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Future of FOOD

Innovation and sustainability in the food industry
cooking up a financing strategy

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With the emerging sustainability challenges and increasing consumer awareness of circular solutions, there is a pressing need for **sustainable innovation in the food industry**. Obtaining external financing for food innovation projects in Europe has become a pivotal strategy to stimulate research and development, and pave the way for more sustainable and resilient food ecosystems.

01 **Sustainability:** Innovations in agriculture, processing, and distribution can help reduce the environmental impact of food production, such as greenhouse gas emissions, water use, and land degradation.

02 **Food security**: Ensuring a stable food supply for the growing population requires new technologies and methods to increase crop yields, reduce food waste, and improve distribution systems.

03 **Health and nutrition**: Innovations in food production can lead to healthier and more nutritious products, addressing rising concerns about obesity and diet-related diseases.

04 **Consumer preferences**: As consumer preferences evolve toward more sustainable and ethically produced foods, innovation is essential for meeting these changing demands.

The availability of European funding, such as Horizon Europe grants, to support R&D efforts in the food sector is well known. It is less known, however, that **virtually every EU country offers a plethora of financing opportunities for broadly understood R&D and sustainability.** These opportunities can be complimentary to the EU funding and are often less heavy or do not require a consortium to apply.

In short, the following **financing options are readily available in Europe** (Fig.1):

1. EU and local grants (non-refundable cash benefits), non-food specific (e.g., LIFE) and food specific (EIT Food)
2. Loans and partly refundable grants
3. Dedicated R&D and energy tax incentives and patent boxes
4. Private investment and venture capital

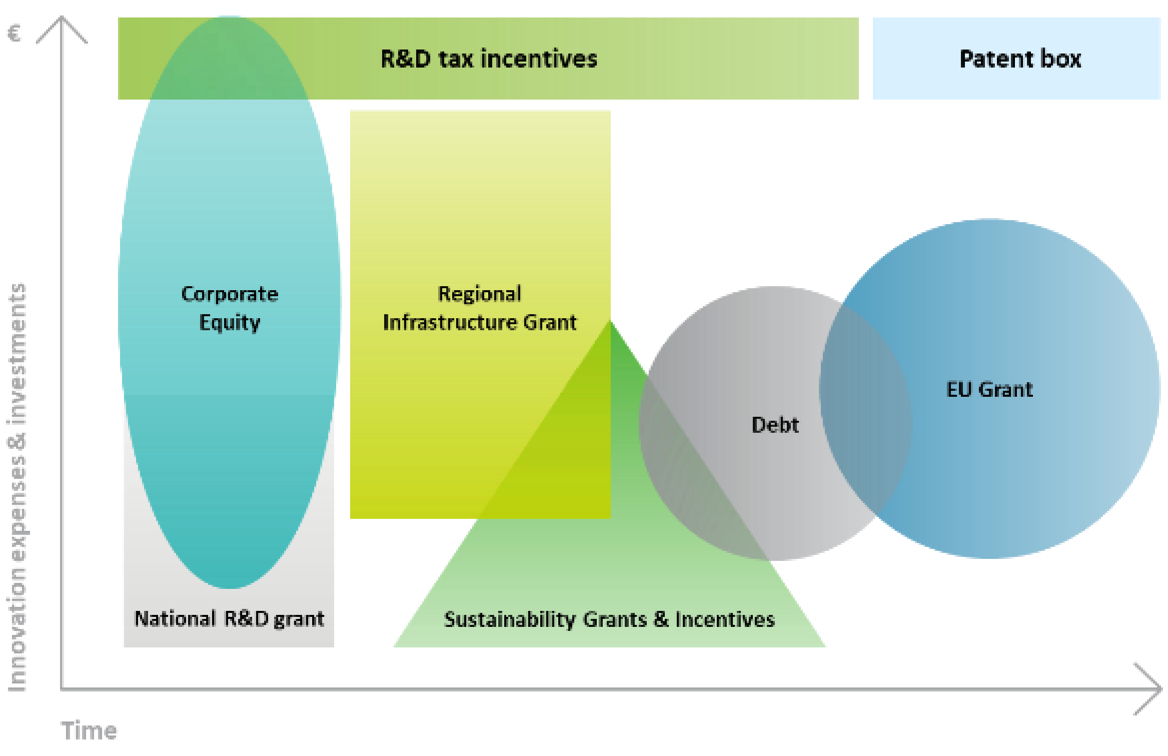

Figure 1: The incentives landscape is rapidly changing and accessible incentives will largely depend on the project timeline and the technology maturity. There are a variety of incentives available at different stages of the project and a single project can access multiple incentives throughout its timeline.

