Food DIVE

BRIEF

Nestle launches incubator to help upstart food and agriculture companies

By Sandy Skrovan • June 22, 2017

Dive Brief:

- Nestle USA has invested in an accelerator program to support emerging food and agriculture startups, according to FoodBev Media.
- The program, dubbed the Terra Food + Ag Tech Accelerator, teams Nestle with financial services firm Rabobank, which specializes in food and agribusiness, and technology company Rocketspace.
- Around 20 startups are expected to be supported during two six-month programs. Finalists for the initial program will be selected in the fall. Applications for the second program are due to open in 2018.

Dive Insight:

Nestle is the latest in a string of consumer packaged goods companies — including Chobani, General Mills, PepsiCo, and others — to establish an accelerator program to help startups. The company said the program will help provide it with some fresh ideas to keep Nestle at the forefront of a rapidly changing market. It's a move that couldn't happen soon enough and might help Nestle position itself for sustainable growth through its investment in food industry up-and-comers.

Big brands have been losing the innovation game to smaller, nimble food startups that are able to more easily satisfy consumer demand for the interesting, unique and healthy — a factor that allows them to grab shelf space away from big CPGs at the same time. The top 25 food manufacturers' share of U.S. food and beverage retail sales declined from 66% in 2012 to 63% in 2015, according to a study from A.T. Kearney and The Hartman Group.

"Our partnership with Terra by Rabobank and RocketSpace is just one way in which Nestle can play a leading role in meeting quickly evolving consumer expectations and explore new disruptive technologies and business models," Rui Barbas, chief strategy officer, Nestle USA, said in a press release. "When we combine the resources of Nestlé with the creativity and new thinking born from the startup culture, we can create real change in our industry and best deliver on consumer needs."

Insect snacks and seaweed protein, for example, are among the finalists of the PepsiCo Nutrition Greenhouse incubator, which the company established earlier this year. Members of Chobani's inaugural incubator class include makers of bone broth, meat snacks, chickpea pasta and a cold-pressed juice company that uses mostly recovered fruits and vegetables that would otherwise have become food waste. General Mills' 301 INC counts companies specializing in priobiotics, plant-based protein and vegetable chips among its startup investments. These are just some examples of fresh ideas coming out of incubators to help spur innovation at a huge multinational companies such as Nestle.

It's too soon to tell whether investing in startup accelerators can really move the needle for big food and beverage companies. But at the very least, CPGs should be able to pick up new ideas — in ingredients, processes, sustainability and technology — which could translate into meaningful differences when incorporated into existing businesses. And oftentimes the real objective is helping startups scale up so they then become attractive acquisition targets.

The decision to venture into the risky and often unpredictable world of venture capitalism reflects just how far big CPGs are willing to go to find new sources of revenue amid changing consumer tastes and stagnating sales in their own operations.

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