perfumer & flavorist

2008 Flavor & Fragrance Leaders

The big news on last year's Flavor & Fragrance Leaders list was Firmenich's purchase of Danisco's flavor division. The year before that, it was Givaudan's purchase of Quest. At press time, rumors are again making the rounds regarding another potential merger within the top tier of F&F. As we wait for the latest M&A news, we present *P&F* magazine's **2008 Flavor and Fragrance Leaders** (FFL), a ranking of top flavor and fragrance companies, complete with analysis and insights into the activities that will shape them in the years ahead. (See **A Note on Rankings.**)

Due to acquisitions in the industry, the rankings of some companies have changed year-over-year, and space has been cleared to make room for some new entrants. As with previous editions, this year's list includes two unranked entities—Cargill and Mastertaste—which belong among the top tier of F&F, despite unavailable firm sales data. The order in which these two companies appear on the 2008 FFL is no reflection on their actual rank within the industry.

2008 FFL: the Analysts' View

What is most striking about the 2008 FFL is the fact that the top 10 companies' sales for 2007 total ~$13.7 billion, or just shy of 70% of total industry sales.[a,b] Companies outside of this group have combined sales of approximately $5.7 billion. As companies continue to consolidate, so will sales.

A recent report from Business Insights, "The Top 10 Flavor and Fragrance Companies," provides some understanding of this phenomenon.[c] "Huge overhead costs due to rising raw material prices and R&D expenses are encouraging smaller companies to merge with bigger ones," the report states, adding that heavy investments are necessary for organizations to keep up research, innovation and service. Business Insights also cites globalization as a key driver of F&F consolidation. "As tastes vary according to geographies, flavor manufacturers are required to have a thorough knowledge of local tastes in each of the countries in which they are active."

Business Insights identifies a number of company activities throughout the top tier that are shaping the road ahead. **Firmenich** (**Page 40**), which in recent years elevated its US fragrance position and standing in the global flavor market with its purchases of Noville and Danisco's flavor division, respectively, has now made its Swiss facilities more environmentally friendly. "[T]he company replaced its energy system by moving from oil to gas at its plant in La Plaine. The investment is expected to reduce Firmenich's global CO_2 emissions by more than 5% annually and reduce costs."

FACT
The top 10 companies' sales for 2007 total ~$13.7 billion, or just shy of 70% of total industry sales.[a,b]

Frutarom (**Page 47**), meanwhile, is finding synergies between its flavor and fine ingredients divisions. "The Top 10" report notes that the company is focused on expanding into both Western Europe and emerging regions such as Eastern Europe, India and China, taking advantage of recent acquisitions—seven in 2007 alone. In addition, Business Insights expects Frutarom to expand in the United States, in part, via more acquisitions.

"[**Givaudan**] (**Page 39**) is currently focusing on moving towards high value adding molecules which depict phenomenal growth in specialty ingredients," the report continues. Meanwhile, Business Insights underscores the F&F leader's significant investments in India over the past decade, concluding that Givaudan is eyeing increased presence there and in China. In addition, says the report, "Givaudan is shifting towards health and wellness initiatives as this is one of the upcoming growth drivers prevailing in the industry."

In 2006, **IFF** (**Page 42**) launched 20 "commercially viable" flavor and fragrance materials, Business Insights

[a] Note that 2007 accounting periods among companies vary—July 1 to June 30, April 1 to March 31 and September 1 to August 31.

[b] Total industry sales are estimated at $19.9 billion [2006: $18 billion].

[c] To obtain the entire report, visit *globalbusinessinsights.com.*

A Note on Rankings

The 2008 Flavor & Fragrance Leaders rankings are based on 2007 sales data (including estimates) provided by John Leffingwell.* Sales figures are provided whenever available. See introduction for more details.

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notes. In tandem with its expansive R&D capabilities, "The Top 10" explains that the company is pursuing "flavor fusion, blending flavors from one culture with those of another." In addition, IFF is focusing on leveraging its expertise to serve health and wellness. "The trend towards low sugar and low carbohydrate foods and drinks continues to drive the market for flavors, as these need heavier flavorings."

"Due to relatively flat growth in mature markets, countries like China, Russia and South Africa offer tremendous growth opportunities," explains Global Insights regarding **Mane**'s (**Page 44**) international expansion. Meanwhile, the company's naturals heritage is expected to serve it well. "The use of organic and natural products will help the company to cater to the demand for natural products in the market."

