

WESTERN FRAGRANCES, EASTERN FLAVOURS ARE TITILLATING GLOBAL SENSES



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Give us an overview about the global flavours & fragrances (F&F) market?

The global market is about \$24.1 billion considering the various well-recognized organisations. Givaudan, Firmenich, International Flavors & Fragrances, Symrise, Takasago, Mane, Frutarom, Sensient, Robertet, Huabao and T. Hasegawa are the among the top 11 players. Percentage wise, Givaudan leads the group, covering about 19 percent of the entire business and market share, followed by Firmenich which is 13 percent, IFF about 12.5 percent, Symrise about 12 percent, while all the remaining firms are below 10 percent. These companies make up the majority of the market

and then there is an entire group of others which comprises of about 22-23 percent approx in total.

What about the Indian flavours & fragrances market?

Indian flavours and fragrances market is approx \$540 to 545 million. The situation in India is also similar to the global market, with Givaudan leading the group at nearly \$125 million. This is followed by Firmenich and IFF neck-to-neck at approx \$76 million.

Then there is an Indian company, S.H. Kelkar which is entering into the major league at \$65 million. This is followed by others, with Symrise at about \$38 million

and an Indian player Goldfield Fragrances which is approx \$10 to 11 million. The rest of them put together make up for the \$150 to 153 million, all having single digit valuations.

What are the trends in the flavours & fragrances industry?

The flavours and fragrances are showing exactly opposite trends. Now a days, people are travelling lot more and have access to imported brands. This has, to a large extent influenced the fragrance market and we are seeing a demand for Western aromas.

As far as the flavours are concerned, people are preferring more of spices in food, similar to Indian food. The processed food market is increasing in a big way and many of the companies are looking to add the Eastern flavours in their tastes.

Even big brands such as Nestle, Fruitvale or Pepsi all are actually adding flavours near to the Indian taste. In some what similar lines we also have to the trend of Indian Chinese that is popular in the country.

Which areas will see growth for the fragrances markets?

Considering fragrances, the typical market drivers are soaps and detergents. But this area has reached saturation. Interestingly, with rise in disposable income, people are graduating from low level fragrances to more sophisticated, better positioned fragrances (soaps and detergents).

The growth perspective of body sprays, deodorants and anti perspirants is also very high and promising in the coming years. Even in rural areas, people are shifting from using talcum powders to body sprays and deodorants.

Further, cosmetic creams, lotions, moisturizers are all set to see growth moving forward. Any slowdown is a temporary phenomenon and the market is sure to bounce back. Experts also expect fragrance usage to increase in unconventional areas like plastics, paints, etc., as in Europe and America, in the not so distant future.

Considering flavours, will the beverage market be the growth engine for the industry?

The beverage market will continue to grow but the dynamics of the industry can vary moving forward. We need to understand that beverages are utilized

depending on the advertisements, product push and marketing gimmicks.

Also, bottled water is a big option with consumers. Growing importance regarding health is making people move towards bottled water. The availability of bottled water can cannabilize the market share of the beverage industry. Packaged fruit juices, and natural health drink are other options.

What are the key market drivers which will lead to the growth of flavours & fragrances market?

For the fragrances market, growth depends on people's usage and FMCG advertising tactics. Soaps and detergents are 98 percent penetrated, which means that almost 98 percent people have used or using it. These people might be willing to use new products as their disposable income increases.

The use of cosmetics in India is limited even in urban areas. With increasing urbanization and rise in per capita income of people, there can be a shift to using higher valued or better positioned cosmetics, deodorants, creams etc.

As far as flavours market is concerned, it is directly related to packaged foods. Due to changing lifestyles, people might opt for convenient or packaged foods which could lead to growth of the flavours markets.

Considering packaged foods, during processing part of the natural flavour is lost. The loss in flavor and the off taste is compensated with artificial flavours and all the packaged food companies are looking to add Indianized flavours in the foods.

Give us information about the demand for natural ingredients in F&F market?

For the fragrances, nowadays almost 90 to 95 percent of the raw materials used in fragrance creation are synthetics and only 5 to 10 percent is of natural origin. But in certain places, there is no replacement for naturals and in certain stages there is no replacements for synthetic, both are required.

In the last 15-20 years people have become vary of adverse effects of chemicals and are shifting to natural ingredients. But this is dependent on many factors such as environmental conditions, proper proceduces for plant cultivation and extraction process. Currently, the Government of India is keen to see that there is more plantation activity for the fragrance industry as it pro-

vides employment opportunities. Also the Fragrance & Flavor Development Centre (FFDC), and MSME, promotes 'Skill India' and 'Make In India' schemes to give an impetus to this sector.

Elaborate regarding rules & regulations followed by the flavours & fragrances industry?

An important factor in the F&F industry is the strict safety norms, restricting the use of many chemicals, either due to governmental regulations or due to self-regulation by the industry itself. For example, some fragrance ingredients are not, permitted for use on grounds of safety, while some others are restricted in their level of use in fragrances, depending on the intended end-use. Products intended to remain on skin viz.; "leave-on" products, such as body lotions have stricter restrictions than those for products that are, washed off the skin viz., household products (e.g., floor cleaners) for which there are little or no intentional skin contact. IFRA (International Fragrance Association) guides the F&F industry by providing guidelines for fragrance ingredients as defined and published in the IFRA safety standards.

