



# UNDERSTANDING THE IMPACT OF THE CURRENT GLOBAL SITUATION ON THE PLANT- BASED SECTOR IN EUROPE.

A SURVEY OF PLANT-BASED BUSINESSES IN EUROPE IMPACTED  
BY THE UNFOLDING WAR IN UKRAINE

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# INTRODUCTION

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The war in Ukraine is a horrific development in global politics. Beyond the terrible costs to human lives and social and physical infrastructure, the conflict is also already having a massive economic impact on the plant-based sector, as both Ukraine and Russia are key suppliers of many plant-based commodities. This survey aims to help assess the impact that the war is having on plant-based businesses globally.

With the help of many leading plant-based businesses, we hope to gain a deeper understanding of the implications, so that we – along with other NGOs and businesses – will be better informed when we formulate proposals directed at policymakers.

We are deeply concerned about the conflict and continue to stand with Ukraine and support those affected by the war. We are working closely with our offices in Poland and Czechia to see where we can be of direct support in this challenging situation.

This survey does not reflect a desire to continue with business as usual in the face of the conflict, but rather acknowledges the impact of the war on the plant-based sector. Our concern with the resilience of the sector does not in any way mitigate our concern for those affected by the war.

This survey is indicative of current opportunities and challenges in the plant-based food sector. It was conducted between April 1st and April 20th 2022 and sent out by email to a selection of European companies in ProVeg's network. In total there were 31 anonymous respondents.

[Jump to the key takeaways.](#)



# RESPONDENT COUNTRY DATA

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We surveyed a sample of plant-based businesses across Europe, with 14 countries represented. Germany garnered the most responses, representing 38% of those who completed the survey.

**Which country are you currently based in?**





# EXECUTIVE SUMMARY

## CURRENT AND FUTURE CHALLENGES

In order to better understand the impact of the war on businesses, we asked respondents to outline current and predicted future challenges.

In 2021, Ukraine supplied €24.1 billion worth of food ingredients and raw materials to European countries.<sup>1</sup> Unsurprisingly, 76.9% of respondents cited raw-material prices as a key challenge, while 61.5% of respondents mentioned ingredient supply and availability, with these responses ranking at number one and number two respectively. The supply of edible oils is expected to be strongly affected by the war, with a shortage of sunflower oil being of particular concern.

Logistics and supply-chain concerns, along with transportation and energy costs also ranked as key challenges, as stated by 57.7% of respondents respectively. Respondents specifically named fuel costs and shortages of trucks and drivers as key factors.

When it comes to predicted future challenges, raw-material prices and availability remain the two most frequently cited concerns, at 66.7% and 58.3% respectively. 45.8% and 41.7% of respondents think that energy and transportation costs will remain key challenges.

Ingredient sourcing is predicted to become more of a challenge over the next 3-36 months according to 41.7% of respondents, while only 30.8% of respondents cited it as a current challenge. As such, businesses may have to find alternative suppliers or pivot to alternative ingredients. Respondents specifically mentioned that sunflower oil will continue to be virtually unavailable next year, leading to long-term problems.

When asked about the need for governmental support in the next 3-36 months in order to help tackle these ongoing challenges, 25% of respondents agreed that they would benefit from such support, while 29.2% of respondents stated that it may be of value.

# 76.9%

of respondents cited raw-material prices as a key challenge, while 61.5% of respondents mentioned ingredient supply and availability.

## FACING THE CHALLENGES

When asked about how they are actively responding to the economic and infrastructural impacts of the war in Ukraine, businesses cited that contracts with suppliers were key (selected by 34.8% of respondents), followed by collaborations (30.4% of respondents). Specifically, respondents stated that they were creating closer relationships with their customers in order to respond to demand, and trying to make the best of the situation by forming partnerships with other brands. Similarly, increased internal collaboration was mentioned in the face of this crisis.

## WIDER IMPACT ON EUROPE

In addition to the impact of the war on individual businesses, we also wanted to understand how the wider European community may be impacted by the crisis.

59% of respondents stated that consumers would be impacted by the increased prices of products, presumably due to businesses passing on higher raw-material costs to consumers. Reduced consumer spending was also a concern for respondents, with 23% flagging it as a potential issue for businesses.