Robertet (**Page 47**), another French house with an extensive pedigree, has recently turned to the United States on both the flavor and fragrance side, opening a fragrance lab in Manhattan, opening a dry blending site and expanding its existing facility to enhance juice blending and homogenization. Finally, Business Insights says, "[i]t bought a 48.45% stake in Charabot … to strengthen its position in the natural aromatics market."

Sensient (**Page 44**), meanwhile, has been focused on new product development and innovations, spending $25 million on R&D in 2006 (for color, flavor and fragrance). Eyeing Sensient's future, "The Top 10" says, "The company wants to leverage new opportunities in multiple segments all around the globe and expand in several markets, including South America, Central Europe and Asia."

Symrise (**Page 42**) has boosted its savory capabilities with the purchase of Unilever's UK non-branded food ingredients business and is expanding into biotech development of aroma molecules with select partners. Business Insights also notes that, "In the Asia-Pacific region, [the company] is expanding subsidiaries in China and India, allowing them to assume decentralized responsibility for production, development and marketing in these countries in the future."

T. Hasegawa (**Page 46**) is looking to branch out, particularly in the United States and Europe ("inorganically"), and China, says Business Insights. The report notes that, "The company seeks to boost Chinese sales from about … ($25 million) 2006 to … ($88 million) by 2015." In 2009, T. Hasegawa will bring a Chinese plant to full-scale operation, part of a larger effort to expand there and in the rest of Asia.

Finally, the report discusses the slowing domestic demand **Takasago** (**Page 43**) has recently faced. In response, the company has set a goal of raising overseas sales to 50% of total revenue by 2010 (in 2007 those sales totaled 40% of total revenue). As part of this program, Takasago is expanding its German flavor plant, enhancing its powdered flavoring site in Singapore and upgrading its fragrance blending capabilities in France. Business Insights concludes, "The company also seeks to expand its global sales system to include China, Eastern Europe and South America."

As companies continue to seek new ways to grow the pie and innovate, more movement among the top-tier F&F companies is inevitable. In the meantime, we present the 2008 FFL.

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1 Givaudan

Geneva
2007 sales: $3,647.0 million
Estimated 2007 market share: 18.3%
CEO: Gilles Andrier

At the close of 2006, Givaudan made an agreement to acquire Quest International, changing the landscape of the flavor and fragrance industry. Finalized in March 2007, this acquisition has made Givaudan an even larger force to be reckoned with, now holding 5% more of the market share than its closest rival, Firmenich. In fact, Givaudan reported full-year 2007 sales of CHF 4.13 billion, an increase of 42.2% in local currencies and 42.0% in Swiss francs (CHF). Both the flavor and fragrance divisions showed good growth (33.0% and 54.9%, respectively) despite declining fine fragrance sales, the streamlining of commodity ingredients and the closure of the US-based New Milford site. While net profit after tax declined drastically to CHF 94 million from CHF 412 million, the company saved CHF 50 million by integrating the Quest International business ahead of plan and without incurring any significant business disruptions. The profit was impacted by integration costs of CHF 328 million and amortization of acquisition related intangible assets, as well as a one-off, non-cash tax adjustment of CHF 28 million.

Gilles Andrier

The growth has continued for the company in 2008, with first quarter sales of CHF 1.05 billion, an increase of 27.2% in local currencies and 18.3% in Swiss francs. In addition, the company confirms that it is on track to generate the expected CHF 200 million integration synergies and to reach pre-acquisition margin levels by 2010. CHF 130 million of integration synergies are expected in 2008.

Being the number one company in the industry and leading the market by a significant percentage certainly has its benefits. As CEO Gilles Andrier has said, "Being bigger means we have enhanced capabilities when it comes to technology and consumer understanding. It also gives us the opportunity to focus on special programs—such as the Innovative Naturals platform—while, at the same time, still having our eye on the day-to-day business." Givaudan's Innovative Naturals program aims to enrich the palette of the company's perfumers with new and exclusive materials. Early this year, the company announced its partnership with Mount Romance, a producer of Australian sandalwood oil, to create a sustainable supply of a specific grade of sandalwood oil. While offering the local harvesters a premium for their work, the agreement also means that Givaudan adds a new source to its range of perfumery ingredients.

In addition, the company recently signed an agreement for a conservation and social project in the Venezuelan Guayana Shield region to ensure the sustainable sourcing of tonka beans. As one of the biggest buyers of tonka beans in the world, Givaudan's participation in this program helps guarantee the rare material's survival. As Andrier said, "We have a responsibility in making sure that the natural resources currently used will not vanish in the future and that they are sustainable. It is in our vital interest to secure resources going forward to be able to also create the unique fragrances in the future."

