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Talking Points: Prioritizing the Planet...

... And Other Things We Have Changed Our Minds About (Part Two)

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Summary

In the second installment of my recent annual survey results, here are some more insightful themes based on things you changed your mind about over the last year (read Part One [here](#)). Recall, last month we discussed ‘long’ Covid, the permanent (as opposed to transitory) nature of inflation, some second thoughts on the uptake of plant-based foods, and the unforeseen fragility of supply chains (and no, they are not broken). Here are the final four themes, plus a quick-fire round of quotes on a range of subjects that were less easy to group together:

1. Prioritizing the Planet – The Opportunities F&A Companies Have To Make a Difference
2. Moving Online – Here To Stay
3. Rethinking Packaged Food – Reasons To Be (Cautiously) Optimistic
4. Cultivated Meat – The Future Is Hybrid?
5. Quick-fire Round – From Changing Views on Animal Agriculture to the Need for Transformation

1) Prioritizing the Planet – The Opportunities F&A Companies Have To Make a Difference

It’s not a new theme and is often bundled under ‘sustainability.’ Still, readers’ comments yielded some interesting insights around the environment and the food system:

- **Greater focus and action** – First, let’s pick up on readers’ excitement and the momentum around change within the food system. As one put it, “I’ve been surprised at the pace of change related to both consumer and food industry concerns and actions associated with climate change.” “Eco-active consumers and food companies,” another wrote, “are running well ahead of government on initiatives to reduce the environmental impact of the food products they produce and consume.” To others, “it appears the world is finally getting focused on climate change,” and “even though the end-user customers themselves seem not to want to pay extra for sustainably sourced products, consumer product companies are facing pressures from shareholders and NGOs in turn to pressure their suppliers.”
- **The opportunities** – One aspect of “the traction sustainability is getting now” is on the appetite of food companies to see sustainability as an opportunity. For example, one reader wrote in to say how “the value chain and commentators seem to be paying more attention to the opportunity agriculture and food companies have to make a real difference.” And another writes, “As I have become exposed to more data and more heroes who are championing the hard work, I am blown away by the potential we have.” Consider, for example, the packaging opportunity: “Sustainability in packaging has become important. We have seen the younger

demographics wanting to make a difference. This is something tangible that food CPG can offer their consumers.” Or the branding opportunity for food products: “Sustainability and carbon capture could be a profitable platform for a mainstream brand: not greenwashing and not a side benefit, but the focus and ‘reason for being’ for the brand. Companies just might make this a win-win.” Examples of emerging companies and carbon capture? “Airly, Neutral milk, and Respectful Eggs.”

And what has caused this change in approach? One agnostic thought, “Whether through fear, greenwashing, capital market pressure, or genuine strategic potential, I make no distinction.”

Another reader believed the change in the US administration may have contributed too, arguing, “Free markets are not going to be enough to shift farming sustainability agendas and that regulatory nudge is needed.” Or perhaps it is a combination of all of the above, where “there is no escaping increasing regulation, pressure from supply chain partners, and public scrutiny.”

- **Net-zero targets** – Many offered achieving carbon neutrality by balancing out our greenhouse gas emissions as an example of an opportunity, but sometimes with a note of caution: “I am convinced that the F&A industry needs to take carbon neutrality really seriously, and be mindful of the risks they run in the transition to carbon neutrality, especially if they fall behind.” Another suggested, “There are opportunities along the way, especially for farmers.” It seems the pressure is on now as “net-zero commitments are popping up everywhere.” Rabobank too, has joined the Net-Zero Banking Alliance where half of the world’s banking assets are united in aligning their lending and investment portfolios toward reaching net-zero by 2050.
- **Costs and challenges** – Not everyone felt that consumers or companies were on board. These comments were representative:
 - **Who pays?** Although the consumer nearly always ends up paying more for higher costs, a few commenters thought there might be a limit: “I think sustainability is going to be a lot more difficult of a sale to consumers than previously thought. They are unlikely to pay up for it.”
 - **Stepping up** – “Businesses and consumers need to step up and do more, demand more, and act in a more constructive manner to affect real change on the many big aspects facing food & agriculture.” “I was hopeful that with the overwhelming belief in climate change and its negative impact on agriculture that the natural response from major food companies would be to increase their pipeline inventories to properly manage their supply risks. I am now of the mindset they will not make the additional investment as an insurance against this risk.”
 - **Fuzzy math** – “One challenge will be a lack of standardization for legislation as well as verification and reporting. There are still a lot of questions about the science around measuring benefits, and it seems like the investors and big corporations are getting ahead of the science in setting up programs.”

2) Moving Online – Here To Stay

Another area where folks had changed their minds was the transition to doing more business online, including (but not limited to) exploring new routes to the consumer. Again, there are a number of threads to this story and, as one always gets in food, some disagreement.

