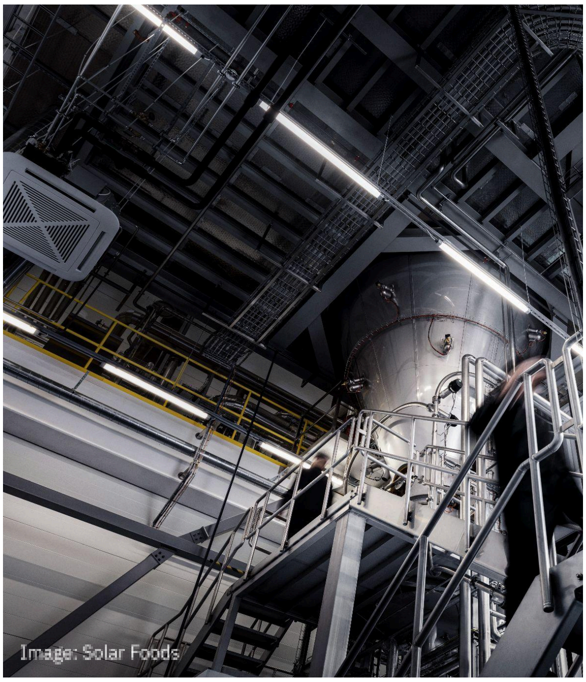
Rethinking the investment landscape for agrifood innovation in Europe

A discussion paper on barriers, financing solutions, and public-private collaboration

Agrifood innovation sits at the intersection of some of the most pressing challenges of our time. Food systems are responsible for a significant share of global greenhouse gas emissions, yet at the same time they face pressure from climate volatility, as well as rising input costs, and growing demand for affordable, nutritious food. Without a substantial transformation of how food is produced, processed, and distributed, delivering on the Paris Agreement and building a future-proof food system will remain out of reach.

Europe is well-positioned to lead this transformation. It has world-class research institutions and a rich pipeline of agrifood tech startups developing solutions across the value chain, from seed breeding to bio controls, weeding robots, and alternative proteins. Yet despite the scale of the opportunity and the urgency of the challenge, investment in agrifood innovation has been declining since its 2021 peak[1]. European startups are caught in two valleys of death[2]: the transition from research to demonstration, and the step up to industrial scale. The result is a structural financing gap that recent EIB analysis confirms runs deep across agrifood industries and bio-based food and feed innovation in Europe[3].



The core tension is well understood: the venture capital (VC) model, built around relatively short fund timelines, high growth expectations, and viable exit prospects, is poorly suited to the capital intensity and long development cycles that characterise agrifood innovation. First-of-a-kind (FOAK) industrial facilities, regulatory pathways, and the slow pace of market adoption all extend

[1] Ag Funder, Global AgriFoodTech Investment Report 2026. Available at: https://research.agfunder.com/agfunder-global-agrifoodtech-investment-report-2026.pdf

[2] Bio-based Industries Consortium (BIC), Financing the bio-based revolution: Crossing Europe's valleys of death, 2025. Available at: https://biconsortium.eu/sites/biconsortium.eu/files/publications/Financing%20the%20bio-based%20revolution.pdf

[3] European Investment Bank (EIB), Investment Gaps to Achieve Sustainable Targets in the Bioeconomy, 2025. Available at: https://www.eib.org/en/publications/20250089-investments-gaps-to-achieve-sustainable-targets-in-the-bioeconomy

the timeline to profitability in ways that conventional venture capital was not designed to accommodate.

This challenge is not new, and the barriers involved are by now relatively well documented. What remains less clear is what a realistic path forward looks like: which risks can be redistributed, which instruments are missing, and what public and private actors can reasonably expect from each other.

It was against this backdrop that Invest-NL, Invest International, and the Good Food Institute Europe convened an international investor roundtable on 19 May 2026. Held under the Chatham House Rule, the roundtable brought together approximately 40 investors. This paper draws on the insights generated during those discussions. It does not aim to represent the positions of the organisers or individual participants, nor to offer firm recommendations, but to surface promising directions for reflection and contribute to an ongoing dialogue between innovators, investors, policymakers, and others across the ecosystem.

