EUROMONITOR INTERNATIONAL

Changing Consumer Demands Around Reformulation for Health: Prioritising Salt Reduction

March 2011

Scope

Health and Wellness Food and Beverages 2010
US$574 billion

- **Organic** — US$27 billion
- **Fortified/ Functional** — US$161 billion
- **Better for you** — US$155 billion
- **Naturally healthy** — US$223 billion
- **Food intolerance** — US$8 billion

Disclaimer

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Objectives of global briefing

- The core objective of this report is to examine the sales performance and prospects for better for you (BFY) reduced salt food between 2005 and 2015, highlighting the opportunities and challenges these products face.

This briefing:

- Explains why the World Health Organization (WHO) has initiated a global movement to reduce salt content in packaged food;
- Outlines the reasons for the growing offer of products low in sodium;
- Gives an overview of the global performance of key countries and companies;
- Outlines the main challenges the food industry faces in order to achieve WHO targets;
- Highlights the growth markets of the future.

This is embedded in examination of the sales performance of BFY reduced salt food across the following categories:

- Ready meals;
- Soup;
- Other food.

Key findings

BFY reduced salt: a healthy market globally	Reduction of salt intake is one of the key health and wellness drivers, with sales of BFY reduced salt food outperforming the whole of BFY packaged food over 2005-2009 with a CAGR of 5.8%.
The US dominates the world in terms of sales	North America's battle against salt is being led by the US thanks to Michael Bloomberg's "National Salt Reduction Initiative (NSRI)" which co-opts food manufacturers, states, cities and health organisations in order to reduce salt in food by 20% by 2015 in the US.
The UK was once at the forefront of the battle against salt	The UK for the past 10 years has been one of the world's leading countries in terms of salt reduction. However, due to financial cuts made across healthcare, the government has reined in its proactive policies and cut funding to raise campaign awareness.
Australian seal of approval boosts consumer confidence	In Australia, the National Heart Foundation has pushed manufacturers to reformulate their products in order to meet the foundation's requirements in terms of fat, sugar and salt content and get the foundation's "tick" displayed on packaging, proof of a healthy product.
A strategic choice to be made	Many consumers tend to believe that a product low in salt often results in a product low in taste. It leads manufacturers to make a strategic choice, positioning their product as low in sodium and risk losing market share, or reducing salt content without mentioning it.
Saltiness and growth in demand: path to commercial success	A commercial opportunity lies in providing BFY reduced salt options for products which originally had a high perception of saltiness and for which there is growing demand. Savoury snacks such as crisps and nuts are a perfect example of such a combination.
Bakery products: an opportunity for public health	Unlike savoury snacks, bakery products do not have a high perception of saltiness despite having high sodium content. Efforts to reduce salt will have to be made but not advertised, as consumers may not see any point switching to a low sodium option.
Global sales expected to keep growing	Global sales of BFY reduced salt food are expected to keep growing over the forecast period, mainly fuelled by BFY reduced salt soup and other BFY reduced salt food. The region of the world that will see the highest growth will be North America.

Overview and performance of BFY reduced salt food

BFY global performance

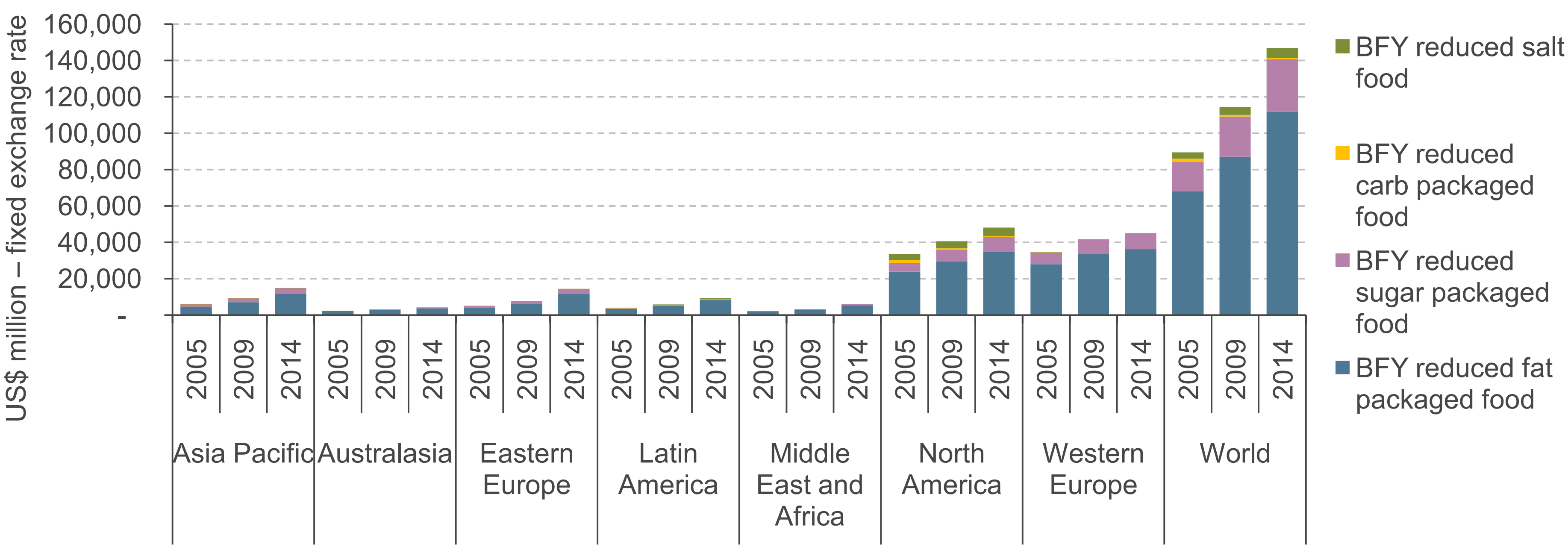
Facts about salt reduction

Reduced salt soup, ready meals and others by region

Better for you in the world: A healthy market

- Globally, in 2009, the health and wellness better for you (BFY) market represented almost US$155 billion, over US$114 billion for BFY packaged food and almost US$41 billion for BFY beverages.
- Despite the attractiveness of new, fashionable categories in health and wellness such as functional food, BFY remains the largest, growing steadily across all its formats, with the exception of BFY reduced carb, for which people have lost interest since the end of the Atkins diet craze which ended in 2005.
- Weight management is the main driving force behind sales of BFY products. Combined together BFY reduced fat, BFY reduced carb and BFY reduced sugar represents over 95% of the entire BFY packaged food market. However, weight management is not the sole motivation for people who buy BFY products, there is also a desire to reduce the risk of coronary heart disease (CHD) and other diseases related to high cholesterol and overweight.
- Unsurprisingly, the Western world is the main consumer of BFY packaged food, mostly due to the high concentration of overweight people and higher disposable incomes.

BFY Packaged Food Retail Value – Global Performance 2005/2009/2014



BFY reduced salt food: Global performance at a glance

- Globally, BFY reduced salt food performed well between 2005 and 2009.
- In 2005, retail value RSP was US$3.5 billion, which equated to 3.7% of the US$93 billion posted by the entire BFY packaged food category the same year.
- Five years later, in 2009, global sales of BFY reduced salt had increased by 25% to reach US$4.3 billion. This translated to a CAGR of 5.8% between 2005 and 2009, marginally outperforming the whole BFY packaged food category, which recorded a CAGR of 5.4% over the same period.
- The category saw its peak in performance in 2008, posting impressive growth of almost 11% driven by strong performance in North America.

BFY Reduced Salt Food Retail Value – Global Performance 2005-2009

A market overly dominated by the US

- All the categories of BFY reduced salt food are overly dominated by North America; it represented more than 87% of global market value in 2009, with US$3.8 billion, followed by Latin America with almost 8% of total market value.
- Western Europe comes only third with a total retail value of US$117 million in 2009, a small fraction of the North American total. However, it has considerable development potential thanks to an impressive 95% growth rate between 2005 and 2009. The North American market grew some 21% over the same period of time.
- Asia Pacific claimed a healthy growth rate of 33% over this same period, however, with a retail value RSP of just over US$1 million in 2009, it remains quite insignificant on a global scale.

BFY Reduced Salt Retail Value RSP 2009 and % Growth 2005-2009 per Category per Region

	BFY reduced salt food		*Reduced salt ready meals*		*Reduced salt soup*		*Other reduced salt food*	
	Retail value RSP - US$ million 2009	**% growth 2005-2009**	**Retail value RSP - US$ million 2009**	**% growth 2005-2009**	**Retail value RSP - US$ million 2009**	**% growth 2005-2009**	**Retail value RSP - US$ million 2009**	**% growth 2005-2009**
Asia Pacific	1.2	32.8	0.4	38.7	0.3	153.6	0.4	-8.0
Australasia	76.0	62.1	64.2	69.2	11.8	31.9	-	-
Latin America	341.6	49.6	1.6	1.0	11.1	346.2	329	46.7
North America	3, 793.1	21.4	283.6	5.9	1,703.8	267.9	1,805.7	-24.6
Western Europe	116.6	95.1	1.7	31.5	14.4	93.5	100.5	96.9

