

Plant-based meat and dairy to become €7.5 billion market in Europe by 2025

The growth of meat and dairy alternatives is stirring up the food industry, as an increasing number of meat and dairy companies enter the plant-based market to cater to shifting consumer demand. [At ING, our latest Report finds that the plant-based alternatives market](#) in the EU and the UK will be worth €7.5 billion by 2025, compared to €4.4 billion in 2019



Source: Shutterstock

Despite high growth, plant-based alternatives are still a small category

European retail sales of meat and dairy alternatives have grown by almost 10% per year between 2010 and 2020.

Much of this achievement can be attributed to the introduction of new products, like plant-based burgers, drinks and ice cream, and the underlying trend among consumers to consider health, animal welfare and sustainability in their decision making. But the rise of plant-based sales is coming from a small base and alternatives represent only 0.7% of the market for meat and 2.5%

of the dairy market.

Plant-based particularly popular in Northwestern Europe

There are regional differences across Europe when it comes to the use of plant-based alternatives, particularly in terms of product range and pricing. The UK is the most-developed market, with retail sales of nearly €1 billion, and is followed by France and Germany. Consumption per capita is highest in the Nordics and the Benelux.

Three barriers determine future growth

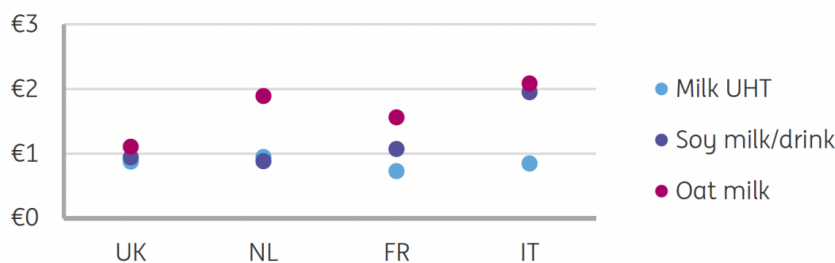
At the moment plant-based alternatives have three important weak spots compared to meat and dairy.

They're relatively expensive, their taste, texture and composition ('user experience') are not yet on par and availability is limited. The challenge for producers of plant-based products is to bring down the price gap with animal-based products, improve the user experience and increase availability.

The UK is leading the way with lower prices because the plant-based market is more mature, and the retail environment is highly competitive. This is notable compared to markets such as Italy, where plant-based alternatives are still mainly targeted at consumers who are willing to pay a premium for these products.

Soya drink prices are a bit above and oat drink prices are still far above regular milk

Retail price of 1 litre of milk and plant-based drinks in a selection of countries



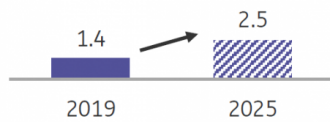
Source: Company websites: Ah.nl, Carrefour.fr, Carrefour.it, Tesco.com

Alternatives market set to grow to EUR 7.5 billion in 2025

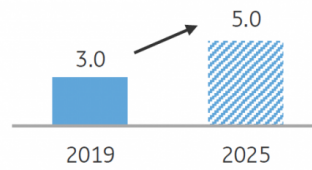
The current level of investment and innovation in the food industry and the supply chain indicate that all three barriers will be lowered substantially over the next five years. As a result we expect the market for meat and dairy alternatives to be able to maintain an annual growth rate of around 10% towards 2025. This means retail sales of meat alternatives could increase to 2.5 billion EUR and retail sales of dairy alternatives to 5 billion EUR in 2025.

According to our calculations, the market share for meat alternatives is set to increase to 1.3% and for dairy alternatives to 4.1%.

Market for meat alternatives expected to grow to 2.5 billion in 2025...
Value of retail sales in EU and UK



...and dairy alternatives expected to rise to 5 billion in 2025
Value of retail sales in EU and UK*



Source: Euromonitor, forecast ING Research; *Excluding margarine which accounts for 4.5 to 5 billion in retail sales

Consequences across the value chain

The continued growth of plant-based alternatives has consequences across the food value chain, with the need for change bigger in some parts than in others. While start-ups like Beyond Meat and Oatly and FMCGs like Danone, Nestlé and Unilever were building the plant-based category and starting to enter the meat and dairy market most traditional meat and dairy companies followed a wait-and-see approach. This is currently shifting and many meat and dairy companies are trialling plant-based alternatives in addition to their current product range.

Ongoing investments in technology and ingredients are leading to more sophisticated products and companies with a subpar product will have a hard time staying on the shelves. For the suppliers of the food industry, the plant-based trend can be both an opportunity and a threat. Many suppliers of ingredients and machinery are able to serve animal and plant-based producers while farmers are more dependent on either the animal or plant-based value chain.

Still a long way to go to surpass sales of meat and dairy

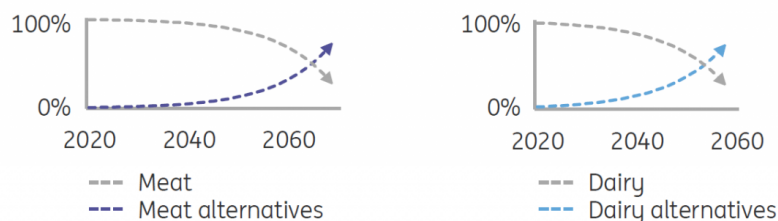
Plant-based alternatives draw a lot of attention, but the hard numbers show that the dominant role of meat and dairy in European diets is far from over, despite the momentum behind various plant-based market leaders.

Some characteristics of meat and dairy products are very hard to mimic and the sheer size of the meat and dairy market, compared to that for plant-based alternatives, mean that it's not self-evident that alternatives will eventually surpass retail sales of meat and dairy products.

Even if you assume plant-based can keep growing at the current rate, it would take until the mid-2050s before alternatives can catch up with meat and dairy in terms of sales.

Starting from a small base means it would take decades before alternatives could surpass meat and dairy

Depiction of the long term development of market share in a high growth scenario*



Source: *based on the assumption that sales of meat and dairy alternatives would maintain an annual growth rate of 10% and growth would be at the expense of regular meat and dairy

Author

Thijs Geijer

Senior Sector Economist, Food & Agri

thijs.geijer@ing.com

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit <http://www.ing.com>.