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It’s high emitting, rapacious in terms of water and land use and with potentially catastrophic implications for both the efficiency of antibiotics and the world’s forests.

The impacts of the meat sector are vast – to say nothing of the ethical implications of the industry.

And, according to a recent report on meat by consultants AT Kearney, simply improving the efficiency of conventional production methods will not be “enough in the long run to cope with the pressing challenges of our food system”, as the sector outstrips natural thresholds and intensification reaches its limits.

But there is a chance that for meat is still growing, and fast.

The meat industry needs to either disrupt itself or be disrupted – Brooke Barton, Ceres

The World Resources Institute predicts that there will be a 78% increase in global demand for animal-based foods (meat and dairy) between 2006 and 2050. Business appears to be booming too; last year, Brazil’s beef between JBS announced record net revenues of $4.0bn.

Some of the world’s biggest meat producers – including JBS – have, however, recently announced hefty investments in more sustainable plant-based meat alternatives – a sector that US$ estimates will be worth over $685bn in the next 10 years, up from $4bn currently.

How much weight should investors give all this? Is the industry beginning to acknowledge the end of business-as-usual, or simply an attempt to come a new – but ultimately niche – market?

US giant Tyson Foods is the latest entrant into the alternative protein market with its new Raised & Rooted line.

It followed the Anthos firm’s sale of its 6.5% stake in Beyond Meat in April.

The success of the California-based vegan burger maker has itself been touted as a watershed moment for the meat-free industry. Beyond Meat’s shares are up only since its initial public offering in May.

Brooke Barton, Senior Programme Director, Food and Water at sustainability advocacy group Ceres tells RI that the sector needs to either disrupt itself or be disrupted.

Historically, she says, markets have rewarded a race by meat producers to produce the highest values at the lowest cost.

This has led to static valuations that “lackly fail to account for the mounting negative environmental and social externalities (and related risks) generated by the prevailing business model”, she continues.

Barton describes Tyson as a “good case study” of a company that has taken “initial steps” following engagement with investors both in terms of identifying changes in consumer behaviour and listening to investor concerns about the “long-term viability of their existing business model”.

Alistair Peare, Shareholder Advocate at Boston SRI firm Trillium, agrees with Barton that there are “signs” of a transition to more sustainable protein among companies like Tyson.

But he adds that this is opportunistic and not in response to the risks the sector is exposed to, Robeco’s Senior Engagement Specialist, Peter van der Vle, tempers the optimism about the scale of the potential shift to alternative proteins, saying that lagging demand for meat in developed countries – driven by health and concerns over the environment and animal welfare – is likely to be offset by huge demand in Asia and Africa as affluence rises.

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Are meat substitutes the answer to this high emissions sector?
by Paul Verney on July 26th, 2019
ESG Frontiers: Meet: An industry whose impacts are vast

Ceres’ Barton says investors should be pushing for more disclosure on emissions and climate risks. ‘One of the reasons that it has been a less emphasised industry by investors is because of a lack of understanding of the size of the scope three emissions and the data being quite weak.’

The risks posed by the big meat processors is part of the reason that Trillium doesn’t invest in them and other commodity providers. ‘There are just so many environmental and social impacts. I don’t know if a company could manage those risks responsibly enough to make it attractive,’ Pearce says.

Instead, Trillium has focussed its engagement further along the meat supply chain to where it does have exposure, i.e. retailers and restaurant chains. Pearce points to encouraging successes with fast food firms like McDonald’s and retail giants such as Walmart, which have both set science based emissions reductions targets and are putting pressure downwards through the supply chains.

In January, Ceres and FAIRR led an investor coalition of 80 investors – including Robeco and Trillium – calling on the world’s six biggest fast food companies to act urgently on the climate and water risks in their supply chains, including setting “tough” targets on emissions and water use.

Could the conventional meat sector ultimately square with a sustainable future? Robeco van der Werf says that from a carbon perspective it is “feasible” for some companies to align with a low carbon future and points to those that have set achievable science-based targets. But he adds that such targets do not address “other externalities” such as deforestation, antibiotic use, water use and management of waste.

It is for this reason that selecting companies that are “able to change their model to a sustainable one is so important”, he says.

But Robeco’s van der Werf admits that it is “quite a leap” for a traditional meat producers to transition to alternatives.

Robeco has been engaging with the meat sector since 2016, looking at what van der Werf describes as a “full supply chain perspective”.

But Anna Milstone, Executive Director at activist group Feed2Black, argues that engaging with the sector is misguided. She says we need to treat the big meat suppliers the same way as fossil fuel firms.

“We need to be clear that we cannot have a sustainable world with these companies on it, with this industry existing, therefore, if that is the starting point well, what happens next is that we get rid of them, that’s the next logical step.”

Considering the rising demand for meat – even in the face of market disruption – the demise of big meat companies seems unlikely but this is no excuse for them not to seek to become more sustainable, according to Pearce.

“If there is an opportunity to grow and produce meat cheaply and efficiently – which to the terms that they would probably use – we would say fine but you can do that in a more responsible way, you can reduce your impacts, your emissions, your water use.

“Decoupling emissions from the growth of business is something that has been demonstrated by many companies, so I do not see why meat companies couldn’t do the same thing. It might require some investment, some capex, but in the long run it would be worthwhile.”