



# Pet Essential

Q1 2017

# Nutrition Quarterly



## Pet Market Argentina

This month, I spent a week in beautiful Buenos Aires. En route to my hotel on Sunday morning, it was amazing to see the number of people walking their dogs. Then I visited both pet specialty and mass/grocery retailers and found most shelves in the pet food aisles were filled with dog food. This was no surprise knowing dog food sales in 2016 continued to dominate at 70% of the total pet food sales in Argentina.

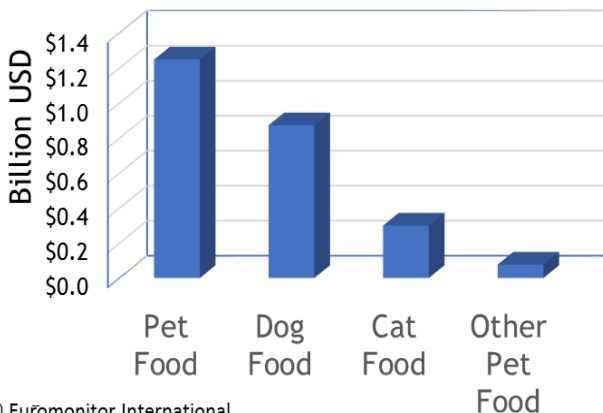
The other noticeable trend was the growth in the number of products with messaging typically seen on super premium brands in the more mature markets, like NA and Western Europe, but sold at a lower price point. Most experts in Argentina are concerned about the struggling economy, yet see growth opportunities mainly because of the strong pull pet humanization continues to have in all markets of the world. There are also opportunities to expand cat product offers.

One real opportunity for the production agriculture industry in Argentina is to develop high quality meat and meat by-product ingredients to satisfy the rise in production volume of super premium products.

Glad to see this market thriving!

Sincerely,  
Jeff Alix,  
Global Marketing Manager Pet Nutrition

2016 Pet Food Sales in Argentina



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## DSM Nutritional Products, Animal Nutritional & Health, Approach to Quality and Safety

Petfood manufacturers and the suppliers that serve them are aware that pet food is a very highly regulated industry. Its standards for safety and quality are equal to, or in some cases, surpass those of the human food industry in some countries.

From a business perspective, managing safety and quality is about mitigating risk to your products brand. Unlike production agriculture, the owners of a retail brand of pet food or snack that harms a companion animal will experience a cascade of events detrimental to their business. These events include immediate loss of sales, scrutiny by the regulatory authorities, possible lawsuits, and public rejection; events that may be severe enough to destroy the brand.

As a leading supplier to this industry, DSM has a global quality and safety standard for our products, including premix, with the goal of meeting or exceeding the expectations of the leading petfood brand owners in the market. Our global quality standard is based upon our 5 Q Values.

### The 5 ANH Q values Our net to secure your business



Food safety



Trusted supply chain



Traceability



Closing the loop



Sharing and learning

Our 5 Q Values take into consideration: Food Safety, Trusted Supply Chain, Closing the Loop, Traceability, and Sharing and Learning.

The DSM quality and safety program is designed around food safety standards and managed by a worldwide team of qualified quality and safety managers passionate about food safety. These experts are responsible for administering our quality and safety program, which includes HACCP, sanitation, pest control, and cross-contamination systems that follow World Health Organization standards. We also know that for this program to be successful it is important to create a high level of internal awareness around every aspect of safety and quality along the entire supply chain, creating a company

culture that live out safety and quality behaviors that embrace well-designed SOPs. DSM is dedicated to standardizing and ensures the integrity our program across the globe by conducting routine audits of all DSM facilities by a Corporate Operational Audit team (COA). Our facility managers will tell you that they would rather have our customers audit them than the COA team due to the strict guidelines.

The integrity of our food safety program is the basis for a Trusted Supply Chain. This starts with vendor qualification and management processes in line with food safety standards. Success is achieved further through our supply chain by leveraging our excellence in analytics based on our long history in the chemical and biosciences industries, maintaining robust and integrated documentation, goods receipt, and warehouse management systems.

