Sweet beverage stories

Insights Report

Iced teas brimming with taste, not calories

Today's consumers want healthier beverage options, a trend accelerated by the COVID-19 pandemic. For many, this means reaching for lower-calorie choices, ideally paired with label-friendly ingredients such as nature-derived sweeteners.

Iced teas, which already enjoy a health halo with many consumers, are well suited to address this opportunity. Like other categories, iced tea sales took a backseat in 2020, hit by pandemic-driven volume declines of 3.1%. However, the category's future looks bright. Sales are predicted to rebound quickly, with 2021 volumes projected to rise above 2019 levels.[1]

This quick recovery suggests iced tea as a category is adjusting well to the new reality. Brands are capitalizing on the ever-growing wellness trend, leveraging health-boosting product bases like kombucha and chai. Flavor innovation is inviting new consumers to the space, too, expanding beyond the category's traditional fruity flavors to entice more sophisticated palates with ginger and jasmine. At the same time, exciting new hybrid formats are appearing, as brands blur category lines.

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The quest for healthier beverages

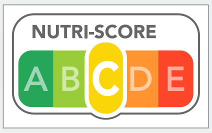
Before COVID-19, consumers were already moving toward healthier food choices. The pandemic put an even bigger spotlight on the importance of health, accelerating the shift toward beverages perceived as better-for-you choices.

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.[2]

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[3] remains bright. Prior to COVID-19, the market showed steady 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 levels similar to 2019.

Bottled waters, a natural fit for health-focused consumers, accounted for more than half of sales, followed by carbonates (29%), juice (11%) and RTD tea (3%). It's worth noting that while the RTD tea segment is relatively small compared to category behemoth carbonates, it has shown steady growth over the last five years (+2%) with no signs of slowing. As the graph on the following page illustrates, Euromonitor predicts the segment will continue its steady climb for the next five years, with a CAGR of +3%. *(Due to their significantly higher volumes, bottled waters and carbonates are excluded from the chart.)*

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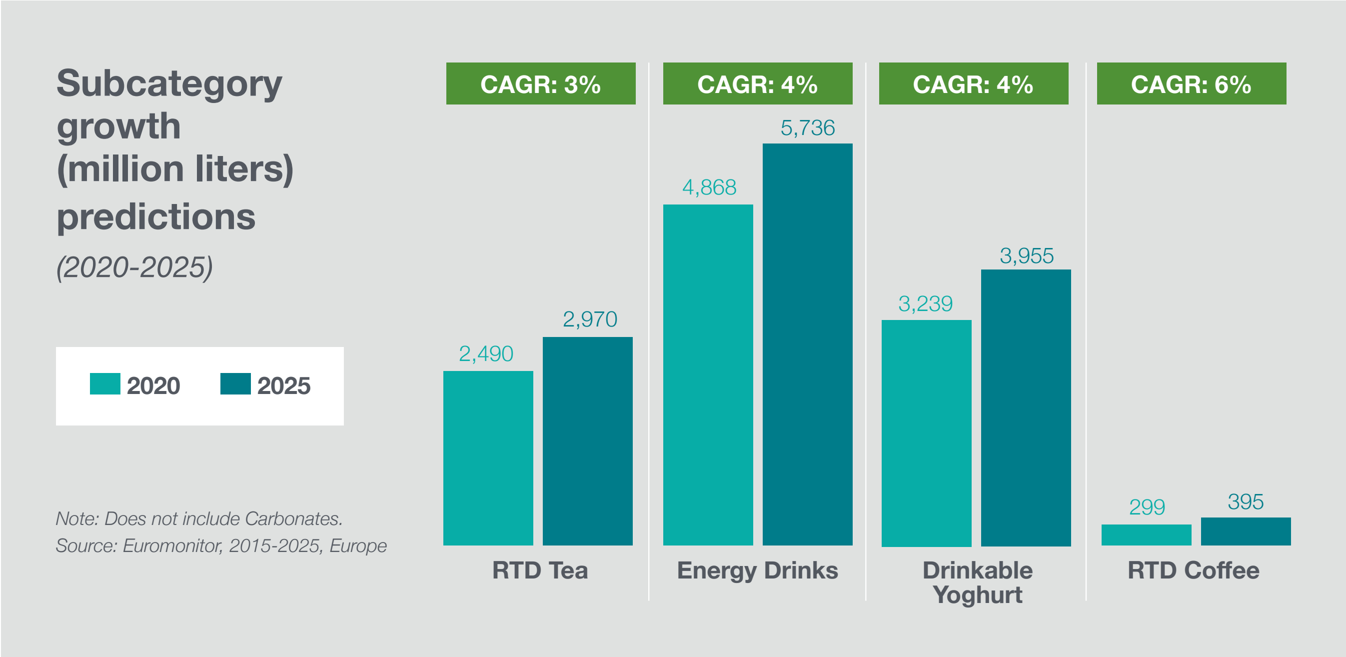


The shift towards healthier beverages has already begun.

