



# Insight

## AAK Magazine

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The Co-Development Company

#1, December 2015

TROPICAO™ – a tropical revolution in chocolate production, pages 3–4

AAK – The Co-Development Company, pages 8–9

Global food trends: What to expect in 2016, pages 10–13

**AAK**

## Dear readers,

A very warm welcome to AAK's new customer magazine, *Insight*. With this magazine, which will be published twice per annum, we aim to try to inspire you as a customer and to give you an insight into our capabilities and solutions.

In this first issue, we present some new and very interesting solution launches. You might have already heard about TROPICAO™, our latest innovation within Chocolate & Confectionery Fats. With this solution, which has been developed for hot climate markets, chocolate will maintain a non-bloom appearance when exposed to higher temperatures.

We sincerely believe that TROPICAO™ is one of the greatest novelties in our industry since many years and that it will be a revolution for chocolate producers in hot climate markets.

We also present our latest high performance puff pastry solutions Akopastry HP 400 & 200. These two new cost efficient solutions will enable manufacturers to achieve the height, texture and layering they are looking for without compromising on quality, cost, health aspects or complexity.

Together with our TROPICAO™ solution, Akopastry HP 400 & 200 have been nominated for the very prestigious Food Ingredients Europe Innovation Awards which will be announced in Paris, France in early December.

### Food trends in 2016

With 2015 coming to an end, we are all looking forward to another interesting year in the food industry. To find out what the global trends will look like next year, we have asked Mintel, one of the world's leading market intelligence agencies, for a prediction of what 2016 will bring to the table. Overall, it looks as if health, naturalness, ethic and quality

will be the key drivers that will shape innovation in 2016, but we also asked Mintel to specifically take a closer look at the trends within the chocolate and confectionery, ice cream, dairy and bakery industries. In parallel, we are certain that the drive for continuous lower cost will not cease.

### The Co-Development Company

In this issue, we also give an explanation to what is in our brand promise, The Co-Development Company. To give concrete examples of what it means and how it works, we have asked a few colleagues from different parts of the organization to share some of their recent co-development stories.

If you have any comments or questions about the content of the magazine or if you have suggestions for future issues, please don't hesitate to talk to your AAK representative or contact us via [insight@aak.com](mailto:insight@aak.com).

Wishing you an inspirational and insightful reading.

Arne Frank  
CEO and President



## Contents

TROPICAO™ – a tropical revolution	3–5
New puff pastry solution	6
AAK's latest non-hydrogenated solution	7
The Co-Development Company	8–9
Global food trends 2016	10–13
The growing trend of premium products	14
Safe solutions – a top priority	15
Update from AAK	15

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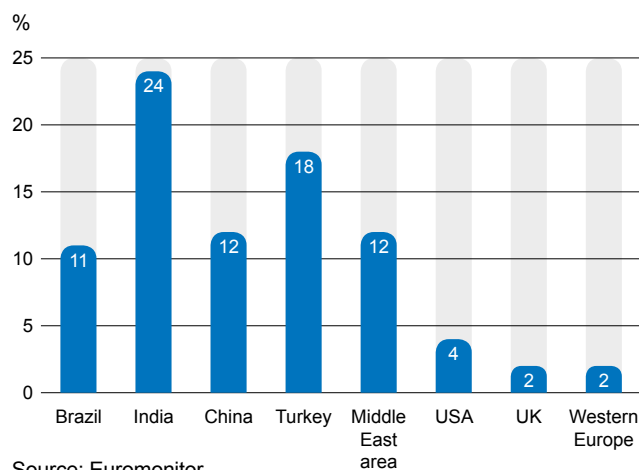
# TROPICAO™

## – a tropical revolution in chocolate production

**Heat-related bloom is one the most frequent reasons for quality complaints in hot climates, making it one of the most important considerations for chocolate producers for succeeding in these markets. Until now, existing bloom solutions have resulted in a trade-off between the chocolate's bloom stability and its sensory at higher temperatures. To overcome that trade-off, AAK has recently launched TROPICAO™, a revolutionary chocolate solution.**


The increased chocolate consumption in hot climate markets such as Latin America, Asia and the Middle East are creating important growth opportunities for chocolate producers. However, these big markets also hold big challenges as the properties of chocolate change in hot climates. When exposed to temperatures above 33°C (91.4°F), chocolate bloom is accelerated, creating an undesirable white surface and a sandy, dry texture.

Current growth rates in chocolate markets around the world (year-on-year growth in retail value, US\$).



Source: Euromonitor





Moreover, in these markets there is often a lack of sufficient capacities to keep the chocolate cool during transportation from production to the supermarket, and all the way home to the consumer. Chocolate producers and retailers have tried to find the perfect path using packaging, cooling shelves, cold chains, and other heat-stabilizing solutions, but this often comes at a high cost and with trade-offs. The visual and sensory effects of bloom can result in expensive quality complaints and a compromised brand experience for the consumer.

“With our solution, it has been proven that chocolate will maintain a non-bloom appearance when exposed to temperatures up to 37°C (98.6°F), making it an ideal solution for hot climate markets”, says René Schou, Marketing Director, Chocolate & Confectionery Fats. “Not only will there be fewer product withdrawals and consumer complaints, greater bloom stability will also maximize the shelf life of the chocolate.”

