



Vegan champions retail/FMCG 2022:

From boom to bust? On its way to peak meat? The long term promise

March 2022



ResearchFARM
Retail Analysts

Introduction

- **During the coronavirus lockdowns a novel thesis emerged about the consumer societies of the West moving towards “peak meat”.** This argument rested on a number of assumptions, of concerns about climate change coming together with technical innovations in the plant based food sector creating a new dynamic vegan food sector. The idea was that consumers cut back on meat and become flexitarians or become fully fledged vegetarians and vegans - for health reasons (with Covid as a diffuse driver of all kinds of fitness and health trends) and to protect the environment (by reducing emissions from the meat industry).
- **The poster boys of this development were Beyond Meat and Impossible as well as Oatly** in the plant based milk sector. Oatly and Beyond Meat launched multi billion IPOs, **but** at the same time as lockdowns have eased **valuations have crashed back down to earth.**
- **From boom to bust. A combination of too high price points and also of the product not satisfying consumer demands and needs quite yet has led to this “bust”.** Much of the ebbing of the sales surge was down to products failing to meet taste expectations. Buying in large quantities during the lockdowns highlighted the shortcomings of next-generation plant-based meats.
- **Price, alongside taste and health credentials, is now the key factor in the companies’ efforts to widen the consumer base.** Only when these companies hit a certain price threshold, all kinds of retail channels will be available to them. A lower price will enable them to be compared and to get in front of consumers.
- **Another related issue concerns the actual health benefits of these products.** Especially in the case of plant based meat, current product offerings are highly processed foods with a number of additives often with high salt levels. This makes the product look like highly processed food and acts as another barrier to repeat purchases.
- **So was the plant based craze all hype? We do not think so,** we believe that froth has come out of the market and a more realistic view has set in among the investor community about where the vegan or new food sector is headed (and with it its champion companies). **We do not think this development is just a fad, but rather a long term trend. As of 2022 plant-based meat substitute sales accounted for about 1% of the total meat market. So there is all to play for still.** This view and analysis of the sector is backed up by the big multinationals muscling in aggressively into the space.
- **Vegan or new food represents big chance to conquer the “centre of the plate” which had previously always been off limits** for the likes of Unilever and Nestlé. Plant-based protein appeals because it is branded, not commodified, enabling the FMCGs to tap into their marketing strengths and create price differentiation between premium and everyday versions of the product. In many markets meat is almost all private label, and has for decades been dominated by meat processors and farmers.
- **Now, multinationals are racing to build a business in plant-based protein alternatives, as well as investing for the future in lab-grown meat. According to their view, every animal protein will over time have a plant-based alternative.** Meat cultivated in bioreactors avoids the issues of bacterial contamination from animal waste and the overuse of antibiotics and hormones in animals. Challenges include getting regulatory approval and increasing production.

Introduction

- **Another thing to watch is rising inflationary pressures, which historically have always led to down trading. This is a further headwind for expensive vegan products to navigate. That said, looking ahead, analysts predict the retail price of plant-based meat to fall to parity with real meat in two to three years.** In the long term, the scaling up of the sector will bring cost efficiencies that help both plant and cellular meat. Achieving this will require consolidation that will help drive further investment in production systems. As many players are in a start up phase, there is a complete fragmentation and lack of scale in the value chain.
- **Notwithstanding the short term obstacles to vegan foods laid out above, the long term trends towards more sustainable and climate friendly ways of life force “new food” to be successful.** In a sense this is comparable to the energy transition from fossil fuels to renewable energies, so traditional agricultural production methods are set to see a transformation too - all due to climate change mitigation and to reduce emissions from meat production and consumption. This shift could also mean that the sector will see huge government support, not just in regulatory spheres to allow and certify lab-grown meat for general human consumption but also investment into infrastructure, such as bio reactors (to grow meat in labs).
- **Looking ahead, the industry’s growth depends on all three kinds of alternative protein—plant-based, microorganism-based, and animal-cell-based—reaching taste, texture, and price parity with conventional proteins.** That, in turn, requires continued technological innovation regarding the alternative proteins themselves and the means to scale up production to industrial levels.
- The benefits of alternative proteins are clear, lower carbon emissions and fewer concerns about the ethics of intensive animal farming. According to some analysts by 2035, alternative proteins could capture 11% of the global protein market, as consumers, companies, and investors push the values of ESG and parity is reached.
- Regulatory approval for lab grown meat is needed for a big breakthrough, but there is also a requirement for new infrastructure. At the moment bio reactors are needed for vaccines and not meat production. Once this infrastructure bottleneck is eventually overcome, in a second step the companies behind these bio reactors need to fine-tune the business model away from high margin products and (thankfully for most diseases more) niche markets.
- Beside the question of climate change mitigation, another reason why state funding might be coming through for bioreactors used for curated meat is due to food security concerns. This question will affect countries in different climates to different degrees - but Africa’s dependence on Ukrainian and Russian grain exports brings this point home.
- There a number of big questions about lab grown meat still. One of them concerns the intellectual property (IP) of these new products and their production methods. The question is, are the IP rights going to just one company, which will then be in a monopoly position and have created an impregnable moat?
- There is a strong argument that the IP for lab grown proteins needs to be open source to an extent. In a way this mirrors discussions about gene editing and manipulation of crops. Obviously the big multinational FMCGs would see this in a different way than environmental activists and would seek to protect their start up investments into product development and infrastructure, so there will likely be a need for government regulation.

