ARTICLE

Meat alternatives in the age of COVID-19

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The recognition and popularity of both plant and cell-based meat alternatives are growing as consumers re-evaluate their food choices in the face of growing options, driven by industry players like Beyond Meat, Impossible Foods and Memphis Meats. Covid-19 has impacted the delivery capacity in global food supply chains, increasing the price and reducing the range and availability of certain products, in some cases including meat. Can this period create an opportunity for alternative meat products to emerge victorious as a quicker-to-process, cheaper and potentially healthier alternative to traditional meat for the longer term?

Current Landscape

In a few short months COVID 19 has managed to change every facet of our daily reality and everything we took for granted. We now crave the day we can watch the football at the pub with friends, go on a date with somebody without a hazmat suit or enjoy group exercise that isn't virtual.

Had we had the foresight in 2018 that a pandemic could threaten us in 24 months' time, perhaps people would have and spent a cool $6,000 on a "doomsday prepper" food kit or some other outlandish mode of preparation. The contents of such a kit would feed a family of four, for a year, on 600 cans of freeze-dried and dehydrated fruit and veg, pastas, grains and pulses among many other staples. The conclusion here being that the 'post-apocalyptic' diet was, according to at least one major US wholesaler, mainly meat-free.

But what about in the here and now of COVID-19? We are already starting to see global concerns about food security and our near-term future. At the beginning of April, some of the worlds' largest food manufacturers wrote an open to letter to world leaders calling on them to: maintain open trade, ensure access to nutritious, affordable food for all and invest in sustainable food production. Could one solution to a potential food security crisis be the cultivation of alternative meat (plant based or otherwise)? In Beyond Meat's most recent trading update, the CEO Ethan Brown noted that with recent increases in beef prices, the business would aim to compete with the industry on price, to "make more inroads with the consumer". The current landscape shows a mixed picture but one that could be a happy ending for the meat alternatives sector.

Industry Growth Potential

Research company Nielsen track food retail stats in the US, data from the week ending February 29 found that sales of fresh meat alternatives were already growing at an impressive c.160% year-on-year, with sales also rising dramatically as consumers entered panic buying territory. A separate study by Research & Markets, predicts that the global plant-based meat market will be worth $3.6 billion this year and $4.2 billion in 2021. In the UK, according to research company Kantar, the total plant-based food market in the UK is now worth £1.8 billion. It reported recently that sales of meat alternatives grew by 25% in the three months to April 19 compared with last year.

While meat sales are likely to have spiked too, it could be argued that the law of small(er) numbers means that the growth of meat alternatives is somewhat overstated, despite this consideration, the research highlights an encouraging set of figures. What the numbers also highlight is that business models among the alternative meat players differ enough that some will face short term issues in the current environment and will need to pivot their go-to-market strategies.

Pre-COVID-19, some of the well-funded players such as Impossible Foods had business models that focused more on food service outlets rather than retail outlets. The closure of fast food outlets since the pandemic lockdown has required nimble thinking as well as hopes that retail deals could quickly be struck to keep sales moving. Retail focused players such as Beyond Meat have been focused on a more balanced mix of retail outlets food services.

What are the key factors that will help drive or sink the meatless revolution?

Recession

Like consumers accepting electrified cars after 100 years of petrol power, the challenge for the alternative meat has been to get people to want to buy their product over a well-established alternative – one that we have adopted over round 300,000 years ago. Elon had it easy! Will COVID-19 shift the adoption curve in any way, and will consumers gravitate towards what's familiar in times of economic hardship? Like most things currently, it's too early to tell. A pandemic-based recession may dull consumer enthusiasm for plant-based meat.

A US-based food trends company suggests the outlook isn't good, Suzy Badaracco, president of Culinary Tides said: "It is clear from research that faux plant-based meats are consumed by meat eaters, not vegetarians, with curiosity being their driver… As sales numbers on these products continue to slide, COVID-19 will push meat eaters back to animal protein at an accelerated pace, while vegetarians will celebrate plants being plants."

International expansion plans have been impacted by the pandemic; analysts suggest COVID-19 will hurt Beyond Meat's growth plan in Europe. Beyond Meat had started to load its pipeline for major EU grocery chains before the crisis and there's little data yet on pipeline progress, the Company's May trading update signalled that the company was significantly outpacing rivals on market share with revenues up 190% year on year.