To give consumers the best possible experience with the chocolate, all parameters must be taken into account – from the look, shape and feel to the snap, taste and texture. But maintaining all of these sensory characteristics in a hot climate is a challenging task.

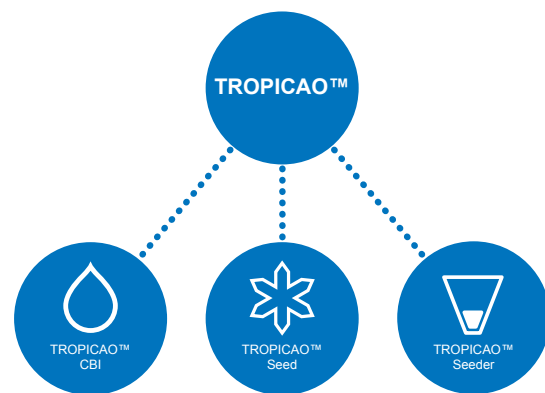


“With TROPICAO™, you get the best of both worlds, a solution that delivers bloom stability and one that maintains the sensory attributes of your chocolate”, says René Schou. “TROPICAO™ will enable our customers to keep their brand promise so that they can give consumers the best and most consistent experience with their chocolate and brand anywhere in the world, in any climate.”

### Three components

AAK’s TROPICAO™ solution for molded and enrobed chocolate consists of three different components: TROPICAO™ CBI (cocoa butter improver with enhanced heat resistance and melting characteristics), TROPICAO™ Seed and the TROPICAO™ Seeder unit.

#### The three components of TROPICAO™.



Adding innovative solutions to an existing product and production line often prompts many questions. What happens to the taste of the product? Will production costs increase? Will production output be affected?

“For AAK it is essential that the quality of our customers’ chocolate isn’t compromised, which is why we have ensured that the chocolate’s characteristics are maintained when adding the TROPICAO™ CBI and the TROPICAO™ Seed”, says René Schou. “In addition to chocolate quality, we know that production efficiency is also important. When using TROPICAO™, the TROPICAO™ Seeder will be attached to the existing temper unit set-up. The TROPICAO™ Seeder is compatible with all chocolate process lines and can be easily integrated into the production.”

Both the solution and the production set-up have been carefully tested in both pilot and industrial settings and are proven to ensure a safe and integrated solution.

“We’re extremely proud to present this revolutionary chocolate solution to our customers and to add it to our extensive portfolio for the Chocolate & Confectionery Fats industry”, says René Schou. “There is an enormous potential in this innovation and the early feedback from our customers has been incredibly positive.”





# The story behind a breakthrough innovation

**AAK's revolutionary TROPICAO™ solution could be considered one the greatest novelties in the industry since many years. *Insight* met up with AAK's Morten Daugaard Andersen, Research scientist and Christina Jungersen, Commercial Product Manager, to get the story behind the product development and the launch of the breakthrough innovation.**

**Morten, how was the idea of TROPICAO™ born?**

A few years back we received a lot of requests for support from our customers regarding one particular challenge they were facing – heat-related bloom in extreme temperatures. It was obvious that the chocolate market was in need of a solution and we saw a great opportunity for AAK.

As a research scientist working with chocolate confectionery, I was of course aware of the problems with heat-related bloom, but so far we hadn't seen a solution on the market that would enable chocolate manufacturers to produce a bloom-stable chocolate without compromising its sensory attributes. Therefore, we began to look closer into bloom and its connection to elevated temperatures, and after several years of research and testing at our outstanding pilot facilities in Aarhus, we were able to present the TROPICAO™ solution.

**What did the developing process look like and what were your main challenges?**

During the process it became clear to us that the future solution would consist of two lipid components, the TROPICAO™ CBI and the TROPICAO™ Seed. The big question with TROPICAO™ Seed was how to incorporate the seeds into the production line, which had worked very well in the pilot scale. We tested the available tempering technologies on the market but none could give the results that we wanted. We realized that there was a need for a new machine and therefore started a cooperation with Danish company Aasted. The partnership resulted in a unique production unit that easily can be integrated into any production line.

**Did you experience any other hurdles?**

Another challenge was connected with the production of the TROPICAO™ Seed. We used existing unit operations but in a modified configuration in order to be able to produce TROPICAO™ Seed in a production scale setting. This was done in close collaboration with engineers on site and with the backing of our supply chain organization.

After solving these two challenges it was clear to us that we had come up with a breakthrough innovation which we could hand over to our Business Development & Marketing team to launch.

**Christina, how was the launch prepared?**

The TROPICAO™ solution was different from the previous solutions we had launched, because it contained three components and even included production equipment. We spent a lot of time discussing how the solution could be communicated to the market and when we finally launched it we were surprised to see how easy and fast people, both internally and externally, understood and adapted to the TROPICAO™ solution.

The last few weeks were extremely busy with our internal launch just three days before the external one, on September 1. We had to train some 100 people internally within these three days but it was really great to see how excited the whole organization was when we launched the solution.

**What has the feedback from the market been like?**

It has been overwhelming. We have seen a lot of interest and positive attention from the industry and from customers and we are already testing the solution in many of our customers' products. Given the feedback we have received, it is very clear to us that we have developed a solution that will help our customers solve one of the most severe challenges when selling chocolate in hot climate markets. Besides, even though we only launched TROPICAO™ a few months ago, I really believe that TROPICAO™ will be a revolution for chocolate producers in hot climate markets.

