



Insight

AAK Magazine

The Co-Development Company

#6, June 2018

Innovation in an ever-changing food industry, pages 3–5

Delivering successful consumer-focused innovation, pages 8–9

Current and upcoming innovation trends in the food industry, pages 10–11

AAK

Dear readers,

In this issue of *Insight* we will take a closer look at innovation. Innovation is one of five priority areas of our company program The AAK Way and decisive for us to be our customers' preferred supplier and for securing that our solutions add high value to our customers' products.

Our Chief Technology Officer (CTO), Karsten Nielsen, shares his view on innovation in AAK and explains how it has changed over time since he joined the company 30 years ago. We also meet Marc Vissers, Director New Product Development in AAK's Special Nutrition segment, who talks about the innovation opportunities and challenges that exist within the nutritional field.

To find out what food innovation looks like in the marketplace – among leading brands and so called disruptive ones – we asked market research provider Euromonitor for an analysis. We have also talked to David Jago at market intelligence agency Mintel who highlights some of the current trends in the fast-changing food and ingredient industries.

Coconut oil in high demand

Coconut oil has experienced a significant increase in demand over the past two decades and for this issue we visited Indonesia, the world's largest producer of coconuts. Here we recently started a direct sourcing project together with a local coconut oil mill, supporting small-scale farmers. Through our initiative the farmers will be able to improve their livelihoods and in addition, there are important environmental benefits as well.

The Co-Development Company

We also give you some concrete examples of what it means to be the Co-Development Company. We have asked colleagues from different parts of AAK to share some of their recent co-development stories, and to explain how our customer value propositions for health and reduced costs have helped our customers improve and grow their businesses.

If you have any comments or questions about the magazine or if you have suggestions for future articles, don't hesitate to talk to your AAK representative or contact us via insight@aak.com.

Enjoy your reading.

Anne Mette Olesen
Chief Marketing Officer



Contents

Karsten Nielsen, CTO, on innovation in AAK	3–5
New innovation team in Special Nutrition	6–7
Delivering successful consumer-focused innovation	8–9
Mintel on food innovation trends	10–11
Coconut oil, a raw material in high demand	12–13
AAK – The Co-Development Company	14–15

Insight AAK Magazine

Published by AAK AB (publ.) | www.aak.com

Editorial group

Henning Villadsen, Christian Robèrt, Adam Bogefors, Bodil Granroth, Laura Schlebès, Alva Zhang, Stacy Ong, Rossana Cabral, Leaslie Carr, Tania Moreira Parra, Anne Brødsgaard, Rasa Moorthamer.

Contact

insight@aak.com

Production: JohnJohn Konsult AB

Photographs: AAK, Thomas Hergaard, Laura Schlebès, Shutterstock.com

Print: Exakta



Karsten Nielsen,
AAK's Chief Technology Officer



Innovation in an ever-changing food industry

After three decades with the company, Chief Technology Officer Karsten Nielsen knows a thing or two about innovation at AAK. *Insight* asked him how the company's innovation approach has evolved over the years and how constantly changing consumer demands affect an ingredient company like AAK.

You have been with AAK for 30 years. How would you say innovation has changed since you started with the company in the late 1980s?

It is like night and day, really. Thirty years ago we saw a quite fragmented food industry. There were the main bulk ingredients such as oils & fats and flour & starch, and there were functional ingredients like emulsifiers and hydrocolloids. Now, we look at it differently for a number of reasons, changing consumer demands being one of them.

An important turning point in our industry was the still often cited article by W.C. Willett, published in 1993 in the *Lancet*, which concluded that trans fatty acids had a negative impact on human health. These findings resulted, within a few years, in the phasing out of high-volume commodities like hydrogenated soy bean and rapeseed oil. At the same time we have seen consumers having an increased focus on ingredient lists, requiring much more functionality from each ingredient. Basic quality parameters like structure, shelf life, nutrition, and above all taste, have to be considered in each individual ingredient.

But of course technology also changes over 30 years. We have seen the entrance of biochemical process methods in our factories and even in the organisms producing the raw materials. Combining this with improved analytical methods gives us a much better insight in the chemical structures that we work with which gives us possibilities we have not yet seen the full impact of. In other words, there is still plenty of room and possibilities for innovation within our industry.