69% of respondents stated that the war will have a negative impact on European jobs. Specific concerns included the possibility of rising unemployment rates and the ongoing difficulty of sourcing skilled labour with certain areas of expertise.

It was also stated that reduced funding will lead to plant-based companies struggling, thus needing to reduce overheads and putting plant-based jobs at risk.

In response to questions about the impact of the war on the current green-energy transition, 61% of respondents predicted a positive impact, suggesting that higher fuel prices as a result of the conflict might accelerate the transition towards renewable energy and that national governments may finally allocate resources to developing green energy on a larger scale.

## CONCLUSION

In conclusion, it is clear that the war in Ukraine will have a negative impact on businesses, consumers, and the wider European landscape, with many of the challenges currently impacting businesses likely to continue for the next 3-36 months.

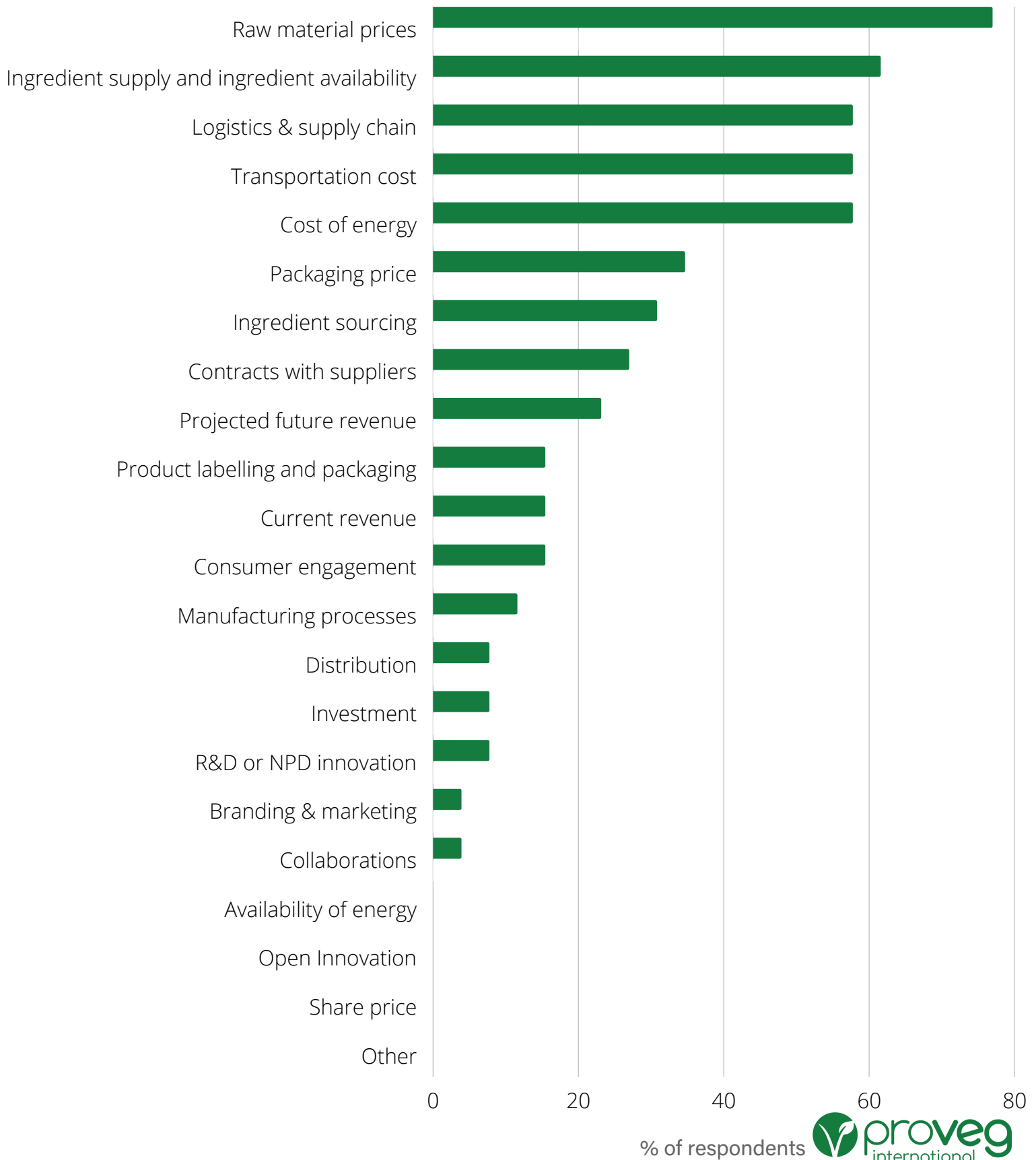
Respondents shared predictions of some potentially positive impacts of the war, including an acceleration of the transition to green energy as well as increased collaboration, both internally and externally.

