ROUNDTABLE INTERVIEW: Part 1 – Global Organic Acid Market Overview
Source: Feedinfo News Service
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14 October 2014 - Organic acids are arguably the most cost-effective and eco-efficient performance-enhancing feed additives available to date. And they are increasingly gaining worldwide acceptance in the animal nutrition industry.

Organic acids and their salts enable the preservation of feed and silages; they are also effective in reducing bacterial content and maintaining the nutritional value of the feed to ensure animal performance, as well as improving nutrient digestibility. Organic acids are applied directly into feedstuffs and compound feed: liquid acids and blends are sprayed onto the feed whereas solid acids and acid salts are added directly or via premix. Organic acids can also be applied to silages and included in drinking water.

Market researcher Global Industry Analysts predicts that the global market for organic acids will amount to EUR 1 billion by 2015, driven by increasing demand in developing economies, stable demand for meat and meat products from developed economies and, a growing global population. And some industry sources consider this figure as conservative. Per volume, the most commonly used organic acids in feed are propionic, fumaric, formic and lactic acid; with Europe representing the biggest market share.

To obtain a better understanding of the global organic acid market, Feedinfo News Service spoke to 10 of the world’s leading organic acid manufacturers during a roundtable. The participants included (in alphabetical order): ADDCON, Anpario, BASF, Corbion-Purac, DSM, Kemin, Novus International, Nutreco, Pancosma, and Perstorp.

This roundtable will be published in two parts. Part One (today) provides an overview of the global organic acid market and how the companies situate themselves within it, as well as what the main drivers are for organic acid demand. Part Two (to be published next week) will provide an overview of the issues and opportunities in the organic acid sector and how the manufacturers respond accordingly.

Representing ADDCON was Dr. Christian Lückstädt, R&D Manager.
Representing Anpario was Dr. Leon Broom, Senior R&D Scientist.
Representing BASF was Dr. Gerd Diebold, Technical Marketing Manager Organic Acids - Europe, Africa, West-Asia.
Representing Corbion-Purac was Nico Kors, Market Manager Animal Health.
Representing DSM was Dr. Christophe Paulus, Global Category Manager Eubiotics.
Representing Kemin was Luis Conchello, Product Manager, Kemin Animal Nutrition and Health.
Representing Novus was Michael Gerrits, Global Marketing Director.
Representing Nutreco was Martijn Adorf, Managing Director Feed Additives.
Representing Pancosma was Ewenn Helary, Market Manager.
Representing Perstorp was Henri Peijnenburg, Manager Nutritional Additives.

NB: Naturally, the producers agree to what is driving the market, in general. However, it is interesting to see slight differences in opinions and diverging views with regard to geographical growth potential for organic acids.
Feedinfo News Service] Global Industry Analysts predicts that the global market for organic acids will amount to EUR 1 billion by 2015. However, industry experts believe the potential market for organic acids could exceed USD 1.4 billion in 2015. What are your views?

[Christian Lückstädt - ADDCON] As long as there is population growth there will be an increased demand for more quality food. Because of this, the need for feed preservation will continue to grow. The same will hold true for the use of organic acids as natural growth promoters. Due to this, we expect continued growth in the mid and even long term.

[Leon Broom - Anpario] We believe that this growth is likely. Organic acids are popular natural feed additives, particularly in markets where AGP use is prohibited or under review. We believe that the full benefits and value that organic acids provide has not yet been fully understood or appreciated and thus we expect the market for organic acids to continue to increase beyond 2015 driven by the increasing demand for more acceptable, natural products and the availability of improved products.

[Gerd Diebold - BASF] I agree with the estimate. Growth will certainly continue beyond 2015 and might even reach double-digits since the use of organic acids becomes more common all over the world.

[Nico Kors – Corbion-Purac] For organic acids in general we indeed see growing demand. The existing bans on AGP in EU-27 as well as South Korea are expected to provide potential growth opportunities for organic acids. Other countries may copy or follow European regulations in the future. Brazil and Mexico are growing markets but also both Thailand and Malaysia have flourishing export markets for poultry products which need to be free of AGPs.

