Trends Shaping the Future of the Food and Nutrition Industry
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Trends Shaping the Future of the Food and Nutrition Industry
In early 2021, Euromonitor International’s team of experts identified the following key themes which are driving the most disruption and investment in the food and nutrition space:

Mindful Eating and Food as Medicine

Plant-based Eating and Alternative Proteins

From Farm to Fork: Food Tech, Origins and Security

This e-book comprises extracts of the three overview reports.
Introduction

The COVID-19 pandemic fundamentally shifted general health trends along with how we eat. The popularity of functional food in particular has drastically increased and consumer health concerns have risen.

Plant-based options were already popular before the pandemic, but demand for healthier options and disruptions in the meat supply chain accelerated this trend. This combined with news around the potential role of animals and wet markets contributing to the spread of COVID-19 (zoonotic diseases), has put animal-sourced food in the spotlight.

Food sourcing has become an important priority for consumers, manufacturers and governments alike, not only for animal-based foods but across the entire supply chain. Demand for more transparency around food origins combined with the unprecedented investment in food tech, e-commerce and delivery is creating new opportunities in the ability to trace the path of food from where it is produced to the end consumer, also known as the ‘farm to fork journey’. This will have long-term disruptive implications for food supply chains and consumers’ path to purchase.
Mindful Eating and Food as Medicine

Lines between food and supplements blur as functionality becomes a priority for consumers, particularly in areas like immune support, gut health and mood management. Ingredients and nutritional properties are also under scrutiny as more consumers look for trendy ingredients and governments remain concerned about public health.

Immunity and gut health

A strong consumer desire for immunity-boosting food and drinks has inspired product innovation. For example, immune system health claims in yoghurt and sour milk products increased by 24% and probiotic claims grew by 9% globally between 2019 and 2020.

Digestive Health, Probiotic and Immune System Health Claims in Yoghurt and Sour Milk Products in Selected Regions, Digital Share of Shelf 2019 / 2020

Source: Euromonitor Product Claims and Positioning 2021 n=16,224
The trend is increasingly moving from probiotics towards the addition of prebiotics and a growing field of interest with ongoing research is the gut-brain axis, which suggests a happy gut leads to a happy mood.

**Food for the body and mind**

Addressing emotional and mental wellbeing through mood management, stress relief and sleep aids has become a key trend in the food and nutrition space. Companies have already started exploring different ways to position their products in this space. For example, CBD-infused food and drinks, the use of adaptogens like ashwagandha and nootropics such as L-theanine are gaining momentum for their stress reducing and mood uplifting properties.

**Functional food targeting beauty and beyond**

Another emerging trend gaining traction is functional food with a beauty positioning. More consumers are taking an interest in products that promise to deliver beauty from within, creating opportunities in edible beauty.

Collagen is one of the functional ingredients that has seen strong growth in recent years, largely coming from its links to hair, skin, nails and joints benefits. According to Euromonitor’s 2021 Voice of the Consumer: Health and Nutrition Survey, 46% of global consumers are moderately or extremely concerned about their skin health and 52% about joint and muscle pain. With this in mind, leading food and beverage companies have started to invest in this area. For example, Danone launched its first collagen-packed yoghurt under its Light+Fit brand in the US in 2020.
Clean label and minimal processing
Consumers are increasingly seeking transparency, less processed and inherently more natural products.

Most Sought-after Ingredient Preferences Around Clean Label in 2021

Growing consumer demand for simple and recognisable ingredients with health credentials is driving product innovation. More companies are re-engineering product formulas to include less ingredients and remove or replace artificial ones with more natural options. A growing claim landscape highlights that there is room for companies to make better use of clean label declarations, especially regarding natural, the leading claim in packaged food.
Digital wellness and personalisation

Innovative technologies are empowering consumers to take control of their own health goals. Various apps and online services are helping consumers to manage their weight, food intolerances and preferences (more plant-based, less processed, etc.). The demand for microbiome and DNA testing is also growing, creating more opportunities for personalised nutrition.

Leading food players are investing in digital wellness solutions, from direct-to-consumer models, like Nestlé’s acquisition of healthy recipe box provider Mindful Chef, to personalised nutrition concepts. Nestlé also launched nesQino in China during 2020, enabling consumers to customise and create a range of healthy superfood drinks.

The rise of special diets

Lifestyle diets such as keto, paleo or low-carb have seen a surge in recent years, spurring product innovation and resulting in a wave of new product launches. While only 9% of global consumers indicate they follow a strict low or no carbohydrate diet in 2021, 38% say that they eat less carbohydrates in an attempt to lose weight, according to Euromonitor’s 2021 Voice of the Consumer: Health and Nutrition survey.
Products which offer specific claims remain niche, with no packaged food category having more than 2% of SKUs with a keto, paleo or low-carb claim. However, strong growth in the penetration of keto claims, particularly in snacks and breakfast cereals between 2019 and 2020, shows food companies are becoming more interested in this space. PepsiCo, for example, invested in its incubator brand Hilo Life Chips to create keto-friendly tortilla chips, which launched in March 2021.

