

Europe leads increase of alternative protein demand to 2030

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Europe will experience the fastest growth in consumption of plant-based proteins this decade, according to IHS Markit analysis, achieving a total proteins market share of almost 8% in 2030 – and a high-growth scenario puts share at just under 12% by then.

IHS Markit estimates the alternative proteins market - products that are direct substitutes for animal-based protein (meat & dairy) - was valued in 2020 at US\$29.4 billion from primary markets in North America, Europe and Asia.

The demand for alternative protein is expected to continue growing at a baseline of 5-7% for US, EU and China and 3.6% globally by 2030. This translates to 11 million tonnes of global consumption of plant-based meat by 2030, equating to a plant-based meat market of US\$20.6 billion in the key markets.

IHS Markit's baseline scenario for the market share of plant-based meat consumption in US will be 7.1%, in Europe will be 7.6%, and China will be 4.8% by the end of the decade.

This compares to a share under 1% in all regions currently.

The baseline scenario assumes the current plan of expansion by plant-based giants globally and achieving cost competitiveness with scaled production. IHS Markit's high growth scenario for the market share of plant-based meat consumption in US, Europe and China will be 10.9%, 11.6% and 7.9% by 2030, respectively.

Demand is chiefly driven by changes in consumer behaviour, particularly the increasing number of people who are not vegan/vegetarian but are consciously substituting some of their meat-based diet for alternatives (so-called flexitarians). Current about 14% of the population of the 28 most populated countries identifies as flexitarian; that is 830 million consumers. Although an element of this has been driven by the short term effects of the Covid-19 pandemic (for instance, meat shortages and hits to income), the growth is forecast to continue.

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North America currently dominates the plant-based protein market, followed by Europe, owing to the growing trend of veganism, nutritional value of plant-based proteins, increasing incorporation into processed foods and consumers' need to avoid allergies caused by animal proteins. Asia-Pacific is the fastest growing market, driven by emerging economies such as China and India, vegetarianism among Hindus and Buddhists, cost competitiveness, as well as increasing use in a variety of processed foods.

On the supply side, investment and innovation is increasing the range and availability of alternative proteins (the sector raised \$5.9bn of investment in 2020), while impending regulation is likely to increase the production cost of meat in some regions. Europe will grow faster than the US in part driven by the push for decarbonization through the EC's New Green Deal.

Even where PBP might have a small market share, the profitability question will be vital as PBP tend to have a high margin. The market share of plant-based meat by 2030 is evaluated based on volume – in value terms, plant-based proteins is 40% higher than animal-based protein. The IHS Markit research shows plant-based meat has the potential to compete with animal-based meat as the ingredient costs are cheaper and with scaling of processing technology, plant-based products will be able to reduce the price premium while retaining a high margin.







However, the importance of alternative proteins is not confined to what still represents a small share of overall proteins markets – its growth also has far-reaching implications for the agriculture sector as a whole. For instance, with an increase in alternative proteins, price of major feed crops like soybeans and corn will fall, according to IHS Markit. This will also impact prices in feed-exporting countries like Brazil that will be affected by lower meat consumption and will convert land to other uses. With lower feed prices, land available from feed grain production can be moved towards conservation or pastureland. This varies between different meat sources. For instance pork is a more intensive user of animal feed than beef or poultry - it takes 1.4 pounds of soybean to produce one pound of pork whereas it will take only about a quarter as much feed to produce a pound of plant-based pork products.

Similarly the development of plant-based and cultivated seafood will alleviate pressure on wild fisheries and aquaculture systems. The current aquaculture system is facing a slower rate of growth coupled with increasing demand, creating a supply-demand gap.

IHS Markit's soy protein prices remain strong into 2022, with 90% Chinese soy protein isolate increasing marginally (1%) from CNY25.21 per kilogram in December to CNY25.54 per kilogram in January. In January, 90% Chinese soy protein isolate remained unchanged at INR232.5 per kilogram. 90% GMO-free soy protein isolate on EXW UK and EXW US bases were also stable at GBP5.95 per kilogram and USD5.92 per pound respectively. Prices for 90% GMO-free Mexican soy protein isolate and 90% GMO-free Brazilian soy protein isolate were MXN184.95 and BRL50 per kilogram respectively, unchanged from their December prices.

As for pea protein, IHS Markit's Chinese prices for 80% pea protein isolate increased marginally by 1% m/m from CNY25.67 per kilogram in December to CNY26 per kilogram in January. In the US, 80% pea protein isolate and 55% pea protein concentrate prices remained unchanged at USD5.65 per pound and USD6.64 per kilogram respectively. IHS Markit prices for 80% Indian pea protein isolate FOB various ports, 80% organic pea protein isolate EXW UK and 55% organic pea protein concentrate EXW Netherlands were also stable at USD8.50, GBP8.75 and EUR4.05 per kilogram respectively.

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