Today's consumer market forces companies in the food industry to constantly introduce new products. How is this affecting an ingredient company like AAK?

Producing ingredients for a constantly developing food industry requires insights which we can only get by being close to our customers all the time and at all levels. Our customers are our eyes and ears in the consumer market and what we see and hear is that a new product can be new on many different levels. For AAK this means that product development is done within different areas, for example on technology and products with new or improved functionalities, but also on new raw materials or improved and more sustainable sourcing of traditional raw materials. Whatever the case, the key thing is that the ingredient adds a feature to the final product that consumers find valuable. To achieve this is a constant journey to improve our total innovation process – from our interaction with the market all the way back to our raw materials and technologies.



Our customers are our eyes and ears in the consumer market and what we see and hear is that a new product can be new on many different levels.





Karsten Nielsen with CEO Johan Westman in the chocolate laboratory in Aarhus, Denmark.

You have a global responsibility for innovation at AAK. How is this work executed considering that taste preferences and trends vary from region to region?

Although there are a number of global trends, for example within nutrition, it is very important to notice that food preferences vary across the globe. At AAK we have always emphasized innovation close to our customers. In fact, the first footprint of AAK everywhere in the world is and has always been our Customer Co-Development teams. Innovations in the final food product can only be made in close cooperation between us as an ingredient supplier and the food manufacturer. Being close to the market also means living in the region, to be part of the regional taste preferences and notice emerging customer trends – not only as professionals but also privately. Besides working in this industry we are also consumers of the products that we deliver.

Innovation is one of five priority areas within AAK's ongoing company program The AAK Way. How is this progressing?

I see a lot of progress, mainly in "making innovation part of everybody's job". Innovation was included in The AAK Way to ensure that it becomes more than just new product development and a technological exercise. Innovation means bringing novelty to work, not just to create novelty. This is done in several ways, by including business responsibilities in the leadership of the innovation project and by establishing tools to link the growing AAK organization together in an innovation community which can communicate and challenge each other's insights to refine the ideas even further. We have projects for every step of the process. Each step has its challenges, and in each step we have initiatives to improve, from insights to implementation.



Innovation means bringing novelty to work, not just to create novelty.

**What are AAK's relationships with universities like?
Are there any established collaborations?**

When we initiated the more technical focus of innovation in our previous company program AAKtion, one focus area was to align our external cooperation. Working with external partners is a bit like marketing, you have to get share of mind before you get top of mind and you cannot be everywhere. We have a small network of partners with which we have ongoing dialogues and a number of external projects, mainly on the more basic technologies and knowledge development.

**Where do you see innovation at AAK
in the upcoming years?**

AAK has always been, and will always be, a partner listening to our customers and responding to explicit needs and requirements.

The aim of priority area Innovation within The AAK Way is to become more than that and we want to continue to challenge the established. The food industry these days is an amazing industry with new markets and constant changes resulting in new requirements and needs. Think about chocolate for example: markets with tropical climates have very different demands than the traditional ones and there are already activities in this area. We truly believe that there is much more to learn from these markets. We are right now working with the insights which will create new products in 3–5 years.



New team to drive innovation within Special Nutrition

For many years AAK has provided its customers with tailor-made solutions that significantly improve nutritional intake. To constantly be in the forefront and to put innovation at the top of the agenda, the company's Special Nutrition division recently created a new product development team who will evaluate new, scientifically-based opportunities within the nutrition area. The team is led by Marc Vissers, Director New Product Development Special Nutrition.

*Marc Vissers,
Director New Product
Development Special Nutrition*





With almost 20 years of food innovation experience Marc has a particular interest in nutritional foods. During his many years in the business, food innovation and the industry as a whole, has seen a lot of changes. Above all, the image of and attitude towards fat has gone through some transformation. From being considered an unhealthy ingredient, the nutritional and biological importance of fats and fatty acids has become more and more important.

“But there has been many other changes as well”, says Marc Vissers. “For sure, the implementation of the EFSA nutritional health claim regulation was a big game changer. It used to be relatively easy to implement new innovative products and putting claims on your packages. But the claim procedures, based on and supported by scientific evidence, became stricter with the implementation and this almost stopped product launches within the nutritional field.”