# New high performance puff pastry solutions

**When the international bakery exhibition IBA, held in Munich, Germany, took place in September, AAK introduced some of its latest bakery innovations. Among the innovations that were presented to the exhibition's 70,000 visitors were Akopastry HP 400 and Akopastry HP 200, high performance puff pastry solutions that not only will improve producers' cost efficiency but also the nutritional profile.**

IBA, which is the world's leading trade fair for confectioneries, pastries, bakeries and snacks, is an excellent platform for showcasing the latest trends and achievements in the industry. The exhibition runs every three years and this year 1,255 companies exhibited in twelve halls.

"IBA is obviously a great place to present new innovations and our latest puff pastry solutions attracted a lot of interest among customers and other visitors", says Mats Persson, Marketing Director Bakery at AAK.

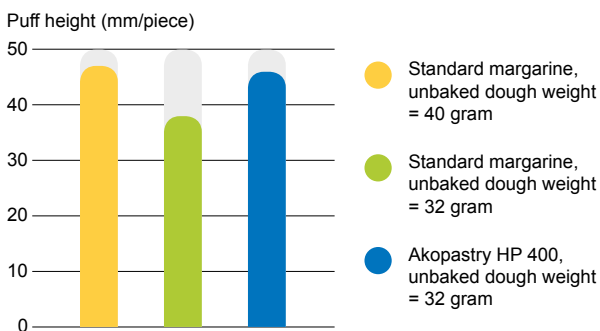


AAK's Akopastry HP concept consists of two solutions, Akopastry HP 400 and Akopastry HP 200. Akopastry HP 400 will give AAK's customers the possibility to reduce raw materials with 20 percent and still keep the same puff pastry volume, without compromising on lift or visual appearance. The end product will furthermore have a better lamination structure and the health claim per unit will also improve.

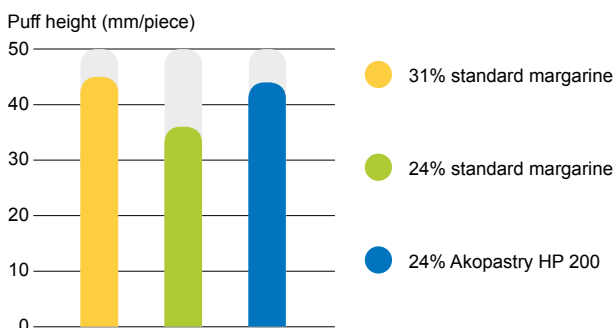
Akopastry HP 200 allows for a reduced fat dosage and in order to get the same weight of the end product the fat will be compensated by the other ingredients in the recipe. Also for this solution, the health claim will be better, raw material costs will go down, and the consumer's eating experience will be at least as good.

"The Akopastry HP concept has been tested in a number of industrial lines, where the advantages have been proven", says Mats Persson. "When comparing Akopastry HP with one of the most used margarines for puff pastry, our new solution showed significantly better results."

## Akopastry HP 400 – high performance puff pastry margarine for improved height and cost efficiency



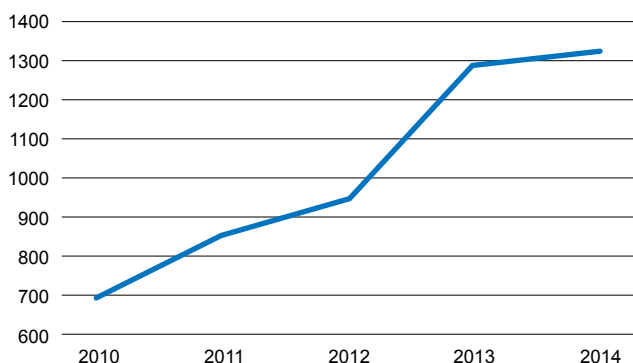
## Akopastry HP 200 – high performance puff pastry margarine for fat reduction and cost efficiency



# AAK introduces yet another non- hydrogenated solution

**To meet the increased demand for non-hydrogenated solutions, AAK has developed its Akotop NH-range. Akotop NH are formulated fats tailored for whippable toppings. The latest innovation in the range, combining functionality and health in a unique way, is Akotop NH 310.**

Number of food products launched 2010–2014 with “non-hydrogenated”-claim. (Mintel GNDP)



The reason behind the growing number of requests for non-hydrogenated solutions can to a great extent be linked to regulations in the US and the EU. In June 2015, the US Food and Drug Administration (FDA) determined that partially hydrogenated oils and fats (PHO) are not Generally Recognized as Safe (GRAS) for any use in human food. Studies, the FDA says, have linked the presence of trans fats, originating from the PHOs, to an increased risk of heart disease. Countries within the EU have also implemented limitations on trans fats originating from PHOs.

“These limitations have had implications for food manufacturers globally and the requests in the market for alternative products, such as non-hydrogenated solutions, have increased significantly”, says Malin Thors Rosenquist, Commercial Product Manager at AAK. “This is highly relevant within the EU where legislation makes it mandatory to declare hydrogenation on food labels.”

The health trend, at the same time, continues to be strong in the market and there is a growing demand for natural products among consumers, a demand that offers great opportunities for innovation within the area. However, to be successful with your innovation, says Malin Thors Rosenquist, the alternative, healthier product must not compromise on functionality when compared with the traditional one.

