



Project: Sugar Substitute

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Executive Summary	2
Macroeconomic Outlook of the Industry	3
Regional Landscape and Analysis – ASEAN	4
Opportunity Spotlight and Analysis	5

Reciprocus is delighted to present to you our initial views on potential growth of Sugar Substitute in APAC market

- Our indicative view is predicted on publicly available information and our knowledge of Sugar Substitute.
- Our high-level research has identified a sustained and substantial overall demand from the APAC region for Sugar Substitute.
- We have identified four potential growth opportunities in APAC across our observation – mainly China, Japan, India and Indonesia.
- This growth is supported by the key driver, which is mainly spurred by the rising health-conscious population coupled with increasing disposable income.
- Despite the sizes, the largest economies may not be able to sustain significant growth in the coming years.
- Our research suggests that the fastest emerging opportunity in the APAC region might lie in Indonesia and India, where the sugar substitute market has yet to reach full potential.
- India is currently the world's largest consumer of sugar with domestic consumption increasing more than 4% annually and Indonesia has been increasing its sugar import volume.
- Aside from potential growth opportunities in APAC region, we see optimistic signs in global market market overview as well. This is due to increasing health concerns like diabetes, obesity and heart diseases.
- In our opinions, cost effective and quality products with minimal adverse effect on health will be the key differentiator in the developed markets.
- Given the exciting prospects in both global and APAC markets, we would recommend company to explore and expand into other markets (particularly China, Japan, India and Indonesia) in APAC region.

Business Overview

- **Trend Analysis:**

The global sugar substitute market is expected to grow at a CAGR of 4.78% during the period 2016 to 2020, with the beverage industry being the largest contributor to the application market of sugar substitutes. The demand for sugar substitutes witnessed growth in the past few decades due to growing health issues like diabetes and obesity. Till 2012, aspartame enjoyed the largest market share. However, sucralose has surpassed its demand in recent times, globally.

- **Competitive Analysis:**

Key market players including Tate & Lyle, Cargill, ADM and DuPont has spent significant CAPEX on R&D to develop products that are cost-effective and has super quality. These leading companies are also aiming to educate consumers on the consumption of sugar substitute, while strictly complying to the international quality standards.

Region Analysis

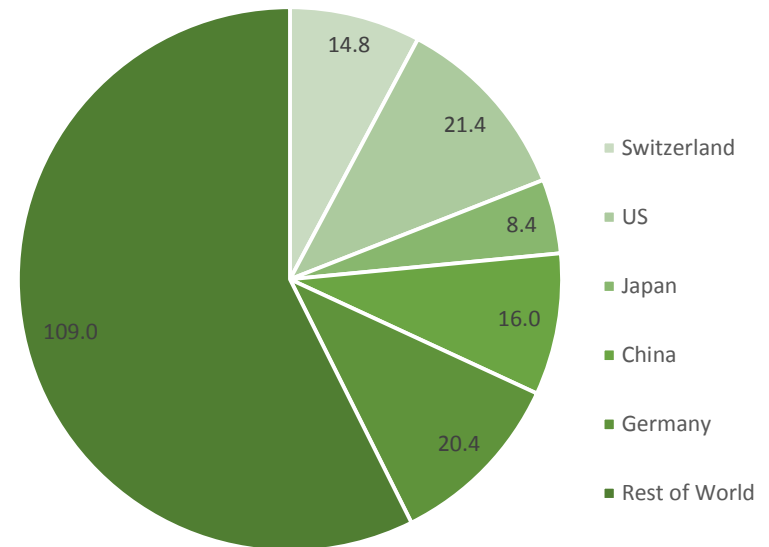
1) **APAC:** The overall APAC region is forecasted to be fastest-growing market, driven by two leading countries, China and India. It is expected to exceed US\$ 35 billion by 2020, growing at a CAGR of over 5%.

2) **America:** The US is projected to hold the largest market share of US\$ 45 billion by 2020, growing at a CAGR of over 5%. This is mainly due to the rise in demand for functional food, convenience food and alternative sugar sources. The increase in demand for low calorie sugar substitute is also driven by the high obesity rate in the region.

