Sweet beverage stories

Insights Report

Sugar reduction bubbles up in non-cola carbonates

Spurred on by the pandemic, today's consumers want healthier beverage choices. For many, that means reaching for options with less sugars. This increasing consumer scrutiny, paired with tougher legislation, has manufacturers scrambling to adapt.

The non-cola carbonated beverage segment, encompassing lemonades, ginger ales, tonic waters, orange carbonates and the like, is no exception. Like other beverage categories, these drink volumes were hit hard by the pandemic, weathering a 6% drop in sales volumes. Yet many see this downturn as little more than a temporary bump, as firms like Euromonitor project 2022 volumes will rise above pre-pandemic levels.[1]

Still, how the category responds to consumer demand for less sugars will play a key role in its long-term success. Already, brands are capitalizing, as sugar- and calorie-related claims are quickly becoming the norm for new non-cola carbonate launches. Tonic waters show the highest growth within non-cola carbonates, which can perhaps be attributed to its usage as a mixer and the increasing popularity of gin and tonics.

Flavor innovation is inviting new consumers to the space, too, expanding beyond the category's traditional orange and lemon citrus notes to entice more sophisticated palates with flavors derived from spices and seeds (ginger), and vegetables (cucumber). Catering to an adult palate, these flavors are most often found in tonic waters, where they can lend a premium feeling and bring added value, especially when mixed in cocktails.

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The quest for healthier beverages

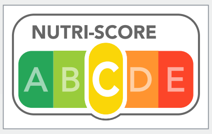
Before COVID-19, consumers were already moving toward healthier food choices. The pandemic put an even bigger spotlight on the importance of health, accelerating the shift toward beverages perceived as better-for-you choices.

Regulatory pressures from the EU further amplify this trend, as agencies push brands to improve the nutritional profiles of their products. Front-of-pack nutrition labeling schemes such as Nutri-score are a prime example. With Nutri-score, a product's nutritional information is summarized into a single score ranging from A (presumed healthiest) to E, with the goal of helping consumers make more informed and healthier choices.

Sugar taxes are also gaining momentum, with soft drinks taxes in force in 15 European countries. While these added levies have plenty of detractors, the World Health Organization recently touted Portugal's tax as a key factor in reducing sugary beverage sales.

Front-of-Pack Labeling in Soft Drinks

Nutri-Score



- **A** Not possible for most soft drinks
- **B** 0% sugars
- **C** <3.5% sugars
- **D** < 7% sugars
- **E** >7% sugars

Traffic Light

- **Green**: </= 2.5% sugars
- **Orange**: 2.5-11.25% sugars
- **Red**: >11.25% sugars

This conflux of forces suggests sugary drinks may be falling out of favor, but the outlook for the broader beverage market remains bright. Prior to COVID-19, the beverage market showed stable growth, with a CAGR ('15-'20) of 1%. The pandemic had a negative impact on 2020 volumes, but beverage sales are expected to quickly recover, growing by 2% in the coming year as volumes bounce back to similar levels as in 2019.[2]

Carbonates accounted for almost 30% of 2020 soft drink volumes, making it the second biggest subcategory after bottled waters. Despite the negative impact of the pandemic on 2020 volumes and overall growth (-0.4% CAGR), carbonate volumes are expected to steadily increase back to pre-pandemic levels. By 2022, volumes are forecasted to exceed those of 2019 and predictions for the coming five years are also positive, with a growth of +3.1%.[3]

Carbonates can be divided into two subcategories: cola carbonates and non-cola carbonates. Cola carbonates are slightly more popular, making up 58% of the total carbonates volume in 2020, with non-cola carbonates taking the remaining 42%.[4]