“Our new non-hydrogenated fat Akotop NH 310, which is designed for whippable toppings, has an excellent performance in terms of overrun, mouth feel and freeze/thaw stability that no one in the market can match. It also has a resistance to temperature fluctuations, prolonging the shelf life of a decorated cake, that even outperforms hydrogenated alternatives.”

## The benefits of Akotop NH 310

### Benefits to manufacturers

- Clean label – improved brand image by Non-Hydro with maintained functionality
- Enables continued export to markets with legislation limiting trans and hydrogenation
- Extensive support in implementation – shorter way from ideation to launch
- Additional SKU on retailer shelf

### Benefits to retailers

- Longer shelf life of decorated cakes
- Launch of products hitting the health trend and a clean label
- Simplified distribution chain due to excellent freeze/thaw stability of whipped topping

### Benefits to consumers

- Healthier option – possible to have great indulgent products without any health compromises
- Convenient – product can be bought frozen and thawed at home when used



# AAK – The Co-Development Company

**The Co-Development Company. What is really in that brand promise from AAK? In a simplified way you could say that AAK collaborates with its customers – from idea to product launch – in order to create value-adding solutions. But what does that really mean and how does it work? *Insight* asked AAK's Customer Innovation team in Mexico for an overview and also had AAK's team in the US to share a recent successful co-development story.**

In North Latin America, AAK's Customer Innovation team works closely together with the customers with one objective in mind: to respond, with a sense of urgency, to the customers' needs by offering integral solutions.

"Our Customer Innovation team with its broad technical knowledge in the development, handling and application of oils and fats makes customization possible to ensure our customers' complete satisfaction", says Jorge Carranza Velasco, R&D Manager at AAK Mexico. "Furthermore, we engage in technical and commercial activities with customers in many different events."

Examples of these events are customer visits and innovation days but also exhibitions and trade shows where AAK's technical staff present the company's portfolio of solutions and new products to potential customers. Another highly esteemed event is the well-known AAK Academy, a technical training session on lipid technology that has helped AAK to educate thousands of customers since the early 1990s.

In addition to these events, there are processes where the Customer Innovation team applies its technical expertise in different scenarios or process stages with the customers. Two examples are workshops and "walk the plant"-sessions where AAK visits the customer's site in order to get to know the customer processes in depth and to obtain more information on the challenges and needs.

"Our Customer Innovation department plays a primary role in the collaboration with our customers to respond to a very changing market in which AAK participates in a prominent proactive way", says Octavio Díaz de León, President AAK North Latin America. "Through this exhaustive way of collaborating, we have helped many customers in the region to reach their goals and end up with better performing, more stable and more efficient products and processes than they could ever imagine – a great example of why we are the Co-Development Company."



## Customer Co-Development in the United States

### AAK identifies customer's best possible non-PHO solution

AAK's North American Go-To-Market team recently achieved a key win with a global industry leader in the bakery segment. Our customer had a need to approve a secondary vendor for the fat used in their whipped toppings. At the same time, on June 16, 2015, the Food and Drug Administration (FDA) released its final determination that "partially hydrogenated oils (PHOs) are not 'generally recognized as safe' (GRAS) for use in food", giving a compliance period of three years for their removal.

With the inevitable change towards non-PHO around the corner, the customer decided to align themselves with AAK with the existing formula prior to the co-development work to convert so that AAK could get to know the customer's facilities and work out any transitional logistic challenges. Our team was able to identify an alternative to the competitive product as an interim solution for stable whipped toppings,

while at the same time committing to the co-development of a non-PHO solution to meet regulatory guidelines and the functional requirements of the customer's application needs.

The North American Go-To-Market team leveraged AAK's global application team tapping into the collective knowledge of the organization to provide a robust alternative to the incumbent product, while at the same time committing to identifying the best possible non-PHO solution. A key takeaway: by partnering with AAK, food manufacturers will be able to successfully reformulate their products containing PHO to non-hydro products that look and taste just as good as they did before.

*Leaslie Carr*  
Marketing Manager, AAK USA





The five value-adding stages of AAK's co-development approach.

#### Some of AAK's co-development activities

- Customer visits, the CI team has the opportunity to receive first-hand information on the customer's needs.
- AAK Academy, a technical training session on lipid chemistry, processes, quality analysis methods and performance of oils and fats in different food formulations.
- Innovation days, events at the customer's facility where AAK presents market tendencies, new product launches and innovative ways of applying AAK products which are presented with prototypes and sensory evaluations.
- Exhibitions & Trade shows, technical staff present AAK's portfolio of solutions as well as new products to potential customers.

Furthermore, there are processes where AAK's CI team applies its technical expertise in different scenarios or process stages with the customers:

- Walk the plant, together with a sales person, different areas and sites of the customer are visited in order to get to know the customer processes in depth and to obtain more information on the pains and needs. From this activity, AAK can give recommendations to improve customer processes or initiate projects in which integral solutions are offered.
- Workshops, activities to help the customer in the product development or correct formulation to obtain an effective application through the use of the exact oil or fat needed from AAK's portfolio and the right additives, ingredients and process aids.