Definitions based on product positioning

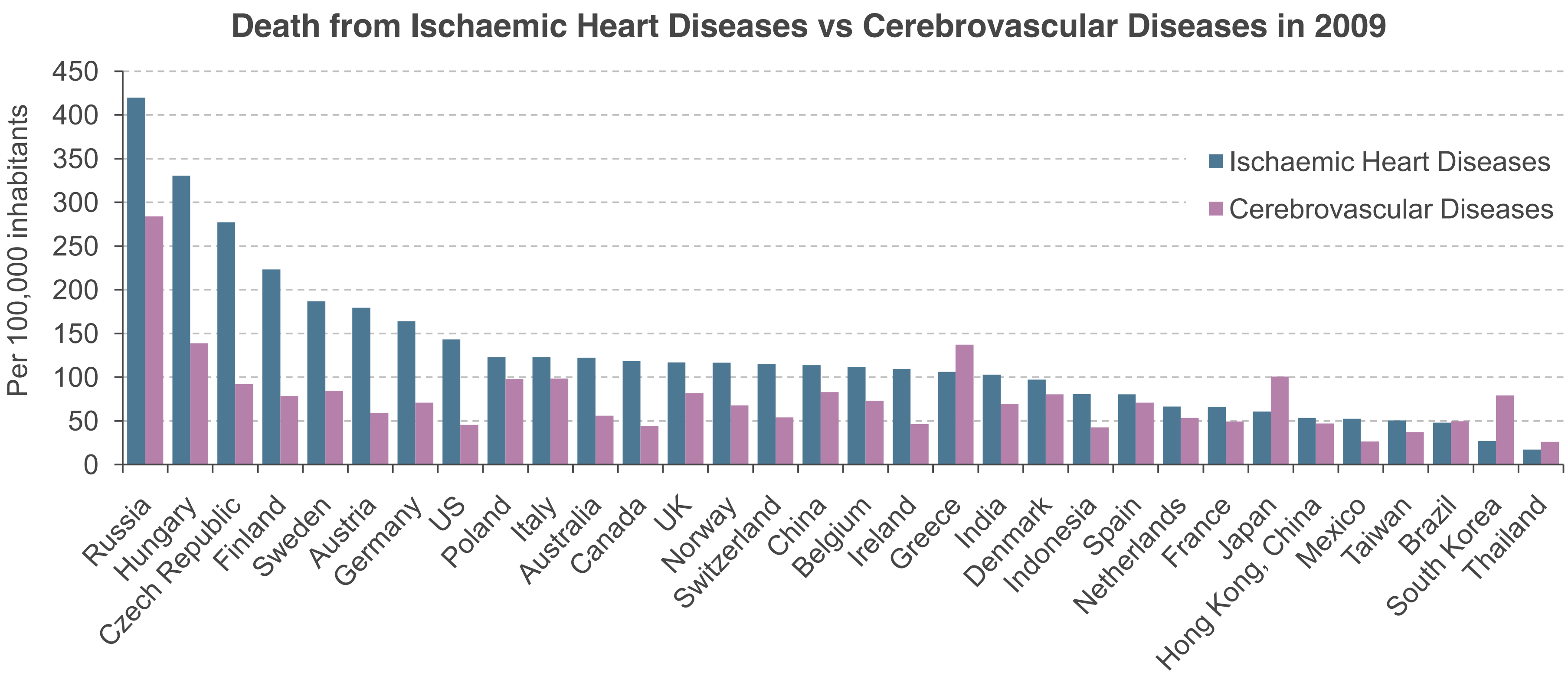
- Euromonitor International bases its research on product positioning. For a product to be considered Better For You (BFY), two conditions must be met:
  - There should be a reduction of an ingredient that is bad for the health compared to a standard formula, for example, less sugar, less fat, fewer carbohydrates or less salt;
  - The product needs to be positioned as “better for you”, meaning that the reduction of the ingredient needs to be clearly stated on the product packaging.
- Take the example on the right, the standard “Fanta” pictured top right contains sweeteners, which means that the sugar content is reduced compared to what it could be. However, there is no mention of this reduction on the packaging, therefore it is not included in Euromonitor International data.
- On the other hand, “Fanta Zero”, pictured bottom right, is clearly positioned as a healthier alternative to standard “Fanta” with a claim that zero sugar was added. Therefore “Fanta Zero” is included in Euromonitor International data as a BFY reduced sugar beverage.
- Similarly for salt, for a product to be included in BFY reduced salt, the reduction has to be mentioned on the product’s packaging. It could for example be stated as “Low Salt”, “25% Less Salt”, or “Low in Sodium”.

Fanta (with sweeteners): Regular

Fanta Zero: BFY

High salt intake: A threat for human health

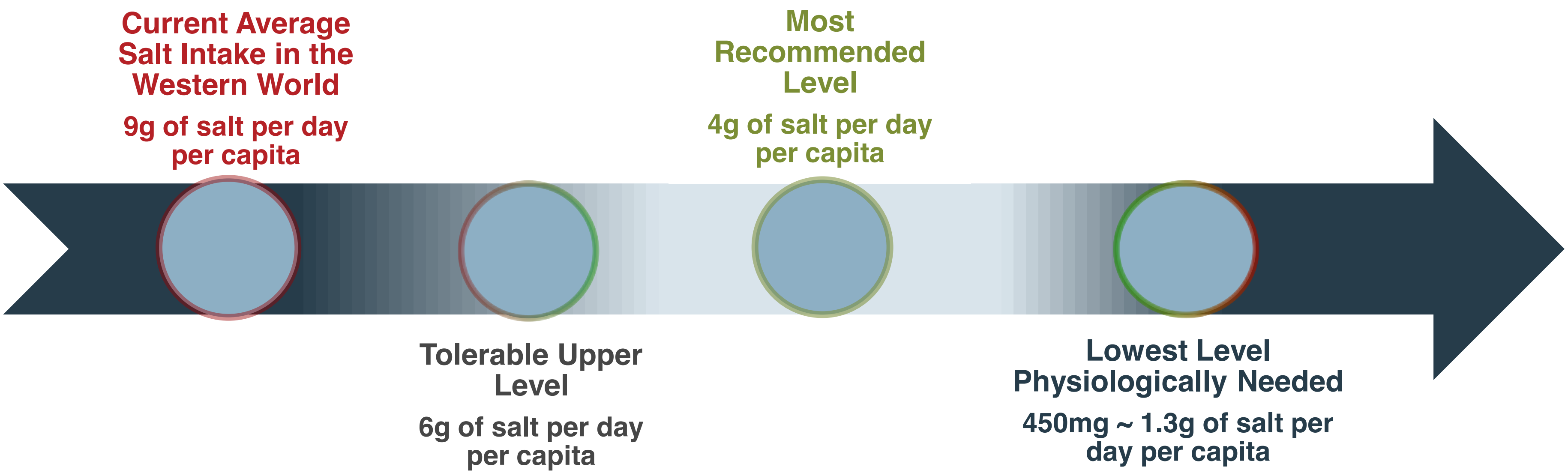
- According to the World Health Organization, 13% of deaths globally can be attributed to high blood pressure, commonly referred as hypertension. Blood pressure is said to be high when it reaches levels of over 140/90 mmHg (systolic/diastolic). In most countries, ischaemic heart disease (strokes) is the most prevalent type of cardiovascular disease, except in some Asian countries such as Japan or South Korea. According to a British study, 62% of ischaemic heart diseases and 49% of cerebrovascular diseases (heart attack, CHD) are attributed to hypertension.
- It is commonly accepted that salt is the major factor that increases blood pressure. It is estimated that reducing salt intake to 6g per day could prevent 2.5 million deaths globally every year, decreasing the risk of strokes by 23% and the risk of CHD by 17%. In the UK, average salt consumption in 2009 was 9.5g/day and in the US it was 9g/day, some three grams above the recommended level.



Salt, not a black and white issue

- Despite all the criticism globally faced by sodium chloride, the issue is not that simple. Salt is absolutely necessary to human life, it allows the body to perform a wide array of essential functions such as maintaining the fluid in our cells or generating and transmitting electrical impulse in our nerves and muscles. Without salt, there would be no life.
- Also, even if there is a wide consensus in favour of reduction in salt consumption, some salt advocates such as the sodium chloride manufacturers argue that the scientific studies behind this movement are insufficient and that cutting back on salt by certain groups of people such as the elderly, pregnant women or athletes could actually be harmful.
- Indeed, according to the sodium chloride industry, only people already suffering from hypertension should consider reducing their sodium intake as part of their treatment and only following medical practitioner recommendation.
- Unsurprisingly, the view of those actively involved in the salt trade is biased, even if supported by a few scientific studies, they need to be carefully judged, but it is nonetheless essential to know the two sides of the story when dealing with a matter of public health.
- Salt is not a white and black issue; at high dose, it is undoubtedly harmful, but it is also essential to the body's normal function. It is important to educate people about the dangers of overconsumption without demonising salt as a nutrient.

How Much Salt is Healthy?



A global movement backed by WHO

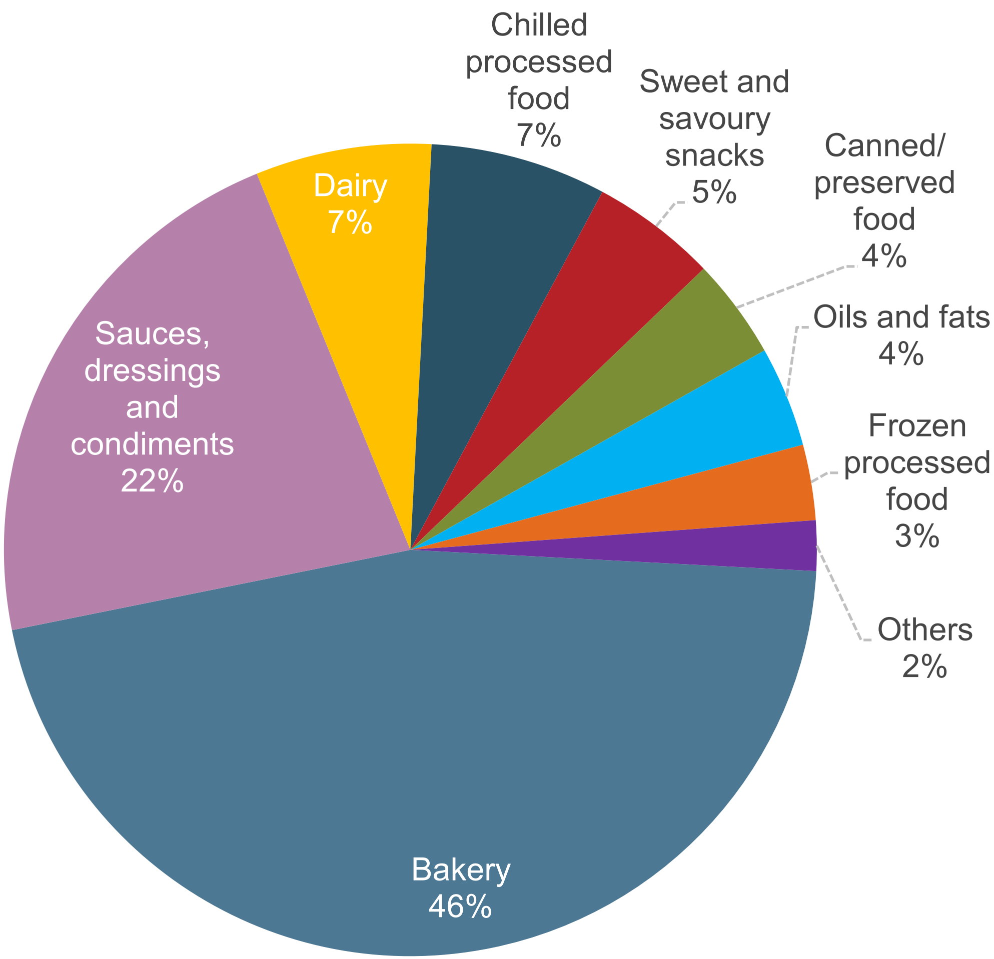
- The World Health Organization (WHO) is leading a global movement towards salt reduction in food, supported by many associations such as WASH (World Action on Salt and Health, www.worldactiononsalt.com).
- Most developed countries are actively involved in this movement. It is clear proof that the market for BFY reduced salt products offers massive commercial potential globally.

