

# Infant Formula Upgradation from Safer Products to Premiumization



Source: Channelnewsasia

# Introduction

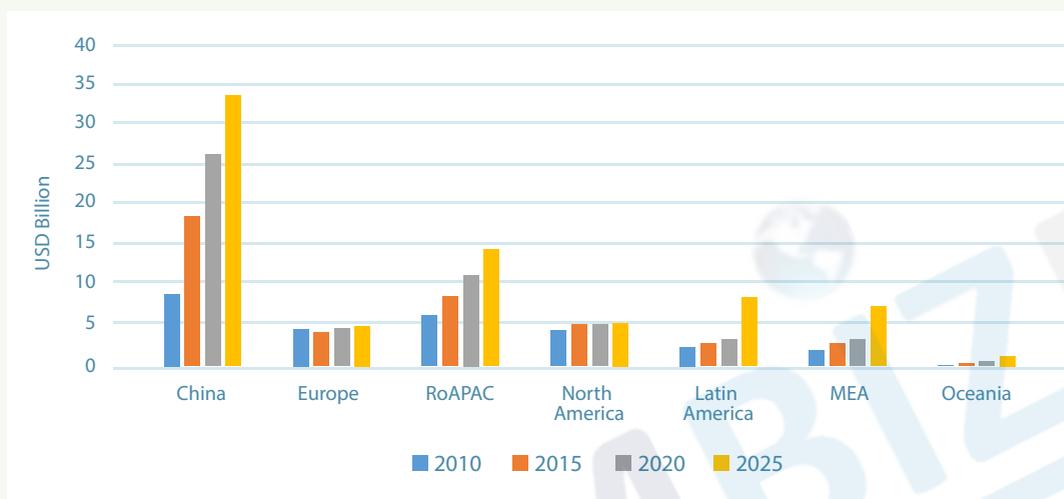
Infant formula is among the most novel product in the food segment as it is considered replacement of human milk. Thus, it is one of the most complex category requiring specific capabilities, technical expertise and state of art quality protocols. Safety during raw material selection, production packaging, trade, transport, sales and distribution is strictly under the jurisdiction of food authorities and regulatory bodies in all the countries. However, due to increased consumer sentiments and awareness about the quality and its feature of resembling to mother's milk profile, the manufacturers are now coupling the safety aspect with added premium features via ingredients embracing additional nutritional benefits.



# Infant Formula Market Evolution & Growth

Despite witnessing declining birth rates globally, infant formula market has shown a hockey stick growth graph exhibiting a CAGR of 4% in last 10 years. The growth for infant formula products during the period 2010 to 2020 has been different across different regions. The developed countries registered lower growth rates while countries such as China and other South-Asian countries have registered double-digit growth during this period. China remains to be the largest market for Infant formula products globally with market value of approximately USD 25 billion in 2020.

## Global Infant Formula Market Size (2010-2025)



*The global infant formula market is estimated to be **USD 56 Billion** in 2020 showing a very steep growth from 2010. It is projected to grow at a **CAGR of 4%** in next five years.*

Sources: Gira: Global Infant Formula Products Market 2018.  
Euromonitor: Global Baby food Market 2018.

The growing middle-class population and the subsequent rise in disposable incomes of people in China are the major reasons attributed to the burgeoning demand for Infant formula in China.

The US and European manufacturers are eyeing on the Asian market, majorly China, Indonesia, Philippines among others, owing to considerably rising demand and saturation in their own markets.



Source: South China Morning Post

# Flourishing Premium Infant Formula Market

A notable trend that is evident in Infant formula market during the recent times is that there is a growing demand for premium products with novel ingredients. The urge for parents to feed their babies with formula, which is close to mother's milk and highly embedded with nutritional needs for their babies, is taking all the attention of the stake owners in the production value chain. The product formulators, blenders, and the ingredient manufacturers that supply oils, fats, base milk, lipids, nutritional ingredients and nutritional premix.

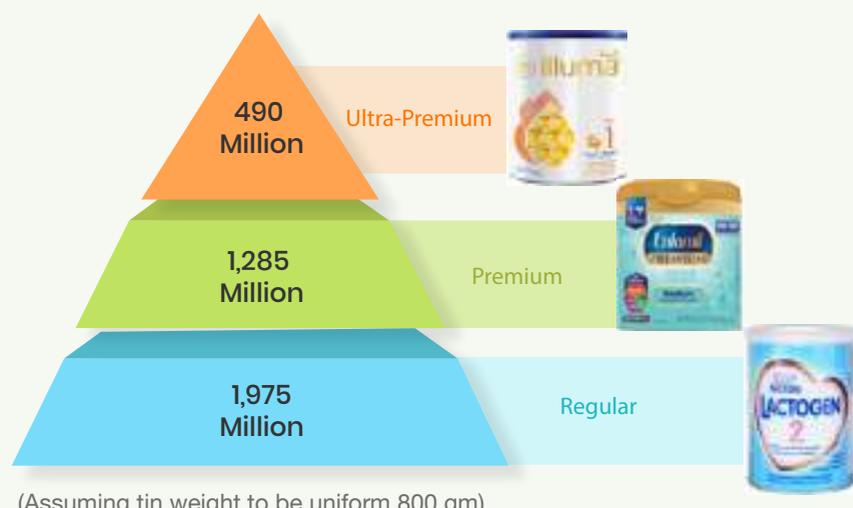


*The cutting edge bio-actives such as Lactoferrin, Prebiotics, Probiotics, OPO, HMO etc. and nutritional oils such as MCT, omega 3 and omega 6 are ingredients under the dominance of the premium category launches. R&D and innovations along with the government surveillance and production protocols.*

On the global level, it is estimated that approximately 30-35% of all the infant formula sold globally was premium infant formula and nearly 10-15% can be categorised under ultra-premium formula. China, which is the largest market, has been forerunner in witnessing the premiumisation of infant formula industry where premium products occupied over 40% while Ultra-premium accounted for 20% of the total market in 2019. This is a paradigm shift for premium category, which was only in the single digits a decade ago. Other regions such as the USA, Europe and Asia-Pacific observed similar trends and witnessed rise in number of premium category products over the last decade.



