ASIA BUSINESS LAB

Beyond the meat

"Meat is a piece of vitality" was one of the best-known advertising slogans in Germany in the late 1960s. The slowly increasing prosperity after the Second World War allowed people to have more meat, and more frequently. The slogan itself went down in the history books and accompanied the young sixties and seventies generations as a clear reminder from their parents of how important meat was for a healthy diet. Fifty years later, in 2020, more than 20 per cent of global food launches were plant-based meat or dairy products. Breaking this number down country wise, Germany led with 18 per cent, Poland with 16 per cent and the Netherlands with 15 per cent, all three ahead of the USA, with 11 per cent.[1] If Europe is such a leader in innovation in plant-based meat and dairy products, how is China, the world's largest market, positioning itself in this segment and what opportunities exist for European companies there?

a. China's meatless "revolution”

At the end of the 1960s, Germany already had a per capita consumption of almost 75kg of meat, while the average Chinese consumer only had around 5kg. The increasingly rapid economic development in China since the 1970s catapulted per capita consumption to 20kg and by 2016 to almost 50kg.[2] In 2016, as part of its efforts to drastically reduce carbon dioxide emissions, the Chinese government put an end to a further increase by giving the Chinese population guidelines on how to halve their meat consumption.[3] China currently consumes 28 per cent of the world's meat, including half of the world's pork.[4] Projected carbon dioxide emission savings for China would be 1.8 billion tons by 2030.

Historically, China only got "into meat" in recent decades, enjoying it only for a short time as a sign of prosperity. In addition to government intervention, Chinese consumers are seeking a healthier diet due to food scandals, health crises including the pandemic and the African Swine Flu, and lastly, a rapid shift towards a fundamentally healthier lifestyle (more than 10 per cent of the population already suffers from diabetes, more than 12 per cent are overweight, and the proportion of young people is rising exorbitantly).[5]

b. Pioneers and trends for meat substitutes in China

Among the new industries jumping on the health trend in China, meat substitutes show promising potential. For example, the Chinese meat substitute (plant-based meat substitute) industry had an estimated value of CNY 6.1 billion (EUR 870 million) in 2018 and grew by 14.2 per cent year-on-year. From 2018 to 2019, growth already increased by 22.6 per cent year-on-year.[6]

Besides multinational giants like Nestlé, Unilever and Cargill, local investors and companies are already highly active in the fast-growing and attractive new market. KFC has started selling plant-based chicken nuggets.[7] Hong Kong's David Yeung's pork substitute OmniPork, with his company Greenmonday, is already on menus in thousands of Taco Bell and Starbucks outlets across China, and is used as an ingredient in everything from tacos to salads.[8] Shanghai competitor Z-Rou (株肉) offers its meat substitute products in supermarkets, restaurants and school canteens.[9]

c. Approaches for European companies in China's meat substitute market

The largest suppliers of meat substitutes are currently located outside Asia, namely in Europe and North America. On the one hand, this technological advantage offers an excellent basis for expansion into China. Due to the sheer size of the Chinese market, the current restrictions on trade and the fact that China itself is the world's largest producer of soybeans (half of the world's soy protein is produced in China), the precise analysis of the logistics and supply chain is a crucial task.

Multinational companies still set the pace, have a head start in know-how and also supply the well-known fast-food chains, which makes for a profitable, large volume business. Domestic suppliers, however, are in the process of developing. Those who know China know how dynamically they will drive development and quickly claim corresponding market shares for themselves.

The legal and regulatory framework for meat substitutes is still in its infancy, but with the White Paper on Food Safety[10] published in 2019 and the Group Standard for Plant-based Meat Products "植物基肉制品 "[11] issued by the Chinese Society of Food Science and Technology at the end of 2020, the grey area that existed until then is a thing of the past.

(This post was written by Wolfgang Kohl.)

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