COUNTRIES ACTIVELY INVOLVED IN SALT REDUCTION

Salt as a key food ingredient

- According to Euromonitor International ingredients data, 4.1 million tonnes of salt were used globally in packaged food in 2009.
- The bakery industry is by far the biggest user of salt with annual consumption of almost 1.9 million tonnes (46% of the total), followed by sauces, dressings and condiments.
- Salt has three functions in food:
  - Processing and Product Quality: Salt concentration has different effects on food; it impacts the texture of bread, making dough easier to handle by hardening and tightening it. It also contributes to water and fat binding in meat products;
  - Taste Perception: Not only does salt taste good, it also heightens the flavour of other ingredients such as butter, flour or even sugar;
  - Preservation: Salt has been widely used as the main traditional method of preservation for food. It has been referred to as the first antibiotic because of its microbiological degradation properties; shelf life and safety are greatly increased as the salt concentration increases.

Sodium Chloride: Volume Used in Packaged Food by Category 2009

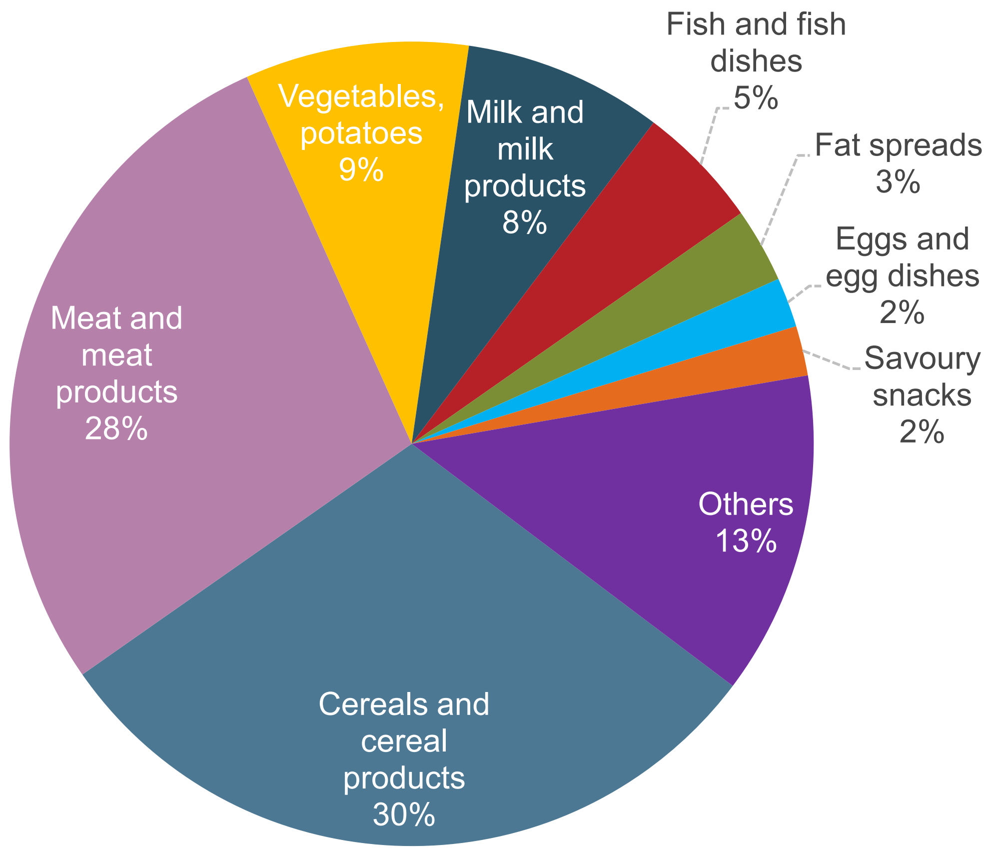


Source: Euromonitor International Ingredients

Nine grams of salt a day: Where does it all comes from?

- According to Functional Ingredients magazine, in 2010, 80% of the salt consumed in a day was to be found in packaged food, while the remaining 20% was added by consumers at the moment of consumption.
- The chart below shows the contribution of different food categories to the daily sodium intake of an adult in the UK in the 80% not added by the consumer.
- The main source of sodium for an adult aged 19-64 years is cereals and cereal products. This category includes the two major sources of salt, pasta and rice, and white bread. This is perhaps unsurprising given that salt is an essential constituent of bread.
- Second comes meat and meat products, with bacon and ham leading the category. Once again, this is readily attributed to the fact that bacon and ham are cured meat which means that they have been preserved with salt, inevitably increasing their sodium concentration.
- Sauces, dressings and condiments along with soups and pickles are included in "Others".

Percentage Contribution of Food Types to Average Daily Sodium Intake, UK Population Aged 19- 64 Years



Source: National Diet and Nutrition Survey, UK, 2008-2009

Ways of reducing salt without compromising taste

- It is possible to reduce sodium levels to a certain extent without compromising product taste and shelf life. A commonly accepted way of lowering sodium content involves three stages:

1/ Reduction by Stealth

It is possible to reduce sodium content by up to 15% without significant noticeable effect on taste.

2/ Add Salt Replacers

Potassium chloride is a viable alternative to sodium. It offers saltiness without a negative effect on blood pressure. However, at a certain concentration it becomes bitter, therefore it is not possible to replace all sodium content with potassium chloride. This is not the only salt replacer available; magnesium chloride could be another option.

3/ Add Salt Enhancers

It is possible to add substances that restore the sensation of saltiness and rebalance the taste of the product. The salt enhancers available and most commonly used are mainly yeast extracts. Companies may also add botanical derivatives, monosodium glutamate (MSG), organic acids or peptide complexes in order to achieve the same result.

Introduction

Overview of Better For You (BFY) Market

Countries and Companies Insight

Outlook

Appendix

Three examples of regional development and company focus

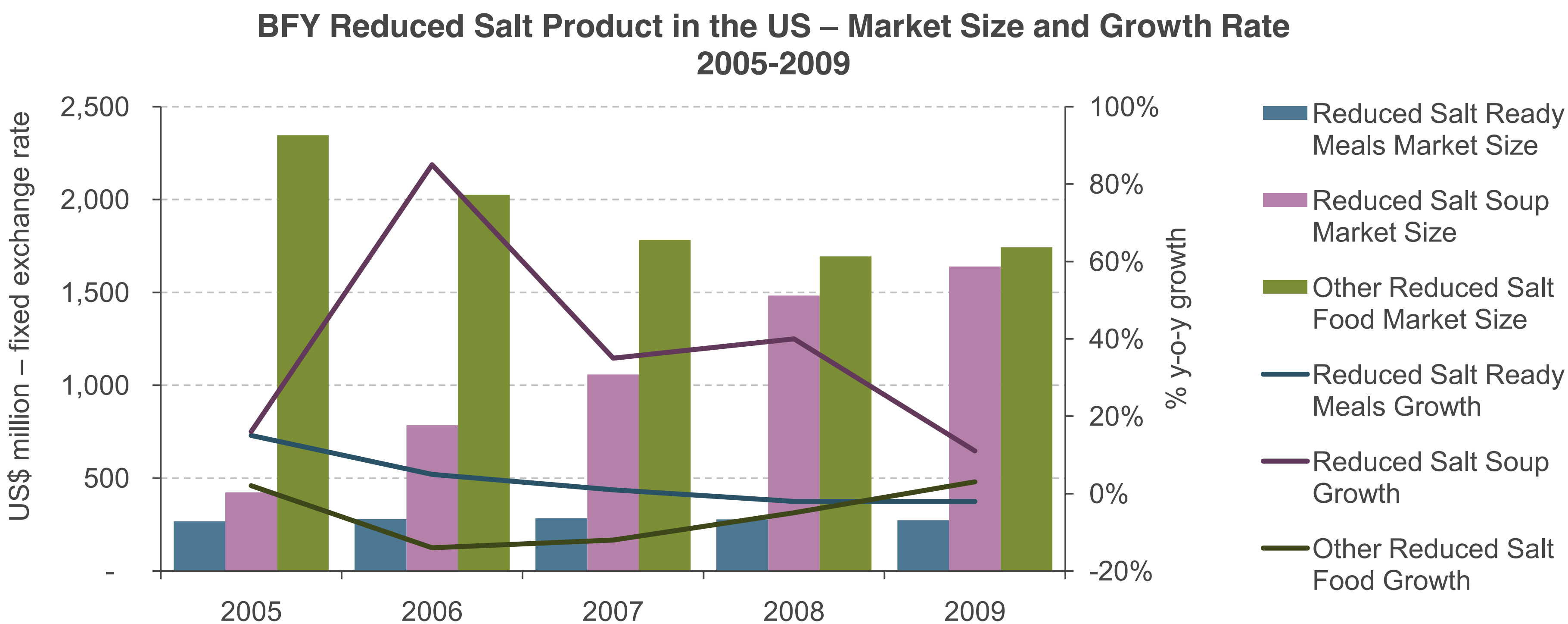
US

UK

Australia

US: A market driven up by two soup manufacturers

- Reduced salt ready meals sales accounted for US$274 million in 2009, 2% down from the previous year. During the same period, regular ready meals sales increased by 4%.
- This weak performance is explained by a price tag generally higher than conventional products and a perception that reduced salt ready meals tend to lack taste in the eyes of American consumers.
- This decline in sales could have been even more dramatic, if it were not for the NSRI which started to educate the American public about the necessity of cutting sodium intake.
- Reduced salt soup has been performing much better than the rest of the category, reaching sales of US$1.6 billion in 2009, which represents an increase of 11% compared to 2008. Two major manufacturers are responsible for the surge in interest in BFY reduced salt soup. Campbell Soup and General Mills have continued to focus their efforts on healthier ranges with less sodium and less fat, driving the whole market upwards.