Understanding the barriers to investment in agrifood innovation

The financing gap in agrifood innovation has structural roots that go beyond a shortage of capital. Four clusters of barriers emerged from the roundtable discussion that help explain why:

- Funding structures that are misaligned with the sector's needs.
- Regulatory uncertainty that deters investment.
- A lack of collaboration across the ecosystem.
- Commercialisation challenges that make it hard to build a credible demand case.

Funding: a structural mismatch

The financing gap in agrifood innovation is more complex than simply a lack of available capital, because even available funding mechanisms can have limited suitability for the specifics of the sector.

The broader capital environment has shifted. As one participant put it, the sector grew up on easy money; what it faces now is constrained money. Key providers of capital to VC funds, including pension funds, endowments, and insurance companies, as well as other institutional investors, typically operate within defined return windows. Innovative agrifood companies often need longer than that to reach the point where a fund can exit. Moreover, exit valuations in the sector rarely exceed €400 million. For conventional VC funds, that is not a number that justifies the risk.

VC funds also have limited experience with non-equity tools, such as loans, guarantees, and hybrid debt structures, which are better suited to capital-intensive scale-up. Venture debt in particular was seen as chronically underdeveloped.

Regulation and policy: the cost of unpredictability

Regulatory uncertainty was consistently flagged as a primary barrier because it increases perceived risk and extends the period before a company can generate revenue.

Participants highlighted that regulatory approval processes run by the European Food Safety Authority (EFSA) remain slow and unpredictable, with timelines that are difficult to factor into investment models, and a real risk that processes stall midway.

Investors also face a broader problem of inconsistent public signals: in Europe, policy support for agrifood innovation has blown hot and cold, and even when policymakers have expressed ambitions, these have rarely translated into the regulatory, market, and funding conditions investors need to plan with confidence.

Responses to the question "Please name additional barriers to agrifood innovation?" – live poll conducted during the roundtable

Collaboration: an ecosystem with untapped collective potential

Access to pilot facilities, industrial infrastructure, and distribution networks was raised as a constraint, but participants were clear that the core problem goes beyond a lack of physical assets, as there is also a distinct absence of collaboration between the holders of said assets and the startups that need access to them.

According to participants, larger incumbent companies control much of the infrastructure and distribution capacity the sector requires, yet meaningful partnerships with innovative newcomers remain rare. Similarly, despite Europe's strong research base, structured engagement between universities and the startup ecosystem is lacking.

This fragmentation also has a collective action dimension. Startups competing individually are poorly positioned to build shared infrastructure or advocate collectively for the regulatory and policy changes the whole sector needs.

Commercialisation: uncertain demand caused by an uneven playing field

Investors clearly face difficulty assessing the demand picture for innovative agrifood products.

On the demand side, adoption remains slow across the board, yet consumers consistently express interest in diversifying their diets[4]. For consumer-facing products, preferences are hard to predict, and the current focus on affordability puts food that carries a price premium at a disadvantage.

For agricultural innovations, the barrier is less about consumer behaviour and more about farmer adoption: producers tend to be cautious because the upfront costs of switching are significant, so new solutions need to demonstrate a clear and proven advantage over existing practice to achieve uptake.

On the supply side, alignment between producers, processors and retailers along the value chain remains insufficient, and offtake agreements, which would give companies greater revenue visibility before production, are rare.

[4] Smart Protein Project (2023) available from: https://smartproteinproject.eu/wp-content/uploads/Smart-Protein-European-Consumer-Survey_2023_extended.pdf

These pressures are reinforced by market distortions. Negative externalities are not priced into incumbent products, and innovative companies end up competing against prices that do not reflect the true cost of what their competitors produce. Participants also questioned whether public funding is currently structured to build a more sustainable and resilient food system.

What does this mean?

Understanding the barriers is a necessary starting point, but the more important question is what can realistically be done about them. The roundtable did not set out to produce a roadmap, and this paper does not claim to offer one, but the discussions did point to promising directions within two interconnected themes.