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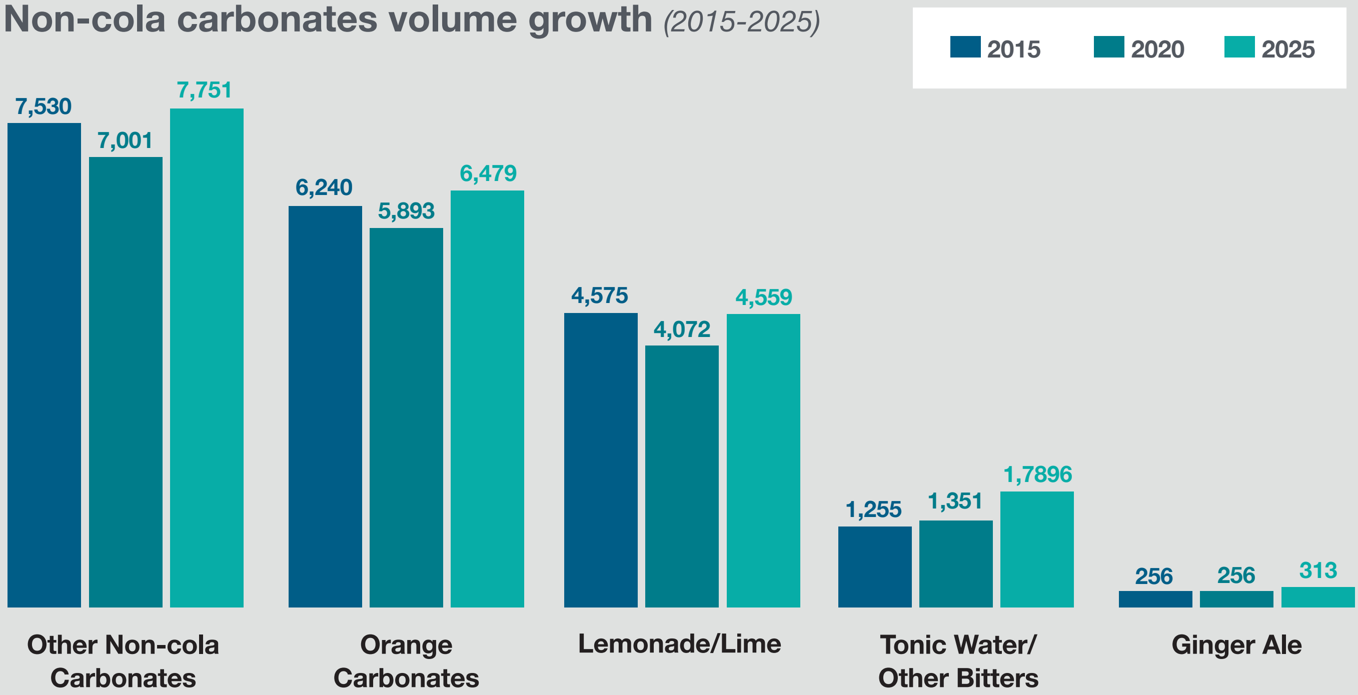
Primed for growth

A focus on the non-cola carbonates segment finds volumes for lemonades, ginger ales, tonic waters, orange carbonates and similar products posted a combined -1.3% decline amid pandemic-induced headwinds (CAGR 2015-20). However, they're all expected to rebound quickly, with predictions of steady CAGR growth (+2.4%) in the coming five years. In particular, tonic waters (+5.9%) and ginger ales (+4.1%) seem positioned to deliver the category's most significant gains.[5]

Non-cola carbonates volume growth *(2015-2025)*



Source: Euromonitor, non-cola carbonates, total volumes, Europe, 2015 -2020

+3%

The future also looks promising, with a steady CAGR growth of +3% projected for the next five-year stretch.[6]

Yes, tonic waters took a hit amid the pandemic as the European horeca industry shut down. However, its imminent reopening is sure to give the segment a boost. In addition, the growing popularity of cocktails, especially gin and tonics, should further fuel tonic water sales. Data from Euromonitor shows that gin, which was already performing well (+8% CAGR 2015-20), will continue its steady incline in the coming five years (+4%).

Ginger ales, the other segment superstar, are expected to deliver similar volume gains thanks in large part to ginger's perceived links to immunity, digestion and other health benefits. In the wake of the pandemic, these traits have become especially important to a health-conscious consumer base.

The effects of COVID-19 extend beyond ginger ale sales, however. Health has become one of the major trends shaping the food and beverage industry in Europe. Consumers are scrutinizing labels, causing manufacturers to alter their recipes; reduce sugar content and focus on more natural ingredients.

