

BREWING AND BEVERAGE INDUSTRY INTERNATIONAL

REPRINT

N° 6/2010

VERLAG W. SACHON · D-87714 SCHLOSS MINDELBURG

B 20394



SENSIENT

*Kenneth P. Manning
Chairman and CEO
Sensient Technologies Corporation*



SENSIENT®

CUSTOMISED COLOURS AND FLAVOURS

Interview with Kenneth P. Manning about creating colours and flavours for the beverage industry

Natural colours and flavours are in greater demand than ever from the beverage industry all over the world. This creates an opportunity for companies to expand with newly created products. BREWING AND BEVERAGE INDUSTRY INTERNATIONAL conducted an interview with the Chairman and CEO of Sensient Technologies Corporation, Kenneth P. Manning, talking about the challenges, current developments and future trends. (gb)

BREWING AND BEVERAGE INDUSTRY INTERNATIONAL:

Mr Manning, how did Sensient Technologies move from its origins as a gin distiller in 1882 to its global leadership in colours, flavours and fragrances today?

Kenneth P. Manning: In 1882 the company that became Sensient was founded here in Milwaukee. The first product of the company was gin. In 1887 it began to manufacture yeast as a natural outgrowth of the fermentation process. In 1996, when I joined the company, many of our businesses had become commodities. These included such businesses as yeast and frozen potatoes and bulk cheese.

Kenneth P. Manning

Mr Manning joined Sensient Technologies (formerly known as Universal Foods) in 1987. In 1989, he first became Executive Vice President, then, in 1992, he became president. In 1996, he was appointed CEO and has been chairman of the board of the enterprise since 1997. He finished his studies with an MBA in operations research at the American University, Washington, D.C., and has a Bachelor of Science in process engineering from the Rensselaer Polytechnic Institute in Troy, New York.

Before he joined Sensient Technologies, Kenneth P. Manning worked for IBM, Cresap, McCormick and Paget, as well as W.R. Grace and Company.

As CEO, I divested the company of these low growth businesses and used the proceeds to invest in new acquisitions and new technologies such as the fragrance, colour and flavour business. We broadened our horizons to include colours for cosmetics, for pharmaceutical applications and we even make inkjet inks. But the majority of our business is still focused on food and beverage.

We have now integrated all our acquisitions and are growing organically. The company is a leading global developer, manufacturer and marketer of colours, flavours and fragrances with over \$1.2 billion in revenues.

BBII: *Sensient is expanding rapidly especially in Eastern Europe, China and Latin America. Are these the markets of the future?*

Manning: We are already in Asia, Eastern Europe and Latin America and are looking to expand further into those regions. In fact, the company became global because it was my determination that in order to grow, we had to develop a presence in Europe and Asia. At the time I joined the company only about 5 per cent of our business was outside North America. Today, 60 per cent of our business is outside the United States and two thirds of our employees are citizens of countries outside the U.S.



We are now particularly interested in Eastern Europe because of its surprisingly strong demand for natural colours. China continues to remain a strong market for us. We have built up our Chinese capabilities through a grassroots effort. We now have a plant in Qingdao for dehydrated flavours and another in Guangzhou that produces colours, flavours and fragrances. We have also opened a research centre in Shanghai. In China, we sell to the local market as well as exporting our products.

BBII: *Are there any other investments you are making in colours and flavours?*

Manning: We have made significant investments in facilities in the U.S., Europe, China, and other locations around the world, and our investment in state-of-the-art laboratories and technology will continue.

We announced in April that we are making a multi-million dollar investment in natural colours in North America, specifically in St. Louis, to build a new world-class facility. We are also extending our distribution and production capabilities.

Additionally, we have just completed an expansion of our emulsion capabilities in Hamburg, Germany, which will be totally dedicated to natural colours for food and beverage. Our Hamburg facility has been a leader in our company in terms of developing technologies associated with natural colours.

We expect to make additional investments in locations around the world this year to increase our R&D and production capacity.

BBII: *Economically we had a bad year 2009. How did Sensient manage the market crisis?*

Manning: Part of the reason that we weathered the economic downturn so well is that we had already been improving our balance sheet before the crisis hit. The balance sheet of the company is extremely strong which gives us a tremendous amount of flexibility. We can invest in our businesses, maintain our cash flow – our cash flow is at record levels right now – and we can also develop and offer unique products. We also have a very aggressive programme not only to expand our existing facilities but to modernize some of our older facilities.

BBII: *Since you became CEO in 1996, you have changed the product portfolio significantly. Is this change of structure completed?*

Manning: After over 20 acquisitions, we are now a global specialty chemicals company with a high-value product portfolio of colours, flavours and fragrances.

We continue to improve and innovate. We are now focused on our natural product portfolio – natural colours and natural flavours.

We have recently spearheaded a supercritical extraction technique which allows us to extract substances from botanicals which cannot be extracted by any other method. This method will be very useful in relation to the beverage industry in making teas and other naturally flavoured products.