# Mintel: Global food trends in 2016



**2015 is coming to an end and the food industry is getting ready for another exciting year. What can we expect from 2016? Which will be the most important food qualities for consumers? And what will be the key drivers that will shape innovation? We asked Yannick Troalen at Mintel, one of the world's leading market intelligence agencies, for a forecast.**

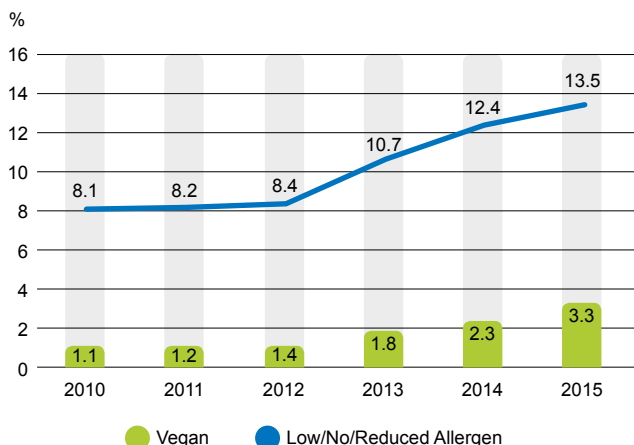
## Naturally healthy, plant-based and free-from

Consumers seeking health benefits are moving away from over-engineered food in search for a more natural and holistic approach to health and wellness. Ancient grains, wholegrain, naturally rich in fibre or protein are claims that resonate greatly with today's consumers.

A clear manifestation of consumers' desire to eat healthier has been the rise of "free-from" food. Free-from has not yet reached its peak and will continue to influence new product development (NPD) next year. In fact, 2016 could well see free-from going from niche to mainstream. The potential is far greater than the population of intolerant.

Whether it is for health, price or environmental reasons or simply by curiosity, consumers are increasingly turning to plant-based nutrition. Globally, vegan and vegetarian food options are booming and more consumers than ever are claiming to follow a vegan diet (12 percent in Germany). But the key driver helping meat and dairy alternatives move from niche to mainstream has been the rise of Flexitarianism.

Global growth of vegan claim + allergen-free 2010–2015. Source: Mintel GNDP

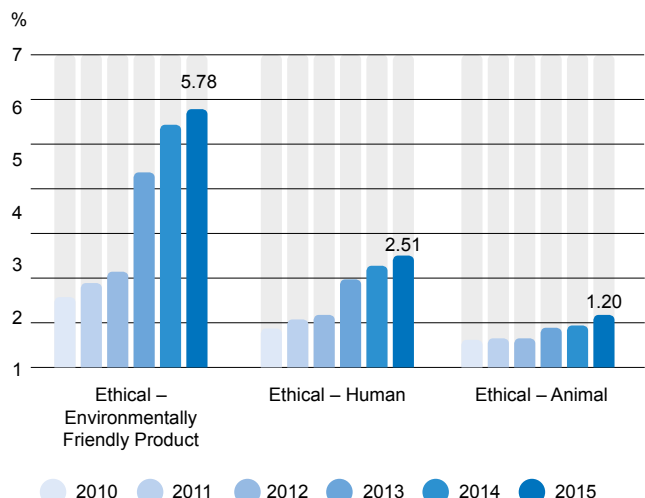


## A fairer industry that promotes ethic, food safety and sustainability

Product recalls, questionable claims and shady business practices have made us more suspicious shoppers. The recession has made us more conscientious shoppers. The rise in price and product tracking tools has made us more informed shoppers. In short, today's consumer is part sceptic, part detective. And the necessity for brands to be transparent has never been higher.

Ethical and moral brand qualities are fast becoming expectations as consumers look for companies to be charitable, ethical or environmentally responsible at both local and global levels. Given a choice consumers will increasingly opt for the ethical or moral brand, and in some cases they will pay more money for these qualities. Consumers are also making informed choices in this regard and scrutinizing the credentials of companies.

Global growth of selected ethical and environmental claims. Source: Mintel GNDP



## Premium, artisan and local

The search for the real, the genuine and the true has always been at the heart of the consumer experience. Globalization, ironically, has arguably been the biggest force behind our desire for the non-mass. But authenticity is not necessarily contradictory to mass. In fact, we've seen more and more global brands embrace a more genuine approach to their marketing. The pivotal quality of an artisan product is that it tells a story about its provenance, often rooted into local sourcing.

The local movement is about more than just food – it's a seismic shift in why, where and how we consume. As local

claims become more widespread, product marketers will need to develop a means to authenticate provenance.

#### Snacking is the new paradigm

Companies are stepping up innovation in healthy snacking which means it is increasingly accepted to snack. The snacking revolution is on, and it's happening everywhere. Increasingly replacing regular meal times in today's fast-paced, convenience-driven society, snacking is a long-term trend which can be considered the future of eating, as time-

impaired consumers opt less and less to sit down for regular meals.

Also the consumption of convenient, often mini-sized meals, both on-the-go and at home is on the rise, health has become a more important parameter in consumers' choice of snacks. Consumers demonstrate a strong demand for snacks which are flavourful and tasty, yet at the same time healthy and nutritious. Healthy snacking is likely to be the winning ticket of 2016.

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#### Chocolate trends

## Chocolate confectionery embraces its dark side

Though milk chocolate has long been the most popular flavour for tablet chocolate sales globally, many European consumers are now expressing a preference for the bitterer taste of dark chocolate. But it is in Asia that dark chocolate is likely to boom in 2016. The relationship between dark chocolate and high flavanols levels has not gone unnoticed by Japanese manufacturers. Meiji, Japan's largest chocolate manufacturer, said that there has been a major change in the consumption pattern of chocolate in Japan, with consumers of all ages eating more dark chocolate. In China, dark chocolate is also booming with around 60 percent of Chinese consumers ranking dark chocolate as being healthier than other types of chocolate.