The first is public-private collaboration: what public and private actors can reasonably expect from each other, how public capital can be designed to catalyse rather than substitute for private investment, and what coordination would need to look like at the European level.

The second is rethinking the financing architecture: what instruments are missing, how risk can be better distributed across the capital stack, and what it would take to make agrifood innovation more fundable at each stage of development.

These two themes are treated separately in what follows, but they are not independent. Better instruments require better collaboration to design and deploy them, and better collaboration is of limited use without the instruments to back it up.

Making public and private capital work together

Public and private capital are currently caught in a mutual waiting game. While private investors look for public signals before committing, public funders are reluctant to move without private capital already in the deal.

Two reasons explain this reluctance. First, public funders are by design expected to complement and de-risk private investment rather than substitute for it. Second, public funders are wary of sending signals that could distort the broader market or crowd out the private capital the sector needs. As neither moves with sufficient conviction, the financing gap described above persists.

Discussions highlighted that public funders often wait for private capital to be involved for two main reasons. First, public funders expect companies to prioritise institutional capital where possible rather than rely on public funding as a substitute. Second, public funders remain cautious about the signals they send: while they can absorb losses, they are wary of creating incentives that could distort the broader market. The result is a tendency to wait for validation from private investors before committing.

A recurring tension in the discussion was between two visions of what public funding should do. The first vision is essentially market-supporting: let private investors pick companies on merit, keep public funding neutral, and avoid introducing political or strategic considerations that risk distorting capital allocation. On this view, the role of public money is to reduce friction and fill gaps and not to express a view on which technologies or business models should win.

The second vision starts from a different premise: that markets alone will not drive the transition to a sustainable and resilient food system fast enough or in the right direction. Innovative agrifood companies enter a market built around established players. In this context, a neutral stance does not and cannot produce neutral outcomes, as it leaves existing distortions unaddressed. Several participants argued that this calls for a more intentional use of public funding, where clearly defined policy priorities, such as climate, nutrition, food security, or European strategic autonomy, support the design of the funding instruments needed to achieve them.

The room did not resolve this tension, and perhaps did not need to. In practice, both logics probably have a place depending on the stage and the instrument.

What participants did agree on is that the current default serves neither vision well. One point of convergence was that well-designed public capital should make private investment more viable, by reshaping the risk-return profile of a fund or a project in ways that make it genuinely attractive to private investors, rather than replacing private capital altogether. How to get there is less a question of finding a single model than of identifying a set of principles and promising directions, which the rest of this section explores.

Putting public capital to work differently

If public actors are to take a more proactive stance, the design of their funding mechanisms matters as much as their scale.

Participants called for simpler and more predictable funding mechanisms. Beyond speed, the design of public funding matters: eligibility criteria should be defined upfront, matched funding requirements should ensure private capital is engaged rather than replaced, and public support should be concentrated where it can have the most impact rather than spread thinly across too many initiatives. Several participants pointed out that administrative complexity is a barrier that tends to discourage exactly the companies public funding should be trying to reach, i.e. small and innovatives companies that are the least equipped to absorb heavy application requirements.

Participants argued that public funding should, in any case, be evaluated against a broader set of returns than financial ones. Food security, climate resilience, nutrition, and European strategic autonomy are legitimate public goods that justify accepting lower financial returns on public capital.

China has made public capital a structural component of its agrifood tech development, investing in companies, industrial capacity, and demand-side conditions that underpin sector success. As the same approach drove its global dominance in batteries, solar, and wind, several participants questioned whether Europe could afford not to bring the same strategic clarity to agrifood.

A more European mindset was also called for. The current landscape of national funding instruments is fragmented, and innovative companies navigating multiple jurisdictions face a patchwork of overlapping and sometimes contradictory mechanisms. Coordinating at the European level, or at least aligning national approaches, would reduce friction and increase the scale at which public support can operate.