[Christophe Paulus - DSM] Organic acids are well established and the demand is strong around the world.
However, various applications have to be mentioned here, as their importance varies based on geography. The traditional use (as grain or feed preservation and in some regions as stomach acidifier for piglet) is complemented or replaced by the potential some organic acids provide by improving health and performance. That’s where we enter the area of Eubiotics with our portfolio.

[Luis Conchello – Kemin] The market for organic acids, in Europe and worldwide, continues to grow as meat production increases, especially since pathogen-free feeds contribute to better animal performance. Organic acids have economic importance in modern animal production. As the population grows, consumer demand for meat proteins will increase and as a result, we see growth opportunities in organic acids, globally, and beyond 2015.

[Michael Gerrits – Novus International] Our market estimates are in line with the expectation in 2015. Novus expects growth to accelerate for those products which lead to significant improvements in animal production performance.

[Martijn Adorf – Nutreco] Driven by the sustainable livestock production trends, one could argue that the market potential for organic acids is almost unlimited. Within animal nutrition we distinguish three segments with each its own market dynamics: food safety, animal health and improvement of digestibility and for each we have a corresponding Selko product category. The exact size and speed of market growth in each of these segments depends in part on the regulatory framework in the different markets and in part on the degree of professionalization in the emerging markets.

[Ewenn Helary – Pancosma] It is now clear that the market for organic acids is well developed. Few players are positioned on this market and produce acids for the feed industry. In our view, this market should continue to grow, due to the developed feed market and the need for acidifiers. But in the meantime, more technical segments with more sophisticated solutions will also probably expand as well.

[Henri Peijnenburg – Perstorp] With the global economy on the upswing and a growing market demand for reduced usage of antibiotics in animal production across the world, it is hard to imagine that line not being crossed next year. We expect a sustained annual growth for the demand for organic acids in the years to come. Demand will rise quickly when big economies implement policies regarding the reduction of antibiotics. When these policies will be implemented is hard to predict.

[Feedinfo News Service] Can you provide a brief comment on what you think today’s main market drivers are for organic acids?

[Christian Lückstädt – ADDCON] In Europe, the main driver this year has been the very bad weather conditions we’ve experienced. Due to the heavy rainfall all summer, the usage of silage additives and grain and feed preservatives has been much higher than expected. When it comes to growth promotion, we see a shift to replace antibiotics, not only in Europe but globally, especially in major markets such as China and India. Surprisingly, though, the US has not yet adopted this strategy. Last but not least, we can see a big increase in the usage in feed preservation, as the availability of grain and feed ingredients is becoming a major concern worldwide.

[Leon Broom – Anpario] One of the key drivers, as mentioned, is the reduction in antibiotic use within the feed industry, driven either by legislation or companies voluntarily responding to consumer concerns about food safety and antibiotic resistance. Coupled with this, is the fact that animal production must become more efficient to maximize business viability and meet the increasing demand for protein sources by a growing, more prosperous global population. These factors are driving the demand for products like organic acids, and will do so even more in the future.

[Gerd Diebold – BASF] Population growth, increasing animal protein consumption and the aim to reduce the use of AGPs are the basic drivers. More sustainable production processes and limiting feed losses are additional concerns that trigger organic acid consumption.

[Nico Kors – Corbion-Purac] Organic acids are quite popular among pig and poultry feed producers because they provide feed protection (blends of lactic, formic and propionic are the most popular). They provide anti-bacterial property to maintain gut health (short chained fatty acids to target gram-negative bacteria and medium chained fatty acids to target gram-positive bacteria). It’s also important that they are cheap and easy to measure in the various applications.
[Christophe Paulus - DSM] For our customers the first drivers are the improvement of gut health and animal performance, but the ability to reduce the use of antibiotic treatments and environmental aspects are other drivers that motivate them to use our ultra pure grade organic acid product VevoVitall® in their swine feed. The development of gut health solutions for poultry including benzoic acid is also a new area of growth which is addressing similar needs.

[Luis Conchello - Kemin] The drivers are food safety (regulations on feed safety provide rules on the production, transport, storage and handling of animal feed; zoonosis regulations require producers and farmers to take effective measures to detect and control pathogens). And molds are considered the most significant biological hazards in the feed chain due to their negative impact on public health and food safety. Drivers also include the ban on antibiotics, and novel applications of lesser known organic acids. These drivers refer mainly to Europe and North America, but other parts of the world follow these trends.

