Can the rise of the alternative meat industry help provide a solution to concerns over health and large-scale farming’s impacts on climate change, animal welfare and waste?

Consumers are increasingly aware of the consequences of animal meat production and consumption. Alternative meat has the potential to go mainstream by catering to everyone, not just vegetarians, as diets become more “flexitarian”.

92% of plant-based meals in the UK are consumed by the 22 million non-vegan “flexitarians” in the market.
What is ‘alternative meat’?

Whether called cultured, clean, fake, mock or meatless, the range of alternative meat products is steadily expanding.

Plants such as soybean, tofu, mushrooms, lentils and a range of fruits are being used to replicate meat in ground beef, hamburgers and sausages, as well as breakfast bowls, burgers, wings, tacos, breakfast sausage patties, and bacon strips.
Lab-grown real meat, produced from cell cultures, is likely to hit supermarket shelves in a decade.

Beefing up: the potential growth for meat alternatives

Due to rising demand and a growing population, global meat consumption is on the rise, especially in the US, which currently makes up about $270 billion of the $1.4 trillion global meat industry. We believe therefore that there is a bigger market opportunity for plant-based (and maybe even lab-grown) protein than was projected for electric vehicles ten years ago.

Alternative meat's slice of the global meat industry

Source: Barclays Research

Appetite for meat alternatives: 3 reasons consumers could bite
Animal welfare

Inhumane treatment and the slaughtering of animals in industrial-scale livestock farming concern many consumers. Food producers have been trying to prevent bad practices, but we believe they will be hard to fully eradicate.

Health and wellness

Consumers are increasingly scrutinising their meat consumption because of the risks of high blood cholesterol and heart diseases associated with red meat in particular. The risk to humans from the use of antibiotics and hormones in livestock management is also a concern. However, alternative meat products tend to have higher salt levels than real meat, and we remain neutral on their health benefits.
Environmental impact

Eating less meat is good for the environment. Cattle produce more greenhouse gas (GHG) emissions than cars, and are responsible for 9%* of all human-induced GHG. Sustainability concerns can be addressed by alternative meats, such as protecting the natural habitat, conserving farmland over multiple generations and reducing food waste.

*Source: FAO

What will it take for substitute meat to go mainstream?

To turn this niche into a mainstream category, a joint effort is required by food producers, retailers and restaurants to educate people about the benefits of alternative meat. So what can these players do to whet the appetite of meat eaters?

Retailer supply

Retailers could become a powerful ally to increase alternative meat consumption by increasing availability and in-store placement on meat counters and in butchers.

Restaurant demand
Alternative meats could drive significant sales at fast food outlets and casual dining restaurants, but especially in quick service restaurants, where these substitutes could be viewed as the “healthier” option on the menu.

Food producer marketing

For meat alternatives to succeed, companies need to appeal to the biggest meat eaters: males aged 14 to 70.

Appetite builders and suppressors: opportunities and risks for growth
Consumer opinion and regulatory decisions are likely to have a key impact on how the alternative meat market evolves.
7 out of 10 consumers prefer no artificial ingredients.

Less than 1/3 of consumers would buy a product with artificial ingredients if they had a choice.

4 out of 10 consumers are willing to pay a 50% premium for ‘natural’ food.

Sources: International Food Information Council, Barclays Research
What it means for alternative meats

Consumers’ changing eating habits provide an incentive to producers to use natural ingredients in their alternative meats. Given its chemical origins, the lab-grown meat of the future faces a challenge if it is to achieve mainstream status.

Healthy food, including alternative meats, is usually more expensive, so food producers need to provide consumers with affordable options.

Potentially unpalatable: how regulation could affect the alternative meat market

The debate about regulating the alternative meat industry is growing, especially on issues such as labelling. If plant-based alternatives were prohibited from being called “meat”, it could harm industry efforts to go mainstream.

The debate about labelling

Traditional meat producers believe plant-based products are confusing consumers and represent unfair competition.

Plant-based companies argue that their products don’t come from animals but are an alternative to traditional meat.

The regulators

In the US, the Food and Drug Administration (FDA) and the Department of Agriculture (USDA) jointly regulate safety and labelling of meats, poultry and egg products, but there is a need for clear marketing rules for plant-based products. Recently, the FDA and the USDA decided to oversee the production of lab-based cell-cultured food products derived from livestock and poultry.
Regulating lab-grown meat

Inadequate labeling, opaque production processes and perceived lack of regulation may put off consumers. For example, studies show that consumer confidence in meat products is boosted by FDA oversight.

The future: taking the alternative out of alternative meat

Alternative meat producers have plenty to do to make their products mainstream. In our view, this should include research and development to improve nutrition and taste while keeping prices competitive, and a marketing campaign that emphasises the health, animal welfare and environmental benefits. If these issues are addressed, we believe these substitutes may capture a significant share of the market from traditional meat products.
Winds of change: Tackling the impact of the cattle industry on climate change

As government and consumer pressure grows to address agriculture’s contribution to climate change, we explore possible solutions for participants across the beef industry.

An uneasy alliance: can the world be less reliant on oil?

The world is likely to remain dependent on oil for decades but is there a balance to be struck between the demand for oil and the urgent need to contain global warming?

Read the full report

Authorised clients of Barclays Investment Bank can log in to Barclays Live to read the Signature report I Can’t Believe It’s Not Meat by our Equity Research team.

Log in to read the report

About the analysts

**Benjamin M. Theurer** is a Director and Head of the Mexico Equity Research office. He covers multiple sectors across the Americas, including Americas Agribusiness, Latin America Consumer, and Latin America Multi-Industry. Prior to joining Barclays in 2011, Benjamin worked at DWS Investments, the Frankfurt-based asset management branch of Deutsche Bank, as a buy-side analyst and deputy fund manager for Latin America equities. He holds a master's degree in International Economics (Mag.rer.soc.oec) from a joint program at the University of Innsbruck (Austria) and Universidad Complutense de Madrid (Spain).

**Antonio Hernandez** is a Vice President at the Mexico Equity Research office. He co-covers the Latin America Consumer sector, and is a team analyst at the Americas Agribusiness sector. Prior to joining Barclays in 2015, Antonio worked at MSCI in the equity analytics division, and at a tech company. Antonio graduated summa cum laude from the Instituto Tecnológico y de Estudios Superiores de Monterrey (ITESM) with a B.A. in Financial Management, and is a CFA Level III candidate.