Non-cola carbonates are not exempt from this attention. Like other beverage categories, sugar- and calorie-related claims are on the rise. In 2020, the retail volume of reduced-sugar carbonates reached 9,064 million liters. Zero in on reduced-sugar non-cola carbonates and you'll find it makes up around 19% of this total, accounting for 1,763 million liters. A closer look at past growth (2015-2020) reveals that reduced-sugar non-cola carbonates had a strong CAGR of +7%, pre-pandemic. The future also looks promising, with a steady CAGR growth of +3% projected for the next five-year stretch.[6]

Spotlight on innovation

Those projections align with Cargill's proprietary TrendTracker™ insights, which identified 'Holistic Nutrition' as a key trend in the months ahead. Consumers are adopting this all-encompassing approach to diet and nutrition, actively looking for more nutritionally balanced products. Cutting down on sugar is a big part of this goal, with the majority (52%) of EMEA consumers reporting that reducing sugars in their diet has become more important over the last year.[7]

Innova data corroborates this move to healthier beverages, as sugar-related claims increased in new beverage product development. In 2020 alone, more than 2,500 soft drinks with a sugar- or calorie-related claim hit store shelves, meaning nearly a third of all soft drink launches had such a claim.

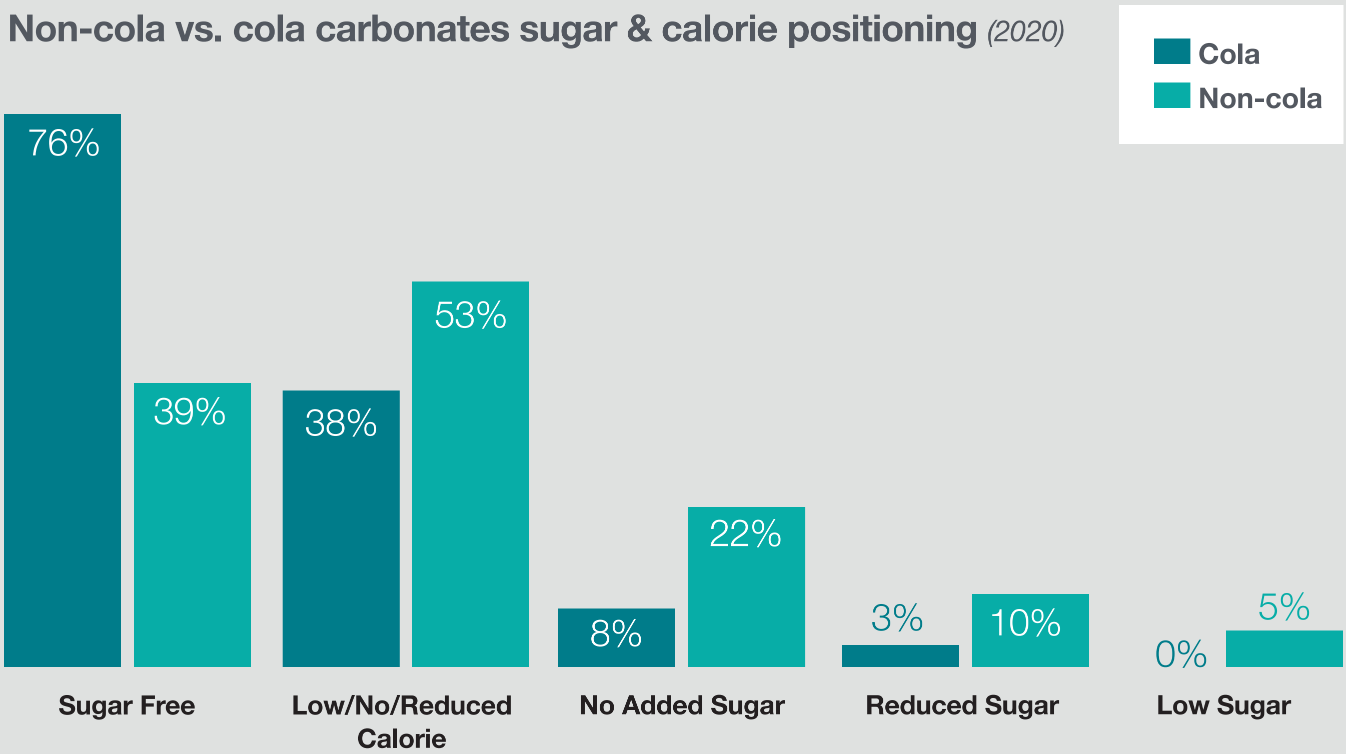
Sugar & Calorie Claims Positioning (2020)

