

## Omega-3 in crisis as functional foods flounder

01-Aug-2008 - **Muller UK has sent a shot across the bows of an apparently booming sector of the fatty acids industry by removing the omega-3 component from its Vitality yoghurt range.**

The Anglo arm of the giant German dairy cited consumer confusion and scepticism toward omega-3 fortified foods as major reasons for its decision, which comes less than three years after it introduced the ingredient to the range.

The company has not acted in isolation as Unilever has withdrawn drinking and spoonable yoghurt lines from its Omega-3 Plus range in European markets; only the omega-3 spread remains and is selling well, according to the company.

Unilever has also removed omega-3 from its plant sterol-imbued, cholesterol-lowering Flora/Becel Pro.activ products.

*"Once the darling of the functional food sector, omega-3 enrichment is no longer the irresistible business proposition that, to some, it appeared to be,"* wrote *New Nutrition Business* magazine in an editorial this month.

The journal added: *"Beyond a small number of leading brands in each country all others will be niche, kept on as marginal brands and representing only a tiny percentage of their owner's sales and maintained as part of a range largely because competitors are also offering such products."*

While the case of Vitality is complicated by the presence of pre- and probiotics, Unilever's Omega-3 Plus products possess omega-3 as the star ingredient, which may be of greater concern to the omega-3 supply industry, although Muller's justifications are also damning.

### Vitality rethink

The €3.17 million Vitality re-launch focuses on digestive health benefits derived from its pre- and probiotic content and bears the slogan – *'Keeps your tummy working like clockwork'*.

Aside from removing the fish oil-derived, omega-3 ingredient, Muller more than doubled the prebiotic content from 1g to 2.5g for each of its 125g spoonable yoghurt pots, while reducing the size of the product from 150g to 125g.

It said the presence of omega-3 and the accompanying '3 in 1' (prebiotics, probiotics, omega3) message had been confusing, but consumers were also sceptical about omega-3s. Vitality made heart health and brain function claims.

Its own research found consumers:

- Lacked trust in the product's efficacy
- Perceived health claims as hype rather than science-driven
- Thought products contained ineffectual dose levels

Muller marketing manager Chris McDonough observed, *"people simply weren't interested in having Omega 3 in a yogurt product, particularly one that is aimed at adults."*

He added: *"The category has moved on considerably, consumers are now more aware of other foods where they can obtain their intake of omega-3 and having omega-3 as an ingredient in Vitality is not a key requirement for the vast majority of yoghurt/yoghurt drink consumers."*

Müller Vitality has annual sales of €70m and snares 14 per cent of the UK functional yoghurt and yoghurt drink sector.

Paul Matthews, a spokesperson for Unilever UK, said Flora/Becel Omega-3 Plus, 100ml, one-shot drinks were launched in the UK, the Netherlands, Belgium, France and Greece between June 2006 and May 2007.

The product had been withdrawn from all markets except the Netherlands for failing to *"meet internal targets"*.

Unilever removed omega-3 from its Flora Pro.activ one-shot drinks in December 2007 because the ingredient's presence was *"diluting the cholesterol-lowering message to consumers."*

Only its spread, on-market in the UK, the Netherlands, Belgium and Greece, continued to perform well.

### **Functional slowdown**

The UK functional yoghurts and yoghurt drinks market has been a functional foods success story, turning in healthy growth for many years and valued at more than €500m for the 12 months to May, 2008, according to IRI statistics.

But the category has slowed with sales dipping 1.3 per cent in the previous 12 months as *"people have started to opt out of the functional sector"* as Muller put it in a statement announcing Vitality's relaunch.

The sector's success has been dominated by probiotic offerings and even clinically-backed plant sterol products have struggled to breach niche sales levels.

Omega-3 has become almost mandatory in baby formula – especially in the US where market leader Martek has gained a large chunk of the market for its algae-derived life'sDHA ingredient, but few food products have registered anything beyond niche status.

Two exceptions are Puleva Omega-3 milk in Spain (€110m per year in sales and two per cent of milk market) and a Tip Top omega-3 bread in Australia that has gained something like 13 per cent of the sliced white bread market.

### **Market optimism**

The actions of Unilever and Muller belie the usual rosy market analysis the omega-3 sector is typically afforded.

Closer analysis reveals it is the supplements aisle that is performing strongly as consumers prefer to get their omega-3s through food supplements rather than functional foods.

Campaigns promoting consumption of omega-3 rich oily fish have also had a knock-on effect on the fortified omega-3 foods market.

Arthi, co-author of a recent Frost and Sullivan report into the European omega-3 market, said rising omega-3 prices may have influenced product withdrawals.

She told NutraIngredients.com the price of the standard 18:12 (the EPA/DHA ratio) mix used in food products had been rising by 15 per cent year-on-year and stood at about €3.85-€5.15 per kilogram.

But she remained optimistic about the sector.

*"The thing to remember with omega-3 foods is that the sector has just begun,"* she told NutraIngredients.com. *"In these teething stages products will always come and go but the market remains attractive for omega-3 foods and beverages."*

Marketing strategies were being refined but consumer awareness and desire to consume omega-3s remained high.

She noted that technical challenges were being overcome that would allow higher potency omega-3 oils to be present in foods, which would help the sector overcome consumer scepticism toward dosage levels and efficaciousness.

*"Stability has never been better and it is still improving,"* she observed.

F&S valued the European market at €187.8 million in 2007, and expected it to be worth €820m by 2014, equivalent to a compound annual growth rate (CAGR) of 23.6 per cent