It is clear that the war in Ukraine has had and will continue to have a devastating impact, both in terms of human suffering and lives lost. The results of this survey show that the war will also have a significantly negative impact on plant-based businesses and the sector in general.

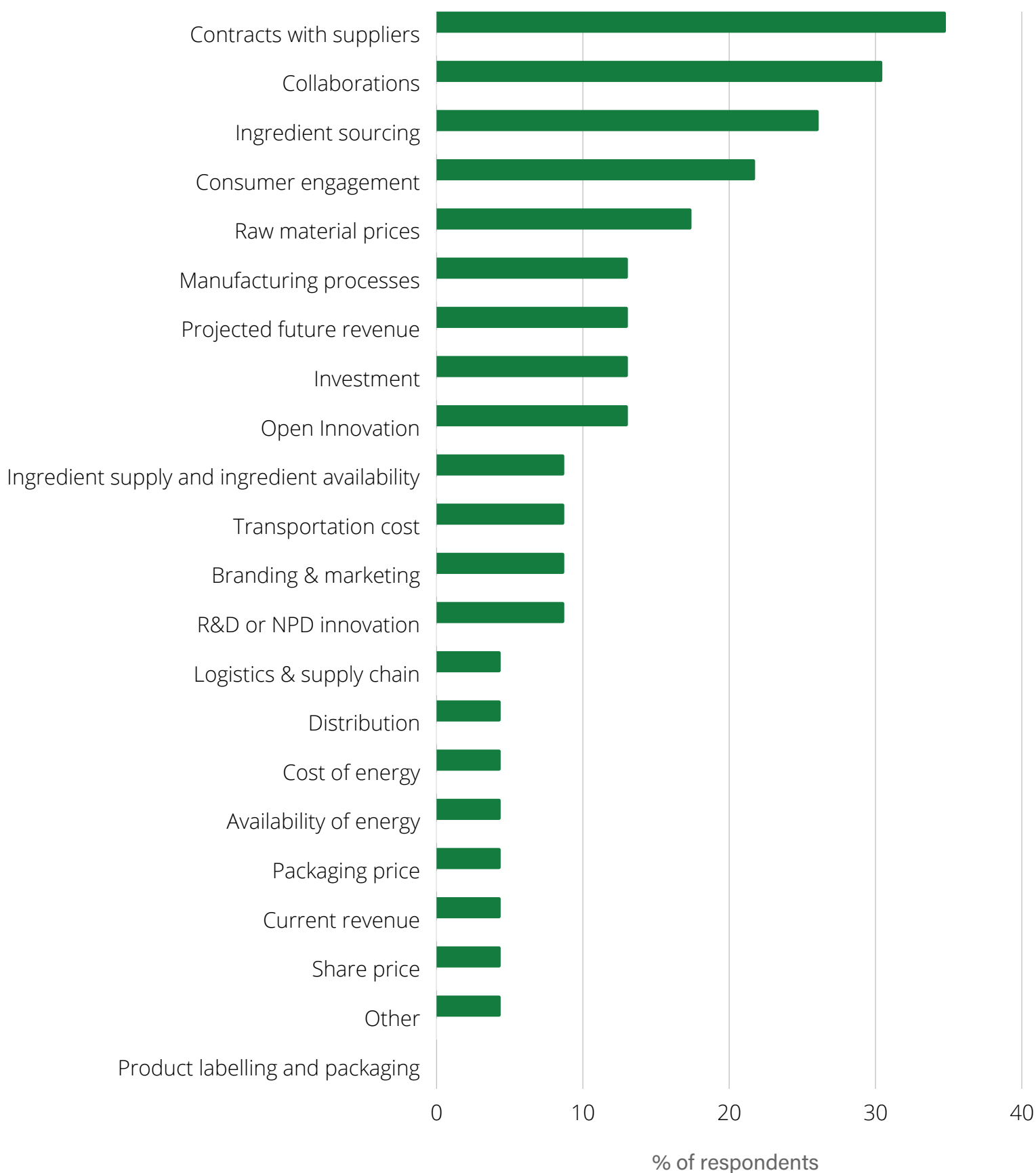


# RESULTS

In which areas is your business facing challenges due to the current global situation? (select all that apply)



In which areas is your business facing opportunities due to the current global situation? (select all that apply)





How has the current global situation caused challenges or opportunities for your business related to ingredient sourcing, ingredient availability, ingredient prices etc.?

## Impact Type

## Example Responses

### Higher prices (61%)



We had to pass on several price increases to our customers which led to the loss of some businesses.

Increasing prices of raw materials.

Ingredient prices are increasing, especially oil.

Shortage of food oils, flour and other have a high impact on the margins in the catering sector.

### Lack of availability (61%)



Quick alternatives have to be found for ingredients that are not available anymore (e.g. Sunflower Lecithin).

We experience a shortage of some raw materials which makes it hard to supply our customers.

Ingredients from Ukraine – such as sunflower oil – have become very scarce and are now difficult to source.

Some ingredients cannot be sourced for months. Alternative suppliers need to be found.

**56%**

of respondents who referenced lack of availability named oil as the worst impacted commodity, with 36% naming sunflower oil specifically.

How has the current global situation caused challenges or opportunities for your business related to logistics and supply chain, manufacturing processes, energy, packaging, transportation costs etc.?

## Impact Type

## Example Responses

Higher prices (64%)



Fuel costs have risen. For companies who do not own their own fleet, and instead rely on business partners, locking in fuel prices for the transportation and distribution of goods is challenging.