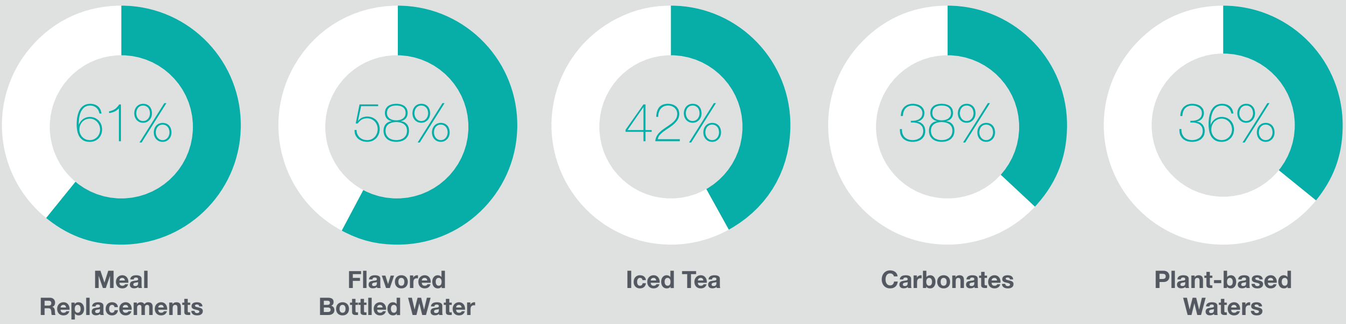
Iced tea's continued rise is likely due to consumers' positive health perceptions, as they look for alternative beverages with lower sugar and calorie counts. In 2020, the retail volume of all ***reduced sugar*** soft drinks accounted for 10,720 million liters. Although reduced sugar carbonates take up the bulk of volume (85%), it is followed by reduced sugar RTD teas (5%), which accounted for 555 million liters. A closer look at past growth (2015-2020) reveals that reduced sugar RTD teas led the pack, delivering a CAGR of +10%. The future also looks promising, with a steady CAGR growth of +5% projected in the coming five years.[4]

Spotlight on innovation

Those sales 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 sugar in their diet has become more important over the last year (HealthFocus International, 2020).

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. Juices and nectars led the way in terms of volume, but in other subcategories, sugar reduction took a higher percentage of the new product landscape.

Categories with highest prevalence of sugar and calorie claims



**% of launches with sugar/calorie claims on total launches per subcategory, 2020, Top 5 categories*
Source: Innova, 2020, Europe

Differences in how brands approach sugar and calorie claims vary by beverage segment. Overall, calorie-related claims lead in soft drink launches, as they do in iced teas. Still, sugar-free claims are prominent in iced teas, albeit not as dominant as they are in energy drinks.

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

Cargill's TrendTracker™ insights highlight this acceleration of 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, in particular, hold little sway with EMEA consumers. The majority (53%) say that having no artificial sweeteners is an extremely/very important statement on labels (HealthFocus International, 2020).

Yet despite consumers' wariness towards artificials, of the top five sweeteners* most often used in sugar- or calorie-positioned** iced teas, two are artificial sweeteners: acesulfame-K (ace-K) and sucralose.

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HealthFocus International, 2020

Top sweeteners in sugar and calorie positioned iced teas

	Stevia	Granulated Sugar	Cane Sugar	Sucralose	Ace-K
Incidence:	45%	41%	16%	16%	11%
Purchase Impact:	↑+7%	↓-16%	↑+21%	↓-29%	↓-29%

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 fructose is familiar to most consumers and scores positively in both health perceptions and purchase impact. Stevia is another 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

* *Excludes sugar, syrup and honey products*

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

What's next for iced tea?

Shifting attitudes toward sweeteners are just one innovation driver in the iced tea space. Brands are also embracing a bolder palette of flavors. While fruity flavors like lemon (18%) and peach (15%) remain 2020's top flavors, an influx of iced teas targeting adult palates with floral and herbal notes also hit store shelves. In particular, flavors associated with certain health properties, such as boosting immunity or energy levels, exhibited some of the highest growth.

Similarly, product bases are seeing changes.

On the one hand, this evolution can be attributed to a move toward more premiumization, but consumer desires for health-boosting products certainly play a role.

