

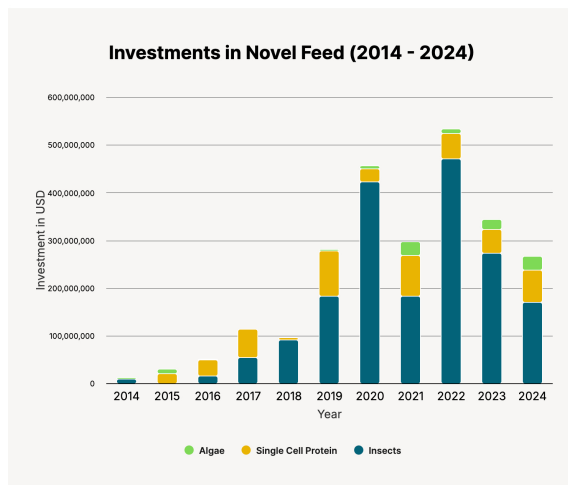
Funding the Future of Feed: Investment Trends in Novel Feed Ingredients

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Novel feeds are emerging ingredients that replace traditional sources of animal feed, such as fishmeal and soybean meal. By providing alternative sources of nutrition for farmed animals, novel ingredients can increase the resilience of food production. In the past decade, hundreds of start-ups have launched to scale the production of novel feed ingredients, particularly using algae, single-cell proteins (SCP), and insects.

In light of the recent [downturn](#) in AgTech investments, the novel feed sector has faced a challenging fundraising environment. In this article, we explain the investment trends in novel feed over the past decade, analyze what's behind the recent decline in investments, and examine what the future holds for the novel feed sector.



Over the last decade, almost \$2.4 billion was invested into the novel feed sector. 78% of this investment went to insect farming companies, totalling almost \$1.9 billion. SCP companies have received 21%, around \$500 million. Algae companies received 6%, around \$140 million.

When assessing public data on investments into novel feed start-ups, the insect farming sector appears as the best-funded novel feed sector. However, our research suggests that SCPs and algae ingredients have been developed to a large extent in-house by agribusiness companies, whilst the majority of activity within the insect industry has occurred in start-ups. This divergence in funding models suggests that the actual investments in SCP and algae ingredients are underreported in this data.

Novel feed investment trends have mirrored investment trends in ag-tech

The novel feed sector has experienced a rise and fall in investment over the last decade, mirroring the [broader trends](#) in the AgTech Sector. Between 2016 and 2022, we witnessed steady year-on-year growth in investment in the novel feed sectors. This boom came amid rising awareness about the need for more novel protein sources.

This momentum peaked in 2022, before declining again in the face of economic headwinds, including rising interest rates and geopolitical tensions. Many start-ups faced challenges in demonstrating strong unit economics in an era of [unexpectedly high labour, energy, and commodity costs](#). After 2022, the novel feed sector experienced a decline in new investments. Generalist investors, who were attracted to the sector at the peak of the hype cycle, have quietly left. Meanwhile, we have seen AgTech and ClimateTech-focused funds adopt a [“flight to quality”](#) approach by prioritizing quality over quantity in their investment decision-making. Despite the downturn, many investors are still active across the different novel feed ingredient sectors. Almost \$250 million of new investments into the novel feed sector were made in 2024, often late-stage start-ups.

What's behind the recent decline in investments in novel feeds?

Misalignment between venture capital timelines with ag-tech scale-ups

The traditional VC exit model is ill-suited to the high R&D cost and extended CapEx timelines required by novel ingredient companies. In a traditional start-up, investors rely on

acquisitions or IPOs to provide returns within five to ten years. However, the novel feed sector demands patience from its investors. As stated by [Vijula "Vi" Shukla](#) of the Gates Foundation, *"There is a fundamental disconnect in timelines between expectations in the VC model versus the patience required for both technology development and technology market penetration and scaling in agriculture"*

Challenges in insect farming have driven the downturn in investment in novel feed

The downturn in investments in the novel feed sector after 2022 has been caused by the recent challenges faced by the insect farming industry. Investments in insect farming startups decreased by 65% in the past 2 years. Similar to the [indoor farming sector](#), insect farming start-ups have faced difficulties in scaling their production. As a result, several insect farming startups have [shut down](#) in recent years.

The Prospects remain strong for SCP and Algae

Investments in SCP and algae companies have increased since 2022, and reached an all-time high in 2024. The rising demand for novel feed ingredients, particularly from the aquaculture industry, has inspired renewed confidence in these industries. This is a particularly promising trend for the algal oil sector, which produces essential omega-3 fatty acids EPA and DHA, which can replace reliance on fish oil. As a result of concerns over the volatile price stability and availability of fish oil for aquafeed, we have seen the [rising inclusion of algal oil](#) by major fish feed producers.

Why investment in novel feeds will recover

In 2025, we expect to see a structural shift in the funding models adopted by novel feed companies. More investment will come from corporate VCs and institutional investors who use a patient capital model. Unlike traditional venture capital, patient capital is a longer-term investment strategy that recognizes the sector's lengthy R&D cycles, regulatory hurdles, and path to market.

Feeding the future

Short-term funding challenges haven't affected the fundamental drivers behind the novel feed ingredient sector. The animal feed industry remains ripe for innovation and disruption. In the long term, investment in novel feed ingredients remains robust compared to a decade ago when the sector was still nascent. Yet, there has been a massive technology lag in agriculture - especially animal feed - compared to most other sectors.

Novel feed ingredient companies that are capable of demonstrating a tangible path to profitability are best positioned to secure new capital. The first companies to reach scaled production and competitive prices stand to capture an outsized share of the market, ensuring that feeding the future will be more resilient and safe. By delivering on both commercial and supply chain resilience benefits, the strongest novel feed startups will ultimately ride out the current investment shortage.

Get in touch

If you're interested in exploring the rapidly evolving landscape of novel feed ingredients and want objective, data-driven insights, CFI is here to help. The Centre for Feed Innovation is a non-profit organisation that is accelerating the development of novel feed ingredients. We provide businesses and investors with insights to drive innovation in resilient, scalable, and safe animal feed ingredients. Our tailored guidance is based on comprehensive market intelligence and our network of industry experts, start-ups, and researchers.

[Contact us](#) today to learn how CFI can support your organisation and help you make an impact on the future of agriculture.



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