

Growth of meat and dairy alternatives is stirring up the European food industry

European retail sales of meat and dairy alternatives have grown by almost 10% per year between 2010 and 2020, but alternatives still represent a very small share of the market. At ING, we estimate that the plant-based alternatives food market in the EU and the UK will be worth €7.5 billion by 2025, compared to €4.4 billion in 2019



Source: Shutterstock

Executive summary

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

Retail sales of meat and dairy alternatives in Europe have grown by almost 10% per year between 2010 and 2020. Much of this achievement can be attributed to the introduction of new products 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.

Three barriers determine future growth

The supply of meat and dairy alternatives will keep evolving and future growth will depend on the food sectors' ability to:

1. Bridge the price gap with animal-based products;
2. Improve user experience (through better taste and nutritional profile);
3. Increase distribution and availability.

Alternatives market grows to 7.5 billion EUR in 2025

The current level of investment and innovation in the food industry and the supply chain indicate that the 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 its growth rate of around 10%. This means retail sales of meat alternatives could increase to EUR 2.5 billion and retail sales of dairy alternatives to EUR 5 billion 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%.

Fireworks expected as competition intensifies

Start-ups were the first movers in the competition for 'the plant-based consumer' soon followed by fast-moving consumer goods (FMCGs). As more and more meat and dairy companies focus on this space competition increases making it increasingly difficult for new plant-based startups.

Continued investment in technology, ingredients and marketing is leading to more sophisticated products and companies with subpar products will have a hard time staying on the shelves. Over the next five years, the battle over market share will heat up, especially in established markets in Northwestern Europe. At the same time, there are opportunities to bring successful products to additional countries and to take plant-based alternatives to adjacent categories.

A long way to go to surpass sales of meat and dairy

While the spotlight is definitely on plant-based, the hard figures show that for the time being meat and dairy remain the dominant protein source in Europe.

The sheer size of the meat and dairy market and the small base for plant-based alternatives mean that, even at the current growth rate, it would take until the mid-2050s before sales of 'plant-based meat and dairy' could surpass sales of meat and dairy.

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