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FOOD PROCESSING
55TH ANNUAL R&D SURVEY

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INGREDIENT COSTS, UPFs, GLP-1s VEXING PRODUCT DEVELOPERS

Our 55th annual survey finds product developers dealing with those issues while swinging for the fences, aided by higher budgets.

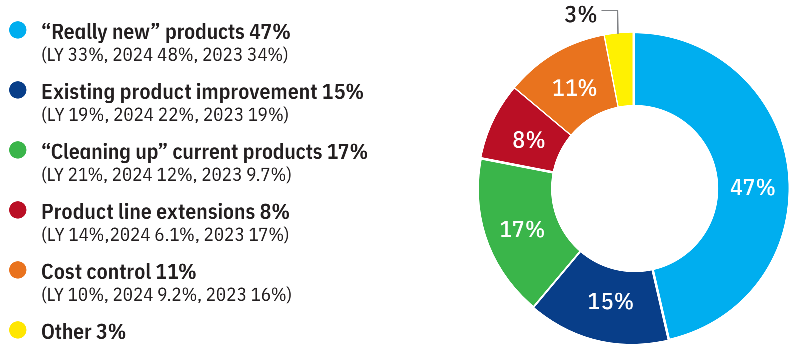
What are product developers dealing with this year? Ingredient costs "have gone up quite a lot," more than half are worried about ultraprocessed food labeling, but less than a quarter are concerned about the increasing use of GLP-1 weight control medications — in fact, most of those look at it as an opportunity.

Those are some of the topline results from our 55th annual R&D Survey (can you believe we've been doing this survey since 1972?). 101 product development professionals participated in our online survey from May through the end of June. (Thank you!)

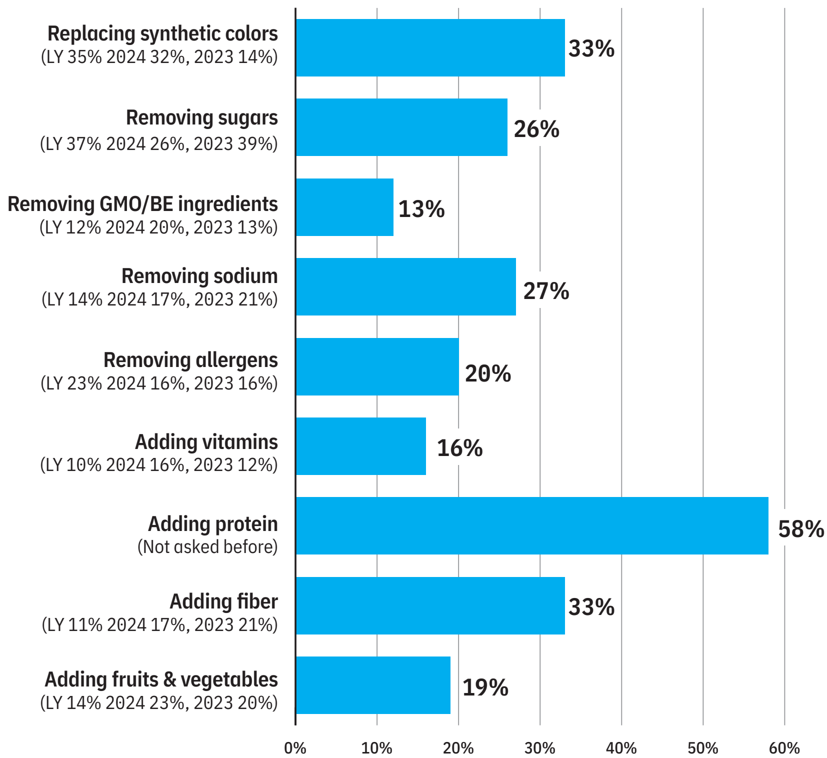
Some other notable findings:

- Respondents were nearly evenly split on the subject of replacing synthetic colors — 24% have completed the effort and another 24% are still at it, but 49% said it doesn't affect them. The other 2% "choose not to participate" in that effort. One product developer noted, "There are no viable replacements for artificial blue color that hold up to high temperatures of making hard candy."
- 60% are "just dipping our toes" into the use of artificial intelligence in the lab, 18% use it "quite a lot" and 22% are "not pursuing it at this time."
- 58% are reformulating products to address federal, state or consumer concerns relating to the Make America Healthy Again (MAHA) movement. The other side of that coin: 42% are not concerned about MAHA.

Which of the following general targets are most important for your R&D targets for the year?



What ingredients are you working on most this year? (You may choose more than one)



Swinging for the fences

For many years now, our first question in the survey has been "Which of the following general targets is most important for your R&D efforts this year?" (See Figure 1) Also for many years now — at least 10 — the aspirational "really new product development" answer got the most votes (46%), almost 50% more than last year and nearly on par with the 2024 response.