[Michael Gerrits – Novus International] As pressure increases on the use of antibiotics, the livestock and poultry feed industry will continue to seek alternative nutritional solutions, like organic acids, and change to due to reduction of antibiotics that can provide similar benefits to the producer. While much of the discussion has taken place in the EU, in other countries where the use of AGPs is still allowed, there’s also a clear trend to reduce AGP levels in the diet and an increased interest for investigating the potential of protected organic acids as alternatives. The main driver to apply free organic acids in livestock animal diets is ensuring an optimal feed quality in relation to food safety (control of bacterial contamination and mould inhibition).

[Martijn Adorf – Nutreco] The overall driver is the global trend towards more sustainable livestock production. That translates into more attention on improving feed digestibility. A better feed conversion reduces the ecological footprint of animal protein production and has the added benefit of lower feed costs for the farmer. Reducing the use of antibiotics is another key driver, which we clearly see in increased demand for our Selko-Presan® range. Against the background of growing antimicrobial resistance worldwide we need new solutions for optimal animal health and growth. Organic acids are a logical solution, however in combination with other feed additives.

[Ewenn Helary – Pancosma] Firstly there is a demand from the market for acidifiers to face some key challenges: evolution of the legal framework, the ban or limitation of products or practices, and of course crises related to the spread of contaminants in production and farms. But there is also a demand for technical or transversal solutions to continue to improve feed quality and efficacy, based or partly based on organic acids. This is a smaller segment, but highly interesting for flexible and innovative companies.

[Henri Peijnenburg - Perstorp] The number one market driver for the next few years will be the reduction of antibiotics in animal production, mostly outside the EU. Other market drivers will be sustainability and pressure on the feed materials markets due to an increased global population and consumption of meat. As prices for feed materials rise, investing in preservation and FCR will result in a better ROI.

[Feedinfo News Service] Can you provide us with an idea of your company’s global manufacturing and sales presence for organic acids?

[Christian Lückstädt – ADDCON] Most organic acids and organic acid based feed additives are produced in Europe. This will change sooner rather than later as new producers/production sites for organic acids will soon appear in the US and in Asia. We don’t expect that there will be fewer suppliers in Europe, but new players will enter the scene in other markets. This development will contribute to an increase in usage as the availability rises.

[Leon Broom - Anpario] We manufacture our value-added organic acids for specific life stages of the animal in the UK. Our modern plant has a robust quality assurance philosophy that complies with all requirements and is consistently looking for ways it can improve. The group’s portfolio of products is developed with the customer and the consumer in mind. Each product is designed to improve the health and output of animals, helping the livestock producer maximize their returns. We currently sell our products in 70 countries worldwide, with subsidiaries in China, USA and Brazil, plus a regional technical office in Malaysia, in order for our representatives to be closer to the customer.

[Gerd Diebold - BASF] In 1969, BASF pioneered the application of organic acids for feed preservation with Luprosil®. Today, we are the world’s largest producer of formic and propionic acid with manufacturing sites...
in Europe and Asia. Our new formic acid plant in North America will soon be on stream with 50kt capacity. We are present globally with our own sales force and technical experts to support our customers.

**[Nico Kors – Corbion-Purac]** Corbion-Purac is the global market leader in lactic acid, lactic acid derivatives like lactylates and lactides, and a leading company in functional blends. The company delivers high performance bio-based products made from renewable resources and applied in global markets such as animal health, bakery, meat, pharmaceuticals and medical devices, home and personal care, packing, automotive, coatings and coating resins. Corbion operates 10 production plants. Lactic acid plants are located in the USA, The Netherlands, Spain, Brazil and Thailand.

**[Christophe Paulus - DSM]** DSM has a global presence with its premix network of over 40 premix sites and a supply system with access to countries around the world. It means we can serve customers globally and we can do so as long as the products requested are permitted in the relevant country.

**[Luis Conchello - Kemin]** Kemin operates globally doing business in more than 90 countries.

**[Michael Gerrits – Novus International]** Novus produces acid products on four continents and markets these globally.

**[Martijn Adorf - Nutreco]** Our manufacturing of organic acid solutions for the animal nutrition customers is entirely done in Tilburg, the Netherlands. From there we export globally. R&D and product development are organized centrally in Nutreco as well. But this industry is above all driven by people; experts who can provide meaningful solutions to our customers. To that end we have organized our global customer contacts through all local Nutreco and Trouw Nutrition offices, supported by regional teams with true feed additives experts who combine good understanding of the local markets, our products and the customer needs.