US: A movement lead by private initiative

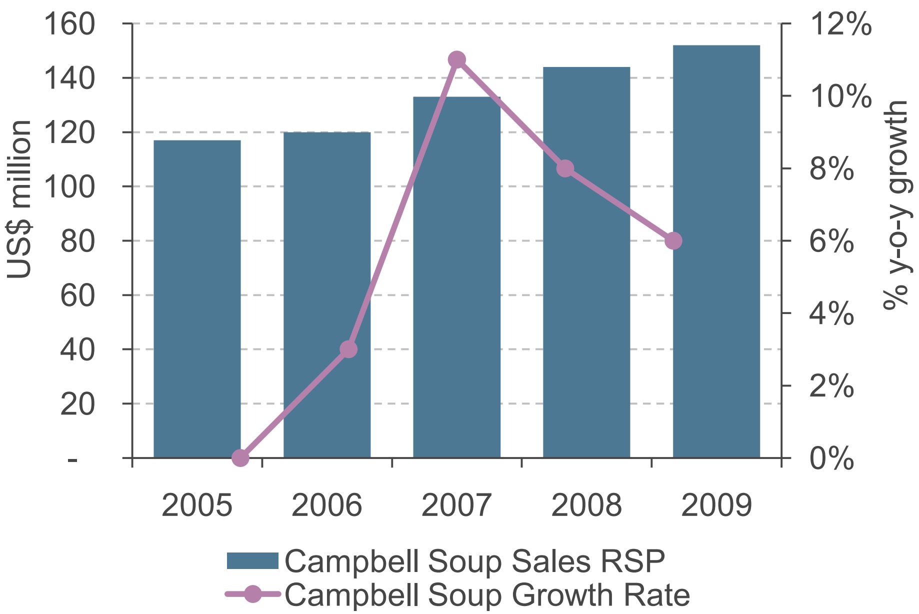
- Salt reduction has become a major issue in the US, but, as of January 2011, there is still no regulation in place.
- There is a federal government nutrition guideline which advises consumers how much salt is safe to eat, but this is for guidance only, and is not a regulation.
- The US Department of Health and Human Services released in February 2011, the 2010 edition of its dietary guidelines, a publication that is released every five years. In the document, the government agency maintains its 2005 recommendation of 2,300mg of sodium per day per capita, and 1,500mg of sodium per day per capita for people who are 51 years and older, and those of any age who are African American or suffer hypertension.
- However, current mayor of New York City, Michael Bloomberg, has taken the matter into his own hands. After succeeding in banning trans-fats in New York restaurants, he has launched a public/private initiative called National Salt Reduction Initiative (NSRI) to actively reduce salt intake in the US.
- It comprises a partnership between 39 American cities and states, 18 national health organisations, food manufacturers and restaurant chains, which aims to reduce sodium intake by up to 20% by 2015, targeting 62 packaged food and 25 restaurant food categories.
- In January 2011, Wal-Mart announced during an event attended by Michelle Obama that it plans to push its suppliers to reformulate thousands of their packaged food items in order to reduce sodium content by 25% by 2015.
- This is a voluntary initiative and does not represent at any point a regulatory measure. However, NSRI is fully backed by the Obama administration, and federal agencies such as the FDA are aware and supportive of this initiative.
- As of January 2011, 22 major food companies have joined the movement, including manufacturers, supermarkets and restaurants chains.
- These 22 companies include:

Au Bon Pain	Delhaize America	Hain Celestial	Heinz	Kraft
Mars Food US	McCain Foods	Starbucks	Subway	Unilever

US: Campbell's soup

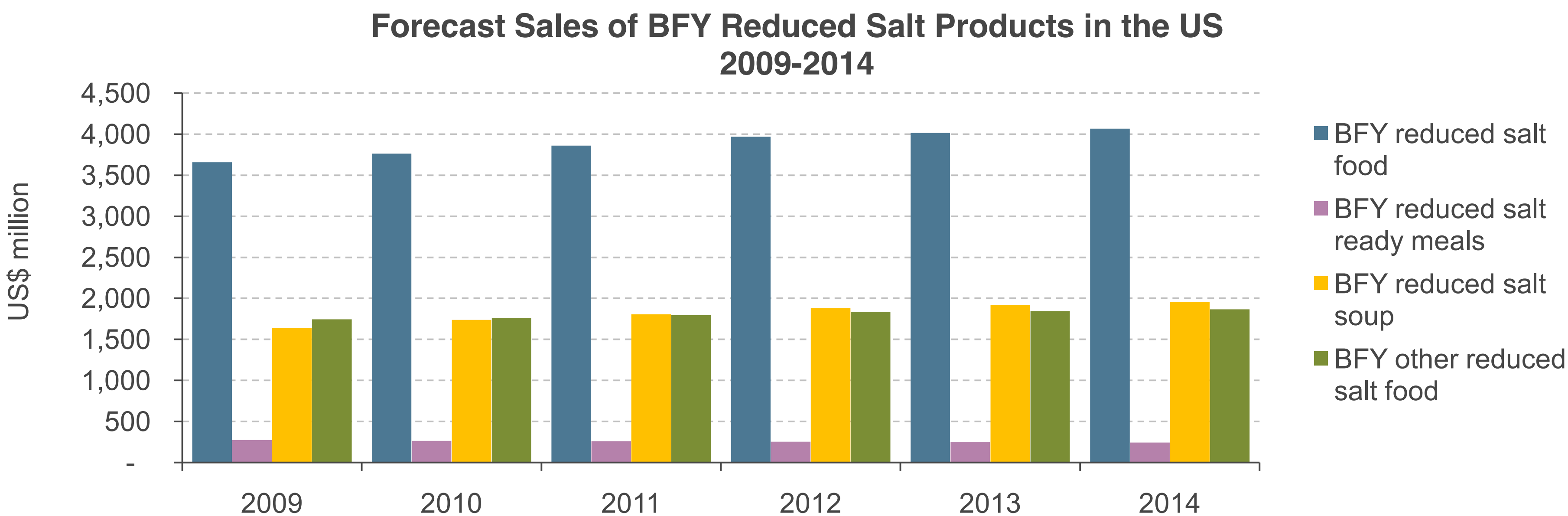
- Campbell Soup Company is at the forefront of reducing salt content in the US. The company is focusing on providing products with lower content in fat but mostly sodium. Its sales of reduced salt soups reached almost US$160 million in 2009, up 6% on the previous year.
- By 2013, the manufacturer hopes that 99% of its volume sales will comprise low sodium products by offering over 150 different varieties of product low in salt.
- However, the change is being made slowly and discreetly as the company does not want to scare its customers who may be concerned about by possible compromises on taste.
- In order to achieve this target, Campbell's soup has developed proprietary technology using a blend of sea salt crystals which increase the perception of saltiness while tangibly reducing the sodium content.
- Apart from a range of three products clearly positioned as reduced salt, the rest of its range, despite being low in sodium, is not positioned as such for the reasons cited above; therefore sales of these products are not included in Euromonitor International data.
- In conclusion, even if the company is planning to offer the majority of its products with a lower salt content by 2013, sales of these products will not be reflected in Euromonitor International data, therefore the growth rate of BFY reduced salt soup for Campbell's is expected to stay below the 10% mark.

