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# Where's The Beef -- Substitute? Plant-Based Meat Sales Slip

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The plant-based meat industry is experiencing a downturn, with sales declining and industry leaders ... [+] GETTY

The plant-based meat industry was the next big thing in food and beverage for many investors and consumers a few years ago. You

could, it seemed, get the flavor and feel of meat without some of the health concerns. These days, stories of struggle are more common than success. Beyond Meat BYND +5.5%, a public company, has seen revenue drop, and Impossible Foods, a private company, is in no hurry to hold its IPO.

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When Impossible Foods CEO Peter McGuinness took the stage recently at the Adweek X Conference in Los Angeles amid all of this, it was for anything but a victory lap. The industry, he said, should shift from “insulting to inviting” consumers.

“Plant-based meat doesn’t work if it’s an academic thing, or it’s a bi-coastal thing, or it’s for upper income,” Yahoo! Finance quoted McGuinness in February.

While inflation and rising interest rates don’t help, they tell part of the story of this sector. Beyond Meat for 2022, its last full year, reported a \$366.1 million net loss on \$418.9 million net revenues, down 9.8 percent from a year ago. Beyond Meat’s stock has dropped from a stratospheric \$200 in 2019 to about \$9 in early December, with a 52-week range of \$5.58 to \$22.87.

CoBank’s report on the sector was titled “Consumer Interest in Plant-Based Meats Fades Amid High Prices and Product Shortcomings.” Their press release was titled “Plant-Based Meat Alternatives Struggle to Maintain Early Momentum.”

“We’re highly uncoordinated,” McGuinness said at the AdWeek event about the need for a coordinated campaign. “No one has any money. Everybody’s out for themselves.”



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Plant-based meat growth stalls due to high prices and consumer hesitations about taste, value, and ... [+] BETTMANN ARCHIVE

After “Where’s the beef?” led to “Where’s the beef substitute?” the plant-based meat sector might better be summarized by “Where’s the growth?” Plant-based meat still has a lot of promise, but the financial peril is evident these days.

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CoBank's report on plant-based meat substitutes concluded that "higher prices have led many prospective return consumers to taper off their purchases." But that wasn't all. "Beyond cost, lingering negative perceptions surrounding taste, value, and versatility are also obstacles the category has yet to overcome," they concluded.

Consumers clearly have an appetite for plant-based foods, although the question is how big that will grow. Eighty-two percent of people are willing to try plant-based products, 63 percent expect their consumption to increase in the next two years, and 55 percent increased their consumption of plant-based products in the last two years, according to research by OFI. But how high is the ceiling?

Widespread concerns are leading to changes in the C-Suite. Ben Pasternak, CEO of New York-based Simulate, maker of Nuggets, a plant-based chicken nugget, is no longer at the helm. He let go of the reins after helping raise \$57 million from companies such as Imaginary Ventures and Greylock, according to PitchBook.

And giants are cutting back on their appetite for this product. Food Dive reported that Archer Daniels Midland ADM +2.5% is "changing course" on a \$300 million plan to expand the production of alternative proteins amid a slowing demand for plant-based foods. ADM CEO Juan Luciano said the company "re-scoped" its investment "to better match the expected lower growth demand environment."

"Health is a strong driver, but taste, texture, and failure to mimic the experience of traditional dairy and meat is a barrier to adoption," ADM was quoted as saying in the Food Institute's report for 2021, and those factors likely remain.



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Plant-based meat substitutes face marketing and price competition from the meat industry. However, ... [+] GETTY

The meat substitute industry's marketing may have attracted some and repelled others. Veggie Grill CEO T.K. Pillan told The Food Institute he believes the right marketing may be a missing ingredient.

“Regain the narrative by focusing on the amazing benefits of eating plant powered protein,” he said of food he described as lacking cholesterol, hormones, and antibiotics.

Others point to the meat industry's marketing against plant-based substitutes, engendering doubt. Seth Goldman, who co-founded Honest Tea and has served as Beyond Meat board member for over a decade, says the meat industry is fighting back against fake meat.

“The whole category has been under assault by the animal-based meat industry,” he told Vegconomist.com.

The meat industry gets subsidies that make it difficult for the plant-based substitute sector to undercut prices, according to

Vegconomist.com. But Billy Roberts, CoBank’s senior food and beverage economist, said the plant-based meat substitute industry “should be able to address the cost issues with greater economies of scale and minimized supply chain expenses.”

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Plant-based versions of tuna, ham, and chicken are also injecting income into plant-based substitutes, according to CoBank. Impossible Foods is rolling out new products, including a beef substitute hotdog.

“Hot dogs are an undeniably classic part of American culture,” McGuinness said on Dec. 5. “It’s long been a priority to add them to our product portfolio.”



Plant-based meat substitutes are available in major restaurants and retailers, with companies like ... [+] GETTY

Retailers and restaurants offer these substitutes. Impossible Foods has deals with Burger King, Starbucks SBUX -0.3%, Cheesecake Factory, Cracker Barrel, and others in addition to retail stores.

In addition to restaurant deals, Beyond Meat is sold at stores such as Walmart WMT -0.8%, Publix, Kroger KR -1.2%, Costco, Whole Foods, and Target TGT +2.5%.

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Certifications can reassure consumers that products are healthy. Impossible Foods' Beef Lite was recently certified by the American Heart Association's Heart-Check Food certification program.

“Innovation around taste, texture and mouthfeel will be essential to capture more mass-market consumers,” Roberts said in a written statement.

The excitement is still there for the sector, but changing people's habits isn't easy. Recipes and traditional tactics may help. Sampling can give a first taste: Impossible Foods planned to give away new hotdogs in New York City. The big question may not just be how the sector performs but which companies will navigate the challenges of price and product.

“I continue to be a huge believer in the opportunity for plant-based meat,” Spike Mendelsohn, of Vim & Victor, We the Pizza, Santa Rosa Taqueria, and Good Stuff Eatery, told Vegconomist.

Fewer competitors, amid some shutting down, could benefit others. And new products that could grow the sector are being rolled out. Plus, the price of beef has been rising. Will fake meat hot dogs – call them “not” dogs – catch on at baseball games, or will they be a blip? It looks like the industry is trying to figure out new products and new marketing. Which companies will win the battle for market share? These companies aren't only trying to grow sales but also change habits. And that is never easy, as you try to get consumers to go beyond their routine.

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