#### Premium becomes mainstream through artisan, hand-crafted qualities

Whereas premium was once limited to high-end, high-price-point products, a democratization of premium can be seen in the category, with mass market brands (and even store brands) adopting premium qualities, such as upscale flavour and format innovation. This is also translating into a greater variety of fine and rare cocoa.

#### Full on indulgence and taste exploration

Millennials, who crave experiences, have been experimenting with flavour and texture in the category. We are likely to see more hybrid products being launched in

2016 that blend different textures and come in bold, unusual flavours. The success of Marvellous Creations (Mondelēz) in the UK, Lindt Hello in Europe or Nestlé Wonka in Australia demonstrates the potential for such products.

#### A growing demand for sustainable and ethical chocolate

Ethical consumption remains largely market driven, with consumers increasingly stimulated to choose good-conscience options based on the fast-growing availability of certified products in the marketplace. Fair trade chocolate has boomed in Europe from representing five percent of all new introductions in 2010 to 20 percent in 2014. In Switzerland, the country with the highest per capita consumption (at 9 kg) of chocolate in Europe, fair trade cocoa sales increased by 30 percent during the same period.







#### Ice cream trends

## The future is bright for dairy-free ice cream

Dairy-free ice cream is still in its infancy but the rise of coconut and almond-based ice creams in recent years has helped to deliver a more appealing flavour profile. More than two in five (42 percent) US respondents purchase other and/or non-dairy milk because they prefer the taste, while just 22 percent do so owing to lactose sensitivity or intolerance. Key players are now moving into the market with great expectations. For instance, a new dairy-free ice cream line will be launched by Ben & Jerry's in spring 2016.

#### Global ice cream markets explore better-for-you recipes

Low fat and low sugar claims are up in the ice cream and dessert category globally. In the US, one in five adults are now ditching ice cream for health reasons, and as sales stumble, the industry is forced to react. It is, however, not always about reducing fat and sugar as seen with the rise of high protein in ice cream.

#### Richer texture for maximum pleasure

Latest flavour and texture innovations are taking a page out of confectionary's playbook and combining sweet with salty, including salted caramel and salted vanilla flavour combinations. In an attempt to attract the more sophisticated palates of some adults, brands are incorporating everything from bitter fruits and vegetables to cheese and alcohol, creating signature flavours.

#### The meteoric rise of artisan ice cream

Artisanal ice cream continues to climb in popularity in 2016. In Europe, there is strong interest in buying ice cream with locally sourced ingredients. Handcrafted ice cream, made with a homemade-style authenticity, is well positioned to embrace the wider consumer interest in artisan-produced food and drink.

#### Dairy trends

## A focus on naturalness, sustainability and dairy-free alternatives

More spread and oil launches are featuring on pack sustainability claims as consumers increasingly seek to buy green. The 12 months to June 2015 saw a near trebling of on-pack mentions of sustainability, either by highlighting a company's own sustainability credentials or via the use of certified schemes such as the RSPO. Unilever has been at the forefront of this, with a commitment to have switched all of their products to sustainably sourced palm oil by the end of 2014.

#### The unstoppable rise of cheese alternatives

Dairy alternatives are not limited to drinks. A new wave of substitutes based on coconut, almond and other nut milks have made their way into the cream, yogurt and even cheese market. The growing number of consumers adopting flexitarian diets has created an opportunity for vegan cheese producers that prioritize the quality and taste of their products. These consumers will not be willing to accept a sub-standard alternative to dairy cheese as they are not limited to the category by ethical reasons. Globally, Mintel

has recorded a 600 percent increase in new vegan cheese launches between 2010 and 2015.

#### Naturalness, buttery taste and new alternatives to reinvigorate the spread category

It is likely that natural and purity claims will become a recurring theme for spreads innovations across Europe and the US in 2016. Spreads manufacturers will have to work to develop recipes with significantly shorter ingredient lists but also bring what is perceived as natural into the category. From butter's increasing use in margarine, helping to boost its natural credentials to other dairy products (such as cream or yogurt) being added to butter.

Beauty starts from the inside and there is a nascent trend for fats and oils in the beauty sector to transfer into food and drink. Argan oils are becoming more prominent (especially in France), coconut butter and oil is hugely successful and we're also starting to see shea butter used as an ingredient.





#### Bakery trends

## Focus on added health and naturalness in the bakery sector

With bakery as a whole (including sweet/savoury biscuits, as well as bread, sweet bakery and baking ingredients/mixes), the largest food and drink sector in terms of NPD, there is no shortage of new products coming to the market. Some of the more interesting innovations have focused around making bakery products more engaging to the Millennial generation, in particular with new flavours and formats receiving a lot of attention. Making bakery more relevant to the modern consumer, fitting into on-the-go consumption needs, for example, as well as ensuring it is viewed as an exciting 'destination' category, will be key to achieving future growth.

The focus for the sector is now very much on giving everyday consumers more reasons to buy. Thus, improving the healthiness of such products and cleaning up the label are now major focus areas in order to deflect the criticism that has started to mount over the long list of ingredients used in gluten-free products and their sometimes inferior nutrition profile.