Campbell Soup Sales and Growth Rate 2005-2009



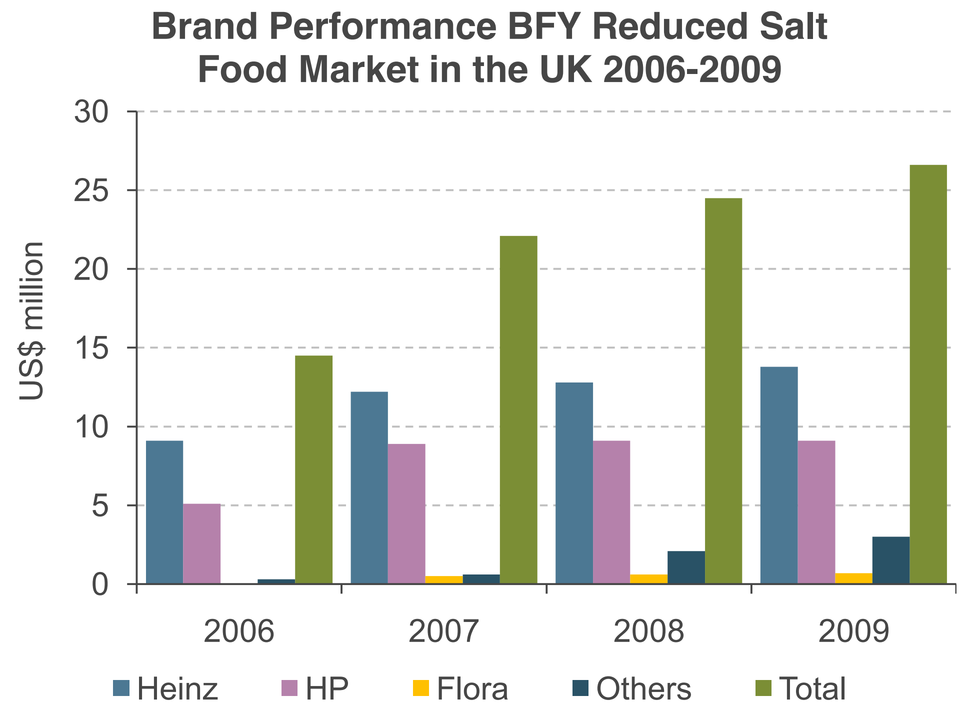
US: A bright future for low salt advocates

- With the NSRI gaining more and more momentum and public support, it is now very likely that salt reduction will become the next key health issue. A bill has been introduced in New York City to try to ban use of salt in the city's restaurants. While this proposition has been seen as unrealistic, it should not be forgotten that a nationwide movement which saw trans-fats banned from all restaurants nationwide originated from this exact same location.
- However, trans-fats are unnatural and can easily be replaced in food, whereas salt is a necessary component of life and enforcement of such a rule is likely to be problematic.
- In addition, the FDA confirmed that it would not regulate sodium content in US food supply, so all initiatives will have to be voluntary.
- As with Campbell's soup, most manufacturers will start offering more and more products with reduced sodium content without necessarily marketing them as such. This means that in the years to come, the market size for products positioned as reduced salt is unlikely to increase as much as the offer for such products.
- Euromonitor International estimates that by 2014, the market for BFY reduced salt food should be worth just over US$4 billion, following a CAGR of 2.2% over 2009-2014.



UK: Healthy growth fuelled mostly by one manufacturer

- Between 2006 and 2009, the BFY reduced salt food market increased significantly in the UK, reaching almost US$27 million in 2009 up from almost US$15 million in 2006.
- This healthy growth can be attributed to Heinz. The company made significant efforts to release products with reduced salt content, such as its baked beans range and sauces such as HP and its tomato ketchup.
- However, consumers have shown that they are often reluctant to buy food with reduced salt content for fear of a significant loss in taste. One of the consequences of this, is that manufacturers are willing to meet the FSA targets in terms of salt reduction but do not want to advertise this reduction on their product packaging for fear of seeing consumers switch to another brand which "apparently" has a standard formula.

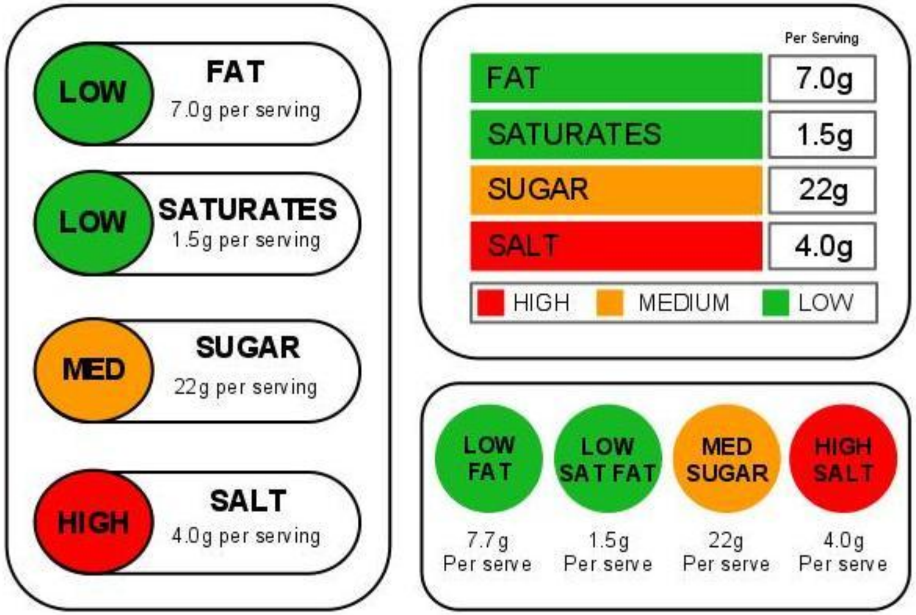


- According to the FSA, in 2009, most major food manufacturers reached their targets in terms of salt reduction. For example, Birds Eye ready meals now all contain less than 2g of salt, Mars has achieved a salt reduction of up to 35% across its Dolmio and Uncle Ben's ranges, PepsiCo has lowered the sodium content by between 25% and 55% on its Walkers crisp and other snacks, and so on. Nevertheless, none of the products listed above make any mention of this sodium reduction on their packaging.
- The FSA recommendations create another set of targets for 2012 and 2015, which means that more and more food products available to consumers will have low sodium content. However, the BFY reduced salt food category will register only small growth over 2009-2014 with a CAGR of 3.5% as the products will face considerable difficulty differentiating themselves from standard products and will struggle to justify their existence.
- A product positioned as "reduced salt" will become more than ever simply a marketing tool designed to lure the customer into thinking they are choosing the healthier option when this choice may be open to argument.

UK: Guidelines and front-of-pack labelling

- In July 2008, the EU released a framework on salt reduction initiatives which encouraged Member States to make effort to achieve a reduction in sodium content in food of 16% by 2011, leaving Member States free to decide how to reach that target as long as they select at least five different categories of food for their national plan.
- The UK government is heavily involved in the global movement towards salt reduction.
- The Food Standards Agency (FSA) and Department of Health have put in place a programme in order to reduce daily intake of sodium from the current level of 9.5g/day down to 6g/day as per World Health Organization recommendations.

Example of Traffic Light Labelling System

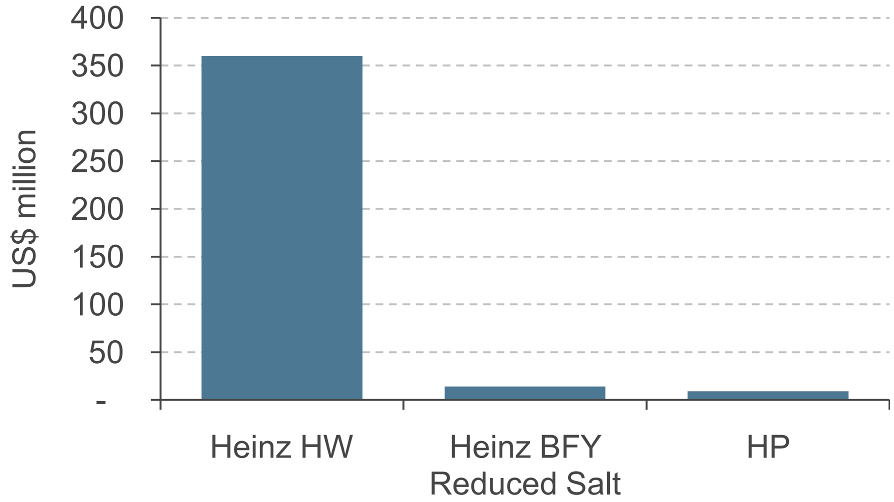


- The FSA has decided on three main points to implement in order to reach that target:
  - A public campaign aimed to educate people about the negative effects salt has on health and how to reduce their daily intake;
  - Working with the food industry in order to reduce the non-culinary salt content in packaged food by setting targets manufacturers will have to reach dependent on their industries and a given timeline;
  - A new system of front-of-pack labelling to provide consumers with a quick and easily understandable way of knowing how much salt (and other nutrients) are inside the products they are looking at. This system, commonly referred to as the “Traffic Light System”, shows nutrient content by assigning it a colour, ranging from green for low content to red for high. High is more than 1.5g of salt per 100g, while low is 0.3g or less of salt per 100g.
- A strong incentive has been created by the FSA, as companies reaching its targets will be praised while those failing will be “named and shamed”.

UK: Heinz, a manufacturer actively involved since day one

- Heinz has been actively working on salt reduction since the 1980s.
- In 2002, the FSA started to work on project Neptune aimed at lowering salt in food. Heinz, which had already started to lower the sodium content in its products, was one of the first companies to join the FSA initiative.
- According to Heinz, its involvement in salt reduction means that by 2009, it had already lowered the sodium content in its soup by 39%, 40% in its baked beans, 51% in its HP Brown Sauce and up to 63% in its pasta shapes and sausages.
- In 2009, sales of Heinz products positioned as BFY reduced salt reached US$23 million in the UK. This amounted to 6.4% of the total health and wellness value sales recorded by Heinz in the same year.
- In 2009, Heinz's "Healthy Beans" and its "Tomato Ketchup Reduced Salt and Sugar", accounted for US$14 million of the US$23 million. The remainder was made up by "HP Brown Sauce Reduced Salt & Sugar" which recorded sales of just over US$9 million in the same year.
- In September 2010, Heinz showed further progress by releasing a new range of four reduced salt soups, claiming to contain 25% less sodium than standard recipes.
- Similar to the rest of the company's "reduced salt" range, the products feature a distinctive light blue label.