The trend has changed somewhat and during the last couple of years there has been an increase in nutritional innovations. But to put EFSA claims on these new products still requires solid clinical evidence.

Marc has also observed a shift in infant nutrition where a predominant focus on exactly mimicking the composition of mother’s milk “on the package” has moved towards a more bio-functional focus. Nutrients should not only be in the formula, he explains, but also have proven benefits such as being absorbed and utilized by the body. A very good example in this respect is the structured triglyceride ‘OPO’, which in the market is known under the brand INFAT®, sold and marketed by Advanced Lipids, a joint venture of AAK and Frutarom.

Drivers of innovation

An important driver of innovation for AAK Special Nutrition is, of course, the needs and requirements of the company’s customers. Marc has a global responsibility for innovation within Special Nutrition and he explains that with constantly changing preferences and trends the process is, in the end, all about listening and talking to customers. And here, the whole team, Commercial Product Managers, Sales Managers and Customer Innovation Managers, plays an important role in the company’s co-development process. The team has recently launched a new product for the infant food industry.

“This new product, containing arachidonic acid (ARA) in a blend, has been launched in Europe”, says Marc. “Together with docosahexaenoic acid (DHA), ARA is essential for the brain development of infants and it has been advised that the concentration of ARA should be at least equal to that of DHA.”

In mother’s milk, 20 percent of the DHA and ARA are located on phospholipids and not on TAGs (triacylglycerides), just as in egg yolks, and this product launch was made possible by AAK’s 2015 investment in a business in Bastogne, Belgium where egg phospholipids are produced.

As seen in the EFSA case, regulation is another important driver of innovation. Regulation changes often have immense consequences on the industry. When, for example, the EU decided to double the minimum level of DHA in infant foods or when it set very strict limits on glycidol esters, companies in the infant formula industry and their suppliers needed to make necessary alterations in order to meet the new requirements.

Bright future for Special Nutrition

The newly created product development team has had a positive start and Marc Vissers is optimistic about the future. The team is currently working on establishing important relationships with external partners, for example service providers on novel food regulations and trial facilities for powder production. The recent product launch for the European market will later this year be followed by a new concept aiming at the infant formula industry.

“We are also seeing new opportunities for our egg phospholipid products”, says Marc. “Today, these products are mainly used within infant nutrition, but we see great opportunities for targeting adults and seniors as well and for taking on new geographical areas. In addition, we have a pipeline of new exciting projects targeting the nutritional segment which will mature over the next few years.”

Euromonitor: Delivering successful consumer-focused innovation

The hype of disruptors in the food industry has driven legacy brands to acquire start-ups or launch their own innovation incubators. These disruptors are agile and receptive to the latest consumer trends and challenge the innovation planning and timeline capabilities of leading brands. How are organizations and brands to tackle this development? We asked strategic market research provider Euromonitor for an analysis.

Keeping a finger on the pulse of evolving consumer needs

Up until recently innovation was heavily underlined with brand diversification. Although this has helped organizations reach untapped consumers, it has also distracted the focus from the core brand value. But with the increased scrutiny from consumers, many have reached a critical point to step back and re-assess the values that their brand represents. The process begins by asking ‘What is the next big shift in consumer preference?’ and takes a look at long-term megatrends to shortlist the few that are most critical and relevant. More importantly, it is essential to establish a method of monitoring the change of such megatrends over time or risk becoming exposed to disruptors who see and address further shifts in consumer needs faster and better.

The outcome of this assessment allows manufacturers to establish a more clear direction for the product portfolio and to more effectively work with partners along the supply chain to innovate and co-develop products that speak to evolving consumer needs.

Consumers are re-shaping the meaning of healthy

A prime example of such shift in megatrends is the evolution of health and wellness. Health and wellness, which is a USD 718 billion food and beverage segment globally, continues to be redefined and impacts the industry across the supply chain, from ingredients to products and packaging. It is not so much about the exclusion of ingredients but about nutritional value, transparency and responsible sourcing, underpinned by indulgence and an enjoyable experience.