In addition to programs such as Innovative Naturals, Givaudan focuses much effort and money on research and development. This often means partnering with companies with complementary expertise to Givaudan's own. Last year, the company entered into a joint agreement with ChemCom SA, a company in the field of olfactory technology, forming a new company—TecnoScent—to build on ChemCom's proprietary receptor technology and focus on the discovery and development of fragrance ingredients. With this agreement, Givaudan hopes to strengthen its sensory innovation and technology platform by creating a center of expertise combining biotechnology and leading fragrance expertise and experience.

Also last year, the company formed an exclusive multi-year collaboration and licensing agreement with Redpoint Bio Corp. to strengthen Givaudan's global Taste Solutions program, which helps product developers overcome the taste challenges associated with healthful product formulation. Specifically, the collaboration will lead to the discovery and development of novel sweetness and savory enhancers, as well as bitter blockers.

2 Firmenich

Geneva
2007 Sales: ~$2,627.5 million
Estimated 2007 market share: 13.2%
CEO: Patrick Firmenich

Last year's acquisition of Danisco's flavor division put Firmenich in the number two position in the industry, and boosted its citrus and dairy capabilities. Firmenich's flavor division reported strong results for fiscal 2007, particularly in citrus drinks and beverages overall. The company also saw strength in its sweet goods segment. Meanwhile, new technology such as the proprietary Novamint Extra mouthfeel technology strengthened oral care results.

The company reported double-digit growth in its fine fragrance division, boosted by a number of wins, including the FiFi-winning scents *Daisy Marc Jacobs* (Alberto Morillas), *Armani Privé Vetiver Babylone* and *Intimately Beckham Women* (Jean-Pierre Bethouart). Sales were also strong in home care and body care, particularly body wash and toilet soaps. The strongest growth for the fragrance side registered in Africa, Europe, Latin America and the Middle East, in addition to good results in Western Europe.

Firmenich complemented its expertise in captive synthetics with the opening of an innovation and sustainability center for natural ingredients in the south of France. Aimed at expanding the palettes of flavorists and perfumers, the center will also focus on the sustainability of naturals.

R&D drives results: The company, which invests more than 10% of its annual turnover in R&D, has seen positive results generated from new technology, materials and research partnerships. In fiscal 2007, Firmenich filed 30 patent applications in the areas of delivery systems, ingredients and processes. In addition, it launched four new proprietary F&F ingredients and six fine fragrance natural extracts.

Patrick Firmenich

In 2007, the company benefited from a number of specialties, including the fragrance microcapsule Popscent, the flavor encapsulation technology Durarome (for powdered drinks and instant soups), and captive materials such as Hedione, Cetalox, Habanolide and Muscenone. In addition to in-house innovations, the company has partnered with Danisco in the wake of its flavor division purchase. The companies' R&D agreement involves research into the relationship between taste and texture to produce flavors for market. Under the deal, the joint team will create solutions particularly aimed at consumers' desire for healthier foods. Dovetailing with this work, Firmenich has allied with Senomyx, which specializes in taste receptor research, to discover and develop new cooling agents. In discussing the deal, Senomyx president and CEO Kent Snyder remarked that "annual sales of current cooling compounds are in the $400 million range." He added, "We estimate the opportunity of flavor systems incorporating approved cooling agents may be three to four times this size." Any cooling flavor materials and systems developed during the three-year program will be manufactured, marketed and sold by Firmenich. By improving the taste, strength, solubility and stability of these materials, the company is looking to gain an edge in everything from oral care to chewing gums.

Post-Danisco flavors purchase: More than a year after Firmenich's purchase of Danisco's flavor business, the company has seen increased capabilities in citrus, naturals, dairy and beverages. And while the deal pushed Firmenich into the number two position, it also lifted the company into the flavor top three, adding to its activities in natural and nature-identical flavors, making the company an ingredients giant.