**Labelling and regulation**
By 2040, almost half of the global population (aged 18 years+) is expected to be overweight or obese. Governments as a result are increasingly encouraging consumers to adopt healthier diets and pay closer attention to their nutritional intake through front-of-pack (FOP) nutrition labels such as Nutri-Score, advertising and promotion bans under the **HFSS** regulation in the UK.

While FOP labels are used by 50% of food and drinks brands in France today, Nutri-Score continues to gain ground in Europe. Not only does this initiative have the support of multiple politicians, but food companies and retailers are also sharing their enthusiasm. Nestlé and Danone have been early adopters and front-runners, implementing the voluntary scheme on some of their brands in several European countries.

“I closely read the nutrition labels of food and beverages”, Selected Markets 2017 / 2019 / 2021

![Graph showing Nutri-Score use across countries]

*Source: Euromonitor Voice of the Consumer: Lifestyles survey, 2017 n=23,437; 2019 n=16,092; 2021 n=16,224*
Consumers are seeking more sustainable and ethical animal products and alternatives. Health concerns are also driving growth in plant-based substitutes, whilst developments in lab-grown food have the potential to reshape food production.

**Meat analogues**

Meat analogues have developed rapidly over recent years, with a new generation moving beyond the veggie burgers of the past. New ingredients and production methods have allowed producers to emulate the taste, texture and even the cooking experience to a greater degree than ever before.

Brands such as Beyond Burger and Impossible have firmly imprinted themselves in consumers’ minds. For example, in 2021, Beyond announced they will be launching variants of its core burger product for the first time. In Asia, specifically China’s vast market potential, developments hold exciting promise. OmniFoods’s Omnipork leads the way with its launch in over 200 Chinese retail outlets since August 2020. In November 2020, Beyond Meat announced Beyond Pork, designed for the Chinese market and in June 2021, Tyson Foods entered the field with a new line of plant-based meat alternatives under its First Pride brand.

**Global Meat Substitutes Sales Value, 2015–2020**

*Source: Euromonitor Packaged Food 2021 n=16,224*
Dairy alternatives
In certain respects, dairy alternatives are considerably ahead of their meat-imitating counterparts, as consumers already have a range of products they can choose from. This, combined with a growing number of consumers concerned with the dairy industry’s environmental impact and believe that dairy causes digestive or other health issues, non-dairy milk continues to increase in popularity. Globally, soy-based alternatives make up a huge part of sales, although popularity varies by market as some consumers suspect that soy-based products are genetically engineered, making them more processed and less healthy. Questions around product sustainability are also being raised in different categories like almond milk, which has come under strong criticism for its high use of water.

Important developments in the dairy-free space are happening in cheese, including the improvement of taste and texture of products available. For example, new launches from major player, Bel, include a plant-based version of its Boursin brand and Nurishh, a Plant Based Alternative to Camembert.

Global Milk Alternatives Sales Value, 2015–2020

Source: Euromonitor Packaged Food 2021 n=16,224
Seafood substitutes

Concerns around product sustainability is driving growth in plant-based seafood. The sophistication of other seafood substitutes is also developing, a clear example being the increasing proliferation of un-breaded and uncoated products. Where substitutes are battered or breaded, that coating does some of the work in meeting consumer expectations around taste and texture.

Another sign of the segment’s development is that big seafood companies are investing more to mimic the meat market, where producers have recognised the importance of developing plant-based alternatives. This shift is a result of consumers looking for alternative ways to have protein, which may steer away from brands’ existing core products, further highlighting the need to diversify product ranges. Tuna giant, Thai Union’s creation of a venture fund, has seen it focus on three strategic areas, one of which is alternative protein.

Cell-based meat and more

While the prospect of cell-based meat (lab-grown or cultured meat) for human consumption moved beyond the realms of science fiction with the first lab-grown burger in 2013, it was December 2020 when this became a reality, when Singapore approved Eat Just’s lab-grown chicken for sale in restaurants and subsequently delivery.

Advocates have argued that producing cultured meat is an environmental and ethical good from lower water and land use without animal slaughter, and even a necessity given climate change and population growth. However, food security is driving most of the governmental interest around the world — countries relying heavily on food imports, such as Japan, are strongly encouraging development. Moreover, greenhouse gas reduction targets are driving investment, even for BRF — a meat-producing giant in Brazil where red meat is so important.