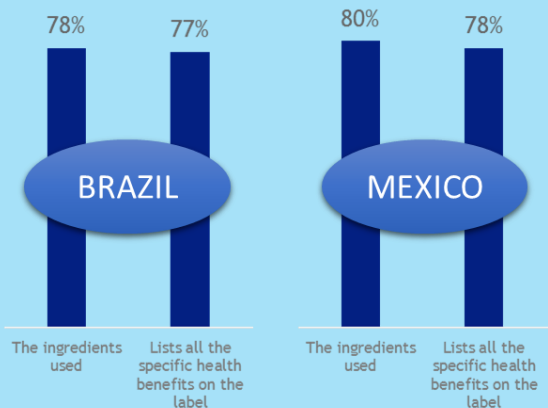
Mindful of the risks to both our customers and the sustainability of our business, perpetual improvement of this food safety program is part of our business strategy, we call Closing the Loop. This means, that we not only have the tools in place to do a thorough root cause analysis on deviations, we have the tools in place to implement change management, the process, tools, and techniques to manage the people side of change. This assures the adoption and the realization of that change resulting in further reduction of risk. To ensure we are Closing the Loop, our food safety mindset is integrated into our ideation and innovation workstreams.

The process of manufacturing bioactive micronutrients and microorganisms, and blends of these micro ingredients, is complex from a quality assurance perspective. We sell these micro ingredients to producers of retail products covering a broad array of dietary needs, such as baby foods, concentrated dietary supplements, and pet foods designed to deliver 100% of the animal's nutritional needs. Due to this complexity, and the obvious safety concerns associated with these types of retail products, it makes sense that Traceability is included as one of our 5 Q values. At DSM, the integrity of our quality system, from material management and labeling to mock recalls, provides an assurance of safety. Rapid and accurate notification of a recall to our customers is the heartbeat of our emphasis on Traceability.

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## Results from 2017 pet consumer studies

Q. When purchasing food for your pet, please indicate how important each of the following attributes are?



### Very consistent responses from two of the largest LA markets!

Approximately 80% of those surveyed agreed that the top two reasons for purchasing food for their pets were “The ingredients used” and “Lists all the specific health benefits on the label”.

Source: DSM MetrixLab studies

The DSM 5 Q Values Sharing and Learning help us stay ahead of the curve. By DSM managing quality and safety on a global scale, using CQM TrackWise and other companywide web-based training tools, every DSM employee becomes integrated into our global quality and safety program.

Having the right quality and safety processes in place are mandatory, but at DSM we believe you can only achieve the highest level of risk mitigation if you integrate a consciousness of quality and safety across all employees and it becomes part of your company’s culture.

Our company recognizes that with business growth becoming more dependent on offering premium petfoods, and a heightened awareness of food safety among consumers, suppliers need to be



trustworthy partners oriented towards mutual success. DSM strives to earn the title of “Trusted Partner”!

### The topic of trust seen in recent DSM Latin America pet consumer study results

When surveyed by DSM (MetrixLab, 2017), the grand majority of dog and cat owners in the two major pet food markets, Brazil and Mexico, showed an almost identical result when asked to choose the most important attributes when making a pet food purchasing decision. The top two choices were “The ingredients used” and “Lists all the specific health benefits on the label”.

In the past, we saw responses like this when surveying pet owners in the more mature pet food markets. The rationale behind this response then was attributed to creating a “reason to believe” claims in the pet food messaging regarding their support of health and wellness.

Many brands strive to convince consumers that their product will deliver the nutrition needed for a long and healthy life. Unfortunately, not all of these brands live up to this expectation and consumers notice negative changes in their beloved pet’s performance after feeding the food. The most noticeable changes in performance are coat quality, activity levels, and the appearance of the feces. Today’s consumers are less loyal to a brand and will switch if they experience performance issues.

Rapid accessibility to information via the internet also helps to build the modern consumer’s awareness level surrounding the benefits associated with ingredients. Equipped with this knowledge, they read labels seeking a connection between the stated benefits and the ingredients.

This lack of trust is growing and creates an almost self-regulating environment. In today’s market, if a pet food fails to deliver on stated promises, consumers are more apt to switch brands until once again pulled towards the next most attractive product.

DSM understands these challenges and offers nutritional solutions that are not only scientifically valid but attractive to pet owners. Our DSM 5 Q Values is not the only way we support the quality of our partner’s brands.

Speak to your DSM representative to learn more.