3 IFF

New York
2007 sales: $2,276.6 million
Estimated 2007 market share: 11.4%
Chairman and CEO: Robert Amen

IFF is the top US company in F&F. It boasts 92 perfumers, 72 flavorists and 31 creative centers around the world. Having an international presence has become increasingly important to the company as it now generates more than 70% of its sales outside the United States:

- 37% Europe, Africa and the Middle East
- 28% North America
- 22% Greater Asia
- 13% Latin America

"[E]merging economies—specifically Brazil, Russia, India and China—are creating millions of new shoppers each year," IFF head Robert Amen noted in the company's annual report. "The consumers in these countries are demonstrating many of the same characteristics of middle-class consumers from the more developed regions. As a result, these markets are a significant area of focus for our customers—and for us—because demand for consumer goods is on the rise, growing three to four times faster than in the developed areas of the world." Amen concluded his comments with a call for "cost-effective innovations." To that end, IFF spent about 9% of revenue on R&D in 2007, which is essentially flat year-over-year. Spending for the period totaled $199 million, 65% of which was directed in the area of fragrances.

The booming economies in Amen's statement may represent a significant segment of IFF's future, but its current business model relies heavily on a small but lucrative cluster of top clients. The company's top five customers comprise 32% of consolidated sales. Its top 30 customers comprise 57% of consolidated sales. By segment, IFF's sales break down as follows: flavors, 44%; and fragrances, 56%. The fragrance category falls into three sub-categories: functional fragrances, 24%; fine fragrance and beauty care, 20%; and fragrance ingredients, 12%.

Robert Amen

IFF saw sales grow by 9% year-over-year—due, in part, to a weak US dollar. However, gross profit did decline slightly to 41.8%. The company cited challenges linked to higher material costs and lower ingredients prices for the period.

Following the release of 2007 financials, Amen signaled that some organizational belt tightening was to come. "[W]e are streamlining back-office functions, aggressively managing expenses and enhancing operations oversight," he said. "These initiatives will roll out in 2008 and have an economic impact on our 2009 financial results."

The company's flavor business experienced the largest increase—12%—based largely on strong results in Latin America, Asia and Europe. The beverage and savory categories were particularly robust. Meanwhile, fine and beauty care sales, up 8%, drove a 6% rise in the fragrance segment. Ingredient sales were also strong, rising 9%. In addition, the company appointed five of its perfumers to senior status: Domitille Bertier, Sophie Chapuis, Tony Mills, Beatrice Piquet and Olivier Polge. IFF perfumers capped off a year of formulations with two FiFi-winning scents, *Christian Lacroix Rouge* and *Intimately Beckham Men*.

4 Symrise

Holzminden, Germany
2007 sales: $1,860.8 million
Estimated 2007 market share: 9.3%
CEO: Gerold Linzbach

While rumors of Symrise being purchased have persisted in the industry this past year, the company has been busy making its own purchases. In 2007 alone Symrise acquired Steng Ltd., Unilever's UK food business, Aromatics S.A.S and, just recently, Chr. Hansen's flavor business. Each acquisition offers Symrise expertise in different areas: Steng Ltd. bolsters the company's competence in the field of culinary application and provides access to new distribution channels; Unilever's UK food business enables the company to grow its savory capabilities while gaining new competencies, technologies and final recipes; and Aromatics S.A.S. gives Symrise access to natural raw materials such as vanilla, cocoa, coffee and botanical extracts. Chr. Hansen's flavor business is Symrise's largest acquisition to date and allows Symrise to continue expanding its business in the United States, as more than 80% of Chr. Hansen's sales in the flavoring sector came from North America. Additionally, Symrise benefits from the additional production capacity and

Gerold Linzbach

Chr. Hansen's knowledge of development and application technology.

The company has also invested in its facilities over the past year, including a €1.8 million expansion of its beverage production facilities at its Nördlingen, Germany site. The updates include a new pilot plant and a laboratory for its applications and process technology research, enhancing Symrise's ability to produce quality distillates and extracts. Additionally, Symrise broke ground for the construction of a new 30,000-sq-m global citrus center in Sorocaba, Brazil.

In its expansion efforts, Symrise has focused attention on Asia due to this region's growth potential. In mid-2007, the company announced the reopening of its regional research center in Singapore, equipped with statistics programs, rooms for focus groups, panel-training rooms and individual sensory test-booths. Then, just recently, the company opened its new creative center in Shanghai, China, which serves as the regional hub for Northeast Asia, is home to the scent and care division for the Chinese market, and is a consumer research facility. Of the new center, Symrise scent and care global president Achim Daub said, "China is one of the most important growth markets for Symrise. Opening the new creative center in Shanghai is proof of the critical role that the entire Asian market plays in the development of our business."

