

For Immediate Release

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WORLD DEMAND FOR FLAVORS AND FRAGRANCES TO REACH US\$18.4 BILLION IN 2004

Global demand for flavors and fragrances is forecast to grow 5.4 percent per annum to \$18.4 billion in 2004, driven by strong gains in the developing world regions of Latin America and Asia (excluding Japan). Particularly strong advances are forecast for China, Brazil, India and Mexico, as well as smaller markets such as Vietnam and Chile. These countries are experiencing robust growth in their food processing and consumer product manufacturing industries, bolstered by strong international investment activity. Gains in essential oils and natural extracts will outpace those of synthetic aroma chemicals. These and other trends are presented in ***World Flavors & Fragrances***, a new study from **The Freedonia Group, Inc.**, a Cleveland-based industrial market research firm.

Over the past decade there has been a definite globalization of the industry, with faster growth being registered in Asia and Latin America. Leading manufacturers of flavors and fragrances are following key end users such as food processors and detergent producers to these regions, with especially strong expansion activity in China and Brazil. Production is increasing in less developed nations in Europe and North America, with considerable growth in Spain, Ireland and Mexico.

Flavor blends will continue to be the largest product segment, aided by strong gains in developing countries which are increasing their consumption of products, such as fast food, snacks, and soft drinks. These products generally require higher loadings of flavor chemicals compared to more basic foodstuffs. In developed markets growth is being hindered by consolidation in the food processing industry, strong downward price pressure from end users trying to maintain their share of a saturated consumer market, and strong growth in products such as "near waters," which use less flavor than the traditional carbonated drinks they are replacing.

Demand for fragrance blends will benefit from healthy increases in the production of cosmetics and toiletries worldwide and growing interest in aromatherapy.

Growth overall is being driven by two primary factors: in the developed world, aging, affluent consumers are increasing their use of age-defying skin care products and cosmetics and also demanding products with natural, higher-end ingredients; while in the developing world, increasing per capita incomes are allowing the purchase of greater amounts and better quality consumer products. In some countries scented synthetic detergents are replacing unscented laundry soaps. Consumers in many countries are moving to products with lighter scents, and fragrance prices will continue to be restrained by end-user pressure and an increasing number of products coming off-patent.

MORE...

WORLD FLAVORS & FRAGRANCES DEMAND
(million US dollars)

Item	1994	1999	2004	% Annual Growth	
				94/99	99/04
World Flavors & Fragrances Demand	<u>11195</u>	<u>14150</u>	<u>18400</u>	4.8	5.4
United States	2915	3865	4770	5.8	4.3
Canada & Mexico	390	560	790	7.5	7.1
Western Europe	3605	4300	5215	3.6	3.9
Japan	1830	1875	2100	0.5	2.3
Other Asia/Pacific	1100	1680	2720	8.8	10.1
Other World	1355	1870	2805	6.7	8.4

Freedonia Group, Inc. (Cleveland, OH)

World Flavors & Fragrances (published 4/2001, 365 pages) is available for \$4,300 from The Freedonia Group, Inc., 767 Beta Drive, Cleveland, OH 44143-2326. For further details, please contact Corinne Gangloff by phone 440.684.9600, fax 440.646.0484 or e-mail pr@freedoniagroup.com. Full text is also available online through commercial database companies and the www.freedoniagroup.com Web site.

Please attribute information from this news release to The Freedonia Group (Cleveland, OH) and include, if possible, the price of the report. We would also appreciate a copy of the article or publication in which we appear.