#### Focus on added health

Bread of the future will be healthier. More brands are pushing added health benefits such as high fibre, wholegrain, added vitamins/minerals or high protein with ingredients such as ancient grains being used to deliver such benefits.

The number of new baked goods claiming to be enriched with vitamins, high fibre or high in protein has doubled in

Europe between 2010 and 2015. Same goes for functional claims in both Europe and North America. Latin America is another region where functional bakery is on the rise.

#### Naturalness is paramount

The fact that natural indicators rank high up on the list of purchase decisions among bakery consumers, especially Millennial consumers, also points to more potential in communicating around naturalness, with the rise of smaller additive free bread brands, a notable movement in North America and Europe.

Natural claims far outstrip other types of claims in bakery. There also has been a sharp rise in the number of organic breads entering the US market, and sales are growing ahead of what is a very healthy organic market as a whole.

#### Gluten-free segment will continue to rise in 2016

In terms of consumer diet trends, none have been bigger than gluten-free in recent years. The gluten-free food and drink segment is still growing. Not only are consumers hearing more about gluten-free diets, but many also think such a diet is healthier, more natural and beneficial to weight loss.

Gluten-free products appeal to a wide audience; 41 percent of US adults agree they are beneficial for everyone, not only those with gluten intolerance. The gluten-free claim remains firmly popular in Europe, North America and Latin America. Grain-free could well be the next to come.





## Infant nutrition market moves towards premium products

**Organic and other premium products is an increasing trend in the infant nutrition market. Solutions for these types of products have also become an important part of AAK's portfolio for infant formula. The company's Akonino® Organic range and the latest solution Akonino® Phospholipid, containing vital nutrients and fatty acids for infants, are a few examples.**

### **Akonino® Organic**

The raw materials used in AAK's organic solutions are carefully selected to meet the company's high demands on food safety. All safety aspects are carefully evaluated throughout the production chain, and the organic solutions fulfil the same purity demands as the rest of AAK's Akonino® portfolio. The Akonino® Organic solutions can be tailor-made to meet customer demands in the same way as the standard range of Akonino® lipid ingredients.

AAK has been producing EU certified organic solutions for many years using the certifying bodies KRAV and SKAL. For more than ten years AAK has also, with an approval in accordance to the USDA Organic standard, been able to supply organic oils to the United States.

"Over the last years we have seen an increasing interest for organic infant formula products also in China", says Bodil

Granroth, Commercial Product Manager for AAK's Infant Nutrition division. "After several extensive audits of our customers, conducted together with Chinese organic certifying bodies, we realized the effort our customers need to put in, in order to get all the ingredients in their end products certified. Therefore, we decided to support our customers by applying for certification of our Akonino® Organic solutions."

AAK received its certificate through COFCC (China Organic Food Certification Center) in 2014, and the certificate is now re-issued every year by new on-site inspections of AAK's suppliers.

### **Akonino® Phospholipid**

Following the market's move towards more premium products, AAK is now also able to supply its customers with an Akonino® lipid ingredient containing phospholipids. The uniqueness of this solution is the combination of phospholipids and long-chain polyunsaturated fatty acids in the same molecule, mimicking the human milk structure.

The main fatty acids in Akonino® Phospholipid are docosahexaenoic acid (DHA), arachidonic acid (ARA) and conjugated linoleic acid (CLA). In addition, the solution has a natural content of choline, cholesterol and lutein which are other important nutrients for infants.

"DHA and ARA can be supplied in several forms and the market drive to use the combination with phospholipids is that this structure is found in human milk", says Bodil Granroth. "The structure has shown to have an improved quality with increased oxidation stability and also a higher bioavailability, than when present in a triglyceride form."



# Safe solutions – a top priority for Infant Nutrition

**Being a global supplier of infant formula lipid solutions, one of AAK's most important focus areas is to ensure that these lipid solutions, branded as Akonino®, are safe for infants. Central to this work is AAK's extensive food safety program that ensures that the company's solutions live up to international quality standards.**

With more than 100 years of experience working with natural vegetable raw materials, AAK is well-known for its high level of production quality and food safety. This is of course also the case for the company's Akonino® lipid solutions which are custom designed for the infant nutrition industry.

All of AAK's raw materials are carefully sourced and only from audited and approved suppliers. Once the right raw materials have been obtained AAK begin its gentle and optimal processing.

"With our processing we aim to remove undesirable components while maintaining the ones which contribute to an excellent stability towards oxidation and taste degradation", says Malin Pedersen, Technical Manager for AAK's Infant Nutrition division. "The result is an extremely pure and fresh lipid solution which we can offer to our customers and which, of course, complies with international quality standards."

## Food safety program

At the basis of AAK's quality and food safety work is the company's ex-

tensive and very important food safety program that ensures that AAK's ingredients are safe to use and that they fulfil all international standards for infant formula.

The program is focused on proactive and preventive actions and the approach is based on a complete assurance model and a large number of procedures and activities, covering all steps from raw material sourcing to delivering the lipid solutions to AAK's customers. A monitoring program is used to verify the functionality of the food safety program and to support the validity of the 'AAK standard of contaminants'.

"Our food safety program is part of our quality assurance, which is validated by third-party auditors and against international standards", says Malin Pedersen. "With this program in place, AAK can ensure that our lipid solutions are safe to use in infant formula and it allows us to create our own purity standard for our Akonino® lipid solutions."