Cleaning up current products came in second with 17% of the vote and other forms of existing product improvement was third with 15%. Given what's happened over the past year, it's somewhat surprising cost control was as low as fourth (at 11%).

Which is not to say cost control was not mentioned. In an open-ended question, we got these responses:

"With everything happening from now to the end of the year, cost control will be imperative."

"Looking to replace flavors with more cost-effective options with better lead times and minimum order quantities."

“Trying to use 100% of meat, vegetables and starch by-products.”

“Sourcing some ingredients from different suppliers as well as ordering in larger quantities.”

Cost control, however, doesn’t come without its own cost. One respondent said his company is shopping for new suppliers of flavors, sweeteners and stabilizers, and the resulting “supply chain challenges will make more reformulation needed.”

For another annual question, “What ingredients are you working on most this year?” (Figure 2) respondents could choose more than one answer. Not surprisingly, protein was the runaway leader with 58% adding that ingredient — regrettably, we haven’t offered that answer in the past. Tied for second place were adding fiber and replacing synthetic colors, each with 33% the vote. Last year, removing sugars (37%) just edged out replacing synthetic colors (35%).

Another annual query is “What’s happened to your R&D Dept.’s budget this year?” Only 11% answered it’s been cut, the lowest percentage for that answer since 2019. 27% said it’s been increased (that’s about average over the years) and 35% said it’s about the same as last year.

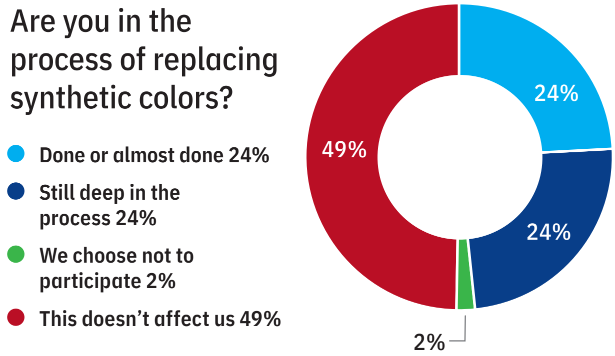
Current issues

One of the new questions this year was “How worried are you about your products being labeled an ultraprocessed food?” 27% are worried “a lot” and 32% are “moderately concerned.” The remaining 40%, who are “not really worried,” either are making minimally processed products or are in denial.

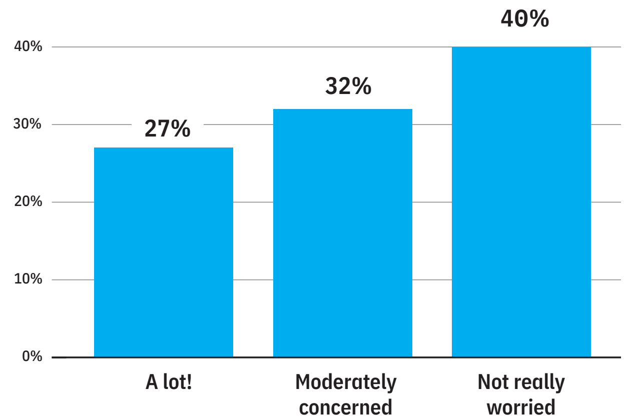
One respondent wrote, “Our biggest issues are finding clean label preservative options that extend shelf life. Transitioning from ultraprocessed ingredients is a big one.”

We asked about a companion topic: whether you’re reformulating products to address the various faces (federal, state, consumer) of the MAHA movement. 58% are reformulating in one way or another to comply with evolving federal MAHA-inspired initiatives (such as removing artificial colors,

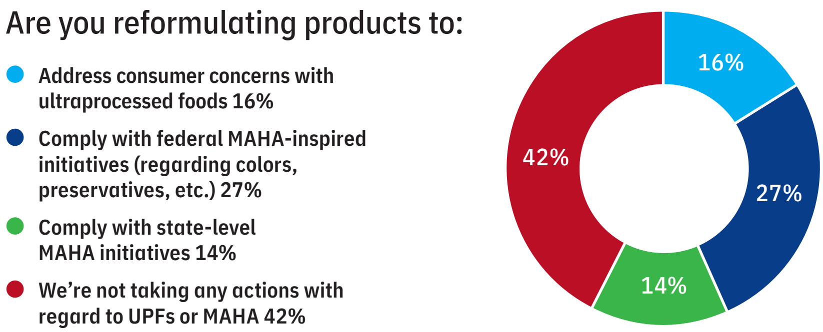
Are you in the process of replacing synthetic colors?