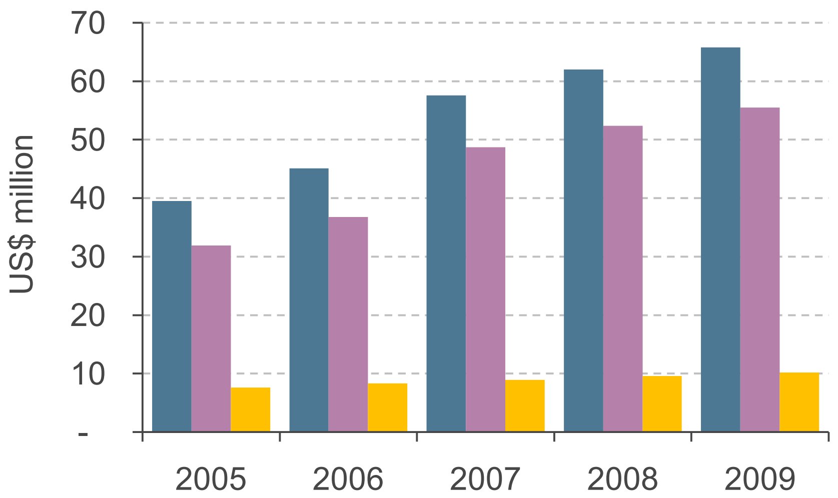
Heinz BFY Reduced Salt vs Health and Wellness 2009



Australia: Healthy growth coming from ready meals

- The Australian BFY reduced salt food market was worth US$66 million in 2009, up 6% from the previous year. Growth is clearly fuelled by reduced salt ready meals which in 2009 represented 84% of total value sales of BFY reduced salt food products.
- The reason behind the prominence of ready meals is McCain's effort to reduce sodium through its range of "Healthy Choice", sales of which amounted to US$45 million in 2009.
- BFY reduced salt soup has been growing at a steady rate of around 7% per year between 2006 and 2009 to reach total sales of US$10 million in 2009. As in the US, Campbell Soup Company is fuelling the growth of the entire market, thanks to its V8 product and its Campbell's soups, which recorded sales of over US$8 million in 2009.
- The BFY reduced salt food category saw it highest growth in 2007 due to the National Heart Foundation starting to use its "tick" across both food items and the foodservice industry nationwide in March 2006, encouraging manufacturers to produce healthier products.

Performance of BFY Reduced Salt Food in Australia 2005-2009



Growth of BFY Reduced Salt Food in Australia 2005-2009

BFY reduced salt food | Reduced salt ready meals | Reduced salt soup

Australia: A "tick" as main incentive

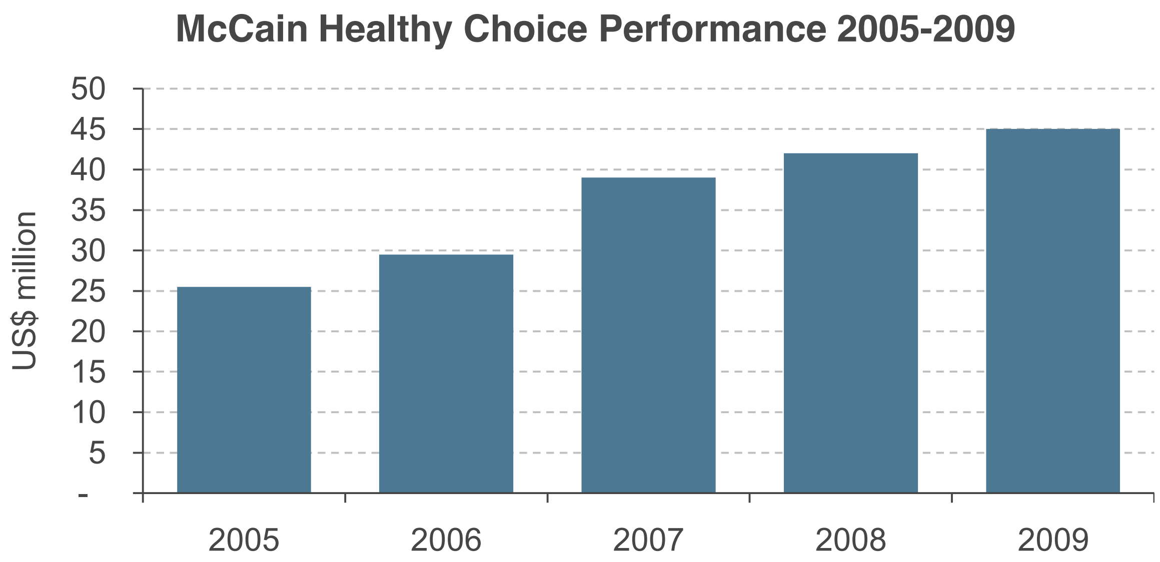
- As of January 2011, there is no regulation limiting the content of sodium in food in Australia. Nevertheless, the country is extremely committed in the fight against overconsumption of salt.
- Food Standards Australia New Zealand (FSANZ), which is the federal government agency that develops food standards, has made it compulsory to provide nutrition information panels on food products, including information on protein, fat, carbohydrate, sugar, salt and energy content.
- However, this labelling system is often regarded as too complicated, therefore a new voluntary front-of-pack labelling system, represented below, was introduced to make it easier for consumers to understand what they are eating.
- Most manufacturers are making efforts to reduce salt in many of their products in order to meet the requirements needed to obtain the National Heart Foundation's "tick", which is regarded by many consumers as a guarantee of healthy food, becoming a strong commercial advantage for food manufacturers.
- Many of the key Australian food manufacturers, supermarkets and fast food chains have already significantly reduced the salt content in their products, earning the highly regarded NHF "tick".
- Examples of companies to have earned the "tick":

Baker's Delight	Heinz Australia	Unilever Australia	Kellogg
Cole Super-markets	McDonald's Australia	Subway System Australia	Domino's Australia

"Daily Intake Guide" Labelling System

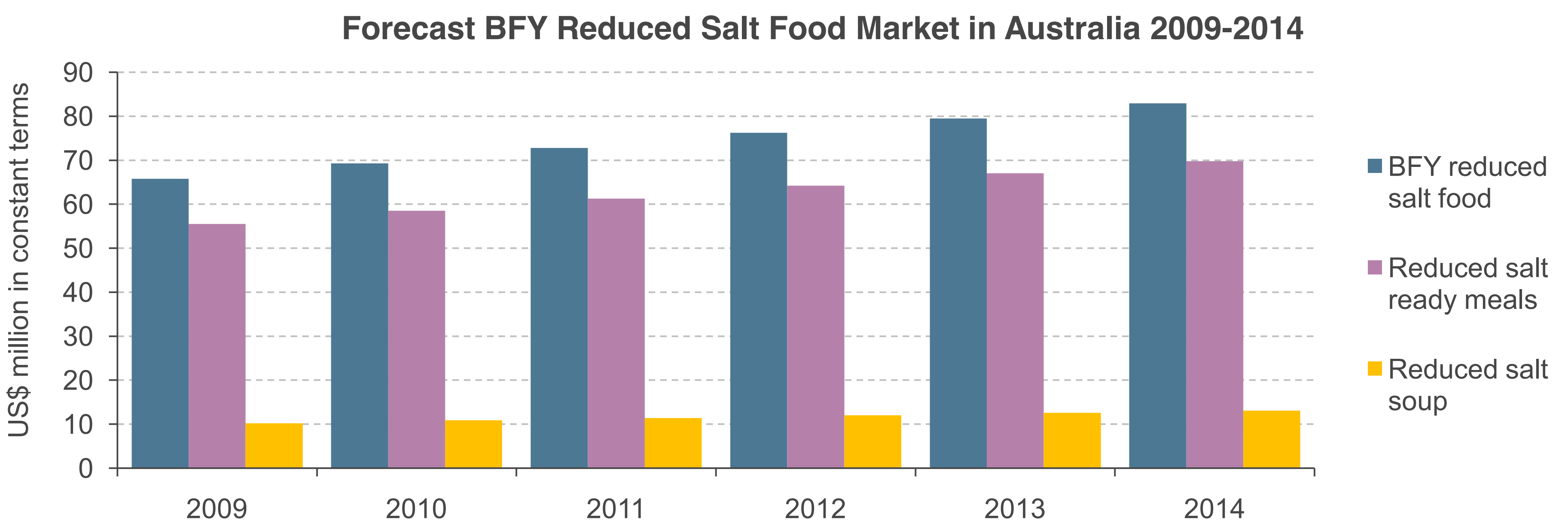
Australia: Healthy growth for "Healthy Choice"

- McCain Australia offers 70 products that have earned the National Heart Foundation (NHF) "tick". This ranges from its "Healthy Choice" ready meals to its frozen vegetables and frozen pizzas.
- The "Healthy Choice" frozen meals all contain less than 300mg of sodium per 100g as per NHF requirements for the ready meals category, while its range of frozen pizzas contains less than 350mg of sodium per 100g.
- The "Healthy Choice" frozen meals have recorded healthy growth between 2005 and 2009, reaching sales of US$45 million in 2009, up from US$42 million in 2008. The CAGR for 2005-2009 exceeds 15%.
- According to McCain, the company is committed to continue working towards offering more and more products deemed "better for you".
- This good performance shows that the Australian market is ready to adopt healthier, BFY food as long as, there is no noticeable loss of taste.



Australia: A bright future for a healthier option

- Euromonitor International believes that with the global economic crisis reaching an end, Australians should become less reliant on comfort food and will pay more attention to what they eat as the government and other bodies such as the National Heart Foundation will continue to educate people about the relationship between a healthy diet and reductions in heart conditions.
- However, as in the other countries studied in this report, more food manufacturers will try to reformulate their products' formulas in order to reduce salt content without positioning these products as low in sodium; this will become standard.
- So while rising awareness of the contributory factors in high blood pressure will help to sustain demand for healthier options low in sodium, there is unlikely to be a significant increase in the market size of BFY reduced salt food in Australia in the years to come.
- By 2014, Euromonitor International forecasts that the BFY reduced salt food market will be valued just over US$80 million (in constant terms), and while sales of reduced salt soup will remain quite stagnant, market size for reduced salt ready meals will show the most significant increase, reaching US$70 million in 2014.



