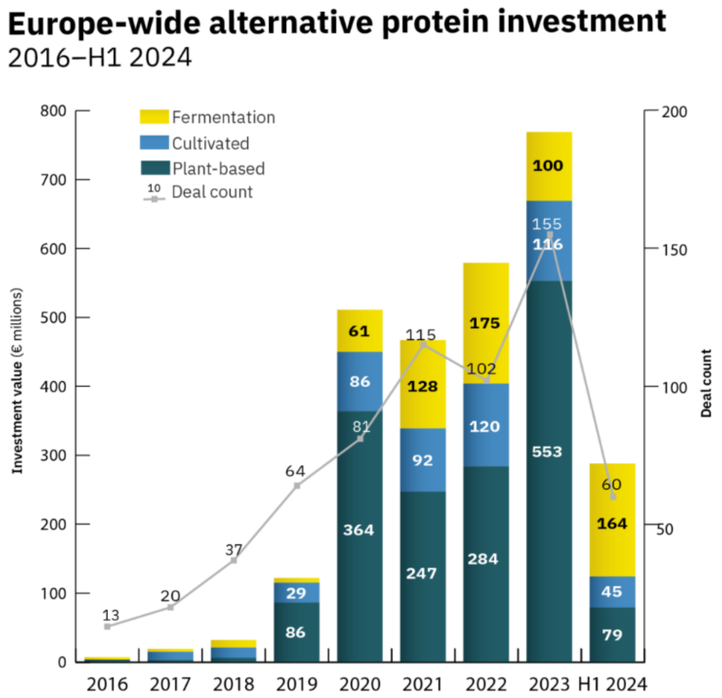
European investment figures point to an evolving alternative protein sector

5 August 2024. The latest alternative protein investment data reveals valuable insights into how Europe's sector is evolving – as well as the challenges it still faces.

Net Zero Insights figures show Europe's fermentation sector has the wind in its sails, raising more than C164 million during the first six months of 2024 – more than the C100 million raised throughout the whole of 2023.Companies specialising in biomass fermentation – which uses a method similar to beer or yoghurt production to grow large quantities of mycoproteins from fungi – raised just over C115 million compared to C67 million throughout 2023. Those working on precision fermentation, which uses organisms such as yeast to produce ingredients such as heme and real egg and dairy proteins, raised C49 million – up from C33 million last year.



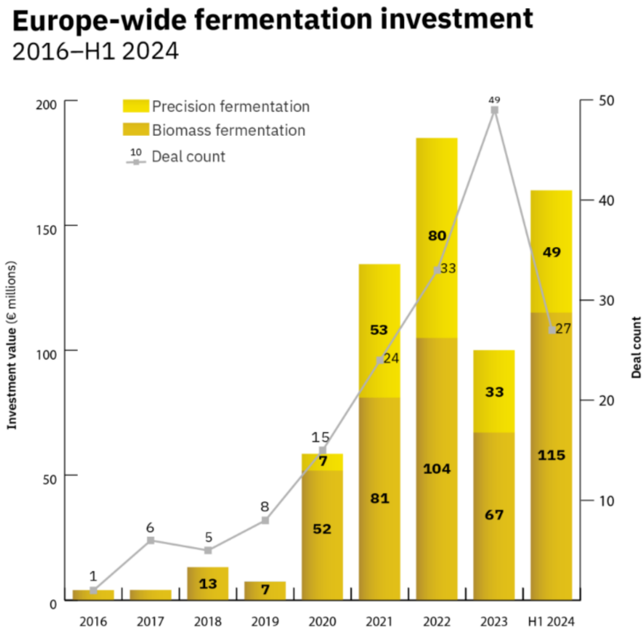
Focus on scaling up

While it's great to see investors becoming increasingly confident in this growing sector, it's also revealing to look at where this money is going. Many of the fermentation companies that received large investments are focused on leveraging agricultural and food industry sidestreams as a sustainable feed source, helping produce food more efficiently and affordably – both of which are attractive propositions for investors.

These companies are also using this money to help them scale up and build the infrastructure necessary to bring their products closer to commercialisation.

