Staying Ahead of the Curve

How one company is positioning for the booming organic flavor market

It is estimated that organic food sales have increased by nearly 20% annually since 1990, with consumer sales reaching $16.7 billion in 2006.[1] And, according to Mintel, this "trend" will continue to grow; organic food sales are expected to rise 59% by 2012, while the organic beverage market is projected to grow by 65% over the same period.[2] With the increased demand to introduce new organic products to consumers, it's no wonder that the flavor industry has had to dramatically increase its organic flavor development.

Aromatech, a French-based flavors company created in 1987, launched its first organic flavor range in 2000. Yvan Grattarola, the company's general manager, explained that delving into organics was a way for the company to differentiate itself from the big F&F players. Guided primarily by customer requests, Aromatech worked closely with Ecocert (a France-based organic certification organization) to develop some of its first organic flavors. From there, Grattarola explains, "we attended our first trade show in Biofach [World First Organic Fair] where we improved our knowledge in the National Organic Program thanks to BCS [BCS Öko-Garantie GmbH], our current certifier in the United States." At the beginning of its organic endeavors the company focused on beverage, dairy and fruit flavors. These categories are still today three of the top four organic food categories in sales (see **T-1**).[1]

Yvan Grattarola, Aromatech general manager

In 2004, the organic industry saw a rising interest in the tea market, at which time Aromatech took its knowledge of organic flavors for the beverage market and dedicated its energy to the growing tea segment. Although the cost of organic flavors is more expensive in comparison to other flavors, it wasn't too difficult for Aromatech to enter this new market, given the high cost of tea when taken by volume. Thus, the flavor was still a relatively small amount of the final price. Today, organic tea and coffee flavors make up the largest segment of Aromatech's customer requests (see **F-1**). And the company keeps pushing the envelope: "Our latest development concerns encapsulated and granulated flavors specially dedicated to the organic tea segment," says Grattarola. All this work has paid off; five years ago organic sales accounted for only 1% of Aromatech's turnover, today it is 9%.

Pricing: As the popularity of organics increases in the retail market, the price of the raw materials needed to create the organic flavors continually falls. Grattarola does admit, though, that towards the beginning of the organic movement it took a while to convince the people involved that it was a good business to invest in. Once customers continually requested the organic products, farmers and everybody in the organic network started to believe that it would be a worthy business venture to promote a part of their farm or their business to organics.

US vs. Europe

Consumers in the United States and the European Union make up 95% of the world's retail sales of organic food products.[3] Despite this shared fondness for organic food, these two regions differ dramatically in the maturity and driving forces behind the organic movement. After facing several "food scares" (mad cow disease, etc.) in the late 1980s and early 1990s, Europeans turned to organic food purely out of concern for their safety. As Grattarola explains, organic "was a not a way of living. It was much more a reaction to what happened."

The US organic market is, according to Grattarola, "more mature than the European one and is focusing on the trend of health and nature." While there have been a handful of "food scares" in the United States, they

Aromatech's flavor lab

Organic food sales and growth forecasts by category in the United States[1] **T-1**

Organic food category	2005 ($ million)	Growth %	2006 ($ million)	Growth %	Projected 2007 ($ million)
Dairy	2,140	24	2,668	25	3,201
Bread and grains	1,360	19	1,667	23	2,001
Beverages	1,940	13	2,173	12	2,401
Fruits and vegetables	5,369	11	6,669	24	8,003
Snack foods	667	18	807	21	1,000
Packaged	1,758	19	2,001	14	2,401
Sauces	341	24	402	18	400
Meat	256	55	330	29	400
Total/Average	**13,831**	**16%**	**16,718**	**21%**	**20,008**

didn't have as severe an impact on consumer behavior. Americans are much more concerned about the healthiness and trendiness factor of organic food. However, at the same time, they want the food to have a premium taste; Americans don't want to "suffer" for the supposed health benefits present in organic food. In addition, the idea of taking an active role in ensuring the sustainability and "greenness" of products has swayed many Americans to organic food, believing that its production is less environmentally harmful.

Grattarola also explains that the United States is more flexible in its organic standards. In America there exist several standards: 100% organic; organic (with at least 95% organically produced ingredients); and made with organic ingredients (with at least 70% organically produced ingredients). The EU has a more fixed setup for foods, with an organic logo only placed on products with at least 95% organically produced ingredients. Labels for products that consist of 70–95% certified organic ingredients *must* indicate the percentage of organic ingredients in the product on the principal display panel. However, Grattarola believes that in the next 10 years the European attitude toward organics will evolve to what it currently is in the United States.

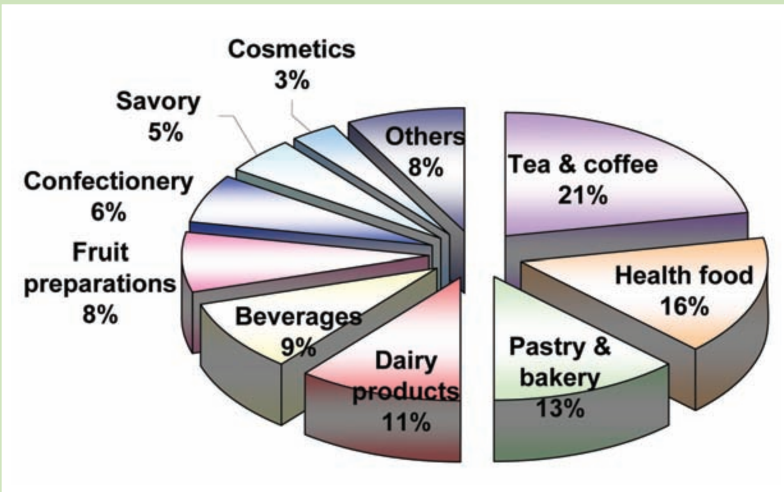
Formulating Technologies

When Aromatech first delved into the organic flavors business, flavorists such as Grattarola were faced with a problem: there were very few organic chemicals to work with. "We were forced to look deeply at the major components of an oil and oleoresin … and try to get our lab to get the maximum amount of natural chemicals from an extraction so we could use it in an organic flavor," he says. While the lab still today continues to work on extraction of oils to offer flavorists increased flexibility in formulation, there are more organic ingredients available on the market.