Future prospects

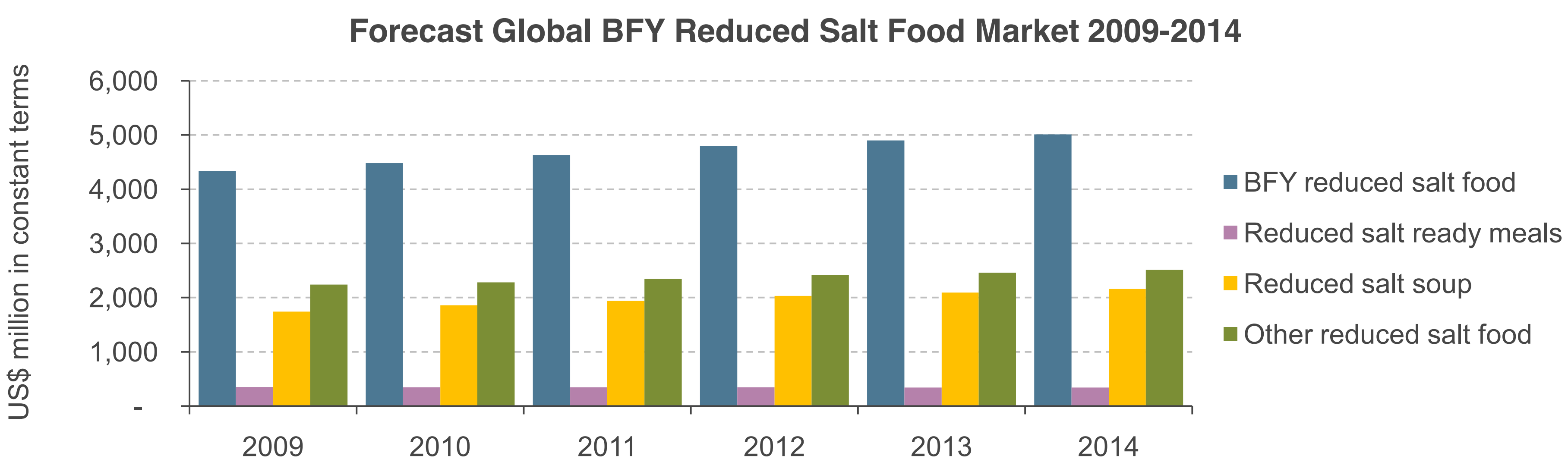
BFY reduced salt food global forecast

Health opportunities

Commercial opportunities

More initiatives but they will mostly remain invisible

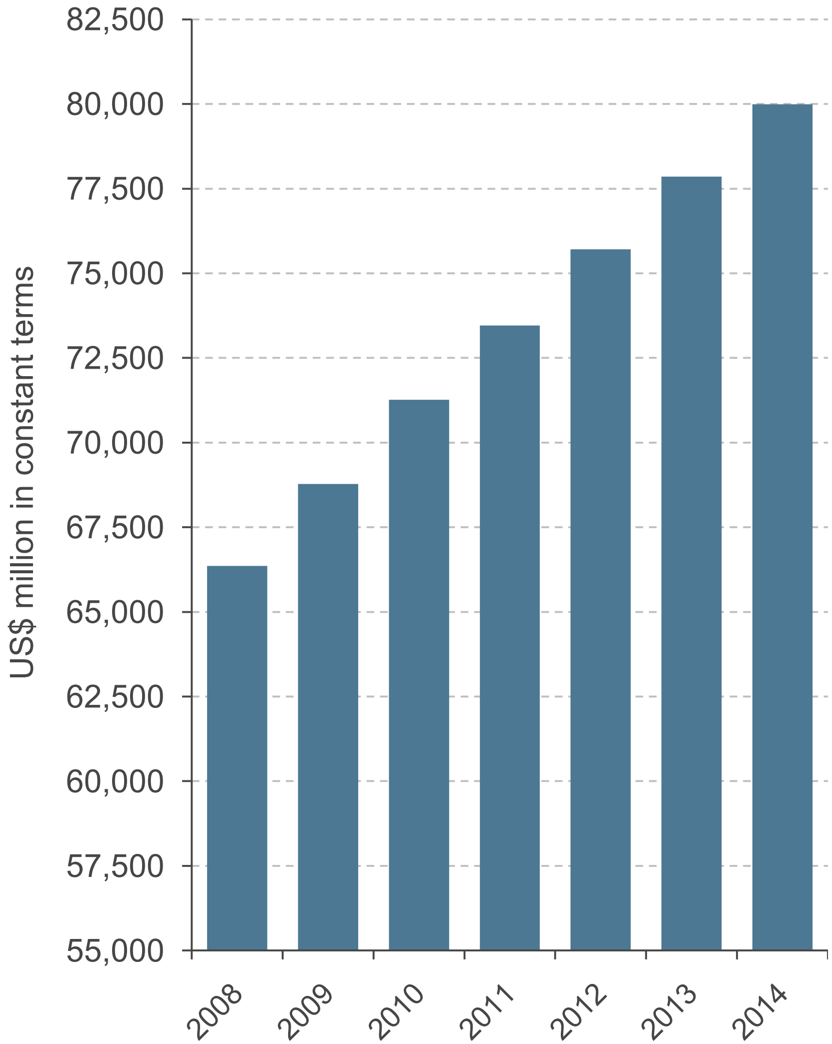
- By 2014, Euromonitor International believes that the BFY reduced salt food market will reach value sales of US$5 billion globally. Unless there is significant new product development, the market is expected to record only moderate performance over 2009-2014 with a CAGR of 3%. Reduced salt soup will fuel any growth with a CAGR of 4% over this period.
- While other reduced salt food will lead the market in terms of value sales, just exceeding US$2.5 billion in 2014, the category will grow at a slightly slower rate than the whole market, with a CAGR of 2% over 2009-2014. On the other hand, reduced salt ready meals will move in the opposite direction, declining by 2% over the same period from US$352 million in 2009 down to US$343 million in 2014.
- History has shown that what Wal-Mart does in the US is usually replicated on a global level in the following years; therefore, more and more retailers are expected to ask their suppliers to reformulate their recipes in order to reduce the amount of sodium in their products. This shows how important providing healthier food will become in terms of image for both manufacturers and distributors.
- However, as in the case of McCain, Heinz and Campbell, this reduction in sodium will become standard and the products will not be positioned as low in salt, therefore Euromonitor International's BFY reduced salt food data are unlikely to reflect the prevalent increase in both offer and demand for products low in salt.



Bakery: Health opportunities

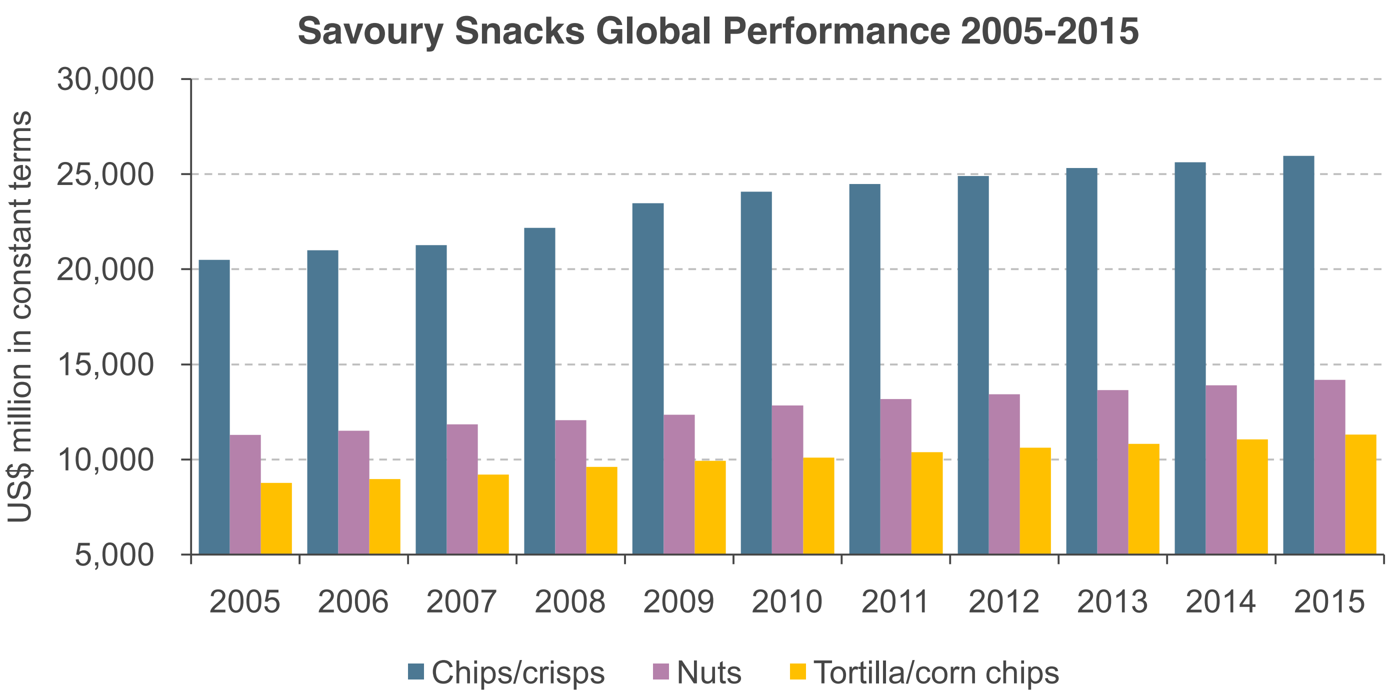
- Health and wellness bakery products is a growing market which is becoming increasingly significant year on year. Euromonitor International forecasts that by 2014, the market will be worth US$80 million following a CAGR of 3.2% over 2008-2014.
- Since bakery products are the largest contributor to salt intake, bakers find themselves first in firing line in the battle against sodium content in food and much is expected from them by governments and health organisations.
- According to the FSA, in the UK, most bakers have reached or almost reached the 2010 targets (1g of salt/100g for pre-packed bread and rolls,1.2g of salt /100g for speciality bread and rolls and 1g of salt/100g for morning goods). Warburtons for example, leader in the UK bread market, has already reduced the amount of salt used in its products by 30%, Premier Foods is a close follower, removing 600 tonnes of salt across all of its products. However, none of these companies' products are positioned as low salt for fear of customers switching brands.
- Despite the need to reduce salt content in bread, biscuits and cereals, the growing demand for healthier bakery products will not affect BFY reduced salt bakery products. Since bread and cereals do not have the taste of saltiness that other products can have, it is difficult to convince consumers of the necessity of buying low salt bakery products. Most manufacturers choose to hide the salt reduction and make it standard in formulations; there will indeed be more products with low salt content but they will not be positioned as such.