The oils and fats segment is among the most impacted by this shift. For example, we see a clear resurgence of butter (33 percent compound growth in global value over 2012–2022) and decline of margarine (-15 percent compound decline in global value over 2012–2022). The rise of more naturally perceived fats will underline the future development of this category where alternatives such as avocado and coconut oil are being embraced by consumers looking for naturally fortified content to fill nutritional gaps. Such oils are

used in the flourishing free-from category in products such as confectionery and snack bars.

The focus on wellness has also manifested in increasingly mindful eating and demand for a sensorial experience. As a result, consumers are extra attentive in scrutinizing the list of ingredients on the products they choose to purchase and look for natural, simple labelling and sustainable alternatives. This is fostering innovation in plant-based dairy alternatives, meat substitutes and gluten-free options and has introduced naturally healthy ingredients such as super foods, super grains and fungi.

Monitoring such megatrends closely and over time allows brands and their ingredient partners to achieve two objectives: to align product development to evolving needs and to support future innovation by having a clear reference point for portfolio development within this space.

Efficient assessment of product potential

Increasingly, foodservice has been utilized as the testing platform for food innovation, as it leverages the direct feedback element most efficiently. It is where chefs are able to blend ingredients and assess the appeal of new formats. This has fostered the re-discovery of ancient ingredients such as turmeric, the substitute of oils such as avocado oil in humus and condiments, the adoption of sustainable sourcing utilizing ugly fruit and food waste, or the development of alternative food formats such as the power balls in snack bars.

Foodservice is a good innovation platform as it also can provide the sensorial experience beyond taste but on an elevated experience with new textures, new ingredients and blended flavors. Such positively received foodservice trends are gradually commercialized and adopted into a mainstream retail offer.

Effective go-to-market delivery critical for success

Consumers today want a simplified, convenient, fun, mindful experience. Therefore, manufacturers need, while innovating a product, to maintain an open platform to adapt delivery methods to the consumers. The popularity of on-line subscription services has seen strong success, but key features such as personalization and convenience have since been re-adopted by retail where we see the emergence of curated packs for easy meal preparation, for example.

The diversity of business model alternatives has put mainstream brands to a challenge and more than ever, a go-to-market strategy needs to be shaped at the inception of the product.

The pressure for accelerated innovation continues to rise. Social networks and sharing platforms, the focus on experience and personalization has put established brands under scrutiny as dynamic and agile disruptors address with immediacy the erratic shift in consumer preference. Brands are addressing the needs of a more sophisticated consumer who is also looking for more simplified and natural nutrition. Niche, agile and local brands are able to easily embrace the current back-to-basics trend. But working in close collaboration with its ingredients partners, brands can more effectively marry up their knowledge of evolving trends with ingredients that meet the nutritional and indulgence needs of consumers today.





Mintel: The concept of “one size fits all” is less true than it used to be

Innovation in the food and ingredient industries is going through some major changes. What are some of the current trends and where are we heading? We asked David Jago at Mintel, one of the world’s leading market intelligence agencies, for a report.

David, as Director of Innovation & Insight at Mintel, what would you say are some of the general innovation trends within today's food industry?

Total innovation and renovation activity is up, but there is currently a greater focus on renovation. Whereas 49 percent of all activity globally in 2008 was genuinely new products, this fell to just 32 percent in 2017. Bigger companies nowadays play a less important role and the major players account for a smaller percentage of total activity than they used to, one factor being the growth of private labels. There are also many new, smaller, entrepreneurial companies operating in fast-growing niche markets. Even the big players are changing by launching into specialist areas through small subsidiaries, or by launching more local brands rather than global ones. The concept of "one size fits all" is less true than it used to be.

How is the growing demand for new products affecting the ingredient industry?

It's true that today's consumers are more demanding as they have much more information at their fingertips and are open to more cultural and international influences than ever before. Consumers and the retail trade demand more variety and for ingredient suppliers that means more potential scope although it may be many more high-value, small-volume opportunities than in the past. There's also a great opportunity to work with the smaller, newer players and grow with them. It also creates a need for greater flexibility – one ingredient or family of ingredients with multiple specialist applications, including applications that were once seen as very niche, for example dairy-free yogurts and ice cream – and a greater need to partner with brand owners to develop complete solutions – all the way from concept development to launch and post-launch – rather than simply "selling an ingredient".