And when a flavorist has access to the raw materials needed, there's not a big difference between formulating for organic and non-organic flavors. As Grattarola explains, "organic formulation is much more of a philosophy." Throughout the process, the flavorist has to consider the organic aspect, from the ingredients to solvents and carriers. This becomes more challenging when there isn't an organic equivalent available, necessitating the use of a non-organic material from the positive list (ex. the Organic Foods Production Act's National List of Allowed and Prohibited Substances). In these cases, it is imperative that the flavorist keep the maximum allowable percentage of positive non-organic materials in mind.

Similar to the flavor creation process that existed 40 years ago, flavorists today are returning to essential oils, extracts and other concentrates as ingredient sources. For example, vanillin is coming from organic vanilla extract, benzaldehyde from organic almond, citral from organic lemongrass and lactones from organic coconut extracts. They are also "returning to basics" when it comes to the physical processes involved in organic flavor creation. Distillation, fractionation, or sometimes reactions (as long as no prohibited chemicals are involved) are the key processes for organic formulation. "We are back to how we were doing things years ago because we are only authorized to use physical processes to get the essence of the naturals," says Grattarola.

Aromatech's 2007 organic customers (by application) **F-1**



Regulations and the Supply Chain

Once an organic formulation is complete, the composition is thoroughly examined to ensure it adheres to regulations/legislation. For the United States, the National Organic Program outlines organic rules, while EEC 2092/91 applies in the EU. Similar to the EU and the United States, Japan also has comprehensive organic legislation (Japanese Agricultural Standard), in which the term "organic" may be used only by certified producers. Due to the time and cost restrictions, Aromatech, like many other flavor companies, works with organic certification companies. According to Grattarola, these companies "go deep inside our formulations and are checking how we made them according to the organic certification. They are checking and tracking all the raw materials we used and are asking for the certifications [from the raw material suppliers]." The organic-dedicated production area is also strictly controlled to overcome cross contamination problems.

While today these certification companies are a trusted and essential partner in the organics business, when Aromatech first entered the organics market things were not as stable or as efficient. According to Grattarola, in 2000 the organic world was lacking strict control and companies couldn't be sure of traceability of their supplies. Between then and now, the NOP was introduced and many certification companies have strengthened and expanded their network. Today, Aromatech works closely with Ecocert and BCS, which has 80 certifiers around the world. "When the product is approved by Ecocert, BCS or any other organization," explains Grattarola, "we are sure that the people have been to the field of the farmer to check how things are being done. That is security." Not only do these companies guarantee the credibility of the supply chain, but they are also often able to suggest the right contacts if a flavor company is looking for a particular product.

Trends

Today, with more than 500 organic materials in Aromatech's range, the company has gradually been able to produce a variety of sweet and savory organic flavors in liquid, paste or powder form. The company keeps an eye on the latest trends and technologies in order to stay ahead of the curve. Having developed encapsulated and granulated flavors, Aromatech is eyeing a number of other technical hurdles:

1. Improving taste and color in order to challenge "conventional" flavors.
2. Reaching the target of a 100% organic certified product.
3. Be an environment-friendly actor.

As for trends in organic applications, Grattarola believes the most ideal application for organics is in the dairy industry: "Milk, or its derivatives (yogurts, creams, etc.), is in perfect line with the healthy, natural, safe concept." Soy milk and other soy products are on the rise in the United States and Europe, and organics are expected to play a big role in those flavors in order to make the products more palatable. While for the last 10 years it was food safety rather than taste that concerned consumers, this has started to shift, especially in the United States. Now, consumers expect healthy, safe foods that contain more eccentric tastes. Aromatech has already developed organic cranberry and pomegranate flavors, and just recently finalized an açai flavor. The company has more plans for the exotic fruits category. "We will next initiate in South America a product such as lulo and goji," says Grattarola.

The rising tide of organic products hitting supermarket shelves confirms that the organic "trend" is here to stay. Aromatech recognizes this and in fact just in 2007 opened a subsidiary in the United States to capitalize on the growing organics trend there. Nearly a decade into its organic work, Aromatech continues to seek out new outlets and develop novel tastes to meet growing demand.

References

1. 2007 Manufacturer Survey, *Organic Trade Association and Packaged Facts,* June 2007

2. J Peot, "Eating it Up: Organic market booms as consumers seek healthier, more natural food and drink options," Mintel (last visited March 17, 2008) *<http://www.mintel.com/press_release.php?id=316743>*

3. M Laux, "Organic Food Trends Profile," *Agricultural Marketing Resource Center* (last visited March 17, 2008) *<http://www.agmrc.org/agmrc/markets/Food/organicfoodtrendsprofile.htm>*

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