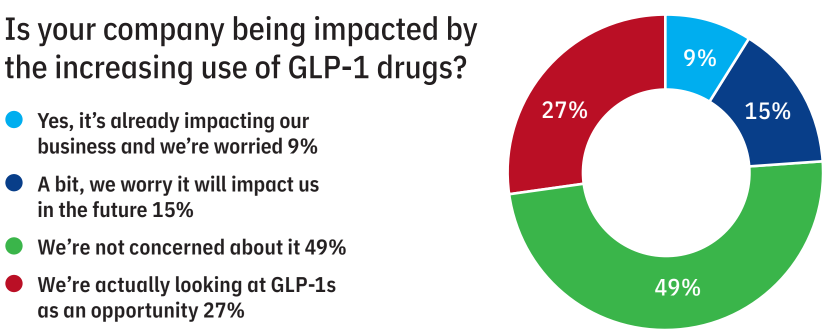
How worried are you about your products being labeled an ultraprocessed food?



Are you reformulating products to:

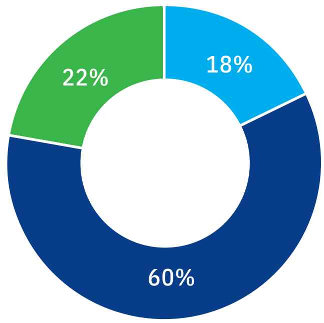


Is your company being impacted by the increasing use of GLP-1 drugs?

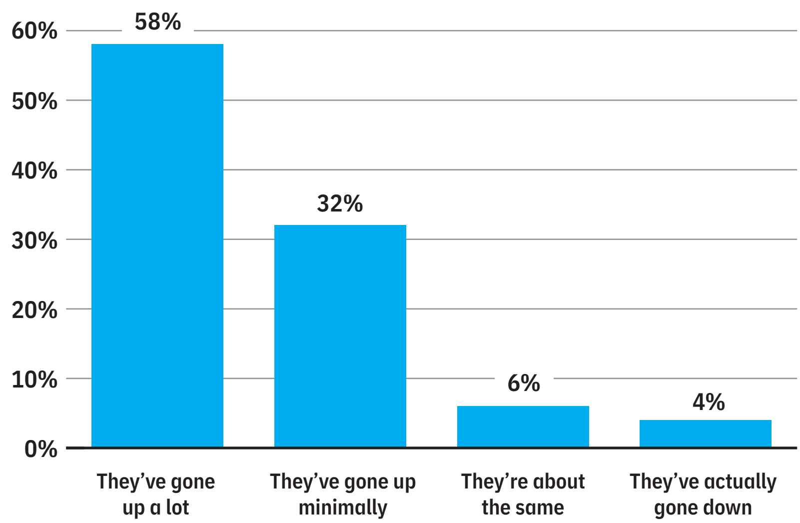


How deeply into AI has your department delved?

- Quite a lot, it's used in many of our processes already 18%
- Just dipping our toes into that water 60%
- Not pursuing at this time 22%

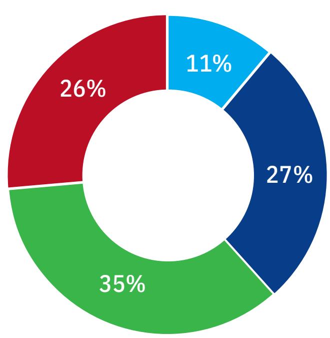


What's happened to your ingredient costs over the past year?



What's happened to your R&D budget this year?

- It's been cut 11% (LY 21%, 2024 52%, 2023 45%)
- It's been increased 27% (LY 22%, 2024 32%, 2023 22%)
- It's about the same as last year 35% (LY 32%, 224 52%, 2023 45%)
- Don't know 26% (LY 25%)



artificial preservatives and other ingredients of concern — 27%); to address consumer concerns with UPFs, etc. (16%); or to comply with pending state MAHA-inspired regulations (14%).

"Banned ingredient lists are growing in scale and complexity," observed one product developer.

Every story we've written about GLP-1 drugs has included both sides of that coin: They will reduce overall food intake and will be painful for certain food categories, but they also create opportunities for food & beverage processors to develop new products addressing the nutritional needs of users. And our survey-takers apparently agree.

15% say their companies are just starting to feel mild effects of the weight-loss medications. Another 9% say the drugs already are impacting business and they are worried. But 27% say "We're actually looking at GLP-1s as an opportunity"; 49% are not concerned at all about them.

Beyond the pre-selected answers on the subject of AI, some product developers offered anecdotes. "We use AI for researching, finding out statistical numbers and so on." "Using Claude and ChatGPT to research consumer trends and competitor activity." "We use AI to do descriptions for labels and stickers." "Developing an in-home [sic] AI process matched to our ERP."

We leave you with two random comments:

"We have to innovate to be competitive in the future even if we don't have the funds."

"We are committed to continuously developing innovative and great-tasting products that bring the joy of food to our consumers, while supporting their well-being by creating healthier food options." ■