As energy, transportation and other costs have been going through the roof, we were forced to pass on price increases to customers.

Increasing energy prices.

Lack of availability (64%)



Availability of transport & truck drivers.

Raw materials for packaging are punctually missing. The delivery dates much, much longer now.

Raw material for packaging is not available for weeks and even months.

There are some products we can't produce due to raw material shortages, which leads to lower revenues.



Packaging: when switching away from ingredients that are now scarce, we need to re-label all our products. This is hugely costly and EU institutions are unwilling to provide exemptions in many cases.

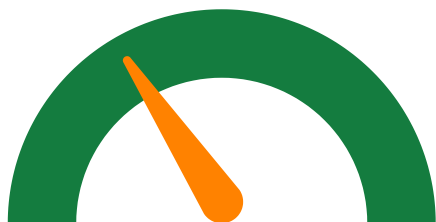


How has the current global situation caused challenges or opportunities for your business related to contracts, markets, revenue, adjusting sales projections, etc.?

## Impact Type

## Example Responses

### Reduced Sales (33%)



Lower sales projections than initially planned. Customers are less looking for innovation and differentiation. They are more focused on getting supplied and on reducing costs.

Sales have dropped dramatically.

Well, some orders cannot be delivered on time.

We adjust our sales projection down.

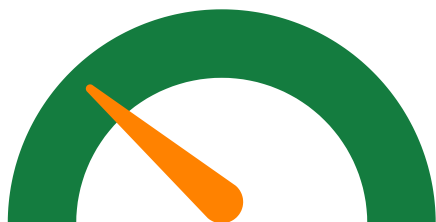
### Tension with clients (17%)



Increased costs mean that manufacturers need to increase their prices to retailers. This is always a difficult task, especially where existing contracts need to be renegotiated.

Tensions with clients rise. Since the start of the pandemic, the tensions increased, while now they start to become severe.

### Reduced spending (25%)



Consumer behaviour will continue to develop dynamically and offer new opportunities.

Customers want to book higher quantities at higher prices.

Existing contracts ensure price stability for some raw materials.

How has the current global situation caused challenges or opportunities for your business related to consumer engagement, prices, brand, marketing, labelling etc.?