Take kombucha. The fermented tea's popularity is soaring as the number of product launches grew exponentially (+62%). The same can be said about chai tea, which is up 58% in the past five years. The category leader, herbal tea, grew at a slightly slower pace (35%), with Earl Grey tea (32%) and matcha (29%) also demonstrating strong sales performances.[5] The common thread? Many of these product bases have ties to the growing health craze. Kombucha is deemed to be a source of probiotics often associated with gut health, chai is thought to help cognitive function, whilst matcha is high in antioxidants.[6]

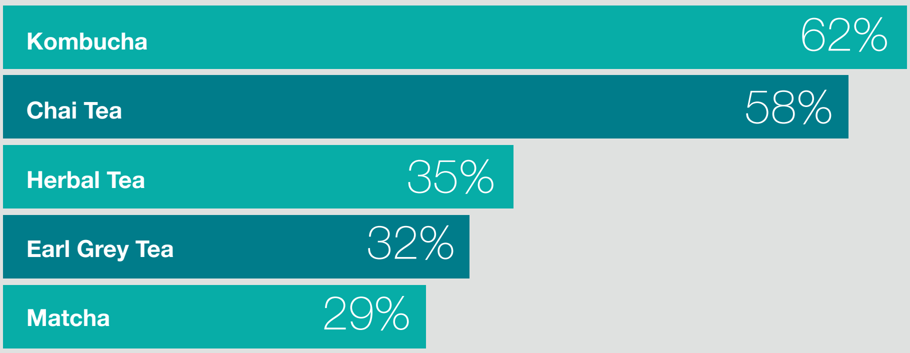
Adult flavors are on the rise *(CAGR 15-20)*

- **Lemongrass:** 76%
- **Ginger:** 49%
- **Jasmine:** 49%
- **Hibiscus:** 37%
- **Mint:** 34%

Source, Innova, 2020

Product base growth rates

CAGR 15-20



Source, Innova, 2020

Innovation on the shelf

BATU KOMBUCHA:
Ginger & Lemon Flavor in a glass bottle

Claims: Organic fermented tea. **No sugar**, great taste.

Ingredients: Water, organic kombucha culture, ginger juice, lemon, green tea, cane sugar (completely converted during the fermentation process), black tea, **steviol glycoside (stevia)**.

JUMBO ICED TEA:
Feel Immune Green tea with mango and jasmine flavor

Claims: The ingredients selenium, vitamin B12, vitamin B6, vitamin C, vitamin D and zinc **help the immune system**.

Ingredients: Water, **sugar**, **fructose syrup**, citric acid, green tea extract, E331, natural flavors, **steviol glycoside**, vitamins (B3, B6, B8, B11, B12, C and D), minerals.

TWININGS:
Cold Infuse Metabolism Watermelon, Apple and Matcha Infusion

Claims: Packed with herbs and has white granules of zinc. Helps your body do its thing. Source of zinc contributes to normal carbohydrate metabolism. **Sugar free**. Suitable for vegetarians and vegans.

Ingredients: Green tea, white hibiscus, natural flavoring, zinc granules, **stevia leaves**, **matcha** granules.

Source, Innova, 2020

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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 iced teas 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.

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 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.

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: Peach Tea – 65% Sugar & Calorie Reduction

	Standard recipe (%)	65% sugar & calorie reduction
Water	88.0	94.3
Sugar syrup	9.4	
C☆TruSweet® F95 fructose syrup (70%DS)		**4.2**
Peach compound	1.35	1.35
Acidity regulators	0.255	0.255
Preservatives	0.0099	0.0099
ViaTech® TS 300 stevia leaf extract		**0.0125 – 0.0175**
Energy (kcal/ 100g)	28	**9.9**
Carbohydrates %	7.0	**2.5**
of which sugars	7.0	**2.5**
	NUTRI-SCORE E	NUTRI-SCORE C

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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

Iced teas 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, RTD tea, 2015-2025, Europe

[2] World Health Organization, "Portugal brings down obesity by taxing sugary drinks." April 3, 2020. https://www.euro.who.int/en/countries/portugal/news/news/2020/3/portugal-brings-down-obesity-by-taxing-sugary-drinks

[3] Euromonitor data, includes soft drinks and drinking yoghurt

[4] Euromonitor, 2015-2025, Europe

[5] Euromonitor, 2019

[6] Kochman, J., Jakubczyk, K., Antoniewicz, J., Mruk, H., & Janda, K. (2020). Health Benefits and Chemical Composition of Matcha Green Tea: A Review. https://doi.org/10.3390/molecules26010085

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