Key Questions answered

Vegan champions retail/FMCG 2022: From boom to bust? On its way to peak meat? The long term promise

- **Which FMCGs, start ups and retailers lead the way in plant based food?**
- How will the shift to plant based food impact retail on the front and back end? And what models are available or in the pipeline?
- **In store ranges will change, moving even further away from animal derived ingredients, as the success of Beyond Meat or Oatly (to name just two) show.**
- Will plant based alternatives win out or will meat be grown in labs in future?
- **Who will be the first movers? What are the most innovative models for plant based food?**
- When will New Food reach parity in taste and price?
- **How can the industry finance the change toward more vegan food?**
- What should retailers do now to be ready for a future when being green will be seen as table stakes?
- **Will retailers have to become more vertically integrated to control various aspects of the supply chain and their emissions footprint, and make production more efficient and sustainable?**
- Why will the role of government be crucial in the transition to plant based foods?
- **Why are the FMCG majors moving into the space and which sectors have they targeted?**
- Were Oatly and Beyond Meat always overhyped?
- **Are we on our way to peak meat? Or are vegan foods just a hype?**
- Are plant based foods all about basket building and one stop shopping? Is it all about offering vegan products just to capture the whole household shop?

Features

- Case examples of successful retailers and FMCG and strategies in the sustainability space
- **Analytical deep dive into plant based innovation models**
- In depth discussion of innovative product development, new business models and solutions
- **Insights on challenges and outlook**
- Strategic recommendations

Benefits

- Understand how to choose the right tech innovation for your business, catchment and customers
- **Grasp how much to invest in plant based capabilities (depending on your specific sector circumstances)**
- Follow the strategies of stand out performers and incorporate learnings into your own proposition
- **Each section features real life, practical case studies, sharing key learnings and pointing out pitfalls to avoid.**
- Learn from best practice examples
- **Leverage key insights for your own growth strategy by copying successful innovations**
- Understand the threat and opportunity
- **Gain key insights into some of the most active and innovative retail companies in the world**

Table of Contents

Vegan champions retail/FMCG 2022:

• Executive summary	• p 10
• Market sizes	• p 16
• Plant-based foods poised for explosive growth?	• p 17
• New Food to reach parity in taste, price over next decade	• p 18
• Consumption of alternative proteins by protein source 2020-2035	• p 19
• Global consumption of protein products 2020-35	• p 20
• Meat giants moving in	• p 21
• US market size, growth	• p 22
• US market snapshot	• p 23
• The FMCG giants	• p 24
• Targeting the centre of the plate	• p 25

Table of Contents

Vegan champions retail/FMCG 2022:

- Unilever to make €1.0bn out of alternative meat and dairy • p 26
- Nestle: vegan/vegetarian foods revenues reach SFr1bn • p 27
- Danone acquires plant-based brand Follow Your Heart • p 28
- Danone: Alpro adds production capacity in the Alsace • p 29
- **Plant based meat** • p 30
- Meat causing twice the pollution of plant-based foods • p 31
- The case for plant based meats • p 32
- Alternative protein market - The state of play • p 33
- Price cuts and efficiencies to come - a bright future? • p 34
- US plant-based meat sales hitting the buffers. Temporarily? • p 35
- ... as innovators launch 3D printed cuts • p 36
- Gentle UK slow down - concerns about ingredients and clean labels • p 37