Would you say that innovation, and the processes involved, are subject to geographical differences?

The decline of genuinely new products is more apparent in some markets than in others – for example in Eastern Europe compared to main Western European markets or in Asia or Latin America compared to Europe. There are obviously also important differences by category. For instance, dairy products make up a significantly larger percentage of all food launches in Europe than in any other region while savory snacks have a much higher activity in North America and Asia than elsewhere.

It often used to be said that Japan was a hotbed for innovation, and certainly the country sees very high levels of innovation. However, it's a relatively closed market and many of those innovations are local and don't expand further afield. Similarly, it has often been said that major trends originate in the US and spread to Europe and elsewhere. That is sometimes still true, but depends hugely on the category and trend involved. For example, the clean label trend and the ongoing trend towards "all things natural" is arguably more developed in European markets than in North America and many trends in "fresh food" originate in Europe where the

chilled distribution chain can support them. So, some of the "universal truths" of the past are no longer true, as everything is more fragmented, more varied.

When it comes to the processes, those probably vary more by size and scope of the company involved than they do by region. Simply put, many smaller companies put more faith in judgement than in science. More technical innovations still tend to come from the most mature markets where the demand is more apparent and the consumer will pay for added value.

How do you think innovation will change and affect the food and ingredient industries in the coming years?

I'd say more variety and very possibly something approaching the death, or at least the decline, of what was once mainstream. There will be more focus on healthy lifestyle diets, personalized nutrition, new ingredients, and more snacking. For the ingredient industry, bear in mind that customer portfolios may change significantly in the coming years, with a greater focus on specialized solutions, local solutions, and niche markets. Nothing's uniform like it used to be. We should also consider the new role for the consumer as co-creator, harnessing the power of social media to directly impact on how products are developed, launched and reformulated.

As a research provider, how has Mintel's support to the food and ingredient industries changed? And what does Mintel do in order to meet new needs?

The short answer is to stay flexible. We recognize that a "one size fits all" approach is no longer always the right one. We will continue to produce huge quantities of published data and insight across regions, categories and trends, but our solutions, like those of the ingredient industry, are increasingly tailored to each client's individual needs. This also means changing the way we deliver – for example meeting the immediate needs of a client on a train or plane, en route to a meeting, who needs an immediate answer by mobile phone, rather than the 100+ page reports that we once focused on.



David Jago,
Director of Innovation
& Insight at Mintel

Smallholder inclusion in the coconut supply chain

AAK has been sourcing coconuts from Asia since the 1930s. The traditional coconut supply chain is long and complex because the growing areas are far from the mills that extract the oil from the dried coconuts. In order to include smallholders and simplify the supply chain for farmers, AAK has started a direct sourcing project in Indonesia.

According to the latest data by the FAO (Food and Agriculture Organization of the United Nations), Indonesia was the world's largest producer of coconuts in 2016, followed by the Philippines and India. The three countries account for more than 70 percent of the global coconut production.

The production potential of the coconut industry is, however, not fully utilized mainly due to old trees having passed their peak production period and so called extensive agriculture – a production system that uses small inputs of labor and capital relative to the land area being farmed.

“Coconut is not perceived as a high-income crop and therefore farmers often don't manage the trees for optimal crop production”, says Laura Schlebess, member of AAK's global CSR team. “Furthermore, coconut farmers often have limited access to resources because they live in remote areas and can't afford expensive fertilizers.”

Smallholder inclusion

Approximately 96 percent of the world's coconuts are produced by small-scale farmers on plantations smaller than five hectares. Many of these farmers live on remote coastal islands with limited access to global markets or other opportunities to make a livelihood.



In order to secure the future global supply of coconuts, a vast replanting scheme is necessary. Coconut trees take a relatively long time to bear fruit and in order to make the industry sustainable from an environmental, social and financial perspective, more support for smallholders is needed.

As a start in tackling some of the main challenges in the coconut industry AAK recently partnered up with a coconut oil mill in Indonesia. AAK identified the low productivity of coconut trees and the lack of access to markets as the two major problems for coconut farmers. Therefore, the company decided to develop a new, direct supply chain.