3) **Europe:** The EU region is forecasted to exceed US\$ 26 billion by 2020, growing at a CAGR of over 4%. Apart from the rising concerns of health issues, the surge in demand is also caused by the increase in sugar prices. The increase in price is mainly caused to the decline in beet sugar yield due to harsh winters. New product types and tastes and an increasing number of health-orientated and functional food and beverage products is prevalent in the UK.

Geographical Segments

2014 Top 5 Global Sugar Substitute Market (in billion)



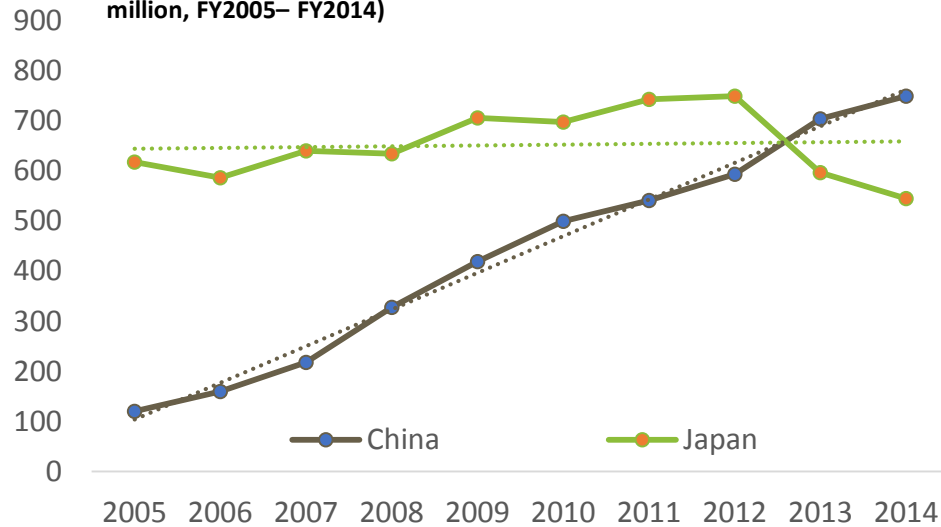
- **America** – the largest market share with 21.4 billion
- **Germany** – market share of 20.4 billion gives itself a second largest market position
- **China** – leading market player in APAC region with market share of 16.0 billion

Regional Landscape and Analysis - ASEAN

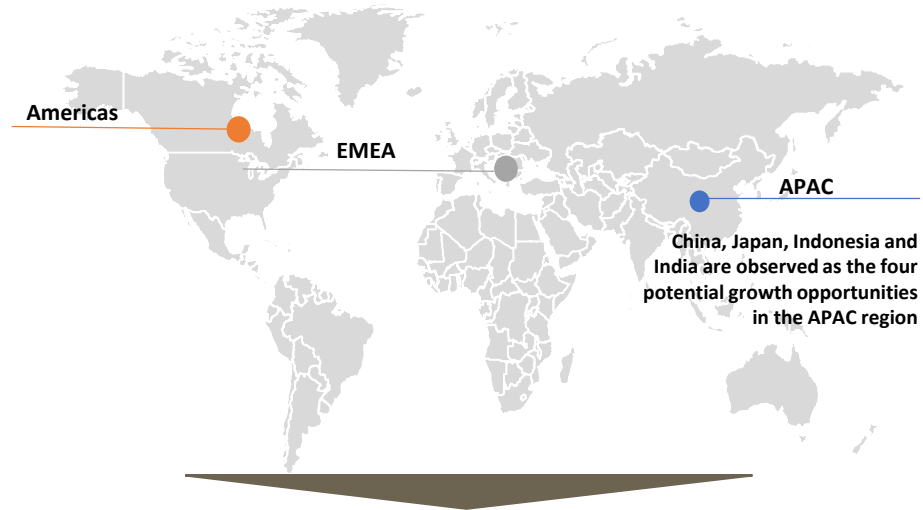
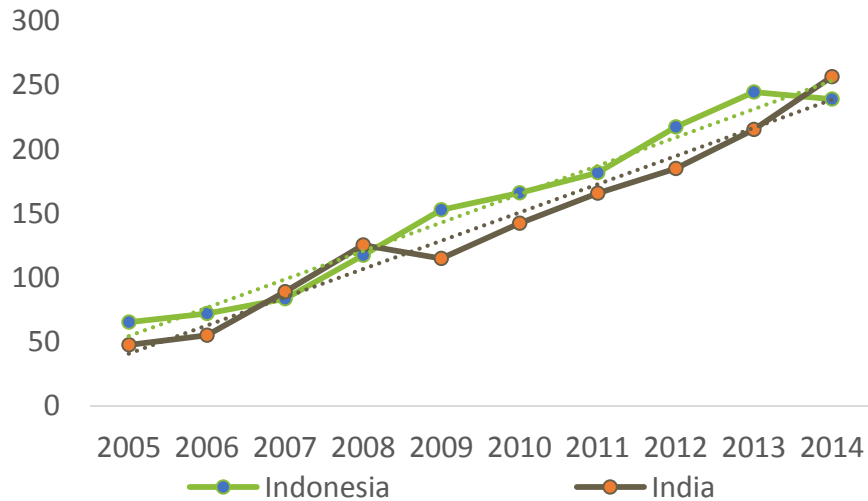