While the focus of lab-grown produce has mostly been centred around meat, start-ups around the world are looking wider. BlueNalu, for example, leads the development of lab-grown seafood and other areas by exploring ways of creating artificially made food products in dairy, fats, honey and caviar. Chicken, however, is arguably the category where cell-based production makes the most impact. As it is highly commoditised, poultry producers may find it difficult to argue for their product on the back of provenance or higher quality, something the red meat industry may be able to do better.
New protein frontiers
As plant-based alternatives have grown and developed, core ingredients have also diversified. Fermented proteins have attracted significant interest and investment over the past year, as fermentation technology is delivering a new wave of plant-based products that are high-quality and tasty.

Insect protein is also growing in popularity. As a result of cultural norms, eating insects is thought of very differently across the world — often taking the form of an ingredient in protein-enriched products outside of countries where consumers are more used to eating insects as food. Boasting better sustainability credentials than animal agriculture and impressive protein profiles, even the most traditionally resistant markets may be coming around. For example, in January 2021, following an application from French insect-farming firm Micronutris, the European Food Safety Authority (EFSA) approved the yellow mealworm for human consumption, the first insect approved.

Health halo challenge
Health is one of the key motivators for switching to meat and dairy substitutes. However, alternatives are facing ever-increasing scrutiny over their health credentials; accused of high salt or fat content and facing an animal agriculture industry that can point to consumers increasingly viewing processed as synonymous with unhealthy.

As a result, the clean label challenge has become a point of contention within the sector. Meat alternatives producer, Lightlife, has publicly accused rivals of using hyper-processed ingredients, GMOs, unnecessary additives, fillers and fake blood, highlighting its own efforts to make its entire portfolio only include straightforward, easily understandable and non-off-putting ingredients.

“What Are Some of the Reasons Why You Consume Processed Plant-Based Meat Alternatives?”
— Health-Based Responses

[Bar chart showing reasons for consuming processed plant-based meat alternatives]

Source: Euromonitor International Voice of the Consumer: Health and Nutrition Survey, fielded February 2021; n=14,197

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As food origins and sourcing become more important to consumers and governments, supply chain investments are making the concept of farm to fork possible. Innovations in traceability, automation, vertical farming and e-commerce are creating exciting new frontiers in food provenance.

**Food security**

Pandemic-driven shocks to the global food trade in 2020 were a stark reminder of food security challenges for many countries that are heavily reliant on imports. As such, recent policies have turned to investing, promoting and fostering more domestic production, but it is important to note these concerns are not limited to emerging markets. The United Arab Emirates and Singapore, for instance, are limited by geography. They are investing heavily in agri-tech and promoting local production.

Outside agri-tech and investment in production, other public policy measures are supporting local food produce, import restrictions and currency devaluations are making domestic offerings more price competitive. At the same time, promotional campaigns aim to boost interest in local brands. In Nigeria, for example, the Mae in Nigeria tagline has helped locally sourced brands with native ingredients, such as Reel Fruit, Cassanovas and Munch It gain market share.

**Do you expect to invest more in localised production in the future?**

![Bar chart showing percentage of respondents in different regions.]

Sustainability

Product origin stories are at the heart of sustainability. Consumers choosing sustainably produced brands are buying into the ethical or environmental purposes espoused by that product. Claims like organic, fair trade, free range, charitable support or locally sourced all refer to specific elements of a product’s origins. For example, Imperfect Foods fights food waste by selling products rejected by retailers (for cosmetic defects) on a subscription basis and saw a growth of more than 200% in 2020, with sales approaching USD500 million.

One of the biggest barriers to sustainability trends is a lack of trust in green labels. In fact, in developed markets, where these trends are most advanced, labels like organic (48%), fair trade (46%), free range (47%), eco-friendly (46%) or non-GMO (42%) were seen as trustworthy by less than half of all respondents from Euromonitor’s 2021 Voice of the Consumer: Health and Nutrition survey. This offers a significant opportunity for digital traceability tools across the food supply chain.

Back-to-local

Locally sourced food has been on-trend for years. People choose local offerings to limit food miles, support local economies and connect with their local identity, heritage and culture. During the pandemic, consumers turned to local products to ensure safety, transparency and consistent supplies amidst stockpiling and high out-of-stock rates.

Product claims can also be seen in this trend. The share of online food SKUs with locally sourced claims jumped with the pandemic’s onset and has continued to grow ever since. An example of this is CrowdFarming, a platform in Spain that allows people to adopt a crop from local farmers, learn details about product origins and then receive the final harvest. This back-to-local strategy thrived during the pandemic, as sales tripled in 2020 and now reaches more than 200,000 households across the Europe.

62% retailers who took part in Euromonitor’s 2020 Voice of the Industry: Retailing Survey, showed more people were buying locally produced products.
Experiential food production
The pandemic also spurred a wave of interest in home gardening and food production. As people were stuck at home under quarantine, gardening provided a needed distraction and escape for many, both in urban and rural locations.