In addition to investing in its facilities, Symrise has devoted time and energy into creating what Daub described as the "'A-team' of the fine fragrances world," with the addition of four perfumers to the fine fragrance team. Jean-Claude Delville was hired as vice president, senior fine fragrance perfumer, while Stephanus Korver, Richard van Dijk and David Apel were hired as senior perfumers. To motivate and continually inspire its perfumers, Symrise established Perfumers' Academy, an in-house perfumer training program. The tri-level venture aims to educate noses at all career levels, from novice to senior perfumers. As Daub explained, "By establishing the Symrise Perfumers' Academy, we hope to inspire our creative people; we want to give them as much freedom as possible to learn, travel and experiment so that they can, in turn, create innovative, imaginative fragrances again and again."

Following a year that saw overall sales rise 3.7%, Symrise is having a good start to 2008. The company has reported first quarter sales of €338 million, an increase of 2.0% at actual exchange rates and 6.4% in local currency. There are a few challenges to face this year, according to CEO Gerold Linzbach, including the effects of REACH, fully integrating Chr. Hansen's activities, the economic climate and Corporate Social Responsibility (CSR) within the company. However, Linzbach is "confident that our business will grow disproportionately fast: we are therefore confirming the forecasts we made in our 2007 annual report, i.e., sales growth of 5–6% and EBITA growth of 10% on a local currency basis."

> "Huge overhead costs due to rising raw material prices and R&D expenses are encouraging smaller companies to merge with bigger ones."
> *-Business Insights*

5 Takasago

TAKASAGO

2007 sales: $1,112.0 million
Estimated 2007 market share: 5.6%
President, executive president and representative director: Hiroki Take

Takasago has countered slowing domestic demand for flavors and fragrances by making concerted efforts overseas (according to a recent Business Insights report), including the expansion of flavor capacity in Germany, boosting powdered flavoring capabilities in Singapore and revamping fragrance blending in France. This last move will boost Takasago's capabilities in such categories as detergents and cosmetics. The company also plans to grow its sales base in regions such as Eastern Europe and South America.

According to Business Insights, Takasago "seeks to boost its competitiveness as a core supplier by enhancing its technological resources. The company has recently reorganized and set up a new R&D center that will allow Takasago to tap synergies in its R&D activities in flavors, fragrances, and fine and aroma chemicals." In the United States, Takasago has opened a fine fragrance gallery, bringing its perfumers, marketing staff and sales personnel to the doorsteps of key US customers. Meanwhile, the company has begun expanding its l-menthol and menthol derivative production in Japan, raising total yearly volume to 3,000 tons. The company has also invested in its US sensorial center, which is focused on applications for flavor and fragrance sensate chemicals. Finally, Takasago, in concert with Mitsubishi Corp., has acquired Malaysian coffee extract and spray dried coffee expert Dan Kaffee. Aimed at addressing the boom in Asia's coffee market—particularly China—the move grows its service in Asia.

6 Sensient Technologies Flavors & Fragrances

Milwaukee (flavor and fragrance group: Indianapolis)
2007 sales: ~$572 million†
Estimated 2007 market share: 2.9%
Chairman and CEO: Kenneth Manning

Despite a definite downturn in the US economy in 2007, Sensient managed to achieve record growth with revenue reaching $1.2 billion at the year's end. In fact, the fourth quarter 2007 marked the eighth consecutive quarter of growth for the company. For the flavors and fragrances group, revenue for the year increased 6.9% to $783.7 million and broke down as follows (excluding dehydrated flavors): dairy flavors, 20%; savory flavors, 18%; beverage flavors, 10%; other flavors, 10%; confectionery and bakery flavors, 5%; and fragrances, 10%. The revenue benefited from favorable foreign currency translation and from improved pricing and higher volumes. Of the results, Sensient chairman and CEO Kenneth Manning said, "We had an outstanding year. Each of our operating groups contributed to the excellent results, and we expect our businesses to perform well in 2008."

And so far so good. The company has reported revenue for the first quarter 2008 of $307.4 million, an increase of 7.8% from the first quarter 2007. Likewise, the flavors and fragrance group reported revenue for the quarter of $195.2 million up from $180.5 million in the first quarter 2007.


Kenneth Manning

In addition to growing its sales in 2007, Sensient also announced two major promotions. In August, Sensient named Robert Edmonds president and chief operating officer. Edmonds joined the company in 2005 as general manager of food colors, North America. In this role, he was responsible for the profitable growth of the North American food colors unit, the Latin American food colors business and Sensient pharmaceutical technology. As Manning said, "He has contributed significantly to the company's ongoing success and will continue to do so in the future."