” *A major trend is the increased demand for natural colours and flavours.* ”

BBII: *How about natural colours?*

Manning: We're going to continue to improve our supply chain for natural colours, and expect our market to increase not only in Europe but also in the United States. The movement in Europe towards natural colours has caused a similar movement in the United States particularly in the case of companies that are headquartered in Europe and have subsidiaries or divisions that operate in North America. We have introduced our Fusion Precise Natural Colors line which meets consumer demands for high purity natural colours with significant improvements in matching shades to the needs of our customers. These are stable and consistent colours for a wide range of foods and beverages. We are continuing to develop new natural colours and flavours for the beverage and food industry.

BBII: *Speaking of the natural colours and flavours: How important is the beverage industry to your company?*



Manning: It's absolutely essential. Beverage is a wonderful business. Our customers are looking for unique natural colours and flavours for their beverages as well as essential performance characteristics, such as enhanced shelf life. We work with our customers to fulfil their needs for customised beverage solutions.

As a supplier of both flavour and colour solutions for the food industry, Sensient has products for nearly all beverage categories, including carbonated soft drinks, fruit-flavoured still drinks, energy drinks, fortified water, flavoured water, sports drinks, meal replacement, dairy-based and juice-based drinks, dry mixes, alcoholic beverages, and concentrates.

BBII: *What do you offer your customers that your competitors can't offer?*

About Sensient

Sensient Technologies Corporation, headquartered in Milwaukee, is a leading global developer, manufacturer and marketer of colours, flavours and fragrances. Sensient provides customised food and beverage systems, pharmaceutical colours and coating, cosmetic and personal care formulations, inkjet inks and colours, and other speciality colours and chemicals to many of the world's best-known consumer and industrial companies. Sensient is present worldwide with 70 locations in more than 30 countries with a staff of 3,600 employees.

www.sensient.com



Manning: Unlike many companies, who are either colour companies or flavour companies, we can provide both, colours and flavours. This provides an advantage to us and to our customers since we can offer complete product concepts in the form of customised colour and flavour systems. Our breadth of products is unique in the industry.

We partner with key customers to help them extend their established brands and create entirely new products. We also independently develop innovative product systems that offer customers an advantage in the marketplace or provide new manufacturing efficiencies. We have 30 state-of-the-art R&D centers around the world.

” *The global health and wellness trend will continue to gain momentum with consumers.* ”

BBII: *Are there major trends in the field of beverages that you have observed in recent years?*

Manning: Clearly, a major trend is the increased demand for natural colours and flavours. There is a greater interest in still beverages, while carbonated beverages are becoming less popular. One trend that we have identified is towards natural botanicals in chilled teas. We offer a full range of natural flavours as well as a line of natural extracts and essences marketed under the ‘Natural Origins’ brand. They are available in a range of flavours including vanilla, coffee and cocoa.

BBII: *Can you give some examples of your latest developments? Are there any specialities in your portfolio?*

Manning: Every product we produce is a unique product. Typically, we work very closely with a customer to create a product to exacting specifications, for example, a strawberry flavoured product that can be sold as a still beverage with the appropriate red colour. Some customers may want additives in the form of vitamins or other ingredients with health attributes. For example, beta-carotene has been a very popular colour.

We also have been able to use technology developed for foods and beverages in the non-food market. For example, our colour technology has allowed us to move into cosmetics and inkjet inks.

BBII: *What are the main challenges in producing high quality flavours and colours?*

Manning: One major challenge, particularly with a natural colour, is its stability. A natural colour is usually very sensitive to light. If a customer wants to produce a beverage with natural colour that may be on store shelves for several months, exposed to light, we must make sure the beverage does not change colour during that time. With our new technology, we have actually expanded the stability of the colours in these beverages so that the product can be exposed to light for a longer period.

We also face a logistical challenge. Our colours and flavours are produced all over the world, sometimes in very exotic places. Maintaining a reliable supply with consistent quality requires a complex supply chain. The switch from synthetics to naturals has required us to put a great deal more emphasis on supply chain management.

BBII: *What trends do you expect to see in the upcoming years?*

Manning: The global health and wellness trend will continue to gain momentum with consumers.

The trend towards healthy eating will drive markets certainly in the developed countries, but even in countries that are still industrializing, such as the region of Eastern Europe. Within this trend, natural colours and flavours will continue to generate strong demand.

In addition, the use of fortification, enrichment and functional ingredients in mainstream products is expected to grow.

” *We continue to improve and innovate.* ”

BBII: *Where do you see your company going in the next few years?*

Manning: We want to grow the business by offering unique and superior products. We are investing in our business through state-of-the-art facilities and new equipment that supports production improvements and new lines of business. We are also continuing to put even greater emphasis on new product development with R&D centres around the world that can rapidly develop and commercialise new products.

The company is also continuing to expand geographically. We plan to extend our distribution system to serve more customers locally. In the near term, we are encouraging our customers to convert to natural colours. It’s what consumers want and it makes sense for us.

As a result, we are well-positioned to benefit from the upturn in the economy and this year is turning out to be a very strong year for Sensient.

BBII: *Thank you for the interview and I wish you and your company all the best for the future.* □


Sensient Technologies Corporation
777 East Wisconsin Avenue
Milwaukee, WI 53202-5304
www.sensient.com
1-800-558-9892