



## Cereals hot topic

# What does the future hold for cereals?

*Keith Parle, Vice President of Cereals at Kerry assesses state of play of cereals and bars today, looks at trends that are on the horizon, and considers how brand owners can leverage these trends to gain market share.*

It's no secret that cereals have been on the decline in recent years. We've seen the category wane by about 2% over the past 5 years. But what's behind this shift?

The primary reason is convenience. More consumers are moving to snacking and they're less rigid with it comes to set meal times. While 40% of baby boomers still consider cereal a favourite, 40%<sup>1</sup> of millennials consider it an inconvenience to consume cereals – and there is no doubt that it is affecting sales.

The second issue is a lack of innovation. Consumers are becoming dissatisfied with a lack of new lines, different formats or more artisanal products from the big players.

However, while cereals are declining, bars are booming. Everything from cereal bars to crunchy granola and nutritional bars in particular are proving popular. Euromonitor predicts that the UK market will continue to grow to an estimated €243m by 2019, and the US market is set to increase to €3,670m.

Cereal bars tick a lot of boxes for consumers which cereals simply can't. Bars are portable and convenient – meeting millennials' needs – and they have higher perceived health benefits due to lower rates of sugar and a wider variety of healthy ingredients such as proteins and grains.

## So how can cereals regain market share?

There are several options for cereal brand owners:

- Reduce sugar

Sugar has always been a challenge in cereals – especially kids' cereals where some products have a sugar content of 30 or 40%. There have been several

attempts to drastically reduce sugar which have been unsuccessful. The latest strategy is to gradually wean the consumer off sugar. So over the course of the next 5-10 years, brand owners will reduce the sugar content by 2-3g per serving every year.

- Move beyond breakfast

There is a large percentage of consumers who enjoy cereal dry, as a snack. Brand owners can tap into this – connecting consumers with the idea that cereals aren't just for breakfast, and that they can be consumed right through the day – even into the evening as a snack.

- Embrace new ingredients

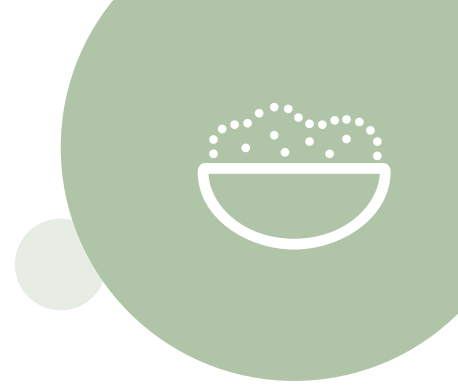
As the 'eat clean' movement continues to expand, consumers are increasingly looking for natural ingredients in their food which are recognisable and pronounceable. They're also increasingly focused on nutrition, and expect to see higher rates of protein and fibre, for example, on labels. It's an area where cereal bars have been winning market share.

## Moving from cereals to grains

In order to battle the cereal decline, cereal providers should look to move out of cereals exclusively and into the world of grains. Consumer appetite for the likes of chia, quinoa, millet and buckwheat has never been higher – tying in with the increased consumer need to avoid allergens such as gluten.

Plant-based proteins are also soaring – with worldwide demand predicted to rise from 200m tonnes in 2010 to around 275m tonnes by 2030<sup>2</sup> – due to perceived health benefits:

- Pea protein has an amino acid composition very close to the ideal combination for human nutrition – with high levels of vitamin B and low cholesterol and saturated fat.
- Legumes offer protein and whole food identity. They are an on-trend nutritious snack ingredient which is rich in protein and fibre.



## Cereals hot topic

# What does the future hold for cereals?

### Keeping technologies fresh

With a shift towards protein-rich and plant-based products, manufacturers are faced with the challenge of ensuring that their technological capabilities keep pace with the rate of change.

At Kerry, we're already investing in refreshing key technologies such as hot extrusion and have market-leading capabilities in fillings and compounds. We're also developing protocols in our manufacturing plants and carrying out allergen testing along the line, to ensure equipment and processes meet regulatory requirements.

Kerry's main key focus is on creating first-rate taste experiences in cereals and bars – achieved through complex flavour profiles.

Talk to us about creating unique and innovative cereals and bars taste experiences.

<sup>1</sup> Mintel, 2016

<sup>2</sup> BIPE based on FAO data