Together with its partner mill AAK sends a barge out to pick up the dried coconuts (copra) directly from the farmers. That way the farmers don't have to worry about transporting the coconuts. AAK also provides training on good agricultural practices to improve farm health and to increase production.

"Before we had to cross the whole island to sell our copra to middlemen at the collection point", says Hamid, who is the chief of farmers in AAK's partner village in Indonesia. "Now, AAK and their partner mill come to our village directly and collect the copra from us. There is a big difference between selling to AAK and selling to the middlemen. We receive better money from AAK and their partner mill and this is very motivating for the farmers to deliver more copra and with better quality."

Economic and environmental benefits

One of AAK's main goals with the direct supply chain is to convince the farmers to invest in their coconut trees since they can get better harvests and a better income for copra of premium quality. But healthier coconut trees not only improve farmers' livelihoods, they are important for other reasons as well.

"Many tropical islands risk being hit by devastating storms and coconut trees play a crucial role in protecting the shorelines from erosion", says Laura Schlebés. "Investing in coconut plantations is, in other words, not only important to secure future supply but also to protect the environment and people's homes."

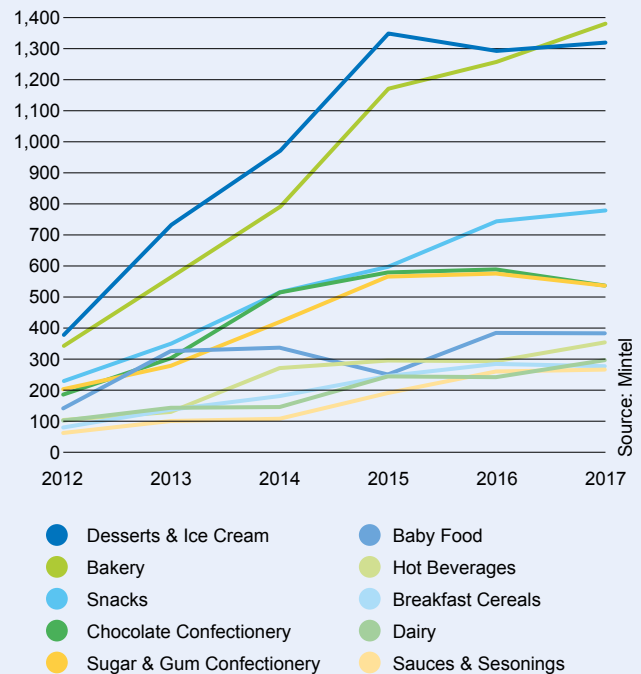
Sustainability within the coconut supply chain is gaining more traction and the industry aims to intensify production. Laura Schlebés argues that we can learn from sustainability experiences in the palm oil industry, picking out best practice to apply to coconut production.

"With the challenging situation the coconut industry currently is in, it makes perfect sense to invest in social, environmental and financial aspects of the supply chain in order to develop the industry and to secure future supply. Since there is no sustainability standard like the RSPO in the coconut industry, collaboration between stakeholders such as businesses, governments, NGOs and farmers is necessary to drive positive change and we at AAK are determined to do our part."

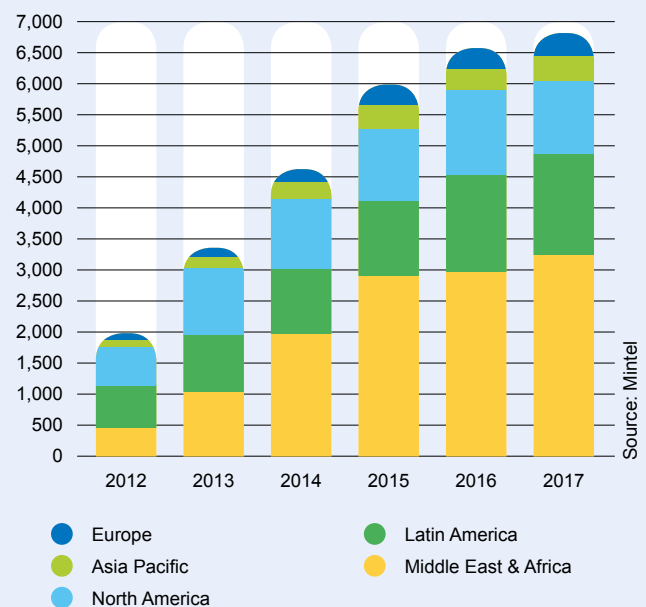
Coconut oil – a raw material in high demand

