



## Plant-Based Protein: No Mainstream Penetration

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Plant-based protein is not a fad. But it likely won't materially change the food landscape, either—in great part because penetration isn't mainstream.

[As we explained previously](#), plant-based protein is a source of nutritional protein derived from plants. This can include pulses, tofu, soya, tempeh, seitan, nuts, seeds, grains, and peas.

This includes nondairy milks, such as soy and almond milk, the introduction of which opened up consumption to people who can't consume dairy for health reasons. A large portion of the Asian population is lactose intolerant, for example.

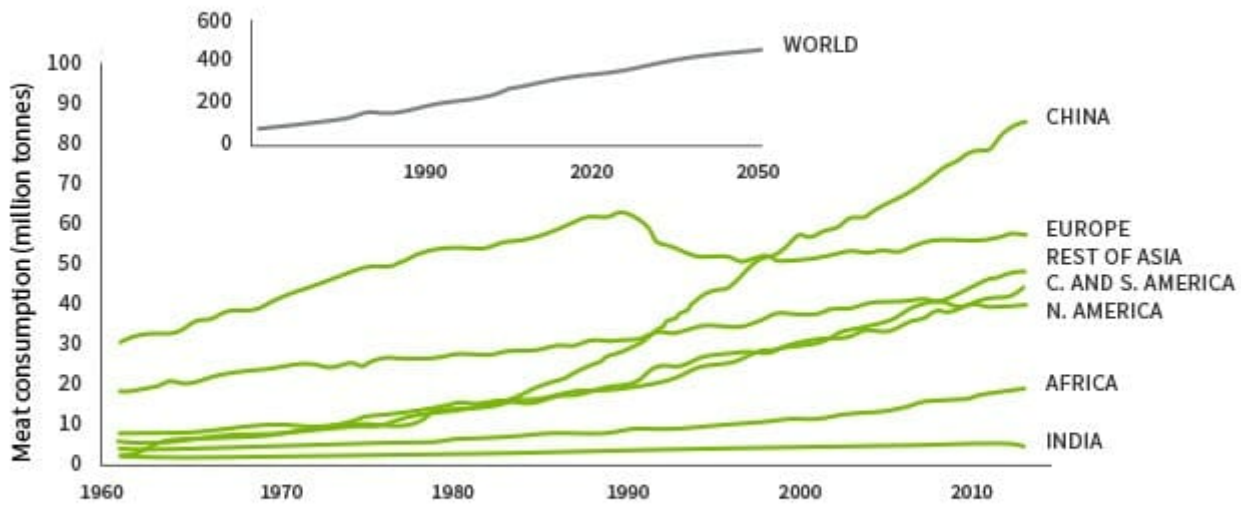
We likely won't see the same trajectory for other plant-based proteins. People don't consume a veggie burger because a meat burger will make them sick two hours later. The benefit is psychological and/or long term. You think you're doing good things for yourself, and maybe you are, but if so, it's not immediately evident.

As a result, we don't think the adoption of plant-based protein will be as significant as the adoption of plant-based dairy alternatives; the shift in behavior will likely be marginal.

This is certainly the case to date. As the chart below shows, global meat consumption is rising, particularly in emerging markets, where people are still trying to reach a stable nutritional diet.



## Global Meat Consumption



Source: FAOSTAT, as of March 2020.

To further illustrate, consider that Chick-fil-A's systemwide sales have nearly tripled since 2009, from \$3.2 billion to \$10.5 billion. The company's incremental sales in 2018 were larger than the entire alternative meat category. Chick-fil-A sales increased \$1.5 billion between 2017 and 2018,<sup>1</sup> while the entire plant-based meat category is valued at under \$1 billion.<sup>2</sup>

Thus, plant-based meat usually ends up being a small percentage of sales. Often, in fast-food restaurants, it's offered more to generate traffic.

When a U.K. coffee shop began offering a vegan sausage roll, for example, it drove more growth in traditional meat products than it did in the vegan sausage roll. The company's conclusion: people may try the vegan sausage roll, but it's not the taste profile that people identify with, so they go back to meat.