Blended finance structures were another key element of the discussion. By combining grants, equity, and guarantees in a single vehicle, with public money absorbing the first tranche of losses, blended structures can be designed to match the specific risk profile of agrifood innovation at each stage. First-loss mechanisms of this kind have been used effectively in the energy transition, mobilising private capital at a meaningful scale without generating excessive defaults.

An idea that emerged is for governments to fund more private funds rather than deploy capital directly into companies. Backing private funds gives public actors leverage, keeps private judgment and discipline in the system, and avoids the incentive misalignment that arises when public money sits too large on a company's capitalisation table. It also helps address the first-mover problem: public capital anchoring a fund creates the conditions for private investors to follow without crowding them out.

Better public-private collaboration is a necessary condition, but not sufficient on its own. The question of which instruments can actually move capital into the sector, at the right stages and in the right forms, was the subject of a parallel discussion. What follows draws on that conversation.

Designing the financing architecture for agrifood innovation

Participants broadly agreed that the question is whether the right types of capital are available at the right stages of development. Rather than expecting conventional venture capital to meet every financing need, several argued for a more differentiated asset class in which financing instruments are tailored to the maturity and risk profile of individual companies.

The discussion repeatedly returned to FOAK projects and industrial scale-up, where financing gaps remain particularly acute. Once technologies have been technically validated, debt and other non-equity instruments could play a greater role, yet these remain underdeveloped in the agrifood ecosystem.

Although venture debt is often presented as part of the solution to the sector's financing gap, participants argued that current offerings do not yet match the needs of agrifood companies. Existing products tend to be more aggressive in their pricing and terms, especially for startups with long development cycles and uncertain revenues. The key, therefore, is to adapt venture debt to the realities of the sector. If structured with greater flexibility, participants believed that venture debt could become a meaningful complement to equity financing, particularly for companies approaching commercial deployment.

Sharing risk more effectively

The discussion explored a range of mechanisms that could redistribute risk and make investment opportunities more attractive without displacing private capital. Participants highlighted the potential complementarity of different instruments, including first-loss structures, blended finance vehicles combining grants and equity, venture debt, and offtake agreements that provide greater certainty around future demand.

Some participants pointed to lessons from the energy transition. Instead of offering fixed grants, public support could be designed to bridge the gap between what it costs to produce an innovative agrifood product and what the market will currently pay for it. The Dutch SDE+ scheme works on this principle in renewable energy: public funding covers the difference, and shrinks automatically as the technology matures and costs fall. Several participants argued that a similar approach in agrifood would give companies more predictable revenues, reduce commercial risk, and make it easier to attract private investment.

In general, demand-side stimulation and market-shaping instruments emerged as a key topic in the discussion. Participants emphasised that, beyond improving supply-side financing, building a more sustainable and resilient food *system will also require stronger demand-pull mechanisms to create reliable market conditions for innovative products. Offtake agreements, procurement strategies and other forms of demand guarantees were seen as particularly promising tools to reduce commercial risk and improve bankability. Overall, demand-pull approaches were viewed as highly complementary to existing blended finance and risk-sharing structures, helping to close the gap between innovation and market adoption.*

Recognising that agrifood innovation does not fit neatly within existing financing models, participants explored the need for highly tailored financial instruments capable of accommodating the sector's unique combination of capital intensity, technological risk and long development timelines. Among these, impact bonds were highlighted as a promising approach, bringing together institutional funders, governments, and philanthropic actors in blended structures. These mechanisms would rely on broader and more holistic success metrics, moving beyond purely financial or commercial business plan indicators to include environmental, social and economic outcomes.

The discussion also highlighted that significant pools of capital remain difficult for the sector to access. Pension funds and other institutional investors manage the long-term savings of millions of citizens, yet their investment mandates and ticket sizes often prevent capital from reaching emerging agrifood companies or specialised funds. Participants suggested that developing vehicles capable of aggregating opportunities and matching the needs of institutional investors could help unlock this source of financing without requiring fundamentally new capital.

Redefining success for private capital in agrifood

While much of the discussion focused on new financing instruments and the role of public policy, participants also reflected on what private capital could do differently. A recurring question was whether conventional VC fund structures and mandates are well-suited to agrifood innovation. Several participants suggested that longer-duration vehicles, evergreen structures or fund managers operating across different types of capital could be better equipped to finance companies through commercial scale-up.