**[Ewenn Helary - Pancosma]** Pancosma has 6 factories worldwide to produce feed additives. Our affiliate Provit produces our acidifiers with a team of 27 employees, working in 2 factories, on 4 production lines to produce over 320 products and tailor-made recipes. Although the production is mainly done in Poland, our products are sold through the sales network of Pancosma with a worldwide presence in more than 70 countries.

**[Henri Peijnenburg - Perstorp]** We are a basic producer of propionic, formic and butyric acid as well as calcium formate and several salts of organic acids. Production is done at 7 different production facilities across the world. We have sales offices in 22 different countries around the world and are strengthened by a long list of dedicated partners. In addition to the agricultural industry we also sell a substantial volume of organic acids to other industries. Additionally, we develop and produce specialized feed additives to improve animal performance and preservatives to prolong the storage life of grains and feed.

**[Feedinfo News Service]** Accounting for an estimated 41% of total global organic acid usage today, is the European organic acid market a mature market now?

**[Christian Lückstädt - ADDCON]** In one word: "No". Growth is still ongoing. As silage and grain preservation will play also an important role in the future, drying is getting more and more expensive, and preservation using organic acids/salts will become the method of choice. This year’s harvest has shown that there are clear limitations to drying grain, which will again enhance the use of products like KOFA GRAIN.

**[Leon Broom - Anpario]** The European organic acid market is clearly more mature than other markets but we still expect significant growth here. Since the AGP ban in 2006, the European market recognized the consistent efficacy delivered by organic acids, and this has resulted in organic acid products being the most widely accepted and used of the alternatives. Organic acids have much more potential than is currently realized. Our latest research is highlighting additional benefits of our organic acid products that are not currently appreciated or recognized. Understanding and utilizing these additional benefits will help to drive further growth in the European market.

**[Gerd Diebold - BASF]** Ten years ago I would have called it a mature market, but the ban of AGPs has created a big demand increase. Also in the past years, novel applications were developed, creating new and growing markets. Hay preservation or the intentional early harvesting of cereals for on-farm use would be examples of such developments.

**[Nico Kors – Corbion-Purac]** Europe is indeed a mature market. However some of the neighboring EU-27
countries may copy or follow European regulations in the future and will further introduce organic acids.

[Christophe Paulus - DSM] We have been selling VevoVitall in Europe for over 10 years and customer feedback is very positive. It is perceived as a well proven product and customers enjoy the multitude of benefits that it brings. We are here not only looking at improving animal performance, but also at environmental and health aspects that will gain more importance in the future, and also in markets outside of Europe.

[Luis Conchello - Kemin] The organic acid market in Europe is moving towards maturity. It is highly price sensitive and has a high level of competition. Furthermore, the market is considered a commodity business but there is a market segment looking for differentiated products. Cost is a key factor. Optimizing cost structures will allow economies of scale.

[Michael Gerrits – Novus International] Europe is the market where the ban of AGP use in livestock was first implemented. The industry already has good knowledge on available alternative solutions for AGP replacement. The next challenge for organic acids in Europe is to increase cost-benefit ratio in the application.

[Martijn Adorf - Nutreco] There is still room for growth in the EU market in the food safety and animal health segments. The reduction of antibiotics provides room for growth in organic acid based solutions such as Selko-Presan®. In the area of digestibility improvement, the EU market is indeed relatively mature.

[Ewenn Helary - Pancosma] The EU is a pioneer in the field of organic acids. The evolution of the legal framework in Europe, such as the ban imposed by the European Union on use of antibiotic growth promoters in 2006, has led to the development of acidifiers in this area. Still, even today, new solutions are being developed to help our customers to face new challenges. Consequently, there is still scope for growth, but we need to bring innovative solutions with high quality and high return on investment.

[Henri Peijnenburg - Perstorp] For the last few years the market has been maturing but still too much is happening to call it a mature market. The average growth in demand is still at levels of 3.5-5.5%. The industry has seen some consolidation but more is expected. Most innovations do not have an immediate impact on the market. One exception to that in our opinion are the butyric acid solutions with targeted release that have managed to negate the smell issue, such as ProPhorce™ SR. We expect these products to increase their share in the additives market and to become a permanent part of the additives landscape.