Table of Contents

Vegan champions retail/FMCG 2022:

- So where are we then? ...going through the hype cycle • p 38
- Big brands to displace unbranded and private label meat • p 39
- Green storytelling and supply chain security • p 40
- Venture funding, angels and big food investment in 2021 • p 41
- Plant based investment outperforms Cultivated ... for now • p 42
-
- **Impossible** • p 43
- Impossible Foods - going for foodservice first • p 44
- Impossible Foods, SPAC or IPO? • p 45
- Impossible Foods - eyes \$7bn valuation in fundraising • p 46
-
- **Beyond Meat** • p 47
- Beyond Meat being heavily shorted • p 48

Table of Contents

Vegan champions retail/FMCG 2022:

- Beyond Meat's profit warning • p 49
- Beyond Meat - 2021 an aberration? • p 50
- Beyond Meat, bad news from Maple Leaf • p 51
- Meatless Farm, launching into Germany • p 52
- **Lab Grown Meat** • p 53
- Curated meat - the next big thing • p 54
- Singapore first to approve cultured meat for sale • p 55
- Upside Foods - lab grown meat • p 56
- Redefine Meat: 3D printed vegan cuts to restaurants • p 57
- Redefine Meat, Novameat, Aleph Farms • p 58
- Aleph Farms develops steak in a laboratory • p 59

Table of Contents

Vegan champions retail/FMCG 2022:

- **Eat Just** • p 60
- Eat Just raises US\$100m • p 61
- Eat Just leading a global push toward lab-grown meat • p 62
- Eat Just, from Hampton Creek to Eat Just via Just Egg • p 63
- Eat Just - prices are coming down, but fast enough? • p 64
- The problems inherent in scaling up lab grown production • p 65
- Next Gen Foods raises US\$100m, Chicken alternative • p 66
- **Plant based Dairy** • p 67
- The battle for the future of milk • p 68
- The decline of soy and rise of oats and almond • p 69
- Venture capital investment in plant-based dairy soared to \$1.6bn • p 70

Table of Contents

Vegan champions retail/FMCG 2022:

- Targeting high-end coffee shops • p 72
- Dairy companies introducing their own alternatives • p 72
- 90% who drink milk alternatives, also consume cow's milk • p 73
- **Oatly** • p 74
- Oatly - \$10bn valuation. Far too high and not sustainable • p 75
- Despite rapid growth, health trends, being a pioneer still loss making • p 76
- Oatly - shares crash as supply chain challenges lead to revenue warning • p 77
- Dug Drinks - Potato milk at Waitrose • p 78
- Dug drinks - super sustainable, but pricey • p 79

Table of Contents

Vegan champions retail/FMCG 2022:

• Retailers	• p 80
• Introduction	• p 81
• UK Veganuary	• p 82
• Tesco’s range optimisation work	• p 83
• Tesco and Beyond Meat launch ready meal range	• p 84
• Tesco’s plant-based food journey to date	• p 85
• Asda - a fully vegan butchers counter	• p 86
• Sainsbury’s, Rudy’s Vegan Butcher	• p 87
• Aldi - Plant Menu range	• p 88
• Lidl, Edeka - new vegan umbrella brands	• p 89
• Migros introduces vegan eggs	• p 90
• Veganz - a weak start to trading as a public company	• p 91

Table of Contents

Vegan champions retail/FMCG 2022:

• Veganz - getting into football stadiums	• p 92
• Outlook and recommendations	• p 93
• Sources	• p 97
• Charts & Tables	
• Chart 1: Consumption of alternative proteins by protein source 2020-2035	• p 19
• Chart 2: Global consumption of protein products 2020-35	• p 20
• Chart 3: US market size, growth	• p 22



Get this report today

**€1,090 or ~£995 excl.
VAT**

- 96 pages of insight
- Delivered as a PowerPoint and PDF file
- Flexible payment
- Order on website, by email or by phone

THREE EASY WAYS TO ORDER

ONLINE:

store.researchfarm.co.uk

EMAIL:

sales@researchfarm.co.uk

PHONE:

+44 (0) 207 193 6905