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Sugar Substitute Imports into China and Japan (US\$, million, FY2005– FY2014)



Sugar Substitute Imports into Indonesia and India (US\$, million, FY2010– FY2014)



China

- Population: 1.3 billion
- Total GDP (2015): US\$ 11.4 trillion
- Sugar Substitute import (2014): US\$ 749.4 million
- 10-Year CAGR: 20.05%



Japan

- Population: 127.3 million
- Total GDP (2015): US\$ 4.41 trillion
- Sugar Substitute import (2014): US\$ 544.8 million
- 10-Year CAGR: -1.25%



Indonesia

- Population: 249.9 million
- Total GDP (2015): US\$ 0.94 trillion
- Sugar Substitute import (2014): US\$ 238.9 million
- 10-Year CAGR: 13.88%



India

- Population: 1.3 billion
- Total GDP (2015): US\$ 2.3 trillion
- Sugar Substitute import (2014): US\$ 256.4 million
- 10-Year CAGR: 18.39%

Opportunities Spotlight and Analysis



Why China?



Why Japan?

- **China** is one of the world's largest producers of sugar substitutes, dominating the global market for many high-intensity sweeteners (70% of world production in 2013).
- More than 21% of the residents in Beijing is now obese which leads to the rising demand for low calories sugar substitutes.
- However, due to overproduction, the price of sugar substitutes has plunged and the Chinese producers are in danger of facing anti-dumping measures in key export markets.
- **Japan** has been one of the largest consumer of sugar substitutes globally for many decades and dominates the market in this region.
- However, the consumption rate is expected to have lower growth rate due to the maturity of the diet beverage market.
- Sugar substitutes also have received negative criticism on health issues in the region. Certain vendors are also facing lawsuits which may have adverse effect to the sugar substitute market in **Japan**.



Why Indonesia?



Why India?

- Sugar substitute imports into growth market such as **Indonesia** and **India** is still considered low in volume due to the lack of health motivation. This means that despite the high CAGR in these countries, the market has yet to reach full potential. When it does, there will be a further surge in market growth.
- With one of the largest population in the world, **India** has a high domestic consumption of sugar and the consumption rate is increasing more than 4% annually. With adequate education on the adverse effect associated with sugar, it is likely that it will lead to an increase in demand of sugar substitute.
- In 2016, there will be an increase of 10% increase in raw sugar import in **Indonesia** and this means there is a high demand. However, the **Indonesian** government is aware of the negative health effects of sugar and may be looking into introducing a sugar tax. This could have a positive effect on the sugar substitute market in **Indonesia**.

Conclusion:

We have shortlisted China, Japan, Indonesia and India as our key potential opportunities, which, in our opinions, generally fits company's business strategy. We are open to exploring other markets in the APAC region as well.



About Reciprocus

We specialize in assisting small and medium-sized businesses with expansion into overseas markets:

- Selecting and Structuring Route to Entry;
- Mergers, Acquisitions, Joint Ventures;
- Distributorships, Franchising and Licensing;
- Capital Raising.

For more information about our practice, visit our website at: www.reciprocus.com.



IE Singapore Assistance

The Singapore Government co-funds up to 70% of the third party professional fees for internationalization activities under the following schemes:

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Global Company Partnership Grant: Market research, scouting for overseas partners and due diligence activities.

More information available at:
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