The 'American Fragrance Manufacturing Association' established the 'Research Institute for Fragrance Materials (RIFM)', in 1966 in USA as a non-profit making, independent body whose task is to evaluate the safety of fragrance ingredients. The types of test carried out on behalf of RIFM include oral toxicity, irritation skin sensitization, and photo-toxicity (sensitization induced by sunlight).

RIFM also gathers information from other independent research, published scientific literature and aroma chemical manufacturers. An independent panel of international experts in toxicology, pharmacology, and dermatology reviews the test results. RIFM publishes the results as monographs in the journal "Food & Chemical Toxicology". In case there is any cause for concern about the use of an ingredient, it is immediately, indicated in the publications by RIFM through an Advisory Letter, which is acted on by IFRA. Environmental safety is another area of growing concern. RIFM has also started to evaluate the environmental impact of many of the high volume ingredients.

All flavoring substances are, regulated by legislation, issued by FDA. Government departments that control

the safety of foods is also responsible to control the safety of flavors used in the food products. The flavor industry too over the years have accumulated a lot of information and data regarding use, occurrence, biological properties and all the information have been used to carry out independent safety evaluation by various experts. The flavor industry is also, regulated by GRAS regulations of the 'Flavor and Extract Manufacturer's Association (FEMA)'.

The manufacturers of flavor ingredients around the world have set up the 'International Organization of the Flavor Industry (IOFI)' based in Geneva, Switzerland. IOFI issues guidelines to the members, makes recommendations, draw up rules and make available their expertise, to harmonize the diverse rules in various countries for the betterment of the industry and for the benefit of the consumer.

Inter governmental organizations like European Flavor & Fragrance Association, European Council, The Scientific Committee for Food of European Commission (SCF), The Food, and Agriculture Organization (FAO), and the World Health Organization (WHO) of the United Nations also conduct independent study group to evaluate the safety of the flavoring substances. Fragrances and Flavor Association of India (FAFAI), and Essential Oil Association of India (EOAI), are similar bodies set up by the Indian Industry.

Member associations formed in different countries can be members of IFRA and FEMA. Many country associations are not part of the main organizations as fines are paid by the association and not the individual member company. The huge penalties, restricts associations from developing nations to be a part of the main regulatory body.

However, most organizations in India do restrict the use of chemicals on grounds of safety. One such example is the nitro musk used in perfumes. The use of nitro musk is not permitted in US and Europe, while we are permitted to use it in India.

What are the innovations taking place in the flavours & fragrances markets?

There is a lot of R&D and innovation going on in India for the F&F markets. Reputed institutes and premier national R&D organization, in collaboration with Council of Scientific & Industrial Research (CSIR), and Indian Institute of Integrative Medicine

(IIIM) are engaged in R&D activities. There are researches happening on various exotic plants and flowers growing in the Himalayas, Jammu & Kashmir, North East region, Kerala to name a few places.

The main concern is that R&D needs adequate funding in the long run. It needs to be economically viable, which is major obstacle for innovation.

Also the FFDC, set up by the government of India, serves as an interface between essential oil, fragrance and flavour industry and the R&D institutions both in the field of agro and chemical technology.

We have more than 18,000 native species in India of which 1300 species on the last count contain aromas. In spite of its rich natural forest vegetation and a home of many exotic natural plants, India cultivates only limited items of commercial value. There is a great scope for commercial cultivation of several aromatic crops in India.

Currently there is lot of focus on growth of ingredients that are required for the aromatherapy industry. Agarwood oil and Patchouli oil are some of the aroma oils that are part of the R&D activities.

What are the challenges faced in the flavours & fragrances market?

Environmental conditions, pricing are few reasons which affect the availability and cost of aroma ingredients thereby impacting, supply and demand. The F&F industry is finding it tough to balance rising raw materials costs, high dependence on imports and dropping prices of the compounded products.

One has to also keep in mind that use of F&F products is more of an emotional factor for people and not an absolute necessity.

Considering challenges for Indian companies, one of the major issues for players is to address constantly changing flavour and fragrance demands. Here MNCs have access to advanced R&D facilities and they conduct internal R&D and track consumer preferences, while Indian companies, do not give much importance to this aspect.

Competition is intense in terms of quality, price and services rendered to the end user. Many of the top companies have a competitive edge as they use captive and exclusive ingredient technology that makes ones flavour and fragrance unique and difficult to copy.

The R&D and innovation for a captive chemicals is expensive for companies.

Adhering to stringent safety norms issued by FEMA and IFRA are also important to Indian companies to succeed at the global level. Incidentally IFRA itself prohibits the use of many natural ingredients and companies will have to ensure use of appropriate chemicals based on physical hazards and toxicity from chemicals.

Even today, some Indian companies extract essential oils in India, in an unorganized manner. Scientific means, newer agro-methods and tissue culture transplantation techniques need to be developed for large-scale cultivation to maintain sustainability and competitive advantage. Further, we have to establish analytical laboratories for testing and ensuring quality controls.