## Impact Type

## Example Responses

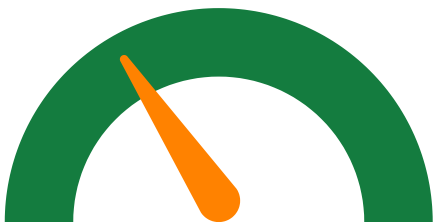
### Labelling changes (20%)



When substituting different ingredients, packaging needs to be updated, to avoid huge amounts of packaging waste. Packaging is usually produced months ahead of a product hitting the supermarket shelves. Updating the back-of-pack ingredient labelling is hugely costly.

Due to the unavailability of certain ingredients, ingredient lists have to be changed.

### Marketing challenges (33%)



As companies' costs increase, the amount of money put aside for advertising and promotion may decrease. This limits our ability to market our products.

Attracting consumers.

Website traffic is down. People aren't even browsing.



Consumer prices are increasing in line with the scarcity of ingredients. Price increases are also impacted by the broader commodity inflation that is happening independently of the Ukraine crisis.



How has the current global situation caused challenges or opportunities for your business related to consumer engagement, prices, brand, marketing, labelling etc.?

## Impact Type

## Example Responses

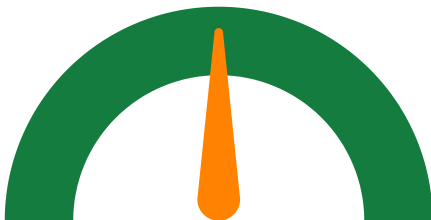
### Reduced investment (33%)



Investing is impossible when your revenue stream has dropped drastically. Right now we're in 'staying alive' mode.

Delayed or cancelled investment projects.

### Increased collaboration (50%)



Closer collaboration with customers to meet demand.

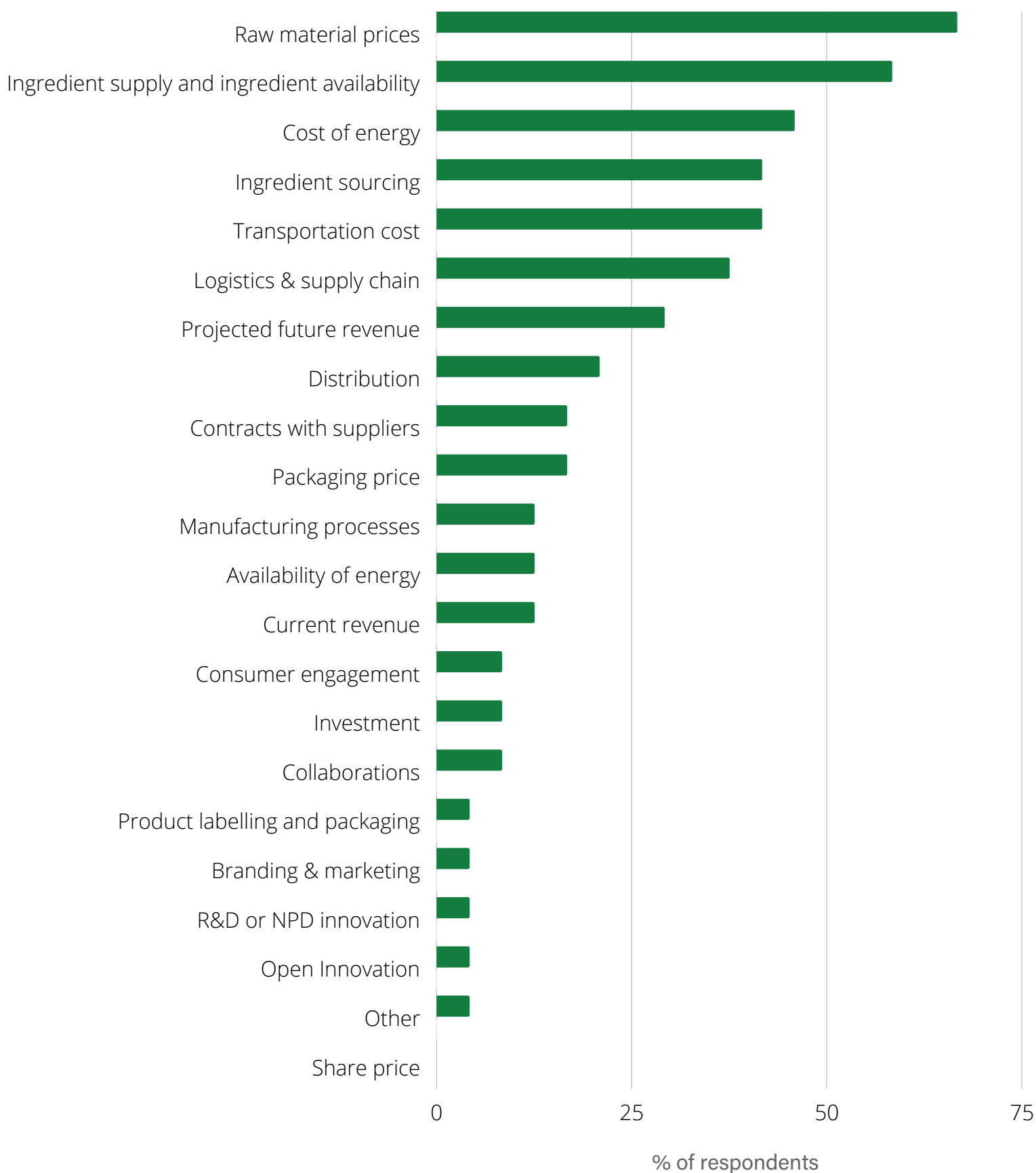
We are trying to outsmart the situation with collaboration with other brands.