Coconut oil has experienced a significant increase in demand over the past two decades. This is, to a great extent, due to its perceived health benefits and application opportunities. It's not only coconut oil that has increased in demand, it's coconut in all its forms – virgin coconut oil, coconut powder, coconut sugar and, of course, coconut water – which often compete in the market.

Number of products containing coconut oil



Products containing coconut oil per market





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 how does it work? *Insight* asked some of AAK’s teams around the world to share some recent successful co-development stories.

Customer Co-Development in Southeast Asia

New solution for cake manufacturers

During a co-development session, we learned that one of our customers was encountering problems with maintaining the softness and moisture of a layered cake. Due to this challenge, the product launch was put on hold until the quality issue had been addressed.

We were given the task to study the problem and come up with a solution to prolong the shelf life of the cake. Using our technical expertise, we started our research and lab trials were initiated with a customized fat blend, which was followed by several application tests. A few months later we had developed a solution – Akocake LAS 20.

Accompanied by our Customer Innovation Manager to ensure optimal technical support, our customer then

conducted a factory trial with Akocake LAS 20. The customer was very satisfied with the improvement of the end product’s texture and our solution ensured an improved shelf life with maintained softness and improved freshness with reduced crumbliness.

Through this customer co-development approach we managed to reduce the development time and provide a value-adding solution that will help our customer make the most of its product.

Stacy Ong
Regional Sales Manager, AAK Malaysia





Customer Co-Development in Brazil

Non-PHVO, low-sat solution to biscuit market



The biscuit market is one of the main markets for AAK in South Latin America. In Brazil, the fat in biscuit and cookie doughs is generally high (50 percent) in saturated fats (SAFA). In relation to this we identified a market opportunity by developing a low-saturated fat for dough application to be produced at our facility in Jundiaí, São Paulo.

Through our co-development approach and in close partnership with our key client, which also is one of the leaders in the segment, we identified the main needs: eliminating partially hydrogenated vegetable oils (PHVOs) and reducing the SAFA level. Since Brazil is experiencing its worst economic crisis in history and since the biscuit market is very competitive with low-price products gaining shares over the last three years, the cost of AAK's new solution also had to be the same or lower than the standard solution used in the market.

A customized product was launched as part of our Akobake brand and the benefits of no PHVOs and a reduction of SAFA to 20 percent of total fats allowed for a low saturation claim. Aside from reducing total and saturated fats and promoting cost savings, our new Akobake solution, depending on customer needs, can be delivered with or without specific emulsifiers.

Within the highly competitive food industry, a good partnership between customer and supplier has become fundamentally important. With AAK's customer-centric approach, supported by our new Customer Innovation Center in Jundiaí, we will continue to co-develop tailored solutions for our customers.