In October, Neil Cracknell was named vice president and deputy group executive of the company's flavors and fragrances group. Cracknell joined the company in 1994 as manager of sales and marketing for the colors group in Europe. From there he was promoted twice more before being named president of dehydrated flavors in 2002.

†estimate excludes "dehydrated products" sales not typically considered flavors or fragrances

7 Mane*

Le Bar-sur-Loup, France
2007 sales: $448.7 million**
Estimated 2007 market share: 2.3%
President: Jean Mane

Mane experienced growth of 6.7% in 2007, while investing in international growth. The company is constructing a 135,000-sq-ft flavor plant in Ohio and opened a new flavor and fragrance factory in Shanghai at the end of 2007 The Chinese facility, launched under the Mane (Shanghai) Fragrances and Flavours Co. Ltd. banner, boosts the company's production, development and applications capacities in the region. With operations previously established in Thailand, Japan, Indonesia and India, the company expects its China hub to become the leading affiliate in the region.

In addition to operational improvements, the company is positioning itself in the area of naturals and organics. "You see everything going on in this environment, the uncertainty about climate change and how that influences the choices of consumers," says Michel Mane, president of Mane USA. "They become more and more aware and reflect that in their lives." As ecological concerns increasingly shape consumer choices, Mane's background in naturals is becoming a defining factor. "[Customer] companies are really taking that seriously," Michel Mane continues, noting that Mane has been focused on this end of the spectrum for four generations. Customers are demanding environmentally-friendly and (increasingly) sustainable solutions throughout the entire supply chain. Mane's heritage and current marketplace trends present significant opportunities as it produces new naturals and increasingly integrates its ingredients division with its fragrance group. "We're benefiting from the seamless integration to bring the innovation and ingredients to the fragrance world," says Mane, adding that he believes his company is "uniquely committed to the sustainable development of renewable resources for the benefit of our industry and the consumer." Yet the company is aware of the threat of increased regulations and conflicting natural and organic standards throughout the world. As a company focused on growing its naturals catalog, the confusion that multiple standards and product label programs create is of great concern. "The major problem that prevents us from moving forward as an industry is the fact that we don't have harmonious and common regulatory frameworks in the United States and in Europe for natural and organic," Mane says. Despite these hurdles, Mane sees a customer base that is increasingly ready to bring new naturals into their products in a way that benefits the planet and the supply chain. "It's coming," he says.

*Read our profile of Mane on **Page 32**.
**Results based on a personal communication, John Leffingwell.

8 T. Hasegawa

Tokyo
2007 sales: $448.1 million
Estimated 2007 market share: 2.3%
Chairman and CEO: Tokujiro Hasegawa

Bouncing back from 2006's declining profits, this 105-year-old company was able to grow year-end 2007 revenues 13.62% over 2006 and 10.45% over 2005. In addition, the company was able to reduce the percentage of sales devoted to selling, general and administrative costs from 21.49% to 20.73%, which was a key factor in driving the company's net profit growth. On the flavor side, sales benefited from increased popularity in green tea and black tea in Japan. On the fragrance side, T. Hasegawa chairman and CEO Tokujiro Hasegawa explains that "our sales increased as a result of our fragrances having been adopted for use in several household products of a major Japanese toiletry manufacturer."

Along with increasing sales, a key factor in a company's success is expansion. With locations in Japan, Thailand, the United States and China, T. Hasegawa has strategically placed itself in growth areas. China is one of these fastest growing areas for flavors and fragrances. To capitalize on this, the company is currently building a second production site in Suzhou, China. Additionally, since the Chinese market introduces new product developments by monitoring trends in Japan, T. Hasegawa is well positioned to utilize its technology cultivated through its business activities in Japan. As Hasegawa explains, "We plan to maintain close joint R&D work with our subsidiary in China. We plan to develop products matching the preferences of the Chinese consumers while making use of our Japanese successes."


Tokujiro Hasegawa

While some markets are growing, many are suffering from price hikes due to the increase in raw material costs and oil prices. This is a major challenge for T. Hasegawa, since its customers are emphasizing cutting costs rather than spending on new product developments. To meet this challenge, "the industry needs to come up with new flavor and fragrance molecules that can be used as substitutes for the rising raw materials," says Hasegawa. Additionally, "all companies in the industry will probably face many challenges to devise ways to produce high quality products at cheaper rates." As a company that prides itself on its technology, T. Hasegawa will look to expand its sales through innovation while maintaining its current market share.