New internal collaboration (financing, production, logistics, etc).



Innovation is less centre stage as the current focus is on supplying customers at the best possible price.

As the current global situation develops, where do you foresee the biggest future challenges in the next 6-36 months? (select all that apply)

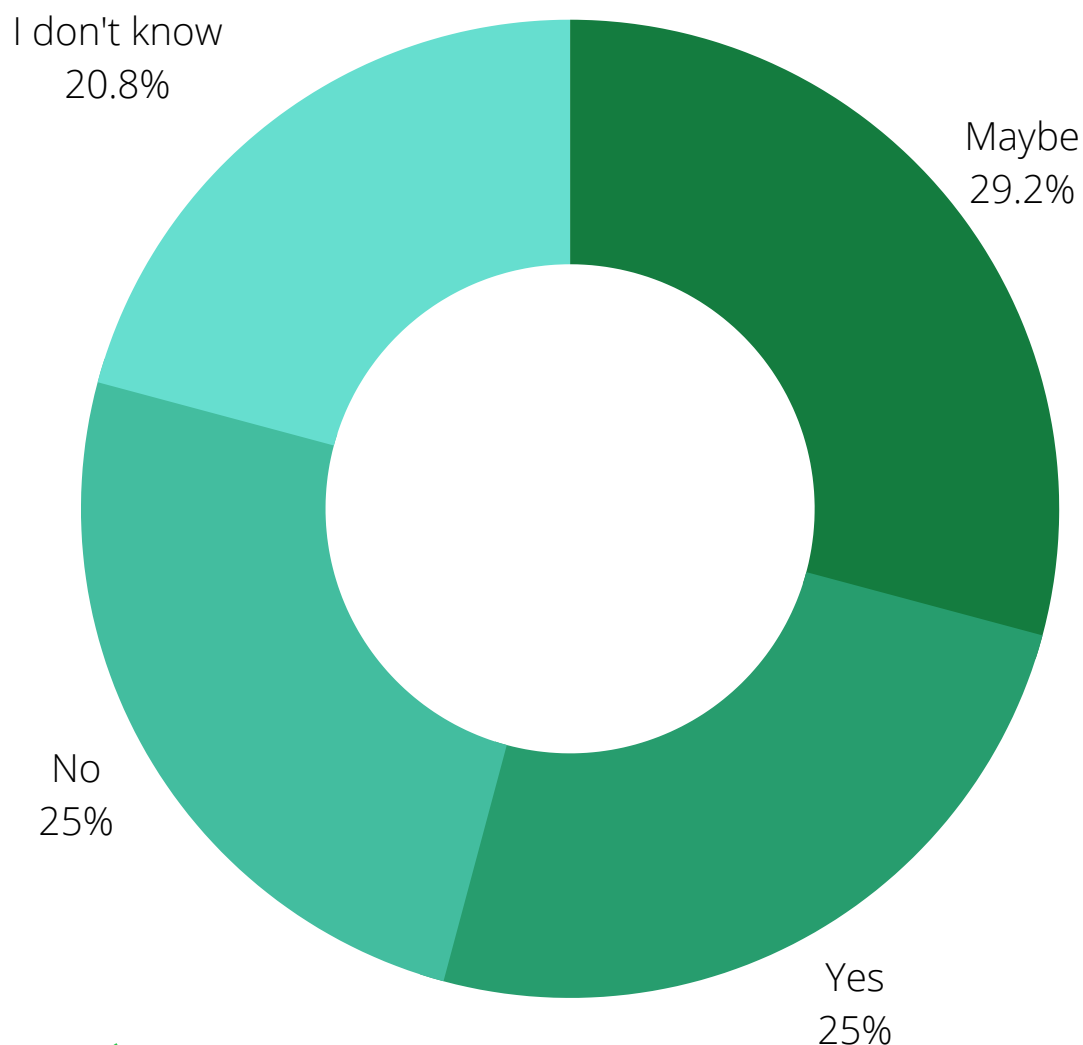


## Tell us more about your foreseen future challenges?

Challenge	Example Responses
Supply chain	The challenge is mainly on the supply chain, post-harvest in particular.
Availability of ingredients/raw materials	<p>The biggest long-term problem will continue to be the availability of ingredients. For example, Ukraine has already missed the window when sunflower crops are usually planted. This means that sunflower will continue to be virtually unavailable next year.</p> <p>Disruption of raw material markets is disturbing consistency and obstructs growth.</p>
Less focus on NPD	Less focus on NPD, more focus towards cost reduction solutions. Projected forecasts will not be met.
General uncertainty	<p>A very high degree of all round uncertainty.</p> <p>Well, I don't really know. We've stopped making projections for a while.</p>
Change in consumer behaviour	The rapid change in consumer behaviour requires a rapid adjustment of the product range - it is currently very difficult to anticipate these changes.
Competition	<p>Competitiveness may also be a problem if livestock goods receive more subsidies and emergency funding than their plant-based alternatives.</p> <p>Competition with Asia and financing shortages.</p>



Do you think you will need governmental help in the next 3-36 months to tackle the challenges outlined above?