Forecast Sales of Health and Wellness Bakery Products 2008-2014



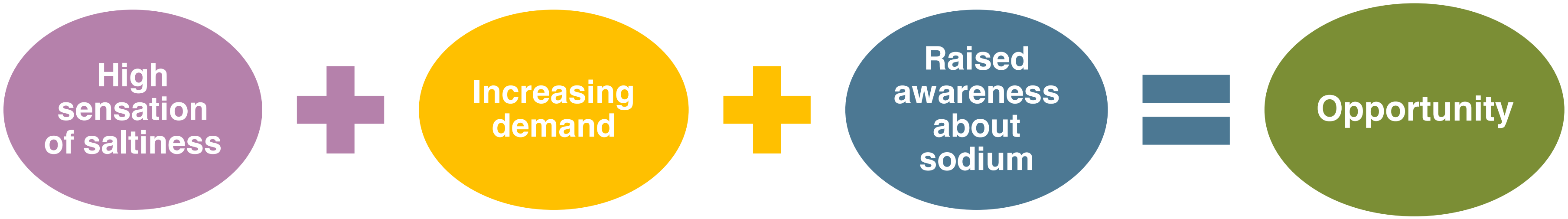
Savoury snacks: Commercial opportunities

- Globally, savoury snacks such as crisps, nuts and corn chips have been performing well. The market, which amounted to sales of US$45 billion in 2009, is expected to reach just below US$51 billion in 2015. This represents a healthy CAGR of 4.7% over 2010-2015.
- Unlike bakery products which do not come across as salty, savoury snacks such as crisps/chips, nuts or tortilla/corn chips are usually regarded as products high in sodium. Therefore, the increasing demand for savoury snacks associated with a sensation of saltiness leads Euromonitor International to believe that this is where one of the most interesting opportunities for BFY reduced salt packaged food lies.
- Seabrook Crisps Ltd appears to have grasped this notion, and has invested US$2.3 million in developing a new range of crisps called "Goodbye Salt, Hello Flavour", which it claims has 90% less sodium than regular formulas. Planned for launch in February 2011, the company forecasts sales of 100 million bags in the first year, according to the managing director, which corroborate Euromonitor International forecast.



Three conditions for a potential commercial success

- For a product positioned BFY reduced salt to represent a commercial opportunity, three conditions must be met:
  1. The original product must have a high sensation of saltiness. If the consumer considers what they are eating is very salty, then they will be ready to switch to a reduced-salt alternative;
  2. There must be growth in demand for the original product. If the standard formula is already in decline or not selling well, it is likely that the BFY reduced salt alternative will not sell well either;
  3. Finally, the region in which the BFY reduced salt product will be marketed has to be one of the areas in which there is raised awareness about the negative effect of sodium chloride on consumer health. It is very unlikely that a BFY reduced salt product will sell as well in Nigeria as it might in the UK.



Final conclusions

Salt reduction: a global issue	Reducing salt intake is necessary in order to lower blood pressure in individuals. Hypertension (high blood pressure) is the key factor behind ischaemic heart disease which itself is the most frequent cause of death around the world.
An issue that can be solved	One of the reasons manufacturers have not already reduced the salt content in their products is the consumer perception that reducing salt results in a loss of taste. However, solutions exists to lower salt content without significant compromise of taste.
A movement relying mainly on private initiatives	The movement towards salt reduction initiated by the World Health Organization is mainly relying on private organisations such as WASH (World Action on Salt and Health) which have taken matters into their own hands to convince manufacturers to reduce salt in their products.
Government guidelines and front-of-pack labelling	Governments have yet to regulate the amount of sodium in packaged food, and instead have released guidelines and introduced front-of-pack labelling, leaving it to food manufacturers to adopt voluntary actions to achieve WHO guidelines.
Salt reduction will become the industry standard	With food manufacturers working on reducing salt across all their ranges of packaged food products, low sodium content will become the industry standard, making it difficult for BFY reduced salt products to differentiate themselves from standard ranges.
Most key food manufacturers involved	Most major food manufacturers are now involved in attempts to reduce salt content through either their own initiatives or their adherence to different private/public schemes such as the NSRI in the US, the NHF in Australia, the FSA in the UK and WASH globally.
The US leads the way	Michael Bloomberg’s National Salt Reduction Initiative (NSRI) is gaining momentum in the US. It co-opts states, cities, health organisations, food manufacturers and restaurant chains. Thanks to the NSRI, the US is now leading the global battle against salt.
A movement that will gain momentum and is here to stay	Raised consumer awareness about the dangers of a diet high in salt will lead to a lasting increase in demand for reduced salt food; the threat that companies failing to meet the FSA target, for example, will be named and shamed, will push manufacturers to answer consumer demand.

Introduction

Overview of Better For You (BFY) Market

Countries and Companies Insight

Outlook

Appendix

A fast-moving story…

Useful links

World Action on Salt:

- www.worldactiononsalt.com

National Salt Reduction Initiative:

- www.nyc.gov/html/doh/html/cardio/cardio-salt-initiative.shtml

National Heart Foundation:

- www.heartfoundation.org.au/Pages/default.aspx

Food Standards Agency UK:

- www.food.gov.uk/

World Health Organization:

- www.who.int/en/

Salt Institute:

- www.saltinstitute.org/

Report parameters

Health and Wellness Researched Countries

- Mexico
- Brazil
- US
- Canada
- Italy
- Switzerland
- Austria
- Spain
- France
- Greece
- Netherlands
- Ireland
- Germany
- Belgium
- UK
- India
- South Korea
- Indonesia
- China
- Thailand
- Hong Kong, China
- Australia
- Taiwan
- Japan
- Norway
- Denmark
- Sweden
- Finland
- Russia
- Czech Republic
- Poland
- Hungary

Product categories covered:

- BFY reduced salt soup
- BFY reduced salt ready meals
- BFY other reduced salt food

Data parameters and report definitions

- All values expressed in this report are in US dollar terms, using a fixed 2009 exchange rate.
- Y-o-y refers to annual performance, ie year-on-year.
- All forecast data are expressed in constant terms: inflationary effects are discounted. Conversely, all historical data are expressed in current terms: inflationary effects are taken into account.
- Definitions for industry-specific and other terminology used in this report:
  - HW - Health and wellness;
  - Nutraceuticals - Food or extracts that claim to have a physiological benefit on human health or provide protection/reduce the risk of a chronic disease beyond basic nutritional functions. Therefore, sales of fortified/functional food and beverages, and vitamins and dietary supplements sum to the sales of nutraceuticals;
  - BFY (better for you) - The category includes packaged food products where the amount of a substance considered to be less healthy (fat, sugar, salt, carbohydrates) has been actively reduced during production. To qualify for inclusion in this category, the "less healthy" element of the foodstuff needs to have been actively removed or substituted during the processing. This should form part of the positioning/marketing of the product.

Health and wellness category definitions

- Health and wellness food and beverages comprises the following Euromonitor International categories:
- *Better for you (BFY):* Items where the amount of a substance considered to be less healthy (fat, sugar, salt etc) has been actively reduced, removed or substituted during production. In turn, this forms part of product positioning/ marketing, such as low-fat, low-sugar etc versions of "standard" products (ie Diet Coke, decaffeinated coffee, "light" product variants etc). Products which are naturally free of fat, salt, sugar etc, are excluded.
- *Food intolerance:* Products which are specifically produced and positioned for consumers that suffer from a specific food intolerance/allergy, such as lactose intolerance, gluten intolerance/celiac and diabetes.
- *Fortified/functional (FF):* Products to which ingredients with purported health benefits have been added and which have a specific physiological function and/or are enhanced to the point where the level of added ingredients would not normally be found. To merit inclusion, the product must have been actively fortified/enhanced during production. As such, inherently healthy products such as 100% fruit/vegetable juices are only included if additional functional ingredients have been added. The purported health benefit must also form part of product positioning/marketing.
- *Naturally healthy (NH):* Products that naturally contain a substance that improves health and wellbeing beyond the products' pure calorific value. Category examples include olive oil, honey, soy-based food and beverages, green tea, 100% fruit/vegetable juice and naturally high fibre food (ie bread, breakfast cereals, pasta etc). While many of these products are marketed on a health basis, this might not always be the case.
- *Organic:* Product certified organic by an approved body, such as the Soil Association in the UK or US Department of Agriculture in the US. Organic production is based on a system of farming that maintains and replenishes soil fertility without the use of toxic and persistent pesticides and fertilisers, and where products are minimally processed without artificial ingredients, preservatives, irradiation, or genetically-modified organisms. Can also be called “biological” or “ecological”. The organic aspect must form part of product positioning/marketing to be included.

Health and wellness product coverage

- Health and wellness food
  - Organic
  - Better for you (BFY)
    - Reduced sugar, fat, salt
    - Combination
  - Fortified/Functional (FF)
    - Confectionery
    - Bakery
    - Dairy
    - Oils and fats
    - Others
  - Naturally healthy (NH)
    - Soy products
    - High fibre food
    - Others
  - Food intolerance

- Health and wellness beverages
  - Organic
  - Better for you (BFY)
    - Reduced sugar
    - Reduced fat
    - Reduced caffeine
  - Fortified/Functional (FF)
    - Juice
    - Bottled water
    - Hot drinks
  - Naturally healthy (NH)
    - Superfruit juice
    - Green tea
    - RTD tea
    - Herbal tea

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Executive debate on the global trends changing the consumer markets of the future.

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