Technology is also helping to revolutionise the experiential food production movement. Agrilution’s Plantcube, for example, is an automated in-home vertical farm which is based in Germany. In what resembles a mini fridge, owners can use a seedbar to grow their favourite greens in a fully-automated environment in their own kitchens — one that is monitored and controlled via an app.

Vertical farming
No sector has benefited more from the convergence of food tech and food origin trends than vertical farming. Investment is pouring into this space; Bowery Farming in the US is alone valued at more than USD2.3 billion. The appeal of vertical farming stems from powerful food origin stories. Using technology, these systems create fresher food that is produced sustainably, year-round and in all environments.

Vertical farming’s benefits can be profound in emerging markets, particularly in water-insecure locations. As drought threatens India’s water supply, for instance, start-ups like UrbanKisaan are building hyperlocal vertical farms in cities. In Namibia, as droughts have made it difficult to feed animals, the United Nations Food and Agricultural Organisation has developed and trained farmers on the hydroponic solutions used in vertical farms to grow fodder for their animals using little water and soil.
Direct-to-consumer

Direct-to-consumer (DTC) e-commerce platforms play a pivotal role in the evolution of food tech and origin trends by shortening the supply chain. DTC models allow shoppers to buy directly from the producer, creating more transparency and trust.

During the pandemic, online marketplaces provided a lifeline to producers unable to sell into closed foodservice channels. In China, for example, farmers turned to TaoBao Live to sell their food directly to consumers. At the same time, new platforms like TaoBao Deals allows shoppers to save money by buying directly from factories or farmers for a lower price.

DTC marketplaces, livestreams and social selling will be especially disruptive in emerging markets which lack modern retail infrastructures. In Indonesia, Super, relies on social commerce and hyperlocal delivery to offer lower prices in smaller cities and rural areas. Working with regional brands, Super’s network of agents and resellers are helping transform commerce.

Hyperlocal delivery

Delivery has also experienced a pandemic-fuelled boom in investment. In this space, speed has become a top priority for consumers. Preferences among younger shoppers are evolving to favour fulfilment speed over more traditional concerns regarding free delivery or returns.

To reach consumers faster than ever, proximity is becoming essential. By locating micro-fulfilment centres closer to consumers and working with hyperlocal delivery couriers, the prospect of on-demand e-commerce delivery is becoming increasingly possible. Upstarts like Weezy (UK), GoPuff (US), Gorillas (Germany) and Yandex (Russia) now offer grocery deliveries in under an hour.

Farmstead in the US is a great example of this potential. In April 2021, the online grocer dedicated to locally sourced food partnered with DoorDash — a giant in foodservice delivery — to expand its reach. Farmstead’s offerings will be listed in the DoorDash app for one-hour delivery from dark stores dedicated to the service (distribution centres or retail outlets that cater exclusively for online shopping).
Digital traceability

As the pandemic drove e-commerce on the consumer side, food manufacturers invested in supply chain digitisation. Facing labour force disruptions, supply chain instabilities and shopper concerns with food safety, companies are investing in preparation for a future defined by automation, digital traceability and tech-driven supply chains. Digital traceability has also become increasingly possible, as costs of radio-frequency identification, artificial intelligence and blockchain technologies come down.

Perhaps one of the best-known manifestations of this technology is IBM’s Food Trust, a blockchain-based solution to help track-and-trace transactions across food supply chains. This platform has been adopted by major global players like Walmart, Unilever and Nestlé.

Digital traceability trends have also been bolstered by the growing adoption of e-commerce. Relative to in-store shopping, digital platforms make it much easier for consumers to utilise digital traceability tools and conduct research on product origins and sourcing while they are shopping.

How will blockchain have the greatest impact on your business in the next 12 months?

Source: Euromonitor International’s Voice of the Industry: Digital Survey, November 2020
Consumers are demanding healthier food products and public bodies are focusing food policy strategies on improving the quality of the diet. Moving forward, functional foods and nutritionally balanced offerings will have increased traction. Initiatives around personalised nutrition are also set to continue developing.

In terms of plant-based alternatives, the future looks bright as the global spend on these products is set to rise and the industry is expected to continue its successful journey, extending into less developed categories, including cheese, fish and seafood alternatives. Reformulating to achieve more nutritious and clean label options is underway and developments in lab-grown food are in the spotlight.

Investments in sustainability, locally sourced inputs or promoting food security and social justice are also becoming increasingly important to move the needle with a growing conscious consumer base. In addition, e-commerce, livestreaming and social commerce are making word-of-mouth more critical than ever and manufacturers need to adjust their marketing efforts to prioritise these new mediums.
How Can Euromonitor International Help?

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