If the livestock sector receives [additional] funding and the plant-based sector does not, this will lead to: (a) plant-based companies struggling, and needing to reduce overheads. (b) it perversely creates the opposite outcome from a “Just Transition” mechanism, supporting workers in unsustainable industries rather than supporting them to move to sustainable employment.

## How do you think the consumer will be impacted by the changed situation?

### Impact Type

### Example Responses

Higher prices (59%)



Sooner or later the increased ingredient and energy prices will lead to higher product prices for consumers.

Consumers will certainly be forced to pay more in the short term.

The cost of living is at an all-time high and will increasingly get worse.

Higher prices.

Sentiment change (18%)

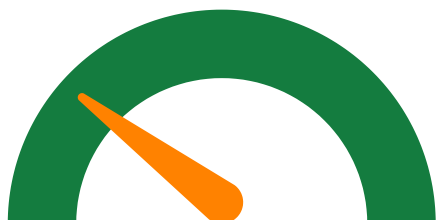


Those who think vegan eating is expensive will stick to conventional eating.

Maybe an increased focus on sustainability and regionality.

An increase in awareness of where and how products are sourced and manufactured.

Reduced spending (23%)



Consumers will move to private-label to contain expenses.

Yes, I expect them to have less spending power. They'll be more cautious in what they buy and will spend less.

Less money to spend means margin pressure and less new products.

## How do you think European jobs will be impacted by the changed situation?

### Impact Type

### Example Responses

#### Positive Impact (15%)



Positive effect in the food sector.

There will be a positive effect on jobs market developments.

It will remain difficult to find operators and skilled labour for certain areas of expertise.