Rossana Cabral
Marketing Manager, AAK Brazil

Customer Co-Development in China

Oil solution for the Chinese infant formula market

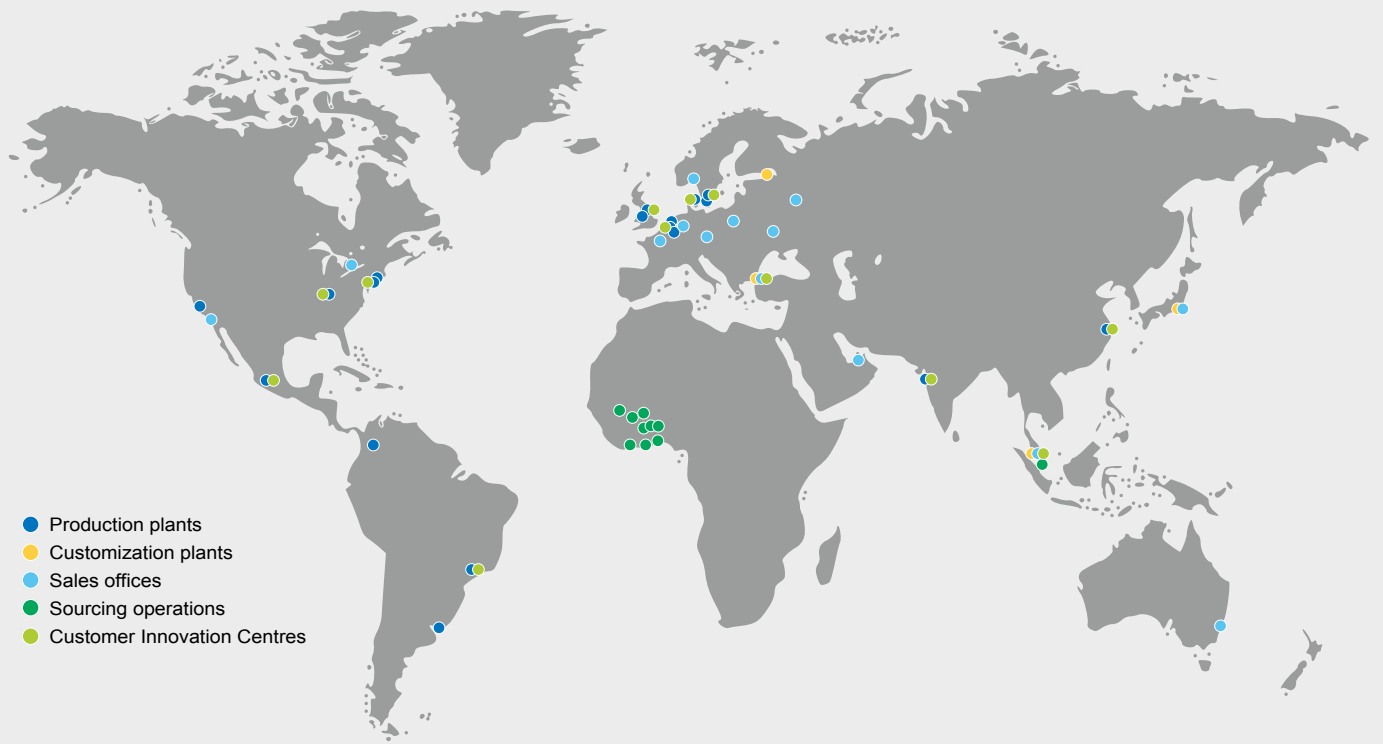


This particular opportunity arose with an infant nutrition label regulation change. Since October 1, 2016, it is in the Chinese market required to declare the source of whey on the product label. Goat milk infant formula companies have earlier used cow milk whey powder in their products, but without declaring it on their labels. But with the new regulation, they must, if they continue to use cow milk whey powder, label this as the source.

As a result, consumers have challenged the "authenticity and pureness" of goat milk infant formulas in which cow milk whey is used as an ingredient. However, goat milk whey is expensive and the supply is inconsistent in China.

To address this inconsistency, AAK developed a product combining an oil blend with goat milk whey. This eliminated the goat milk whey supply challenges for the manufacturers and furthermore ensured an easy and safe use. The launch of this solution has been welcomed by the market and it has become very successful for AAK China's business team.

Alva Zhang
Marketing Manager, AAK China



We are AAK

AAK is a leading provider of value-adding vegetable oils & fats.

Our expertise in lipid technology within foods and special nutrition applications, our wide range of raw materials and our broad process capabilities enable us to develop innovative and value-adding solutions across many industries – Chocolate & Confectionery, Bakery, Dairy, Special Nutrition, Foodservice, Personal Care, and more.

AAK's proven expertise is based on more than 140 years of experience within oils & fats. Our unique co-development approach brings our customers' skills and know-how together with our own capabilities and mindset for lasting results.

Listed on Nasdaq Stockholm and with our headquarters in Malmö, Sweden, AAK has 20 different production facilities, sales offices in more than 25 countries and more than 3,300 employees.

We are AAK – The Co-Development Company.



AAK