2020 Positioning	No Sugar Added	Low/No/Reduced Calories	Sugar Free	Low Sugar	Reduced Sugar
Total Soft Drinks	42%	36%	29%	7%	6%
Carbonates	22%	52%	41%	5%	9%
Flavored Bottled Water	21%	62%	46%	3%	2%
Iced Tea	**11%**	**53%**	**40%**	**13%**	**4%**
Meal Replacement & Other Drinks	54%	16%	1%	34%	2%
Energy Drinks	4%	42%	80%	2%	3%

Source: Innova, 2020, Europe

This laser-focus on sugar reduction has spilled to the non-cola space, too. In 2020, nearly one in three new non-cola carbonates carried a sugar- or calorie-related claim, ranking just below iced tea in terms of prevalence. With the lone exception of low sugar, all these claims exhibited positive CAGR in the last five years. Low/no/reduced calorie remains the most frequently used, but sugar-free (+37%) and no added sugar (+20%) showed the strongest growth.[8]

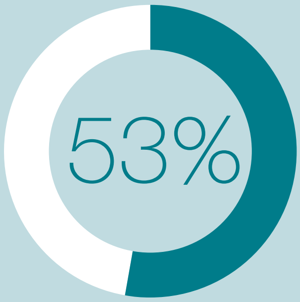
Non-cola vs. cola carbonates sugar & calorie positioning *(2020)*



Source: Innova, 2015-2020

Cargill's TrendTracker™ insights highlight this accelerated sweetener scrutiny as consumers try to reduce their intake of sugars. At the same time, it emphasizes that not all sweeteners are equal in the eyes of shoppers. Artificial sweeteners hold little sway with EMEA consumers as the majority (53%) say that having no artificial sweeteners is an extremely/very important statement on labels.[9]

Yet despite consumers' wariness towards artificials, of the top five sweeteners most often used in sugar- or calorie-positioned* non-cola carbonates, three are artificial sweeteners: Acesulfame-K (ace-K), aspartame and sucralose.



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HealthFocus International, 2020

Top sweeteners in sugar and calorie positioned non-cola carbonates

	Ace-K	Granulated Sugar	Aspartame	Sucralose	Stevia
Incidence:	50%	35%	34%	27%	14%
Purchase Impact:	↓-29%	↓-16%	↓-29%	↓-29%	↑+7%

Innova, 2020; Cargill IngredienTracker ™ proprietary research, 2020

While sugars and artificial sweeteners have lost favor with consumers, there are sweetening solutions that fare better.

Cargill's IngredienTracker™ study found stevia to be a well-received choice, especially among younger shoppers (13- to 34-year-olds). Just two sugars, honey and agave syrup, scored higher than stevia with this influential demographic.

Good news for EU manufacturers using Cargill stevia: From August 3, 2021, "steviol glycosides (E 960)" have been renamed "steviol glycosides from stevia (E 960a)." While this regulation enters force in January 2023, we recommend updating your labeling immediately, since this regulatory change will appeal to consumers who know stevia as a botanical origin sweetener.

Source: COMMISSION REGULATION (EU) 2021/1156 of 13 July 2021 amending Annex II to Regulation (EC) No 1333/2008 of the European Parliament and of the Council and the Annex to Commission Regulation (EU) No 231/2012 as regards steviol glycosides (E 960) and rebaudioside M produced via enzyme modification of steviol glycosides from Stevia

** Includes low sugar, reduced sugar, sugar free, no added sugar and no/low/reduced calorie claims.*

What's next for non-cola carbonates?