So far, 2008 has proven financially challenging for the company. Sales from the first quarter 2008 dropped 7.2% from the same quarter 2007, and in May the company lowered its full-year revenue forecast by 11.35%, from ~$487.68 million to $432.33 million. Despite this, over the next three to five years, the company anticipates attaining 3% total sales growth by increasing its sales in Japan, the United States and Europe. In addition, the company's objectives center on growing its operations in China and Asia and streamlining its Japanese R&D facilities. As Hasegawa explains, "Once our new factory in Suzhou starts opening, we hope to start making plans to build additional production sites in Southeast Asia to further increase our sales in the region." The company is also working on building a consolidated R&D center in Japan that will integrate its existing three centers and strengthen the collaboration of the centers.

9 Frutarom

Haifa, Israel
2007 sales: $368.3 million[a]
2007 Estimated market share: 1.8%
President and CEO: Ori Yehudai

Frutarom enters the 15th year of its rapid-growth strategy as one of the top 10 leaders in flavor. The company is estimated to be number one in flavors in the United Kingdom, and Ori Yehudai has remarked publicly that, over the next two years, "We believe … [we will] become number five or number six in the flavor industry." Already in the last five years the company has seen quarterly sales leap 330%. By 2009, the company is projecting to be a $600-million company.

Growth has been spurred by gains in the flavor and fine ingredients divisions, as well as the strength of Western European currencies, but the boom has been fueled by an aggressive program of acquisitions—seven were made in 2007—in both the flavor and health/wellness/functional ingredients arenas. Marrying its flavor pedigree to consumer demands for natural, healthy, dietary-restricted and functional foods, Frutarom has increased its organic portfolio and focused on clean label capabilities. Many of these new opportunities are a natural fit for the company's beverage and citrus expertise. In addition, as in the case of its purchase of Belmay's flavor business, Frutarom has expanded its global reach in markets such as Singapore, Denmark and Norway.

Ori Yehudai

Less than a month after the Belmay deal, Frutarom acquired UK flavor company Jupiter Flavours, thus sealing its position in that market. Increasing its US presence, the company purchased flavor and fragrance ingredient firm Abaco and folded it into the fine ingredients division. When Frutarom bought Raychan Food Industries, it added flavor ingredient and compounding expertise, savory flavor technology, functional products and potential for markets such as Eastern Europe and Turkey. Frutarom added more savory expertise, particularly in the areas of seasoning compounds, processed meats and convenience food, when it acquired sister companies Gewurzmuller and starter culture specialist Blessing Biotech. In addition, the company added to its natural extracts portfolio with the purchase of RAD Natural Technologies.

Moving forward, the company is focusing on the use of extracts such as green tea, schisandra and ginseng in applications including confectionary, dairy, nutrition bars and beverages for "vitality characteristics." In addition, the company is making adjustments to its selling prices as the cost of raw materials rises. And, as consolidation activities are completed, profitability is expected to jump significantly.

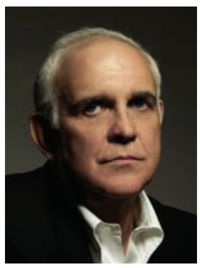
[a] Assuming its acquired companies were consolidated as of Jan. 1, 2007, full-year sales would have totaled $431.5 million, a 50% gain, year-over-year.

10 Robertet

Grasse, France
2007 Sales: $352.1 million[a]
Estimated 2007 market share: 1.8%
Chairman and CEO: Philippe Maubert

In 2007, Robertet grew its sales by 9%, with results roughly breaking down into flavors (50%), fragrances (35%) and raw materials (15%). Already with a stake in Charabot, Robertet has grown its materials segment by investing in organic and fair trade essential oil specialist Plantes Aromatiques du Diois. Yet it's Robertet's overseas activities that are worth noting, as 85% of its sales come from outside France.

Robertet's US presence has been steadily increasing for the last two years, highlighted last year when it unveiled its Manhattan creative center. The company is following this up by opening a pair of flavor facilities there by the close of 2008. The company has said that this growing investment is directly related to its positive performance in the market and comes less than 10 years after the founding of the US flavor headquarters. Boosting large-scale liquid production and dry blending capacities (powdered products capacity—including dry tea blending—is expected to triple), the company is moving to prolong the momentum, most recently reflected in its win for Ocean Spray Supplier of the Year.



Philippe Maubert

[a] Figure includes Charabot sales as of the fourth quarter of 2007.