[Feedinfo News Service] The North American market for organic acids is not as well developed as in Europe, but the industry believes North American usage of organic acids in animal nutrition will increasingly become more common-practice. What are your opinions with regard to the North American potential?

[Christian Lückstädt - ADDCON] Customers in North America will use more organic acid/salt based products in the future, especially as natural growth promoters. There, the industry will gather more and more experience on how to replace antibiotic growth promoters. Just as in Europe, the method of choice will be organic acids.

[Leon Broom - Anpario] There is very significant growth potential in North America. Until recently, North America has been more able to rely on traditional AGP use but this situation is now changing and alternative products are sought to fill the void. We expect that the wide acceptance of organic acids as effective feed additives seen in Europe will translate to North America too. Also, like in Europe, the scenario of reduced antibiotic usage will allow producers and nutritionists to better appreciate and benefit from the full benefits and value offered by organic acid products.

[Gerd Diebold - BASF] It is true that organic acids for animal nutrition are still a niche segment in North America. Nevertheless, public concerns for AGP usage will create opportunities for meat producers to modify their animals’ diets by using organic acids. There is also a big potential in feed preservation, especially in silage production.

[Nico Kors – Corbion-Purac] The potential is surely there, the timing for a substantial growth is still unclear. Antibiotics are strongly integrated in the current pig and poultry feed and, although the discussions about a possible limitation of these AGPs are taking place on an almost daily basis, the antibiotic industry lobbying is very strong.
[Christophe Paulus - DSM] The North American market is heading in the same direction as Europe: the pressure on the use of antibiotic growth promoters is becoming very strong in the US. The industry is therefore evaluating other options, among which organic acids should find their share. We recently got the registration of benzoic acid as feed acidifier at a maximum level of 5 kg/t in USA, enabling DSM to develop the sales of VevoVitall in USA.

[Luis Conchello - Kemin] In the US, antibiotics still receive favorable treatment from the US Food and Drug Administration and consumers. The use of therapeutic levels of organic acids to control diseases in livestock and poultry is cost-prohibitive. However, as consumer groups and regulatory agencies encourage more restrictions on medicated feed in the USA, livestock and poultry producers will look to organic acids – and will use similar quantities as are currently used in the EU. However, the regulatory environment needs to change in the US. Currently, several organic acids allowed in the EU are not allowed under AAFCO guidelines.

[Michael Gerrits – Novus International] Our customers in the North American market are working to supply meat, milk and eggs that are safe, abundant and affordable. As regulatory pressure and consumer demand to reduce AGP use increases, livestock and poultry producers will be seeking more feeding alternatives. Novus has great experience from our years of scientifically grounded work with our European customers to help meet this need.

[Martijn Adorf - Nutreco] The potential is absolutely there and is also spurred by growing consumer concerns on issues such as antimicrobial resistance and food safety. An important factor here however is legislation. On the one hand US legislation is very strict regarding the use of organic acids. Some organic acids are not approved, although we see some movement in that area. And on the other hand there are fewer restrictions on end-of-pipe solutions such as the use of chlorine and formaldehyde.

[Ewenn Helary - Pancosma] There is definitely a potential in North America. Nevertheless we need to appreciate the specificities of each market and understand the needs of each customer. Of course we consider North America a very important market for the future of our sales. The objective is to sustain the rapid growth of Provit, duplicate and adapt our business model to propose solutions that meet technical expectations, quality standards and legal constraints of this market.

[Henri Peijnenburg - Perstorp] Indications are that at some point the North American market will look more like the European market. Organic acid usage is rising and will continue to do so. There is an enormous growth potential for this market. The question is, how quickly will the change take place. Reducing antibiotics has been a public discussion for years in the US, with change happening slowly.

[Feedinfo News Service] Besides Europe and North America, what growth in demand are you seeing for organic acids in other global markets? And, in which parts of the world are you seeing the most demand for your own company’s ranges of organic acids?