As consumers pay more attention to sweetener choices, the market will need to adapt. However, this is just one innovation driver in the non-cola carbonates space.

Brands are also embracing a bolder palette of flavors. While citrus flavors (45%) like orange, lemon and lime remain top choices, an influx of beverages targeting adult palates with spices and floral notes are also hitting store shelves. The last 5 years saw vegetable flavors such as cucumber (+25%) and rhubarb (+11%) gain traction too, mainly in tonic waters.[10]

Brands are also taking a critical look at their sweetener solutions. In particular, stBrands are also taking a critical look at their sweetener solutions. In particular, stevia showed strong growth in the past five years, with a CAGR of +17%. Stevia's strong ascent aligns with consumers' evolving attitudes toward sweeteners. While Ace-K remains – for now – the most used sweetener in non-cola carbonates, it's weighed down by negative perceptions and an overarching move toward "natural" ingredients. Plant-sourced stevia sweeteners address these concerns, enabling a more consumer-friendly approach to sugar-free formulation.

While sugar-related claims show the strongest growth, other positionings are increasing in popularity. In line with broader trends toward plant-based eating, vegan claims top the list, with a CAGR ('15-'20) of +31%. Gluten-free (+14%) and organic claims also delivered double-digit growth (+10%), as did immunity claims, which more than doubled between 2019 and 2020.[11] The uptick in immunity claims, most frequently seen in citrus carbonates containing various vitamins, reiterates the importance of immunity, even in a post-pandemic world.

Meanwhile, other claims took a backseat. As brands focused on sugar, calorie and vegan positioning, claims like no additives/preservatives (-6%) and natural (-5%) declined.[12]

Flavors are on the rise

(CAGR 15-20)

Red Raspberry: 21%

Ginger: 22%

Mint: 12%

Elderflower: 8%

Source: Innova, 2015-2020

+31%

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Innovation on the shelf

GREEN:
Carbonated Lemonade

Claims: **No added sugar. Low calorie** (only 3 calories per 100ml). Contains naturally occurring sugars.

Ingredients: Water, lemon juice, carbon dioxide, citric acid, malic acid, potassium sorbate, ascorbic acid, sodium citrate, **steviol glycoside** and **sucralose**, natural flavorings, locust bean gum, gum arabic and glycerol esters of wood rosins.

DOUBLE DUTCH:
Cucumber and Watermelon Premium Mixers

Claims: Premium mixers. Pair with premium spirits or to savor on its own. Made with completely natural flavors and no artificial sweeteners. **Low in calories and sugars.** No artificial sugars, flavors or preservatives. Contains **100% natural ingredients**.

Ingredients: Carbonated water, **sugar,** natural flavorings, citric acid, ascorbic acid.

GUSTO ORGANIC:
Immune Support Drink With Blackcurrant And Elderberry

Claims: Contains absolutely **no artificial sweeteners, added sugar or preservatives**, and is made with high strength vitamins to support a healthy immune function. Suitable for vegans. Gluten free.

Ingredients: Carbonated water, apple juice, blackcurrant and elderberry juice, **erythritol** and **steviol glycoside**, vitamin C (ascorbic acid), natural flavor, extracts of black elderberry, acerola cherry and white mulberry, zinc, vitamin D3, vitamin A, vitamin B9 (folic acid), vitamin K.

Source, Innova, 2020

Sweet, nature-derived solutions

Consumers' heightened interest in healthier beverages, coupled with evolving label expectations, have created new formulation challenges. Fortunately, Cargill's broad portfolio of nature-derived sweetness solutions can help product developers navigate the do's and don'ts of today's formulation realities, while still delivering non-cola carbonates and other beverages brimming with great taste.

OUR SWEETNESS SOLUTIONS INCLUDE:

C☆TruSweet® 1795 fructose syrup

A 95% pure fructose syrup characterized by high relative sweetness and positive consumer perceptions. Made from either corn or wheat, it delivers a sweet taste at lower usage levels, enabling **30% sugar and calorie reduction** (more if used in combination with high-intensity sweeteners).

