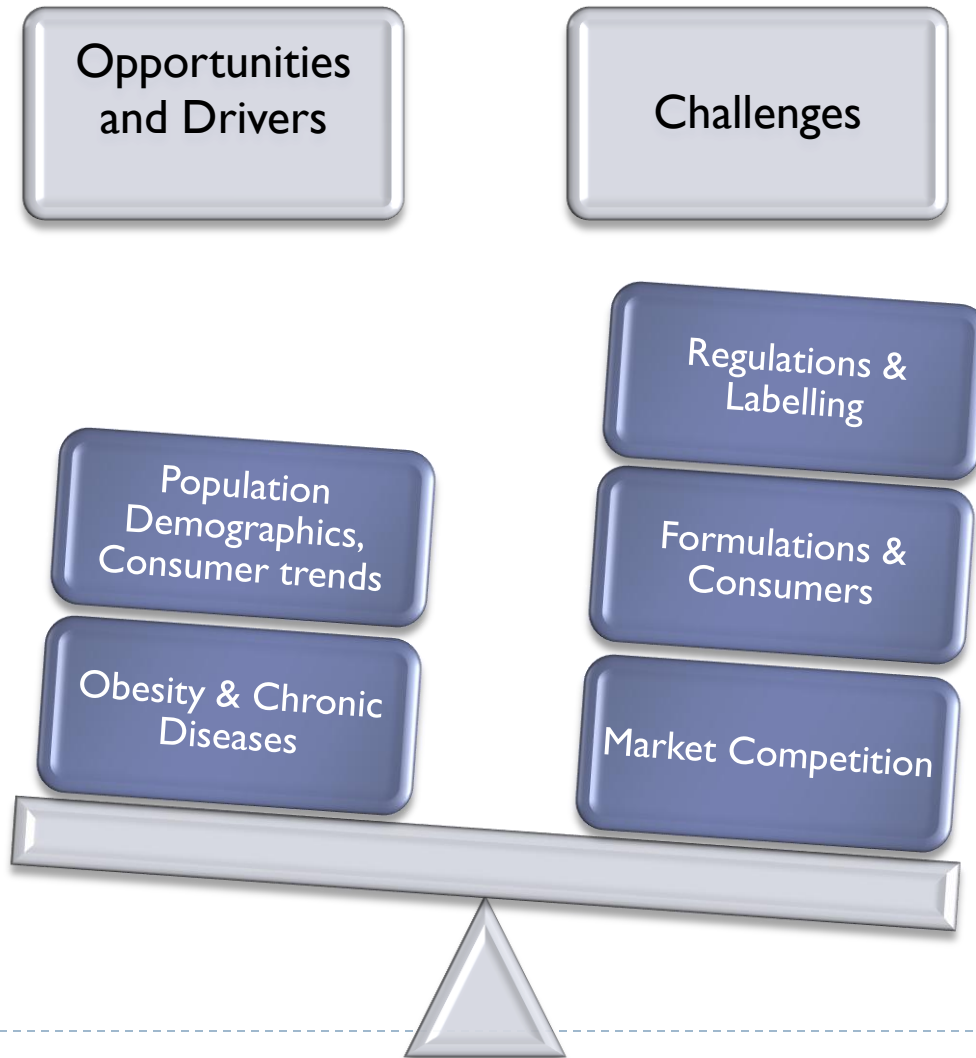


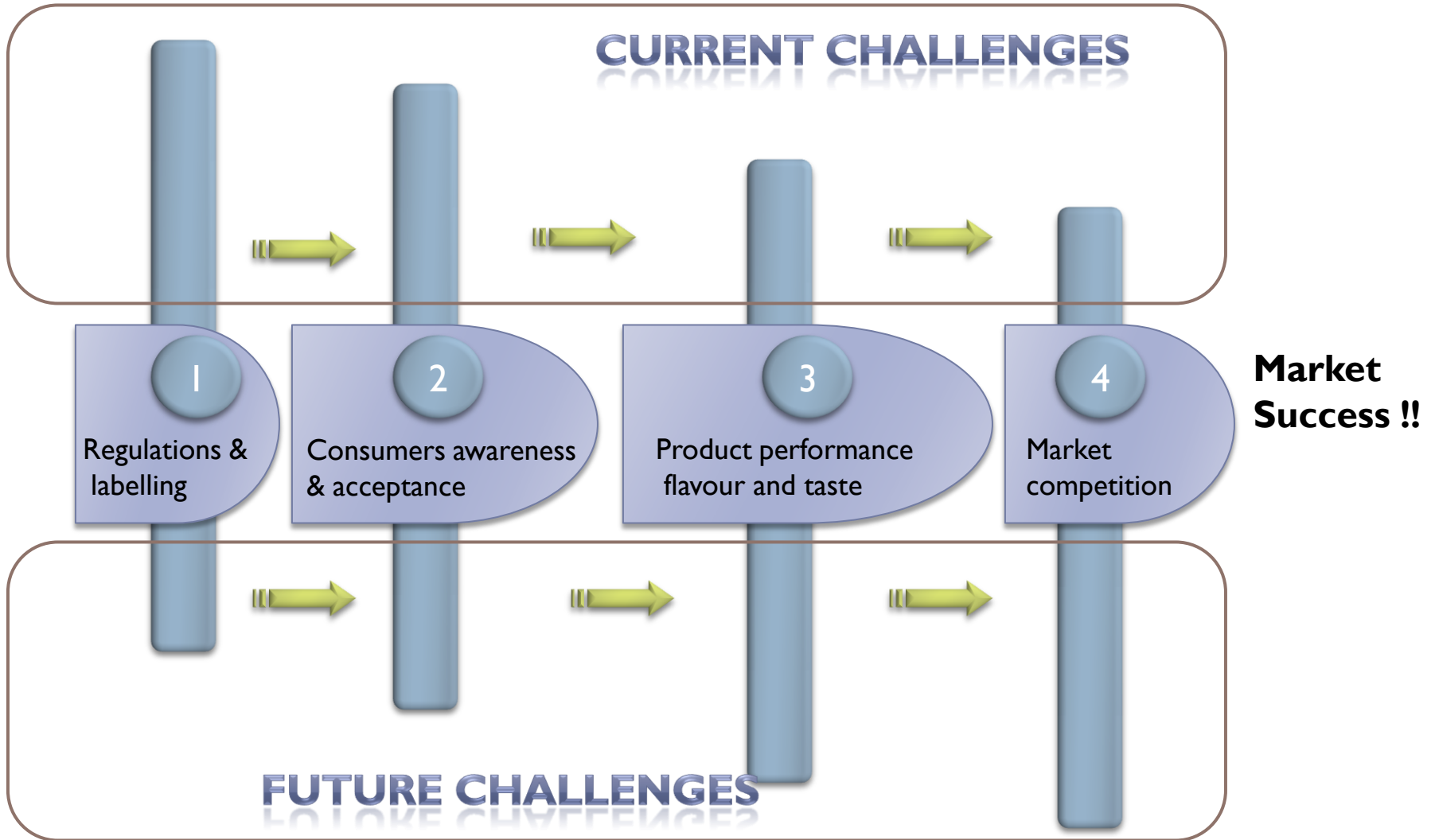
Market trends in functional foods

- ▶ Omega-3
- ▶ Probiotics
- ▶ Whole grain & fibre
- ▶ Phytosterol
- ▶ Functional waters
- ▶ Calorie burning foods
- ▶ Superfruits
- ▶ Beauty foods
- ▶ Concentrated energy shots



Opportunities and challenges





Source: Functional Foods Weekly



Market intelligence, innovations and trends in
functional foods and nutraceuticals

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