#### Negative Impact (69%)



A lack of funding will lead to plant-based companies struggling, and needing to reduce overheads [...] putting plant-based jobs at risk.

Labour shortages have already led to more uncertainty in the supply chain.

No salary increase in an inflation period will damage purchase power.

Unemployment will probably rise, while prices for goods rise.

#### Unclear Impact (15%)



Markets will no doubt change as a result leading to alterations in staffing, consumer purchasing habits and manufacturing.

Europeans will need to learn to do things themselves again and to generate new jobs by changing the current processes.

## How do you think the current situation will impact the green energy transition?

### Impact Type

### Example Responses

#### Positive Impact (61%)

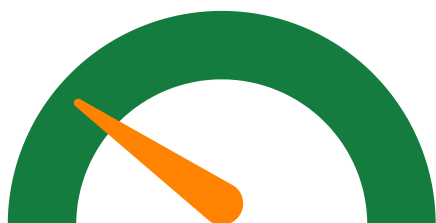


This may be the silver lining. Governments may finally put more resources into developing green energy on a larger scale.

Hopefully accelerate the transition to renewable energy sources.

The higher the price of petrol the higher the pressure to find an alternative, This pushes alternative 'green' energy.

#### Negative Impact (22%)



The cost will deter most countries from planned/promised investment in greener and renewable energy.

In the case of food manufacturers, commitments to eliminate coal may be at risk, due to the lack of availability of other energy sources amidst the crisis.

The current green model is dead (due to costs)! Transition is about the availability of alternatives, availability is usually about cash. Inflation is to exceed 10-20% in EU.

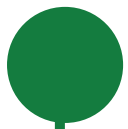
#### Unclear Impact (17%)



It remains to be seen in that it could provide for a positive impulse or just the opposite.

The cost and supply guarantee of energy will be a key driver to define the impact of the green energy transition.





## KEY TAKEAWAYS

- Raw-material prices and availability of ingredients are the biggest challenges for businesses, with 76.9% and 61.5% of respondents citing these concerns.
- Logistics and supply chain, as well as transportation and energy costs, were also stated as key challenges, with respondents naming increased fuel costs and a shortage of trucks and drivers as key factors.
- Raw-material prices and ingredient supply will remain critical challenges over the coming 3-36 months, while ingredient sourcing is predicted to become more of a challenge, according to 41.7% of respondents.
- 25% of respondents said they would benefit from government support, while 29.2% of respondents stated that such support may be of value.
- Contracts with suppliers and partnerships with other companies and brands were identified as key areas of focus, with respondents mentioning that they were collaborating more in response to the crisis, both internally and externally.
- 59% of respondents stated that consumers would be impacted by increased prices, while 23% were concerned about the possibility of reduced consumer spending.
- 69% of respondents thought that the crisis will have a negative impact on European jobs, mentioning that unemployment rates will probably rise and a skilled-labour shortage is likely.
- 61% of respondents predicted a positive impact on the green transition, suggesting that the war may accelerate the transition towards renewable energy.

# PROVEG INTERNATIONAL'S RECOMMENDATIONS

**In light of these developments, ProVeg International has three key recommendations:**

Firstly, European and national policymakers should continue to implement Farm to Fork. As Farm to Fork is at the heart of the European Green Deal and aims to make food systems fair, healthy, resilient, and environmentally friendly,<sup>2</sup> its implementation will support sustainable food production in these challenging times.

Secondly, the results of this survey suggest that ending plant-based VAT discrimination across Europe is the way to move forward. The consumption of plant-based dairy alternatives is hampered not only by the restrictive regulatory framework around labelling practices but also by national fiscal regulations in many member states. National governments can decide on the level of the standard VAT rate and apply up to two reduced VAT rates. Dairy products often fall under the reduced VAT rate, and therefore receive an indirect subsidy, meaning that the tax authorities are waiving a proportion of taxes. In some EU countries, this results in fiscally favouring dairy products from animals over their plant-based alternatives.<sup>3</sup> It would only be fair to end the VAT discrimination on plant-based products.

Thirdly, almost 50% of the companies surveyed indicated that they would be, or might be, interested in government aid. We thus suggest that national governments take this into consideration and provide support to the plant-based sector, where needed.

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