FOR IMMEDIATE RELEASE

NEW SWEETENER MAY HIT SWEET SPOT IN U.S. MARKET, ACCORDING TO NEW RABOBANK REPORT

NEW YORK (Sept. 8, 2009) – Rebaudioside A (Reb A), a non-caloric sweetener derived from the stevia plant, could fill a sweet spot in the U.S. food and beverage market, according to a new Rabobank report. In the report, "Stevia and the U.S. Market," the growing demand for products with greater perceived health benefits could help the sweetener grow in coming years.

"Consumer concerns regarding obesity and the growing demand for all-natural products bode well for Reb A to quickly gain market share," said Rabobank Food & Agribusiness Research and Advisory Executive Director Stephen Rannekleiv. "However, while success seems imminent, and we expect annual U.S. sales of Reb A to reach approximately $700 million within 5 years, numerous hurdles must still be overcome."

Background

For hundreds of years the stevia plant has grown and been used as a sweetener in Paraguay, South America. However, until recently, it remained in relative obscurity – until December 2008 when the Food and Drug Administration approved steviol glycoside rebaudioside A (Reb A) for use as a food ingredient in the United States.

Reb A is an all-natural, non-caloric sweetener derived from the stevia plant. The stevia plant contains several sweet tasting glycosides, but it's been found that Reb A has the closest taste profile to sugar.

Since approved by the FDA, interest in the sweetener has surged, and is being used in products such as fruit juices, enhanced waters and carbonated soft drinks. Beverage companies are particularly interested because they are facing lagging sales of full-calorie soft drinks, and soft drinks made with artificial sweeteners because of consumer concerns. Reb A would allow companies to develop natural, low-calorie products made without artificial sweeteners.

Challenges

While market potential for stevia in the United States appears attractive, there are challenges to overcome. Reb A has been shown to have a similar taste to sugar, but individual tastes can vary substantially, and some consumers still claim to detect a bitter or licorice aftertaste that they find objectionable. Additionally, Reb A alone does not provide enough sweetness for some soft drinks, but cannot be combined with other non-caloric sweeteners to reach full sweetness while maintaining the all-natural claim.

However, Rannekleiv said, “most beverage companies appear to be developing formulas that combine Reb A with sugar, which helps to mask any residual aftertaste and allows for a low-calorie, non-caloric option.”

In addition to taste, Reb A pricing creates an additional hurdle. As demand is still being established and production lacks efficiencies of scale, Reb A costs more than other mainstream sweeteners.

One Reb A refiner has offered to lower the price equivalent to that of the cost level of sugar for use in mainstream beverages. While this would likely create greater demand for Reb A, it will still be more expensive than high fructose corn syrup in the United States, and that cost will have to be passed on to consumers.

Price barriers could potentially become further complicated in the short term once the European Union approves Reb A for use as a food ingredient, which appears imminent.

“If new product introductions and consumer acceptance in the EU outpace the industry’s ability to increase stevia acreage, it could place additional upward pressure on prices in the short term,” said Rannekleiv. “However, in the longer term, increased demand for Reb A would be an overall positive for the industry, as it would allow for increased scale and greater efficiencies in extraction and refining.”

Given that Reb A is likely to demand a significant increase in stevia acreage in a relatively short time and that it commands strong pricing, stevia production stands to become a very attractive option for agricultural producers. To date, nearly all of the production is managed by very small farmers, but a number of larger producers around the world are exploring opportunities and making plans for larger scale production.

Advantages

Reb A is increasingly being used in food and beverage applications, and can be expected to continue to gain market share. Because Reb A is heat, light and pH stable, it can be used in applications where other sweeteners cannot. Additionally, its taste is closer to sugar than other sweeteners currently being used, which would provide Reb A with significant advantages in certain applications.

“Most importantly, because stevia-based sweeteners are plant derived and naturally occurring, they can be incorporated into products with all-natural claims, and to date, no other commercially available high intensity sweetener can fill this gap” said Rannekleiv.

Reb A’s ability to be used in products claiming all-natural is a key point with consumers. In 2008, all natural was the most prevalent claim for new products launched. In fact, according to ACNielsen, retail sales that year of all-natural products in the United States were valued at more than $22 billion, which represents a 10 percent increase from 2007 and a 37 percent increase since 2004.

Market Potential

The potential market for Reb A in the United States appears to be quite considerable. In 2008, the global high intensity sweetener market was valued at approximately $1.3 billion, with the United States accounting for approximately 35 percent ($455 million). Each year, the United States consumes more than 5 million metric tonnes sugar equivalent of high intensity sweeteners.

CONTACT: Heather McElrath
212-309-5181
heather.mcelrath@rabobank.com

###

The premier bank to the global food and agriculture industry, Rabobank is a global financial services leader providing institutional and retail banking and agricultural finance solutions in key markets around the world. From its century-old roots in the Netherlands, Rabobank has grown into one of the 25 largest banks worldwide, with over $800 billion in total assets and operations in over 35 countries. Rabobank is the only private bank in the world with a triple A credit rating from both Standard & Poor's and Moody's, and is ranked among the world's safest banks. In the Americas, Rabobank (www.RabobankAmerica.com) is a leading financial partner to the entire American food and agribusiness industry and is a specialist in sophisticated, customer-driven solutions in the Global Financial Markets and Corporate Finance arenas. Rabobank also provides retail and commercial banking services in California; leasing; and real estate lending, operating loans, input financing and crop insurance to American agricultural producers, input suppliers and agricultural manufacturers.