This also prompted a broader reflection on expectations. If agrifood companies are unlikely to generate frequent unicorn exits or 10x returns, fund strategies and limited partner expectations may need to evolve accordingly. Rather than pursuing a small number of exceptional outcomes, participants argued that success in the sector may come from portfolios delivering more modest but more consistent returns over longer time horizons.

Several participants emphasised that this requires discipline from investors as well as entrepreneurs. Being conservative in valuations, communicating realistic expectations to limited partners and prioritising long-term performance over inflated return projections were seen as important steps towards building a more resilient investment ecosystem.

In this sense, financial engineering is as much about aligning incentives and expectations across the capital stack as it is about designing new instruments.

Next steps: Building the conditions for better collaboration

The roundtable generated strong appetite to take the conversation forward, but capacity remains a barrier. Changing the agrifood system is difficult when day-to-day investment and operational pressures leave little room for the kind of collective, long-term thinking the sector needs. Thought leadership and convening capacity will be important in bridging that gap.

Progress on any of these reflections requires more structured dialogue between public and private investors. Both sides carry assumptions about what the other can and should do that are not always well-founded, and one-off events are not enough to surface them. Several participants called for a regular forum where investors and public funders can meet, build shared understanding, and develop concrete proposals together. On the private side, participants also saw value in organising more collectively: investors speaking with a shared voice carry more weight in the conversations that shape policy and public funding decisions. The Cleantech for Europe investor coalition was raised as a proof of concept that a credible, organised investor voice can be built at European level in an innovative sector.

Invest-NL, Invest International, and GFI Europe see continuing to convene this conversation as part of their contribution to that effort.

Key Takeaways:

- Agrifood innovation cannot be treated as a traditional VC sector: the asset class and associated expectations need to be redefined accordingly.
- Blending different sources of financing is key to enabling effective risk sharing across investors with different profiles.
- Market creation requires a more active approach, with a stronger focus on demand-pull mechanisms, as has been done in other innovative sectors.
- Public funding should be assessed against a broader set of returns than financial ones: food security, climate resilience, nutrition, and European strategic autonomy are legitimate grounds for accepting lower financial returns on public capital.
- Better coordination between EU-level and national public funding instruments and policies is needed to reduce fragmentation and increase the scale at which public support can operate.

About the Good Food Institute Europe

The Good Food Institute Europe is a nonprofit think tank helping to build a more sustainable, secure and just food system by diversifying protein production.

We champion the science, policies and investment needed to make alternative proteins delicious, affordable and accessible across Europe.

By advancing plant-based foods, cultivating meat from cells and producing ingredients through fermentation, we can boost food security, meet our climate targets and support nature-friendly farming. GFI Europe is powered by philanthropy.

About Invest-NL

Invest-NL is the National Promotional Institution of the Netherlands, committed to driving a sustainable, innovative and resilient future. We provide businesses, projects and funds with access to finance, enabling them to drive societal transitions, strengthen innovation capacity and enhance economic resilience.

As a system player, we connect innovative entrepreneurs, financiers, knowledge institutions, and governments—both in the Netherlands and abroad. Through capital, expertise and new financial instruments, we invest in the solutions of tomorrow. Where the market hesitates, we take the first step. That is how we create impact.

About Invest International

Invest International is a public financial institution of the Dutch government that supports Dutch companies in expanding internationally while contributing to sustainable development worldwide. By blending public and private capital, it provides financing that complements the market, stepping in where commercial investors are not yet able or willing to do so. The organisation focuses on driving innovation and advancing key transitions across sectors such as agrifood, renewable energy, infrastructure, water, healthcare, and manufacturing, with the aim of creating long-term economic and societal impact. Its headquarters are in The Hague.

Use of AI

This discussion paper was developed with the support of AI tools, which were used to help aggregate and organise notes from the roundtable. GFI Europe, Invest-NL and Invest International's experts have organised, edited and reviewed the content to produce this document.