Truvia® & ViaTech® stevia leaf extracts

Steviol glycoside is a high intensity sweetener, derived from the stevia leaf that answers consumer demand for nature-derived, recognizable ingredients. Characterized by its high relative sweetness, it enables claimable sugar and calorie reduction as a single ingredient or in ingredient blends. Additionally, steviol glycoside is tooth-friendly and safe for use by diabetics.

Cargill's stevia portfolio includes Truvia®, a high purity Reb A stevia sweetener, and ViaTech® stevia leaf extracts, which are patented combinations of sweet stevia components, optimized for true sweet taste.

truvia

With Truvia, product developers can achieve sugar reductions of 30% (3-4°SEV) and more in combination with C☆TruSweet® 1795 fructose syrup (up to 5°SEV), in a cost-competitive manner.

ViaTech PRECISION SWEETNESS

ViaTech enables even deeper cuts, up to 50% (5-6°SEV) or more in combination with C☆TruSweet® 1795 fructose syrup and/or Zerose® erythritol (up to 7°SEV) with great organoleptic performance.

IN FUSE by Cargill

INFUSE by Cargill™ (our new service offering model in Europe) can help you design the tailored ingredient blend that truly meets your needs.

Full sugar replacement is also possible, when used as part of an ingredient blend.

RECIPE: Sugar-Reduced Tonic

ViaTech PRECISION SWEETNESS

ViaTech® enables optimal sweetness with significant calorie reduction.

Ingredients: Water, Sugar, Citric Acid, Flavouring, Potassium Sorbate, Sodium Benzoate, Steviol Glycosides, Quinine Monohydrochloride Dihydrate

Nutrition information	50% sugar reduction
	Per 100 ml
Energy	79 kJ / 19 kcal
Fat	<0.5 g
of which saturates	<0.1 g
Carbohydrate	4.6 g
of which sugars	4.61 g
Protein	<0.5 g
Salt	<0.0125 g

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Your partner for growth

For more than half a century, Cargill has been a leading supplier of sweetness solutions, earning our reputation as a trusted, reliable partner. We've invested hundreds of thousands of hours in R&D, formulation and production to develop some of the industry's most innovative sweetening solutions, including Truvia® and ViaTech® stevia leaf extracts. Soon EverSweet,®* a Reb M and Reb D stevia sweetener made via fermentation, will join that list, enabling sugar reductions up to 100%.

To speed your product development journey, we now offer INFUSE by Cargill™, a service that uses our extensive sweetness and texture acumen to rapidly create tailor-made ingredient blends. INFUSE has a range of no added sugar blends in its portfolio which can be easily tailored to meet your specific sugar – and/or calorie reduction targets.

cargill.com/infuse

Non-cola carbonates and other beverages will continue to face heightened expectations but formulating reduced-sugar options can still be sweet. With more than 300 ingredients, deep technical expertise, a global supply chain and a commitment to sustainability, beverage manufacturers who partner with Cargill will enjoy sweet success.

Advancing sustainability, every step of the way

An unwavering commitment to sustainability infuses everything we do. It starts from the ground up, with our farmer-partners, who embrace soil and water conservation practices and regularly evaluate and improve their farming practices.

We recognize the importance of transparency, which is why our third-party audited Stevia Sustainable Agriculture Standard ensures our stevia producers and manufacturing facilities follow best practices, protecting both the environment and our workers' welfare.

Learn more about Cargill's sugar reduction ingredients and expertise at **cargill.com/food-beverage/emea/calorie-and-sugar-reduction.**

* Currently available in the U.S. only.

References

[1] Euromonitor, Non-cola carbonates, total volumes, 2015-2025, Europe
[2] Euromonitor, , total volumes, 2015-2025, Europe
[3] Euromonitor, carbonates, total volumes, 2020-2025, Europe
[4] Euromonitor, carbonates, total volumes, 2020, Europe
[5] Euromonitor, non-cola carbonates, total volumes, 2015-2025, Europe
[6] HealthFocus International, 2020
[7] HealthFocus International, 2020
[8] Innova, 2020, Europe
[9] HealthFocus International, 2020
[10] Innova, 2020, Europe
[11] Innova, 2015-2020, Europe
[12] Innova, 2015-2020, Europe

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