Starting with online grocery shopping (now a USD 100bn market according to Brick Meets Click), there were lots of reader anecdotes around changed personal shopping behavior. This one is typical: “At the beginning of the pandemic, I ordered groceries to be delivered. Now I’m back in grocery stores. But I can see that they are reorganizing stores to make room for online pickups and deliveries, and the stores are full of people hired to pick up items that were ordered online... I thought that online grocery shopping was a passing fad. Not!”

The overriding theme here was the belief that online grocery ordering “can really challenge the mainstream shop-in-person model” and that the “digital explosion in food is not slowing down, even with the exit of Covid.” One respondent was convinced that “consumer preferences have changed long term” and food companies must “adapt or be left behind.” Similarly, for food service, readers appear to have embraced the greater options now available. For example, “Pre-Covid our

family's takeout options were limited to pizza and Asian food. There was limited takeout availability from full-service restaurants and as a result we just never considered it to be an option. Fast forward to today and probably half is now coming from other full-service restaurants." To back this up, another shared, "I've seen a couple of things recently that tell a similar story; sustained incremental off-premises sales offer a new channel of revenue growth for restaurants."

Some took the move online to the extreme, predicting the end of the line for traditional grocers. "Grocery stores are the 'record stores' of 2021 and beyond. It's over," one wrote. "Traditional grocery is toast," said another. Others pushed back and felt, based on personal conversations, that "in-store grocery retail will be more resilient than people think." Why? "Because consumers like shopping in-store." Another, knee-deep in boxes no doubt, challenged the convenience of online shopping and home delivery: "I spend more time opening boxes, cutting them down, and recycling over the course of a week than I used to at the store." One reader expressed surprise at the "re-emergence of mass retail and physical shopping experiences, especially as a way to drive DTC brands. With consumers looking for real-life physical and emotional experiences, retail is once again key."

Relating all this to brands, one argued, "Brands that understand how to truly be omnichannel and extend and integrate a brand from digital to physical are the winners of tomorrow." Some remarked on the sheer number of digital-only consumer brands out there, where "many of them have a viable business model and a loyal customer base that they can grow and expand" without the need to go into brick and mortar for a very long time. Another believed, "there have been some interesting cases of beverage brands actually building their business through Amazon, Thrive, etc." One investor was even more gushing – "We are all in on DTC and e-commerce" – and observed that "supply chains are hard enough without having to add shelves and retail. Operating in the in-store setting was already challenging. With labor conditions and increased supply chain issues, DTC – while not issue-free – cuts down on the number of issues and moving parts."

3) Rethinking Packaged Food – Reasons To Be (Cautiously) Optimistic

The continued elevated sales, averaging 7% per year since 2020, from large food companies this far into the pandemic have persuaded some to revisit their assumptions around Big Food and packaged food in general. This was driven in part by the realization that through the pandemic we continue to spend more of our food dollars than we used to on food consumed at home (as opposed to going out to eat at restaurants). Again, some of you shared your own personal experiences here such as, "On a personal note, we are buying more canned goods and flour, etc., because it is in stock, shelf stable, cheaper, and is a good back up," and, "My big change is going from being an out-of-home-heavy person to more at home."

A few felt this trend is not going to go away. As one put it, in the future "we will all be homebodies." To justify this, one argument put forward was that before the pandemic structural changes in the workforce and the aging population had already started the shift to a more home-centric lifestyle. The lockdowns, more people working from home, and others exiting the labor force all contributed to accelerating this trend throughout the pandemic. Another cited NPD Group data to remind us that for decades we have eaten most of our meals (in quantity, not value) at home. "At the height of the pandemic, meals sourced from home rose to 88%, and in the quarter ending September 2021, the percentage leveled off to 85%." Clearly, the opportunity for food companies is how best to maintain their relevance (and elevated sales) in light of this structural shift in consumer behavior, especially if it does prove long lasting, as some of you argue.

Four other reasons to be cautiously hopeful around packaged food were:

- **Second act** – Inspired by retailers trying to reinvent their center aisles and CPG packaging innovations, one felt, “The center of store might have a second act. After writing off center of store as too processed and old, design and tech might just be reinvigorating it.”
- **No to startups** – Perhaps because of the recent success of their previously underappreciated core brands as well as “realizing few (startup) brands can really scale into a USD 1bn brand,” another argued that “strategics seem less willing than ever to acquire anything less than a USD 100m+ growing and profitable business.”
- **Market research is changing** – This reader warned, “Food companies are changing how they approach data and it’s a mixed bag. Some are becoming more focused and driving real growth grounded in real-time fundamentals. Others are chasing the flavor of the day based on flimsy data delivered in flashy tech platforms. Either way, there is a lot of change in market research, data sources, and tools. It has yet to shake out.”
- **Rethinking ingredients** – As the trend toward ‘food as medicine’ accelerated last year, one reader saw an opportunity for iconic brands: “People’s desire and willingness to eat healthfully can be easily upended in a time of crisis, as they revert to what is familiar; said another way, legacy brands have an entrenched place in our world, and the opportunity for these brand owners is to rethink the ingredients to make them healthier.” Another convert wrote, “I have now come to the conclusion that if you know what you’re doing, you can actually make processed food healthy. The point is you have to know what you’re doing.”

