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Manatū Aorere

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Rise in plant-based proteins in the Netherlands and Spain

MARKET INTELLIGENCE REPORT

Summary

- The Netherlands and Spain have seen steady growth in the plant-based and meat alternatives market and are working to accelerate the switch to plant-based proteins to align with their domestic climate targets.
- This report provides an overview of market developments in the Netherlands and Spain, and opportunities for New Zealand in the plant-based sector.

Report

The European Union (EU) wants to become less dependent on the import of protein-rich crops, such as soybeans, and become more self-sufficient. To this end, in 2018 the European Commission called on EU Member States to develop a national protein strategy for strategic food sovereignty.

The Netherlands' alternative proteins market

The Netherlands is an agro-food powerhouse, with a large agricultural sector, and sophisticated greenhouse infrastructure. It is the second largest exporter of agricultural products in the world, and Wageningen University and Research is the key Dutch knowledge and innovation hub for food production.

The Dutch National Protein Strategy, launched in 2020, aims to improve food security and address large agricultural sector greenhouse gas emissions. It has five tracks to reach the goal of self-sufficiency and sustainability in new and existing plant proteins:

- Commitment to growing protein-rich crops for human consumption;
- Innovation and development of alternative protein sources;
- Increasing the use of insects as food and in utilising waste streams;
- Greater utilisation of residual flows;
- A shift in consumer diet towards more plant-based protein.

The Strategy aligns with the Netherlands' goal to accelerate the switch to plant-based proteins to help meet its 2030 climate targets. In its strategy update in June 2022, the Netherlands outlined a 50-50 goal ratio of animal to vegetable proteins across the Dutch diet. In addition, protein-rich raw materials in Dutch animal feed must mostly come from the EU by 2025, rather than third countries.

In February 2023, a public-private partnership launched a master plan for the protein transition in response to slow progress. The partnership aims to double the consumption of legumes in the Netherlands by 2030.

The Netherlands also aims to increase the uptake of plant-based alternatives through non-tech solutions such as packaging plant-based alternatives similarly to standard products. The food ingredients sector is also shifting to alternative plant-based proteins in food production, such as the 'animal free' dairy ingredients β-lactoglobulin and Lactoferrin.

Spain’s alternative proteins market

Spain is Europe’s fourth-largest plant-based proteins market, and second largest plant-based drinks market. The Spanish alternative proteins market experienced 4% growth in 2022 and a 58% increase in investment compared to 2021.

Plant-based dairy products are the most consolidated segment of the Spanish alternative proteins market. Plant-based beverages are common in Spanish supermarkets and the main brands (Pascual, Nestlé, Chufy, Alpro and PANACH) offer oat, soy and almond milk products.

The use of fermentation for mycoprotein production is increasing and attracting foreign companies. Spanish start-ups *Libre Foods* and *ODS Protein* use precision fermentation to create fungi meat alternatives.

In 2024, Basque company *Biotech Foods* plans to open one of the world’s first industrial lab-grown meat plants in San Sebastian for commercialising lab-grown beef.

Spain is also at the vanguard of the emerging alternative seafood market. For example, two leading start-ups are *Isauki*, that commercialises algae-based seafood, and *Mimmic Foods*, which produces tomato-based tuna. This sector is still at an early stage with €1.7 million in market value, but it experienced 442% growth in 2022.

Insect-based protein

Both Spain and the Netherlands have embraced insect-based protein. In September 2021, the EU approved the use of insect proteins in animal feeds. In addition, the EU allows four different insects for human consumption.

The Dutch National Protein Strategy aims to increase the use of insects as a food and feed source, as well as the role of insects in converting organic waste streams and manure into high-quality proteins.

Spain’s insect industry is primarily focused on commercializing insect-based products for animal feed. However, companies such as *Iberinsect, Just bugs* and *Tebrio* have insect farms where they have started to process insects into protein-rich flour suitable for potential human consumption. *Tebrio* plans to open the world’s largest insect farm in Salamanca in late 2024, which will create up to 250 jobs.