Cargill (Flavor Systems)

Minneapolis (flavors—Cincinnati)
2007 sales: not available
Chairman and CEO: Gregory Page

For the second year in a row, Cargill appears among *P&F* magazine's top flavor and fragrance companies. After making some prime acquisitions in the last couple of years (Duckworth Flavors and Degussa's flavor ingredients division), Cargill's Flavor Systems unit is now one of the largest contributors to the company's overall growth. In fact, with Cargill's 2007 revenue rising 17% to reach $88.3 billion, the company experienced its fifth consecutive year of record earnings. Of the results, Cargill's ex-chairman Warren Staley said, "The company's business diversity and global reach, our solutions approach to serving customers, and our team's ability to manage supply chains and price risk in fast-changing markets were responsible for today's results."

Staley, having reached the mandatory retirement age of 65, stepped down as chairman and CEO in 2007 and was succeeded by Gregory Page. After joining Cargill in 1974 as a trainee, Page held various positions in the company working his way up until he was named president and COO in 2000. This isn't the only major management change that Cargill has witnessed in the last year and a half. Just recently, in May 2008, Cargill's board of directors elected David MacLennan as chief financial officer. MacLennan succeeds the late William Veazey, who passed away May 16. Since he began his career at Cargill in 1991, MacLennan has held several management and financial positions, including director and chief financial officer of Cargill Financial Services Corp.

With a new leader at the helm, Cargill is looking to continue its record growth by developing new products in 2008. At press time, the company's flavor division was preparing to show some of its latest flavor launches, including a natural cream flavor and specialty cheese flavors, at the IFT 2008 Annual Meeting and Food Expo.

In addition, Cargill, in partnership with The Coca-Cola Company, has recently developed rebiana as a natural, zero-calorie ingredient which will be marketed by Cargill under the brand name Truvia. Rebiana is derived from the leaves of the stevia plant and is said to be 200 times sweeter than sugar. It is likely that along with introducing it as a table top sweetener, Cargill will promote its use in a variety of other foods. Coca-Cola is expected to utilize Truvia in its diet beverages. Of Truvia, Cargill health and nutrition president Marcelo Montero said, "This is a significant milestone for Cargill's emerging zero-calorie sweetener business with application across food, beverage and tabletop products."

Mastertaste*

Teterboro, NJ
2007 sales: not available
President and CEO: Kevin Lane

Although Mastertaste (recently divided into two separate flavor and fragrance entities) hasn't made any acquisitions since its 2004 purchase of Aromatic Fragrances and Flavors International, the company has made internal advancements. Mid-last year the company introduced its flavor modification technology that includes salt modulation and sweet/beverage modulation. This introduction reflects the growing importance of health and wellness in the flavor and fragrance industry. As Jim Egan, director of communications for the newly minted Kerry Ingredients & Flavors, explains, "As consumers take more responsibility for managing their own health and wellness, new flavor profiles are reflecting dietary concerns such as sugar intake, heart health and delivery of essential vitamins and nutrients—areas which we are supporting through new flavor and technology initiatives."

As for fragrance, the company's Manheimer division has focused its effort on creating natural and/or organic fragrances. To this end, the company recently formed a partnership with Dierbergers SA, an organic farm and essential oil producer in Sao Paulo, Brazil. In addition, Manheimer collaborated with Estée Lauder's Origins brand to launch Origins Organics, the first USDA-certified skin care line. The collection was this year's recipient of The Fragrance Foundation's FiFi award for technological breakthrough of the year, as well as best new bath and body line.

As previously mentioned, the company has reorganized the flavor side of it's business, bringing together flavors, ingredients technology and application expertise into one integrated organization dubbed Kerry Ingredients & Flavours. According to Egan, "The newly aligned organization combines the strengths of our technologies and market teams—including such diverse competencies as culinary-trained R&D application technologists, certified flavorists and bio-scientists—into one organization. This is helping us provide customers with increased technical creativity and industry-leading product quality." Manheimer Fragrance will remain a separate brand, with a focus on home-environment and personal care applications.

In the short-term future, it looks like Kerry will once again focus its attention on expansion. The company is planning to build a customer innovation center in Beloit, WI. Slated to open in early 2009, the new facility will house customer application suites, research and development labs, culinary facilities, sensory services and a pilot plant dedicated to customer product commercialization. Additionally, after almost four years with no acquisitions, inorganic growth could again be in the cards. Of the company's goals over the next three to five years, Egan says, "Strategic acquisitions will continue to be a means of achieving medium- and long-term goals across the business."

*Moving forward, Mastertaste's components will operate under two separate banners, Kerry Ingredients & Flavours and Manheimer Fragrance.