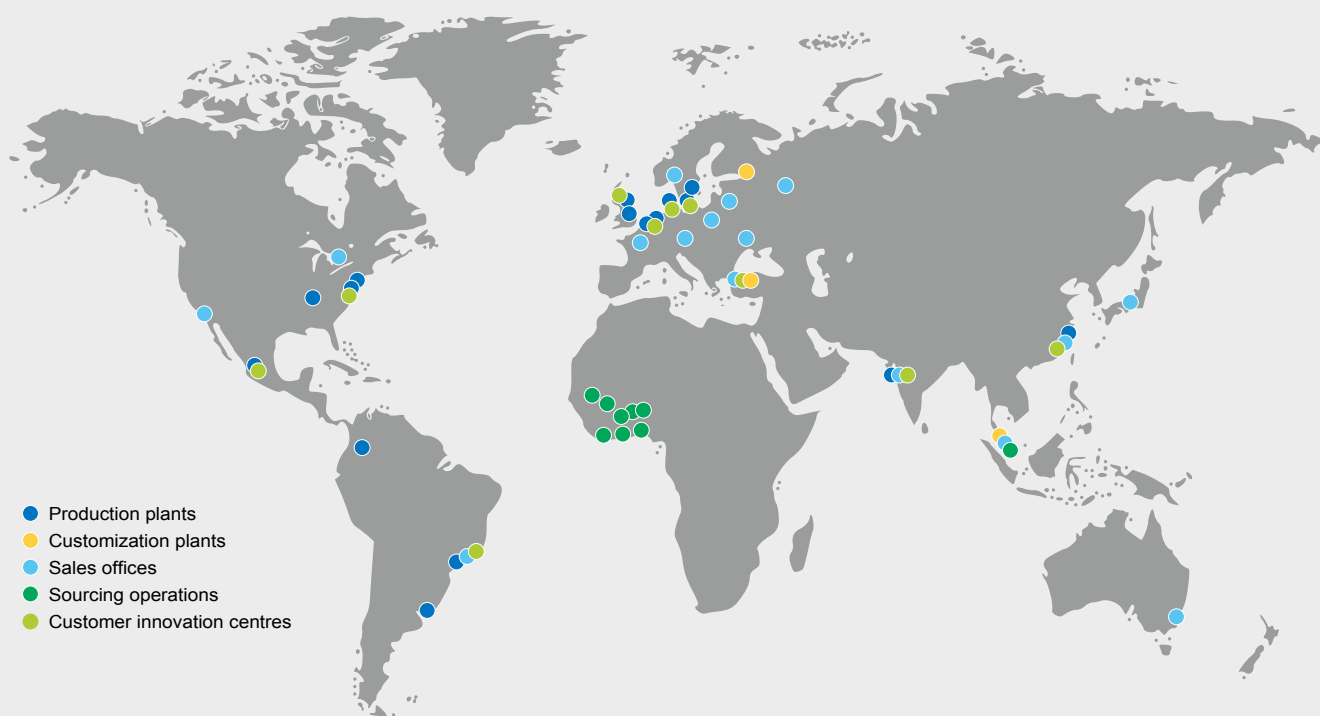
## Update from AAK

- During September 2015, AAK acquired 51 percent of the shares of Kamani Oil Industries Pvt Ltd., one of the leading speciality and semi-speciality oils and fats companies in India. The company had last year revenues of approximately SEK 1,000 million, with an annual volume of 100,000 MT.

This acquisition will give AAK a strong foothold in India. Kamani has very well-developed relations with both global and local customers. Together, we will continue to develop customer relations as well as the product portfolio of speciality and semi-speciality products. With a great focus on technical expertise and customer co-development, Kamani's customer and market approach is very similar to AAK's. The acquisition was completed on October 1, 2015.

- In October, AAK established a partnership with Miyoshi Oils & Fats Co. by forming a new company together for the Japanese market, AAK Miyoshi JP. The Japanese market is particularly interesting for the Chocolate & Confectionery Fats and Bakery segments. AAK will own 70 percent of the new company. The remaining 30 percent will be owned by Miyoshi Oils & Fats Co.

AAK Miyoshi JP will have both sales and customer innovation resources and will focus on products for the chocolate and confectionery, bakery, dairy and infant nutrition markets. The partnership will be operational from January, 2016.



# The first choice for value-adding vegetable oil solutions

We develop and provide value-adding vegetable oil solutions in close collaboration with our customers, enabling them to achieve long lasting business results.

We do so through our in-depth expertise in oils & fats within food applications, working with a wide range of raw materials and broad process capabilities.

Through our unique co-development approach we bring together our customers' skills and know-how with our capabilities and mindset. By doing so, we solve customer specific needs across many industries – Chocolate & Confectionery, Bakery, Dairy, Infant Nutrition, Food Service, Personal Care, and more.

AAK's proven expertise is based on more than 140 years of experience within oils & fats. With our headquarters in Malmö, Sweden, 19 production facilities and customization plants, and sales offices in more than 25 countries, our more than 2,700 employees are dedicated to providing innovative value-adding solutions to our customers.

So no matter where you are in the world, we are ready to help you achieve long lasting results.

We are AAK – The Co-Development Company.

Explore more at  
[www.aak.com](http://www.aak.com)

Or contact us at  
[info@aaak.com](mailto:info@aaak.com)

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