Financing product development or process development?

Contrary to popular belief, not only product development can be financed, but, taking into account the number of funding schemes, **process development is currently in the spotlight**. That applies not only to new processes but could also apply to upgrades of existing production installation.

If you just developed a prototype of a protein bar using proteins recycled from their regular production waste, funding can cover further development of the prototype, piloting activities (upscale), and even part of the full-size industrial installation. The new installation may require, for example, an upgrade of the existing waste water treatment facility. Also here, a dedicated subsidy can cover a part of the related costs. **In short, financing options are available for a new product, new process, and an upgrade of an existing process**.

While the exact financing opportunities must be matched to the project on a case-by-case basis, in general it can be noted that even a non-innovative sustainable solution can be covered by grants/tax incentives.

Financing across the food supply chain

The specific and dynamic supply chain relationships make financing particularly relevant for food companies. Perhaps even more than in other industries, there are close and often non-linear relationships in the food supply chain. For example, a waste processing company can become an ingredient supplier, in line with circularity efforts. Projects bringing together different parts of the supply chain are often the focus point of temporary funding opportunities (calls). Such cooperation often gives a particular opportunity to work with startups, which usually increases the funding support rate.

Moreover, with the **rise of eco-labels and the popularity of life-cycle assessments** (LCAs), decreasing the total impact of a food product on the environment, from farming to packaging recycling, is more important than ever. It can thus be beneficial to **contribute to more sustainable operations of a stakeholder** in order to improve the eco-label score. Similarly, **encouraging a supplier to participate in a funding scheme** may bring an indirect benefit to the company, in form of a discount from the supplier.

Think globally, act locally

Especially for multinational companies, the project location may be flexible. You may be, for example, engaged in product development in Belgium, but taking into account the availability of the raw materials, upscaling can also take place in one of the neighbouring countries. In such cases, all considered locations could be screened for financing opportunities, in order to find the location (country, region or even municipality) that offers the best financial support.

How to maximise the benefit from grants and incentives when creating a more sustainable world?

It often happens that a promising sustainability or innovation project is stopped or even not started due to an unfavourable business case, or it cannot fully spread its wings due to the budget constraints. External financing may help to shift the unfavourable ROI and open doors to cutting-edge, higher risk projects, or allow to make a further jump that would otherwise be impossible.

Moreover, engaging in food innovation through grants and incentives yields numerous other benefits to the participating companies, as well as, to the impacted regions:

1. **Decreased environmental impact**: Innovative solutions generally reduce the environmental footprint of the food industry—sustainability being in most cases an important financing eligibility criterium.
2. **Economic growth**: Food innovation can stimulate economic growth by creating jobs, driving exports, and boosting competitiveness in global markets.
3. **Improved food security**: Investing in food innovation helps ensure a stable food supply and reduces vulnerabilities to disruptions in the food chain.
4. **Healthier diet**: Innovations in food production can lead to healthier and more nutritious food options, addressing public health challenges.
5. **Enhanced reputation**: Europe's leadership in food innovation can enhance its global reputation as a hub for sustainable and high-quality food products.

How does it work? Food financing in practice.

While tapping into grants and incentives from an early R&D to late development phase, taking into account all potential project locations and stakeholders, requires a dedicated strategy exercise, **even a small project can initiate a cascade of food and sustainability financing opportunities**.

It is **crucial to timely recognise the opportunities**, often already at the level of a project idea. Knowing the high-level budget, sustainability impact of the project, innovation level and location, enables quick initial screening for food and sustainability financing opportunities.

Want to learn more?

With Deloitte's expertise in financing R&D and sustainability in Europe and globally, we enable companies to realise their ambitious R&D strategies. With teams in most European countries, we can work with you to prepare a highly tailored solution to ensure the maximal and (ideally) continuous inflow of external financing that fits your organisation. If required, we can connect you with our network of startups and larger companies to form a consortium.

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