Our conclusion is that while there are big headlines about plant-based protein, when you quantify the actual size and growth rates, you find that they're small relative to those of the food industry as a whole.

### Complications Arise

Plant-based protein is a complex and dynamic area, with any unknowns affecting outcomes. Consider a vegetarian's lawsuit against Burger King. The vegetarian bought a plant-based burger but contended that the grill had been contaminated by beef, making the plant-based claim false advertising. How will that play out? A fast-food chain cannot invest in a separate grill for 5% of sales.

### What Comes, Goes

Since I spoke about the rise in soy milk consumption, I should also note that we've already seen a decline, because people are reconsidering whether it's as healthy as previously thought. Soy contains isoflavones, which are weak estrogen-like compounds that can promote the development, growth, and spread of breast cancers, and at least

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one study suggests that adding soy to a diet may turn on genes that can cause cancer to grow.<sup>3</sup>

Moreover, plant-based proteins are often heavily processed. The ingredient lists of plant-based burgers, for example, read like science experiments. Food manufacturers have to add ingredients to make the plant protein taste good.

Sodium also tends to be sky-high. A single serving of one common beef burger has around 85 milligrams per serving; a single serving of a plant-based burger has close to 400.<sup>4</sup>

## Nutritional Profile of Various Plant-Based Burgers (Per 4-Ounce Serving)

Burger	Protein (g)	Fat (g)	Saturated Fat (g)	Fiber (g)	Calories (kcal)	Key Ingredient
<b>Beyond</b>	<b>20</b>	<b>20</b>	<b>5</b>	<b>3</b>	<b>270</b>	<b>Pea protein isolate</b>
Awesome (Nestlé)	28	17	8	6	290	Textured pea protein
Impossible	19	14	8	3	240	Soy protein concentrate
Moving Mountains	21	18	14	9	273	Pea, wheat and soy protein
Naturli	14	18	8	2	270	Textured pea protein
McDonald's Quarter Pounder	20	18	8	0	240	100% Beef

Source: Food Navigator, Companies, Exane BNP Paribas estimates.

Those are only two examples, but they point to a broader problem: As far as popular science goes, health foods come and go. One day something is good for you; the next it is not. As a result, a product gains market share until something else comes along and grabs someone's interest.

In early 2000, for example, the United States' largest packaged foods company announced that it had reached agreement to acquire a privately held manufacturer and marketer of soy-based meat alternatives. People tried the veggie burger. It boomed. But that brand is now losing market share.

Whether a brand succeeds or fails is a combination of how good it tastes, how well it is marketed, and price. But we're skeptical that this round will be different from past rounds.

### Investment Implications

When something representing an inflection in interest and behavior occurs, you see large spikes in stock prices. Some people are just believers. They don't consider what will happen if the market doesn't go the way they think it will.

But are these investors discounting the prospects for the company three years out or 20 years out? For us, as long-term investors, plant-based protein won't materially change the food landscape. Consumers are still making decisions based on price, taste, and convenience.

That said, a fragmented customer base and shifting demographics are creating opportunities for specialist sectors such as plant-based protein.

Incumbents that can react and adapt (acquire or innovate) are best positioned to take advantage of changing consumers' preferences. Food companies that are in touch with consumer demand trends can pivot and add plant-

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based protein products to their portfolios, then use their distribution systems and marketing expertise to quickly scale up.

Ingredient and flavoring companies are also compelling opportunities. They share the same growth curve in that category, but they supply both incumbent and specialist companies, so they may be on more solid footing.

<sup>1</sup> Source: [Business Insider](#).

<sup>2</sup> Source: [Good Food Institute](#).

<sup>3</sup> Source: [“The Effects of Soy Supplementation on Gene Expression in Breast Cancer: A Randomized Placebo-Controlled Study.”](#) *Journal of the National Cancer Institute*. September 4, 2014.

<sup>4</sup> Source: [Business Insider](#).

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