

Inflation takes a bite out of plant-based meat sales

Article

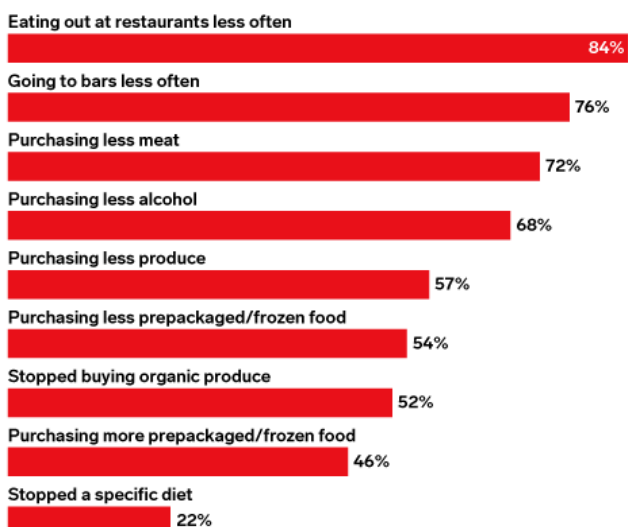
The trend: Inflation has driven many consumers to trade down from plant-based meat to less expensive protein alternatives, including conventional meat. Because the customer base for plant-based foods extends beyond vegans and vegetarians, those non-vegetarian consumers may be balking at paying a premium for meat alternatives as their grocery bills rise.

- Sales in the plant-based meat category fell 10.5% by volume for the 52 weeks ended Sept. 4, per IRI.

- There have also been several high-profile setbacks in the space, including McDonald's [ending its test](#) of its plant-based McPlant burger earlier this year with no plans to roll out the item across the United States, and Cracker Barrel facing major blowback from customers after adding Impossible Sausage to its menu.
- One sign of plant-based meat's stalled momentum is Beyond Meat's market cap, which has fallen more than 75% since the start of the year.

Purchase Behavior Changes That US Adults Have Made Due to Inflation, June 2022

% of respondents



Note: n=1,169 who have made changes to their eating/drinking habits as a result of inflation
Source: Morning Consult as cited in company article, June 21, 2022

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The sky isn't falling: Despite those setbacks, there's still plenty of interest among consumers and investors in so-called cruelty-free food and products.

- **Fifty-five percent of consumers prefer leather alternatives** to leather due in large part to the commodity's impact on animals and the environment, [per](#) a consumer survey by the Material Innovation Initiative and North Mountain Consulting Group.
- That interest helped South Korean-based startup **Mycel**, which **makes fungal-based materials that can replace leather and meat**, raise \$10 million in a pre-Series A funding round, per TechCrunch.
- Brands are taking notice. For example, **Allbirds** earlier this month **launched its first plastic-free plant-based leather sneaker** in partnership with material innovation company **Natural**

Fiber Welding, per Vogue Business.

- And investors continue to pour money into plant-based food startups. For example, plant-based dairy startup **Eclipse Foods** in June **raised \$40 million** in a Series B funding round, to increase distribution of its dairy-free ice cream, and Switzerland-based **Planted Foods** **recently raised \$74 million** in a Series B funding round to make cuts of plant-based meat such as seared chicken breast, according to TechCrunch.

An environmental focus: Plant-based products' long-term growth will likely stem from brands positioning those items as more environmentally friendly than animal-based products.

- **Seventy-five percent of consumers who prefer leather alternatives do so because they believe it is more sustainable**, per the Material Innovation Initiative survey.
- That approach could help brands make inroads with millennial and Gen Z consumers, who are significantly more focused on sustainability and environmentalism than older consumers, **per** Pew.

The big takeaway: Consumers (and investors) remain interested in plant-based products. However, most people aren't willing to pay a premium for those items, particularly right now when rising prices are causing them to look for ways to cut costs.

- If plant-based products are going to gain market share and emerge as something other than niche items, manufacturers will need to find ways to bring down their costs.

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