[Christian Lückstädt - ADDCON] The big shrimp producers in Southeast Asia and Latin America will continue to use products like AQUAFORM, so that they can export their products to Europe. And feed protection by means of acids and salts will play a more dominant role in these markets as nobody can risk losing their ‘investment’ into feed ingredients. Concerning ADDCON, Europe still dominates, but we see very strong growth in Asia (driven by India and China) and in Latin America. In addition, we see very big interest in feed and grain preservatives in Eastern Europe. Of course, this year the political situation has had a big impact on the industry.

[Leon Broom - Anpario] Asia Pacific and the Americas are showing strong increases in demand for organic acid products. Typically, these regions, which may be exporting to Europe or North America, can be influenced by developments in these exporting markets. We are also noticing an increasing interest and demand in performance enhancing feed additives, such as organic acids, in parts of Africa, and this is likely to increase as agriculture develops further there. At present we see the greatest demand for our ranges of organic acids in the Asia Pacific region.

[Gerd Diebold - BASF] Organic acids will play a key role in the future. We sometimes tend to forget that there are many countries in the world that are simply lacking feed resources. With the growing population it will become more and more important to a) make sure that no feed and food is wasted and b) produce in the most efficient way. Traditionally, demand for our organic acids is highest in Europe, but since we target many different applications, the demand is truly global. The agricultural industry has been adopting best
practices very fast recently, and usage of organic acids in animal production certainly is best practice.

[Nico Kors – Corbion-Purac] Existing AGP bans like in South Korea represent potential growth for organic acids. Brazil and Mexico are growing markets but so are Thailand and Malaysia which have flourishing export markets for poultry products which need to be free of AGPs. They are all growing markets for organic acid blends. China and India are large global poultry feed producers. Even though both countries announced restricted use of AGPs, the actual penetration of AGPs is high. Having said that, even small penetration of organic acid blends in these countries represents a large market volume. We still see the EU 27 as our largest market but next to that a fast growing demand in Asia.

[Christophe Paulus - DSM] Customers from around the globe are keen on learning from experience made in other markets. We experience great interest from customers also from Asia and Latin America for VevoVitall, where we launched the product over the last years. The needs for matching new regulatory framework, demand from exporting companies and consumer demand for safe foods is leading companies to look at ways to use eubiotics in general, and benzoic acid in particular into their feed program. We expect more growth in these markets as this trend is set to last. As for our products: VevoVitall is a reference for swine feeds in Europe for its efficacy on performance, health and environment. VevoVitall is a proven product: its quality, safety and efficacy have been extensively evaluated and recognized by EFSA contrary to the other organic acids which are used as feed preservative. However, demand from other parts of the world is growing as well.

[Luis Conchello - Kemin] We see the biggest opportunity in Asia where the population is rapidly growing and nutritional habits are changing to include more animal protein intake. In general, stable economies across the world encourage the consumption of organic acids.

[Michael Gerrits – Novus International] The growth in the organic acid market outside Europe and North America will be determined by regulatory pressures on the livestock and poultry industries. In countries with a high poultry export level, growth will be conditioned by the increase in the export level (mainly to Europe). Both factors are expected to produce a continuous growth in these markets.

[Martijn Adorf - Nutreco] Obviously Asia and especially China are interesting growth markets for organic acid based solutions. Also here the speed of market growth depends on specific farming developments and legislation driven changes. Coming back to the three Selko product categories, you will see different dynamics in the different parts of the world. We have excellent nutritional solutions for all markets, but it shows that one needs a regional strategy to address local needs and concerns.

[Ewenn Helary - Pancosma] There is indeed a lot to do outside Europe too. The legal framework is evolving in Europe, but not only there. Therefore we see some potential in many areas such as Eastern Europe, South America or Asia, where we are of course already present. We see potential in many areas. Basically, the objective is to expand our sales everywhere where Pancosma is present. Again, our ambition is not to cover the whole market of acidifiers, but to focus on more sophisticated products or more technical applications to provide solutions and service with high added-value.

[Henri Peijnenburg - Perstorp] Asia and Latin America are professionalizing their processes at an impressive rate. Organic acids are attracting more attention both for acidification as well as preservation. Butyrins and other butyric acid products are in high demand especially in Asia to improve output parameters despite the fact that antibiotic use is less of an issue there. Regarding our products, Europe is still our biggest market. We have been a mainstay here for decades. Demand in Asia and the Americas is rising rapidly.