Beyond Meat was keen to highlight that it "continued to own the top 4 best-selling stock keeping units in all plant-based meat" while outpacing its closest competitor in terms of year-over-year sales growth. With retailers now reducing choice in these troubled times and giving space to top sellers instead of newcomers, there's a suggestion the risks are on the downside in the short term for the wider sector players.

Regulation

In the US, the FDA has tried to help with a loosening on labelling to allow the products to end up in food stores or go direct to the consumer. In Europe, there is currently a 'legal vacuum' surrounding the labelling and marketing of plant-based or cultured meat which has led to broad uncertainty on labelling. This lack of clarity is muting innovation and causing a major bottleneck and preventing the European alternative meat industry from taking off.

Some EU Member States with a strong meat tradition have tried to ban what they call "deceptive" labelling – regarding using meat terms to describe plant-based or cultured product. This is a subject the European Commission is likely to consider during a planned future review of the definitions and labelling of vegan and vegetarian food. Another consideration is that

"cultured meat", or food produced from cell or tissue culture still requires a pre-authorisation in order to be placed on the EU market, as well as the approval by the European Food Safety Authority (EFSA), as per the EU Novel Foods Regulation.

Investors: CSR, ESG and Philanthropy

Industry optimists will look for potential opportunity from the pandemic. The situation provides a chance to be nimble and creative, as well as embrace the philanthropy of many of the backers (e.g. Branson, Gates, Bezos) and ultimately do the right thing.

In the US, Beyond Meat is doing just that. The Company is working with several partners to donate more than a million Beyond Burgers to people in need - this ranges from food banks to hospitals to community centres. Employees and fans are engaged by having the opportunity to nominate causes that matter most to them, and in the process, a lot of people will get to experience a Beyond Meat burger. Let's hope more players in the industry join this type of cause and affect positive change.

Consumer and Industry demand

The original speculation around the global pandemic raised questions surrounding the role of meat consumption in originating the transmission of diseases such as COVID-19. We now know that some of these suspicions were speculative and, in some cases, xenophobic rumours spread via social media. Despite the lack of substantiation in these rumours, this will have likely resulted in consumers being more wary of consuming animal products, and potentially more inclined to consume plant-based options even if not vegetarian or vegan on a consistent basis.

Manufacturers already have the data to show that many consumers switching to meat alternatives are meat eaters. Quorn CEO Kevin Brennan illustrated this point in an interview in 2019 noting that when the brand came out in 1985, most of its consumers were vegetarian. Now, according to him 75% are meat-reducers. Why are we seeing this phenomenon?

Concerns such as animal welfare, climate change, antimicrobial resistance, and the scientific evidence that some type of cancers might be linked or be aggravated by red meat consumption, are just some of the reasons why more people – albeit mostly millennials – are attracted to meat-free options.

There are however options that can cater to the dually health and environment conscious millennial meat eater. Of the alternative meat crowd, Memphis Meats has one of the most interesting stories in that the end product is still meat but created using animal cells without breeding or slaughtering animals. The lifelong cardiologist Uma Valeti Co-founded the company with the aim of making traditional animal agriculture obsolete. Could this Company be the middle ground between those giving up meat for ethical (anti slaughter) and environmental reasons? And in relation to the current crisis, could this type of production address food security concerns in the future? – is petri dish meat a viable solution for fears about factory farms and inter species disease spreading?

Conclusion

Could COVID-19 be a realistic catalyst for alternative 'meat' manufacturers to gain greater momentum, exposure and success?

How we eat and consume was already undergoing a revolution before the pandemic. Fast moving innovative sectors like technology are showing us that – if anything, innovation and digital transformation is being driven at a greater pace than before. There were already the tools for this to happen, but the weight of necessity is driving the laggards to catch up. If the name of the game is to make meat alternatives a 'first thought' consumer choice, there are two core openings the sector has to gain visibility right now: 1) to capitalise on the necessity element, stemming from food security and the need for nutritious, affordable food for all and, 2) Use the crisis to highlight the benefits of sustainable food choices for consumers, as part of a healthy diet. If either of these opportunities are to be an option, greater education across different stakeholder groups is necessary to allow consumers to make an informed choice about what food looks like in their future.

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