Consumer trends

The Spanish Ministry of Agriculture, Fisheries and Food noted that the consumption of meat products has decreased by 5.6% since 2012, while the consumption of fruit and vegetables has grown by 10.5%. In 2022, 13% of the Spanish population stated that they were either vegetarians, vegans, or “flexitarians”, a 34% increase compared to 2017.

In the Netherlands, those who label themselves “vegan” or “vegetarian” seem to be stabilising at around 20%, however many stakeholders believe there is scope to increase plant-based proteins in the general diet through marketing these to the broader population. This will happen through changes in price signals, improvements in product development and changes to packaging and marketing. The opportunities for precision-fermentation for dairy proteins are promising, including as an ingredient to improve the performance of plant-based products, or to augment “real” dairy products.

Market growth

In the Netherlands the price difference between meat and plant-based substitutes has reduced significantly, stimulating consumer uptake as well as product options and availability. Market analysts expect prices for meat and dairy to rise over the next 20 years once the full environmental costs of animal livestock farming are built into the price. This will occur once farmers are required to pay for the true costs of their methane, nitrous-oxide and nitrogen emissions, a policy change that many in the sector see as inevitable.

In Spain, plant-based beverages enjoyed 5% growth together with a 4% volume increase in 2022, reaching €352.8 million in market value, while plant-based cheese grew by 22% in value and 26% in volume, reaching a total value of €6.2 million, and dairy-free yoghurt reached €80 million in market value. Many Spanish people regard plant-based dairy as healthier and more suitable for those prone to milk intolerance and allergies. 63.5% of Spanish consumers consume plant-based dairy products; 33% say it is easier to digest than cows’ milk; 30% say they consume it because it has fewer calories; and 29% say they choose it because it is healthier.

Meat alternatives continue to enjoy steady growth in the Spanish market. In 2022 meat alternatives grew by 8.3% in volume and 13.2% in value, accelerating to 17.6% and 21.98% respectively for new generation products (beyond tofu, soya and seitan). However, the Spanish meat alternatives market ranks only seventh in Europe with €84.7 million in market value, so still has potential to grow.

Challenges

In Spain, high inflation has meant slower growth of alternative proteins, which command higher average prices than their animal counterparts. For example, plant-based beverages ended 2022 with a contained average price rise of less than 1%, but was still 40% more expensive than cows’ milk, which suffered a 25% price increase due to inflation.

The 2022-2023 drought that impacted Spain has also affected plant-based alternatives. In 2023, almond production was 60% lower than the previous year while hazelnut production was the second lowest registered in Spain this century. Consequently, many of the nuts used as alternative proteins have suffered shortages and increased production costs.

In the Netherlands, some consumers are wary of the highly processed nature of many meat-replacement products: the "e-numbers and hydrochloride perception". Evidence suggests only a limited number of consumers are motivated by ethical, animal welfare or environmental concerns in making their shopping choices, despite their stated intentions when asked more generally. On the other hand, concerns about perceived health benefits tend to influence actual shopping choices.

Opportunities and challenges for New Zealand

The Netherlands has put in place a Food Valley Network, a "triple-helix" structure that involves businesses, academic institutions, and government agencies, to foster innovation in agriculture, and to develop new business models. The Food Valley is noted in the 2019 Joint Climate Cooperation Statement between New Zealand and the Netherlands. There remain opportunities for partnerships in this area.

Spain's growing alternative protein market could present potential opportunities for New Zealand exporters. This could be partnering with, or investing in, innovative Spanish companies who are in the vanguard of research, particularly on plant-based seafood.

While European government strategies promoting alternative proteins may not be achieved as fast as some policymakers hope, the market share of plant-based alternatives in Spain and the Netherlands is expected to continue to grow and offers potential opportunities for New Zealand exporters. There is room for expanding the more consolidated plant-based beverages market and the rising plant-based yoghurt, cheese, and alternative meat market segments. As well as developing innovative new products, exporters should pay careful attention to packaging, product placement and marketing that makes sense to European consumers and fits with their shopping and consumer habits.

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