4) Cultivated Meat – The Future Is Hybrid?

Last month we shared how some of you had changed your minds on plant-based foods as we fell into the ‘Trough of Disillusionment,’ as my colleague Cyrille Filott likes to quote. According to the readership there was also growing doubt around the future prospects and “techno-utopian possibilities” of cultured meats:

- **“Dim and distant future”** – We got a number of responses like these: “Cultured/fermented proteins at mass scale are not near-term possibilities,” or “I’m starting to believe that the alt protein revolution is much further out than has been promised. It’s coming, but not in the next few years.”
- **That article** – Interestingly, a lot of people cited an article in [The Counter](#) that challenged the ‘inevitability’ of cell-based ag as causing them to change their minds. “The Counter confirmed a lot of my fears,” wrote one. And another: “I had previously believed that cultivated meat was a question of ‘when’ not ‘if,’ but in completing a number of recent projects in the segment, I’m much more sceptical about whether or not cultivated meat will ever really reach scale... in speaking with unbiased scientists, it’s hard to ignore the challenges.”
- **A hybrid future** – A more near-term (and lower-cost) solution proposed by one respondent was to develop hybrid solutions with “plant-based options mixed with small amounts of cell-based ingredients (meat flavors, fat, muscle).” The argument here is that plant-based meat analogues have always had trouble matching the flavors of meat and the inclusion of some animal cell culture meat could improve the flavor substantially – similar to what we already see (and consume) in plant-protein-extended meat products.

5) Quick-fire Round – From Changing Views on Animal Agriculture to the Need for Transformation

In respect to the breadth of topics mentioned, let’s end with a quick-fire round of quotes on a range of subjects we have changed our minds about:

- **Animal ag** – “I now realize that animal-source foods are absolutely essential to human nutrition, especially in low-resource settings, hugely important to lives and livelihoods for hundreds of

millions of farmers, and well-managed livestock production can even play a very positive role for soil, crops, and natural ecosystems.”

- **CBD** – “I have decided that CBD has a longer path to walk for legislation than we first thought.”
- **Covid** – “I truly underestimated the mental impact on people and communities subjected to Covid measures and how much it would change their lives and their habits.”
- **Culture** – “Company culture in an environment where people are working from home – do companies start to have a non-culture or microcosms of cultures when you aren’t all together???”
- **Diets** – “Well, I thought for sure keto would be short lived... but it seems to continue to grow.”
- **Digital** – “The ability to evaluate and make decisions on opportunities in the food space virtually. It is a very physical industry, but we have adapted to be able to meet with entrepreneurs and take things the distance with minimal travel.”
- **Food as medicine** – “2021 may be the year we look back on and say ‘food as medicine’ reached critical mass among consumers as a way of thinking.”
- **Food waste** – “I have changed my level of optimism about the potential of food waste startups to boom.”
- **Food service** – “Ghost kitchens will play a significant role in food service both in innovative food offerings and share of market.”
- **Future success** – “Venture capital has a good view on future success. They don’t!”
- **Geopolitics** – “Geopolitics is really having an impact on many COGS line items, and thereby impacting profitability and positioning. Current events in geopolitics are an accelerator to deglobalization.”
- **Indoor ag** – “While I initially thought indoor/vertical farming would take years to gain traction, it would appear that momentum is picking up.”
- **Investment levels** – “The amount of capital going into investment into the food and ag space is more than I would have expected. Whether it is the sheer number of new biodiesel plants that have been announced, expansions and additions to numerous food and ag facilities, an increase in M&A activity, etc.”
- **IPOs** – “The public markets have demonstrated that they are a viable exit vehicle for investors in natural food companies. The next two years will show whether they are a viable route for entrepreneurs to access capital and growth.”
- **Labor** – “The importance of workers in restaurants, grocery stores, and trucking. They have been overlooked during Covid and they are the critical link in our supply chain.”
- **Methane** – “I think for me the popularity of carbon credits via ag was displaced by a reality that methane reduction has a more noticeable and immediate impact on warming.”
- **No limit** – “There seems to be no limit to what some consumers are willing to pay for novelty foods. This company, Last Crumb, sells 12 cookies for \$150 (not a typo) and apparently sells out in minutes.”
- **The political will** – “I guess I’ve changed my mind about the potential of elected leaders to drive change in the food system; food movement champions are now in a position to make things happen.”
- **TikTok** – “It’s still the Wild West on TikTok and it’s much more cost-effective to get eyeballs on products for each dollar spent compared to the other platforms. How to make sense of TikTok and optimize for it is an ongoing point of confusion.”
- **Transformational change** – “Continuous improvement will not be enough, nor regenerative ag, nor soil carbon, etc. Less bad is not good. Virtually all the impacts of food production require absolute reductions to get back within planetary boundaries. It will take transformational changes or at least innovation and step changes to get us there, not continuous improvement.”

Imprint

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