## Number of Tins Sold Globally in Each Segment (2019)



(Assuming tin weight to be uniform 800 gm)

Sources: Gira: Global Infant Formula Products Market 2018.  
Euromonitor: Global Baby food Market 2018.

### The Typical Pricing (per 800 gm of tin)

Ultra-premium: >USD 40

Premium: USD 25-40

Regular: USD 20-25

## Ingredients Making Infant Formula Premium & Sophisticated

- 1 Lactoferrin:** It is an iron transport protein present naturally in human milk and cow milk at an average concentration of 1.4 mg/ml. Higher levels of lactoferrin are found in colostrum, the very early breast milk that provides important immune support for new-borns during the first weeks of life.
- 2 Goat based milk formula:** Due to growing cases for allergy towards cow's milk has made goat milk an alternative in the making. Babies sensitive to cow's milk protein or mildly lactose intolerant or have other concerns about cow's milk have benefits of goat's milk formula. Some research studies suggest that the vitamins and minerals in goat's milk might be more readily absorbed than those in cow milk and also easy to digest.
- 3 Pre-biotics (mainly HMO):** Human Milk Oligosaccharides are unique, complex carbohydrates which act as prebiotics to the gut bacteria. These HMO's are naturally present in the human milk and they constitute the third largest component present in the human milk only after fats and proteins. Currently, there have been more than 200 HMOs which have been identified in the human milk –but only few of them are developed commercially to be incorporated in the infant formula. 2'-fucosyllactose (2'-FL) is one such HMO which is most abundantly used in infant formula today.
- 4 OPO:** Oleic-Palmitic-oleic are the structured lipids present in human milk. Palmitic acid is present in SN-2 position while the Oleic acid is present in SN-1 and 3 positions that provides the typical human milk structure and thus the benefits of calcium absorption, fat absorption and stool consistency.
- 5 Probiotics:** Probiotics is the most recent development in the novel ingredients for Infant formula. Probiotic represent the 'good' and 'friendly' bacteria present in gut region of infants. **Bifidobacterium lactis** and **Lactobacillus** are the commonly found strains of bacteria in infants, which prevent disorders such as infectious diarrhoea and atopic dermatitis in infants.
- 6 Omega 3 & Omega 6 Oils:** Though DHA is regarded as quintessential for the growth of the babies, they were previously included in the 'optional ingredients' category by many regulating agencies until recently which they upgraded to 'essential ingredient' category which mandates all the formulators to be compulsorily employing this ingredient. ARA is still categorised under the optional ingredients, which is not compulsory to be present in the final product.



Nestlé



All the prominent brands such as Abbott, Nestle, Mead Johnson, Danone among others are developing formulations with HMO's, probiotics, OPO, lactoferrin etc. and are spearheaded to capture the evolving market. Many popular local brands such as Inner Mongolia Yili, Guangdong Yashily Group and Synutra Dairy Group and global brands such as Danone, Ausnutria has launched goat milk based formulations.

All these developments and product launches are strictly under the scrutiny of the food laws, regulations and trade barriers. Thus, both the ingredient manufacturers and the formulators need to be very much complied with the regulations prevailing in country of sales and production.

### Ingredients and Brands Popular in Different Geographies

LACTOFERRIN	GOAT MILK	DHA, ARA	HMO	PROBIOTICS	OPO
  	  	  	  	  	  
China, Germany	South Korea, Indonesia, UAE, South Africa	Global	US & European Countries	US & Europe	China, Netherlands, Australia, Indonesia, New Zealand

## Key Facts about Premium Ingredients

- It is also estimated that HMO based infant formula would occupy the largest number of new product launches in the coming year or two.
- Global demand for lactoferrin almost doubling between 2014 and 2019 with a large proportion of the rise-taking place in China.
- Preference of goat milk over cow milk in Muslim dominated countries. Asia, is altogether an interesting market.
- One-fifth of the total infant formula tins sold in South Korea are made from Goat milk.
- ARA & DHA are experiencing high demand and becoming a basic ingredient of infant formula.
- More than 70% of the OPO based product are sold in China, manufactured in China, Europe and Australia & New Zealand.
- OPO based products can be termed as palm free.



Source: Nangrow

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Need to revamp your food ingredient sales and marketing blueprint to respond to the consumer demands since the pandemic? Since data alone is not sufficient to develop strategies. ChemBizR offers end-to-end perspective about the food and nutrition industry, help you to discover novel opportunities in different pockets of applications such as infant and maternal formula, dietary supplements, nutraceuticals, plant based proteins, dairy, bakery, beverages, meat etc., and identify new customers along with in-depth customer perception analysis. ChemBizR also provides solutions that can help you identify the right set of distributors & partners for strategic collaborations, which can ensure a profitable and sustainable growth for your food ingredient business.

## About ChemBizR

ChemBizR team is acknowledged as the most admired business research and consulting partner of chemical companies globally, by addressing their critical business challenges and strategic growth initiatives to help them transform their enterprise for a sustainable growth in a highly competitive and rapidly evolving environment.