Germany's ProteinDistillery, which raised €15 million, and Infinite Roots, which raised €53 million, are both seeking to scale up mycoprotein production using raw materials from industries such as brewing, while Finland's Enifer raised €36 million to operationalise its factory.

A lack of infrastructure is one of the key bottlenecks facing Europe's fermentation sector, so it's encouraging to see startups focus on building the facilities necessary to take these products closer to market. However, the construction of pilot plants and factories is a costly process and companies can't rely on venture capital alone for these large projects. Instead, governments should provide grants, loans and guarantees to alternative protein companies to enable infrastructure scale-up and attract additional investments.



Sector remains immature

The 2023 figures show that, while total investments in alternative protein companies increased compared to 2022, much of this can be attributed to a single company – Swedish plant-based dairy company Oatly, which attracted €391 million in two deals in 2023.

Although the €79 million raised by plant-based companies in the first half of 2024 looks small compared to 2023's €553 million, investment levels are much more similar if Oatly's deals are discounted.

This serves as an important reminder that the sector remains immature, with individual company fundraises still capable of having a major impact on the overall figures.

However, although the plant-based sector is not attracting the enormous funding rounds seen a few years ago, successful companies are still receiving large investments, such as Spain's Heura, which raised €40 million, and the UK's THIS, which raised €25 million (£21.4 million). Europe's cultivated meat companies, meanwhile, raised €45 million in the first six months of this year – almost half as much as the €116 million raised throughout 2023. Much of this funding is aimed at scaling up the sector – particularly Mosa Meat's €40 million investment aimed at preparing the company for market entry.

Global investment backdrop

It's important to consider these figures in the context of a difficult international investment picture that has seen investors become far more cautious over the last few years.

Economic uncertainty and increased inflation have led to a wider decline, with global startup funding falling 38% in 2023 to its lowest levels since 2018, investments in food tech startups declining by 61% last year, and sustainability-focused investments dipping in the first half of this year.

As a recent PitchBook webinar revealed, while global investment experts are optimistic that the worst is now behind us, they caution that we should not hold our breath for a massive rebound this year. One trend is that, although the number of deals declined in the first half of this year compared to 2023, the value of those deals actually increased – demonstrating that investors are willing to write big cheques but, for now, only to companies with strong metrics.

They added that tech and other innovation-focused sectors still need government support to stimulate private sector investment.

This particularly applies to alternative proteins, which require significant capital investment to build factories and other scale-up infrastructure, and must compete in the price-competitive food industry.

In order to realise the climate, economic and societal benefits of alternative proteins, governments need to provide the grants, customised funding solutions and guarantees needed to support the industry, and banks need to provide later-stage capital.

The wider food industry must also get involved by forging more strategic partnerships – such as major mozzarella producer Leprino Foods Company collaboration with precision fermentation specialist Fooditive Group to scale up the production of non-animal casein, and Spain's Palacios partnership with The EVERY Company to use animal-free egg in its omelettes.

Private investment has played a central role in enabling the growth of innovative plant-based, cultivated meat and fermentation companies so far. But new approaches to funding, and collaboration with established food industry players, will be essential for the sector to support Europe's goals on food security, sustainability and economic growth.

Methodology

To determine investment activity, the Good Food Institute used its company database to compile a list of companies working on alternative protein sources (in the areas of plant-based, fermentation and cultivation) that are covered by Net Zero Insights. Companies that also work on alternative proteins but do not do so as part of their core business were not included. Companies that are at a very early stage of development and do not yet have a profile on Net Zero Insights could also not be included in the analysis. For the companies identified, the invested capital was determined using the Net Zero Insights database. As we *are continuously improving our data set and have changed the source of the data this year, the data may differ from figures previously published by GFI.*

Note that 'invested capital'/'investment' comprises accelerator and incubator funding, angel funding, bridge funding, convertible debt, corporate venture, equity and product crowdfunding, general debt completed deals, debt crowdfunding, seed funding, early-stage venture capital, late-stage venture capital, private equity growth/expansion, capitalization, joint venture, and private placements.The figures used in this blog were converted from US dollars using the average exchange rate for 2023 and 2024 ($1 = €0.92).

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